



**Accommodation
Association
of Australia**

**Inquiry into opportunities and methods for
stimulating the tourism industry in northern
Australia – Submission of
Accommodation Association of Australia**

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EXECUTIVE SUMMARY

- The committee – as part of this inquiry – should take into consideration the findings and recommendations in the White Paper on Developing Northern Australia.
- To increase worker numbers, the Seasonal Worker Program should be expanded and streamlined, and more countries should be allowed to participate.
- The Working Holiday Maker Visa Program should be expanded to allow participants to work for longer in high-demand areas in northern Australia.
- Local government authorities in northern Australia are having a significant detrimental impact on the accommodation industry.
- Specific regions within northern Australia which are experiencing significant economic hardship should be given special consideration by government, including introducing localised grant programs, tax concessions, reductions in council rates and localised incentives to employ staff.
- Despite the resources and energy industries suffering a significant downturn – and accommodation businesses experiencing a reduction in occupancy rates in these areas in the order of 80 per cent – local government authorities have not reduced council rates.
- Toilet taxes represent another blatant grab for money by local government and these taxes have forced accommodation operators to close down rooms and remove toilets.
- Toilet taxes are having a major negative impact on investment in the accommodation industry.
- A reinsurance pool for northern Australia should be established, to reduce the financial burden of insurance premiums.

INTRODUCTION

1. The Accommodation Association of Australia is pleased to provide the following submission to be considered as part of the inquiry into opportunities and methods for stimulating the tourism industry in northern Australia, which is being conducted by Parliament's Joint Standing Committee on Northern Australia.

ABOUT THE ACCOMMODATION ASSOCIATION

2. The Accommodation Association of Australia (the Accommodation Association) is the national industry body for Australia's 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 members include major hotel and motel chains, and serviced apartment groups.
5. The Association's membership base includes almost 2000 properties and more than 110,000 guest rooms.

TOURISM AND ACCOMMODATION – OVERVIEW

6. Tourism directly contributes \$52.918 billion to Australia's gross domestic product (GDP), 3.2 per cent of Australia's total GDP.¹
7. There are 580,200 people directly employed in the Australian tourism industry – 4.9 per cent of total employment.²
8. Accommodation businesses add \$7.462 billion of gross value to the Australian economy.³
9. There are 82,800 people employed in the accommodation sector of the Australian tourism industry.⁴
10. There are 4445 tourism accommodation establishments in Australia.⁵
11. There are 249,131 tourism accommodation rooms in Australia and 676,638 bed spaces.⁶

¹ Tourism Satellite Account 2015-16, Australian Bureau of Statistics

² Ibid

³ Ibid

⁴ Ibid

⁵ Tourist Accommodation, Australia, 2015-16, Australian Bureau of Statistics

⁶ Ibid

POLICY CONTEXT

12. The Accommodation Association of Australia acknowledges the release – in June 2015 – of the “White Paper on Developing Northern Australia”.
13. The Association respectfully submits that the committee, as part of this inquiry, should take into consideration the findings and recommendations in what is a comprehensive public policy document.

OPERATORS OF ACCOMMODATION BUSINESSES ARE MAJOR EMPLOYERS IN NORTHERN AUSTRALIA

14. Operators of tourism accommodation businesses located in northern Australia are major employers in their local areas.
15. Strong recent growth of the tourism industry has resulted in tourism accommodation businesses taking on more staff and therefore, the importance of these businesses to their local economies has increased.
16. One of the biggest impediments to future growth of the accommodation industry in northern Australia is a lack of suitable people to fill vacant positions.
17. While unemployment in some of Australia’s capital cities is high, this hasn’t been enough to prompt people who aren’t in work in capital cities to relocate to regional areas, including regional areas in northern Australia, to fill vacant positions.
18. Given this, the accommodation industry supports the following recommendations in the White Paper on Developing Northern Australia:
 - Expand and streamline the Seasonal Worker Program by reducing costs to business, increasing worker numbers and allowing more countries and industries to participate⁷; and
 - Expand the Working Holiday Maker Visa Program to allow participants to work for longer in high-demand areas in northern Australia, with a small number allowed a second year on their visa if they work in northern tourism and agriculture.⁸
19. The success of the Seasonal Worker Program has been recognised by the Federal Government: “The trial of the accommodation sector in the SWP (Seasonal Worker Program) between 2012-13 and 2014-15 allowed accommodation properties to access a reliable source of labour for seasonal work that may not have been available locally.”⁹

⁷ Our North, Our Future: White Paper on Developing Northern Australia, page 13

⁸ Ibid, page 14

⁹ Australian Trade Commission (Austrade) submission to Joint Standing Commission on Migration inquiry into the Seasonal Worker Program, 2015, page 2

ACCOMMODATION OVERSUPPLY IN TOWNSVILLE

20. Local government authorities across Australia – and, in particular, in northern Australia – are having a significant detrimental impact on the accommodation industry.
21. A prime example of this is the direct intervention by the City of Townsville in the local hotel market.
22. On 4 August, 2017, the City of Townsville announced it had signed a memorandum of understanding to negotiate with a development company and a hotel chain to establish a 4.5-star hotel within the North Queensland Stadium Precinct.¹⁰
23. The decision by the City of Townsville triggered major concerns among existing operators of tourism accommodation businesses in the local market.
24. The General Manager of the Grand Hotel, Mr Troy Scott, said: “The suggestion that Townsville needs another 4.5-star hotel is incorrect and will actually cost current investors and hotel operations millions of dollars annually and in turn will risk jobs.”¹¹
25. The General Manager of the Mercure Townsville, Mr Steve Wellsted, said: “The crucial issue is around visitation. We welcome new development if there is a huge increase in visitation to the region, but we haven’t seen any evidence of that in the last few years.”¹²
26. The City of Townsville reaps millions of dollars in council rates each year from existing accommodation businesses, yet this recent decision was clearly not in the best interests of the local economy.

INVESTMENT IN TOURISM IN DISTRESSED AREAS

27. It is the submission of the Accommodation Association that specific regions within northern Australia which are experiencing significant economic hardship should be given special consideration by government.
28. Such special consideration could include, but not be limited to localised grant programs, tax concessions, reductions in council rates and localised incentives to employ staff.
29. The Accommodation Association applauds the injection of \$7 million in funding by the Federal and Queensland Governments to assist the tourism industry following the impact of Cyclone Debbie in March/April 2017.
30. Under this initiative, \$4.5 million has been committed to four infrastructure projects in the Whitsundays, Bowen and Lake Proserpine.¹³
31. A “Tourism Recovery Fund” to provide grants for projects which drive tourism in the Whitsunday Regional Council area is also part of this support package.¹⁴

¹⁰ Media Release, City of Townsville, 4 August, 2017

¹¹ “Townsville hoteliers warn of losses from oversupplied market”, Townsville Bulletin (online), 10 August, 2017

¹² Ibid

¹³ Media Release, Hon Steven Ciobo MP/Hon Kate Jones MP, 9 September, 2017

¹⁴ Ibid

EXORBITANT COUNCIL RATES

32. Among the major concerns members of the Accommodation Association who are based in northern Australia have is exorbitant council rates.
33. This financial burden is being felt the most in areas of northern Australia where resources and energy were formerly the dominant industries.
34. When the resources and energy industries were booming, local government authorities forced major increases in council rates on accommodation businesses.
35. Despite the resources and energy industries suffering a significant downturn – and accommodation businesses experiencing a reduction in occupancy rates in these areas in the order of 80 per cent – local government authorities have not reduced council rates.
36. Given the direct financial benefit local government authorities receive from accommodation businesses in the form of council rates, these authorities should be far more accountable for the lack of support they provide to the accommodation industry and tourism more broadly.

“TOILET TAX”

37. In addition to exorbitant council rates, local government authorities have consistently sought to impose a broad range of additional fees and charges on operators of accommodation businesses in northern Australia.
38. Once such charge is, effectively, a “toilet tax”.
39. Under this levy, commercial properties are forced to pay additional charges to local government authorities according to how many pedestals they have on their properties.
40. This toilet tax has a far higher negative impact on hotels and other accommodation operators than other businesses, e.g. commercial office buildings, because the overwhelming majority of individual rooms in accommodation businesses each have a toilet.
41. That such a charge should even exist is bordering on being un-Australian, let alone the financial pain it causes accommodation businesses because of the quantum of toilet taxes.
42. The City of Townsville has imposed a charge of \$890 per pedestal, meaning a 100-room hotel within its council area pays an \$89,000 toilet tax on an annual basis.¹⁵
43. In almost all instances, a toilet tax is imposed on top of existing sewerage charges.
44. In almost all circumstances, a toilet tax also applies even if an accommodation room is not occupied for a night.
45. A toilet tax is another blatant money grab by local government and in response, some accommodation operators have closed down rooms and removed toilets, proving the existence of such an impost has a major negative impact on investment in the accommodation industry.

¹⁵ “Hotel operators remove toilets to avoid paying exorbitant rates”, Townsville Bulletin (online), 10 March, 2015

46. The mere existence of toilet taxes raises more questions about the accountability of local government authorities.
47. Unlike the Commonwealth and state/territory governments, local government representatives are not subject to compulsory voting at elections in all states and territories, which promotes low levels of accountability.
48. Given this, the Accommodation Association contends there must be far clearer boundaries around what powers local government authorities have to impose (unnecessary) taxes and charges on businesses and residential ratepayers, and these boundaries must be in place ahead of local government being recognised in the Constitution of Australia.

EXCESSIVE INSURANCE PREMIUMS

49. As members of the committee are aware, many businesses located in northern Australia are subject to unreasonably high insurance premiums, notably in far-north Queensland.
50. Despite significant pressure being placed on insurance companies to rectify this situation, it hasn't markedly changed.
51. The Accommodation Association notes the following recommendation in the White Paper on Developing Northern Australia: "A Northern Australia Insurance Premiums Taskforce to investigate actions that lower the cost of insurance in the north."¹⁶
52. The Association was pleased that this recommendation was implemented and the final report of the taskforce contained recommendations including:
 - A sustainable way to reduce insurance premiums is through mitigation;
 - Insurance companies should develop pricing systems which provide greater recognition of mitigation action;
 - The insurance industry should engage more effectively with property owners in northern Australia; and
 - A reinsurance pool could promote (greater) competition through new entrants to the northern Australia market.¹⁷
53. Consistent with the findings of the Northern Australia Insurance Premiums Taskforce, the Accommodation Association is supportive of a reinsurance pool being established for northern Australia to, among other things, enable members to take advantage of such an initiative.

¹⁶ Our North, Our Future: White Paper on Developing Northern Australia, page 12

¹⁷ Final Report, Northern Australia Insurance Premiums Taskforce, November 2015, page xvii

CONCLUSION

54. The Accommodation Association would be pleased to provide the committee with further information in relation to our submission by appearing before the committee.

Date: 4 October 2017