

Mr Peter Harris AO  
Chairman  
Productivity Commission  
GPO Box 1428  
CANBERRA CITY ACT 2601  
By email: [super@pc.gov.au](mailto:super@pc.gov.au)

28 October 2016

Dear Chairman

The following correspondence should be treated as a submission from the Accommodation Association of Australia to be considered by the Productivity Commission as part of its inquiry into alternative default models for superannuation.

The Accommodation Association of Australia ([www.aaoa.com.au](http://www.aaoa.com.au)) is the national industry body for Australia's accommodation industry. 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. The Association's members include major hotels, motels and serviced apartment groups. The Association's membership base includes almost 2000 properties and more than 110,000 guest rooms.

On behalf of our members, the Accommodation Association actively participates in the industrial process through representations made in the Fair Work Commission, among other things.

Staff are one of the most important assets of Australia's accommodation industry. Without continuing to attract and retain staff, the industry will not be able to continue to provide high levels of service which are demanded by domestic and international visitors who stay in accommodation establishments. There are 69,700 people employed in the accommodation sector of the Australian tourism industry.<sup>1</sup>

Australia's accommodation industry is made up of a large number of small businesses, for whom superannuation is not core business. As a result, accommodation businesses do not, by and large, have the resources or expertise to devote to selecting quality superannuation funds and therefore, the Accommodation Association supports a robust default superannuation mechanism.

For staff who work in the accommodation industry, while superannuation is an integral part of their earnings, managing their superannuation is widely viewed as a low priority and they do not have the level of engagement or expertise to effectively make complex financial decisions about their retirement income, including choosing where their superannuation should be paid.

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<sup>1</sup> Australian National Accounts – Tourism Satellite Account, 2013-14, Australian Bureau of Statistics

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For these reasons, the Accommodation Association supports the existing transparent, independent process for management of superannuation in which funds are short-listed by experts based on their performance and other factors. This process is open to any fund and does not remove choice, but takes the onus off operators and staff for making sure that the funds which can be considered as workplace defaults are of sufficient quality and have a demonstrated track record of positive performance.

The current regime for superannuation through the industrial relations system gives employers and employees in the accommodation industry the ability to engage with default superannuation in a way that maintains confidence in the system, but is not overly onerous from an administrative or decision-making perspective.

Any proposed changes to default arrangements should take into account and be assessed against the success of the current arrangements, particularly for the accommodation industry, and should consider the following factors:

- The needs of employers in the accommodation industry are being met by the existing default arrangements and the involvement of industry bodies gives employers the necessary confidence that the system is serving the needs of staff;
- Employees and employers in our industry have benefitted from a long-standing default fund for the accommodation industry, HOSTPLUS, which has delivered top quartile returns over 1, 3, 5, 7 and 10 years<sup>2</sup>, as well as low fees and an offering which is well-tailored to our industry and occupational needs;
- Any change to existing arrangements would impact employers through changes to administrative arrangements, such as payroll, among other things, and the Accommodation Association doesn't see the need for this additional burden on operators given that the existing system is working well;
- Removing the current default arrangements will create concerns surrounding certainty in future providers for an employer and increases the chances of multiple providers inundating employees in the workplace, resulting in disruption to productivity and unnecessary confusion among staff;
- The current system provides robust contestability and gives participants confidence that the best funds can be chosen as default funds based on predefined assessment criteria which is consistent and applies across all default funds;
- Operators and staff within our industry value the group-insurance element of superannuation because it is highly desired by employers in their search for attracting and retaining quality staff, while also looking after their financial needs;
- Staff have the option to choose a superannuation fund if they wish to, but it is our strong view that employees in the accommodation industry would not be served well by forcing them to choose a superannuation fund from an abundance of options – because it would be impractical and would not meet their needs; and

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<sup>2</sup> Balanced option, SuperRatings Fund Crediting Rate Survey, SR50, 20 July 2016

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- The flexible and mobile nature of employment in the accommodation industry means that a fund with a strong industry focus which is cognisant of the needs of staff is important to the benefit design of a default fund and this outcome must continue to be delivered by the default system.

Should you have any questions about our submission, please arrange for members of your team who are working on this inquiry to make contact with us.

Yours sincerely

**RICHARD MUNRO**  
**Chief Executive Officer**

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