27 January 2015

Mr Peter Harris AO
Chairman
Productivity Commission
Level 2, 15 Moore Street
Canberra City ACT 2600

Dear Mr Harris

My congratulations on your appointment as Chairman of the Productivity Commission.

In my view this is one of the most important current tasks to be undertaken to ensure our country's long term viability.

In December 2012 I participated and delivered a presentation at a Productivity Round Table Conference at the Australian School of Business (UNSW). (Copy attached).

My presentation focussed on the 24/7 accommodation and food service industry, however, I believe the principles apply to most other industries.

The essence of my presentation demonstrated that if employers and employees had the flexibility to choose the hours worked on any day of the 38 hour week without changing the then current award system, would result in a material improvement in productivity, reduction in operating costs, better service when required and potentially increased employment.

In the current political climate I feel my recommendation may assist in your deliberation of this vital issue.

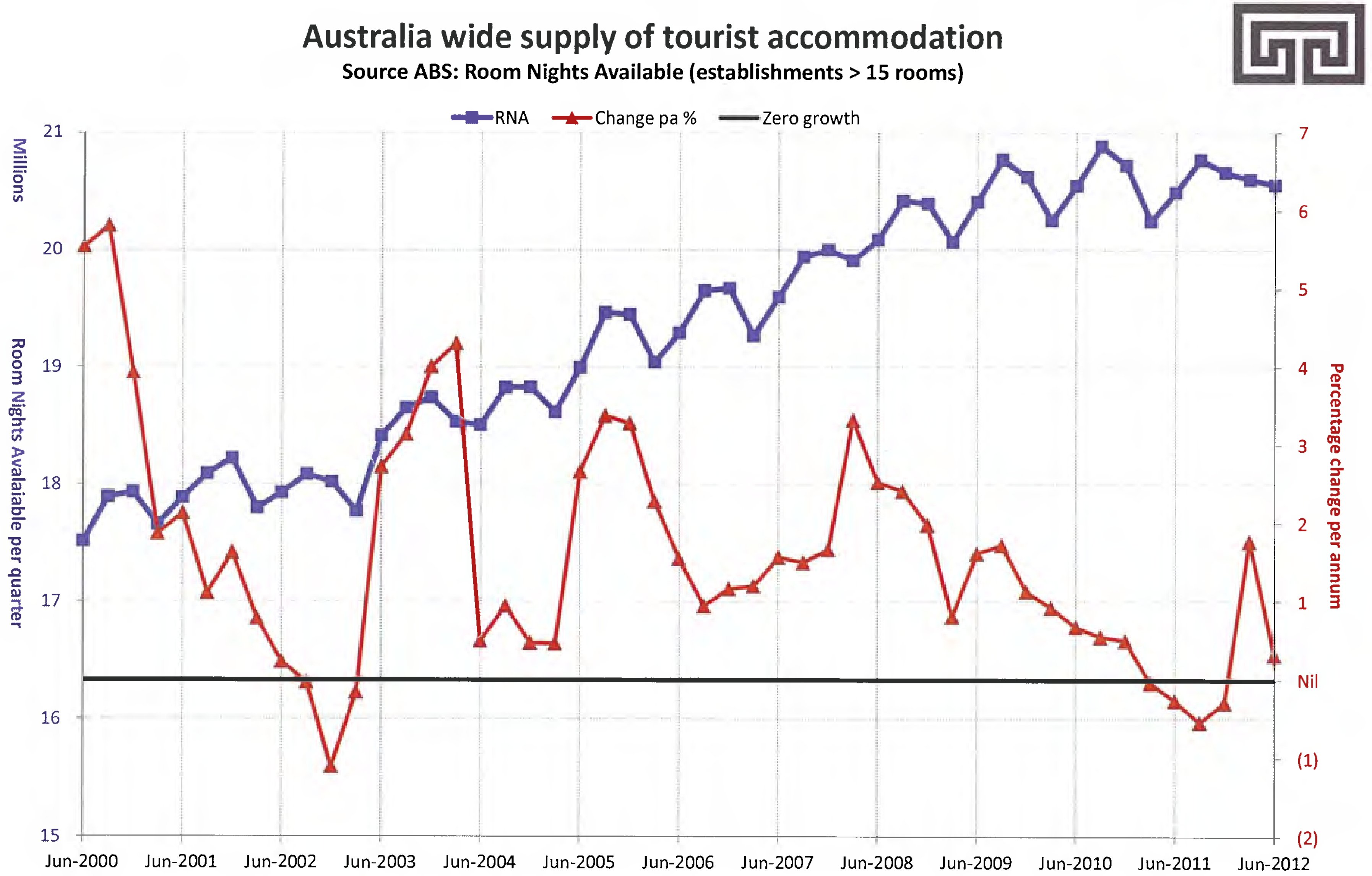
May I suggest that In the current circumstances your findings and recommendations should be provided as early as possible and November 2015 may be too late.

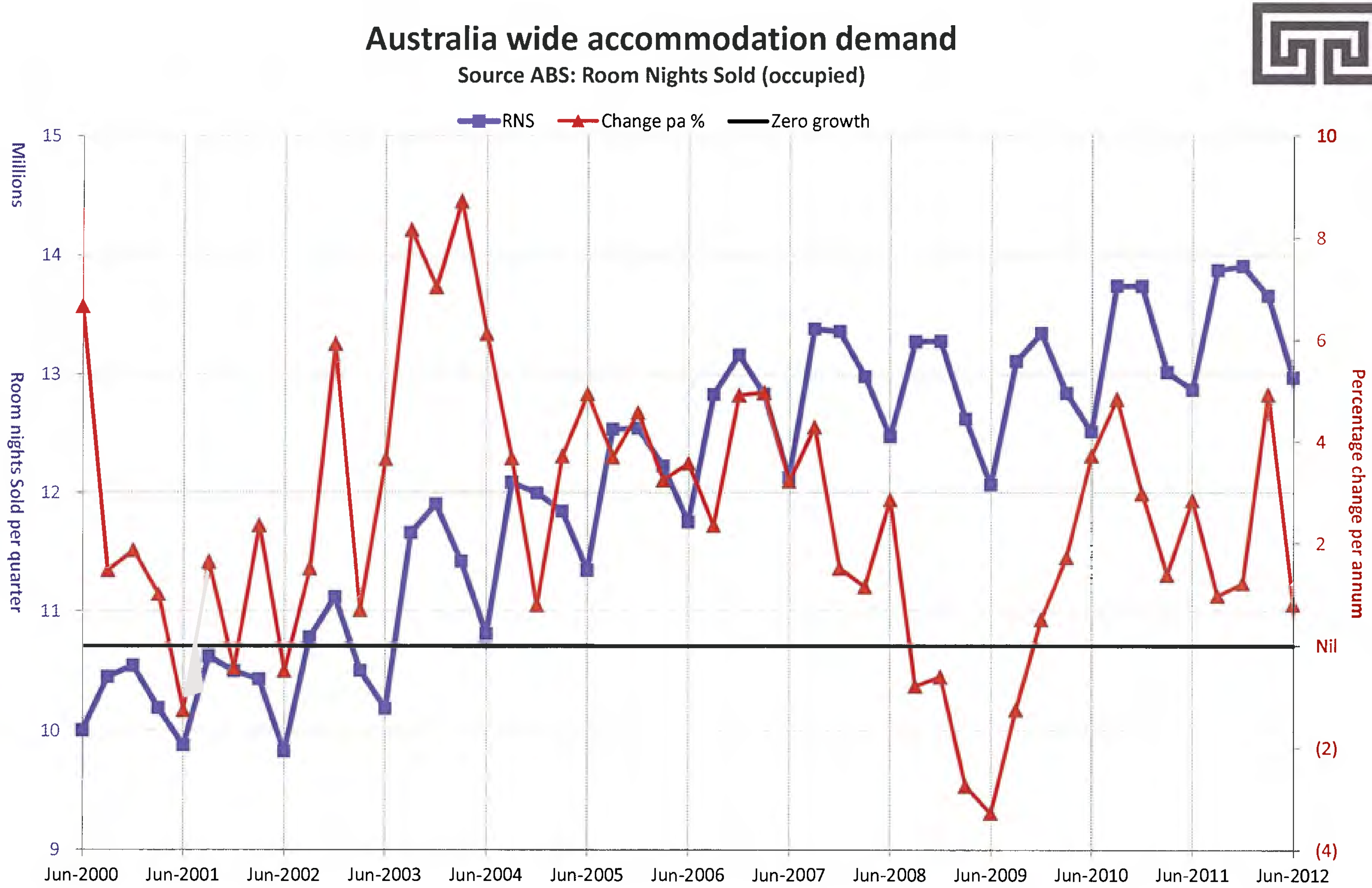
I wish you and the members of the Commission well deserved success in your important task.

Yours sincerely

Ervin H Vidor AM
Chairman
Toga Group

Encl. Accommodation and Food Service Industry Presentation
Toga Corporate Profile

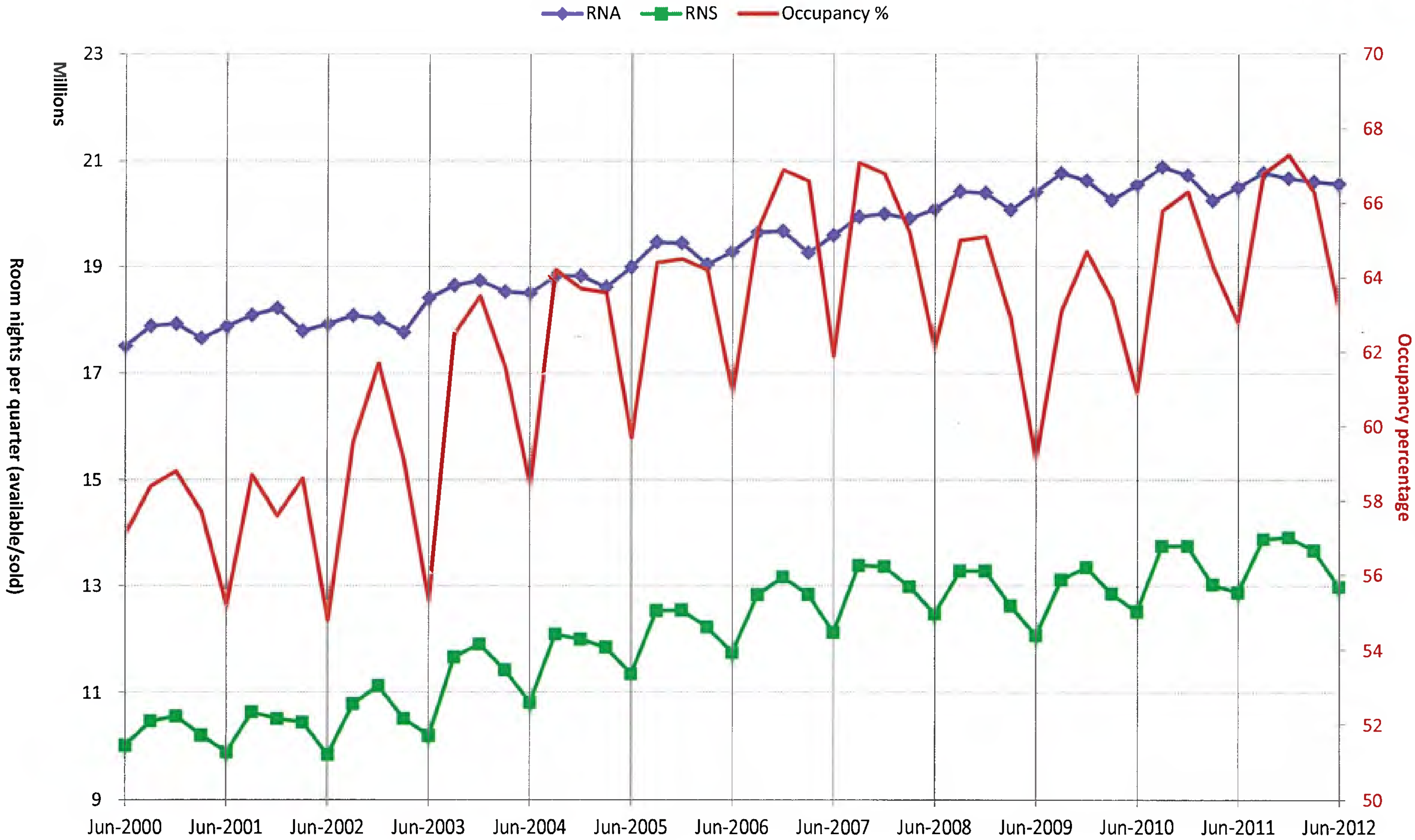

Australia wide supply of tourist accommodation
Source ABS: Room Nights Available (establishments > 15 rooms)
RNA
Change pa %
Zero growth
Millions
Room Nights Avalaiable per quarter
Percentage change per annum
21
20
19
18
17
16
15
7
6
5
4
3
2
1
Nil
(1)
(2)
Jun-2000
Jun-2001
Jun-2002
Jun-2003
Jun-2004
Jun-2005
Jun-2006
Jun-2007
Jun-2008
Jun-2009
Jun-2010
Jun-2011
Jun-2012

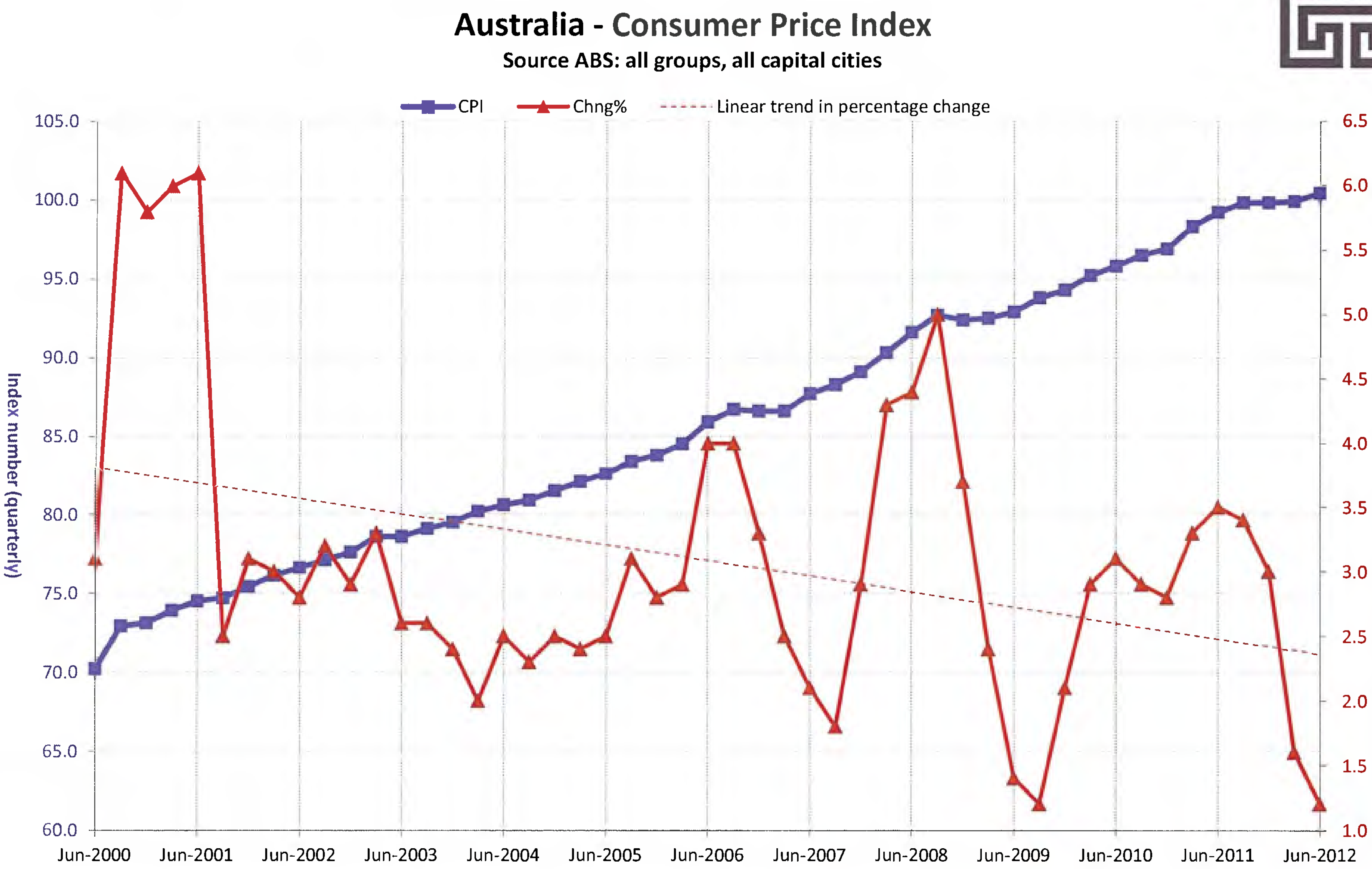


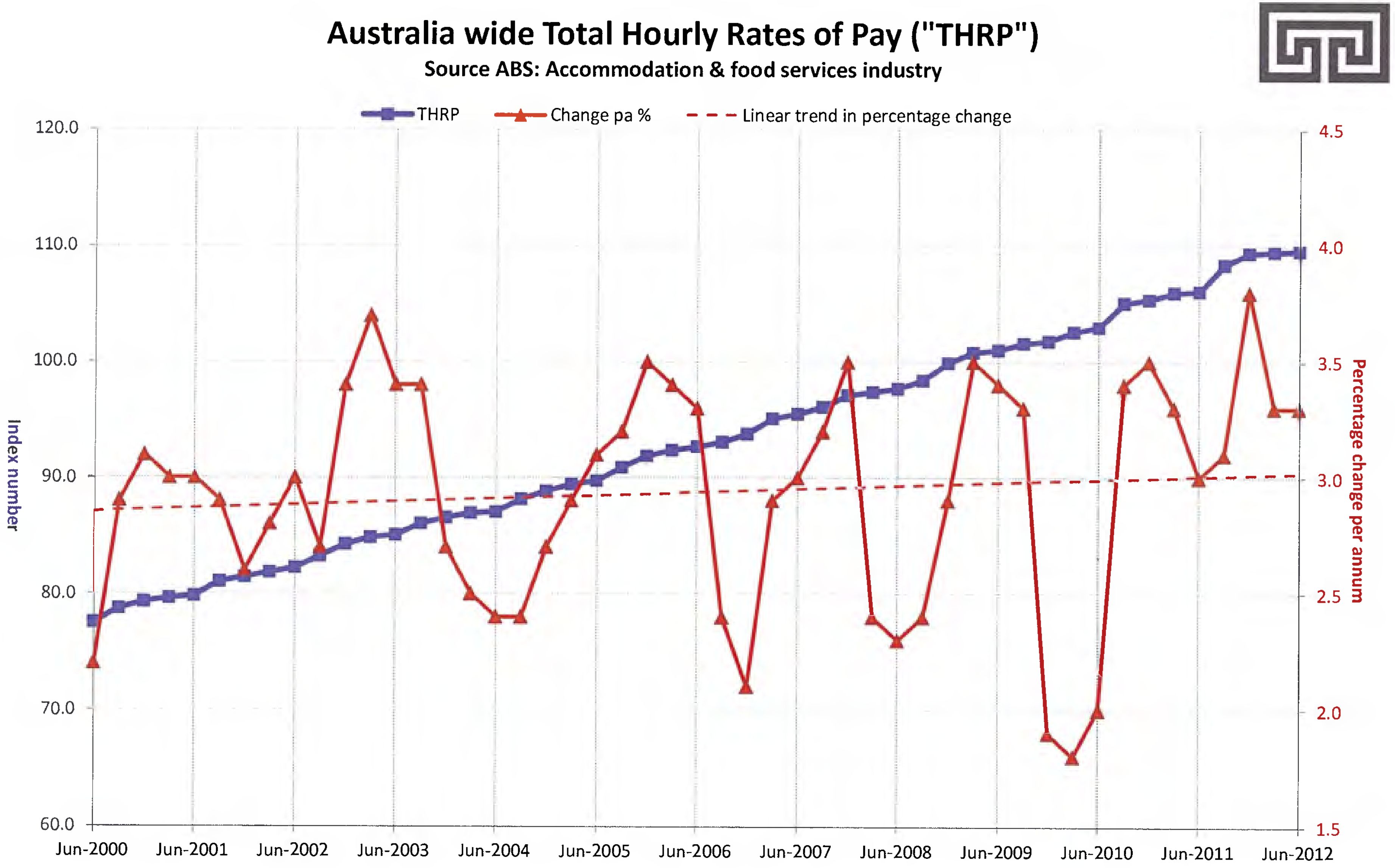
Australia wide accommodation demand
Source ABS: Room Nights Sold (occupied)
RNS
Change pa %
Zero growth
Millions
Room nights Sold per quarter
15
14
13
12
11
10
9
10
8
6
4
2
Nil
(2)
(4)
Percentage change per annum
Jun-2000
Jun-2001
Jun-2002
Jun-2003
Jun-2004
Jun-2005
Jun-2006
Jun-2007
Jun-2008
Jun-2009
Jun-2010
Jun-2011
Jun-2012

Australia wide accommodation demand v supply

Source ABS: room occupancy

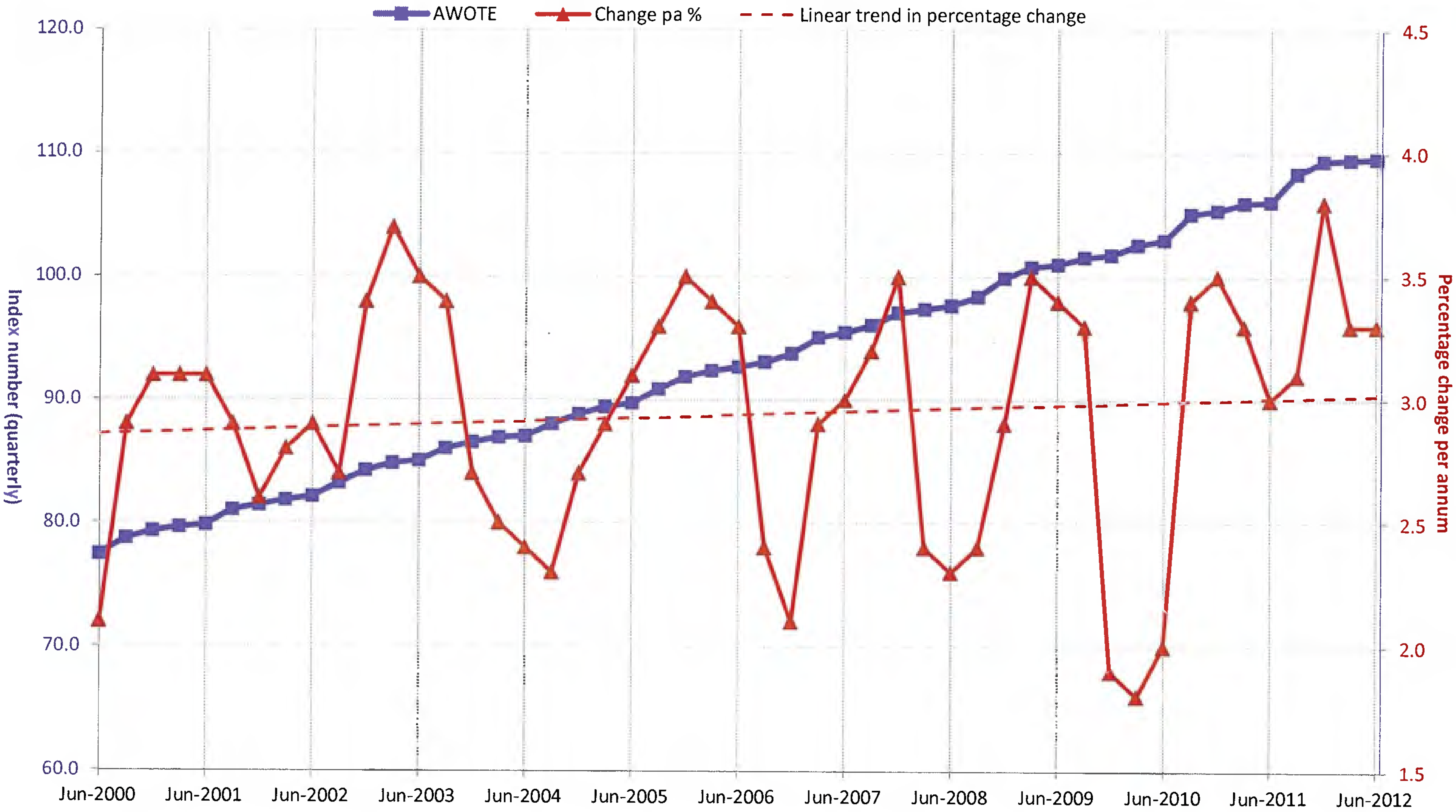



Australia - Consumer Price Index
Source ABS: all groups, all capital cities
CPI
Chng%
Linear trend in percentage change
Index number (quarterly)
Percentage change per annum
105.0
100.0
95.0
90.0
85.0
80.0
75.0
70.0
65.0
60.0
6.5
6.0
5.5
5.0
4.5
4.0
3.5
3.0
2.5
2.0
1.5
1.0
Jun-2000
Jun-2001
Jun-2002
Jun-2003
Jun-2004
Jun-2005
Jun-2006
Jun-2007
Jun-2008
Jun-2009
Jun-2010
Jun-2011
Jun-2012


Australia wide Total Hourly Rates of Pay ("THRP")
Source ABS: Accommodation & food services industry
THRP
Change pa %
Linear trend in percentage change
Index number
Percentage change per annum
120.0
110.0
100.0
90.0
80.0
70.0
60.0
4.5
4.0
3.5
3.0
2.5
2.0
1.5
Jun-2000
Jun-2001
Jun-2002
Jun-2003
Jun-2004
Jun-2005
Jun-2006
Jun-2007
Jun-2008
Jun-2009
Jun-2010
Jun-2011
Jun-2012

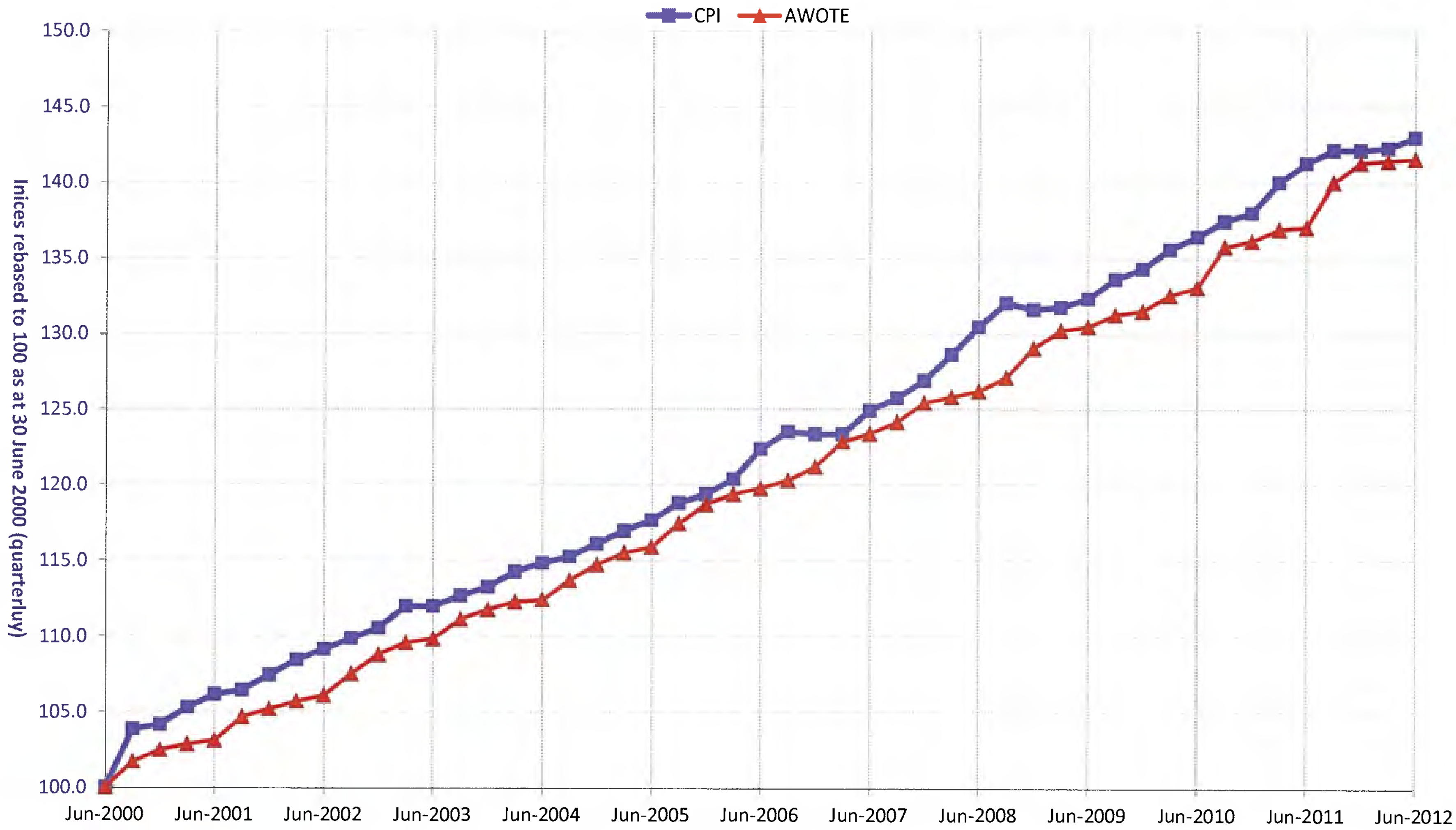
Australia wide Adult Weekly Ordinary Time Earnings ("AWOTE")

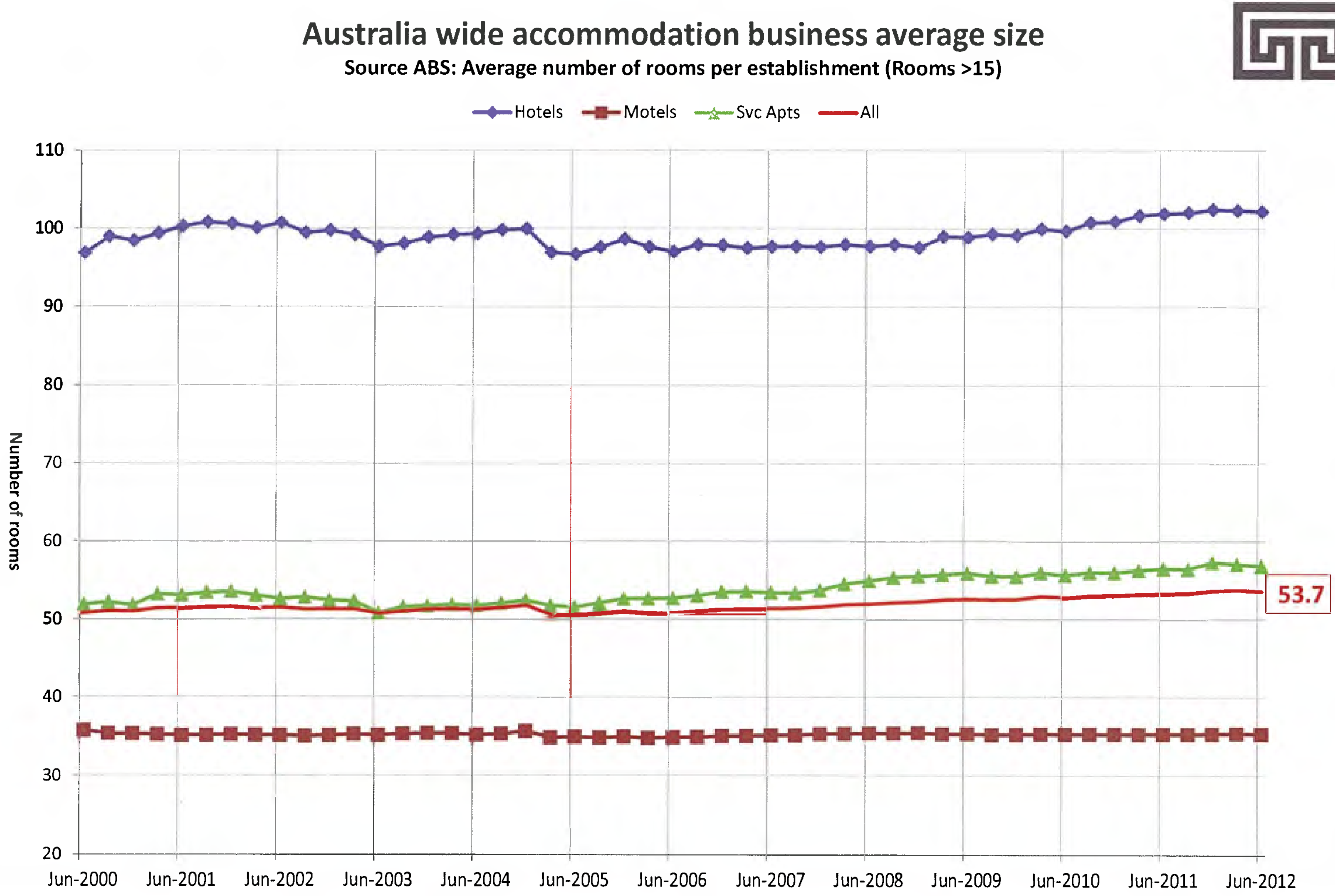
Source ABS: Acccommodation and food services industry

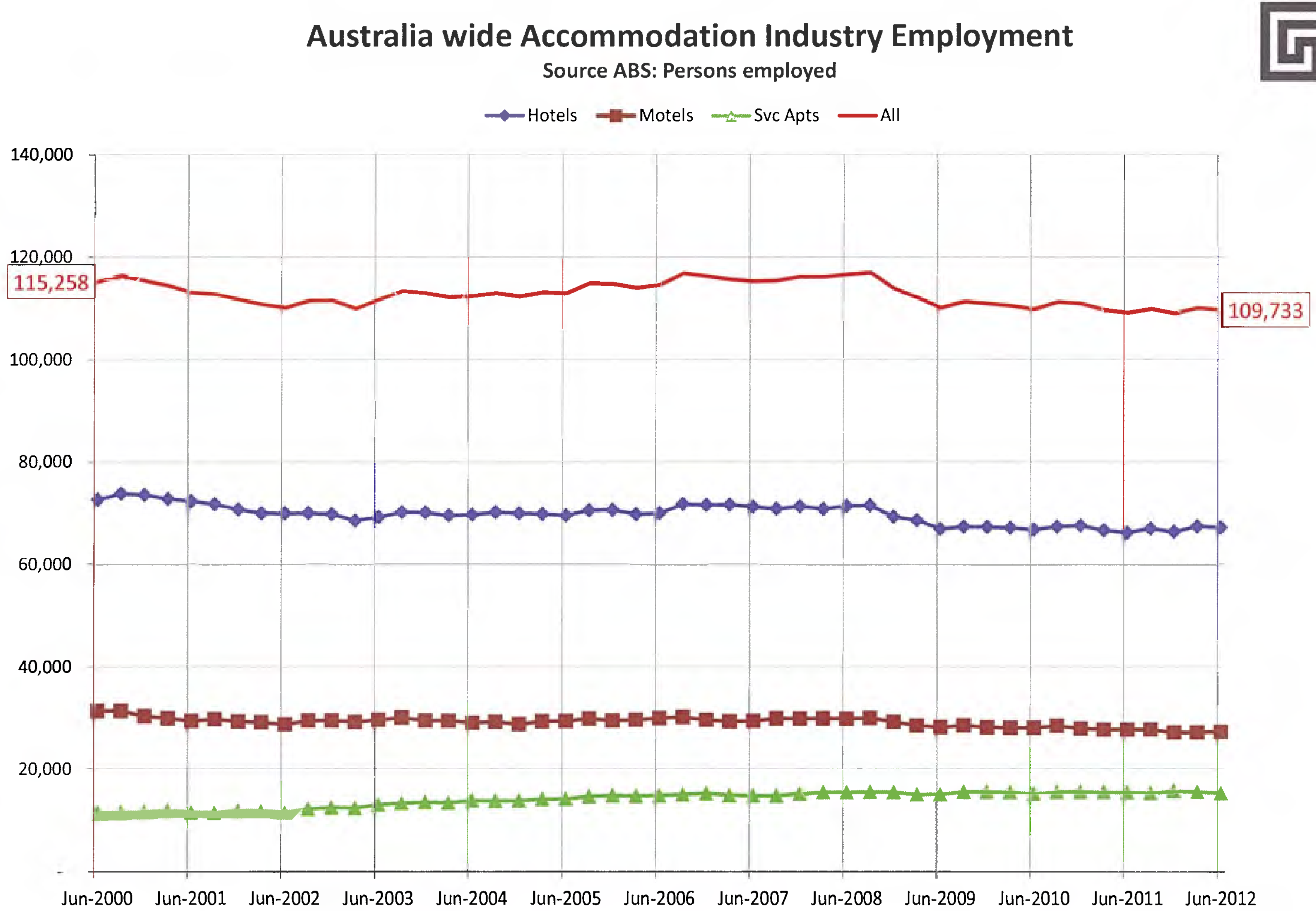


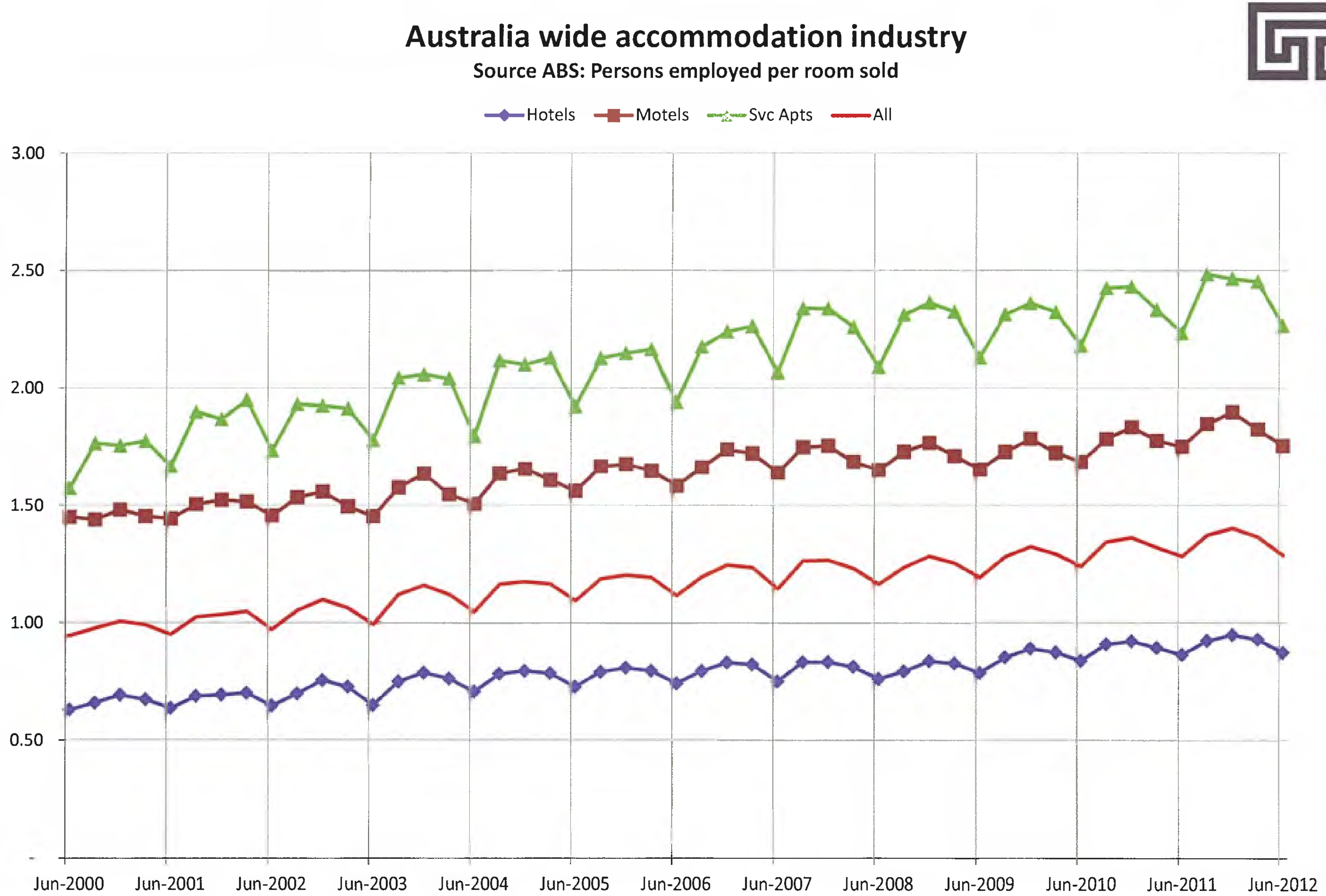
Australia wide comparison of growth in prices v wages (CPI v AWOTE)

Source ABS: CPI (all groups all capital cities) and AWOTE (Accom & food service industries)

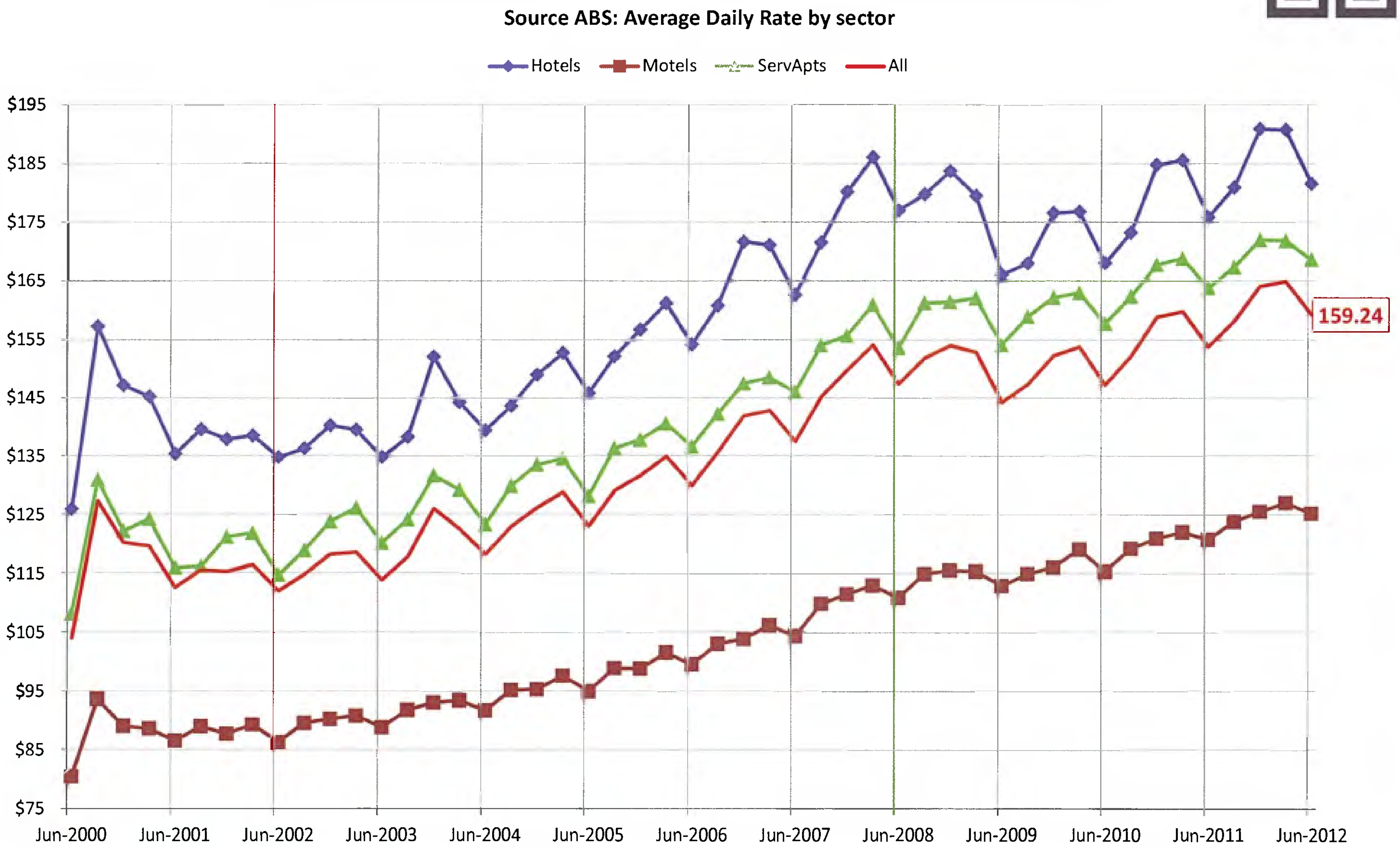


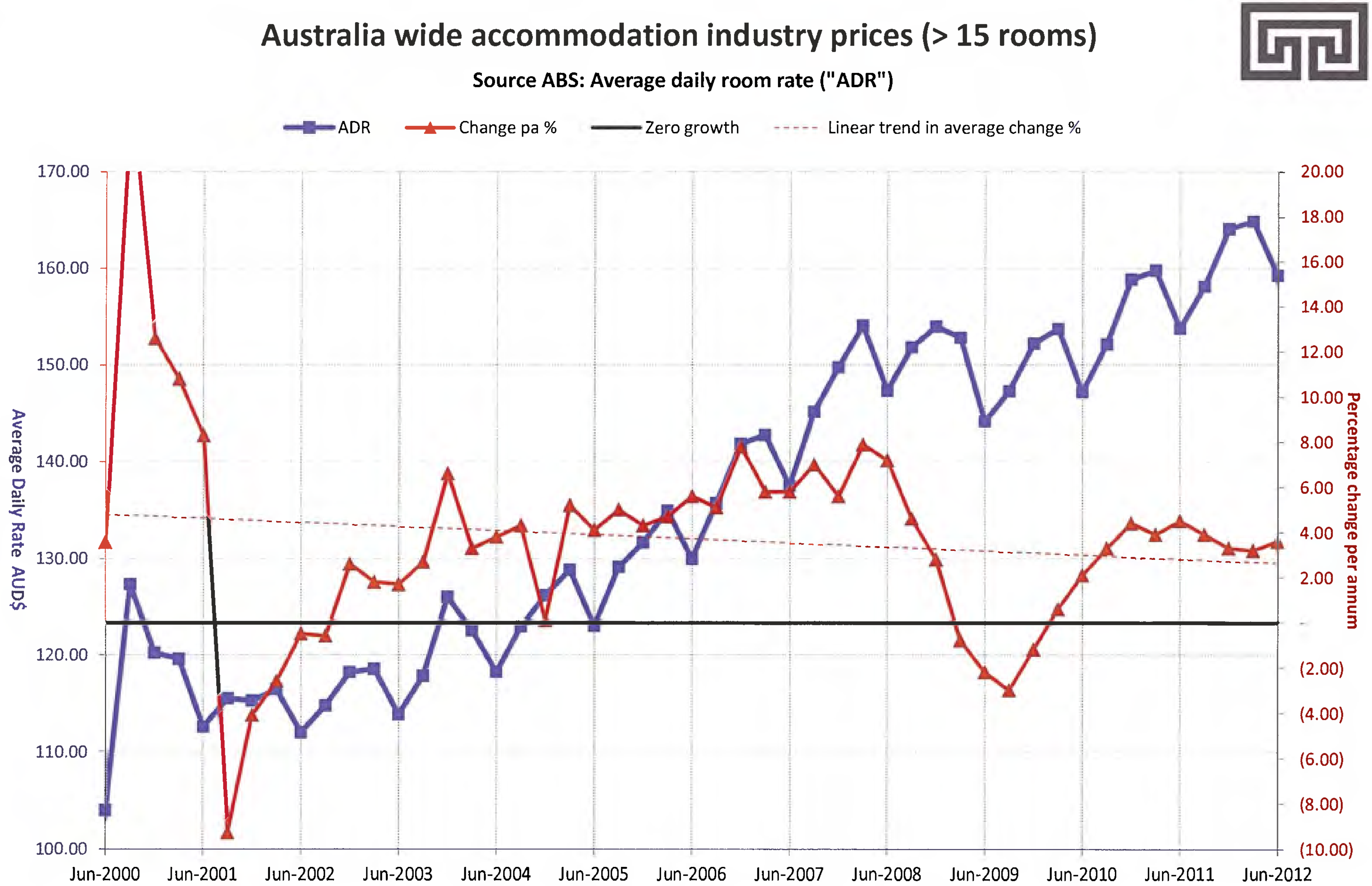

Australia wide accommodation business average size
Source ABS: Average number of rooms per establishment (Rooms >15)
Hotels
Motels
Svc Apts
All
110
100
90
80
70
60
50
40
30
20
Number of rooms
53.7
Jun-2000
Jun-2001
Jun-2002
Jun-2003
Jun-2004
Jun-2005
Jun-2006
Jun-2007
Jun-2008
Jun-2009
Jun-2010
Jun-2011
Jun-2012

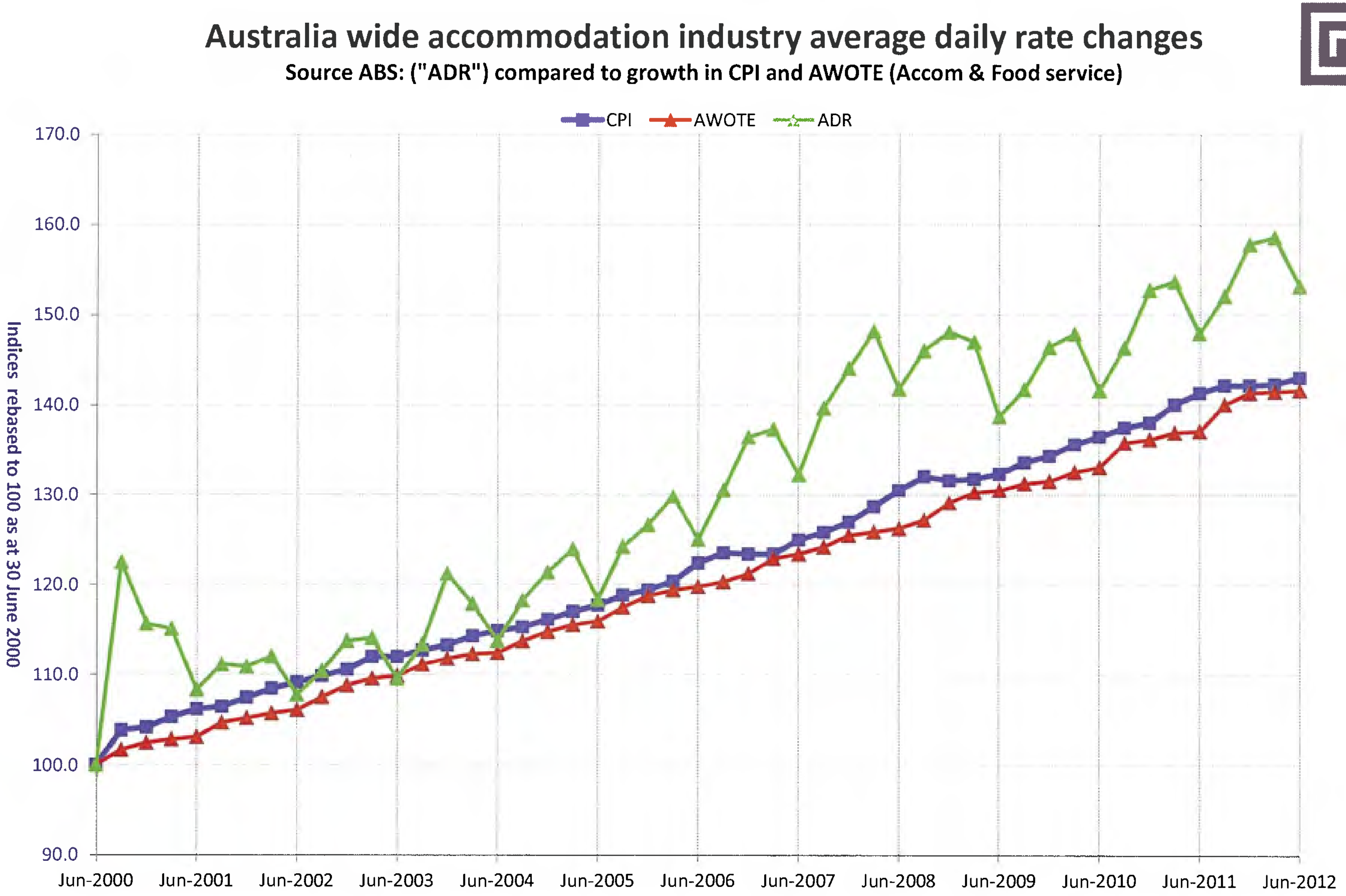

Australia wide Accommodation Industry Employment
Source ABS: Persons employed
Hotels
Motels
Svc Apts
All
140,000
120,000
100,000
80,000
60,000
40,000
20,000
-
115,258
109,733
Jun-2000
Jun-2001
Jun-2002
Jun-2003
Jun-2004
Jun-2005
Jun-2006
Jun-2007
Jun-2008
Jun-2009
Jun-2010
Jun-2011
Jun-2012

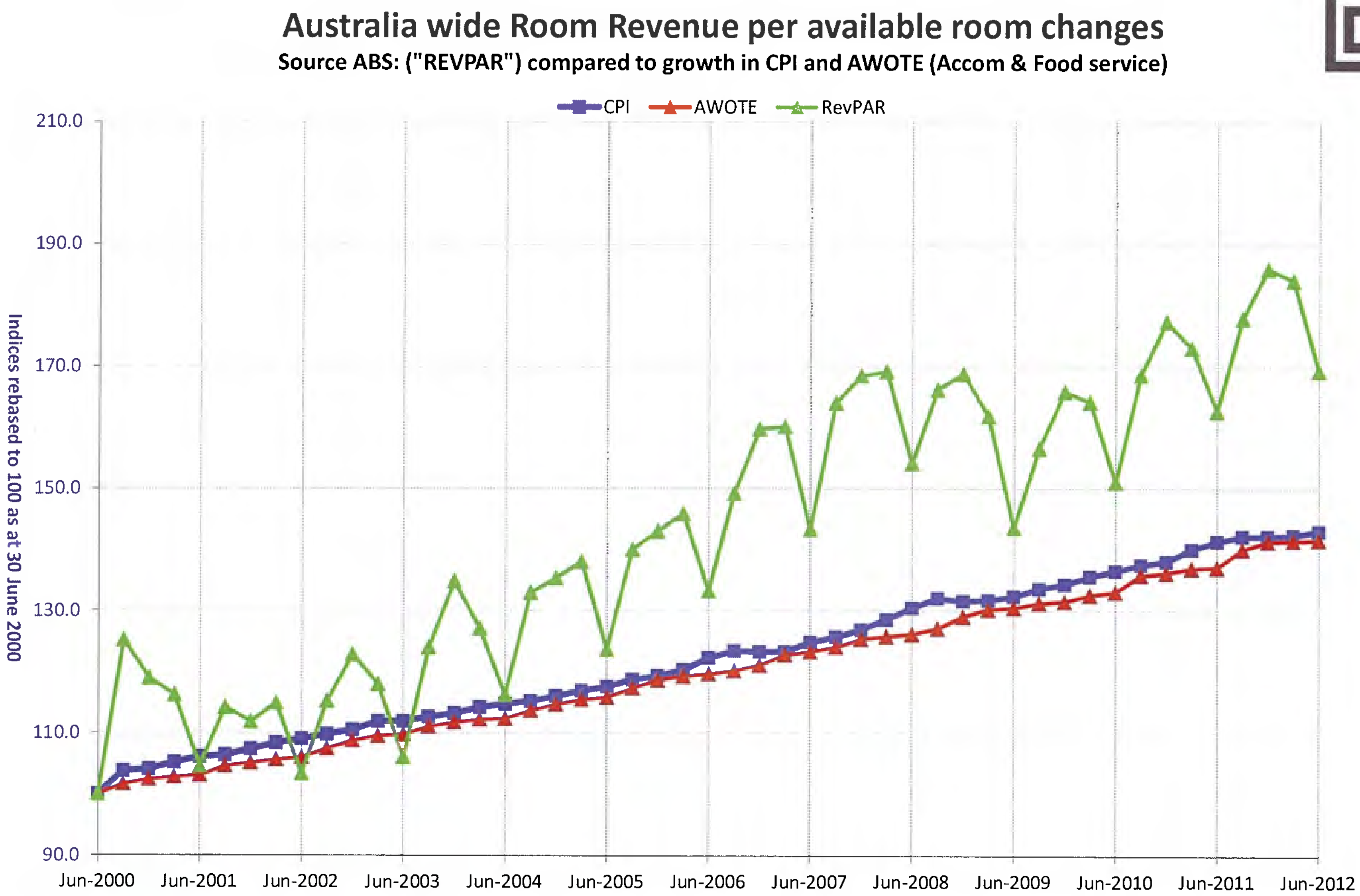

Australia wide accommodation industry
Source ABS: Persons employed per room sold
Hotels
Motels
Svc Apts
All
3.00
2.50
2.00
1.50
1.00
0.50
-
Jun-2000
Jun-2001
Jun-2002
Jun-2003
Jun-2004
Jun-2005
Jun-2006
Jun-2007
Jun-2008
Jun-2009
Jun-2010
Jun-2011
Jun-2012

Australia wide accommodation pricing spread (>15 rooms)

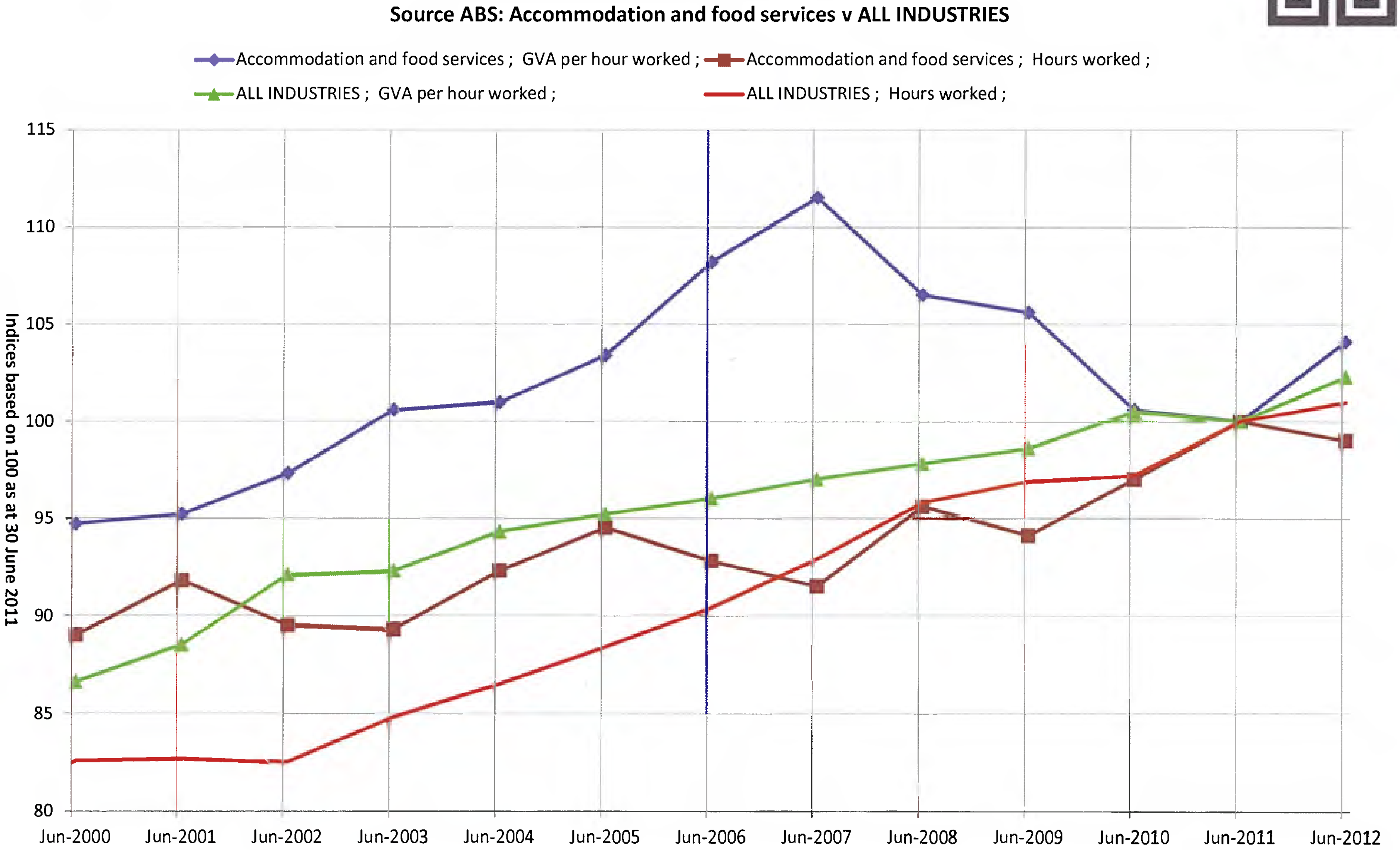



Australia wide accommodation industry prices (> 15 rooms)
Source ABS: Average daily room rate ("ADR")
ADR
Change pa %
Zero growth
Linear trend in average change %
Average Daily Rate AUD$
Percentage change per annum
170.00
160.00
150.00
140.00
130.00
120.00
110.00
100.00
20.00
18.00
16.00
14.00
12.00
10.00
8.00
6.00
4.00
2.00
-
(2.00)
(4.00)
(6.00)
(8.00)
(10.00)
Jun-2000
Jun-2001
Jun-2002
Jun-2003
Jun-2004
Jun-2005
Jun-2006
Jun-2007
Jun-2008
Jun-2009
Jun-2010
Jun-2011
Jun-2012


Australia wide accommodation industry average daily rate changes
Source ABS: ("ADR") compared to growth in CPI and AWOTE (Accom & Food service)
CPI
AWOTE
ADR
Indices rebased to 100 as at 30 June 2000
170.0
160.0
150.0
140.0
130.0
120.0
110.0
100.0
90.0
Jun-2000
Jun-2001
Jun-2002
Jun-2003
Jun-2004
Jun-2005
Jun-2006
Jun-2007
Jun-2008
Jun-2009
Jun-2010
Jun-2011
Jun-2012


Australia wide Room Revenue per available room changes
Source ABS: ("REVPAR") compared to growth in CPI and AWOTE (Accom & Food service)
CPI
AWOTE
RevPAR
210.0
190.0
170.0
150.0
130.0
110.0
90.0
Indices rebased to 100 as at 30 June 2000
Jun-2000
Jun-2001
Jun-2002
Jun-2003
Jun-2004
Jun-2005
Jun-2006
Jun-2007
Jun-2008
Jun-2009
Jun-2010
Jun-2011
Jun-2012

Australia wide Productivity indices



Australian School of Business

Productivity Round Table

Friday 7 December 2012

ACCOMMODATION AND FOOD SERVICE INDUSTRY

JUNE 2002 TO JUNE 2012 (Source: ABS)

Presentation by

Ervin H Vidor AM

Charts prepared by Bruce Copeland, Director – TFE Hotels

CONTENTS

A. THE ACCOMMODATION AND FOOD SERVICE INDUSTRY JUNE 2002 TO JUNE 2012 (Source ABS)

Accommodation and Food Services represents approximately 2.5% of GDP.

Combined gross value $33.5 billion June 2012.

Accommodation component (establishments with more than 15 rooms) 26% = $8.8 billion

The accommodation component has risen from 16% from June 2002 to 26% in June 2012

Available room nights in 2002 – 40.7 million per annum risen to 54.4 million per annum in June 2012 (Chart page 1)

The current available room nights are provided by 4,233 establishments with an average of 54 rooms each.

Demand for available room nights in 2002 – 58% risen to 64% in 2012. (Chart page 2)

The generally accepted break- even point is 70% .

In regional areas there are mainly small family operated hotels.

Capital cities have broadly larger hotels with larger number of rooms and achieve 70% break-even point or better.

The total number of employees in the accommodation sector is falling but the number of employees per room is rising. (Chart pages 9 & 10)

This phenomenon is a result of increasing number of small less efficient average sized accommodation projects.

Too many small properties are developed due to the current tax system, lack of incentives to create full scale larger more efficient accommodation projects. (Chart page 8)
Example: Dubbo has 19 hotels with the largest having 65 rooms only.

Total wage per hour has not risen faster than CPI over the last 10 years. (Chart pages 5 & 7)

Relative wage rates have increased by an average of 3% over 10 years. (2002 – 2012) (Chart pages 5 & 7)

Average room rates have risen faster than CPI since June 2006. These increases are not prevalent across the broad market with Perth, Darwin, Pilburra, Queensland etc. having shown substantial increases while rates in most regional areas are relatively static. (Chart page 13)

Chart page15 depicts the relationship between the accommodation and food services with all other industries.

Chart page 15 shows the effects of major events such as the Olympics, Commonwealth Games, Rugby World Cup 2003, Ansett collapse, SARS, the Gulf and Afganistan wars, the GFC and the mining boom.

Up to June 2007 the accommodation and food services were more productive than the average of all industries and fell dramatically from June 2007 after the GFC.

B. ISSUES RELATING TO PRODUCTIVITY:

Productivity and return on investment are linked but they do not always move in the same direction.

Economies of scale play a major role in increasing and maintaining productivity (Chart pages 9 & 10)

Revenue/room rates are determined by the market place.

Labour costs broadly account for 25% of revenue and 50% of operating costs.

Labour costs, award rates of pay, allowances, time flexibility in working ordinary hours currently set at 38 hours per week are determined by Fair Work Australia and other Statutory bodies.

Fair Work Australia and other Statutory bodies control labour costs and use of labour.

The accommodation and food service industry is a 24/7 operation.

There is little difference in total earnings per hour and ordinary earnings per hour (38 hour week) (Chart pages 5 & 6) This trend supports change.

Disincentive to multi hiring.

Reduction of services to achieve operation with fewer staff.

The classic substitution of capital with labour largely does not apply to the accommodation industry. Computers do not make beds.

C. RECOMMENDATIONS

Review whether allowing more flexibility in employment to meet specific industry needs can result in increased productivity without change to the current minimum wage system set by legislation.

Consider more flexibility to employ labour in a 24/7 industry and of part time and multiple hiring opportunities.

Labour cost broadly accounts for 50% of total operating costs in the accommodation industry.

Create acceptable incentives to stimulate delivery of larger accommodation projects to increase productivity.

Level of occupancy affects productivity per unit of labour employed as at any time a minimum of labour units must be available. (Chart pages 9 & 10)

D. LIST OF CHARTS

Page 11 – Australia wide accommodation pricing spread (>15 rooms), Average Daily Rate by sector

Page 12 – Australia wide accommodation industry prices (>rooms), average daily room rate ("ADR")

Page 13 – Australia wide accommodation industry average daily rate changes, compared to growth in CPI and AWOTE (Accom & Food Service)

Page 14 – Australia wide Room Revenue per available room changes, compared to growth in CPI and AWOTE

Page 15 – Australia wide Productivity Indices, Accommodation and food services v all industries

E. LEGEND TO CHARTS

ARN	Available Room Night
AWOTE	Adult Weekly Ordinary Time Earnings (38hours)
GVA	Gross Value Added
RevPAR	Revenue Per Available Room
RNA	Room Nights Available
RNS	Room Nights Sold
SvcAPTS	Serviced Apartments/Apartment Hotels
THRP	Total Hourly Rate of Pay
ADR	Average Daily Rate