



**Accommodation
Association
of Australia**

2014/15 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

- If an online travel agency generates business from within Australia, then it should pay a levy or tax which could be used to bolster funding for tourism marketing, through Tourism Australia.
- Sufficient funding should be made available to the Australian Bureau of Statistics to enable it to revert to providing quarterly tourism accommodation statistics.
- Given the importance of international tourism marketing, funding for Tourism Australia should be preserved at its current level.
- Changes to visa requirements would lift the level of economy activity in the accommodation industry, as well as provide operators with a much-needed source of short-term labour.
- The accommodation industry supports the freeze on the Passenger Movement Charge.
- The 2014/15 Federal Budget should take into account the impact of the carbon tax on tourism, including the accommodation sector.
- Workplace relations reform such as 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 2014/15 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, Rydges Hotels, Rendezvous Hotels, Amora Hotels, InterContinental Hotels Group, Best Western Australia and Quest Serviced Apartments.

TOURISM AND ACCOMMODATION – OVERVIEW

6. Tourism directly contributes \$42.0 billion to Australia's gross domestic product (GDP), a 3.7 per cent share.¹
7. There are 543,600 persons directly employed in the Australian tourism industry – 2.1 per cent of total employment.²
8. Along with education, tourism is Australia's leading services exporter.³
9. Tourism contributes \$23.7 billion or 8 per cent of Australia's total export earnings for all goods and services.⁴
10. Accommodation/food services provide 33.3 per cent of tourism's gross value added to the Australian economy, worth \$10.454 billion.⁵
11. 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 244,400.⁶

¹ Tourism Research Australia, iPhone application, retrieved 27 January 2014

² Ibid

³ Tourism Industry Facts & Figures (at a glance), Department of Resources, Energy and Tourism/Tourism Research Australia, September 2012, Page 14

⁴ Ibid, Page 14

⁵ Ibid, Page 18

12. There are 4241 tourism accommodation establishments in Australia.⁷
13. There are 226,555 tourism accommodation rooms in Australia and 636,001 bed spaces.⁸
14. Tourism's share of the Australian economy has been declining.
15. The number of domestic overnight trips since 2001 is down by 3.6 per cent.⁹
16. The total number of domestic visitor nights since 2001 has fallen by 6.6 per cent.¹⁰

ONLINE TRAVEL AGENCIES – OPPORTUNITY TO GENERATE ADDITIONAL TAXATION REVENUE

17. Online travel agencies which focus on the Australian tourism industry are experiencing exponential growth.
18. Examples of such emerging companies include Wotif.com, Airbnb and Hotels.com, among many others.
19. Because the internet has created a global marketplace, Australian consumers have easy access to online travel agencies, whether they are based within Australia or overseas.
20. While online travel agencies directly profit from the Australian tourism industry, they make limited direct contributions to the industry, which is in contrast to, for example, major airlines which regularly commit to cooperative tourism marketing initiatives.
21. At a time when the financial environment for the Federal Government is extremely tight, there is an opportunity for the Government to generate additional revenue for tourism from online travel agencies by establishing a taxation regime for them.
22. Under such a regime, if an online travel agency operates from within Australia, then it should pay a levy or tax which could be used to bolster funding for tourism marketing, through Tourism Australia.
23. In addition, if an online travel agency operates from outside of Australia, the Accommodation Association supports the Federal Government investigating if taxation revenue can be collected from these businesses.

ACCOMMODATION STATISTICS

24. Accommodation statistics are one of the most important business tools for operators in the Australian accommodation industry.
25. 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 (revenue per available room).

⁶ Ibid, Page 19

⁷ Ibid, Page 23

⁸ Ibid, Page 23

⁹ Ibid, Page 38

¹⁰ Ibid, Page 38

26. As well, tourism accommodation development feasibility studies always contain accommodation statistics.
27. While the accommodation industry heavily utilises private providers for daily accommodation statistics, the Australian Bureau of Statistics (ABS) data for tourism accommodation in Australia is also extremely valuable.
28. Previously, ABS data for tourism accommodation was made publicly available on a quarterly basis (with data for each quarter publicly released at the end of the following quarter).
29. However, in late 2012/early 2013, the ABS took a decision to cease the provision of tourism accommodation statistics on a quarterly basis, citing cost as the major reason why.
30. The last quarterly release of ABS accommodation statistics was for the June 2013 quarter, released in September 2013.
31. The next scheduled release of ABS accommodation statistics will be in December 2014 which will cover the 2013/14 financial year.
32. Given that the ABS anticipated saving a mere \$600,000 as a direct consequence of moving to annual releases of statistical data instead of quarterly, the Accommodation Association strongly believes that this cost is far outweighed by the many benefits for the accommodation and tourism industries.
33. The ceasing of quarterly releases of ABS accommodation statistics has had a marked negative impact on the accommodation industry.
34. It has reduced returns to accommodation businesses from room rates and RevPAR, while it has hindered new tourism accommodation developments.
35. The Accommodation Association advocates that sufficient funding is made available to the ABS to ensure that it can revert to providing quarterly tourism accommodation statistics.

TOURISM AUSTRALIA – FUNDING FOR TOURISM MARKETING

36. Tourism marketing is the single most important driver of demand for rooms in the majority of Australia's tourism accommodation businesses.
37. Coupled with domestic tourism marketing efforts, the quantum of marketing of Australia as a destination for international visitors is directly linked to business revenue and by extension, the level of employment in the accommodation industry.
38. The greater the financial commitment to international tourism marketing, the more international visitors that Australia welcomes which increases the number of Australians who work in the accommodation industry.
39. Australia is facing intense competition from other countries for international visitors on the back of a greater commitment to tourism marketing by many overseas nations, notably those in the emerging Asian market.
40. Tourism Australia has primary responsibility for marketing Australia as an international tourism destination.
41. Tourism Australia continues to undertake a number of highly successful international tourism marketing campaigns which have directly boosted employment in the accommodation

industry and government revenue through taxation returns generated by employment and consumption.

42. An example of one of Tourism Australia's highly successful international tourism marketing campaigns was its "Best job in the world" campaign. It involved recruiting six people from overseas to six positions based in some of Australia's high-profile international tourism destinations. While doing their respective jobs, the successful applicants shared their Australian experiences with a global audience in an attempt to attract higher numbers of international visitors to Australia.
43. Further tangible evidence of Tourism Australia's marketing efforts is the organisation recently lifting the number of fans on Facebook that it has to more than 5 million.
44. Since 2004, Tourism Australia has, in effect, experienced a decrease in its funding allocation.
45. In 2004, funding for Tourism Australia was \$138 million; in 2012/13, its funding was \$130 million.
46. It is the submission of the Accommodation Association that given the importance of tourism marketing to our industry and the Australian economy more broadly, as a minimum, funding for Tourism Australia should be preserved at its current level.

VISA ISSUES

47. While breaking down barriers for accommodation businesses to access short-term labour would be unlikely to directly impact on government finances, there are many indirect financial benefits that would result, including such workers paying tax and assisting with lifting the level of economic activity in Australia among both consumers and accommodation businesses alike.
48. The accommodation industry accesses short-term labour through skilled migrants, overseas students and working holiday-maker visa-holders. Such workers assist with filling positions in the Australia that accommodation businesses struggle to fill with local workers, notably those located in regional areas.
49. The Accommodation Association supports streamlining the visa/migration framework to enable businesses in our industry to access a higher level of short-term labour.
50. Consideration should be given to including employment for 88 days in tourism and hospitality in regional Australia as part of the 12-month extension for the working holiday-maker second visa and increasing the age for eligibility to 35.
51. Altering conditions of 457 visas to overcome difficulties with sponsor obligations would assist with enabling accommodation businesses to fill vacant roles with migrant workers.
52. For occupations in demand, international student graduates from approved private higher education and vocational education and training institutions should be able to obtain temporary work visas.
53. Chefs should be restored to Australia's skilled occupation list.

PASSENGER MOVEMENT CHARGE

54. On 11 October 2013, the Abbott Government honoured an election commitment by announcing that the Passenger Movement Charge (PMC) or departure tax would be frozen for the full term of the current Parliament.
55. Recent increases in the PMC have had a significant detrimental impact on the accommodation industry, therefore the Accommodation Association supports the policy position taken by the Government.

IMPACT OF THE CARBON TAX

56. Since its introduction on 1 July 2012, the carbon tax has had a negative financial impact on Australia's accommodation industry.
57. A 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. This information was sourced by surveying accommodation businesses.
58. Compensation made available to consumers following the introduction of the carbon tax has had a negligible positive impact on accommodation businesses and it has not offset supplier price increases.
59. In addition, 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.
60. The Accommodation Association supports the removal of the carbon tax.
61. It is important that the 2014/15 Federal Budget takes into account the impact of the carbon tax on tourism, including the accommodation sector.

BUSINESS PRODUCTIVITY (TAXATION REVENUE)

62. 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.
63. 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.
64. 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.
65. For these reasons, the Association is urging The Treasury to take an active role in promoting workplace relations reform.

CONCLUSION

66. 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 2014