



AUSTRALIAN HOTELS ASSOCIATION

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MEDIA RELEASE

3 June 2013

Wage increase based on flawed Carbon Tax assumptions

Today's announcement by the Fair Work Commission of a 2.6 per cent increase in minimum wages ignores the impact of the carbon tax on business.

Australian Hotels Association CEO Des Crowe said the Commission has maintained a naïve view on the ability of businesses to recover additional carbon tax costs from customers through higher prices.

"It is disappointing to see the concerns from business about the impact of the carbon tax have again been ignored", Mr Crowe said.

"While some people are being benefitting from Government compensation measures, the majority of employers are feeling the pinch from higher operating costs and lower consumer spending. The Commission's refusal to appropriately consider these impacts on employer capacity to pay higher wages is deeply disappointing.

"The Commission wrongly assumes that businesses are passing on their carbon tax-related cost increases to customers through higher prices. In reality, these higher costs are being absorbed by employers who do not feel confident enough to increase prices at a time of lower discretionary spending.

"A recent AEC Group report found that the introduction of the carbon tax is resulting in profit reductions of up to 11.8 per cent, with many hotels feeling they are unable to pass on cost increases to customers.

"An AHA member survey of 643 hotels conducted in March as part of our submission found that 74 per cent of pubs and 59 per cent of accommodation hotels had absorbed cost increases associated with the carbon tax.

"It is naïve to think that simply because a new tax is imposed on a business, that it can simply put up prices and recover the cost from customers in full. This is certainly not the case in the hotel sector."

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