



**Accommodation
Association
of Australia**

2018-19 Pre-Budget Submission

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EXECUTIVE SUMMARY

- The accommodation industry supports a reduction in the rate of company tax.
- The number-one benefit of a cut in the rate of company tax would be the level of employment in accommodation businesses would increase.
- A lower company tax rate in Australia would promote higher levels of foreign investment in the accommodation industry, which is vital for new major projects, as well as achieving even higher standards for existing accommodation businesses.
- The accommodation industry supports money from the 2018-19 Federal Budget being specifically allocated for the development of new national strategic planning and policy documents for tourism and for implementation of actions outlined in these documents.
- Tourism Australia should receive increased funding from government to ensure that it is properly resourced.
- Consideration should be given to lifting the threshold for accelerated depreciation to \$10,000 per tourism accommodation room.
- The accommodation industry is supportive of ongoing, increased investment in key transport corridors, notably in major cities, to promote greater dispersal of domestic and international visitors to regional and rural Australia.
- A point-of-consumption tax on sharing economy accommodation providers, including Airbnb, should be introduced, with the tax to be imposed according to where the transaction to purchase accommodation takes place.
- The Federal Government should consider committing money from the Northern Australia Infrastructure Facility to invest in making Kakadu National Park more accessible to international and domestic visitors.
- Specific regions within northern Australia which are experiencing significant economic hardship should be given special consideration by government, including localised grant programs, tax concessions, reductions in council rates and localised incentives to employ staff.
- The Accommodation Association is supportive of more government investment in “jobactive” and similar employment programs due to a lack of availability of workers to fill vacant positions.

INTRODUCTION

1. The Accommodation Association of Australia is pleased to provide the following submission to be considered as the Australian Government develops and finalises the 2018-19 Federal Budget, which is scheduled to be handed down in May 2018.

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

COMPANY TAX CUTS WOULD CREATE JOBS AND PROMOTE INVESTMENT

12. The accommodation industry is one of the most labour-intensive industries in Australia.
13. Our industry has a heavy reliance on staff, many of whom work in direct customer-facing roles, to ensure the overwhelming majority of tourism accommodation businesses operate 24 hours a day, seven days a week.
14. Traditional providers of tourism accommodation, such as hotels, motels and serviced apartments, differ from sharing economy providers of accommodation in the number of staff they employ – it's thought that the only people that Airbnb and similar sharing economy accommodation providers employ in Australia are sales staff.
15. There would be significant benefits for the accommodation industry if the rate of company tax was to be cut and, therefore, the industry would strongly support such a measure.
16. The number-one benefit of a cut to the rate of company tax would be the level of employment in accommodation businesses would increase.
17. This is because the highest cost (by percentage) for traditional accommodation businesses is the cost of labour. If this was to be reduced, then operators would consider employing more staff or providing casual staff with more shifts.
18. Another significant benefit of a reduction in the rate of company tax would be an increase in the global competitiveness of Australia as an option for investment, notably investment in the accommodation industry.
19. In Australia, most major accommodation projects are only able to proceed because of an injection of foreign capital.
20. There is a direct relationship between the level of foreign investment and the level of company tax in Australia – the higher the company tax rate, the lower the level of foreign investment.
21. Australia should aspire to having a more progressive taxation which regime – and this would also promote greater foreign investment in our industry.
22. More foreign investment in the accommodation industry in Australia would equate to more accommodation businesses and existing businesses achieving even higher standards.

STRATEGIC PLANNING FOR TOURISM

23. A new strategic plan for growing the Australian tourism industry is on the verge of being overdue.
24. This is because the previous long-term strategies for tourism – which included the National Long-Term Tourism Strategy and Tourism 2020 – are almost out of date.
25. While new strategic planning documents – e.g. a tourism 2030 strategy – would be welcomed by industry, it is vital that such policy directions are supported by an appropriate amount of government funding.

26. Therefore, the accommodation industry supports money from the 2018-19 Federal Budget being specifically allocated for the development of new national strategic planning and policy documents for tourism and for implementation of actions outlined in these documents.

PROPERLY RESOURCING TOURISM AUSTRALIA

27. As Australia's primary international tourism marketing vehicle, Tourism Australia's success is directly linked to the level of employment in the accommodation industry.
28. Specifically, the more government invests in Tourism Australia, the more that jobs will be created in our industry.
29. Another compelling reason for increases in the level of funding for tourism Australia is that tourism industry growth (gross domestic product – GDP) is currently 4.9 per cent, ahead of the national average GDP growth of 2.0 per cent.
30. On this basis, Tourism Australia should receive increased funding from government to ensure that it is properly resourced.

PROMOTING GREATER INVESTMENT ON TOURISM INFRASTRUCTURE

31. A frequent criticism of the Australian tourism industry is the standard of tourism accommodation infrastructure in regional and rural Australia.
32. While, by and large, there has been significant reinvestment in tourism accommodation rooms in Australia's major cities, critics claim this hasn't happened in some properties which are located in regional and rural Australia.
33. Primarily, this is because the returns from room-rates and associated tourism accommodation services, such as restaurants, have been poor. With little or no return on investment, there is no incentive for investment to occur.
34. To help stimulate investment, the accommodation industry supports lifting the threshold for accelerated depreciation on furniture, fixtures and equipment.
35. Currently, this threshold is \$20,000 per property.
36. It is the submission of the Accommodation Association that consideration is given to lifting this threshold to \$10,000 per tourism accommodation room.
37. If introduced, this measure would make it far more attractive for investment in upgrading tourism accommodation infrastructure – notably in regional and rural Australia.
38. As well as the direct benefits such upgrading would provide to the tourism accommodation business which would be upgraded, the physical task of undertaking the upgrade would create local jobs in the building, construction and associated services sectors.

INFRASTRUCTURE INVESTMENT WILL AID REGIONAL DISPERSAL

39. Increased government investment in infrastructure more broadly provides direct benefits to the accommodation and tourism industries.
40. Such infrastructure investment is particularly important in the promotion of regional dispersal of domestic and international visitors.
41. While the performance of the accommodation industry in many of Australia's major capital cities is improving – the Darwin and, to a lesser extent, Perth markets are still lagging – many accommodation businesses in regional areas are continuing to struggle.
42. This highlights the importance of encouraging more visitors to regional and rural parts of Australia.
43. Among the challenges facing visitors travelling to regional and rural Australia is a lack of infrastructure investment in major cities. Major roads and highways are becoming increasingly congested, so much so on some occasions, it can take several hours to travel from the central business districts of Sydney and Melbourne to regional and rural areas.
44. Therefore, the accommodation industry is supportive of ongoing, increased investment in key transport corridors.
45. Comparatively, such investment is more important for Australia given that unlike European countries, for example, our passenger rail transport network is poor.
46. Infrastructure investment in major cities should be informed by a long-term vision which benefits locals and visitors alike.

A NEW POINT-OF-CONSUMPTION TAX ON SHARING ECONOMY ACCOMMODATION PROVIDERS SHOULD BE INTRODUCED

47. As mentioned above, hotels, motels, serviced apartments and other traditional accommodation businesses are far more labour-intensive than the likes of Airbnb-type (residential) properties.
48. Specifically, while the accommodation industry in Australia employs 82,800 people, sharing economy providers employ very few, if any, people directly at properties where they advertise rooms.
49. Despite now having a major foothold in many key Australian markets, Airbnb has struggled to state how many people in Australia it employs.
50. Airbnb has said publicly that in 2015/16, its guests supported over 14,000 jobs in Australia. Not only is this figure vastly inferior to employment in the traditional accommodation industry, "jobs supported" are not actual jobs.
51. In regional and rural Australian towns, sharing economy accommodation platforms, such as Airbnb, are hurting local economies.
52. This is because there are fewer guests seeking accommodation in these locations than, for example, in Australia's capital cities, so even a minor drop in the number of guests staying at traditional hotels or motels results in job losses.
53. So concerned is the Accommodation Association about the negative impact of sharing economy accommodation platforms in non-metropolitan areas that it has said:

“Sharing economy platforms are sucking the life out of hotels, motels and other compliant tourism accommodation businesses outside of our major cities. Operators of compliant tourism accommodation businesses in regional areas are, in many instances, hard-working family or ‘Mum-and-Dad’ outfits who have been barely making ends meet. They struggle to recruit and retain staff, they have had to contend with high penalty rates on weekends and public holidays and now Airbnb seems determined to try to put them out of business. Our industry isn’t frightened of competition, but compliant operators of regional tourism accommodation businesses are directly competing with Airbnb, yet Airbnb properties are subject to little or no regulation, unlike traditional hotels and motels.”⁷

54. Airbnb has constantly dodged questions about how payroll tax it pays in Australia; indeed, how much tax it pays in total in Australia.
55. In a radio interview last month, a spokesman for Airbnb was questioned about how much tax the company pays in Australia and the spokesman refused to specifically provide an answer to this question, saying:

“We pay all the taxes that we are required to pay in Australia. We’re a privately-held company and we don’t disclose the number.”⁸
56. Lack of regulation and tax evasion which typify the presence of Airbnb and other sharing economy accommodation providers in the Australian market are tangible examples of how global internet-based competition is having a significant detrimental impact on consumers, as well as operators with properties in the traditional tourism accommodation industry.
57. Taking all this into consideration, the Accommodation Association of Australia would support the introduction of a point-of-consumption (POC) tax on sharing economy accommodation providers.
58. Such a POC tax should not be paid by consumers who book through sharing economy platforms, nor consumers who offer their (residential) properties on sharing economy platforms – it should specifically apply to all sharing economy accommodation providers who operate in the Australian market, including Airbnb.
59. The potential POC tax would be imposed where the transaction to book accommodation takes place, i.e. within Australia.
60. Given the enormous significant recent growth of the likes of Airbnb, a POC tax would represent a growing source of revenue for the Australian Government – and this additional revenue could be allocated to boosting funding for tourism marketing (e.g. lift Tourism Australia’s operating budget) and/or to fund taxation relief, such as lifting the threshold for accelerated depreciation (as mentioned above).
61. If the Federal Government chooses not to go down the path of such a POC tax, there is a good chance state and territory governments could take up this option. The evidence of this is the Federal Government’s reluctance to introduce a single POC tax on online racing and sports-betting companies, so state and territory governments are progressively introducing their own taxes in this sector. POC taxes on online racing and sports-betting companies are imposed where the betting transaction takes place.

⁷ Media Release, Accommodation Association of Australia, 12 July 2017

⁸ Interview with Mr Brent Thomas, Head of Public Policy, Airbnb Australia/New Zealand, 774 ABC Local Radio Melbourne, Mornings, 24 November 2017

INVESTING IN NORTHERN AUSTRALIA

62. The Accommodation Association is actively encouraging the Federal Government to invest more funds in northern Australia, either through the Northern Australia Infrastructure Facility or through other means.
63. On behalf of the accommodation industry, the Accommodation Association of Australia has been actively participating in 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.
64. The Association's views on investing in northern Australia are drawn from our knowledge of the operating environment in this region which informed our submission to the Parliamentary inquiry, as well as the following comments of the Northern Territory Minister for Tourism and Culture, Hon Lauren Moss MLA, who has said:
- "The Chief Minister, Treasurer and I are actively lobbying the Federal Government to invest strongly in Kakadu which falls under their responsibility. We need the Federal Government to urgently invest in making key Kakadu attractions more accessible by sealing roads, upgrading existing product and working with us and traditional owners to open up new areas. In conjunction with our tourism industry, we are telling the Federal Government loud and clear to start investing in this key 'Top End' attraction to drive increased visitation and economic benefit."⁹*
65. Despite being in a position of strength five years ago, the accommodation market in Darwin is now among the poorest performers of all capital-city accommodation markets in Australia.
66. To help arrest this decline, it is the submission of the Accommodation Association of Australia that the Federal Government should consider committing money from the Northern Australia Infrastructure Facility to invest in making Kakadu National Park more accessible to international and domestic visitors.
67. Other specific regions within northern Australia which are experiencing significant economic hardship should be given special consideration by government.
68. 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.
69. 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.
70. Under this initiative, \$4.5 million has been committed to four infrastructure projects in the Whitsundays, Bowen and Lake Proserpine.¹⁰
71. 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.¹¹

AVAILABILITY OF WORKERS

⁹ Media Release, Hon Lauren Moss MLA – Minister for Tourism and Culture, 12 December 2017

¹⁰ Media Release, Hon Steven Ciobo MP/Hon Kate Jones MP, 9 September 2017

¹¹ Ibid

72. Having enough workers to fill positions, notably in non-metropolitan areas, remains a significant challenge for Australia's accommodation industry.
73. While the accommodation industry continues to rely heavily on people visiting Australia on visas to fill positions, the industry also continues to support the Government's "jobactive" employment services program.
74. The Accommodation Association is supportive of more government investment in jobactive and similar employment programs to try to help fill many existing vacant positions in tourism accommodation businesses.

CONCLUSION

75. The Accommodation Association would be pleased to provide more detailed information in relation to our submission through a meeting or another appropriate form of engagement with Treasury officials.

Date: 15 December 2017