

INDEPENDENT REVIEW OF THE COMMERCIAL BUILDING DISCLOSURE PROGRAM

Tourism Accommodation Australia Submission



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Contents

INTRODUCTION	3
TAA'S POSITION	4
DATA INTEGRITY	5
CLARITY ON AIMS OF THE CBD PROGRAM	5
UNNECESSARY REGULATION	6
LEVEL PLAYING FIELD.....	6
GREEN POWER INITIATIVES AND INTERNATIONAL CERTIFICATION.....	7
COMPARISON WITH SHOPPING CENTRES.....	7
NABERS NOT SUITABLE FOR HOTEL SECTOR	7

INTRODUCTION

Tourism Accommodation Australia (TAA) welcomes the opportunity to make a submission to the independent review of the Commercial Building Disclosure Program (CBD) by the Centre for International Economics (CIE).

TAA is a division of the Australia Hotels Association (AHA) and together they are the peak industry bodies representing Australia's tourism, hotel accommodation and hospitality industry. Our membership is diverse and serviced by a network of branches based in every state and territory, plus a Canberra-based National Office. We represent licensed businesses from small bars, restaurants, taverns, pub-style hotels through to three, four and five-star international accommodation hotels located in each state and territory.

Our role is to represent the business and commercial interests of our members through services, advocacy, and policies. We are committed to ensuring the future development and growth of the sector within Australia's vibrant tourism industry.

TAA and the AHA recognise the importance of working with government departments and stakeholders and we have a demonstrated history of achievement in working with national, state and local government, law enforcement agencies, educators, universities, and other organisations.

TAA's POSITION

TAA remains strongly opposed to the expansion of the CBD Program to the hotel sector in its present form. The CIE's report is lacking in hard data and evidence to justify expansion to the hotel sector, an issue which has been repeatedly raised by TAA throughout the consultation process. TAA maintains its opposition to the expansion of the program, and below we have re-expressed the general sentiments from TAA's February written submission to the CIE:

Without adequate data on the hotel sector, expanding the CBD program to hotels is strongly opposed by TAA.

Disclosing energy ratings are said not to inform transaction decisions and the sales turnover of hotels is approximately 1% - neither of these factors support expanding the CBD program to hotels.

TAA strongly opposes extension of the CBD Program to the hotel sector as it targets commercial Class 3 buildings, constituting a further distortion of the accommodation playing field and also provides a disincentive to investing in regulated commercial accommodation in Australia.

TAA recommends that if NABERS were to be considered for the CBD program the benchmarking tool for hotels needs improvement, with input from the accommodation sector. TAA recommends if expansion proceeds, the CBD Program must include other internationally recognised certifications (Green-Key, EarthCheck etc.).

There needs to be recognition of energy efficiency measures already undertaken by hotels – internal programs, international best practice, international accreditation/certification, involvement in PPAs using renewable sources. For hotels already pursuing energy efficiency, TAA recommends that – should the program be extended – there must be a waiving of fees, a pool of funding available for audits and upgrade costs, as well as concessions for good behaviour.

TAA opposes disclosure of ratings on consumer facing advertisements if the CBD Program expansion is to proceed.

TAA's discussions with and feedback from hotels operators present contrary data to CIE's – hotel operators are well aware of their energy use and costs.

TAA has sincere concerns that the star ratings system of NABERS is confusing for customers as opposed to star rating for service standard.

TAA has grave concerns regarding outstanding issues and questions on extending the CBD Program to the hotel sector:

- NABERS is not suitable for hotels or trusted by the sector;
- Recommendations from the CIE are based on a lack of evidence;
- There is low/no cost benefit to hotels;
- Energy efficiency improvements occur without the CBD Program;
- Linking NABERS ratings to government/large corporate procurement;
- A lack of consideration for existing green initiatives;
- Limited cost-recovery available for industry to partake in the CBD Program.

TAA will outline in further detail why it maintains that the CBD Program should not be extended to hotels in its present form and offers recommendations for improvements.

DATA INTEGRITY

TAA has previously raised concerns with the CIE about the data used in assessing extension of the CBD Program to hotels. The report is severely deficient in hard data and cannot be relied upon to justify expansion of the CBD Program to hotels. In particular, TAA notes the following statements made by the CIE in the *Independent review of the Commercial Building Disclosure Program Draft Report*:

“The evidence base ... includes hotels rated using NABERS energy and public reporting by hotels in relation to sustainability. However, *the sample sizes for this are small* and may not represent what is happening to hotels in general.” (p.107)

“There is mixed evidence of behavioural failures in energy efficiency of hotels, *and this evidence is largely anecdotal.*” (p.126)

“There is some evidence that hotels are less advanced in considering energy use than other sectors, and comparative performance information would identify gaps in performance for some hotels. *However, hard evidence for or against this is difficult to obtain.*” (p.128) (emphasis added)

TAA remains seriously concerned that the recommendation to extend the CBD Program to hotels is based on anecdotes from two energy advisers. There is no transparency on who they are, who they work for, or if they stand to benefit from the introduction of a mandatory disclosure scheme. We also do not know how representative their experience is across the hotel sector. Basing recommendations on anecdotes brings into question transparency and integrity around the consultation process.

Without adequate data on the hotel sector, expanding the CBD program to hotels is strongly opposed by TAA.

CLARITY ON AIMS OF THE CBD PROGRAM

The CIE states that the aims of the CBD Program are somewhat unclear, though a broad goal is to help businesses manage their energy costs. TAA proposes that including hotels in mandatory disclosure instead creates costs for hotels, ones that outweigh benefits. An initial NABERS rating for a hotel costs is said to cost approximately \$6,000. While the CIE proposes that some of the initial rating be covered by the Federal Government, completing a rating every 2 years is yet another regulation cost imposed on hotels. Indeed, this is stated in the draft report:

“The extent to which hotels are less advanced in considering energy, the higher the private benefits available to hotels will be — *otherwise there may be a net cost imposed on hotels from having to obtain energy ratings.*” (emphasis added, p.128)

Further, on the CIE’s evidence there is potentially little prospect of improving once a hotel reaches a high star rating. This then becomes a significant cost every 2 years which ultimately has no purpose or use for the hotel and will likely be considered a tax by the sector.

UNNECESSARY REGULATION

TAA notes that the imposition of the CBD Program creates further regulation on the hotel sector which is already highly regulated and as stated, the cost imposition is largely on hotels. It was noted at the Stakeholder meeting in Melbourne that when the CBD Program was introduced for offices there were considerable incentives available for offices to complete energy efficiency upgrades. TAA is concerned that no such level of incentives has been flagged in the draft report. Further incentives should be explored and could include accessing the Emissions Reduction Fund for financial assistance with energy audits, NABERS assessments, and expenditure for refurbishments and upgrades.

Further, there is evidence presented throughout the report that hotels are already improving their energy efficiency in the absence of a mandated disclosure program. Examples are presented from Accor, Langham Hotels, Hilton Hotels, and Marriott International (pp.122-4) of considerable energy efficiencies taken on a voluntary basis. TAA notes the following sentence from the CIE in the draft report:

“The evidence that is available for hotels indicates that they are generally improving their energy performance. ... Consultations with hotel engineers, including members of the Australian Institute of Hotel Engineers, suggests that they do face pressure to reduce energy and to reduce energy costs, such as through targeted reductions year-on-year.” (p.107)

The case studies outlined in the draft report, as well as evidence from the Australian Institute of Hotel Engineers, demonstrates that hotels are implementing energy efficiency measures.

- Mandatory disclosure is unnecessary for hotels as they are already improving their energy efficiency.
- If mandatory disclosure for hotels is pursued, further incentives for hotels (i.e. for assessments, audits, infrastructure upgrades) need to be recommended.

LEVEL PLAYING FIELD

As stated in our previous submission, extension of the CBD Program to hotels is yet another cost impost on hotel operators and owners that would not apply to strata title apartment buildings that might house commercial/residential short term letting apartments. Entire Class 2 buildings or individual SOU's (soul-occupancy unit) within a Class 2 building being let commercially by individuals or companies will not be affected by extension of the CBD Program. TAA does note that apartments as a category have been flagged as a sector for possible expansion, however – as indicated in the report – there are legislative and jurisdictional restrictions around this.

Extending the CBD Program to the hotel sector constitutes a further distortion of the accommodation playing field as it targets commercial Class 3 buildings, and also provides a disincentive to investing in regulated commercial accommodation in Australia.

GREEN POWER INITIATIVES AND INTERNATIONAL CERTIFICATION

TAA remains seriously concerned about linking government/large corporate procurement to NABERS ratings, particularly if hotels are prevented from improving their ratings through green power initiatives. TAA and the AHA are offering their members access to large-scale renewable projects through an aggregated Power Purchase Agreement (PPA). A PPA is a contract between an energy customer and an electricity generator direct - such as a solar or wind farm - to purchase electricity at an agreed price for a period of time. This is a world-first agreement and will significantly reduce greenhouse gas emissions.

TAA is concerned that there has been no inclusion of such initiatives as a means of ameliorating low NABERS star ratings, and if rating levels are linked to government/large corporate procurement this will penalise hotels that are unable to shift their rating. If mandatory disclosure is extended to hotels, there should be consideration for green power initiatives utilised by hotels. Hotels are more varied in their design and use than office buildings and cannot be approached in the same way when it comes to ratings.

Hotel chains that use existing international accreditation on energy efficiency have also indicated that switching to NABERS presents a doubling of efforts in this space. Concerns have been raised about the lack of consideration for other programs and further work needs to be completed into considering other international programs.

There needs to be recognition of energy efficiency measures already undertaken by hotels including internal programs, international best practice, international accreditation/certification, involvement in PPAs using renewable sources. For hotels already pursuing energy efficiency, TAA recommends that – should the program be extended – fees are waived, a pool of funding is provided, and concessions for good behaviour are established.

An example of the initiatives already being undertaken by hotels is included with this submission, which provides an overview of energy efficiency measures completed by Crowne Plaza Alice Springs.

COMPARISON WITH SHOPPING CENTRES

The CIE recommends the CBD Program remain voluntary for shopping centres. This is based on evidence demonstrating that shopping centres are improving energy efficiency without NABERS ratings. TAA notes that this reasoning also applies to the hotel sector and questions the difference in conclusions between these two sectors. There is evidence that hotels are already improving energy efficiency and examples of these are outlined in the report (pp.122-4).

NABERS NOT SUITABLE FOR HOTEL SECTOR

The CIE notes that NABERS is not widely used in the accommodation sector. NABERS is not the obvious metric for hotels and energy intensity measures given the minimal penetration in the market. Improving the NABERS tool will require significant industry contribution, which the CIE states in the draft report (p.129). TAA recommends a working group be established to collate data and improve the NABERS hotel benchmarking tool, one that involves hotel operators, hotel owners,

the peak industry association, the Department, NABERS, and other relevant bodies, before the program can be considered for expansion.

TAA also stresses that the frequency of the program is problematic and unworkable for the sector. Feedback from across the hotel sector is that 2 years is too frequent. Consideration of 3 year assessments, or a tiered program that rewards good behaviour (i.e. if a 5 star rating is achieved another assessment is not required for a further 5 years). The working group would be best placed to provide advice on suitable assessment frequency.

TAA recommends that if NABERS were to be considered for the CBD program the benchmarking tool for hotels would need to be improved, with input from the hotel sector.

To summarise, TAA remains strongly opposed to the extension of the existing CBD Program to hotels for the following reasons:

- There is a lack of adequate data to justify expansion;
- The Program targets commercial Class 3 buildings, constituting a further distortion of the accommodation playing field;
- There is a lack of recognition of energy efficiency measures already undertaken by hotels including internal programs, international best practice, international accreditation/certification, involvement in utilising renewable sources;
- Hotels are already improving their energy efficiency without a mandatory program;
- Cost-recovery incentives for hotels have not been recommended;
- The NABERS benchmarking tool for hotels requires significant improvement.

TAA welcomes further consultation with the CIE and the Department on the review of the CBD Program, and in this feedback has outlined ways the Program can be improved if expansion into the hotel sector is pursued.

Yours Sincerely,



Michael Johnson
CEO
Tourism Accommodation Australia