



**Accommodation
Association
of Australia**

Productivity Commission Study
Business Regulation Benchmarking –
Role of Local Government

Submission of the Accommodation
Association of Australia

INTRODUCTION

1. The Accommodation Association of Australia welcomes the opportunity to put forward the following submission to be considered as part of the Productivity Commission's study to benchmark the extent to which particular approaches to the exercise of regulatory responsibilities by local governments affect costs incurred by business.

ABOUT THE ACCOMMODATION ASSOCIATION

2. The Accommodation Association of Australia (the Accommodation Association) is the national industry body for the Australian 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 time-share establishments in metropolitan, regional and rural Australia across all states and territories.
4. The Association's membership base includes almost 2000 properties and more than 110,000 guest rooms.
5. The Association's members include major international hotel chains, including Accor Hotels, Mirvac Hotels and Resorts, Hilton Hotels, Toga Hospitality, Mantra Group, InterContinental Hotels Group and Quest Serviced Apartments.

THE ACCOMMODATION SECTOR – OVERVIEW

6. Tourism contributes \$34 billion to Australia's gross domestic product (GDP), a 2.6 per cent share.
7. Around 500,000 Australians are employed in the Australian tourism industry – 4.5 per cent of total employment.
8. Employment within Australia's accommodation sector stands at 71,500 – 14.3 per cent of the total employment in tourism.
9. Tourism is Australia's leading services export and it is the sixth-largest total export earner.
10. Tourism contributes \$23 billion or 9 per cent of Australia's total export earnings for all goods and services.
11. There are 4279 tourism accommodation establishments in Australia.
12. There are 227,320 tourism accommodation rooms within Australia and 640,454 bed spaces.
13. Tourism's share of the Australian economy has been declining.
14. The number of domestic overnight trips taken by Australians has fallen by 1.1 per cent on average each year over the period 2001-2010.
15. The total number of domestic visitor nights fell by 1.2 per cent on average each year between 2001-2010.
16. Outbound tourism from Australia is growing at a much faster rate than inbound tourism.
17. Tourism has a number of unique characteristics in comparison to other industries. These include:
 - It is highly labour intensive;
 - It requires the input of many service providers into a single "product" to the end consumer;
 - It is dominated by a significant number of small businesses;
 - Tourism competes against all other discretionary expenditures for the "hearts and minds" expenditure of the consumer; and
 - Tourism businesses operate in a highly complex environment requiring significant compliance skills and costs.

LOCAL GOVERNMENT CHARGES – NATIONAL APPEAL TRIBUNAL

18. Given the recent downturn in tourism – including within tourism accommodation businesses – the Accommodation Association is strongly in favour of minimising costs imposed by local government on operators of accommodation businesses.
19. This situation has been made acute by a series of catastrophic events that have further weakened the tourism industry. These events have included widespread flooding in Queensland and Victoria in January 2011, Cyclone Yasi in February 2011 and then on Saturday, 29 October 2011, the grounding of the entire Qantas fleet due to a long-running industrial dispute with unions.
20. In this context, it is alarming that many local governments are choosing to increase costs – and in some cases, increasing them dramatically – to operators of accommodation businesses.
21. In most, if not all, cases, there is little or no recourse for businesses to challenge a cost, such as a rate, levy or other similar financial burden, which is imposed on them by local government.
22. It may be stating the obvious, but because councils operate in a monopoly, i.e. they don't compete with each other, businesses have little choice but to foot the bill for these costs, i.e. they are unable to simply choose to pay another council instead.
23. It is the submission of the Accommodation Association that a more formal and transparent structure of costs imposed by local government on business be put in place.
24. Therefore, the Accommodation Association is requesting that consideration be given to the establishment of an independent avenue of appeal for businesses who have had unreasonable and/or significant costs imposed on them by local government, including local government authorities.
25. An acceptable vehicle for appeals should take the form of a national appeal tribunal (or similar body) that would be based in Canberra and conduct proceedings in all states and territories.
26. The tribunal should be equipped with full investigative powers, including the ability to scrutinise financial information of local governments that is directly relevant to cases which are brought before it.
27. The tribunal would operate in a similar manner to a court of law. It would be presided over by a person or persons of significant legal standing and its proceedings would be conducted on the public record.
28. A process – similar that undertaken by the High Court when matters are presented to it – to determine which cases should be considered by the full bench of the tribunal would be essential to ensure a high level of efficiency of the tribunal's time.

COUNCIL RATES – GOUGING

29. The Accommodation Association is becoming increasingly concerned that local governments are gouging tourism accommodation businesses through the council rates they are charging these businesses.
30. An example of this is Shire of Roebourne, which is centred on Karratha in the resource-rich Pilbara region in WA.
31. A tourism accommodation business within this local government area has been notified in writing that the Shire of Roebourne intends to introduce a new differential category for council rates – “Workforce Accommodation”.
32. Specifically, the Shire of Roebourne is proposing to increase the rate from \$0.057730 per \$1 of the statutory valuation of the property to \$0.094630 per \$1 of the statutory valuation of the property.
33. For the business in question, this will result in a 64 per cent increase in its council rates.
34. This is an entirely unacceptable increase for the business, as well as other tourism accommodation businesses within this local government area. Yet the business in question has seemingly been left with little option but to pay this bill.
35. Further, the Accommodation Association is vehemently opposed to this council and indeed other councils engaging in what appears to be ruthless gouging of an industry which is experiencing a challenging trading environment.
36. Income generated from guests who stay in tourism accommodation establishments for business reasons is an integral source of revenue for tourism accommodation businesses. For a council – and other councils – to exploit this unnecessarily cuts into financial returns for operators.
37. The Association is actively campaigning against local government using council rates to gouge tourism accommodation businesses.

CONCLUSION

38. The Accommodation Association looks forward to further engagement with the Productivity Commission as part of this study.

Date: 31 October 2011