

JobKeeper 2.0

Summary of Impact on Blue Mountains Tourism Businesses

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Date: 17/9/2020

Executive Summary

This document provides case studies from four businesses in the Blue Mountains all severely impacted by the bushfires and now COVID. This document details the impacts of JobKeeper 2.0 and potential solutions to assist these well-run businesses get through the next 6-12 months. Tourism is the life blood of the Blue Mountains economy. The total value of Tourism -related output estimated at more than \$624million for the region (12.2% of the total output) and is the second biggest employer in the region employing 15.7% of the population¹.

The main points from the case studies are as follows:

- Good trading across July/August as Sydney reemerged from lockdown has not made up for the November – February Bushfire impact followed by COVID closures (more than 6 months of significantly reduced or no trade). These businesses are on a knives edge, they have well run businesses, but the combination of the bushfires and then COVID have depleted their cash reserves and they are reliant on JobKeeper to help them survive the uncertainty of the new few months. However, many are at risk of losing JobKeeper, so are turning away business in September to ensure they can still get it through until December and March, or they will risk losing their business altogether. This has a negative impact on the tourism economy from both an experience and revenue perspective. Businesses in tourism in these areas need to be able to get the September - December JobKeeper assistance, no matter what their July/August trading was – and alternative test such as proof of impact due to the bushfires could be used instead.
- Due to the bushfires last year, businesses in bushfire affected areas will struggle to pass the 30% below prior year revenue test. Although there is currently an ATO process to get an exception and use alternate figures, this exemption or alternate test should be automatic for anyone in a bushfire impacted postcode for the January to March quarter.
- For businesses reliant on international guests such as Explorer Bus and Scenic World, the Sydney market, and even the rest of Australia when it returns, is in no way making up the difference in visitation. JobKeeper and other forms of support beyond March will be needed to help these companies survive.

¹ Blue Mountains Economic Enterprise 2019 Tourism Industry Profile

The Blue Mountains Tourism Industry

The Blue Mountains is a city located within the World Heritage Listed Blue Mountains National Park. Tourism is the life blood of the community; the Blue Mountains National Park is the most visited in Australia with over 5 million visits in the 2018/19 year. Tourism is the second biggest industry after health services employing nearly 3000 people (15.7% of the population) and creating more than \$624 million output (12.2%). As with other tourism regions around Australian the Blue Mountains has been impacted for nearly 12 months. A bushfire in Woodford on the 8 November 2019, followed by a Catastrophic bushfire day on 12 November, was the start of the decline in visitation which saw the entire summer trading period severely impacted. Visitation started to recover in late January early February and hopes were high that the region would bounce back, only to have COVID impact overseas visitation in the middle of February leading to the cancellation of pretty much all Chinese New Year bookings, and then of course the complete shut down in March.

The people of the mountains are resilient and are doing their best to get their businesses through this very difficult time. Providing a COVID safe way for visitors to experience the best we have to offer is critical for our recovery, but this comes at a significant cost and at the moment JobKeeper is helping to make businesses viable.

Latest Update

As of the 13th of September a positive case was identified in The Blue Mountains in Katoomba and Wentworth Falls, followed by 3 more in the days since.

This is important to mention in this document to highlight the discussion about the knife's edge that businesses are on, and the necessity to continue to provide JobKeeper no matter their July/August trading figures.

Although Scenic World isn't a case study in this document, it should be noted that the day following the announcement of the COVID case in the mountains, Scenic World had a 20% drop in its visitation (with no other known factors impacting the day). Visitors are still very jittery, and these businesses are at the mercy of that, so need support to ride out this next, very uncertain few months.

Business Cases

Four business cases have been provided from a mix of different parts of the tourism industry in the Blue Mountains; a day spa, a café, a hop on hop off sightseeing tour and a hotel. This gives a snapshot of how different parts of the industry are being impacted.

Case Study 1

Linda Davis - Spa Sublime - Katoomba

“My name is Lynda Davis. I own Spa Sublime - a destination day spa in Katoomba. I have successfully run this business since 2005, employing and training local women.

Throughout most of 2019 many retail/ tourism and accommodation businesses in The Blue Mountains saw zero growth or a decline in revenue due to a drop in overnight visitors. Then in September the bushfires hit the region.

The result to my business was catastrophic. We saw an immediate decrease in revenue. The December quarter is the busiest period for my business and the turnover we normally experience the 4 weeks before Christmas is equal to revenue for the whole September quarter. I use the revenue we receive in December to grow the business for the next 6 months

Last year, this did not occur. Visitors and tourists stayed away, and our local clientele stayed at home. 3 of my team members were personally impacted by the bushfires and had to evacuate their homes. Our bookings were non-existent. With all the smoke in the air, it was hard to go outside. In early December, I had to release several last minute gift voucher sales and promotions in order to protect my cashflow. I believe that the only reason we were able to survive this period and continue to trade through January and February was due to the cash reserves I was able to generate from these Christmas sales, and my belief that things would return to normal once the fires were out. Other businesses like cafes, retail shops and accommodation did not have the same opportunity to generate income reserves in this way.

By the end of February, my cash reserves were depleted. Then in early March Covid began to impact our bookings. By the middle of March, we had a few local Covid cases (Katoomba High School was closed for a short period) and it was clear to me that we would not be able to continue to trade. On the 19th March, to protect my team, I made the difficult decision to cease trading - one week before the government announced that we had to close.

Having to stand down all my therapists was one of the most difficult things I have ever had to do professionally. These women earn an award wage, 2 of them are single mothers, for them to be out of a job was devastating. Then JobKeeper was announced. This saved my business and allowed me to retain some of my team during the 11-week lockdown. We all used this time to upskill, retrain and reinvent the business so that when we were allowed to reopen in early June we were able to hit the ground running (even though I had a reduced number of employees as 2 did not qualify for JobKeeper)

June trading was ok but down on previous years. But in the last 6 weeks the region has seen a massive increase in visitation. We are now extremely busy - though we have had to reduce our

capacity to be Covid-safe. In July we had a record month in bookings and the highest July turnover in 15 years. However, 6 weeks of prosperity does not make up for 12 months of struggle. It just means that we are now able to pay down some debt.

Although business has been fantastic for the last few weeks, this is by no means the new norm. Tourists could stop coming at a moment's notice. We only need one small outbreak locally and the bookings will vanish. If the worst happens, like in Victoria where we are forced back into lockdown, we will be one of the first businesses forced to close and I believe my business will not survive.

I understand that at some point the government has to wind back JobKeeper, but I now find myself in a very difficult situation. I can confidently say that this quarter's revenue will be equal to (but not exceed) last year if we continue to see the same level of bookings. But this does not make up for what we have experienced financially in the last 12 months.

I feel the heavy burden of providing job security for my small team of dedicated local women who have worked extremely hard to ensure that the business survives. I need to be able to continue to access JobKeeper for the next 6 months. We need this security. As a region, we need to get back on our feet, The Blue Mountains economy relies on tourism. We have all suffered during this virus but on the back of bushfires, floods and drought, our region has suffered more than most."

Further, it will be next to impossible for us to qualify again in January based on a 30% reduction on Dec quarter 2019. This would not be sustainable for me, there is no way my business would survive a 30% reduction on 2019

My biggest concern is if we go back into lockdown - if my team are on JobKeeper, then I can survive and continue trading next year. If we lose JobKeeper in October, are forced to close again, and our December quarter is lower than 2019 then I would have to close permanently."

Further to Lynda's case, when I spoke to her in the first week of September she informed me that to make sure she could get Jobkeeper2.0 into the next quarter, she had cut off September bookings and was turning to get below the 30% revenue, and that after reviewing her numbers this was the best way for her to survive.

There are a few factors that play into this.

1. The shortening of the test period to 3 months rather than being able to take the average across 6 months means that many businesses who opening in June for the July school holidays and had good trading across July and August cannot meet the eligibility for September to December. It helped Victoria but did not help us.
2. Just because businesses had a good July/August due to the rush of people getting out after lockdown, this does not mean they have paid pack the debt or deferred payments that were generated when they were closed for 3 or more months earlier in the year, and have been operating on reduced revenue since November the prior year. JobKeeper is helping them keep their heads above water and they cannot afford to lose it.

Case Study 2

Michael Brischetto – Co-Owner - The Carrington Hotel Katoomba

See Following Letter



16th September 2020

To Whom It May Concern:

The Carrington Hotel is a 65 room, state heritage listed hotel located in the heart of Katoomba. It opened its doors in 1883. It is proudly locally owned and operated and is a multi-faceted business which includes an Irish Pub, the region's largest live music venue, several bars and restaurants, a gourmet bottle shop and deli and recently it opened a micro brewer. Prior to Covid-19 the hotel employed around 110 people. We now employ 60

The Carrington hotel closed on the 28th of March due to Corona Virus. This was a gut-wrenching decision and a major blow given that we had just lost most of our summer trade due to the 2019 Bushfires which devastated the region. Our revenue was already down 30-40% before Covid-19 and plummeted to less than 10% of our usual turnover after.

We are in the lucky position that we don't hold much bank debt. We have ploughed every dollar of profit back into the business for the past 16 years. We had, however just commenced building a new multideck car park prior to the bushfires and have had to continue to invest in it throughout this whole period. We are committed to improving our visitor experience, but the timing of this large expense has put a significant strain on our cashflow, and we have now had to get a mortgage.

After being closed from March we reopened the hotel in a limited capacity just on the June long weekend. We then opened the accommodation part of the business full time across the school holidays. Since July the accommodation side of the business has performed well on the weekends with occupancy at 80%, it has been less successful midweek where we hover around the 50% mark. Due the Covid-19, our operational procedures and plans have had to change. We require more staff to provide safe and professional service levels and we have also had to eliminate things like buffet breakfast and move to an a la carte system which creates an increase in staffing levels. Jobkeeper has meant that we are able to cover the extra staffing required to ensure we are COVID Safe. This is an extra 10 staff members every day.

We have had to make the difficult decision not to open our 2 pubs, live music venue, micro brewery and brasserie. There are a number of reasons for this:

- as the pubs and brasserie were closed for more than 3 months, even with Jobkeeper, a number of those staff moved on. A number of them were not eligible for Jobkeeper and were stood down. To open the brasserie and pubs now we would have to employ new staff that would not be eligible for JobKeeper, significantly increasing the cost of opening these parts of the business. We have also had trouble recruiting staff for the operational parts of the business and we find that many **jobseeker** recipients are not yet willing to return to work as they are financially comfortable.
- Our Pubs, Brasserie and Microbrewery are low margin profit centres i.e. their revenues are high but their costs of goods, wages and other on-costs means their profits are usually less than 10c in the dollar. Opening the 2 pubs and brasserie would increase our nett profits by only a small amount but they would push our revenue up and we would not be eligible for JobKeeper post September 28. Under the current Covid-19 restriction of 1 person per 4 SQM it is not viable for us to open these business. As with a lot of accommodation venues, food and beverage is borderline profitable, but when combined with social distancing and COVID

safe cleaning requirements our modelling showed this would erode the profit and cash position of the hotel. Therefore it is not worth losing Jobkeeper for no profit or positive cash gain for the business, even though it would provide a better service to the tourism economy

The mountains are in desperate need for more restaurants as with social distancing, there are not enough seats for the visitors that are coming especially during holidays and weekends. However, we cannot risk losing Jobkeeper to open an unprofitable area of the business.

If we could confirm Jobkeeper until March for businesses in bushfire affected regions we would be able to open these parts of the businesses and try to figure out how to make them profitable over the next 6 months once Jobkeeper isn't available. At this stage we are unsure whether these part of the business and parts of the tourism economy will even open again.

We thank you for taking the time to read this submission and we do appreciate that we are not an isolated case. We do however feel that tourism in our region is an extremely important industry and the only export industry the Blue Mountains has to offer. If it fails so does our entire community.

Warm Regards,



Michael Brischetto

Co-Owner/Licensee

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Case Study 3

Robyn Parker, The Paragon, 16 Katoomba St, Katoomba NSW 2780

JobKeeper criteria. "This is going to catch many businesses in regions effected by last summer's bushfires. The criteria requiring a 30% reduction in turnover compared with the previous year is just not going to be a fair or reasonable benchmark for businesses up here. We saw a massive downturn from November onward. At this point in time the fires were burning on the North coast and there were catastrophic fire warnings issued for pretty much the whole state. Consequently, trade up here nosedived even before the fire's hit us. People were scared and stopped coming to the mountains, a well-known fire risk area. If we must prove a 30% reduction compared with the same period last year which was already significantly down, we will not qualify for JobKeeper. This is not a fair benchmark – we were already in financial free fall this time last year. The criteria for JobKeeper eligibility needs to be amended to allow for businesses in this situation.

Finally, our situation going forward. This year, after seeing strong July trading, things are slowing now at the top of the mountains. Weekends are holding up ok but without overseas and interstate tourists there is little to no weekday trade. Many small businesses are starting to struggle.

Even with JobKeeper, I am not sure we will be making enough through the summer to justify keeping going – and we are not the only ones. Businesses who have always traded 7 days per week are cutting back, they are not even bothering to open Monday, Tuesday, Wednesday. We are very concerned about the next few months.

Our local Landlords are feeling they have done their bit by giving us rent relief through the bushfire's and COVID and we are now back to full rents again. Unfortunately, nothing else is back to normal so again business is being squeezed at both ends. On top of this when it is busy, we must turn customers away to comply with Covid regulations.

It is disappointing, to see there has been no targeted help for tourist regions, or the hospitality sector despite what was promised. We have been hit by multiple issues and yet the same help has been given to all businesses - including the ones that are booming or unaffected. Now is the time that the impact is going to really be felt for businesses like mine. Support is drying up but still our local economy is wearing the burden of international and local border closures and daily restriction on trade due to Covid. With each call the Premier makes for people to avoid public transport or to stay at home as much as possible our trade dwindles. We have yet to see any targeted support of our predicament."

Case Study 4

Jason Cronshaw – Owner - Fantastic Aussie Tours and Explorer Bus

See Attached Letter



17th September 2020

To Whom It May Concern

This letter is to outline the continued impact of Covid 19 restrictions on certain sectors of the tourism industry and in particular, for the Blue Mountains Explorer Bus, which we operate.

Our business has been operating since 1974 so has certainly being through many ups and downs in that period, although we have not faced anything like the current situation. As a company, we are currently trading at 97% down on Explorer Bus sales for last year (April to July). Our market has traditionally relied on international visitors (approx. 75%) with the remaining domestic (primarily interstate) visitors.

While accommodation in the Blue Mountains is currently doing very well with the self-drive market from Sydney, any business that traditionally relies on the International market – as we do - is still struggling. It is proving very difficult to tap into the Sydney domestic market and encourage them out of their cars and onto a bus, especially with the State government’s messaging of “don’t catch public transport”.

In normal times we operate 7 days a week. Currently however, we are limited to just Saturdays and Sundays (although we do plan to run daily during the NSW School holidays). We have also changed our marketing to focus on Sydney residents and have seen slight signs of improvement, however our sales are a world away from a weekend average of more than \$20,000 pre-Covid 19. To demonstrate, our actual sales over the past few weekends:

- 15th / 16th August \$1,419 22nd / 23rd August \$2,220 29th / 30th August: \$2,934
- 5th / 6th September \$1,851 12th / 13th September \$1,298

Considering we need 3 drivers and 2 shop staff each day to operate, unless Job Keeper is extended and/or International borders re-open, we are likely to have no choice but to close down operations next year and make our staff redundant. It is only because of JobKeeper, that we can operate at all at the moment.

I am of course happy to share any more information and data if required to assist with any forward modelling required to assist us all through this terrible situation.

With best regards,

Jason Cronshaw

Jason Cronshaw
Managing Director



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