

# Tourism Council WA Policy Paper



# Improving Customer Service

Submission to the Review of the Liquor Control Act 1988



Perth Airport



Margaret River



Burswood Entertainment Complex

# Improving Customer Service

## Submission to the *Review of the Liquor Control Act 1988*

### 1. Executive Summary

The provision of liquor and hospitality is a crucial service for Western Australia's international, interstate and intrastate visitors. Expenditure by these visitors employs 108,000 people and generates \$7.8 billion in gross value-added to the state economy.

To remain a competitive destination, WA must deliver the highest standards of customer service to visitors. Tourism Council WA contends that the current construction and application of the *Liquor Control Act 1988* limits the quality of customer service in WA.

Tourism Council WA welcomes the opportunity to make this submission to the *Review of the Liquor Control Act 1988*. Our submission focuses on customer service needs and reforms of the *Liquor Control Act 1988* to improve the quality of customer service in WA.

### 2. Tourism Council WA

Tourism Council WA (TCWA) is the peak body for tourism regions, industry associations and businesses in Western Australia. TCWA represents 1,100 members in aviation, events, hospitality, international education, tours & attractions, transport and visitor servicing. TCWA promotes tourism and advocates policy for members and their customers.

### 3. The WA Visitor Service Economy

The visitor service economy incorporates the industries and workforce which support international, interstate and intrastate visitors in Western Australia. Visitors include leisure tourists, business travellers, event delegates and international students. The visitor service economy is a major source of employment across all regions of Western Australia, creating employment for 108,000 people including:

- 59,000 in accommodation, food services and other hospitality.<sup>1</sup>
- 35,000 in aviation, tours, transport and other tourism related industries.<sup>2</sup>
- 14,000 in international education and related industries.<sup>3</sup>

The visitor economy is a critical component of the state economy, generating:

- \$7.8 billion in gross value-added for the state economy.
- \$2.9 billion in export earnings from international visitors.<sup>4</sup>

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<sup>1</sup> Australian Bureau of Statistics, *Labour Force, Australia, Detailed, 2009-10*, (Cat No. 6291.0.55.003).

<sup>2</sup> Tourism Research Australia, *State Tourism Satellite Accounts 2009-10*.

<sup>3</sup> Deloitte Access Economics, *Broader implications from a downturn in international students*, Universities Australia, 2011.

Food and alcohol experiences are the single most popular activity of visitors to Western Australia, exceeding: shopping, going to the beach and nature-based tourism. In 2012 over 9,800,000 visitors participated in a food and wine experience in Western Australia<sup>5</sup>.

Market	Eat out at restaurants	Visit wineries	Total
International	678,000	188,800	685,900
Interstate	811,000	115,000	835,000
Intrastate	2,663,000	396,000	2,756,000
Daytrip	5,469,000	317,000	5,533,000
<b>Total</b>	<b>9,621,000</b>	<b>1,016,800</b>	<b>9,809,900</b>

Since food and alcohol are the most important customer experience in the tourism industry, the regulation of these experiences via the Liquor Control Act has a critical impact on customer service and the state's competitiveness as a tourism destination.

#### 4. Impact of Regulation on Customer Service

The *Liquor Control Act 1988* significantly affects the quality of customer service received by visitors and locals in Western Australia. The impact of the Act arises from direct regulation and the unintended consequences of regulation.

##### 4.1 Availability of customer services

Visitors living away from home are highly reliant on tourism and hospitality industries to provide essential accommodation, food and transport services, twenty four hours per day and seven days per week (24/7).

Leisure visitors also have a higher propensity to enjoy liquor and hospitality experiences during their holidays. Perversely, liquor regulation is most restrictive at the times and places suited to leisure visitors including: late at night, weekends, public holidays, regional areas and at events.

The provision of liquor is often crucial to the economic viability of businesses to provide these accommodation and hospitality services on a 24/7 basis. Consequently the regulation of liquor can have the unintended consequence of reducing the supply of essential customer services.

This restriction on essential services can be in the form of limited times and days of service availability or reduced staffing levels and quality of service at regulated times. The impact of restrictive liquor regulation can also alter the respective return-on-investment (ROI) between residential and tourism land use, resulting in under supply of accommodation hotels. Furthermore an undersupply of accommodation restricts the customer base and economic viability for other visitor services such as retail, entertainment and taxis.

<sup>4</sup> Tourism Research Australia, *State Tourism Satellite Accounts 2009-10*.

<sup>5</sup> Tourism Research Australia, *International Visitor Survey and National Visitor Survey*, December 2012.

#### **4.2 Meeting customer expectations**

Visitors are accustomed to the liquor and hospitality services they experience at home. Western Australia's regulation of liquor can be an unexpected and unwelcome experience for visitors from destinations such as Asia, Europe and Victoria which have a more deregulated approach to liquor.

Similarly, Western Australians' own expectations have evolved from their tourism experiences in competing destinations. When regulations prevent customers from consuming liquor at times or in ways which they consider normal and reasonable, it creates a negative customer service experience.

#### **4.3 Competitiveness and value for money**

Customer's value for money is the single greatest impediment to tourism growth. A recent study ranked Australia 137<sup>th</sup> of 140 destinations for price competitiveness<sup>6</sup>. While we rank very highly with visitors for natural beauty, safety and good food, our major drawback is value for money. Western Australia in particular has a negative reputation as a high cost destination with low quality customer service.

Competition for customers reduces prices and improves the quality of liquor and hospitality services. Regulations which restrict the trade in liquor can have the effect of restricting competition, increasing prices and decreasing customer service.

#### **4.4 Innovation in customer services**

Proscriptions on when, where and what alcohol can be provided inevitably reduces the flexibility of tourism business to be innovative in their service delivery. Tourism businesses often find they need to change their alcohol offering to stop the loss of, or move into a new, market segment.

The time and cost of acquiring or amending the appropriate licence for the new product offering can prove a major barrier to innovation. Alternatively, some businesses have made innovative changes to their product unaware that regulations may have prevented them from doing so. For example, many unlicensed tourism businesses are adding value by offering a bottle of wine upon arrival or a local beer at the end of a tour.

#### **4.5 Conflict with customers**

Enforcement of licence requirements can cause significant and unnecessary conflict with customers. Customers do not like being told that they can't do something which common sense would indicate is reasonable behaviour. For example, taking your drink from one location to another in the same premises is reasonable behaviour in the eyes of a customer. Unfortunately this reasonable behaviour may need to be stopped by the licensee, to uphold the terms of the licence, causing conflict with customers.

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<sup>6</sup> World Economic Forum, *Travel & Tourism Competitiveness Report 2013*

## **5. Regulatory Principles to Improving Customer Service**

To improve tourism and hospitality customer service the following principles should be applied to the *Liquor Control Act 1988*:

- Enable businesses to deliver essential services and meet customer 24/7 needs.
- Ensure regulations do not deter investment in tourism facilities and services.
- Ensure regulations meet the reasonable expectations and evolving culture of Western Australians and their guests.
- Ensure regulation is applied flexibly to the different circumstances of interstate and international guests.
- Minimise restrictions on trade and maximise competition in price and service.
- Reduce compliance costs to increase price competitiveness and value for money.
- Enable business to deliver innovative and enjoyable services.
- Remove sources of conflict with customers due to the enforcement of regulation preventing reasonable customer behaviour.

## **6. Recommended Reforms**

Tourism Council WA contends that the *Liquor Control Act 1988*, and its current administration, is not achieving the objectives of meeting consumer needs while minimising harm.

A risk management approach is required to reduce unnecessary regulation that prevents consumer needs from being met. The application of the current Act has seen a focus on restricting the trade in liquor as a broad policy lever to assist government agencies to manage public health and minimise harm. However, restricting the supply of liquor automatically conflicts with the objective of catering to the requirements of consumers.

To restore the balance in meeting all the objectives in the act, the onus should be on removing the broad restrictions which create poor customer service and apply restrictions on a case by case basis where needed to minimise harm or protect public health. To improve customer service and meet all the objectives of the Act, Tourism Council WA recommends the following reforms:

### **6.1 Recognise consumers and the tourism industry**

To give effect to the objectives of the Act, the legislation should specifically recognise tourism bodies (such as Tourism WA and Tourism Council WA) as representatives of the tourism industry and its customers. The representations of those tourism bodies should be given the same legal weight as the representations of police and health bodies.

The Act should be amended in Division 7 to enable tourism bodies to support or object to a licence application with equivalent status as the police and local government.

## **6.2 Base licences on the primary objectives of the Act**

The decision to grant a licence, and on what terms, should be solely based on the objectives of the Act. Any term of the Act which supports religious considerations or anti-competitive privileges should be removed from decision making.

Licence applications should normally be granted to allow the competitive market to meet the requirements of consumers, unless it can be demonstrated that the licence would contradict the objective to minimise harm or ill-health.

The onus should be on the licensing authority, or objectors to a licence application, to identify the specific impact on harm and ill-health the licence would have. Where a negative impact is demonstrated, the specific terms of the licence should be altered to mitigate this harm and ill-health rather than denying a licence.

## **6.3 Reduce licence type restrictions on meeting the requirements of customer**

The current restrictions which define licence types in Division 2 should be reduced to promote competition, innovation and service availability. Restrictions which should be removed include:

- Restaurant - requirement to serve a meal with liquor.
- Small bar - limit of 120 customers.
- Club licence - requirement to serve only members and their guests.
- Liquor store – prohibition on charging for samples of premium liquor.

Licence types should be based on risk and performance, not defined by their restrictions on meeting the requirements of consumers.

## **6.4 Define licences types by risk and performance**

The number of licence types should be reduced and licences types defined by their risk of harm and ill-health. Licences types should be graded from low to high risk based on two key factors:

- Risk from volume and speed of liquor served on premises, ranging from higher risk fast-service bars, to medium risk seated service and low risk tasting; and
- Risk from consumption of liquor off premises ranging from a higher risk liquor store to low risk cellar door sales.

Licence applications should be graded for risk of harm and ill-health and the public interest test graded according to that risk. Licences should also be subject to harm and ill-health performance measures, such as the register of incidents, and their grading of risk reviewed accordingly.

A single low risk licence would replace many current licence types, including restaurant, small bars and producer licences. A low risk licence should have a low level of restriction on customer service and a low level of licence application and compliance costs.

## **6.5 Reform the public interest test to address accommodation hotel shortages**

The public interest test for a liquor licence in a new accommodation hotel should be eased where there are demonstrated hotel shortages.

Perth is currently experiencing a severe shortage of accommodation hotels. Studies show that WA will lose \$660 million by 2020, due to hotel capacity constraints on visitor numbers and expenditure<sup>7</sup>. To address this shortage the State Government adopted the *Hotel Incentive Policy* in 2011 in order to build 1,900 new hotel rooms in Perth by 2020. Under this policy the government will incentivise hotel development using discounted crown land, infrastructure provision and planning incentives.

Currently several crown land sites are being identified for mandatory minimum hotel usage; and are being released to the market for hotel development by agencies such as the Metropolitan Redevelopment Authority (MRA).

An appropriate liquor licence is crucial to the customer service needs and economic viability of any new accommodation hotel development. However, despite the current government *Hotel Incentive Policy*, a new accommodation hotel developer would still have to prove that a need exists to meet the public interest test for a liquor licence.

To ensure the *Hotel Incentive Policy* is not undermined by the liquor licensing regime:

- An accommodation hotel developer should not be required to prove the need for a liquor licence in the Perth CBD (or other hotel shortage area) where the government has already identified that a shortage of accommodation hotels exists.
- Where crown land is being released with minimum mandated hotel use, the development authority should be able to obtain pre-approval for the liquor licence and grant development and liquor approval in the one decision.

The liquor authority should delegate licence approval to crown land development agencies. The liquor authority should not have a power of veto over the hotel development (by virtue of the ability to decline a liquor licence) or apply licence terms which negates the government investment in incentives for hotel development.

## **6.6 Exempt low risk tourism experiences**

A licence exemption, or standard permission, should be introduced for low risk tourism experiences. The exemption would allow:

- An accredited tourism business may include a proscribed amount of liquor per guest as part of the overall price for a tour or accommodation service. This would enable

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<sup>7</sup> Access Economics, *Perth Hotel Economic Impact Study 2010*

business to provide customer services such as a glass of champagne on arrival, a wine and cheese picnic hamper or a local cider at the end of a walking tour.

- An accredited tour operator may sell a proscribed amount of liquor to guests while on a safari or cruise where the tour operator would be the only source of liquor and where the tour includes all meals. This would enable tour operators to provide customer services such as a gin and tonic on a marine cruise in the Kimberly.

The exemption would need to be registered, but would not be subject to approval or cost. To receive the exemption a business would need to be accredited against minimum standards such as the responsible service of alcohol, insurance requirements, risk management and customer service. Tourism accreditation standards have already been recognised by WA state government agencies, including the Department of Environment & Conservation licensing system and Tourism WA marketing policy.

### **6.7 Minimise restrictions on competition and service availability**

As a policy lever, restrictions on trade should be narrowed to those specific instances impacting public health. To ensure price competition and service availability, broad restrictions on trade should be removed or reduced including:

- removing or substantially reducing the waiting period before an unsuccessful service provider can reapply for a licence;
- removing any specific restrictions on hours of trading on Sundays or public holidays;
- remove restrictions on liquor stores trading on Sunday in regional areas; and
- reducing restrictions on late night trading and provide greater certainty in Extended Trading Permit renewals .

Any restrictions on trade should be narrowly applied to a specific licence and based on demonstrated risk to public health and performance measures.

### **6.8 Remove restrictions on customer movement in a venue**

Amend the act, such as section 110(3), to enable customers to move freely around a venue. This would include enable customers to move freely:

- from an area serving liquor, across a footpath or public area, to an alfresco area;
- across complexes such as: stadia, arenas, casinos and convention, exhibition & entertainment centres, which may have multiple licenses within the one venue; and
- between separate producers and restaurant licences in a single venue e.g. moving between a cellar door and a restaurant, with separate licensees, in the one winery.

Amendments allowing customers to carry liquor freely within a venue will prevent conflict with customers. The conflict arises when licensees enforcing restrictions which customers are unaware of; and which customers consider to be an imposition on their reasonable behaviour. Reducing unnecessary enforcement will also reduce compliance costs and improve price competitiveness and customer value.

### **6.9 Increase flexibility for events and venues**

The act should provide greater flexibility for the provision of liquor at events and venues. Events are a critical drivers of tourism, however regulations are geared to ongoing operations and do not provide sufficient flexibility for events. Reform is needed to allow:

- licence requirements for an event to be no more onerous than an equivalent ongoing operation;
- exhibitors and event managers to serve alcohol, without requiring the venue licensee to undertake this task;
- approve licences for interstate exhibitors at food & wine events held in Western Australia;
- profit share between and event managers and the licensed event venue; and
- multiple licences for the venue, event and exhibitor to apply over the one area.

### **6.10 Recognise and welcome interstate and international visitors**

To develop the tourism industry, the Act should be amended to prevent unnecessary restrictions on interstate and international consumer. Examples include:

- Amend the Act in section 126(1)(b)(i) and regulation 18A to provide licensees with the flexibility to accept reasonable proof of age identification from interstate and international guests.
- Remove the requirement that a club licensee can only serve club members and guest of members; and permit clubs to serve any interstate and international guests.

## **7. Further comment**

Tourism Council WA would be pleased to appear before the review or provide further input and comment. Please contact Ms Gemma Hunter on 9416 0700 or at [ghunter@tourismcouncilwa.com.au](mailto:ghunter@tourismcouncilwa.com.au) on behalf of:

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