



AUSTRALIAN HOTELS ASSOCIATION

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Monday, 6 January 2025

Hon Dr Jim Chalmers MP
Treasurer
Parliament House
Canberra ACT 2601

By email PreBudgetSubmissions@treasury.gov.au

Dear Treasurer,

Pre-Budget Submission 2025

Please see the submission below.

1 Background

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 diverse membership includes pub-style hotels, bars, taverns and restaurants plus three, four and five-star international accommodation hotels located in each state and territory. The size and scope of the AHA hotel industry includes:

- More than 6,000 businesses
- Generating more than \$12,000,000,000 in economic benefit
- Providing over 350,000 jobs
- Providing 150,000 plus accommodation rooms across the country
- Supporting more than 50,000 community groups

2 Ensure a pipeline of Skilled Migrant Workers¹

Issue:

Where a skilled Australian worker cannot be found (sadly, all too often), hotels rely on skilled workers from overseas to fill the gaps. Never has this been more important. The hospitality industry relies on 5,000 permanent migration places and 5,000 temporary migrant places each year.

1

<https://accommodationaustralia.org/Portals/1/Documents/Advocacy/2024%20Submissions/2024%20AHA%20AA%20Core%20Skills%20List%20JSA.pdf?ver=2024-06-07-150018-360>

The Accommodation and Food Services (AFS) industry is predicted to grow by 59,400 jobs or 6.3% over the five years to May 2028, and 118,100 additional jobs in the ten years to May 2033.

Skilled migrants, both permanent and temporary, are the only way to fill these gaps nationwide.

Solution:

Where gaps cannot be filled by skilled local workers, the government should ensure the hospitality industry can sponsor key skilled occupations for both permanent and temporary migration - similar to the status quo:

- 5,000 permanent migrant places a year
- 5,000 temporary migrant places a year

3 Ensuring a pipeline of Australian apprentices²

Issue:

The accommodation and food service sector are suffering a shortfall of Australian skilled workers such as chefs, cooks, restaurant managers, and hotel managers due to factors including a huge drop in the number of food trade apprentices and a worrying collapse in hospitality traineeships.

- A drop in the number of food trade apprentices in training from 7,685 (September 2019) to 6,900 (September 2023) – that’s 10%. Commencements in the year to September 2023 fell by 27% compared to the same period in 2022.
- Hospitality traineeship commencements decline by a staggering 51% to only 6,735 in the year to September 2023 (and will fall even faster since employer incentives ceased on 1 July 2024).
- Government-funded tourism, travel and hospitality VET students fell by 17% to 64,960 in 2022 compared with 2019.

Solution:

As part of a targeted approach to incentives, employer and apprentice incentives for hospitality apprenticeships should include:

- Payment to employers of food trades apprentices of \$2,000 per quarter across the first year - plus a \$4000 completion payment.
- Payment to apprentices of \$4,000 to be paid directly to the apprentice/trainee during the first 18 months – \$5,000 completion incentive paid on completion of the qualification.
- Put hospitality traineeships on the apprenticeship priority list and re-introduce employer incentives at \$1,500 per quarter for six months plus \$2000 completion incentive.

4 Reduce liquor excise³

Issue:

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<https://accommodationaustralia.org/Portals/1/Documents/Advocacy/2024%20Submissions/2024%20AHA%20AA%20Apprenticeship%20Incentives.pdf?ver=2024-05-16-082658-977>

As you know, the tax on liquor increases each six months and is damaging Australia's vibrant hospitality sector and unfairly punishing responsible Australian consumers. The cost of a drink in a pub, club or restaurant is increasing due to a range of input costs including energy, insurance, and interest on finance. But the most significant and crushing of these input costs is excise. For example:

- Australia now, unfortunately, has the third highest taxes on spirits and beer in the world.
- The excise on a \$60.00 bottle of Bundaberg Rum is nearly \$38.00

Consumers are newly awake to this hidden tax and are demanding relief. A visit to a pub should not be out of reach for everyday Australians.

Proposal:

Any beverage poured into a glass creates a job. We propose:

- A 40% discount on the excise rates currently paid for spirits and beer sold "on premise" in licensed venues such as pubs, bars, and clubs. The discount would only apply to spirits and beer dispensed through a container that is connected to a pressurised or pump delivery system, or a specialised system unique to the on-premise environment and approved by the ATO.
- The discount would not apply to any excisable liquor sold "off premise."

Budget impact:

We note between 15-20% of all alcohol is sold in premise, and the remaining 80-85% is sold off premise in places such as bottle shops and online – Budget impact is minimal. In regards to the impact on the Commonwealth budget for 2024/25, we note:

- The budget estimate for excise collected is \$2,760m for beer and \$5,340 for spirit-based products – a total of \$8,100m.
- Our modelling on the budget impact is \$91m for beer. While the impact for spirits is more difficult to determine, the budget impact for spirits would be estimated to cost approximately \$78 million if 30% of all spirits sold on premise were dispensed using a specialised, pressurised or pump delivery system. The impact to the budget of the 40% discount on both spirits and beer would therefore be around \$169m, or 2% of spirits and beer excise collected.

Economic contribution

Pubs, clubs, and restaurants make an enormous economic and social contribution to the Australian economy:

- There are 6,670 pubs and taverns and more than 6,000 clubs across Australia — with over 90 per cent of these businesses and clubs employing 20 persons or fewer.
- The Australian Hotels Association (AHA) represents more than 5,500 hotels and resorts across the state and territories.
- Significantly, more than 3,200 of these hotels and resorts are in regional Australia — servicing both residents and tourists alike.

- The accommodation and food service sector employs nearly 900,000 full and part-time and casual positions across Australia during normal business conditions.

Sustainability:

This proposal will substantially reduce the number of glass bottles used, which reduces costs and is a win for the environment.

5 Fringe Benefits Tax (FBT) ⁴

Issue:

The current structure of FBT:

- Stifles expenditure in hospitality businesses, thus suppressing employment in the hospitality and accommodation sectors – sectors still recovering from COVID.
- Favours large-scale businesses which have had the expertise to devise ways to work around and defeat the intent of the FBT scheme.

Solution:

The AHA recommends the Government enable all taxpayers who carry on a business:

- Be allowed to claim a tax deduction and GST inputs on meal and beverage entertainment
- Together with being allowed a credit for the related GST and not requiring any FBT for the business owner or their employees.

Outcome:

The potential direct costs are estimated by EY to range from \$171m to \$286m, but would deliver the following positive impacts over three years:

- Impact on GDP – ranging from \$539m to \$850m
- Impact on employment FTE – ranging from 3,844 to 4,230
- GDP per dollar of cost to government – ranging from \$1.89 to \$3.25

6 Card surcharges

Issue:

On 15 October 2024, the Federal Government announced it is prepared to ban debit card surcharges - subject to further work by the Reserve Bank of Australia (RBA) and safeguards to ensure both small businesses and consumers can benefit from lower costs.

The lion's share of this fee burden for card payments in Australia is currently shouldered by many Australian small business members and their customers. This is due to imbalanced pricing constructs, particularly for debit cards. Small businesses often pay between 3-5 times the cost for

⁴ <https://aha.org.au/wp-content/uploads/2021/12/Pre-Budget-submission-FBT-FY22-23.docx.pdf>

simple card transactions, compared to big business. This not fair for the small business or their customer.

Solution:

Regulatory reforms are needed to significantly reduce the cost of card payments and level the playing field for small businesses and their customers. The AHA supports reforms put forward by the Independent Payments Forum as summarised below for all businesses:

- For transactions above \$50.00 - Interchange fees capped at \$0.01
- For transactions equal to \$50.00 or less – Interchange fees capped at \$0.00

The AHA has made a submission to the RBA on this matter.⁵ The AHA also supports the submission of the Independent Payments Forum⁶, of which the AHA is a member.

Outcome:

If the RBA or Government does not act to reduce surcharge costs and level the current uneven playing field for small business against big business, surcharging should be allowed to continue.

7 Increase medium-term and long-term rental housing⁷

Issue

- Technological disruption has caused the residential and commercial accommodation sectors to be out of balance, with major knock-on effects.
- Our hospitality workforce is suffering from a lack of available and affordable medium to long term rental housing; and accommodation hotels are having to compete on an uneven playing field with an unregulated disruptor.
- More than 160,000 dwellings are unavailable to Australians as they in the short-term rental market only, e.g. Air BnB, Stayz.
- Australia is suffering from the lack of an enforceable, sustainable, nationwide plan agreed between the Commonwealth, States and Territories, and local councils.

Solution:

Negotiate with State and Territory Governments, and local councils, a nationwide framework for regulation of short-term rental accommodation (STRA) including:

- Mandate a cap of 90 days for un-hosted short term rental accommodation, and enable lower caps such as 60 days at council level.
- Mandatory registration and fees for all properties being made available for short-term rental.
- Ensure STRA platforms enforce compliance and establish large fines for owners of non-compliant properties.
- Establish a national enforcement fund available to local councils to ensure compliance.

⁵ [RBA-submission-re-Merchant-Card-Payment-Costs-and-Surcharging-9-Dec-2024.pdf](#)

⁶ [Independent Payments Forum - Independent Payments Forum](#)

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<https://accommodationaustralia.org/Portals/1/Documents/Advocacy/2024%20Submissions/2024%20AHA%20AA%20Apprenticeship%20Incentives.pdf?ver=2024-05-16-082658-977>

Outcome:

- Canada and New York saw an 83% drop in short-term rentals after implementing similar solutions.
- If Australia achieved a similar 83% drop to Canada and New York, it would free up 132,800 homes for medium to long term rental

8 Conclusion

Thank you for the opportunity to have made this submission.

Yours faithfully,



STEPHEN FERGUSON
NATIONAL CEO