

Wednesday 8 April 2020

# Presentation to Epidemic Response Committee (Komiti Ārai Mate Urutā)

**Presenter: Marisa Bidois, Chief Executive**

Thank you Mr Chair, and Kia ora Committee Members. I am Marisa Bidois, Chief Executive of the Restaurant Association of New Zealand. Thank you for the opportunity to present to you today. It means a lot to both me and my industry.

Mr Chair, I have heeded your calls for sticking to time, and cut down my presentation by about half.

My presentation will still consist of a brief introductory overview about the Restaurant Association, before diving into the impact of COVID-19 on the hospitality industry.

I will then cover the scope and quality of government assistance to date, and the opportunities we see for New Zealand's hospitality industry, as we move out of Alert Level 4 and into what has been described as the creation of a 'new normal'. I will then be happy to answer any questions you might have. Much of the data and insight that I touch on today is also contained in the supplementary briefing provided to you in advance of today's hearing.

## **Brief overview**

Our Association advocates for more than 2,300 hospitality businesses in New Zealand, representing more than 69,000 employees. We were established in 1972, to offer advice, help and assistance in every facet of the vibrant and diverse hospitality industry, as well as to advocate for our Members.

At its very core, our mission is to be the link between good food and good business so that our Member businesses can thrive. Our Members cover the length and breadth of the country - and range from your favourite local fish and chip shop, through to coffee kiosks and fine dining establishments. Ours is an industry of small business owners, passionate entrepreneurs actively working in their establishments - You will have all frequented an Association member venue at least once, and you most likely have more than one in your community: it is these people I am here to represent today.

Before the current COVID-19 pandemic, the hospitality industry was growing: we

employed more than 133,000 people, over 18,000 restaurants and food outlets, generating annual sales in excess of \$11 billion.

But of course, this has now all changed: no doubt many of you are missing your regular flat white or visiting your favourite lunch spot throughout this period, just as the rest of New Zealand misses theirs.

### ***The impact on the hospitality industry***

The impact of COVID-19 on hospitality is most appropriately described as both catastrophic and potentially devastating. At the outset I want to acknowledge the Government's decision in putting health first. We support the decision to use lockdown as a way to get the virus under control and the Committee can be assured that insofar as hospitality is involved, our top priority is to support this effort.

The impact of the virus first made itself known to us in January, and by February we had started receiving a steady stream of feedback from Members that fallout from the COVID-19 virus was beginning to have far reaching consequences with businesses noticing a significant drop in foot-traffic as a result of travel restrictions and local diners concerns.

By March we were strongly advocating for financial assistance at a similar level to that which was offered following the Kaikourā Earthquake, and the wage subsidy package announced by the Finance Minister was welcome relief to many members. For businesses with their backs against a wall, it renewed hope that they may be able to continue to trade long term.

The lockdown was imposed eight days later and all hospitality businesses were advised to close their doors almost immediately. This resulted in the inability of nearly 100 per cent of our Members businesses to trade, and the fates of many of our hospitality businesses changed drastically.

### ***Scope and quality of government assistance and support***

I do wish to echo the comments of 'All of Government Controller', John Ombler, that COVID-19 does present an unprecedented challenge for New Zealand, but perhaps from a different lens. While the threat has required New Zealanders to continue to adapt our ways of working and our operating models, as I have mentioned Alert Level 4 imposes a near 100% inability for hospitality businesses to trade.

Just four weeks ago we were estimating \$6 million a week was being lost by hospitality businesses as a result of the travel restrictions. A staggering loss for thousands of small business owners by anyone's measure, which is now dwarfed by our current estimate of the lockdown loss to the hospitality industry as just over a billion dollars.

The Government has reassured the private sector that, as we go through this crisis towards economic recovery, they will be constantly monitoring the situation and adjusting their response. I submit to the Committee the time is nigh for the Government to relook at the appropriateness of additional financial assistance for businesses in industries such as hospitality that are completely locked out of trading due to Alert 4 measures.

### ***Appropriateness of additional financial assistance***

While helpful at its time of issue, the wage subsidy has exhausted its usefulness for hospitality businesses. It was offered when our sector was still in a position to generate some income and minimise their losses. As indicated, almost all of our members have had no income over the period of the lockdown.

Hospitality businesses are calling for additional relief relating to their fixed costs, in particular rent and lease costs. While many members are in discussions with their landlords regarding relief at this time, this is not always forthcoming and the ongoing cost is crippling, at a time that businesses have no access to their premises or any ability to generate an income. The industry desperately needs additional support from the Government in this area.

Many members have remarked that the minimum wage increase was the emotional breaking point, when they went ahead despite zero revenue coming into their businesses. One Member noted it was “ironic that when we have no turnover the government expects us to still pay 80% of wages, when their payment was not even the minimum wage.”

I share the sentiment of many of today's submitters that we need to ensure economic processes return to normal as quickly as possible, but must all confront the unfortunate reality that business closures and job losses are inevitable. Our latest data shows 57 per cent of our Members are considering, or needing to restructure and a fifth of our Members are considering closing their business permanently. Based on our membership, this equates to just under 500 Member businesses, affecting around 10,000 workers.

## ***Opportunities for the hospitality industry***

Before I conclude and take your questions, I wish to set out a number of immediate recommendations the Government should consider as our Alert Level tracks back toward Level 3. I will also set out some of the hospitality sector's long term considerations, as we search for our 'new normal'.

Our immediate recommendations are for the Government to:

- One - Provide clear operations guidance for hospitality at all Alert levels
- Two - Consider the implementation of contactless and kerbside delivery options;
- And finally - Amend the Ministry of Health-issued hospitality guidance.

### Provide clear operations guidance for hospitality at all Alert levels

As an essential service, the food sector has been in higher demand than any other. However adhering to Government guidelines has not been straightforward. The most common frustration among our Members has been the sheer volume of inconsistent advice around food as an essential service, and the absence of advice of operation when Alert Levels change.

We need MBIE to fast track development of operational guidance for hospitality. This guidance is currently non-existent, despite our businesses operating under food control plans and strict food safety requirements set by MPI. We also seek greater transparency and rationale on the Government's position on virus transmission through food. At one point the official COVID-19 website detailed evidence of transmission through pre-prepared food but this since has been taken down.

We accept we are in an unprecedented time, however stress the importance of transparency around decision making and fairness of guidelines. There is a growing perception that some of the food sector conditions are overly stringent, inconsistent and unfair.

### Implementation of contactless and kerbside delivery options

New Zealand also remains an international outlier in terms of contactless and kerbside food delivery options, despite many countries maintaining these while under similar lockdown conditions.

Committee Members have been provided the first look at the Restaurant Association's Draft Contactless Delivery Programme, which sets a plan for how hospitality businesses can begin delivery of meals to New Zealanders again.

In support of the Government's decision to put health first, our Contactless Programme adopts a "less is more" approach, establishing a criteria that will ensure businesses participating are only those that we can be assured will maintain the highest protocols around safe preparation and delivery.

With today marking the second full week New Zealanders have been in lockdown, we see this as a small yet meaningful step the Government could take to give Kiwis a chance to regain a small sense of normalcy, while supporting the start of economic emancipation for many hospitality businesses. And to be blunt, this small change will provide much needed reprieve to many overstretched, overworked, and over-cooking essential workers across the country.

### Amend the Ministry of Health-issued hospitality guidance

I also recommend the Government review its COVID-19: Guidelines for hospitality establishments. These guidelines, issued by the Minister of Health on 21 March, are grossly inadequate.

The resulting guidelines were rushed and issued with insufficient sector consultation, leaving large parts of the hospitality sector unaccounted for. We would like officials to relook at the guidelines, and ensure that they better represent the diversity of the hospitality sector and how these businesses need to conduct themselves when we move between different Alert Levels.

Finally, some concluding thoughts on the hospitality sector's long term considerations, as we search for our 'new normal'.

There is significant apprehension within the hospitality industry around the future appetite of local diners, figuratively. The most common question when we look long term is whether Kiwis will venture out, or continue to stay home for fear of contracting the virus. When the time comes, we will be looking for a clear, consistent, and concerted effort from the Government to ensure messaging reassures New Zealanders that they can feel safe to get back out there and enjoy dining out once again.

There is also a leadership role for Central Government to step into when it comes to engagement with local Councils in the COVID-19 recovery period.

Our members are looking for engagement regarding changes that could be implemented as we move into different alert levels and these discussions need to be consistent across the country. Some of the discussion could be around temporary variations or flexibility for on-licences to allow businesses to deliver food AND beverages, as has occurred overseas, or consideration on limiting the number of new licenses issued, until the industry is back on its feet.

### ***Closing Remarks***

While none of us know exactly how this will shakedown in the long term, it is fair to say hospitality is in crisis: hundreds of jobs have already been wiped out from our sector, and thousands remain at risk: families' livelihoods will be the collateral damage of ongoing indecisiveness and lack of planning.

As an Association, we have a significant role to play to guide the hospitality industry through this period of uncertainty but we need the government to work with us transparently and collaboratively in shaping the guidance that our industry must begin to work to. It makes sense in these times to utilise our knowledge and expertise of the industry to assist with engagement of the sector.

At the outset I told the Committee that the mission of the Restaurant Association is to be the link between good food and good business, so that our Member businesses can thrive. However, right now I must say our first priority is for our businesses to survive.

I want to express my sincerest thanks to every single Committee Member, for the role you play in the scrutiny of our nation's response to this pandemic, and the opportunity to present.