



Australian Hotels: Contributing to economic growth and national prosperity



A pre-election policy platform by the Australian Hotels Association (AHA) and Tourism Accommodation Australia (TAA)

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Introduction



The Australian hotel is more than just the focal point of its local community; it is a major economic driver at a local, state and national level. Collectively, hotels employ around 300,000 people in over 6,000 Australian hotels and generate between \$11 billion and \$14 billion per year in domestic economic activity.

The hotel industry has the capacity to grow and contribute more to the national economy if the right policy framework can be achieved. Tourism Australia's long term strategy has identified a need for new investment in infrastructure, including hotel accommodation, in order for Australia to capitalise on the opportunities presented by the emerging economies of Asia. Achieving this requires governments to appreciate the impact of tourism and hospitality on the creation of employment, wealth, culture and community, and be actively engaged in partnership with industry. This means addressing key national objectives of sound economic and fiscal management, creating new jobs, fostering enterprise and reducing red tape on business.

The AHA's vision on behalf of its members is for a vibrant and sustainable hotel and tourism industry that will support both local and national economies. Hotels can also help to increase individual prosperity by creating new and better employment opportunities in all cities and towns in every state and territory, attracting new investment, and continuing to contribute to the fabric of the community as meeting places and social hubs.

This policy platform outlines the actions needed from government to maximise the hotel industry's contribution to Australia's economy. The industry seeks to work in partnership with a future Federal Government to ensure its economic contribution is increased and unnecessary regulatory barriers are removed. By partnering with the AHA to implement the recommendations contained in this platform, any future Federal Government will help the hotel industry to achieve an even greater level of self-reliance and sustainability which will ultimately benefit the wider Australian economy.



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Key Priorities



The AHA invites government to work in collaboration with industry to achieve:

1. A fair and equitable workplace relations system that better accommodates the 24/7 nature of the hospitality industry.
2. Fair and simple access to overseas workers to fill labour shortages that cannot be met by the Australian workforce.
3. An enthusiastic approach to tourism that fosters investment in tourism infrastructure, encourages international tourists to visit Australia and facilitates the simple movement of visitors from overseas and domestically.
4. Legitimate consideration of the impact on business when considering public health strategies by undertaking evidence-based examinations of interventionist proposals before acting.
5. The maintenance of the existing system of alcohol taxation, including the differential rate of excise for draught beer.
6. A strong Australian federation with minimal Commonwealth interference in areas of state/territory responsibility.
7. Ongoing, constructive consultation with the industry on policy matters relating to the interests of hotel operators.





Representing Australian hotels since 1839

The Australian Hotels Association (AHA) is the national voice of Australia's vibrant hotel industry. As an organisation of employers in the hospitality industry federally registered under the *Fair Work (Registered Organisations) Act 2009*, the AHA represents more than 5,000 members across Australia serviced by a network of branches based in every state and territory and a Canberra-based National Office.

The majority of the AHA's members are pubs and taverns, and a significant number are accommodation hotels. A smaller proportion of the AHA's membership is comprised of bars, restaurants, casinos and function/conference centres. The overwhelming majority of Australian hotels are owner-operated small businesses serving their local communities, with a proportion of hotels forming part of national or international chains.

Members of the AHA receive advice, support and services from their local state or territory AHA branch, and the AHA's accommodation hotel members are serviced by Tourism Accommodation Australia (TAA) – a division of members within the AHA representing the specific interests of the accommodation sector.

Together, the AHA and TAA members employ around 300,000 Australians in businesses located in every city and town in every electorate in the country.

At a national level, the AHA represents the interests of its members to the Federal Government on a variety of issues such as industrial relations, workforce development, tourism, gaming and alcohol policy, trade practices matters, taxation, music licensing and business regulation. It is important for our members that the Federal Government acknowledges and supports the significant economic and social contribution of hotels and for this to be reflected in government policy.





AHA Position

The significance of the hotel sector to tourism and hospitality should be recognised by Governments by actively seeking opportunities to consult with the industry on relevant policy decisions. This includes the appointment of AHA or TAA representatives to boards, committees and other advisory bodies directly impacting on hotels, including Tourism Australia, and more broadly dealing with:

- Industrial relations and superannuation.
 - Workforce development and overseas workers.
 - Alcohol regulation and relevant public health issues.
 - Gambling regulation.
 - Taxation.
 - Relevant small and medium business regulation such as workplace safety, food regulation, refrigeration etc.
 - Tourism and business events.
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Background

The AHA is a strong and active representative of a significant industry and is in a position to provide expert insight and analysis of policy proposals and assist governments in implementing changes through education and communication. In 2012 the AHA participated in the following committees:

- Industrial Relations Business Consultative Committee
- Fair Work Australia Termination of Employment User Group
- Tourism 2020: Labor and Skills Working Group
- Tourism 2020: Tourism Access Working Group
- Seasonal Workers Advisory Group
- Tourism Directions Conference Steering Committee
- Ministerial Gambling Advisory Group
- AUSTRAC Gambling Consultative Forum
- Superannuation Employer Reform Working Group
- National Roundtable on People Trafficking
- FSANZ Food Allergens Collaboration
- National Measurements Institute Industry Committee
- Tourism Visa Advisory Group

Tourism Australia

In previous years, AHA representatives have been appointed to the board of Tourism Australia (and its predecessor the Australian Tourist Commission) and it remains important for the industry to be actively engaged at the most senior levels of TA.

Representation

The AHA is the organisation best placed to represent the views and interests of the hospitality and accommodation industry, the largest sector of the Australian tourism, to Government and should be invited to attend major public consultative events such as the recent Jobs Forum and the Tax Summit.

Health Bureaucracy Consultation

Traditional government policy has seen health agencies proactively consult with relevant industry groups when developing preventative or reactionary intervention strategies. The hospitality and accommodation industry is likely to be significantly impacted by proposals to restrict the sale of alcohol, to cause its price to increase or to restrict its promotion. Recent years have seen a concerning decline in industry engagement in policy development by the Department of Health & Ageing and Government-funded health agencies, in particular the Australian National Preventative Health Agency (ANPHA).



AHA Position

The current industrial relations regime is punitive on the 24/7 hotel industry, causing additional labour costs on evenings, weekends and public holidays and imposing unnecessary regulatory burdens on employers. The AHA calls for:

- A merit-based review of the Fair Work Act to ensure the Hospitality Award can be varied to reflect modern industry trading environment, specifically including a review of penalty rates for late nights, Saturdays, Sundays and Public Holidays.
 - The Annual Wage Review to be able to exempt industry sectors based on specific or peculiar economic conditions.
 - Amendments to the Fair Work Act to direct the Minimum Wage Panel to ensure statutory increases in employer superannuation contributions are offset against future wage increases from the Annual Wage Review.
 - A nationally consistent number of 11 public holidays per year attracting penalty rates under the National Employment Standards.
 - Employers to be able to offer Individual Flexibility Agreements as a condition of employment, extend their maximum duration to two years and enable non-monetary benefits to be considered in the Better Off Overall Test.
 - A consistent threshold for determining 'small businesses' for the purposes of unfair dismissal, adverse action and superannuation clearing house services to 50 employees, based on a head count rather than an FTE basis.
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Background

The hospitality industry is one of Australia's largest employing industries, employing some 640,000 people across the sectors of hotels (170,000), accommodation (90,000), casinos (20,000), clubs (100,000) and restaurants & caterers (250,000). In contrast to other industries such as manufacturing or mining, the hospitality industry employs people in every Australian state, city, town and electorate. The vast majority of hospitality businesses are small-to-medium-enterprises (SMEs) that are unable to engage in collective bargaining and rely on award conditions set by the Fair Work Commission.

Penalty Rates

The majority of customer demand for hotels falls outside the 9am to 5pm Monday to Friday period on which the current industrial system is based. Trading on evenings, Saturdays, Sundays and on public holidays is subject to a punitive penalty rate and overtime regime.

In a recent application to the Fair Work Commission (formerly Fair Work Australia) the AHA provided evidence of the impact of penalty rates of public holidays (loaded at 275%) including:

- The ordinary casual rate of a Food and Beverage Attendant Grade 2 is \$21.31 per hour while the public holiday rate is \$46.89 (Cook Grade 3 is \$23.23 and \$51.10 respectively).
- To reduce exposure to higher labour costs on public holidays, hotels reduce service offerings including closing restaurants for lunch and/or dinner, reducing access to room service, closing or reducing bar trading hours, limiting menu offerings and minimising the servicing of rooms and amenities.

- Casual employees (who make up 70% of the industry workforce) are often prevented from working on public holidays and therefore miss out on income they would otherwise have received.
- The reduction of services on offer impacts the ability of Australian hotels to compete against other international markets for tourist visitations.
- If penalty rates were not paid on these days, normal operations and services would be provided and the impacts highlighted above would be removed.

The impact of penalty rates of Saturday (150%) and Sunday (175%) are similar to the impact of public holiday penalty rates. The current Fair Work Act and its modern award objectives does not provide for adequate consideration of the core hours of the operations of the hospitality business and the cost of labour from a business perspective. Hospitality businesses are open and trading when others are closed. Accordingly, a review needs to be made of the award structure with particular focus on the impact of penalty rate and overtime loadings in the hospitality industry.

Public Holidays

The Award Modernisation process has created a national industrial relations system yet there is inconsistency between jurisdictions on the number of public holidays each year. Productivity and labour costs are impacted by the public holiday penalty rates loaded at 275% of the base rate. Accordingly, the Government should legislate to ensure a nationally consistent number of 11 public holidays per year attract penalty rates notwithstanding how many public holidays are proclaimed by each state or territory government.

Annual Wage Review

The failure of the Annual Wage Review process to consider special case arguments for particular industries (such as hospitality) that are not benefiting from the resources boom is an ongoing concern. Applying a universal wage increase has a disproportionate impact on employers in industries or geographic regions that have not seen economic growth.

The legislated increases in employer superannuation contributions will apply further additional costs to employers.

The Government must legislate to ensure these additional employment benefits are offset against future wage increases through the Annual Wage Review.

Superannuation

The AHA believes the process for setting default superannuation funds in modern awards should remain in the industrial relations system with reviews of default funds conducted by the Fair Work Commission when it reviews modern awards every four years.



The AHA calls for the legislated increases in employer superannuation contributions (from 9% to 12%) to be offset against annual award wage reviews to reflect the actual cost of employment. These increases should be deferred until the Fair Work Act is amended to direct the Minimum Wage Panel to offset the increased employer contributions against annual wage increases.



AHA Position

Current workforce development priorities do not address the needs of the hotel industry with its large casual workforce. Training incentives are focused on ideology rather than the occupational requirements, and the current Job Services Australia (JSA) agency is not structured to assist filling vacancies in the hotel industry. To address this:

- The operation of the Job Services Australia network should be reviewed to address its current failure to engage with the hospitality industry.
 - Funding for industry organisations to act as Employer Brokers to assist JSAs should be reinstated.
 - A specific JSA agency should be established dedicated solely to working with the hospitality sector.
 - Training incentives should be available to casual employees in the hospitality industry.
 - Training incentives should be available for job-ready training such as Responsible Service of Alcohol, Food Handling, Work Health & Safety, Responsible Service of Gaming, Security and Crowd Control.
 - Government should support businesses to 'Employ Outside the Box' by offering incentives for employers to engage with disadvantaged jobseekers including indigenous workers, people with a disability and the long-term unemployed.
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Background

In 2008 the AHA developed the *Workforce Development Strategy – Attracting and Keeping Good people in the Tourism and hospitality Industry*, (see www.aha.org.au). Skills and labour shortages identified in this report remain today, with Deloitte Access Economics identifying a shortage of 56,000 workers by 2015 without a change in Government policy. The industry prefers to fill hotel job vacancies with Australian workers. However, when an employer is unable to fill vacancies with Australian workers, opportunities should be available to source overseas workers.

Employer Broker

In 2011 the AHA received \$115,000 in Federal funding to act as an Employer Broker in regional Victoria, looking to match job vacancies with job seekers. The AHA's project was hugely successful with around 400 vacancies identified in hospitality businesses. Alarming the AHA's attempts to engage with Job Services Australia resulted in only 26 apprentices and 154 unemployed workers being placed in hotels. This Victorian shortage is mirrored in many other regions and metropolitan areas throughout Australia and highlights both the ineffectiveness of the current JSA network and the need for industry organisations to act as Employer Brokers.

Job Services Australia

The current JSA network is not delivering workers to fill the identified needs of hospitality employers and they currently only engage with seven per cent of businesses. In the AHA's experience, JSAs are reluctant to travel outside metropolitan areas and prefer to work with large national employers rather than local small or medium-sized businesses like hotels. A review of the JSA structure is needed to ensure greater involvement with the hospitality industry – for example, tenderers under the JSA system could be required to support the hospitality industry as part of their tender conditions.

Training Incentives

Employer incentives are available for Certificate II in Hospitality, but this course does not in itself provide employees with the skills and experience necessary to work in the industry. The majority of Australia's 170,000 hotel employees require only the right attitude to customer service, basic training in beverage preparation and mandatory regulatory certificates. Consideration should be given to introducing employer incentives for industry-specific training of Australian workers such as Responsible Service of Alcohol, Responsible Service of Gaming, Food Handling, Work Health & Safety, Security and Crowd Control as a way of helping the industry to meet its skills and labour needs from the local workforce.

Training incentives are also limited to permanent employees, which places the hospitality industry at a disadvantage. Around 70% of all hospitality workers are casual employees ineligible for current training incentives. This needs to change for the industry to fulfil its potential in providing employment to Australians.

Employ Outside the Box

In 2011 the AHA launched its *Employ Outside the Box* campaign to tap into the potential of people underrepresented in the workforce including people with disabilities, mature-age workers, indigenous Australians, long-term unemployed and underemployed, women returning to work, unemployed youth and workers with different industry backgrounds. The hospitality sector is regarded as a good stepping stone for members of these disadvantaged groups to gain employment and develop hospitality careers or potentially transfer to employment in other industries.

Accordingly, the hospitality sector should receive financial incentives to participate in the *Employ Outside the Box* program. The AHA should be engaged to play an Employer Broker role in the placement of these workers. The AHA is committed to working with Government to assist in placing members of disadvantaged groups into employment in hotels.





AHA Position

The AHA's members are suffering from shortages of both labour and skilled labour that are not being met by the Australian workforce or the current immigration system. Addressing this requires:

- A review of Employer Sponsored Visas including underpinning employment under award, reducing English language requirements, broadening recognition of prior learning and experience and imposing a minimum sponsorship period with the sponsoring employer.
- A new two-year working visa for temporary workers should be created for industries such as hospitality with genuine short-term labour shortages that cannot be addressed through skilled migration.
- Allowing the hospitality and tourism sectors access to the extended stay provisions of the Working Holiday Visa, increasing the maximum age of visa holders from 30 to 35, expanding the range of countries included in the program, and allowing visa holders to access the scheme twice.
- Amend the Graduate Visa to allow graduates to stay in Australia and work in their field of study for up to three years after graduation. This Visa should specifically include graduates of Australian hotel schools.
- The immediate reinstatement of Chefs to the Skilled Occupation List and for Hotel/Restaurant Managers and Cooks to be added to the List in recognition of existing shortages.

Background

The hotel industry in many parts of Australia is suffering from acute shortages of labour and skilled labour due to low unemployment and the ongoing impact of the mining boom. The Department of Resources, Energy & Tourism estimates the tourism industry faces a shortfall of more than 56,000 workers by 2015 in the absence of a change in policy. The AHA has actively pursued strategies to maximise the potential of the Australian workforce by undertaking programs to match job seekers to hotel jobs, engage indigenous workers and promote the benefits of mature age workers. Despite some encouraging returns, labour shortages have not been addressed.

The Government has recently acknowledged the industry's need for greater access to overseas workers by expanding the Pacific Seasonal Worker Scheme to include the accommodation industry, developing a Tourism/Hospitality template Labour Agreement with concessions on skills and language requirements, and adjusting working restrictions on international students. However, more is required to ensure the Australian economy has access to the labour required to deliver the products and services being demanded from businesses.

Skilled Hospitality Workers

The recruitment in the number of skilled managers, chefs and cooks would be greatly improved by adding these skilled occupations to the Skilled Occupation List (SOL), enabling employers to fill these positions with appropriately qualified workers without needing to engage in complicated recruitment and sponsorship processes.

A complimentary measure would also be the review of the visa process for employers to sponsor overseas workers. The current failings of the visa system could be improved by:

- Reducing the English IELTS standards to reflect the level of proficiency actually required for the occupation as the current requirements are unreasonably high for many hospitality jobs.
- Allowing sponsored employees to be indentured to the host employer for an agreed period to ensure the initiating employer is able to retain the sponsored worker for a reasonable period.
- Minimum employment terms should be the relevant award such as the *Hospitality Industry General Award 2010* for hotel employees, rather than the Temporary Skilled Migration Income Threshold (TSMIT, currently \$49,033 per annum). The TSMIT applies universally regardless of local labour market conditions. Skilled overseas workers should be paid at the same rates as Australian workers as stipulated in modern awards.
- Reviewing the recognition of prior learning and qualifications to ensure appropriate weight is given to demonstrated and relevant experience.

New Temporary Worker Visa to Address Labour Shortages

The shortages of labour facing the hospitality industry cannot be met by the local Australian workforce or from the skilled migration stream. The industry needs access to workers in lower-skilled occupations that do not qualify for 457 visas or the Skilled Occupation List. Currently the industry attempts to maximise the workforce potential of working holidaymakers and overseas students, but these are not adequate solutions to meet business needs. What is required is the creation of a new worker visa allowing workers in high-demand, lower-skilled occupations to enter Australia and work for up to two years. To protect the integrity of the permanent migration scheme, this new visa should not offer any pathways to residency, and the workers should be required to return home for a period before returning on another visa.

Working Holiday Visas

Conditions attached to The Working Holiday Visa should be varied to ensure it meets the demands of the hotel industry including:

- Allowing working holiday makers in the hospitality and tourism industry to extend their visa for a second 12-month period in the same manner available to agricultural workers.
- Increase the maximum age of visa holders from 30 to 35 to reflect changing traveller demographics.
- Allow travellers to access to the visa twice, provided the person returns to their home country in between.
- Expand visa availability to include Australia's emerging tourist markets such as China, India, Singapore, Indonesia, Malaysia, Korea, Thailand and Philippines.
- Remove the requirement for employers to make superannuation contributions on behalf of working holiday makers.





AHA Position

The current system of alcohol taxation, specifically the differential excise rates for draught (keg) beer, encourages consumption of lower-alcohol products, helps to support employment in the hospitality industry and should be maintained. The AHA calls on the Federal Government to:

- Maintain the existing differential excise rate for keg beer as it is critical to the viability of the hospitality industry and its ability to provide a safe, regulated drinking environment.
 - Maintain the current differential excise rate for lower-alcohol beer to encourage more responsible consumption by consumers.
 - Ignore calls from anti-alcohol activists to tackle alcohol misuse through taxation changes or a minimum (floor) price. Both are inefficient and inequitable method of addressing alcohol-related harm which would impact on moderate and responsible drinkers and fail to either deter harmful drinkers or encourage responsible drinking behaviour.
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Background

Alcohol is currently taxed in several different ways according to the type of beverage (i.e. beer, wine or spirits). Draught beer is also taxed differently to packaged beer. Traditional ciders are taxed as wine products while sweetened ciders pay the higher spirits tax rate.

Anti-alcohol activists have campaigned for increases to alcohol taxation in the form of a volumetric system or the introduction of a minimum (floor) price to apply to each alcoholic drink. A volumetric alcohol tax would hit the vast majority of Australian consumers hardest as the price of draught beer and lower-priced wines (up to \$20 per bottle) would be subject to significant price increases while premium wines and imported spirits would become cheaper.

A volumetric tax would cause the price of beer in hotels to increase, impacting revenues and putting the industry's ability to remain a major employer at risk. It also carries the risk of driving further alcohol consumption away from regulated licensed venues and towards packaged alcohol consumed in unregulated environments.

Despite paying a lower rate of excise, draught beer actually contributes more tax per standard drink than packaged beer due to its higher unit price and GST component (see attached analysis). The keg differential offsets the additional costs to business of serving keg beer, including maintaining a safe, regulated environment, staff wages and training, glassware, security, equipment such as beer refrigeration and dispensing equipment, and power and utilities charges.

Research has shown demand for alcohol amongst at-risk groups to be relatively inelastic; meaning an increase in price would not necessarily bring about a drop in risky drinking levels.

For the same reasons it opposes volumetric alcohol tax, the AHA also opposes the introduction of a minimum (floor) price for alcohol. Policies designed to reduce alcohol misuse must be targeted towards the people who misuse alcohol rather than at the majority of people who consume alcohol responsibly.



Although keg beer attracts a lower excise rate, the total amount of tax paid on a serving on keg beer is more than the total amount of tax paid on an equivalent serving of packaged beer. Figures* below compare the tax paid on a 425mL (schooner) serving:



<p>425 ml On-premise Full strength Keg Beer <i>(Based on \$4.80 – approx.)</i></p>	<p>425 ml On-premise Full strength Packaged Beer <i>(Based on retail price of \$40 per carton made up of 425 ml bottles)</i></p>
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\$0.49	<u>Excise</u>	\$0.70
\$0.44	<u>GST</u>	\$0.19
\$0.93	<u>Total Tax</u>	\$0.89

** Note: Excise is included in the wholesale price paid by the retailer. Prices and analysis based on current excise rates in Australia, including CPI adjustments as February 1, 2013.*



AHA Position

- The current practice that sees anti-alcohol NGOs receiving Federal Government funding to lobby the Federal Government must end.
 - The Federal Government should adopt the policy of the Newman Queensland Government for organisations receiving more than 50% of their total funding from the Government being prevented from advocating for state or federal legislative change.
 - Greater attention should be given to ensuring conflicts of interest do not exist where individuals whose organisations receive government grants are able to sit on boards where decisions on the allocation of grant funding are made.
 - The Federal Government should recognise the jurisdiction over liquor licensing, policing and alcohol promotion by state and territory governments and not seek to duplicate or override these.
 - The Federal Government should embrace the concept of personal responsibility by:
 - Abolishing the Australian National Preventative Health Agency (ANPHA, 2012-13 funding appropriation - \$83 million) and arranging for its necessary functions to be undertaken by the Department of Health & Ageing.
 - Opposing a volumetric system of alcohol taxation or a national minimum price for alcohol.
 - Opposing mandatory warning messages on alcohol labelling or at the point of sale.
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Background

The Federal Government provides more than \$100 million per year to a variety of non-government organisations for the provision of services relating to preventative health, around \$83 million of which is administered by ANPHA. A significant amount of this funding is unnecessary, duplicated by other government agencies or wasteful. For example, \$25 million of government grants were recently provided to replace alcohol sponsorship of 14 Australian sports, despite 13 of these sports not actually receiving any alcohol sponsorship in the first place.

There are also serious concerns that instead of supporting the provision of services, government funding is being used to support advocacy efforts by these organisation to bring about legislative or policy change, particularly relating to the consumption of alcohol. Effectively, anti-alcohol organisations are being funded by the Federal Government to lobby the Federal Government to change its alcohol policies.

This practice was sufficiently concerning to the Newman Government in Queensland that it inserted the following clause in Queensland Health funding agreements:

"Where the Organisation receives 50% or more of its total funding from Queensland Health and other Queensland government agencies, the Organisation must not advocate for State or Federal legislative change. The Organisation must also no include link on their website to other organisations' websites that advocate for State or Federal legislative change."

The Queensland Government has said its funding to health-related NGOs is designed to fund health and services outcomes rather than political campaigning.

The AHA strongly supports the Queensland Government policy in relation to health funding and calls for the Federal Government to institute a similar policy for its funding agreements

with organisations receiving funding from Health budget (including the Department of Health & Ageing and various agencies such as ANPHA).

Industry has also been forced to deal with numerous Federal policy inquiries and reviews instigated by the health lobby, even in areas that are the domain of state/territory governments. The Federal Government should recognise the jurisdiction of the state and territories in the areas of liquor licensing, trading hours, policing and alcohol promotions and not seek to duplicate or override regulation in these areas.





AHA Position

The AHA supports the retention of state/territory government jurisdiction over gambling regulation.

The AHA supports a responsible gambling strategy that includes:

- Properly resourced counselling and support networks.
- Education and information programs to increase awareness of the risks associated with gambling, and how to obtain help.
- Research to gain a better understanding of the nature of problem gambling and measures that will help further reduce its prevalence.

The current exemption for hotels with 15 or fewer gaming machines from AUSTRAC compliance requirements should be extended to all hotels.

Background

Hotels play a significant role in creating employment, promoting tourism, providing hospitality and entertainment and supporting thousands of local sporting and community groups across Australia.

The industry's commitment to providing gambling services in a responsible manner has strengthened considerably over the past decade as evidence-based understanding has increased. During this period many improvements have been made and hotels now operate in a highly regulated environment with an emphasis on harm minimisation. Today less than one per cent of Australia's adult population are recognised as problem gamblers.

The AHA acknowledges that there remains more to do and is determined to work with Government, industry and experts in the field to develop targeted and cost-effective measures to further prevent problem gambling and assist those in need of help.

The AHA believes strongly that the regulation of land based gambling is a responsibility of the state and territory governments, with the regulation of online gambling being a Commonwealth responsibility. The AHA is opposed to a new tax on gaming machines to fund a Commonwealth bureaucracy that duplicates the role of the States and Territories.

The AHA supports an evidence-based approach and opposes public policy development and gambling measures that are unproven, including mandatory pre-commitment and any reduction in maximum bet limits. Gaming machines should not be required to be mandatory pre-commitment capable or linked to a state-wide database tracking play. If a gaming machine is able to deliver voluntary pre-commitment to the player it should be allowed.

The AHA is opposed to Labor's \$250 per day ATM withdrawal limit as it is unproven as a gambling harm minimisation measure and will negatively impact food & beverage sales, which comprise 70 per cent of hotel sales according to the ABS.

The AHA is opposed to the forced replacement of gaming machines. The recent legislation will force Australian hotels to spend over \$1 billion prematurely replacing or retro-fitting their gaming machines to comply with the ALP's pre-commitment deadlines. The AHA supports the replacement of gaming machines with new 'voluntary pre-commitment ready' gaming machines on a naturally-occurring timeframe as machines age and require replacing.

AUSTRAC

Hotels are acknowledged by regulators and police as representing a 'low risk' of money laundering and terrorism financing activity due to the small transaction amounts that occur. The AUSTRAC compliance regime is excessively and unreasonably burdensome on hotels in relation to the risk they pose.

The AHA supports:

- The current AUSTRAC reporting and cost recovery exemptions for hotels with 15 or fewer gaming machines being extended to all hotels.
- The retention of the obligation for hotels to report suspicious activity to AUSTRAC.

The AHA believes AUSTRAC should work closely with state and territory governments to understand existing legislation and regulation applying to gaming machines and prevent conflicting standards being applied.





Music Licensing & Copyright

- The music licensing system is unreasonably complex and costly for hotels. There is a risk that music could become uneconomic in the hospitality industry as a result.
- Licensees such as hotels should be able to apply to the Copyright Tribunal to vary music tariff schemes. Currently, only the collection societies can apply to vary (increase) tariffs.
- The Copyright Tribunal is not effective as an arbiter of disputes and has resulted in unreasonably steep increases in music licence fees for traditional hospitality venues, which are seen as 'soft targets' in comparison to newer digital outlets.
- The Copyright Tribunal should be replaced with an administrative tribunal that determines licence fees similar to the Minimum Wage Panel of the Fair Work Commission.
- The AHA calls for an independent inquiry into the music licensing system as the first step towards creating a fairer and more competitive music copyright market and the setting of licence tariffs.

Carbon Tax

- Hotel operating costs have increased as a direct result of the introduction of a carbon tax on 1 July 2012 and are causing profit reductions of up to 11.8%. The impact on profitability has resulted in a 16.5% decline in the property value of a benchmark 200-room hotel.
- As a highly competitive industry, most hotels had already sought energy efficiencies prior to the introduction of a carbon tax.
- The AHA believes the current carbon taxation arrangements should be repealed and replaced with a more cost-effective model embracing incentives for businesses to reduce their carbon footprint.
- The AHA would like to see the Green Building Fund re-established to support the development and refurbishment of energy-efficient hotels.

Container Deposit Schemes

- The AHA believes the Government should reject a national container deposit scheme once and for all because the costs would outweigh the benefits by between \$1.4 billion and \$1.8 billion and because better recycling options are available at lower cost.
- Container Deposit Schemes have failed in both jurisdictions (SA & NT) where they have been implemented in Australia.
- Consideration of local recycling programs should occur at state/territory level where existing services differ significantly.

Fringe Benefits Tax

- FBT places smaller businesses at a disadvantage to larger ones that are able to offer in-house catering which does not incur the tax.
- Targeted FBT relief for small and medium sized businesses would restore fairness.
- The AHA calls for the establishment of a \$25,000 threshold for deductible dining expenses to stimulate the SME sector and the hospitality industry, while minimising loss of government tax revenues.

Introduction

TAA – The voice of Australia’s accommodation sector

Tourism Accommodation Australia (TAA) is a division of the AHA representing the needs and interests of Australia’s accommodation sector. TAA provides leadership for more than 600 members and 24 chains through advocacy, industrial relations and legal support, intelligence, research, education and networking. The accommodation sector is a dominant player in the Australian tourism industry, generating around \$6.2 billion per year in gross product and with more than 90,000 people employed earning nearly \$2.5 billion in wages and salaries per year.¹

There are significant opportunities for tourism to deliver economic growth for Australia, many of which have been identified and need support of Government. In particular there is an identified need for new investment in the Australian accommodation sector in order to meet visitor demand for both quality and quantity in the coming years.

Grasping the opportunities for economic growth and prosperity outlined in the Australia in the Asian Century White Paper requires more than just understanding and enthusiasm, it requires us to compete with Asia.

TAA has supported the provision of additional resources to Tourism Australia to help attract interest in Australian tourism investment opportunities, but more needs to be done from a policy perspective to ensure potential investors are presented with an attractive, viable investment option. As a result, much of the industry’s policy focus is on creating a stable, sustainable investment climate that will facilitate the development of new and refurbished hotels and ensure the accommodation sector can deliver its part of Australia’s tourism future.

TAA supports the policies of the AHA on areas relevant to the accommodation sector, such as immigration, workplace relations and workforce development, and puts forward the following -additional recommendations that will assist the sustainable development of the tourism accommodation sector.



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¹ AEC Group (2012) *Economic contribution of the Australian tourism accommodation sector*

TAA Position

The capital works deductibility incentives recommended in the Final Report of the Tourism Investment and Regulation Review by LEK Consulting should be implemented to stimulate much-needed investment in the Australian accommodation sector.

Specifically, the Federal Government should offer a 50 per cent immediate depreciation for accommodation industry capital works (both new investment and refurbishments), with the remaining 50 per cent deducted over 12.5 years at 4 per cent.

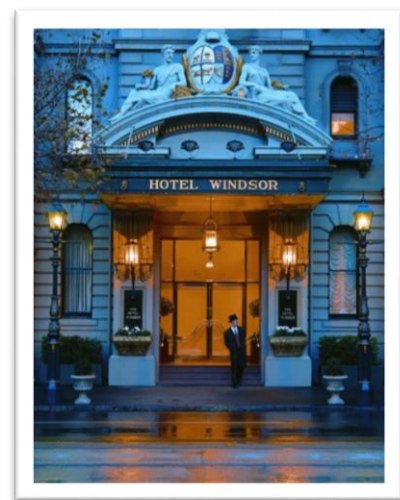
Background

Strong demand for accommodation and a lack of appropriate room supply is a looming problem for Australia's tourism industry. Market failure exists in the accommodation supply market² that is preventing new investment from occurring. Within Australia, other property sectors such as office and residential developments, offer greater returns with lower risks and are therefore more attractive investments, and in many cases overseas opportunities also offer more lucrative returns. This has been compounded by the increased difficulty of obtaining finance post-GFC.

Incentives are required in the short term to stimulate investment in developing and refurbishing quality accommodation so that Australia can meet the demands of international tourists and compete with standards being set by competitor destinations.

TAA supports the recommendations of the LEK Consulting report for the introduction of the following:

- Immediate depreciation of 50 per cent of the cost of accommodation capital works, with the remaining 50 per cent depreciated over 12.5 years at 4 per cent per annum. This is instead of the current 40-year, 2.5 per cent straight line building depreciation schedule.
- The incentives should be available to both new developments and refurbishments.
- The incentives should only be available for a fixed period of three years to prevent creating a room inventory oversupply.



These measures will increase the attractiveness of investment in short-term accommodation while simultaneously making it easier for potential investors to satisfy finance requirements.

² As the LEK Consulting report notes: "the costs to construct a 350 bed five star hotel in Sydney are significantly higher than similarly sized residential-style serviced apartments (40 per cent higher) and hotel-style serviced apartments (16 per cent higher. This, combined with lower operating margins, results in significantly lower total returns for hotels, compared with other accommodation investments." (p70)

TAA Position

The Building Code of Australia (BCA) requirement for 4.5 per cent of available rooms to be disabled-access rooms is too high and should be reduced to the pre-May 2011 level of 3.5 per cent.

Hotels located in heritage-listed buildings and existing hotels with fewer than 20 accommodation rooms should be exempt from the requirement to offer any disabled-access rooms.

Background

In 2010, the Australian Hotels Association (AHA) and the Tourism & Transport Forum (TTF) conducted a joint survey into the supply of and demand for accessible rooms used for short-term accommodation. Findings from the survey of 115 hotels comprising 25,000 rooms found that demand for accessible rooms is between 0.22 and 0.88 per cent of all room nights, while supply of accessible rooms is 1.67 of all rooms – meaning there is a **57 per cent oversupply** nationwide.

It is difficult for hotels to sell unused disabled access rooms as the fit-out of the facilities makes them less desirable to able-bodied guests. The cost of compliance with these increased requirements is significant and acts as a barrier to investment in both new and existing hotels.

Under the Building Code of Australia, Class 3 standards require a ratio of rooms within a hotel to be built as 'accessible rooms'. The accessible rooms are available for guests of all disabilities, but are primarily built for wheelchair access and thus require more floor space than non-accessible rooms. The ratio of accessible rooms required in the BCA has increased over the years.

Current required ratio of disabled-access rooms

Rooms	Accessible rooms
1- 20 rooms	1 accessible room
20 - 45 rooms	2 accessible rooms
46+ rooms	2 accessible rooms plus 1 additional accessible room for every additional 30 rooms

A 2011 report by LEK Consulting identified a \$300,000 decline in net present value (NPV) for every 0.5 per cent increase in disabled-access room requirements in a 350-room Sydney hotel and noted that "a reduction in accessible room requirements would, therefore, strongly improve the investment case for new hotel accommodation."³⁴

³ LEK Consulting (August 2011) *Tourism Investment & Regulatory Review: Final Report*, p39

⁴ The LEK Consulting report also notes that although the statutory review of room ratios is not due until 2016, a review "should be carried as a matter of priority (e.g. within the next twelve months). This is also the recommendation of the Productivity Commission."

TAA Position

The quarterly Survey of Tourist Accommodation conducted by the Australian Bureau of Statistics (ABS) is critically important to the accommodation industry specifically, and the tourism industry generally, and funding should be provided for it to continue to be released four times per year as it has since at least 1991.

Background

The ABS has indicated that as a result of its need to reduce expenditure due to the Government's imposed efficiency dividend, it will either discontinue the Survey of Tourist Accommodation from June 2013 or reduce the frequency of reports from quarterly to annually.

The annual cost of conducting the Survey is believed to be around \$850,000. Funding could be made available by diverting a small additional proportion of the Passenger Movement Charge (the tax levied on passenger flight departures from Australia) which raises more than \$1 billion from the tourism sector and returns only \$12.5 million to the industry through the Asia Marketing Fund.

By comparison the Passenger Movement Charge raises more than \$1 billion per year and the tourism industry only receives \$12.5 million of this funding in marketing support through the Asia Marketing Fund.

The Survey has been conducted every quarter since 1991 and is one of the world's leading public sources of trading information for the accommodation industry.

The Survey is relied on by hotel operators looking to track the performance of their business against industry benchmarks and to guide the responsible and necessary adjustments of room rates and REVPAR (revenue per available room) to remain competitive. It is also a highly valued tool used in feasibility studies by analysts, bankers and potential investors to gauge the strength of the market and the likely return on capital.

At a time when an urgent need for new accommodation investment has been identified as part of the Government's Tourism 2020 long term strategy, the continuation of this Survey is critical to supporting Tourism Australia and Austrade in their efforts to promote Australian investment opportunities internationally.

The industry and potential investors rely heavily on private providers of specific and detailed data to support the industry-wide and publicly-available statistics produced by the ABS Survey. Economies of scale do not exist that would allow this data to be privately collected or for it to be collected by the industry.

TAA suggests that opportunities exist for the ABS to make considerable savings (perhaps as much as 30 per cent) by moving the Survey to an online format. Doing this would also strengthen the Survey by encouraging greater participation and thereby increasing the value of its data.

TAA Position

- Tourism Australia's important role in attracting international investment in Australian tourism infrastructure should be expanded with increased funding.
- Tourism Australia's important role in destination management planning should be increased to ensure regional Australia has sufficient resources to regain competitiveness.
- Funding for Tourism Australia should be substantially increased in real terms to ensure globally competitive capacity to capitalise on emerging markets identified in the *Australia in the Asian Century White Paper*.
- The board and management team at Tourism Australia has the support of industry and should be allowed to implement its long term strategy without political interference.

Background

Tourism Australia's role has expanded beyond merely running advertising campaigns in traditional tourist markets. The need to compete for the tourism dollar with other destinations makes it necessary for Tourism Australia to play a broader role including destination management and investment attraction.

TAA is a strong supporter of the current Tourism Australia brand strategy and strategic direction. The current executive team at Tourism Australia has established productive and positive relationships with the accommodation sector and there is broad industry support for the work being done. The independence of the Tourism Australia Board and Executive team has played a significant role in the current performance and this independence should remain.

The recent initiative to promote Australian investment opportunities to overseas markets in partnership with Austrade and DFAT is playing an important part in ensuring the development of new accommodation product and tourism infrastructure to meet and drive increased tourism demand. It is critical that Tourism Australia is appropriately resourced to continue and expand this function, and that other aspects of Government policy are aligned with the need to attract new investment in tourism infrastructure.

Increasing Asian affluence creates the potential for tourism to increase its direct contribution to the Australian economy by as much as \$70 billion per annum between now and 2020. TAA believes there is merit in providing Tourism Australia with increased annual funding from Government to ensure it has the resources to implement its strategy and capitalise on the potential economic benefits available.



TAA Position

The recent increase in the Managed Investment Trust (MIT) withholding tax from 7.5 per cent to 15 per cent has undermined Australian Government efforts to attract much-needed new investment in the accommodation sector and should be repealed.

Background

In the 2012-13 Budget, the Government announced an increase in the MIT withholding tax from 7.5 per cent to 15 per cent. This decision reversed the Rudd Government's decision to reduce the MIT tax in 2008 as a way of stimulating investment in Australian infrastructure.

Australia's rate of tax for this type of investment is now the second-highest in the world (trailing only the UK). Australia's 15 per cent rate imposes significantly more costs for investors than a similar development in Singapore (10 per cent), Hong Kong (zero) and Japan (7 per cent) within Asia and behind the USA (zero), France (zero) and Germany (10 per cent) among developed western countries.⁵

The Government's *Tourism 2020* long term strategic plan identifies a critical need for new investment in tourism infrastructure, particularly in the accommodation sector. Tourism Australia and Austrade have been tasked with promoting Australian tourism investment opportunities to potential overseas investors.

MITs are the vehicle through which much of the international investment in Australian accommodation and tourism developments can occur. This 'patient' source of capital seeks lower returns and therefore contributes positively to the overall investment profile of projects.

The MIT tax increase has already caused the cancellation or deferral of several major infrastructure developments as investors pursue more favourable investment options in other countries.

The increase is expected to have a regressive impact on the Australian economy, as noted by the Allen Consulting Group when it said "the increase in Commonwealth Government revenue will probably be smaller than projected in the budget because of the associated loss of investment and economic activity. In contrast to increased revenue of \$70 million by 2015-16 targeted directly in the measure, the net change in Government revenue is projected to be \$35 million."⁶



Reverting to the previous 7.5 per cent withholding rate will help to attract much-needed investment in tourism infrastructure and help restore Australia's reputation as a financial services hub with a stable regulatory framework.

⁵ Property Council of Australia, June 2012

⁶ Allen Consulting Group (June 2012) *Small "change", big impact: The economic impact of increasing the Managed Investment Final Withholding Tax Rate to 15 per cent*

TAA Position

The Building Code of Australia must be amended to require any new developments to be built to Class 3 Building standards in order to operate as short-term accommodation.

Buildings that change use must first become compliant with the new BCA classification before being approved to operate.

Transitional arrangements should be put in place to deal with existing Class 2 buildings operating as short-term accommodation to ensure appropriate standards for health and safety are maintained.

State and local governments must have sufficient powers and resources to enforce the BCA.

Background

The illegal letting of accommodation in residential buildings is a public health risk and undermines both the legitimate hotel and accommodation industry and Australia's tourism brand reputation.

The Productivity Commission and the Australian Building Codes Board (ABCB) have acknowledged the problems being caused by the issue. In 2012 the ABCB proposed inserting commentary into the BCA interpretive guide to provide increased clarity over intended use provisions. It then decided not to insert the commentary and to instead do nothing.

The (BCA) offers concessions for Class 2 Buildings in comparison to Class 3 Buildings, including:

- Less stringent fire resistance requirements;
- No access of facility requirements for persons with disabilities;
- Self-contained smoke alarm permitted with no requirement for a full smoke detection system; and
- Additional exit sign exemptions.

Class 2 Buildings also enjoy many other advantages over commercial properties, including lower council rates, less stringent rubbish collection requirements, no obligation to comply with public health legislation and lower insurance premiums.

Some of the problems caused by residential accommodation being sold as visitor accommodation include:

- Devaluing the destination's tourism brand;
- Stifling investment in the accommodation industry by creating uncertainty in the market. As a result, properties deteriorate as facilities and rooms are not renovated or developed;
- Loss of income to government through the failure of operators to pay appropriate rates and GST;
- Chaotic infrastructure and land use planning inappropriate to the needs of the area;
- Reduced employment opportunities; and
- Reduced level of public safety through failure to apply appropriate fire and access standards.

TAA Position

Allowances provided by employers to help employees cope with the increased accommodation and foods costs of moving temporarily for work should be exempt from income tax and Fringe Benefits Tax, as was the case until 1 October 2012.

Background

The changes to the tax treatment of living away from home allowances (LAFHAs) announced in the 2012-13 Budget have unfairly impacted overseas workers and forced many employers to incur increased costs to ensure employees do not suffer a reduction in their take-home pay.

This is particularly problematic for hotels that are part of international accommodation chains, which develop their internationally consistent service standards and corporate culture by developing key staff in hotel management in different countries.

Previously, LAFHAs were subject to Fringe Benefits Tax (FBT), with allowances for accommodation and food costs exempt from FBT liability. Since 1 October 2012, all LAFHAs have been taxed as income and taxed at much higher PAYG rates.

The hotel industry in Australia is characterised by a high proportion of hotels that form part of global chains. Standard international practice in accommodation chains is to develop hotel managers by giving them experience in different countries. This helps with professional development and also assists in ensuring consistent brand and service standards worldwide.

The industry is also facing chronic shortages of skills and labour, with the local workforce unable to fill demand for workers in many occupations and in many geographic areas. The Australian Tourism Labour Force Report prepared by Access Economics for the Department of Resources, Energy and Tourism in 2011 identified a shortfall of 56,000 workers in the tourism industry by 2020 unless policy changes are made.

Overseas workers in Australia face significantly higher medical and insurance costs than Australian citizens, and do not have access to social security benefits. This is despite overseas workers paying tax to the Australian Government like any other worker. Increasing the tax burden actually places overseas workers at a disadvantage in comparison to Australian citizens.

Employers in the accommodation sector now face the unpleasant choice of either allowing employees to suffer a reduction in take-home pay or increasing the amount of payments to make up for the greater tax burden. This creates workplace equality concerns as two employees may be paid differently for doing the same job.

TAA believes an exemption should be created allowing people transferred to work in Australia as part of their existing employment to receive LAFHAs taxed as fringe benefits rather than as income.

Visitor Visas

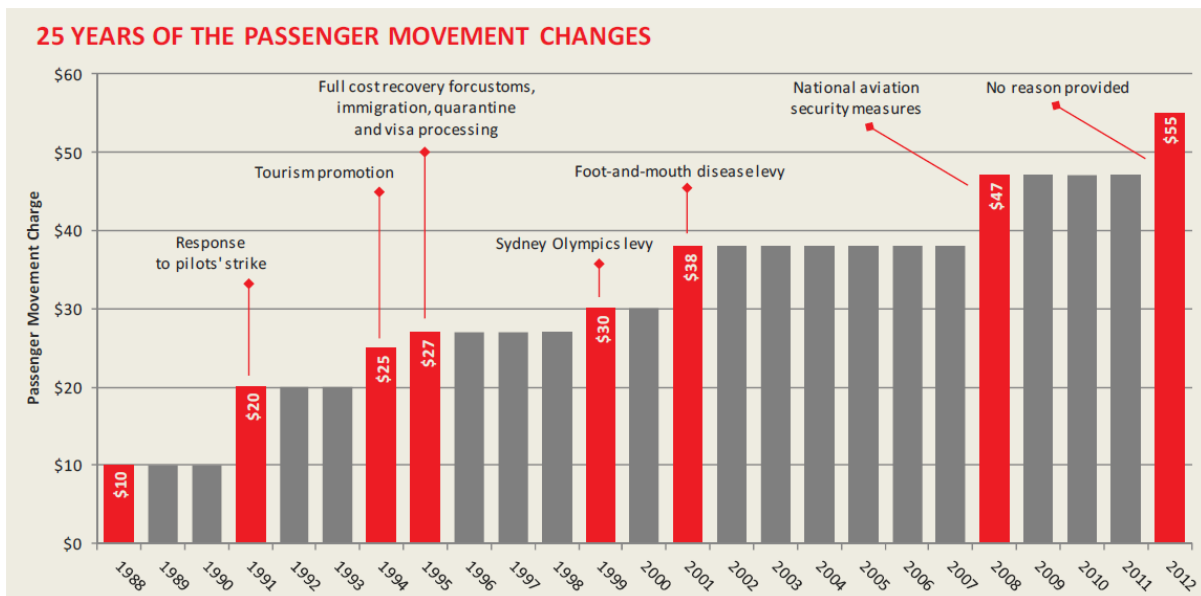
China is already Australia's largest tourist market and there is an urgent need to reform and simplify visa application and processing requirements for Chinese visitors to Australia. The risk of Chinese visitors overstaying does not justify the increased personal information requirements they face before visiting Australia. These should be standardised in line with what is required of visitors from other key tourist markets to ensure Australia remains a preferred destination for the booming Chinese travel market.

Customs, Police and Immigration Arrival and Departure Services

TAA supports the early adoption of improved technology to facilitate the fast and seamless processing of passengers entering and leaving Australia. The trial of automated passenger processing systems on Trans-Tasman flights outlined in the 2013-14 Budget is strongly supported and should lead to wider implementation as soon as possible.

Passenger Movement Charge

The unjustified increase in the PMC from \$47 to \$55 per passenger announced in the 2012/13 Budget is a \$140 million (in 2012-13) tax on the tourism industry and should be rescinded. Going forward, at least 50 per cent of the funds raised through the PMC should be hypothecated to Tourism Australia to support the tourism industry.



Source: TTF submission to House of Representatives Standing Committee on Economics (2012)

GST on Overnight Accommodation

- An increasing number of accommodation providers are competing with hotels in the short term accommodation market without paying GST, giving them an unfair competitive advantage.
- The AHA calls for the ATO ruling defining a "short stay" as less than 28 days to be enforced consistently to all short term accommodation transactions.
- The AHA calls for accommodation sold to overseas tourists to be GST-exempt. Australia is one of the few countries in the world where the GST (or equivalent) is charged to overseas tourists.

Business and Major Events

Tourism Australia should be funded to allow it to compete with other destinations in the bidding process to secure conferences, conventions, trade shows and major events. Business event delegates are among the world's highest yielding visitors and the sector has the potential to grow Australia's export earnings considerably as the Asian economy expands.





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