



**Accommodation  
Association  
of Australia**

**ACT Budget Submission – 2012**

**Submission of the Accommodation  
Association of Australia**

## EXECUTIVE SUMMARY

- The ACT Government – through the 2012-13 Budget and other policy settings – must create a regulatory and investment environment that does not result in a glut of tourism accommodation rooms in Canberra.
- The minimum investment in tourism by the ACT Government should be 1.0 per cent of the Budget.
- The ACT Government should consider the establishment of a specific agency within the bureaucracy which has a sole focus on attracting more major events to Canberra.
- The ACT Government should consider conducting a feasibility study about the benefits of staging a leg of the V8 Supercars series in Canberra again.
- The Accommodation Association strongly supports a proposal for a new \$300 million convention centre to be built on the shore of Lake Burley Griffin.
- The Accommodation Association recommends the ACT Government introduce measures that promote higher standards in the local taxi industry, such as driver training to create greater awareness among drivers of major destinations in Canberra.
- Given the high level of dependency on the internet that accommodation operators have, the ACT Government should consider establishing a formal digital strategy support mechanism for tourism businesses to promote take-up and utilisation of the National Broadband Network and enhance existing marketing activities being undertaken by accommodation businesses.
- The 2012/13 ACT Budget must take into account the impact on the tourism industry – including the accommodation sector – of the introduction of a carbon tax.

## INTRODUCTION

1. The Accommodation Association of Australia welcomes the opportunity to put forward the following formal submission to be considered as part of the development of the 2012/13 ACT Budget by the ACT Government.

## 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 chains, including Accor Hotels, Mirvac Hotels and Resorts, Hilton Hotels, Toga Hospitality, Mantra Group, Rydges Hotels, Amora Hotels, InterContinental Hotels Group, 8Hotels and Quest Serviced Apartments.
6. In the ACT, members of the Association include Novotel Canberra, Crowne Plaza Canberra, Mantra on Northbourne, Medina Executive James Court, Country Comfort Greenway, Best Western Tall Trees Motel and Forrest Hotel and Apartments.

## TOURISM AND ACCOMMODATION – OVERVIEW

7. Tourism contributes \$34 billion to Australia's gross domestic product (GDP), a 2.6 per cent share.<sup>1</sup>
8. Around 500,000 Australians are employed in the Australian tourism industry – 4.5 per cent of total employment.<sup>2</sup>
9. Employment within Australia's accommodation sector is 110,969.<sup>3</sup>
10. Employment within the accommodation sector in the ACT is 2546.<sup>4</sup>
11. Tourism is Australia's leading services export and it is the sixth-largest total export earner.<sup>5</sup>
12. Tourism contributes \$23 billion or 9 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, May 2011, Page 44

<sup>2</sup> Ibid, Page 44

<sup>3</sup> Ibid, Page 55

<sup>4</sup> Ibid, Page 55

<sup>5</sup> Ibid, Page 45

13. There are 4279 tourism accommodation establishments in Australia.<sup>7</sup>
14. There are 227,320 tourism accommodation rooms within Australia and 640,454 bed spaces.<sup>8</sup>
15. There are 53 tourism accommodation establishments in the ACT.<sup>9</sup>
16. There are 4899 tourism accommodation rooms within the ACT and 14,241 bed spaces.<sup>10</sup>
17. Tourism’s share of the Australian economy has been declining.
18. The number of domestic overnight trips taken by Australians has fallen by 1.1 per cent on average each year over the period 2001-2010.<sup>11</sup>
19. The total number of domestic visitor nights fell by 1.2 per cent on average each year between 2001-2010.<sup>12</sup>
20. 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 into a single “product” to the end consumer;
  - It is dominated by a significant number of small businesses;
  - Tourism competes against all other discretionary expenditures for the “hearts and minds” expenditure of the consumer; and
  - Tourism businesses operate in a highly complex environment requiring significant compliance skills and costs.

## **FISCAL CONTEXT**

21. The Accommodation Association acknowledges the ACT Government’s publicly stated intention to return a balanced Budget in 2013-14.

## **CURRENT STATE OF ACT ACCOMMODATION MARKET**

22. In general terms, the accommodation industry in the ACT has been performing strongly.
23. For example, according to Australian Bureau of statistics figures for the September quarter of 2011, the ACT had the highest occupancy of any Australian jurisdiction – 77.0 per cent.<sup>13</sup>

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<sup>6</sup> Ibid, Page 45

<sup>7</sup> Ibid, Page 55

<sup>8</sup> Ibid, Page 55

<sup>9</sup> Ibid, Page 55

<sup>10</sup> Ibid, Page 55

<sup>11</sup> Ibid, Page 26

<sup>12</sup> Ibid, Page 26

<sup>13</sup> Australian Bureau of Statistics, Tourism Accommodation, Sep 2011

24. While current trading conditions are relatively buoyant for operators, recent and upcoming changes in room inventory have the potential to alter returns for accommodation businesses.
25. Specific recent changes include:
- In November 2011, the Marque Hotel (78 rooms) ceased trading;
  - In September 2011, the Burbury Hotel (106 rooms) commenced trading;
  - The ACT Government is strongly encouraging new sites for tourism accommodation in Canberra, such as on the corner of Northbourne Avenue and London Circuit, as well as other sites in the suburbs of Bruce, Watson and at Exhibition Park in Mitchell; and
  - A new-build apartment hotel – East Hotel – is being developed in Kingston.
26. It is critical that any increases in room inventory are not overly detrimental to existing tourism accommodation businesses.
27. It is the submission of the Accommodation Association that the ACT Government – through the upcoming Budget and other policy settings – must create a regulatory and investment environment that does not result in a glut of tourism accommodation rooms in Canberra.
28. The most effective way of avoiding such a glut is through a strong and sustained commitment to tourism marketing of the region and staging regular major events in Canberra.

## **TOURISM MARKETING**

29. The Accommodation Association notes that in 2011-12, the percentage of expenditure by the ACT Government on tourism was 0.8 per cent of the Budget.
30. It is the submission of the Accommodation Association that in the 2012-13 Budget, the minimum investment in tourism should be 1.0 per cent.
31. Such an increase in investment in tourism should be used to fund the following:
- Lifting the level and intensity of tourism marketing initiatives;
  - Greater attempts to secure regular international passenger flights to Canberra Airport; and
  - Direct promotion to business visitors to the region which encourages them to extend their stay in the national capital beyond their work commitments for leisure purposes.

## **MAJOR EVENTS**

32. Notwithstanding the work the ACT Government has undertaken on existing major events in Canberra such as Floriade (September/October) and Summernats (January), to assist with ensuring that accommodation businesses in Canberra remain competitive and financially

sustainable, the ACT Government should consider the establishment of a specific agency within the bureaucracy which has a sole focus on attracting more major events to Canberra.

33. If implemented, this initiative would result in higher numbers of leisure visitors to Canberra which, given the nature of business travel to the capital – where occupancy in accommodation businesses is at a premium during weeks when Federal Parliament is sitting and much lower at other times – will promote a smoother business trajectory for the local accommodation industry.
34. As an example, the ACT Government should consider conducting a feasibility study about the benefits of staging a leg of the V8 Supercars series in Canberra again.
35. This hasn't happened since the early 2000s, but economic benefits – particularly for the tourism industry – from such an event are significant, as has been shown in other states/territories when they host a leg of the series.

## **BUSINESS EVENTS**

36. Visitors to Canberra who travel for meetings, conventions and other business events represent an integral source of income for operators of tourism accommodation businesses.
37. In this context, the Accommodation Association strongly supports a proposal for a new \$300 million convention centre to be built on the shore of Lake Burley Griffin.
38. Such a facility would enable Canberra to secure international business meetings – such as the G20 summit. Existing facilities are not of a sufficient size to host large-scale international business meetings/conferences.

## **TAXI SECTOR**

39. Taxis are an important link for accommodation businesses and the tourism industry within Canberra.
40. Unfortunately, the standard of services provided by taxis in Canberra is not at the same level as other major cities within Australia and around the world.
41. Notwithstanding there is strong demand for taxis during Parliamentary sitting periods and this demand falls away at other times, maintaining high standards in this sector is important for Canberra's reputation as a tourism destination.
42. Consistent with this, the Accommodation Association recommends the ACT Government introduce measures that promote higher standards in the local taxi industry, such as driver training to create greater awareness among drivers of major destinations in Canberra.

## **DIGITAL SUPPORT**

43. The internet is a principal driver of business for Australia's accommodation industry.
44. Even consumers who do not use the internet to book accommodation utilise it as a research tool to assist them with making decisions about where they would like to stay.

45. In comparison to five years ago, the increase in the number of accommodation businesses which have an online presence (website or similar) has been exponential to the point where in 2012, up to 80 per cent of accommodation businesses now have such a presence.
46. Despite this, the functionality of the online presence of accommodation businesses is continuing to hold the industry back.
47. Specifically, many do not offer consumers the ability to book their accommodation directly through the website of the accommodation business.
48. To assist with overcoming this deficiency, to promote take-up and utilisation of the National Broadband Network and to enhance existing marketing activities being undertaken by accommodation businesses, the ACT Government should consider establishing a formal digital strategy support mechanism for tourism businesses.

## **CARBON PRICING**

49. The accommodation industry is strongly committed to reducing the impact of man-made emissions and businesses within our industry have for several years had in place a raft of measures to reduce their carbon footprint.
50. In July 2011, the Federal Government announced that from 1 July 2012, a carbon price of \$23 for each tonne of carbon dioxide equivalent that is emitted by a facility (business) will apply within Australia.
51. Although this “carbon tax” will be fixed, the carbon price will rise 2.5 per cent per year in real terms until 2015.
52. From 2015, Australia will the move to an emissions trading scheme where businesses will need to buy and surrender to the Federal Government a permit for every tonne of carbon pollution they produce, with the carbon price to be determined by the market.
53. The aim of the introduction of a carbon price is to reduce emissions by 80 per cent compared with 2000 levels.
54. Legislation to give effect to the introduction of the carbon tax and associated measures passed Parliament on 8 November 2011.
55. It is anticipated that hotels, motels, serviced apartments and other accommodation businesses will have to contend with the following as a result of the introduction of this policy:
  - Energy costs to rise;
  - With aviation, domestic shipping and rail transport all subject to the carbon tax, it will mean increased flow-on costs; and
  - Consumer sentiment may dip, impacting on discretionary spending.
56. The 2012/13 ACT Budget must take into account this significant change in Australia’s economic and environmental direction.

## **CONCLUSION**

57. The Accommodation Association looks forward to further engagement with the ACT Government, on these policy issues which are of significant importance to the accommodation industry.

Date: 28 February 2012