

*TTF is a national member-funded CEO forum, advocating the public policy interests of the 200 most prestigious corporations and institutions in the Australian transport, property, tourism & infrastructure sectors.*



## Tourism & Transport Forum

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### Productivity Commission Annual Review of Regulatory Burdens: Tourism Submission

Submitted February 2010

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## Introduction

The Tourism & Transport Forum (TTF) is a national non-profit CEO forum representing the leading corporations and institutions in Australian tourism, transport, aviation and investment sectors. TTF develops and advocates industry policy for the sustainable long term growth of Australian tourism.

This document outlines the regulatory issues which are affecting the productivity of businesses within the tourism industry and those regulatory issues which are recommended to be reviewed by the Productivity Commission in its *Annual Review of Regulatory Burden s on Business*.

In Summary, these regulatory burdens fall into four broad areas:

- Impact of taxes and fees on Australia's international competitiveness.
- Impact of the Building Code of Australia (BCA) on tourism investment.
- Impact of foreign investment review on hotel operation by international brands.
- Impact of the EPBC Act on tourism attractions.

## Summary of TTF Recommendations

TTF recommends that the Productivity Commission review the following Australian Government regulation in respect to the operation of tourism related businesses:

- Establish a transparent mechanism for determining the cost of ICQ processing and ensure the Passenger Movement Charge (PMC) does not exceed this ICQ cost which it is purported to recover. The justification for applying the PMC should be examined by the Australian Government in the light of 'Henry Review' report.
- Reduce the 456 Business Visa cost to \$20 per visa and provide sufficient resources to improve processing times. Fast track 456 Business Visa processing for successful business event bids.
- Review the costs and processing times for Student and Student Guardian visas.
- Create a standard methodology to reclaim GST for an entire business event package, as opposed to reclaiming individual inputs such as accommodation and venue hire.
- Review the Tourist Refund Scheme (TRS) to enable international visitors to claim a GST refund on all goods and services purchased in Australia for which they hold a receipt.
- TTF recommends that the requirements for residential, serviced apartments and hotels are based on a genuine assessment of need and risk in order to remove the regulatory burden placed on Class 1B and 3 tourism properties.
- Create a Class 2B for serviced apartments which includes appropriate building standards for this use and ensure Class 2 residential apartments without these standards cannot operate on the short term accommodation market.
- Reduce the current BCA ratio of accessible rooms in Class 3 buildings to 2% and apply this ratio in the proposed Disability Standards.
- Review GST Ruling 2000/20 to ensure that all letting of rooms in the short term (non residential) market is subject to a level playing field in the application of GST.
- Review the rulings within the Foreign Investment Review Board in relation to international hotel management agreements with the aim of adding these agreements to the list of exemptions.
- Include sustainable tourism as a management objective for commonwealth reserves in the EPBC Act.
- A single coherent, pragmatic process is required for assessing the importation of a species for breeding or exhibition purposes to reduce the current duplication across various government agencies.
- TTF further recommends the establishment of National Standards to create a consistent approach to decision-making affecting the transfer of animals between state and territory zoos.

# 1. Australian Tourism

## 1.1 The Value of Tourism to the Australian Economy

Tourism is an important sector in the Australian economy and is measured by the ABS Tourism Satellite Account within the national accounts. In 2007-08 international and domestic tourism consumption in Australia was \$88.7 billion. This tourism expenditure<sup>1</sup>:

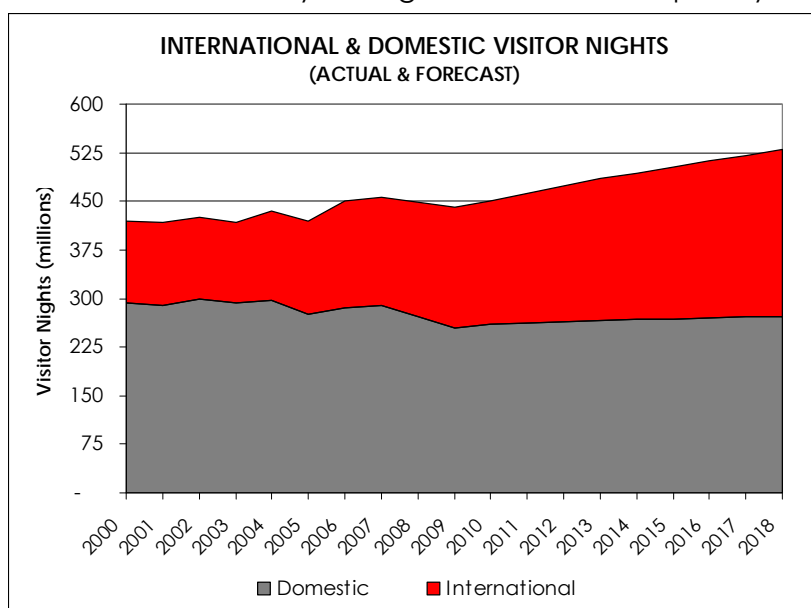
- Generated \$23.6 billion in export earnings – 10.1% of total Australian exports.
- Employed 497,000 people – 4.7% of total Australian employment.
- Contributed \$40 billion to gross domestic product – 3.6% of GDP.

Tourism also generated approximately \$8.1 billion in net federal and state revenue, including the GST and other taxes on production, but excluding the Passenger Movement Charge (PMC)<sup>2</sup>.

## 1.2 Tourism Performance and Forecast

Between 2008 and 2018, the Tourism Forecasting Committee (TFC) anticipates 3.5 per cent annual growth in international visitor nights across Australia. By 2018, Australia could experience more than 258 million international visitor nights.

Domestic visitor nights are expected to be almost unchanged from 2008 levels. The sharp decline in 2009 will eventually be regained over subsequent years.



Source: TTF using Tourism Forecasting Committee data.

Note: Chart shows actual data to 2008 and forecasts from 2009.

Given the different performances between these markets, this will see a significant increase in the share of international tourism. Between 2000 and 2018, international visitor nights will have increased from 30% to 49% of all visitor nights.

<sup>1</sup> Australian Bureau of Statistics, *Australian National Accounts: Tourism Satellite Account, 2007-08*.

<sup>2</sup> Based on estimates by the Sustainable Tourism Cooperative Research Centre, *State and Federal Taxes on Tourism in Australia*, estimates for 2003/04.

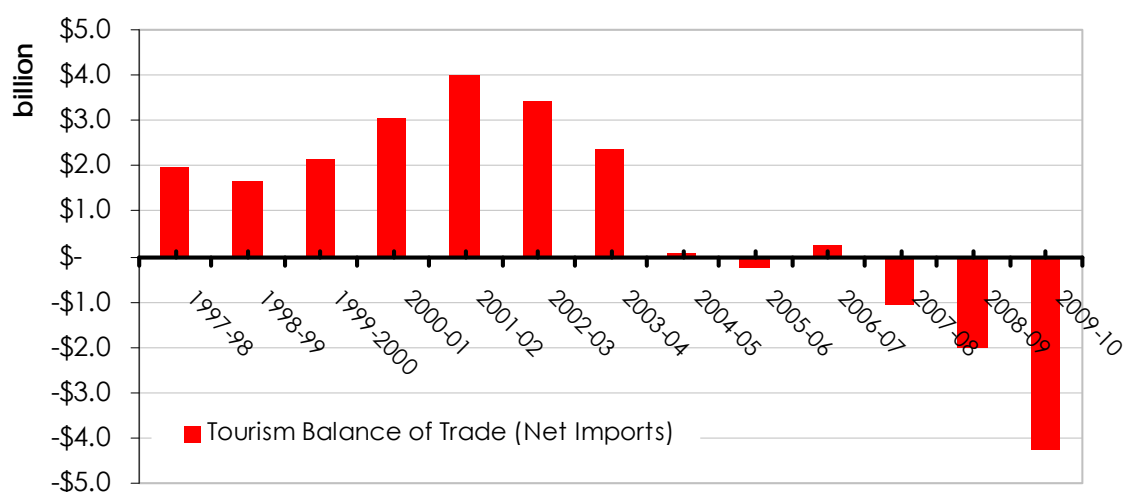
Growth in overall visitor nights is expected to be at least matched by growth in expenditure. By 2018, the TFC suggests consumption levels of around \$105 billion in real terms, growth of 14 per cent on 2008 levels.

This growth in visitor nights and expenditure will be insufficient to replace the growth in outbound tourism (Australians travelling overseas), resulting in the continuing deterioration of the tourism balance of trade.

### 1.3 Tourism Balance of Trade

In 2007-08 tourism imports grew faster than tourism exports, generating a deficit in the tourism balance of trade of \$1.0 Billion.

**Tourism, Balance of Trade, 1997-98 to 2009-10**



NOTE: Shaded area is projected based on overseas arrivals and departures data, ABS (2008-09) and Tourism Forecast 2009, Issue 2, Tourism Forecasting Committee (2009-10) using average expenditure for 2007-08.

Source: Australian National Accounts - Tourism Satellite Accounts, ABS; Overseas Arrivals and Departures, ABS; Tourism Forecast 2009, Issue 2, Tourism Forecasting Committee

The latest overseas arrivals and departures data reveal that outbound travel increased in 2008-09. Latest forecasts project that departures will increase by 11.5% in 2009-10, while arrivals are expected to grow just 2.9 per cent. The tourism trade deficit could reach almost \$4.3 billion in 2009-10 as outbound traveller numbers exceed arrivals by 800,000.

To reverse the ongoing deterioration in the balance of tourism trade, Australian tourism product must become more internationally competitive to retain domestic tourism (import replacement) and attract international visitors (exports).

## 1.4 The National Long term Tourism Strategy

The Australian Government's *National Long-term Tourism Strategy*, announced in December 2009, provides a whole-of-government strategy to address the long term decline in Australia's tourism competitiveness and balance of tourism trade.

The Government's strategy addresses both tourism demand policy (such as international marketing) and tourism supply policy (such as skills development) to trigger private investment in tourism product that will attract and accommodate tourism growth. The key elements within the strategy which particularly relate to regulatory burdens include the following:

1. Facilitating investment and regulatory reform.
2. Responding to challenges, climate change and external shocks.
3. Excellence in product and service delivery that will ensure Australia is a high-value destination.
4. Strengthening our competitiveness with industry, destination and product development that will make the most of our unique attributes.

The tourism industry strongly supports the *National Long-term Tourism Strategy*. This submission to the Productivity Commission focuses on the regulatory burdens placed on tourism businesses which, if not addressed, will impact on the ability to achieve the targets set out in the strategy.

## 2. Regulatory Burdens on International Price Competitiveness

Tourism is extremely price sensitive with a price elasticity of -0.8<sup>3</sup> (Carmody 2009). Taxes, charges and fees on international tourists increase the price of tourism and subsequently decrease tourism expenditure in Australia. The key taxes affecting tourism price competitiveness are the Passenger Movement Charge (PMC), visa fees and the Goods and Services Tax (GST).

There has been an increasing trend in Australia to levy taxes and charges on international visitors as revenue raising measures. Increases in the PMC and visa fees in the 2008-9 and 2009-10 Commonwealth Budgets have resulted in an additional \$240.5 million tax burden in 2009-10 alone.

Neither the PMC nor visa fees are for services used by the visitor or the industry. The imposts are ostensibly for border protection measures which are a public good and should not be subject to user pays. The revenue raised also far exceeds the costs it is purported to cover.

During the global financial crisis, Australian businesses and our international competitors responded to a fall in tourism demand by reducing prices to stimulate

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<sup>3</sup> Geoff Carmody & Associates, *Australian Tourism: How Deep the Recession*, March 2009, pg 58-59

markets. Counterproductively, the Australian Government *increased* its prices by raising the PMC and increasing visa fees.

As the world economy recovers from the GFC and markets gradually improve, it is essential that Australian tourism's cost structures remain competitive with other international destinations.

## 2.1 Passenger Movement Charge

The PMC is a charge imposed on a passenger departing from Australia and is collected by airlines and shipping companies at the time the passenger purchases their ticket. The collected charge is then passed on to the Commonwealth. The PMC is ostensibly imposed to cover the cost of immigration, customs and quarantine (ICQ) processing.

In the 2008-09 Budget, the Federal Treasurer announced an increase to the PMC from \$38 to \$47. The Treasurer at the time explained that the increase would be used to partially fund national aviation security initiatives that are otherwise funded by the Federal Government. However tax receipts from PMC go to consolidated revenue and there is no assessment of, nor link to, the costs the PMC is purported to recover.

More fundamentally, these costs are for border protection measures which are a public good and are not an external cost created by visitors which should be taxed on a user pays basis. The justification for the PMC and the impact on Australian tourism's price competitiveness should be considered in the light of the "Henry Review" of Australia's future tax system.

### TTF Recommendation

Establish a transparent mechanism for determining the cost of ICQ processing and ensure the PMC does not exceed this ICQ cost which it is purported to recover.

The justification for applying the PMC should be examined by the Australian Government in light of 'Henry Review' report.

## 2.2 Business Visas

International delegates to events (conventions, exhibitions etc) in Australia currently require a Business Visa to enter the country. There are currently different processes and charges when obtaining Business Visas depending on the visitor's nationality.

Delegates from the European Union and other European nations are eligible for an online 'eVisitor' visa at no charge. Visitors from other prescribed nations can obtain a Electronic Travel Authority (ETA) business visa through an agent for a service charge of \$20.

However international convention delegates from India, China, the Middle East and Latin America must apply for 456 Business Visas at a cost of \$105. These visas can take up to six weeks to process. These nations are the target long term growth



markets for Australia and the nations with which we compete to win the right to host international conventions in the Asia-Pacific region.

Australia's international event bidding agencies report that the cost, and particularly the processing time, for 456 Business Visas is a significant competitive disadvantage in winning bids to host conventions. Competing bids from other nations typically have a lower visa regulatory burden or actively facilitate visa processing for bids. For example, some bid competitors can commit consular resources for fast track processing of convention delegate visas.

#### **TTF Recommendation**

Reduce the 456 Business Visa cost to \$20 per visa and provide sufficient resources to improve processing times.

Fast track 456 Business Visa processing for successful business event bids.

### **2.3 Other Visas**

The cost and processing time for visas also presents a significant problem for certain tourism market segments to Australia, particularly the international education sector.

The international education sector is one of the fastest growing tourism sectors in Australia, hence this market should be encouraged to travel to Australia. One of the barriers impacting this market however, is the cost and processing time of gaining Student Guardian Visas.

By way of background, international students studying in Australia on a student visa may require a guardian if they are under 18 years of age. The visa allows the guardian to live in Australia for the same length of time as the student, until the student turns 18.

At present, to gain a Student Guardian Visa currently costs \$540. TTF in particular notes that the visa processing time is significantly longer for some markets, including the Middle East and India. This is concerning given that these are the markets which represent key growth areas for Australia.

#### **TTF Recommendation**

Review the costs and processing times for Student and Student Guardian visas.

### **2.4 GST Reclaim for Business Events**

Business related travel expenses are subject to GST reclaim, meaning most expenses do not incur the GST. This is critical to Australia's international competitiveness to win business event bids.

The process of reclaiming involves extensive paperwork and regulation from the ATO to process claims. Because the ruling was not designed for business events, not all items can be reclaimed, resulting in confusion. Processing the reclaim must be done



by the conference organisers and overall is a disincentive to winning the bid for their event.

#### **TTF Recommendation**

Create a standard methodology to reclaim GST for an entire business event package, as opposed to reclaiming individual inputs such as accommodation and venue hire.

### **2.5 Tourist Refund Scheme**

The Tourist Refund Scheme (TRS) exists to mitigate the impact of GST on Australia's price competitiveness as a destination. However the TRS is currently limited to *goods* taken out of the country and specifies that the purchase must be over \$300 from a single outlet. The TRS does not allow refunds on *services* such as restaurant meals or hotel stays in Australia.

The specific limitations of the TRS make it a confusing and limited service for travellers. The TRS is limited in its ability to mitigate the impact of the GST.

#### **TTF Recommendation**

Review the TRS to enable international visitors to claim a refund on all goods and services purchased in Australia for which they hold a receipt.

## **3. Regulatory Burden on Tourism Investment - Building Code of Australia**

The Building Code of Australia (BCA) is a national standard implemented by the relevant Building Act in each state. More than any other instrument, the BCA determines the requirements for, and the ability to, develop tourism product in Australia.

The BCA is unnecessarily burdensome on tourism businesses due to the excessively high requirements placed on tourism developments and is also believed to be poorly designed in its application across the industry.

Overall, the key issues which the regulation creates for tourism businesses are summarised as follows:

- There is not a level playing field between residential and tourism requirements in the BCA, which undermines the level of investment in tourism product and infrastructure. This is discussed in Section 3.1.
- There is not a level playing field within the tourism industry itself, as the BCA is applied differently between operators, or in some cases not applied at all. This is discussed in Section 3.2 in terms of the differing requirements for serviced apartment operations compared with hotel operations.
- Increased construction and ongoing operational costs to implement the unnecessary standards. This includes Disabled Access Standards which are discussed further in section 3.3.

### 3.1 Building Classes and Differing Requirements for Residential & Tourism

Where tourism is a permitted land use and the development is approved, building approval is also required under the state building legislation. Building approval requires certification against the standards in the BCA. The standards depend on building use at the time of build.

The key classifications are:

	Residential	Commercial
Single dwellings	<b><i>Class 1A</i></b> Houses, town house, terrace	<b><i>Class 1B</i></b> Boarding house, hostel, lodge.
Building with multiple dwellings	<b><i>Class 2</i></b> Apartments	<b><i>Class 3</i></b> Hotels

It is important to note that short term tourism accommodation occurs in all of the above Classes, not just in the Class 3 (traditional tourist accommodation establishments) buildings.

The BCA standards for Class 1B & 3 buildings are significantly higher than for Class 1A & 2 buildings. The key differences in the BCA standards are disabled access and fire safety standards. These standards have a significant impact on construction costs, revenue and product quality.

#### TTF Recommendation

TTF recommends that the requirements for residential, serviced apartments and hotels are based on a genuine assessment of need and risk in order to remove the regulatory burden placed on Class 1B and 3 tourism properties.

### 3.2 Class 2/3 Buildings – Serviced Apartments

As presented above, the BCA classifies an apartment tower as a Class 2 building with low requirements for fire safety and disabled access. A hotel on the other hand is a Class 3 building with very high requirements for fire safety and disabled access. The issue that has arisen with this regulation is that the BCA does not account for the rise of serviced apartments as a major form of tourism product (representing at least 30% of all short stay accommodation rooms in Australia).

In different state and local government areas, Class 2 has been interpreted to include serviced apartments. In more jurisdictions, Serviced Apartments have been considered Class 3, but this has not been enforced. As a result, a significant proportion of Australia's tourist accommodation stock is in Class 2 Buildings purpose built for residential use and converted to tourism use. These Class 2 operations have

a considerable cost advantage over Class 3 operations due to lower regulatory requirements. Investment in Class 3 hotels has been significantly distorted by this regulation.

The lack of BCA regulation specifically for serviced apartments has also highlighted that the requirements may be unnecessary for serviced apartments (and possibly for Class 3 buildings) since they are requirements not applied to the apartments rented by residents.

### TTF Recommendation

Create a Class 2B for serviced apartments which includes appropriate building standards for this use and ensure Class 2 residential apartments without these standards cannot operate on the short term accommodation market.

### 3.3 Disabled Access Standards

The Class 3 standards require a ratio of rooms within the hotel to be built as 'accessible rooms'. The accessible rooms are available for guests of all disabilities, but are primarily built for wheelchair access and thus require more floor space than non-accessible rooms. The ratio of accessible rooms required in the BCA has increased over the years. The BCA ratio for accessible rooms in Class 3 building is currently:

Total Rooms	Accessible Rooms
1 - 20 rooms	1 accessible room
20 – 45 rooms	2 accessible rooms
46+ rooms	2 accessible rooms plus 1 additional accessible room for every additional 30 rooms.

For example, 4 accessible rooms are required for a 150 room hotel while 12 accessible rooms are required in a 350 room hotel. This equates to an average requirement for approximately 3.5% of rooms to be accessible.

Apartments (Class 2 buildings) in the BCA are not required to have accessible rooms; however there is no barrier to these apartments being let overnight on the short term accommodation market.

The Federal Government will shortly utilise the BCA to prescribe disabled access room requirements for Class 3 Buildings. The proposed *Disability (Access to Premises – Buildings) Standards* would be made by the Commonwealth Attorney-General under the *Disability Discrimination Act 1992* and be reflected in the BCA.

The draft standards would further increase the accessible room requirements to approximately 4.5% of rooms in Class 3 buildings. The proposed standards will still exempt Class 2 buildings.

TTF and the Australian Hotels Association, has completed a national survey of accommodation properties regarding the supply and demand of disabled access rooms. The survey showed that:

- Average demand for accessible rooms is 0.47% per establishment.
- Occupancy for accessible rooms was 30.7%, compared to 71.4% for other rooms.

The survey demonstrates that there is a significant oversupply of accessible rooms which are not being occupied. While there is an average demand of 0.47% accessible rooms per accommodation establishment, the BCA currently requires a supply of approximately 3.5% and the proposed disability standards would require a supply of 4.5%. This is approximately ten times the number of accessible rooms sought by guests. For an investor in a Class 3 tourism development this results in:

- Lost revenue from the accessible rooms which have significantly lower occupancy rates.
- Lost revenue from the floor space required for accessible rooms, which would otherwise have been used for additional non-accessible rooms with higher occupancy rates.
- Lost revenue to Class 2 buildings competing in the short term market with lower room rates as they do not have to cover the cost of providing accessible rooms.

TTF has calculated that an accessible room requirement of 2% of rooms would meet demand for accessible rooms with a level of supply which significantly exceeds that of non accessible rooms. Please see the Appendix for the full results of the survey and calculation of accessible room ratio requirements.

#### **TTF Recommendation**

Reduce the current BCA ratio of accessible rooms in Class 3 buildings to 2% and apply this ratio in the proposed Disability Standards.

## **4. GST and Serviced Apartments**

Serviced apartments are individual apartments with self catering facilities (kitchen and laundry) which are cleaned for the guest on a daily, weekly or other basis. Serviced apartments are let in the short term accommodation market, competing with hotels, motels and guest houses for patronage.

The operators of serviced apartments are typically not the owners of the individual strata title apartment units. There are several models of operation including:

1. Real estate agents individually letting multiple rooms in a building and providing cleaning services.
2. Management rights agents who manage the building and act as letting agents for owners. These agents put the apartments into a letting pool and operate them as serviced apartments.

3. An entity obtains property rights to the units via a lease and then let out the units and operates them as serviced apartments.
4. Owners of multiple apartments also operate in the serviced apartment business.

Residential tenancies do not incur GST, while commercial tenancies do incur GST. In practice the first two models do not appear to be applying the GST. The third and fourth models have uncertain application of GST in some circumstances. Owner operators of commercial serviced apartments do apply GST, but this appears to be almost a self nomination process. Hotels, motels, etc do incur GST. In none of these models is the owner residing in the unit, nor is the unit leased by a residential tenant.

From the point of view of the market, the actual model of serviced apartment operation is irrelevant. These serviced apartments operate in the same short term accommodation market as each other and as hotels, motels, etc. They provide the same range of guest services from 3 star to 5 star accommodation. Often a licensed restaurant business also operates within the building, providing serviced apartments with the same full range of food and beverage services as a hotel.

There is however a significant price difference due to the application of GST. This is distorting the market in favour of serviced apartments over hotels and in favour of 'agents' operating apartments over other operational models.

It should be noted that these 'agent' operated apartments can be well known brands operating across Australia with online booking, reservation systems, cleaning services, etc. Many of these 'agents' are not applying GST. This is openly advertised on websites and often recorded on the guest's bill.

The unequal and uncertain application of GST to similar tourism product for the same commercial market is, presumably, an unintended consequence of the distinction between residential and commercial tenancies in the application of the GST. For all intents and purposes, letting rooms for financial gain on the short term accommodation market must be considered commercial use. A short term stay, of less than 28 days for example, cannot reasonably be considered residential.

The Goods and Services Tax Ruling 2000/20 covers commercial residential premises. Given the rise of serviced apartments in the short term market not applying GST, several scenarios exist:

1. Not applying the GST is in contravention of tax rulings and these rulings need to be better enforced.

2. The application of the GST is uncertain and the rulings need to be clarified.
3. Not applying the GST is not in contravention of current tax rulings, but market practices have evolved to exploit the rulings against the principles underpinning the GST. The legislation and rulings then need review.

**TTF Recommendation**

Review GST Ruling 2000/20 to ensure that all letting of rooms in the short term (non residential) market is subject to a level playing field in the application of GST.

## **5. Regulatory Burdens impacting International Hotel Management companies in Australia - Foreign Investment Review Board (FIRB)**

TTF understand that the purpose of the Foreign Investment Review Board (FIRB) is to examine proposals by foreign interests to undertake direct investment in Australia and makes recommendations to the Government on whether these proposals are suitable for approval under Government policy. TTF understands that the general stance of policy is to welcome foreign investment which is consistent with community interests.

The FIRB currently requires foreign hotel management companies to gain approval from the FIRB when entering into a management agreement with an Australian hotel property. We believe that the current system is unnecessarily burdensome as it creates uncertainty, unnecessary paper work and legal expenses.

As way of background, owners of hotel accommodation properties typically enter into a management agreement with an operator to run the hotel. The hotel operator provides a brand (e.g. InterContinental, Hilton etc), global marketing and distribution, reservation systems, and operation of the building.

These management agreements typically include a share of revenue for the operator as part of the overall fee structure. This share of the revenue has recently been reinterpreted by the FIRB as constituting a property interest similar to a lease and therefore covered by the FIRB process.

The view of TTF and its members is that Australia should be encouraging international hotel management companies as they market and distribute the hotel overseas and attract greater visitation to Australia.

Fundamentally, we believe that these agreements with international hotel management companies are consistent with community interests and Australia's Foreign Investment Policy.

**TTF Recommendation**

TTF recommends that the Productivity Commission review this unnecessarily burdensome regulation with the view to add hotel management agreements to the list of exemptions.

## **6. Environment Protection and Biodiversity Conservation Act (EPBC Act)**

### **6.1 Legislative objectives for the management of commonwealth reserves**

The EPBC Act provides for the establishment and management of national parks on commonwealth reserves under the Director of National Parks (Parks Australia). These commonwealth reserves include critical tourism assets such as Kakadu and Uluru National park.

In practice, Parks Australia is one of nation's most significant tourism operations. The Director of National Parks is responsible for the direct provision of services and infrastructure for tourism as well as granting leases and licences to private providers of tourism services and facilities.

Given that tourism accounts for a significant proportion of parks Australia's operational and capital works budget, it would be appropriate for the EPBC Act to clearly announce the tourism management objectives of Commonwealth Reserves.

**TTF Recommendation**

Include sustainable tourism as a management objective for commonwealth reserves in the EPBC Act.

### **6.2 Dual Approval Processes and Uncertain Jurisdiction**

Tourism developments are more likely to be in areas of environmental or heritage significance. This often leads to a duplicate and uncertain approval process where a tourism development must pass local / state planning approval and then federal approval. The key issues that are arising include the following:

- Complex jurisdiction of the EPBC Act – is the development covered and over what issues.
- Time delays of dual process, particularly if any controversial issues or federal – state disagreement.
- A highly politicised process between governments, stakeholders and the tourism proponent, with many legal and public avenues to impede the development.
- Additional risk and cost from time delays and processes particularly if bilateral agreements are not in place e.g. Federal recognition of state environmental impact statements.



The industry supports high standards of environmental protection as this protects the long term value of our tourism assets. The concern is not the standards, but the risk, uncertainty, politicization, time delay and cost of the dual process.

### 6.3 Import and permit requirements for exhibited animals

Zoos, theme parks and other tourism attractions rely on the transfer of animals between zoos to support breeding programs and to provide new experiences for visitors.

Due to the small number of zoos in Australia, there is a need to supplement populations with new genetic material from overseas and from neighbouring state zoos to support viable populations in captivity.

The EPBC Act, Quarantine Act, state-based regulations and permit requirements for the importation and transfer of animals into and within Australia are complicated, time consuming and often duplicated across multiple jurisdictions. Zoos often forgo the opportunity to participate in breeding programs and acquire new attractions due to the cost and time involved in meeting the import requirements. As a result, Australia's collection of captive species will not be viable or sustainable in the future.

The key issues affecting the zoo and theme park sector are summarised as follows:

- The interpretation of CITES regulation in the EPBC Act in relation to the purpose of importing a species as discussed in Section 6.3.1;
- The lengthy and duplicated process of amending the 'List of Species taken to be suitable for Live Import' under the EPBC Act and the ability to import a species under the Quarantine Act as discussed in Section 6.3.2; and
- Differing requirements of state and federal authorities for the transfer and exhibition of animals as discussed in Section 6.3. 3

#### 6.3.1 Importing and exporting animal species for breeding or exhibition

Australia is party to the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES); a convention that regulates the international movement of fauna and flora between participating countries. The following is noted regarding these regulations:

##### *6.3.1.1 Importation of animals for purposes other than breeding programs*

Under Section 303FF of the EPBC Act and Section 9A.12 of the EPBC Regulation, species included in Appendix I of CITES may only be imported for a small number of non-commercial purposes including conservation breeding programs. Currently there is no provision for Australian zoos to import species included in Appendix I of CITES for roles other than conservation breeding.

Under this arrangement, the EPBC Act fails to recognise the significant contribution Australian zoos make to conservation outcomes through the exhibition of a species for community education and awareness. Often exotic and endangered species held in zoos act as an ambassador for the conservation and protection of the species in the wild. Under the current legislation however, importation of a species for educational purposes is restricted to those institutions with students enrolled.

Thus there is a need to amend legislation to recognise the importation of a species contained in Appendix I of CITES for purposes other than conservation breeding.

#### *6.3.1.2 Non-commercial and commercial reasons for the importation of animals*

Under Section 303FF of the EPBC Act and Section 9A.12 of the EPBC Regulations an animal may be imported for the purpose of conservation breeding so long as the import is not '*primarily* for commercial purposes'. The Department of Environment, Water, Heritage and the Arts (DEWHA) requires the importer seeking approval for a Cooperative Conservation Program to declare the imported species 'will not be for *commercial purposes*'. The discrepancy in what constitutes 'primarily commercial purposes' and 'commercial purposes' requires clarification.

Often the commercial operation and conservation activities of zoos are mutually exclusive; admission fees assist in the maintenance and preservation of the species in captivity, while the display of the animal for visitor education builds awareness of conservation required for the animal's survival in the wild.

There is a need to clearly define 'non-commercial' and 'not primarily for commercial purposes' in the EPBC Act and subsequent regulations, as well as it being reflected in supporting documentation required by DEWHA.

#### **6.3.2 Amendment to the 'List of Specimens taken to be suitable for Live Import'**

Species suitable for import are detailed in the 'List of Specimens taken to be Suitable for Live Import' under Section 303EB of the EPBC Act. Any species imported since 1984 will appear on the list. Any species that has not been imported since that time, even though it might be held by Australian zoos, is not on the list.

In order to have the list amended to include a sub-species or a similar species, a detailed application must be submitted to DEWHA outlining the disease risk presented by the animal, potential to establish a feral population, and any other risks to Australia's biodiversity and environment.

### 6.3.3 Duplication of requirements by government agencies

Multiple and differing permit requirements for the importation of an animal from overseas, or between state zoos (quarantine, housing specifications for animal, endorsement by DEWHA for the import of the species) impede the ability of zoos and theme parks to acquire new and exotic attractions for their establishments and participate in *ex situ* conservation programs.

#### 6.3.3.1 Duplication of requirements to establish risk assessment

In order for a species to be approved for import, an Import Risk Analysis is required from Biosecurity Australia, a Department of Agriculture Fisheries and Forestry (DAFF). This analysis assesses the pest and disease risk of the species to people, animals, plants and other aspects of Australia's biodiversity.

When processing amendments to the 'List of Specimens taken to be suitable for Live Import', DEWHA seeks approval of the National Vertebrate Pest Committee, a committee established under COAG including state and territory representatives who make the assessment.

Once the species has been approved and is on the list, the state-based Vertebrate Pest Committee will again determine whether the species is a threat to the importing state's biodiversity, further duplicating the process.

Not only is the process lengthy and duplicated across both federal and state jurisdictions, the process fails to differentiate applications submitted by the pet trade and those by registered zoos with high levels of security and a demonstrated track record in procuring species for conservation and exhibition purposes.

#### 6.3.3.2 Zoo Licensing: Transfer of animals between state zoos

The transfer of animals between state zoos is critical for the effective genetic management of a species in captivity, and to support regional Recovery Programs.

In order to transfer an animal, most Australian zoos are required to hold a licence. Licensing requirements for zoos vary between states and territories in terms of approvals required for holding the species, the holding capacity of enclosures and quarantine requirements if the importation of a species is required.

The development of exhibits and holding facilities by zoos requires a significant investment prior to obtaining approval to transfer or import a particular species. A zoo may develop a compliant facility approved by the relevant state agency but be deemed non-compliant when assessed at a federal level. Such inconsistencies have significant impacts on zoo resourcing and the potential to participate in regional breeding programs.

TTF is supportive of the proposed National Standards and Guidelines for exhibited animals to create a consistent and single approach to decision-making affecting zoos across Australia.

**TTF Recommendation**

A single coherent, pragmatic process is required for assessing the importation of a species for breeding or exhibition purposes to reduce the current duplication across various government agencies. This should provide the following outcomes:

- Recognise the importation of CITES 1 animals under The EPBC Act for purposes other than breeding programs;
- Clarify definitions in the EPBC Act in relation to the importation of a species for primarily 'non-commercial' and 'commercial' purposes;
- Simplify regulatory requirements in amending the 'List of Specimens taken to be Suitable for Live Import' to include sub-species and similar species; and
- Simplify regulatory requirements for importers seeking permission to import a species in a single process, combining amendments to the 'List of Specimens taken to be Suitable for Live Import', the ability to import a species under the Quarantine Act, and assessment by the Commonwealth and state-based Vertebrate Pest Committees;

TTF further recommends the establishment of National Standards to create a consistent approach to decision-making affecting the transfer of animals between state and territory zoos.



## APPENDIX: ACCESSIBLE ROOMS IN SHORT TERM ACCOMMODATION A LOOK AT SUPPLY AND DEMAND

### Introduction

The aim of this survey is to determine the current supply of and demand for accessible rooms in short term accommodation establishments such as hotels, motels and serviced apartments.

The survey was conducted with the General Managers of 115 establishments across Australia. These establishments cover almost 25,000 rooms, which represents more than 10 per cent of all rooms nationally.

### Key Findings

- Demand for accessible rooms is between 0.22 and 0.88 per cent of all room nights
- Occupancy of accessible rooms is 30.7 per cent. Occupancy of non-accessible rooms is 71.4 per cent.
- Supply of accessible rooms is 1.67 per cent of all rooms. There is a 57 per cent oversupply.

### Accessible Rooms

Accessible rooms have *features to permit use by people with disabilities*<sup>1</sup>. The Building Code of Australia (BCA) specifies a ratio of accessible rooms in Class 3 buildings such as hotels and motels. Accessible rooms are not required in Class 2 apartment buildings, hence only serviced apartments in Class 3 buildings have accessible rooms.

The current accessible room ratio in the BCA for new buildings is approximately 3.5% of rooms. A new ratio of approximately 4.5% is proposed in the *Draft Disability (Access to Premises – Buildings) Standards 2009*.

<sup>1</sup> Australian Building Codes Board, *Building Code of Australia 2009*

### Demand and Usage of Accessible Rooms

Accessible rooms may be used by any guest. Establishments typically hold accessible rooms on a 'last to let' basis for guests with accessible room needs.

Accessible rooms are also commonly used by guests without accessible needs when the establishment is otherwise full.

Since accessible rooms are occupied by guests with and without accessible room needs, we distinguish *actual demand* for accessible rooms from *total usage* of accessible rooms which includes nights when establishments are full.

### Actual Demand of Accessible Rooms

Excluding nights when establishments are full, the *actual demand* for accessible rooms across all establishment is 0.22 per cent of total demand. The average *actual demand* for accessible rooms per hotel is 0.47 per cent<sup>2</sup> of all nights.

Demand for Accessible Rooms	
Room nights available in all room types	8,743,210
Room nights available in accessible rooms	147,460
Room nights sold in all room types	6,173,139
Room nights sold in accessible rooms	45,222
Demand for accessible rooms	0.22%
Average demand for accessible rooms per establishment	0.47%

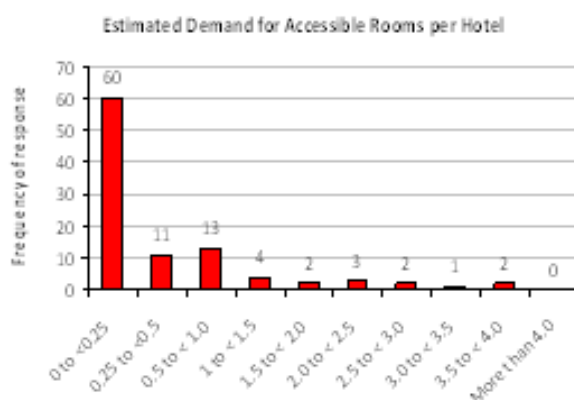
NOTE: Establishments with accessible accommodation.

<sup>2</sup> This value is the average rate per establishment rather than an aggregate across all establishments. It therefore gives the same weight to a small establishment as large ones.



The *actual demand* for accessible rooms was consistently low across establishments.

- 61 per cent had demand below 0.25 per cent of all room nights
- 86 per cent were below 1.0 per cent
- 92 per cent were below 2.0 per cent



### Total Usage of Accessible Rooms

If we instead look at the *total usage*, including nights where accessible rooms were occupied in establishments which were otherwise full, the survey shows that **0.73 per cent** of all room nights were in accessible rooms.

The average accessible room usage rate per hotel is **0.88 per cent<sup>3</sup>**.

Total Use of Accessible Rooms	
Room nights sold in all room types	6,173,139
Room nights sold in accessible rooms	45,222
Usage of accessible rooms as a % of total demand	0.73%
Average usage of accessible rooms per establishment	0.88%

NOTE: Establishments with accessible accommodation.

From these values, we note that demand for accessible rooms is between 0.22 and 0.88 per cent of all room nights, with probability suggesting the lower end of the scale.

<sup>3</sup> Again, this value is the average rate per hotel rather than an aggregate across all hotels. It therefore gives the same weight to a small establishment as large ones.

### Supply of Accessible Rooms

Accessible Room Ratios	
Total surveyed rooms	24,991
Total accessible rooms	404
Accessible rooms as a % of all rooms	1.62%

The survey also showed that 9.6 per cent of establishments had no accessible rooms. These establishments are in Class 2 buildings or were built at a time when accessible rooms were not required.

### Occupancy Rates in Accessible Rooms

Having determined that the demand for accessible rooms is low as a percentage of total demand, it is necessary to calculate whether this is due to low underlying demand or because supply is constraining demand.

The occupancy levels across all establishments which participated in the survey was 70.8 per cent. The occupancy levels for accessible rooms was significantly lower at **30.7 per cent**, while the occupancy of non-accessible rooms was **71.4 per cent**.

Among the establishments surveyed, to service the existing usage of accessible rooms (45,222 rooms nights) at the prevailing occupancy rate (70.8%) would require an inventory of 175 rooms, instead of the current supply of 404 accessible rooms. This suggests an oversupply of 229 rooms or **57 per cent** of the current stock of accessible rooms.



Occupancy Rates of Establishments	
Across all rooms	70.8%
Non-accessible rooms	71.4%
Accessible rooms	30.7%



We conclude that, while demand for accessible rooms is low, this is not because supply is constraining demand. Rather the results show that there is an oversupply of accessible rooms.

## Revenue Differential

The achieved average room revenue between accessible rooms and non-accessible rooms is substantial. Using the average room rate for licensed hotels from the ABS' Survey of Tourist Accommodation<sup>4</sup> (\$158.57) and the average occupancy rates noted above, the average annual revenue for an accessible room would be \$17,800, some \$23,800 less than a non-accessible room (average of \$41,600 in revenue).

These calculations only consider the lower revenue generated by low occupancy and do not account for the frequently discounted room rates in accessible rooms (see 'Guest Satisfaction').

## Full Occupancy

Accommodation establishments are frequently fully occupied, with 98 per cent of establishments in the survey reporting full occupancy nights.

On such nights, establishments would have to turn away guests, *whether they required accessible accommodation or not*. The survey results showed that on average, establishments experienced 78 nights when they were full.

By comparison, only 4% of establishments reported that accessible rooms were full.

In these establishments, the average accessible room ratio was 0.41 per cent<sup>5</sup>. By comparison, establishments with an average accessible room ratio of 1.69 per cent were *always* able to accommodate guests with accessibility needs.

Accessible Room Ratios	
Average accessible room ratio of establishments who were unable to accommodate guests with accessibility requirements on at least one night	0.41%
Average accessible room ratio of establishments who were always able to accommodate guests with accessibility needs	1.69%

Among establishments with accessible rooms, 96 per cent reported that there were no nights in 2009 when their accessible rooms were full.

<sup>4</sup> 8635.0 Survey of Tourist Accommodation, Australian Bureau of Statistics, licensed hotels with 15+ rooms, 2009.

<sup>5</sup> This is the % of all rooms classified as 'accessible' rooms

## Guest satisfaction

Guests without accessibility requirements are assigned accessible rooms due to full occupancy.

Almost half of the establishments in the survey reported that guests are *dissatisfied* when given an accessible room that they did not request (49 per cent). Only 12 per cent of hotels reported that guests are generally satisfied with being given an accessible room, while 40 per cent reported that guests are neither satisfied nor dissatisfied.

Establishments reported that more than a third of the guests who were dissatisfied with being given an accessible room would *often* or *always* seek a discount (37 per cent), with another 59 per cent of guests *perhaps* looking for a discount on the room rate.

## Determining an Accessible Room Ratio

Demand for accessible rooms is low relative to total demand and the current supply of accessible rooms is more than able to cater for demand. From the usage and demand for accessible rooms, the required accessible room ratio can be estimated.

The summary figures below show that actual accessible room demand is less than half a per cent, and that usage is less than one per cent. The results also illustrate that 90 per cent of establishments had accessible demand estimated below 1.12 per cent of total demand.



Demand for Accessible Rooms	
Effective demand for accessible rooms	0.22%
Average demand for accessible rooms per establishment	0.47%
Usage of accessible rooms as % of total demand	0.73%
Average usage of accessible rooms per establishment	0.88%
Per establishment accessible demand 90 <sup>th</sup> percentile <sup>6</sup>	1.12%
Average accessible room ratio of establishments who were always able to accommodate guests with accessibility needs	1.69%



<sup>6</sup> i.e. 90 per cent of establishments had accessible demand which was below this threshold



### Marketing Accessible Rooms

The survey revealed that 78 per cent of establishments with accessible rooms provide details of these facilities on their website. However only 1 per cent undertook direct marketing through organisations of people with disabilities.

### Conclusion

The survey sought to assess the current demand for accessible rooms within the accommodation sector in Australia. The results demonstrate that the current supply exceeds the demand for accessible rooms by a substantial margin.

### About the Survey

The survey was a joint initiative between the Tourism & Transport Forum (TTF) and the Australian Hotel Association (AHA).

The survey was distributed to General Managers within member hotels of AHA. The survey was conducted between 17 and 22 February 2010 and was completed by 115 participants.

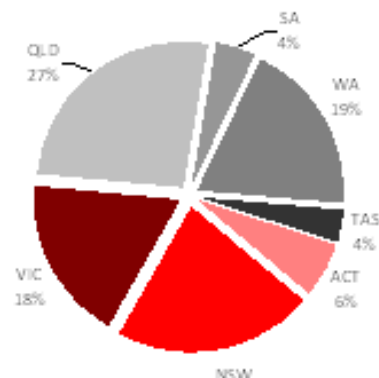
Participation in the survey was voluntary and we cannot disclose the identity of those organisations who responded. Findings are presented on an aggregate basis only.

TTF is a national, Member funded CEO forum, advocating the public policy interests of the 200 leading corporations and institutions in the Australian tourism, transport, aviation and investment sectors.

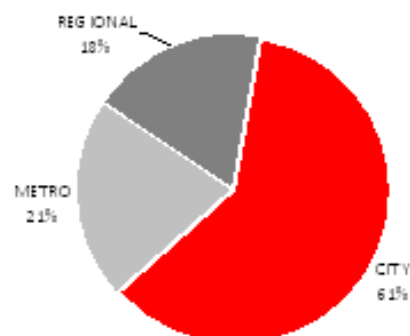
AHA is the peak body representing the commercial and political interests of its member hotels throughout Australia, including three, four and five-star accommodation hotels, and resorts.

The breakdown of survey participants is presented here:

Breakdown of survey respondents by state



Breakdown of survey respondents by region





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