



**Accommodation  
Association  
of Australia**

**2013/14 Pre-Budget Submission –**  
**Accommodation Association of Australia**

*Accommodation Association of Australia – Principal Contact*  
*Mr Richard Munro*  
*Chief Executive Officer*  
*Phone: +61 2 8666 9015*

## EXECUTIVE SUMMARY

- Disaster relief tourism marketing funding should be provided to Tourism Australia specifically for the purpose of promoting regions which have been severely impacted by floods and bushfires to potential visitors.
- The focus of this marketing should be that these regions are still “open for business”, despite natural disasters.
- There should be no further increase in the Passenger Movement Charge (departure tax) due to the negative impact that past increases have had on visitor numbers.
- The Accommodation Association supports maintaining the Tourism Industry Regional Development Fund at its current level and should projects financed by the initial funding round generate a significant number of jobs and economic growth, consideration should be given to greater investment in this fund by the Federal Government.
- Sufficient funding must be made available to the Australian Bureau of Statistics to ensure that it can continue to provide quarterly tourism accommodation statistics.
- The 2013/14 Federal Budget should take into account the impact of the carbon tax on tourism, including the accommodation sector.
- The Accommodation Association strongly supports the Managed Investment Trust Withholding Tax remaining at its current level.
- In line with previous policy commitments, Australia’s company tax rate should be reduced to stimulate growth in the accommodation industry, generating jobs and investment.
- There should be harmonisation of payroll tax rates across Australia.
- Workplace relations reform in the form of reducing penalty rates which are applied on days when other penalty rates already apply would result in a higher level of productivity in the accommodation industry, generating additional taxation revenue.

## INTRODUCTION

1. The Accommodation Association of Australia welcomes the opportunity to put forward the following formal submission to be considered as part of deliberations by the Federal Government (including The Treasury) as part of the process of development of the 2013/14 Federal Budget.

## ABOUT THE ACCOMMODATION ASSOCIATION

2. The Accommodation Association of Australia (the Accommodation Association) is the national industry body for the Australian accommodation industry.
3. Members of the Accommodation Association include major hotels, resorts, motels, motor inns, serviced and holiday apartments, bed and breakfasts, guesthouses, backpackers and timeshare establishments in metropolitan, regional and rural Australia across all states and territories.
4. The Association's membership base includes almost 2000 properties and more than 110,000 guest rooms.
5. The Association's members include major hotel and motel chains, such as Accor Hotels, Hilton Hotels, Toga Hospitality, Mantra Group, Rydges Hotels, Amora Hotels, InterContinental Hotels Group, Best Western Australia and Quest Serviced Apartments.

## TOURISM AND ACCOMMODATION – OVERVIEW

6. Tourism directly contributes \$34.6 billion to Australia's gross domestic product (GDP), a 2.5 per cent share.<sup>1</sup>
7. Tourism's total contribution to GDP (direct plus indirect contribution) is \$73.3 billion, a 5.2 per cent share of Australia's economy.<sup>2</sup>
8. There are 513,700 persons directly employed in the Australian tourism industry – 4.5 per cent of total employment.<sup>3</sup>
9. There are a further 393,400 persons indirectly employed in the Australian tourism industry.<sup>4</sup>
10. Along with education, tourism is Australia's leading services exporter.<sup>5</sup>
11. Tourism contributes \$23.7 billion or 8 per cent of Australia's total export earnings for all goods and services.<sup>6</sup>

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<sup>1</sup> Tourism Industry Facts & Figures (at a glance), Department of Resources, Energy and Tourism/Tourism Research Australia, September 2012, Page 12

<sup>2</sup> Ibid, Page 15

<sup>3</sup> Ibid, Page 13

<sup>4</sup> Ibid, Page 19

<sup>5</sup> Ibid, Page 14

<sup>6</sup> Ibid, Page 14

12. Accommodation/food services provide 33.3 per cent of tourism's gross value added to the Australian economy, worth \$10.454 billion.<sup>7</sup>
13. There are 232,400 persons directly employed in the accommodation/food services sector of the Australian tourism industry and a further 12,000 are indirectly employed, meaning total employment in the Australian accommodation/food services sector is 244,400.<sup>8</sup>
14. There are 4241 tourism accommodation establishments in Australia.<sup>9</sup>
15. There are 226,555 tourism accommodation rooms in Australia and 636,001 bed spaces.<sup>10</sup>
16. Tourism's share of the Australian economy has been declining.
17. The number of domestic overnight trips since 2001 is down by 3.6 per cent.<sup>11</sup>
18. The total number of domestic visitor nights since 2001 has fallen by 6.6 per cent.<sup>12</sup>
19. Tourism has a number of unique characteristics in comparison to other industries. These include:
  - It is highly labour intensive;
  - It requires the input of many service providers to contribute to the experience of the consumer;
  - It is dominated by a significant number of small businesses and has a high proportion of businesses which are located in regional and remote parts of Australia;
  - Tourism competes for the discretionary expenditure of consumers; and
  - Tourism businesses are facing rising taxation, employment and compliance costs.

## **CONTEXT**

20. The Accommodation Association acknowledges the tight fiscal environment in which the Federal Government is currently operating and that the Prime Minister has announced that the Government will make structural savings.

## **NATURAL DISASTERS RELIEF**

21. In recent weeks, several different parts of Australia have been seriously affected by natural disasters, including bushfires in southern Tasmania, NSW and Victoria and these tragic events were followed by major floods in Queensland and northern NSW.
22. For business, the negative impact of these disasters is likely to be felt the most by tourism, of which accommodation businesses are an integral part.

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<sup>7</sup> Ibid, Page 18

<sup>8</sup> Ibid, Page 19

<sup>9</sup> Ibid, Page 23

<sup>10</sup> Ibid, Page 23

<sup>11</sup> Ibid, Page 38

<sup>12</sup> Ibid, Page 38

23. There are two components to the financial cost of the disasters for accommodation businesses:
  - The cost of repairing and/or re-establishing the businesses in the wake of the disasters; and
  - Ensuring that the effect the disasters have on visitation to regions where the disasters have hit in the short-term is minimal.
24. Specifically with regard to preserving visitation levels, it is vital that tourism marketing initiatives for areas where the natural disasters have struck are bolstered to ensure that potential visitors are made aware that they can still visit these areas, i.e. that they are “open for business”.
25. Boosting tourism marketing for these areas is one of the most effective ways of ensuring the “open for business” message is communicated to as many potential visitors as possible, therefore minimising the negative impact on tourism businesses which are located in these areas.
26. Significantly, tourism is one of the largest employers in the areas affected by natural disasters, therefore if tourism suffers, the respective local economies will be at risk of a major downturn.
27. It is the submission of the Accommodation Association that additional tourism marketing disaster relief funding should be provided to Tourism Australia.
28. The sole purpose of this additional funding should be to highlight that regions which have been severely impacted are still capable of welcoming visitors.

## **PASSENGER MOVEMENT CHARGE (PMC)**

29. The Accommodation Association remains opposed to the PMC because it is a virtual tax on tourism (departure tax – the PMC is levied on persons who are departing Australia for another country).
30. When it first introduced in 1995, the PMC was \$27 per departing passenger and since then, it has been increased on several occasions to the detriment of tourism.
31. In the 2012/13 Federal Budget, it was proposed that the PMC be increased to \$55 from 1 July 2012 and then from 2013/14, it was to be indexed annually in line with the consumer price index.
32. However, the proposal for annual indexation did not proceed and funds raised by the increase in the PMC were put towards a new Tourism Industry Regional Development Fund and a new Asia Marketing Fund for tourism.
33. Due to the negative impact that the PMC has on visitor numbers, which in turn has a detrimental effect on room occupancy and revenue per available room (revPAR) for tourism accommodation businesses, it is the policy position of the Accommodation Association that there should be no further increase to the PMC.

## **FUNDS GENERATED BY THE PMC**

34. As mentioned above, revenue generated by the increase in the PMC is being directed towards the new Tourism Industry Regional Development Fund (TIRF), as well as the Asia Marketing Fund.
35. The Accommodation Association is supportive of the establishment of the TIRF, which will result in funding of \$48.5 million over four years being available (through grants of up to \$250,000) to support tourism industry development projects in regional Australia.
36. TIRF grants will, in part, assist with funding refurbishment of hotels, motels and other accommodation businesses, an objective in the “2020 Tourism Industry Potential” future plan for long-term sustainable growth for Australian tourism.
37. Applications for the first round of TIRF grants closed in December 2012, with successful applications expected to be announced in March 2013.
38. The introduction of TIRF grants are thought to be the first time that such direct funding for investment in tourism accommodation infrastructure has been made available in Australia.
39. The Accommodation Association supports maintaining the TIRF at its current level, however should projects funded by the initial round generate a significant number of jobs and economic growth, consideration should be given to greater investment in the fund by government.

## **ACCOMMODATION STATISTICS**

40. Accommodation statistics are one of the most important business tools for the Australian accommodation industry.
41. For Australia’s major hotel, motel and serviced apartment chains in particular, departments within these businesses that entirely focus on revenue heavily rely on the statistical data to drive growth in average room rates and, by extension, revPAR.
42. As well, tourism accommodation development feasibility studies are very dependent on accommodation statistics.
43. While the accommodation industry heavily relies on private providers for daily accommodation statistics, the Australian Bureau of Statistics (ABS) data for tourism accommodation in Australia is also extremely valuable.
44. At present, ABS data for tourism accommodation is made publicly available on a quarterly basis (with data for each quarter publicly released at the end of the following quarter).
45. The Accommodation Association is aware of a proposal which would result in the release of ABS tourism accommodation statistics on an annual basis, instead of quarterly. Such a proposal would have a significant negative impact on the accommodation industry.
46. Reducing the frequency of the release of ABS statistics would have the potential to reduce returns to accommodation businesses from room rates and revPAR, while it would also have the potential to create an unnecessary barrier to tourism accommodation development.
47. The Accommodation Association advocates that sufficient funding is made available to the ABS to ensure that it can continue to provide quarterly tourism accommodation statistics.

## **IMPACT OF THE CARBON TAX**

48. Australia's accommodation industry has been negatively impacted by the introduction of the carbon tax (which took effect on 1 July 2012).
49. While the Accommodation Association is in the process of receiving an update about the estimated cost of the carbon tax to the accommodation industry, the most recent estimate of the impact on the accommodation industry is that suppliers to businesses which are part of our industry have passed on price increases of up to 3 per cent.
50. The Accommodation Association rejects suggestions that this is an exaggeration. This information was sourced by surveying accommodation businesses.
51. Treasury modelling which shows that for travel and accommodation, the carbon tax would have an average impact of 0.5 per cent across all households is irrelevant to supplier costs, as is compensation which has been made available to some consumers following the introduction of the carbon tax. This is because neither have any direct links to what suppliers to accommodation operators charge for their products and services.
52. As well, as a result of the introduction of the carbon tax, hotels, motels, serviced apartments and other accommodation businesses have to contend with increased energy costs, increased flow-on costs from domestic transport and lower levels of consumer sentiment.
53. It is important that the 2013/14 Federal Budget takes into account the impact of the carbon tax on tourism, including the accommodation sector.

## **MANAGED INVESTMENT TRUST WITHHOLDING TAX**

54. In the 2012/13 Budget, it was proposed that the rate of Managed Investment Trust Withholding Tax (MIT tax) should rise from 7.5 per cent to 15 per cent.
55. When legislation to give effect to this change entered Parliament, the measure was adjusted so that newly constructed energy efficient commercial buildings would be eligible for an MIT tax rate of 10 per cent. The reduced rate would be available to tourism accommodation that meets a five-star green star rating, a predicted 5.5 star National Australian Built Environment Rating System (NABERS) rating or an equivalent standard.
56. With managed investment trusts being an attractive financing vehicle for large-scale purchases in the Australian accommodation industry, any increase in the rate of MIT tax is a disincentive for overseas companies to invest in tourism accommodation infrastructure in Australia.
57. Compromising such investment directly results in lower employment growth in the tourism industry and Australia's ability to compete with other nations for international visitors. It also stymies attempts in other policy areas by the Government to lift the level of investment in tourism in Australia.
58. The Accommodation Association strongly supports the MIT tax remaining at its current level.

## **COMPANY TAX**

59. The 2012/13 Budget saw the deferral of a reduction in the company tax rate from 30 per cent to 29 per cent.
60. This reduction was keenly anticipated by our industry, given the financial relief it would have provided to operators at the time of the commencement of the carbon tax.
61. The Accommodation Association is maintaining its position that the company tax rate should be reduced, which would stimulate growth in the industry, generating jobs and investment.

## **PAYROLL TAX**

62. The Accommodation Association advocates that there should be harmonisation of payroll tax rates across Australia and that, if possible, the lowest rate and highest threshold should universally apply.
63. As well as being a tax on jobs, payroll tax is costly to administer for larger accommodation businesses – in particular, major hotel and motel chains which have multiple sites in different states and territories where different payroll tax rates and thresholds apply.

## **BUSINESS PRODUCTIVITY (TAXATION REVENUE)**

64. The accommodation industry is supportive of reducing penalty rates for payment of staff on days when additional penalty rates apply on top of a base penalty rate, such as public holidays.
65. The Accommodation Association acknowledges that this a policy area which The Treasury does not have responsibility for, however the increase in productivity for our industry which would inevitably flow from such a reform would in turn generate additional taxation revenue for the Federal Government.
66. This is because it would ensure that parts of accommodation businesses which are currently closed on public holidays because they are unprofitable, such as restaurants, would open.
67. For these reasons, the Association is urging officials from The Treasury to take an active role in any discussions that take place within the federal bureaucracy about workplace relations reform.

## **CONCLUSION**

68. The Accommodation Association would be pleased to provide The Treasury with further information in relation to our submission through a briefing with departmental officials.

Date: 31 January 2013