     

Australian Hotels Association

Submission in relation to:

Australia in the Asian Century Issues Paper – December 2011

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About the AHA

The Australian Hotels Association (AHA) is an organisation of employers in the hotel and hospitality industry registered under the *Fair Work (Registered Organisations) Act 2009.* Its membership of more than 5,000 licensed hotel businesses includes pub-style hotels plus three, four and five-star accommodation hotels located in each state and territory. The AHA's members are serviced by branches located in every Australian capital city and a Canberra-based national office. Accommodation hotels are represented by Tourism Accommodation Australia, a division of the AHA.

Economic importance of the Australian tourism and hospitality industry

Within the $70 billion Australian tourism industry[1], the hotel sector is the most significant employer, with more than 278,000 persons employed between the pub sector (188,000)[2] and the accommodation sector (90,000)[3], and an annual wages and salaries contribution of $5.41 billion. In addition there are an estimated 20,000 employees in the casino sector[4]. Estimates of total industry revenue vary between $11.1 billion (ABS) and $14.4 billion (IBIS World) per annum.[5]

Although some hotels are large-scale operations with hundreds of employees which form part of national or international chains, the majority of Australian hotels are small, locally-owned businesses serving their surrounding communities. In 2005-06 only 145 of 65,197 businesses in the ABS Accommodation, Cafes & Restaurants sector employed more than 100 people.[6] In its 2009 report Australian Hotels: More than just a drink and a flutter, PricewaterhouseCoopers stated:

> *"The industry remains characterised by small, independent pub owners who lack a chain or franchise affiliation. These businesses make up approximately 88% of the market share; the remaining 12% of the market is divided amongst Woolworths Ltd (7.9%), Wesfarmers Limited (3.3%) and ALE Property Group (0.3%)."*[7]

In many regional areas, hotels play central roles as a social hub, a provider of food, entertainment and banking services and a community meeting place, but also as one of the larger employers. Despite this, the ability of the hospitality industry to employ large numbers of Australians is highly volatile. For example, the change in the number of people employed in the industry between 2005 and 2008 fluctuated greatly: an increase of 46,100 in 2005 was followed by a 49,700 decrease in 2006, and a 69,600 increase in 2007 was followed by a 12,700 drop in 2008.[8]

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[1] Tourism Australia (2011) *2020 Tourism Industry Potential one year on*
[2] PricewaterhouseCoopers (2009) *Australian hotels: More than just a drink and a flutter*
[3] Australian Fair Pay Commission (August 2008), *Accommodation, Cafes and Restaurants Industry Profile, Research Report No.1/09*
[4] Australasian Casino Association, *Submission to the Parliamentary Joint Select Committee on Gambling Reform*, 31 January 2011
[5] PricewaterhouseCoopers (2009), p6
[6] Australian Bureau of Statistics (2007), *Australian Industry 2005-06*
[7] PricewaterhouseCoopers (2009), p14
[8] Australian Bureau of Statistics (2007), p44

Links with Asia

Australia's tourism and hospitality industry has been reliant on Asia for decades as a source of overseas visitors and as a source of labour.

Australia began to take off as a Japanese tourist destination the 1980s, reaching a peak in the mid-1990s at around 800,000 arrivals per year[9]. Although recent economic factors have seen this number decline, Japan remains among our top visitor markets. Australia gained Approved Destination Status in China in 1999 and in little more than a decade, China is now our largest tourist market. In 2010-11 Chinese tourists spent $3.6 billion in Australia, while Japan ($1.4 billion), South Korea ($1.3 billion), Singapore ($1.3 billion), Malaysia ($1.1 billion) and India ($0.9 billion) also featured in our top ten tourism export markets[10].

Australia is able to offer Asian tourists a unique visitor experience based around its physical environment and weather, cosmopolitan cities and distinctive regional culture. Our proximity to Asia as the nearest 'western' country provides a competitive advantage over the United States and Europe.

Asian investors have been significant contributors to the development of hotels and tourism infrastructure in Australia. Tourism Australia has recently expanded its activities to work more closely with Austrade in encouraging Asian investment into the Australian accommodation sector.

Impact of Asian economic development

The continued growth in tourism from Asia has already seen a restructuring of industry focus and in government promotional activity. The likelihood that Asian markets will continue to provide the biggest growth opportunities for Australia tourism makes it increasingly important that the industry has the capacity to respond to developing tastes and demands from critical markets. Tourism Australia has allocated 70% of its marketing resources to the five markets (three of which are China, Japan and South Korea) that it believes have the potential to deliver the greatest growth in visitor expenditure.[11] Tourism Australia has also developed a specific strategy to maximise the potential of the booming Chinese tourist market.

While the Government has been keen to accommodate Chinese tourism through the recent Memorandum of Understanding between the two countries signed in April 2011, the industry needs to develop and improve its capacity to provide the service and experience that is being sought by Asian visitors. The growth potential of the Asian tourism market is not a secret, and other countries are competing with Australia to obtain a bigger share for themselves.

Language skills and cultural awareness are important, but the major hurdle to be overcome is the industry's shortage of labour. To provide the level of service standards and quality of experience that is being offered by other destinations (and increasingly demanded by Asian tourists) Australia must address the chronic labour shortages which currently plague its hospitality industry.

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[9] Tourism Australia (2010) *Japan Market Profile*, p3
[10] Tourism Australia (2011) *2020 Tourism Industry Potential one year on*
[11] Tourism Australia (2011) *2020 Tourism Industry Potential one year on*

Recommendations

1. Implementation of the Tourism Australia China 2020 Strategic Plan is critical as there is potential to triple the current economic contribution from this market to $9 billion per annum by the end of the decade. Initiatives in this Strategy include retaining Approved Destination Status with China, working bilaterally to improve visa-processing arrangements between the two countries, and increasing the breadth of marketing activity to additional Chinese cities.

   The AHA fully supports the Strategy and recommends that all relevant arms of Government be actively involved in its successful implementation.

2. Tourism Australia must be sufficiently resourced to implement its China Strategy without neglecting other Asian growth markets and without neglecting non-Asian markets such as the USA, UK and New Zealand, which will remain major sources of visitation for the long term. Tourism Australia has already shifted its marketing activities to areas where it expects to see growth (70% of spend is in China, USA, UK, NZ, Japan & South Korea), but its ability to focus on Asia should not come at the expense of traditional markets.

3. Address perceived issues with visa accessibility for Chinese travellers to Australia. Ease of access into and out of a country is an influential factor when choosing a travel destination, and there is a perception in the China that Australia is a difficult destination in this regard. Governments in competing destinations in the Asian region have simplified their visa application process in recent times by allowing online applications in multiple languages as well as multi-entry visas, thus creating a more appealing, streamlined and efficient process for all potential tourists. Recommendations to help overcome this perception include:

   - Permitting Chinese nationals to access multi-visit visas; and
   - Simplify the visa application process by permitting Chinese nationals to access the online processes that are available to visitors from other Asian countries.

   Chinese customers view the Australian paper-based application process unfavorably and the transparency of decision-making is sometimes unclear to the traveller.

4. Government should support tourism businesses in building their capacity to cater for Asian tourists in areas including developing language skills amongst service staff, enhancing understanding of Asian cultures, developing promotional materials tailored for Asian visitors etc. The TQUAL grants process administered by the Department of Resources, Energy and Tourism provides an avenue for tourism business to access Government funding assistance in this area already but adding a dedicated Asian tourism capacity industry development fund would help to ensure that this aspect of industry development is given sufficient priority to occur. Such a fund should be created in addition to existing funding for tourism industry development and marketing.

5. Ensure ease of air access to and from Australia to major Asian transport hubs. Australia will face being at a competitive disadvantage compared to other countries in attracting Chinese visitors in particular unless a more relaxed policy is pursued in relation to granting access to Australian airports for Chinese carriers.

6. Ensuring the industry has a workforce capable of delivering the quality and standard of service increasingly being demanded by Asian tourists will require a multi-faceted Government approach to labour and skills, including:

- Ensuring the Workforce Development Fund adequately targets outcomes to address skill and language needs to cater for emerging Asian markets.

- Updating the Skilled Occupation List to include:
  - Qualified chefs – chefs with a minimum of five years' qualified experience in hotels, large restaurants or similar facilities.
  - Cooks – with equivalent of a Certificate III in Commercial Cookery and with at least two years' experience after completion of the qualification.
  - Head waiters / restaurant managers or equivalent.
  - Hotel managers and assistant managers with experience.

- Ensuring Australian traineeships and apprenticeships are promoted in the tourism and hospitality industry.

- Providing opportunities for Asian workers to gain experience in Australia by allowing them to undertake Australian traineeships and apprenticeships and additional work experience, but not as a pathway to citizenship.

- Adding tourism to the list of eligible industries for the 12-month extension of Working Holiday Visas.

- Broadening the Pacific Seasonal Worker Program beyond its limitation to workers from East Timor to include additional countries from within the region. In addition to providing a much needed labour source to the tourism industry, this program is also part of Australia's international aid effort and provides opportunities for people in developing countries to develop skills and experienced in Australia that can be later deployed in the home country to assist its economic development.

- Considering the development of bilateral labour exchange programs in countries where there are a significant number of working Australians. This would also provide workforce development opportunities for both countries and need not be linked to residency or citizenship pathways.

- Developing specific short term working visas for workers from Asian countries in proportional alignment to visitors from that country.

- Promoting working opportunities in Australia at international expos and through the marketing activities of tourism operators such as major hotel chains.

- Promoting career opportunities in tourism and hospitality amongst Asians who already have residency or citizenship in Australia.

7. Adopt taxation policies that encourage capital investment in new and existing accommodation properties. Permitting the carrying back of tax losses for three years would significantly reduce pressures on hotels caused by one-off downturns from unpredictable external factors and address some of the concerns held by financiers when it comes to lending for hotel development. It is common for hotels to alternate years of strong profits with years of heavy losses, often as a result of factors that cannot be predicted or prevented. The AHA notes that this was a recommendation put forward by the Henry Report and strongly supported by many industry organisations.

   The AHA also believes there is merit in introducing an uplift factor to tax losses carried forward to ensure they do not erode in real terms and maximises the incentive for capital investment.

   There are further opportunities to encourage capital investment in accommodation with minimal budget impact. The current GST-free status of international conference visitors could be cheaply extended to cover leisure visitors who package their international air travel with their Australian accommodation. While this would apply to only a small proportion of international tourists, it would go some way to addressing the significant price disadvantages Australian hotels face in comparison to regional competitor destinations, particularly in Asia.

The AHA would also like to see more generous deductibility for capital works and shorter depreciation schedules for furniture, fittings and equipment in areas like hotel accommodation where refurbishments are needed.

8. Reduce red tape on the industry, such as revoking changes made by the Government in May 2011 to the ratio of disabled access rooms required of hotels to comply with *Disability (Access to Premises – Buildings) Standards* under the *Disability Discrimination Act 1992*. The previous ratio of 3.5% of all rooms was increased to 4.5% under the changes. A 2010 survey of 115 hotels comprising 25,000 rooms by the AHA and TTF Australia which found that occupancy of disabled access rooms by people actually requiring such a room to be between 0.22% and 0.88%, and that there is already a 57% oversupply of disabled access rooms in the industry. A summary of this survey is attached to this submission as *Annexure 1*. In addition, it is difficult for hotels to sell unused disabled access rooms as the fitout 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.

9. Recognise the importance of international students to the Australian economy. International students have traditionally been a significant contributor to the tourism industry and a valuable source of labour for the hospitality sector. Recent policy changes have resulted in decreased numbers of international students coming to Australia, which has exacerbated hospitality labour shortages. The AHA would like to see increased emphasis on the promotion of educational opportunities for Asian students in Australia. Wider families of students should also have their visa applications fast tracked during the stay of the student.

10. Extend the Export Market Development Grant (EDMG) program to allow businesses which have exhausted their grant eligibility to access further funding rounds for projects targeting Asian markets. Asian tourist markets have unique characteristics and it is imperative that experienced tourism operators with a track record of successful international promotion be encouraged to target these growth markets without abandoning markets where they are already established.

11. Increase the prominence of Australia's tourism industry within the activities of Austrade. In addition to destination marketing this should include promoting the various employment opportunities available under Australia's working visa program.

12. Promote major sporting and cultural events in Australia as part of the tourism marketing strategy. Several Asian countries have an established thoroughbred racing industry, for example, and could be encouraged to incorporate the Melbourne Spring Racing Carnival into an Australian holiday. Similar promotions could be made for other events including boxing, golf, cricket, motor racing, tennis and soccer.

Conclusion

Australia is presented with an enormous opportunity for economic growth through increasing Asian demand for our tourism and hospitality industry. Since gaining Approved Destination Status with China barely a decade ago in 1999, China has already become Australia's most valuable inbound tourism market and has the potential to triple again in value by 2020. To take advantage of this opportunity, a number of challenges facing the industry must be overcome the obstacles to its own development it currently faces in the form of labour and skill shortages and by creating a more favourable environment for investment in new tourist infrastructure.

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Annexure 1

ACCESSIBLE ROOMS IN SHORT TERM ACCOMMODATION
A LOOK AT SUPPLY AND DEMAND

Introduction

The aim of this survey is to determine the current supply of and demand for accessible rooms in short term accommodation establishments such as hotels, motels and serviced apartments.

The survey was conducted with the General Managers of 115 establishments across Australia. These establishments cover almost 25,000 rooms, which represents more than 10 per cent of all rooms nationally.

Key Findings

- **Demand for accessible rooms is between 0.22 and 0.88 per cent of all room nights**
- **Occupancy of accessible rooms is 30.7 per cent. Occupany of non-accessible rooms is 71.4 per cent.**
- **Supply of accessible rooms is 1.67 per cent of all rooms. There is a 57 per cent oversupply.**

Accessible Rooms

Accessible rooms have *features to permit use by people with disabilities*[1]. The Building Code of Australia (BCA) specifies a ratio of accessible rooms in Class 3 buildings such as hotels and motels. Accessible rooms are not required in Class 2 apartment buildings, hence only serviced apartments in Class 3 buildings have accessible rooms.

The current accessible room ratio in the BCA for new buildings is approximatly 3.5% of rooms. A new ratio of approximatly 4.5% is proposed in the *Draft Disability (Access to Premises – Buildings) Standards 2009.*

[1] Australian Building Codes Board, *Building Code of Australia 2009*

Demand and Usage of Accessible Rooms

Accessible rooms may be used by any guest. Establishments typically hold accessible rooms on a 'last to let' basis for guests *with* accessible room needs.

Accessible rooms are also commonly used by guests *without* accessible needs when the establishment is otherwise full.

Since accessible rooms are occupied by guests with and without accessible room needs, we distinguish *actual demand* for accessible rooms from *total usage* of accessible rooms which includes nights when establishments are full.

Actual Demand of Accessible Rooms

Excluding nights when establishments are full, the *actual demand* for accessible rooms across all establishment is **0.22** per cent of total demand. The average *actual demand* for accessible rooms per hotel is **0.47** per cent[2] of all nights.

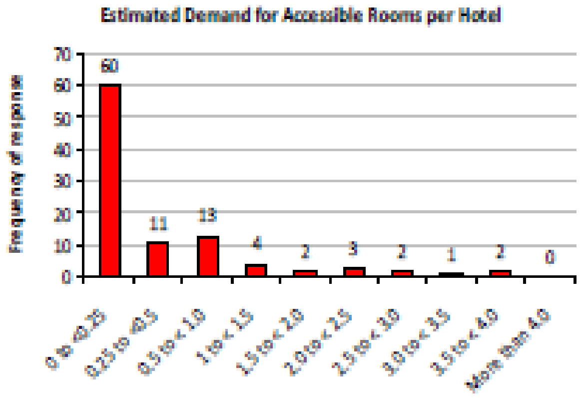
Demand for Accessible Rooms	
Room nights available in all room types	8,743,210
Room nights available in accessible rooms	147,460
Room nights sold in all room types	6,173,139
Room nights sold in accessible rooms	45,222
Demand for accessible rooms	0.22%
Average demand for accessible rooms per establishment	0.47%

NOTE: Establishments with accessible accommodation.

[2] This value is the average rate per establishment rather than an aggregate across all establishment. It therefore gives the same weight to a small establishment as large ones.

The *actual demand* for accessible rooms was consistently low across establishments.

- 61 per cent had demand below 0.25 per cent of all room nights
- 86 per cent were below 1.0 per cent
- 92 per cent were below 2.0 per cent



Total Usage of Accessible Rooms

If we instead look at the *total usage*, including nights where accessible rooms were occupied in establishments which were otherwise full, the survey shows that **0.73** per cent of all room nights were in accessible rooms.

The average accessible room usage rate per hotel is **0.88** per cent[3].

Total Use of Accessible Rooms	
Room nights sold in all room types	6,173,139
Room nights sold in accessible rooms	45,222
Usage of accessible rooms as a % of total demand	0.73%
Average usage of accessible rooms per establishment	0.88%

NOTE: Establishments with accessible accommodation.

From these values, we note that demand for accessible rooms is between 0.22 and 0.88 per cent of all room nights, with probability suggesting the lower end of the scale.

[3] Again, this value is the average rate per hotel rather than an aggregate across all hotels. It therefore gives the same weight to a small establishment as large ones.

Supply of Accessible Rooms

Accessible Room Ratios	
Total surveyed rooms	24,991
Total accessible rooms	404
Accessible rooms as a % of all rooms	1.62%

The survey also showed that 9.6 per cent of establishments had no accessible rooms. These establishments are in Class 2 buildings or were built at a time when accessible rooms were not required.

Occupancy Rates in Accessible Rooms

Having determined that the demand for accessible rooms is low as a percentage of total demand, it is necessary to calculate whether this is due to low underlying demand or because supply is constraining demand.

The occupancy levels across all establishments which participated in the survey was 70.8 per cent. The occupancy levels for accessible rooms was significantly lower at **30.7** per cent, while the occupancy of non-accessible rooms was **71.4** per cent.

Among the establishments surveyed, to service the existing usage of accessible rooms (45,222 rooms nights) at the prevailing occupancy rate (70.8%) would require an inventory of 175 rooms, instead of the current supply of 404 accessible rooms. This suggests an oversupply of 229 rooms or **57** per cent of the current stock of accessible rooms.

Occupancy Rates of Establishments	
Across all rooms	70.8%
Non-accessible rooms	71.4%
Accessible rooms	30.7%

We conclude that, while demand for accessible rooms is low, this is not because supply is constraining demand. Rather the results show that there is an oversupply of accessible rooms.

Revenue Differential

The achieved average room revenue between accessible rooms and non-accessible rooms is substantial. Using the average room rate for licensed hotels from the ABS' Survey of Tourist Accommodation [4] ($158.57) and the average occupancy rates noted above, the average annual revenue for an accessible room would be $17,800, some $23,800 less than a non-accessible room (average of $41,600 in revenue).

These calculations only consider the lower revenue generated by low occupancy and do not account for the frequently discounted room rates in accessible rooms (see 'Guest Satisfaction').

Full Occupancy

Accommodation establishments are frequently fully occupied, with 98 per cent of establishments in the survey reporting full occupancy nights.

On such nights, establishments would have to turn away guests, *whether they required accessible accommodation or not*. The survey results showed that on average, establishments experienced 78 nights when they were full.

By comparison, only 4% of establishments reported that accessible rooms were full.

In these establishments, the average accessible room ratio was 0.41 per cent [5]. By comparison, establishments with an average accessible room ratio of 1.69 per cent were *always* able to accommodate guests with accessibility needs.

Accessible Room Ratios	
Average accessible room ratio of establishments who were unable to accommodate guests with accessibility requirements on at least one night	0.41%
Average accessible room ratio of establishments who were always able to accommodate guests with accessibility needs	1.69%

Among establishments with accessible rooms, 96 per cent reported that there were no nights in 2009 when their accessible rooms were full.

[4] 8635.0 Survey of Tourist Accommodation, Australian Bureau of Statistics, licensed hotels with 15+ rooms, 2009.
[5] This is the % of all rooms classified as 'accessible' rooms

Guest satisfaction

Guests without accessibility requirements are assigned accessible rooms due to full occupancy.

Almost half of the establishments in the survey reported that guests are *dissatisfied* when given an accessible room that they did not request (49 per cent). Only 12 per cent of hotels reported that guests are generally satisfied with being given an accessible room, while 40 per cent reported that guests are neither satisfied nor dissatisfied.

Establishments reported that more than a third of the guests who were dissatisfied with being given an accessible room would *often* or *always* seek a discount (37 per cent), with another 59 per cent of guests *perhaps* looking for a discount on the room rate.

Determining an Accessible Room Ratio

Demand for accessible rooms is low relative to total demand and the current supply of accessible rooms is more than able to cater for demand. From the usage and demand for accessible rooms, the required accessible room ratio can be estimated.

The summary figures below show that actual accessible room demand is less than half a per cent, and that usage is less than one per cent. The results also illustrate that 90 per cent of establishments had accessible demand estimated below 1.12 per cent of total demand.

Demand for Accessible Rooms	
Effective demand for accessible rooms	0.22%
Average demand for accessible rooms per establishment	0.47%
Usage of accessible rooms as % of total demand	0.73%
Average usage of accessible rooms per establishment	0.88%
Per establishment accessible demand 90^{th} percentile[6]	1.12%
Average accessible room ratio of establishments who were always able to accommodate guests with accessibility needs	1.69%

[6] i.e. 90 per cent of establishments had accessible demand which was below this threshold