



SUBMISSION

Improving Economic Resilience

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Restaurant Association of New Zealand submission to the Productivity Commission

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Executive Summary

The Restaurant Association of New Zealand (the Restaurant Association) welcomes the opportunity to add the Hospitality sector's perspective to the Productivity Commission's inquiry into improving economic resilience.

As the representative body for more than 2,500 hospitality businesses across New Zealand, our knowledge of the responses that enable our sector to quickly recover and rebuild from large-scale disruptions is informed by our experience supporting our members through both global events such as the COVID-19 pandemic and global financial crises, and natural disasters like the Christchurch Earthquake, Auckland floods and Cyclone Gabrielle.

Of utmost importance is a reliable and sustainable framework for responding to disruptions, so our sector knows that should the worst happen, support is available in the immediate and long-term so they can make informed choices on how to sustain and rebuild their businesses. As such, the Restaurant Association makes the following recommendations:

- **Recommendation 1:** That the establishment of a permanent authority with responsibility for anticipating and preparing for supply chain disruptions, and coordinating the recovery from these events, be explored.
- **Recommendation 2:** That a standing framework for responses to supply chain disruptions be developed, which comes into force whenever these disruptions occur.

Introduction

1. The Restaurant Association of New Zealand (the Restaurant Association) welcomes the opportunity to make a submission on the Productivity Commission's inquiry into improving economic resilience.
2. While Hospitality may not be the first industry that comes to mind when considering supply chains and international disruptions, our sector often feels the day to day impacts of these disruptions more quickly and intensely than by other industries.
3. For example, as the world's largest exporter of sunflower oil, the war in Ukraine caused a swift and significant increase to the price of cooking oil as the supply of sunflower oil disappeared almost overnight, while also increasing the demand for oils that served as a suitable alternative.
4. While flow-on effects such as this can seldom be predicted, what is of the utmost importance is a reliable and sustainable framework for responding to disruptions, so our sector knows that should the worst happen, support is available in the immediate

and long-term so they can make informed choices on how to sustain and rebuild their businesses.

Long-term planning

5. Like many other sectors, Hospitality has endured the pressures caused by numerous large-scale disruptions both domestically and internationally. The most significant of these include the Christchurch Earthquakes, the recent Auckland floods, Cyclone Gabrielle, and the COVID-19 pandemic.
6. A common theme throughout all of these events has been the lack of preparedness for the disruption they caused, and the absence of a detailed, reliable response that people know is in place should such disruptions occur.
7. Reactive and ad-hoc responses to supply chain disruptions - whether caused by natural disasters, financial crises or a global pandemic - are inadequate for a sustainable and resilient economy.
8. Therefore the Restaurant Association recommends that the establishment of a permanent authority with responsibility for both anticipating and preparing for such disruptions, and coordinating the recovery from these events, be explored.

Recommendation 1: That the establishment of a permanent authority with responsibility for anticipating and preparing for supply chain disruptions, and coordinating the recovery from these events, be explored.

9. The Australian and New Zealand National Emergency Management Agencies and the Queensland Reconstruction Authority are examples of existing authorities on which a local authority could be modelled.
10. Further, we recommend that a standing framework for responses to supply chain disruptions be developed and adopted by this authority, so industries such as ours know that there is a plan in place which comes into force whenever these disruptions occur.

Recommendation 2: That a standing framework for responses to supply chain disruptions be developed, which comes into force whenever these disruptions occur.

Hospitality Supply Chains: causes

11. The causes of impacted prices and availability of supplies that were identified by our members is varied:

- 11.1. COVID-19 and the Ukraine war
 - 11.2. Supplier staff shortages
 - 11.3. Global prices and inflation
 - 11.4. Shipping/freight prices and fuel costs
 - 11.5. Climate change and the Cyclone effect
 - 11.6. Government policy and regulations
 - 11.7. A reliance on free trade agreements and lack of diversification by our local primary sector
12. It is important to note that sometimes, these impacts are entirely predictable and avoidable. One such example is the 2012 legislation that enacted a 10-year roll-out in banning battery cage eggs, resulting in the egg shortage New Zealand is currently experiencing.
13. While we do not oppose the legislation, we are concerned that with ten years to support a just transition from battery cages to free range it seems little has been done to prepare for such a change. This self-imposed disruption by Government has had a significant impact on our members, who rely on egg supply in their businesses:

Comments from members:

"...a great example of well intentioned but extremely badly executed policy."

"Eggs since about October last year have been an absolute nightmare that has only got worse this year. Having weekends where none of your suppliers have any egg products available at all and you're a cafe means you're running around supermarkets only allowed to buy 1 or 2 dozen at a time when you need probably more than 20 dozen eggs to last the weekend is super stressful."

"I saw a kfc had no chicken and that's what I thought was going to happen to us - 'sorry we can't do eggs bene, we have no eggs this weekend'".

Hospitality Supply Chains: impact

14. When surveyed on whether changes in supply chains have impacted the price and availability of supplies, it is no surprise that 100 percent of respondents said yes.
15. While egg supply is something our members have raised as a significant concern, it is not the only issue facing the Hospitality industry. A lack of consistency of supply has been a constant pressure on our sector, with many of our members saying they are constantly on the lookout for alternative stock items.

Comments from members:

"We have come to expect supply of any item may be erratic."

"Some of our large suppliers have implemented across the board large price increases. I find it difficult to imagine such price increases are fully justified."

16. Our sector has been under constant pressure since the first COVID-19 lockdown in March 2020, however it is worthy to note that over 93 percent of our members said that they have most acutely felt the impact of a lack of availability of supplies, and increased prices, in the past year.
17. Whether it is a lack of local or imported goods, delivery issues, or simply that suppliers are unable to fulfil orders despite having stock because of their own staffing shortages, at every point in the food supply chain we are facing difficulties.
18. We recognise that these are not issues that will be fixed overnight - but the Government should do everything in its power to avoid a situation like the one we are facing now, and to prepare its response for when disruptions like those we are facing now inevitably happen again.

About the Association

19. 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.
20. Since 1972, the Association has worked to offer advice, help and assistance in every facet of the vibrant and diverse hospitality industry. We are the representative body for more than 2,500 hospitality businesses, with Members covering 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.