



PARLIAMENTARY COMMITTEE HEARS ABOUT DAMAGING IMPACT OF ONLINE GIANTS

The following is the opening statement which was delivered by the Chief Executive Officer of the Accommodation Association of Australia, Richard Munro, in Canberra today to the House of Representatives Committee on Industry, Innovation, Science and Resources Committee as part of its inquiry into impacts on local businesses from global internet-based competition:

"Good morning – and thank you for the opportunity to appear here today.

I congratulate Minister Laundry for calling for this inquiry as this particular topic is very important to our members, in fact the results of our annual survey of over 450 businesses across Australia rank the issue of impact of global internet companies on their business as the number one area of concern.

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

Operators of accommodation businesses are one of the most important components of Australia's tourism industry. Tourism directly contributes \$52.9 billion to Australia's gross domestic product, 3.2 per cent of Australia's total GDP.

There are 580,200 people directly employed in the Australian tourism industry – 4.9 per cent of total employment.

There are 4445 tourism accommodation establishments in Australia and there are 82,800 people employed in the accommodation industry.

We are an industry that is primarily small business, even though we have large brands in our membership. In fact over half of our members identify themselves as independent and 80% are based in regional areas outside of the CBD and typically are around 30 rooms employing circa 10 local staff in their community.

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We are long term investors who literally establish a business for 50 years or more, a high risk in such a dynamic market.

We are adopters of technology to make our businesses more efficient and welcome high speed connectivity for our members who are located all over Australia, including island resorts to Voyagers in the centre of our country.

I am here today to further highlight two of the biggest challenges confronting our industry today, both of which stem from global internet-based competition:

1. The damaging impact of online travel agencies, specifically the two online global giants – Expedia and Priceline – who command almost 85 per cent of all online accommodation bookings in Australia, and they pay little or no tax in Australia and employ very few Australians; and
2. The lack of regulation which covers Airbnb and other sharing economy platforms which facilitate the provision of tourism accommodation – which contrasts with traditional hotels, motels and serviced apartments...our members.

Our submission goes into our views in more detail, but briefly, our members have been forced to swallow constant increases in commissions imposed on them by Expedia and Priceline, rising from 5-10 per cent to the point where many operators are now paying 20-25 per cent per room booked.

But, the biggest concern, by far, among our members about the conduct of online travel agencies centres on room-rates. One of the standard clauses in commercial agreements which exist between a hotel and either Expedia or Priceline is that the hotel must not publicly advertise – including on its own website – a room-rate which is lower than that which is being displayed for their property on Expedia or Priceline online travel agency websites, which the likes of wotif, hotels.com and booking.com. This is known as “price parity” – and it is hindering consumers from accessing lower room-rates from hotels, motels, serviced apartments and other tourism accommodation properties.

Given this, the Accommodation Association strongly supports banning such price parity clauses, as some overseas countries have. A matter I believe that was discussed with this Committee by the ACCC

I’m conscious of time, so in relation to our members second largest concern, Airbnb, I’ll be brief.

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Airbnb is facilitating non-compliant accommodation – by and large, its properties do not meet the same standards our members have to meet for building fire safety, they do not have the same insurance coverage, they do not comply with planning laws and they are not required to provide disability access. This is not a level-playing field. On top of this, Airbnb employs very

few people in Australia compared to our industry and it has constantly dodged questions about how much tax – if any – it pays in Australia.

They operate in an opaque way avoiding current legislation

Thank you and I would be pleased to take questions."

-ENDS-

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