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MEDIA RELEASE

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CAUTIOUS OPTIMISM REQUIRED IN TOUGH ECONOMIC TIMES

The head of Australia's leading hospitality and tourism industry association has called on all Australians to take a deep breath and retain their optimism as the world confronts the most significant economic challenge since the Great Depression.

The AHA's National Chief Executive Officer, Bill Healey, said today: "All Australians need to realise that two decades of economic reform and strong leadership from the new Labor Government means that we are as well placed as any nation to ride out the current economic turmoil."

Mr Healey acknowledged that Australia will not be quarantined from a drop in economic growth in major economies and reduced access to credit, however Australia is now a service economy located on the fringe of the most dynamic economic region in the world – Asia – and it is time to capitalise on this opportunity.

"The economic meltdown is occurring at a time when the national economy has been running 'full throttle' for several years on a debt-fuelled spending binge," said Mr Healey.

"The economy has been under strain from the interest rate increases required to control inflation, as well as labour shortages that were expected to grow due to major demographic changes.

"Highly leveraged Australian households will benefit from lower interest rates, tax cuts and the stimulus package announced by the Federal Government this week.

"The drop in the Australian dollar should make Australian service industries more competitive and encourage more people to holiday here.

"Declining interest rates should help small businesses and the strong government surpluses and our well-regulated banking and superannuation industries should enable the nation's ambitious infrastructure program to now proceed without stimulating a wage blow-out."

Mr Healey acknowledged that lower growth rates will impact on employment levels, but said: "Any changes in employment levels come at a time of record participation rates, immigration levels and major labour shortages. The situation was tipped to get much worse over the next five years as baby boomers leave the workforce.

"Major problems can be avoided if workplace relations reform supports productivity growth and the significant funding already earmarked for education and training programs is allocated in consultation with industry to key areas of need."

The AHA is also calling on the government to establish a 'Services Sector Consultative Forum' to ensure financial support flows through to regional communities and small service sector businesses.

“A market economy needs to periodically purge itself of poorly managed businesses,” Mr Healey said.

“However, the risk in the current climate is that many viable and innovative businesses will be put at risk because of a tightening of bank lending.

“We need to learn from how we provide financial support to farmers during a drought to help these businesses have the working capital to continue to employ people.

“The Services Sector Consultative Forum should also look at ways of better promoting our highly-regarded services industries, such as health, education and tourism, to emerging markets to our north to compensate for any decline in resource and manufacturing exports.”

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