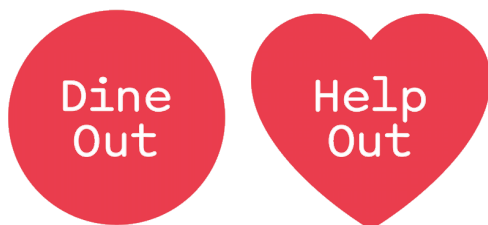


## PETITION SUBMISSION

# Targeted support for the hospitality industry through a subsidised “*Dine out to Help out*” initiative



February 2021

Restaurant Association of New Zealand submission to the Economic Development, Science and Innovation Committee | Komiti Whanaketanga Ōhanga, Pūtaiao, Atamaitanga Hoki

## THE PETITION REQUESTS:

That the House of Representatives urge the Government to provide targeted support for the hospitality industry through a subsidised “Dine out to Help out” initiative, similar to the initiative rolled out across the UK.

## SUMMARY

- With the Government steadfast in its elimination strategy, it is the Association's view that new approaches to business support should be explored.
- Prior to COVID-19, New Zealand's hospitality industry was thriving, employing more than 136,000 people, across 18,000 restaurants and food outlets, generating sales in excess of \$12.1 billion.
- The subsidised “Dine out to Help out” initiative was an emergency stimulus package, put forward at a time there was overwhelming need.
- Recent data released by Statistics New Zealand | Tatauranga Aotearoa shows sales for many industries servicing tourism and travel are still lagging well behind levels seen pre-COVID.
- The Association submits the work for government is not over: due consideration must be given to novel stimulus packages for those sectors that remain unable to recover - there has been little targeted support for the hospitality sector to date.

## BACKGROUND

On 13 August 2020 the Restaurant Association Chief Executive, Marisa Bidois, wrote to Prime Minister Rt Hon Jacinda Arden seeking assistance to prioritise a few pragmatic measures and introduce some novel actions, to help hospitality businesses remain afloat during the next period of uncertainty.<sup>1</sup>

One of these novel actions was to ask the Government to consider introducing a Government supplemented dining campaign.

When the Government moved the country to Alert Level 4 in March 2020, a blanket ban was placed on hospitality operations, meaning 98 percent of member businesses had zero ability to generate revenue.

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<sup>1</sup> Letter to Rt Hon Jacinda Arden: [www.restaurantnz.co.nz/2020/08/13/letter-to-prime-minister-re-recommended-changes/](http://www.restaurantnz.co.nz/2020/08/13/letter-to-prime-minister-re-recommended-changes/)

In August 2020, when the letter to the Prime Minister was sent, Tāmaki Makaurau had just returned to Alert Level 3. The Restaurant Association submitted that changes needed to be made across Alert Level operations if the Government hoped to see the prized hospitality sector survive the pandemic. In the absence of any advice coming from the Government for hospitality as a sector, the Association compiled its own suite of initiatives to help soften the blow to hospitality in the event of ongoing Alert Level movement and community transmission.

With no response, and the recalling of Parliament, the Association decided to petition Members of Parliament.

Spearheaded by the Restaurant Association, the petition was supported by the **Hospitality Recovery Taskforce**, which is made up of hospitality leaders from across the country.<sup>2</sup>

As the Government remains steadfast in its elimination strategy, it continues to be the Association's view that there should be exploration of new approaches to business support.

## PETITION RESPONSE

In just five days the Restaurant Association's petition collected 3483 signatures. This was despite a 12 hour outage on Parliament's site which resulted in an estimated 400 - 500 uncollected signatures.<sup>3</sup> At closing, the petition was the 9th highest signed petition live on the Parliament website out of 130.

The petition was received on the Parliamentary forecourt by Hon Kris Faafoi and Hon Todd McClay. It was formally presented to Parliament by Hon Kris Faafoi.<sup>4</sup>

## HOSPITALITY'S IMPACT IN AOTEAROA

Prior to COVID-19, New Zealand's hospitality industry was thriving, employing more than 136,000 people, across 18,000 restaurants and food outlets, generating sales in excess of \$12.1 billion.

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<sup>2</sup> Hospitality Recovery Taskforce: [www.restaurantnz.co.nz/hospitality-recovery-taskforce](http://www.restaurantnz.co.nz/hospitality-recovery-taskforce)

<sup>3</sup> Stuff: [www.stuff.co.nz/technology/122532611/parliament-website-goes-down-restaurant-subsidy-petition-loses-500-signatures](http://www.stuff.co.nz/technology/122532611/parliament-website-goes-down-restaurant-subsidy-petition-loses-500-signatures)

<sup>4</sup> RNZ: [www.rnz.co.nz/news/political/424418/restaurant-subsidy-petition-presented-to-parliament](http://www.rnz.co.nz/news/political/424418/restaurant-subsidy-petition-presented-to-parliament)

Looking at year ended March 2020 data, sales growth carried across the industry (excluding the pubs, taverns and bars sector), with restaurants and cafés recording the highest sales increase in dollar terms. This was despite turnovers decreasing sharply in February and March.

Over half of every dollar spent dining out is spent at a restaurant or café, which has more than a 51 per cent market share. Annual sales for our sector grew 4.0 per cent in the year ended March 2020, which in dollar terms translates to an increase over the previous year of \$236 million.

Takeaways also realised annual sales growth of 4.1 per cent, the highest for the sector, while catering services achieved a 4.0 per cent growth increase over 2019 (an increase of \$36.7 million). Pubs, taverns and bars had a 0.8 per cent decline, posting sales of \$1.68 billion in 2020. Sales after March 2020 plummeted, posting just \$1.7 billion for the period April–June 2020. The pubs, taverns and bars sector of the industry posted one of the most significant declines, recording a 54.1 per cent reduction in trade.

When considering regional sales growth for the year ended March 2020, consumer spending remains highest in Auckland, Wellington and Canterbury. These three regions all have annual sales of more than \$1 billion per annum. The Waikato region also now records annual sales of just under \$1 billion, reaching \$946 million.

Regionally, the largest percentage sales increases from 2019 to 2020 were in Northland (up 10.8 per cent in 2020), Taranaki (up 7.5 per cent), and the Marlborough region (up 7.2 per cent).

## THE SECTOR'S ECONOMIC DEVASTATION

It is not an understatement to say New Zealand's hospitality industry has been decimated by COVID-19. Despite contributing more than \$12 billion to the economy and employing over 136,000 people nationwide, there has been little targeted support for the industry to date.

With any movements beyond Alert Level 1 - where operations are considered as close to "normal" as possible - there are significant and ongoing unseen costs for hospitality.

The August 2020 return to Alert Level 3 in Auckland was a devastating blow for those hospitality businesses still struggling from the impact of the first COVID-19 lockdown and border closures. For the Association, the Alert Level change affected 976 Member

businesses, representing around 19,500 workers. The Association estimates \$116 million per week of losses when Alert Level 3 escalations are in place.

There are also many unseen costs associated with Alert level movement decisions exercised on New Zealand's SME hospitality operators, such as fixed rent costs, single server costs, and more commonly food wastage. Hospitality operators order days in advance to ensure rolling supply of fresh produce, and while 2.5 weeks seems insignificant for other sectors - most notably the public sector - an Alert Level 3 movement sees large quantities of wasted food and further financial crunch on businesses.

We see first-hand the overwhelming financial and emotional toll the virus continues to have on many of our members. As we move through the first quarter of 2021, most hospitality businesses remain in survival mode; the biggest concerns have been highlighted as a return to lockdown (or heightened Alert levels), the impending minimum wage increase and the Government's intention to increase sick leave entitlement to 10 days.

Data released on 9 December 2020<sup>5</sup> by Statistics New Zealand | Tatauranga Aotearoa further paints a picture of a two tiered recovery:

*“Construction industry sales in the September 2020 quarter were up almost 9 percent compared with the same quarter last year, despite the impact of COVID-19 in the first half of the year, Stats NZ said today. In contrast, sales for many industries servicing tourism and travel were still lagging well behind levels seen last year.”*

There is no doubt the cutting off of international tourism following the border restrictions imposed in March 2020, continues to impact the sector's recovery. Unlike other sectors, we have not returned to pre-COVID-19 trading levels. Services industry sales were down 5.3 percent (\$2.4 billion) compared with September 2019.

While we are in a much stronger position than in July 2020, we continue to balance cautious optimism with stark realism that continued returns to heightened alert levels are a future possibility - one we have already experienced affected more than 1000 member businesses in Auckland and thousands more around the country. Every time

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<sup>5</sup> StatsNZ: [www.stats.govt.nz/news/construction-forges-ahead-but-services-lag-behind-in-wake-of-covid-19](https://www.stats.govt.nz/news/construction-forges-ahead-but-services-lag-behind-in-wake-of-covid-19)

new community cases are announced we see a drop in trading for our sector - they are a barometer for the public confidence.

Seeing revenues rise and fall and watching our members try to get back on their feet under the most challenging and uncertain of conditions will continue to fuel our work.

## THE UK CAMPAIGN

The initiative mooted in our petition, *Dine out to Help out*, is modelled off the “Eat Out to Help Out” campaign<sup>6</sup> rolled out in the United Kingdom (UK) in August 2020.

Launched by Chancellor (our Finance Minister equivalent) Rt Hon Rishi Sunak MP, the initiative was part of a government scheme aimed at boosting restaurants and pubs post-lockdown.

The Chancellor said the primary objective of the initiative was to help protect the jobs of 1.8 million chefs, waiters and restaurateurs within the sector by boosting demand and getting customers through the door.<sup>7</sup>

“From the get-go our mission has been to protect jobs, and to do this we needed to be creative, brave and try things that no government has ever done before... I want to thank everyone, from restaurant owners to waiters, chefs and diners, for embracing it and helping drive our economic recovery.”<sup>8</sup>

Under the UK scheme, the Government footed the bill for 50 per cent of a meal eaten at a cafe, restaurant or pub from Monday to Wednesday through the month of August. It saw a maximum saving of £10 per person applied to meals at more than 70,000 venues across the country.

## THE UK CAMPAIGN'S IMPACT

During the first week of the scheme, £10 million in meals were eaten using the discounts, however the popularity of the initiative far exceeded the UK Treasury's initial estimates. By the end of August 100 million meals eaten at an interim taxpayer cost of £522 million.<sup>9</sup>

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<sup>6</sup> Eat Out to Help Out Scheme: [www.gov.uk/guidance/get-a-discount-with-the-eat-out-to-help-out-scheme](https://www.gov.uk/guidance/get-a-discount-with-the-eat-out-to-help-out-scheme)

<sup>7</sup> BBC: [www.bbc.com/news/uk-53631611?intlink\\_from\\_url=https://www.bbc.com/news/business&link\\_location=live-reporting-story](https://www.bbc.com/news/uk-53631611?intlink_from_url=https://www.bbc.com/news/business&link_location=live-reporting-story)

<sup>8</sup> Rt Hon Rishi Sunak MP, Chancellor

<sup>9</sup> Financial Times: [www.ft.com/content/d45baaad-369c-41be-9c80-af241e821913](https://www.ft.com/content/d45baaad-369c-41be-9c80-af241e821913)

Booking Data from OpenTable, an online restaurant-reservation service company based in San Francisco, California, showed that on Tuesday and Wednesday the week following the conclusion of the scheme, bookings were 2 per cent higher than on equivalent days a year prior, and compared with annual falls of 30 to 40 per cent on equivalent days of the week in late July.<sup>10</sup>

The scheme was hailed as a success by many restaurateurs across the UK:

*“Our first day participating in the Eat Out to Help Out scheme was incredibly busy. It was a huge success.”* Filippo Gallenzi, Owner of Pastificio Al Dente, Central London

*“I think it is a really good example of much-needed government intervention for an industry still in crisis.”* Will Beckett, Co-Founder, Hawksmoor Steakhouse Group

*“Our members have reported very strong bookings throughout August at a time when the sector really needed a boost. It has helped provide a lift in consumer confidence which is going to be key for hospitality businesses as they look to reopen and help rebuild the economy. The scheme has provided a timely boost in trade which will have helped many businesses safeguard jobs all around the UK.”* Kate Nicholls, Chief Executive, UK Hospitality

*“It’s been great for the industry. We all love the sound of glassware and crockery being used and happy people in restaurants. We’re all looking forward to the stage where we can stand on our own two feet again, and this has been helpful support in the meantime.”* Chef Tom Kerridge, The Hand and Flowers (two-Michelin star), Marlow

*“Eat Out to Help Out has given a welcome boost to the hospitality industry at a time where we are looking to reignite sales, restore customer confidence and protect jobs,”* Colin Hill, Chief Executive, Nando’s UK & Ireland

## THE NZ VERSION

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<sup>10</sup> Financial Times: [www.ft.com/content/d45baaad-369c-41be-9c80-af241e821913](https://www.ft.com/content/d45baaad-369c-41be-9c80-af241e821913)

Our homegrown version of the UK scheme is called '*Dine out to Help out*'. We propose it to run in a similar fashion to the UK's, across in-house dining at appropriate alert levels.

The proposed shape of *Dine out to Help out* includes:

- operation on Tuesday, Wednesday and Thursday only
- up to \$20 off per person per bill
- the discount only applies to food (alcohol is excluded).

It would put much needed cash back into the pockets of businesses that are struggling to stay operating and keep their workers employed, whilst also helping Kiwis to get a freshly prepared meal at a discounted price.

If the *Dine out to Help out* initiative ran for a month in New Zealand, we estimate meal subsidies would cost the government about \$27 million.

Arguably the need for the initiative was pressing at the time it was presented to Parliament in August, however it is our view that time does not negate the need for the Government to give further consideration to support for the services industry, which is still suffering due to the effects of Covid-19.

The initiative has been welcomed by many New Zealand restaurateurs as a way to support their businesses during ongoing challenging trading conditions and closed borders. We are incredibly grateful to the ongoing support from our locals, however there is still a big gapping gap that our international tourists used to fill for many operators. We speak with businesses every day that are still struggling to make it through.

*"The impact of the pandemic has been devastating on my business dineout to help out would go a long way to ensure the survival of my business"* Member comment

*"Why isn't our government as supportive as the UK government is to hospo?"* Member comment

*"Things are better now but we are not out the woods - a campaign to help stimulate our sector while the borders are close would be welcomed"* Member comment



## RECENT SIMILAR DEVELOPMENTS IN AUSTRALIA

More recently, the NSW Government announced it is launching Dine & Discover NSW to encourage their community to get out and about. The scheme supports dining, arts and tourism businesses to help stimulate spending in the economy. Everyone over the age of 18 years will receive 4 x \$25 vouchers.<sup>11</sup>

“The dining and entertainment industries were among the hardest hit by the pandemic and I would encourage people to utilise this scheme once it is up and running and to make sure they spend a bit extra on the way through, too,” said NSW Treasurer, Dominic Perrottet.

Initially the scheme will invite customers to use their vouchers with participating COVID Safe businesses, in suburbs The Rocks and Broken Hill in early February as part of a testing period. Dine & Discover NSW will then be piloted with a larger group in Sydney CBD, Northern Beaches and Bega Valley from late February. The statewide rollout will commence in March.

## CRITICISMS OF THE UK CAMPAIGN

### **Victims of their own success?<sup>12</sup>**

While many consumers jumped at the chance to participate in Eat Out to Help Out, some restaurateurs chose to withdraw their participation.

Owner of The Tavern Inn in Newquay, Kelly Hill, pulled her venue out of the discount scheme. Ms Hill said it had brought “nothing but negativity due to the huge demand, causing long waits on food, tables over-running and hostility towards our staff.”

This sentiment was shared by The Heron Inn in Truro, who wrote on Facebook “Safety is our main priority, and with the increased amount of people visiting us, it is making it difficult for us to manage with social distancing rules in place. We have received unpleasant comments and general unwelcome behaviour from customers when they are unable to find a table due to us having reached capacity”.

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<sup>11</sup> NSW Government: [www.nsw.gov.au/covid-19/dine-and-discover-nsw](http://www.nsw.gov.au/covid-19/dine-and-discover-nsw)

<sup>12</sup> BBC: [www.bbc.com/news/uk-england-53769749](http://www.bbc.com/news/uk-england-53769749)

Other restaurateurs questioned the timing, saying that rather than in August the scheme would have been better placed in the winter months, when sales for the sector traditionally fall.

### **Responsible for an increase in COVID-19 cases?<sup>13</sup>**

An economist at the University of Warwick, Thiemo Fetzer, mooted that COVID-19 spread more rapidly in areas with a lot of participating restaurants, Fetzer found an infection in those areas slowed after the scheme ended.

However it was through rainfall, not cases, from which Fetzer gained his insights. He found that in areas with a lot of rain during lunch and dinner hours on Mondays to Wednesday that month, fewer people ate out and fewer people were infected. The same pattern was not visible if it rained on other days of the week, implying that the scheme itself was directly responsible for the increase in infections.

A spokesman from the UK rejected the economist's findings: "We do not recognise these figures – which, as the study itself admits, are 'back-of-the-envelope' calculations."

The spokesperson added that many "other European counterparts have experienced an uptick in cases irrespective of whether similar measures for the hospitality industry have been introduced."

### **Promoting obesity?<sup>14</sup>**

The scheme was also criticised for beginning a week after Prime Minister Boris Johnson unveiled the UK government's strategy to tackle obesity, which drew ire from the opposition MPs.

Health spokesperson for the Liberal Democrats, Munira Wilson MP, said the Chancellor should have prevented people using the discount to buy junk food.

"We all recognise the need to support the high street through the pandemic, but the government should have been more discerning with this scheme... With a number of fast-food chains signing up to the scheme, it seems clear that public health did not factor into the government's decision."

<sup>13</sup> The Guardian: [www.theguardian.com/business/2020/oct/30/treasury-rejects-theory-eat-out-to-help-out-caused-rise-in-covid](https://www.theguardian.com/business/2020/oct/30/treasury-rejects-theory-eat-out-to-help-out-caused-rise-in-covid)

<sup>14</sup> BBC: [www.bbc.com/news/uk-53631611?intlink\\_from\\_url=https://www.bbc.com/news/business&link\\_location=live-reporting-story](https://www.bbc.com/news/uk-53631611?intlink_from_url=https://www.bbc.com/news/business&link_location=live-reporting-story)

The scheme also drew criticism from the National Obesity Forum, an anti-obesity campaign organisation, saying it would be a "green light to promote junk food".

## ABOUT THE PETITIONER

Marisa Bidois (Ngāti Ranginui) is the Chief Executive of the Restaurant Association of New Zealand, the representative body for more than 2500 hospitality businesses.

## ABOUT THE ORGANISATION

The mission of the Restaurant Association of New Zealand is to be the link between good food and good business so that our Member's restaurant or café can succeed. We're passionate about our vibrant industry, which is full of interesting, talented and entrepreneurial people.

Since 1972, the Association has worked to offer advice, help and assistance in every facet of the vibrant and diverse hospitality industry. Our members cover the length and breadth of the country: we are organised into 13 regional branches and led by a national office located in Mt Eden, Auckland.

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