

**SUPPORT FOR DROUGHT AFFECTED COMMUNITIES IN NEW SOUTH  
WALES**

**Organisation:** Australian Hotels Association NSW

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Mr Justin Clancy, MP  
Chair, Committee on Investment, Industry and Regional Development  
Parliament House  
SYDNEY NSW 2000  
Via email: [investmentindustry@parliament.nsw.gov.au](mailto:investmentindustry@parliament.nsw.gov.au)

Dear Chair,

**RE: Support for Drought Affected Communities in NSW**

The Australian Hotels Association (AHA) NSW is pleased to make a contribution to this Inquiry.

The current drought crisis has inflicted considerable strain on regional communities and businesses in New South Wales. In providing support to these areas, the NSW Government will be able to contribute positively to maintaining the social and economic wellbeing of areas facing difficulty.

In preparing this submission, the AHA NSW contacted many of our regional members to gain firsthand insight into the impact of drought on their businesses – that feedback is reproduced in the following pages.

Should you require further information or wish to discuss any of the issues raised in the attached submission, do not hesitate in contacting AHA NSW Manager of Policy & Research Chris Gatfield, via email [REDACTED] or telephone [REDACTED]

Yours faithfully,

[REDACTED]  
**JOHN WHELAN**  
Chief Executive Officer

## ► Who We Are

The Australian Hotels Association (AHA) NSW is a federally registered industrial relations association which represents the interests of over 1,800 hotels, pubs, taverns, and small bars across New South Wales, more than 1,000 of which operate in regional areas.

Tourism Accommodation Australia (TAA) NSW is a division of AHA NSW which represents the accommodation and tourism sector of the industry. TAA NSW represents 3, 4 and 5 star hotels, including National, International and independently operated properties, over 30% of which are in regional NSW.

Throughout the state our members employ more than 70,000 people, serve 2.4 million meals every week, contribute well in excess of \$1 billion in taxes and levies to the NSW Government each year, and contribute millions of dollars charitable, community and sporting groups through voluntary donations.

## ► The Hotel Industry and Drought

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*I have been living and/or doing business in the central west plains area since 1979. As a child my parents had a couple of hotels in Parkes at different times and one in Dubbo. Myself personally I had a pub in Nyngan, Bourke, Nevertire and now Dubbo. In the 40 years I have been associated with this region I have seen a couple of severe droughts, however, I have not seen such a prolonged period of dryness as this one, many of my colleagues are saying the same. **Hotelier, Far West and Orana***

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Hotels in regional New South Wales are the heart of their communities. They provide spaces in which locals can come together to seek support, friendship and a sense of belonging, as well as provide support during times of crisis.

Over the course of 2018, hundreds of hotels worked tirelessly in support of the Buy a Bale campaign through self-started initiatives such as Parma for a Farmer. These fundraising efforts collectively represent millions of dollars in support for drought-focussed charities – support that is voluntary, and that for the most part, goes unheralded.

In conjunction with many of our individual members, the AHA NSW has contributed substantially to drought relief efforts in impacted areas, coordinating the fundraising of \$250,000 to the Buy a Bale campaign from both city and regional hoteliers. Likewise, in August 2018, AHA NSW members from across the Hunter and Newcastle raised \$140,000 as part of the 'Fork to Farm' fundraiser, the proceeds of which were donated to Rural Aid.

Unfortunately, hotels across regional and drought affected NSW are not immune to the challenges of the current drought. AHA NSW estimate that there are 738 hotels in severely drought affected regions of the state, and many more in drought impacted areas.

Over the past two years, more than 50 country pubs have shut their doors, and while the drought will end at some point, those hotels may never open again.

Support for hotels in drought-impacted areas will allow them to continue to do what they do in easier times – provide local employment, pay local suppliers, and contribute socially and economically to the local community.

## ► Impact on Hotels in Regional NSW

### ► Population loss and loss of key trades, skills and businesses, and community services such as schools and medical services

As a result of inconsistent agricultural work, a proportion of local labour is forced to relocate in search of employment. Of the 54 council areas listed as suffering intense drought in NSW, 30 have experienced population decline over the past 5 years. The shrinking economic base created by population loss has an unavoidable impact on business viability.

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*“Population loss has been significant with many towns in the district losing businesses that have become unviable after the effects of drought on their income”. **Hotelier, Riverina***

*“No crops, selling breeding stock, no work for locals, loss of skilled labour to the cities all culminating in less money being spent in the towns. This in turn forces publicans & retailers to employ less people & the cycle just worsens”. **Hotelier, Richmond – Tweed***

*Obviously the drought is having an effect on everyone in the community by way of increase food costs and some cases reduced supply.... the local pubs in the area have mainly suffered due to the reduction in workforce in these businesses, with people moving and sourcing alternate incomes. **Hotelier, Hunter Valley***

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Restricted labour market mobility, seasonality of demand, labour competition from other sectors and lack of demand for careers in hospitality and tourism all combine to create substantial labour market gaps across the hotel industry. Hotels in regional NSW find it incredibly difficult to attract skilled employees – particularly chefs and cooks – with around 60% of surveyed vacancies remaining unfilled and employers considering 0.5 applicants per vacancy to be suitable.



Ongoing population loss in some regional communities compounds these issues, not only making it more difficult to source local skilled employees, but making it more difficult to attract and/or retain potential employees to move to regional NSW.

### ► **Business debt finance and responses of financial companies to the impact of drought**

In response to a decline in economic stability in regional areas, the ability to access finance from banks has become far more restricted.

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*"Banks are continually reviewing lending ratios with revaluation of businesses resulting in a further cash commitment, meaning closure or undue financial pressure". **Hotelier, Riverina***

*"... there has been an increase in restricted access to finance from banks. Post-banking enquiry, tighter lending policies have been implemented, so access to finance for business has been reported as stricter and harder to meet lending criteria. Further, for agricultural businesses it has been highlighted that banks are looking to see 'drought protection' in business plans". **Hotelier, Central West***

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While reports of difficulty accessing finance are widespread, it is important to recognise that some hoteliers reported their financial institutions have assisted through rolling over overdraft debt into longer term facilities or reviewing interest and risk rates.

### ► **Direct and indirect impacts of drought on businesses and industries**

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*"... when it doesn't rain the weeds don't grow either, therefore the spray contractor is not working, you can't hold livestock without water so there are no sheep for the shearers to shear, there are no crops so all the contractors involved in harvest including the truck drivers that cart the grain to the silos are all out of work. The knock on effect is all of those contract workers are not spending money in their local stores. With all of this lack of income comes lack of spending and the local pubs are very hard hit". **Hotelier, Far West and Orana***

*"Businesses and in particular hotels have been affected with less patronage. We have experienced in our hotel a downturn in our lunchtime trade as less farmers and businesses from out of town come in for shopping and a counter lunch. This downturn would be in the vicinity of 20%". **Hotelier, Riverina***

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While the current drought has been disastrous for the agricultural sector, the negative impacts are economy-wide in those drought-affected areas. Ultimately for many of these communities, the destabilisation of the economic foundations usually generated through agriculture has resulted in reduced spending and reduced inputs into local economies.

While the direct impact of the drought has been a noticeable reduction in economic activity, the indirect impacts are many and widespread. For example, AHA NSW members in regional communities have reported needing to purchase water to use in toilets and washing systems.

One such hotel purchased water on eight occasions over the past five months, with each delivery of 16,000 Litres costing between \$450 and \$500. While this may not present a large impost for a substantial metropolitan hotel, it is for many small country venues, and it is a considerable cost that cannot be avoided.

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*“Both rural residents and farming families are reallocating discretionary spending towards feed and water for livestock and purchasing potable water for domestic use. There is an impact of the drought across the entire economy as residents switch spending to feed and water, therefore reducing spend on non-essential items and therefore, local businesses have less turnover and profit to continue to operate, impacting employment opportunities and limiting business growth”. **Hotelier, Central West***

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## ► Temporary relief from state taxes, charges and levies for drought affected businesses

### ► Annual Liquor Licensing Fees

Annual Liquor Licence Fees (ALLF) are paid by all liquor licence holders in New South Wales. Licensees pay a ‘base fee’ (\$543 for a full hotel licence in 2019), as well as fees related to trading hours after midnight. Venues with a poor compliance history are also liable for fees related to the number of breaches and the size of the venue.

Many hotels have Extended Trading Authorisations permitting trading past midnight on some or all days of the week, or unrestricted trading hours in some cases, despite the fact that they do not actually trade to those hours. Approximately 45% of regional hotels are liable for the trading hours component of ALLF. For a small country pub with unrestricted trading hours and a perfect compliance history, the cost of the ALLF is \$5,948.

Whilst a hotel can apply for a fee waiver based on financial hardship, due to the severity and enormity of the droughts economic impact on the hotel industry, we propose a general fee waiver across drought affected areas.



The AHA NSW submit the NSW Government waive the 'base fee' and 'trading hours' fee' components of the Annual Liquor License fee (ALLF) for a period of two years.

### ► Regional Payroll Tax

The AHA NSW note with appreciate the action already taken by Government in relation to taxation relief and other concessions, such as the raising of payroll tax thresholds for all businesses, and Job Action Plan rebates for businesses that do not pay payroll tax employing new people in new jobs.

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*Tax breaks for businesses operating in drought-affected rural areas would be encouraged, as retail sales and other discretionary spending has been reduced by farmers and therefore impacting other local businesses who employ people in the region. **Hotelier, Central West***

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In 2018, the NSW Parliamentary Committee on Investment, Industry and Regional Development conducted an inquiry into Zonal taxation, which recommended the NSW Government implement a zonal taxation approach for payroll tax and commercial and industrial property stamp duty using a 'metropolitan' zone incorporating the Greater Sydney area and a 'regional' zone incorporating the remainder of New South Wales.

The inquiry found that a zonal approach to taxation would support regional economic growth through business expansion and higher employment, encourage the movement of people and businesses to regional New South Wales, and ensure regional areas in New South Wales remain competitive for business investment and growth compared to interstate regions. The impact of drought makes the case for reform all the more compelling.

There is precedent for zonal taxation in relation to payroll tax; both the Victorian and Queensland State Governments employ a differential rate of payroll tax based on location. In Victoria, the government has implemented a declining payroll tax rate paid by regional employers to regional employees since 2017:

Year	Regional Payroll Tax Rate (%)	Metropolitan Payroll Tax Rate (%)
2017-18	3.65	4.85
2018-19	2.425	4.85
2019-20	2.02	4.85
2020-21	1.62	4.85
2021-22	1.2125	4.85

Likewise, the Queensland state government has enlisted a differential payroll tax rate between regional and metropolitan areas. Regional employers are eligible for a 1% reduction in payroll tax rates. Otherwise, the discounted rate is:

- 3.75% for employers or groups of employers who pay \$6.5 million or less in Australian taxable wages, or
- 3.95% for employers or groups of employers who pay more than \$6.5 million in Australian taxable wages.

The AHA support the findings and recommendations of the Inquiry report, and urges the NSW Government to reconsider the issue of zonal taxation. In particular, the AHA NSW support Recommendation 4 from the report: *“That the NSW Government further increase the payroll tax threshold for regional businesses to \$2 million from 1 July 2022”*.

### ► **Capacity and coordination of town water supplies and further recycling opportunities**

Hotels, and the hospitality industry more broadly, are water-intensive businesses. Many AHA NSW and TAA members have taken steps to reduce their water consumption, such as installing tanks to capture and store rinse water, water efficient cooking equipment and appliances, and water-efficient showers.

However, some level of water use in hotels is unavoidable, and to that end, assistance from Government to encourage moves towards the most sustainable use of that water would assist businesses in water-scarce regions.

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*“I think if every-one was to have water tanks to catch rain water for all bath rooms, laundries & kitchens, this would take a load off the water supplies & perhaps more dams could be built to cater for the rise in the population”.* **Hotelier, Richmond - Tweed**

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Some Councils offer rebates or grants for the installation of rainwater tanks, primarily for residential use. Similarly, the former NSW Government Home Saver Rebates Program (previously known as the Residential Rebates Program) offered \$170 million towards household installation of climate-friendly hot water systems, ceiling insulation, dual flush toilets, rainwater tanks, water efficient washing machines or hot water circulators. However, there are no current State Government programs to encourage business uptake of these technologies. The AHA NSW submits that the NSW Government consider relaunching such a program.

### ► **Tourism**

Tourism is a significant contributor to the national economy, generating \$57.3 billion in direct GDP. However, regional tourism is underperforming. Despite the fact that 44 cents in every tourism dollar is spent in regional areas, for domestic travellers the rate



of regional dispersal has remained static for more than a decade, while there has been a steady decline in international visitor numbers, with only 34% visiting a regional area.

Encouraging both domestic and international tourists to visit regional New South Wales, spend money, and stimulate drought-impacted economies would provide a range of short- and long-term benefits. Promotion of regional NSW as a destination, as well as promotion of the availability of subsidised transport to regional NSW (such as through the State Rail Discovery Pass) is vital to increasing visitation.

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*The most important factor in supporting a community through the drought is to get some spending into their local economy. Out of town visitors whether for work or tourism/leisure are really appreciated at these times and help pump some extra money into the local economy. **Hotelier, Far West and Orana***

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In the 2018-19 Budget the Federal Government committed to providing \$206.5 million for the Building Better Regions Fund to support investment in community infrastructure and capacity building projects in regional areas. This includes \$45 million to improve tourism related infrastructure which is of vital importance to increase regional dispersal and improve the capacity and attraction of regional visitor economies. We urge the NSW Government to consider a similar investment.

The Federal Government announcement that the Business Events Bid Fund Program will become easier for regional destinations to access is expected to help attract new corporate visitors to regional Australia and provide significant return on investment. Again, we urge the NSW Government to similarly promote regional NSW as a destination for events.

## ► Conclusion

Hotels support our regional communities, and the AHA NSW acknowledge the difficult period they are experiencing. Government support of hotels in drought affected areas will allow them to continue to support their communities, and provide a destination and service that aids and enhances the lives of individuals and customers experiencing the negative impacts of drought.