



**Accommodation
Association
of Australia**

**Productivity Commission Inquiry into
Business Set-up, Transfer and Closure –
Submission of Accommodation Association
of Australia**

*Accommodation Association of Australia – Principal Contact
Mr Richard Munro
Chief Executive Officer*

EXECUTIVE SUMMARY

- The level of regulation in Australia's accommodation industry must strike a balance between the safety of guests and the cost of administration and compliance.
- The Accommodation Association supports the Productivity Commission developing a standard, national definition for tourism accommodation which should be that tourism accommodation is any continuous stay which is not longer than 90 days.
- Building fire safety is a significant factor in the cost of maintaining a safe tourism accommodation business in Australia.
- Companies which generate business by creating a platform for residential properties to be used for short-stay tourism accommodation are displaying a flagrant disregard for numerous regulatory requirements, including planning laws, building fire safety, disability access, insurance and payment of taxes.
- Companies that create a platform for residential properties to be used – illegally – for tourism accommodation are severely compromising the safety of guests.
- Companies which create a platform for residential properties to be used for tourism accommodation, as well as the owners and occupiers of the properties, should be the subject of a much stronger compliance regime.
- Each regime should be funded by significant fines for non-compliance of not less than \$1 million per property.
- Zoning arrangements by local government authorities should ensure that holiday rentals will not be adversely impacted by changes to the regulatory regime that the Association is advocating for.
- Developing tourism accommodation infrastructure in Australia requires a minimum period of six years – and more like eight years – from concept to completion.
- Parallel processing of development applications and liquor licences for tourism accommodation developments should take place and must take into account previous approval processes in other Australian jurisdictions.

INTRODUCTION

1. The Accommodation Association of Australia welcomes the opportunity to put forward the following submission to be considered by the Productivity Commission as part of its inquiry into business set-up, transfer and closure.

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 timeshare 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 hotel and motel chains and serviced apartments.

TOURISM AND ACCOMMODATION – OVERVIEW

6. Tourism directly contributes \$43.4 billion to Australia's gross domestic product (GDP), 2.7 per cent of Australia's total GDP.¹
7. There are 534,000 persons directly employed in the Australian tourism industry – 4.6 per cent of total employment.²
8. Tourism contributes \$27.2 billion or 8.2 per cent of Australia's total export earnings for all goods and services.³
9. Accommodation businesses add \$7.028 billion of gross value to the Australian economy.⁴
10. There are 69,700 people employed in the accommodation sector of the Australian tourism industry.⁵
11. There are 4204 tourism accommodation establishments in Australia.⁶
12. There are 229,646 tourism accommodation rooms in Australia and 635,130 bed spaces.⁷

¹ Tourism Update, September Quarter 2014, Tourism Research Australia

² Australian National Accounts – Tourism Satellite Account, 2013-14, Australian Bureau of Statistics

³ Tourism Update, September Quarter 2014, Tourism Research Australia

⁴ Australian National Accounts – Tourism Satellite Account, 2013-14, Australian Bureau of Statistics

⁵ Ibid

⁶ Tourist Accommodation, Australia, 2013-14, Australian Bureau of Statistics

⁷ Ibid

POLICY POSITION – REGULATION/DEREGULATION

13. The accommodation industry's base policy position is that there should be less regulation for businesses in our industry in Australia, not more.
14. On behalf of the industry, the Accommodation Association has led advocacy efforts to reduce the level of regulation and administration/compliance or "red tape" which operators of accommodation businesses are confronted with.
15. However, given that in the 2013-14 financial year, there were more than 50 million room nights occupied in Australia, the duty of care to guests who stay in accommodation establishments is paramount.
16. The level of regulation in the accommodation industry must strike a balance between the safety of guests and the cost of "red tape". An excellent analogy is the promotion of safe activities at the beach where the Australian public is encouraged to "swim between the flags".
17. This base policy position should be considered during any deliberations about altering existing public policy settings which directly impact on accommodation businesses and, by extension, businesses entering and exiting our industry.

DEFINING TOURISM ACCOMMODATION

18. Any review of regulatory settings for Australia's accommodation industry must establish a standard, national definition for tourism accommodation (or short-term accommodation).
19. At present, different local governments across Australia have different definitions, while some do not define it at all.
20. The Australian Taxation Office (ATO) has determined that commercial residential premises are liable for Australia's Goods and Services Tax (GST) under a range of definitions. The common thread within each of these definitions is a guest stay of 28 days.
21. The ATO's current definitions are as follows:
 - Short-term accommodation – When a guest stays for less than 28 continuous days.
 - Long-term accommodation – When a guest stays for 28 or more continuous days.
 - Predominantly long-term accommodation – If at least 70 per cent of individuals in an accommodation establishment stay for 28 or more continuous days.

The ATO states that "whether the accommodation supplied is short-term, long-term or predominantly long-term, each will have a GST liability to be considered".⁸

22. Given Australia does not have a national overarching regulatory body for the accommodation industry – and that the industry does not support the introduction of such an authority – the Accommodation Association supports the Productivity Commission, through this inquiry process, developing a standard, national definition for tourism accommodation.

⁸ <https://www.ato.gov.au/General/Property/Property-used-in-running-a-business/Commercial-residential-premises-and-GST/Leasing-commercial-accommodation/>, retrieved 22 February 2015

23. While such a determination would not be legally binding, given the weight which is given to the findings of the Productivity Commission, if the commission was to recommend a standard, national definition for tourism accommodation, then it would significantly influence the definition of tourism accommodation as applied by Australian governments, government agencies and regulatory bodies at all levels.
24. In terms of the specifics of such a definition, it is the submission of the Accommodation Association that tourism accommodation should be defined as any continuous stay which is not longer than 90 days.
25. The Association supports a 90-day threshold because this would capture medium-term guest stays for corporate purposes as being short-term and non-permanent in nature.

BUILDING FIRE SAFETY

26. Compliance with building fire safety standards is one of the single most important differentiators between tourism accommodation businesses and residential properties which are used for short-term stays.
27. Compliance with building fire safety standards requires buildings used for tourism accommodation to conform to a broad range of requirements which include, but are not limited to:
 - Entry/exit doors to guest rooms must be heavy duty;
 - There must be clearly defined alternative escape routes to lifts/elevators;
 - Smoke detectors must be installed in all rooms;
 - Sprinklers must be installed in all rooms; and
 - Fire extinguishers and other fire-fighting equipment must be readily available and maintained in good working order.
28. For tourism accommodation businesses, compliance with these requirements runs into many millions of dollars on an annual basis. While this is a significant cost to tourism accommodation businesses, it is a necessary cost given our industry's commitment to maintaining a duty of care to our customers.
29. In addition, compliance is constantly monitored for.
30. This illustrates that building fire safety is a significant factor in the cost of maintaining a safe tourism accommodation business in Australia.

BUILDING FIRE SAFETY – RESIDENTIAL PROPERTIES

31. For buildings which are zoned as residential, the requirements are far less stringent and a regime or regimes for monitoring for compliance is virtually non-existent.
32. The Productivity Commission examined the issue of differences in standards applying to buildings being used for similar purposes in its report of August 2010, "Annual Review of

Regulatory Burdens on Business: Business and Consumer Services” (which was released in October 2010).

33. The commission determined that:

“Serviced apartments are increasingly competing with hotels in the short-stay tourist accommodation market, but are classified differently within the BCA (Building Code of Australia) and are therefore subject to different standards, for example in relation to disabled access and fire safety. The Australian Building Codes Board should consider whether the current variation in standards is appropriate where the buildings are used for similar (especially tourist accommodation) purposes.”⁹

34. Companies which generate business by creating a platform for residential properties to be used for short-stay tourism accommodation are displaying a flagrant disregard for:

- Planning laws;
- Building fire safety requirements for tourism accommodation businesses;
- Disability access requirements;
- Insurance requirements;
- Directly contributing to the Australian economy through payment of taxes;
- Directly contributing to efforts to market Australia as a tourism destination (not being taxed as a business denies governments additional revenue which goes towards funding tourism marketing organisations such as Tourism Australia); and
- Directly and indirectly contributing to the Australian economy through employment of staff.

35. By doing so, both the companies that create the platform and the residential properties themselves are entering Australia’s accommodation market through questionable means.

36. Of most concern, though, is that companies that create a platform for residential properties to be used – illegally – for tourism accommodation are severely compromising the safety of guests.

STRONGER COMPLIANCE REGIME

37. Companies which create a platform for residential properties to be used for tourism accommodation, as well as the owners and occupiers of the properties, should be the subject of a much stronger compliance regime.

38. It is the submission of the Accommodation Association that the practice of residential properties, i.e. properties which do not meet the standard, national definition of tourism accommodation, must be deemed to be operating illegally and there must be strict enforcement of such laws.

39. The accommodation industry’s position is that every local government authority in Australia, if it hasn’t already done so, should formally establish a regime to ensure compliance with

⁹ Annual Review of Regulatory Burdens on Business: Business and Consumer Services – Research Report, Productivity Commission, August 2010, Chapter 5, Page 183

building fire safety requirements and, potentially, a standard, national definition of a tourism accommodation establishment.

40. Each regime should be funded by significant fines for non-compliance of not less than \$1 million per property.

41. Having fines of this quantum in place would assist with ensuring that:

- The compliance regimes could be self-sufficient from a financial perspective; and
- They would act as a deterrent to such illegal activity.

HOLIDAY RENTALS

42. On behalf of the industry, the Accommodation Association wishes to make it clear that the Association is not advocating for holiday rentals to be deemed illegal.

43. Holiday rentals are a time-honoured and accepted tradition in the Australian accommodation landscape and the Association is not seeking to compromise the status of holiday rentals with our position on this issue.

44. It is significant that the overwhelming majority of holiday rentals in Australia are found in locations where relatively few tourism accommodation businesses are located, e.g. the south coast of NSW.

45. It is the Accommodation Association's submission that zoning arrangements by local government authorities should ensure that holiday rentals will not be adversely impacted by the changes to the regulatory regime that the Association is advocating for.

COSTS OF DEVELOPMENT OF TOURISM ACCOMMODATION INFRASTRUCTURE

46. The cost of development of tourism accommodation infrastructure in Australia – both for new builds and transforming existing buildings – remains a significant barrier to entry to the accommodation industry.

47. In the past 20 years, the international perspective on developing tourism accommodation infrastructure in Australia is that a minimum period of six years – and more like eight years – is required from concept to completion. It then takes a period of several more years – usually not less than two – for an accommodation business to become profitable.

48. This is due to a number of factors which include, but are not limited to:

- The time and cost it takes to secure necessary approvals from all levels of government (that Australia has three levels of government adds to the cost);
- The nature of the approvals which are required;
- The many fees and levies which are payable; and
- The many investment and transactional costs which exist in Australia, e.g. stamp duty is generally approximately 5 per cent of the cost of a development, therefore the day that it opens for business, it's effectively worth 5 per cent less than what it was.

STREAMLINING APPROVAL PROCESSES

49. The accommodation industry strongly supports the streamlining of approval processes for tourism accommodation developments in Australia.
50. One of the most desirable and effective ways in which this could happen in Australia is for parallel processing of development applications and liquor licences to take place.
51. The Accommodation Association is aware of several instances where tourism accommodation infrastructure development has been either delayed or postponed because of the unreasonable length of time that it has taken to process both liquor licence and development applications. This scenario has created frustration, difficulties and additional costs for investors in tourism accommodation infrastructure.
52. As part of liquor licensing approval processes in some Australian jurisdictions, company directors must be scrutinised. This process must be undertaken even when these same company directors have already been approved in another Australian jurisdiction.
53. Similarly, recognition of staff training and experience – including for responsible service of alcohol accreditation – is not transferrable between different Australian jurisdictions.
54. The unnecessary duplication and therefore, cost, of compliance with these approval processes has a direct impact on the set-up, transfer and closure of accommodation businesses (in the event that such costs become prohibitive).

CONCLUSION

55. The Accommodation Association would be pleased to provide the Productivity Commission with further information in relation to our submission in a face-to-face briefing, if the commission wishes.

Date: 26 February 2015