

## **INQUIRY INTO TOURISM IN LOCAL COMMUNITIES**

**Organisation:** Accommodation Association of Australia

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**Accommodation  
Association  
of Australia**

**Inquiry into Tourism in Local Communities –**

**NSW Legislative Council**

**General Purpose Standing Committee No. 3**

**Submission of the**  
**Accommodation Association of Australia**

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

## **EXECUTIVE SUMMARY**

- Given the significant body of tourism public policy development which has taken place in NSW in the past two years, the accommodation industry respectfully questions the need for this inquiry, but it is actively participating in the inquiry, nonetheless.
- Tourism is one of the most significant industries and employers in regional Australia.
- Local government has a track record of creating more “red tape” than less for businesses in the accommodation industry in NSW.
- The Accommodation Association is opposed to special variations to council rates to support local tourism initiatives because such variations are a virtual tax on tourism.
- Instead, the Accommodation Association advocates a model where voluntary contributions are made by businesses and these funds are administered outside of local government.
- The accommodation industry supports clearer delineation of responsibilities for tourism marketing between state and local government in NSW.
- Government grant funding is pivotal in assisting with enhancing the standard of tourism product.

## **INTRODUCTION**

1. On behalf of the accommodation industry in NSW, the Accommodation Association of Australia welcomes the opportunity to be an active participant in the Parliament of NSW Legislative Council Inquiry into Tourism in Local Communities, which is being conducted by the General Purpose Standing Committee No. 3.

## **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, such as Accor Hotels, Hilton Hotels, Toga Hospitality, Rydges Hotels, Stamford Hotels & Resorts, Amora Hotels, InterContinental Hotels Group, Best Western Australia and Quest Serviced Apartments.

## **THE ACCOMMODATION INDUSTRY – AN INTEGRAL PART OF TOURISM**

6. Tourism directly contributes \$34.6 billion to Australia's gross domestic product (GDP), a 2.5 per cent share.<sup>1</sup>
7. Tourism's total contribution to GDP (direct plus indirect contribution) is \$73.3 billion, a 5.2 per cent share of Australia's economy.<sup>2</sup>
8. There are 513,700 persons directly employed in the Australian tourism industry – 4.5 per cent of total employment.<sup>3</sup>
9. There are a further 393,400 persons indirectly employed in the Australian tourism industry.<sup>4</sup>
10. Along with education, tourism is Australia's leading services exporter.<sup>5</sup>
11. Tourism contributes \$23.7 billion or 8 per cent of Australia's total export earnings for all goods and services.<sup>6</sup>
12. Accommodation/food services provide 33.3 per cent of tourism's gross value added to the Australian economy, worth \$10.454 billion.<sup>7</sup>

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<sup>1</sup> Tourism Industry Facts & Figures (at a glance), Department of Resources, Energy and Tourism/Tourism Research Australia, September 2012, Page 12

<sup>2</sup> Ibid, Page 15

<sup>3</sup> Ibid, Page 13

<sup>4</sup> Ibid, Page 19

<sup>5</sup> Ibid, Page 14

<sup>6</sup> Ibid, Page 14

<sup>7</sup> Ibid, Page 18

13. There are 232,400 persons directly employed in the accommodation/food services sector of the Australian tourism industry and a further 12,000 are indirectly employed, meaning total employment in the Australian accommodation/food services sector is 244,400.<sup>8</sup>
14. There are 4241 tourism accommodation establishments in Australia.<sup>9</sup>
15. There are 1401 tourism accommodation establishments in NSW.<sup>10</sup>
16. There are 226,555 tourism accommodation rooms in Australia and 636,001 bed spaces.<sup>11</sup>
17. There are 70,678 tourism accommodation rooms in NSW and 194,454 bed spaces.<sup>12</sup>
18. Tourism's share of the Australian economy has been declining.
19. The number of domestic overnight trips since 2001 is down by 3.6 per cent.<sup>13</sup>
20. The total number of domestic visitor nights since 2001 has fallen by 6.6 per cent.<sup>14</sup>
21. 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 to contribute to the experience of the consumer;
  - It is dominated by a significant number of small businesses and has a high proportion of businesses which are located in regional and remote parts of Australia;
  - Tourism competes for the discretionary expenditure of consumers; and
  - Tourism businesses are facing rising taxation, employment and compliance costs.

## **SITUATION ANALYSIS**

22. On 10 August 2012, the NSW Government released a blueprint for the future of tourism in the state, the NSW Visitor Economy Taskforce Report.
23. Among the findings in the report was that the Government's plan to double overnight visitor expenditure in NSW by 2020 was ambitious, but achievable.
24. Should this goal be reached, it would represent a \$36 billion dollar boost to the NSW economy.
25. Extensive consultation with industry, including the Accommodation Association, was undertaken during the process of developing the Visitor Economy Taskforce Report.
26. Of this consultation process, the Accommodation Association publicly stated:
 

"This report appears to be one of the most comprehensive approaches I have seen by government."<sup>15</sup>

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<sup>8</sup> Ibid, Page 19

<sup>9</sup> Ibid, Page 23

<sup>10</sup> Ibid, Page 22

<sup>11</sup> Ibid, Page 23

<sup>12</sup> Ibid, Page 22

<sup>13</sup> Ibid, Page 38

<sup>14</sup> Ibid, Page 38

27. On 19 December 2012, the NSW Government released an “Industry Action Plan” in response to the report of the NSW Visitor Economy Taskforce.
28. As part of this, the Government committed to establishing a new destination management planning system which would enable local industry to have a greater say in decisions which directly affect it.

## **PURPOSE OF THIS INQUIRY**

29. The Accommodation Association wishes to respectfully draw to the attention of the committee the significant body of work which has been undertaken in the past two years to develop sustainable long-term policies for the tourism industry in NSW, of which accommodation operators are an integral part.
30. On behalf of the accommodation industry, the Accommodation Association has had input into the development of both the Visitor Economy Taskforce Report, as well as the Industry Action Plan.
31. The Association supports the overwhelming majority of the findings and recommendations in both of these documents.
32. Given the development of the documents and the public policy work which has been carried out since they were released, the Accommodation Association is struggling to understand the purpose of this inquiry, notwithstanding its terms of reference.
33. Nonetheless, in the interests of ensuring the perspectives of our members are adequately communicated, the Association is actively participating in this new process.

## **IMPORTANCE OF REGIONAL TOURISM**

34. Regional tourism is of the utmost importance to Australia, so much so it is one of the most significant industries and employers in regional Australia.
35. This is illustrated by the fact that 45 per cent of tourism expenditure occurs in areas which are outside of Australia’s capital cities.<sup>15</sup>
36. In NSW, the Snowy Mountains are among the five most tourism-dependent regions in Australia.
37. The majority of the members of the Accommodation Association are small businesses which are located outside of Australia’s capital cities.
38. Tourism accommodation businesses in regional areas heavily rely on tourism marketing initiatives to generate returns.

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<sup>15</sup> Accommodation Association of Australia President, Garry Crockett, Accommodation Association of Australia Media Release, 10 August 2012

<sup>16</sup> Ibid, Page 21

## **ROLE OF LOCAL GOVERNMENT IN TOURISM**

39. A number of the Accommodation Association's advocacy activities are carried out with the objective of reducing the regulatory burden on businesses in our industry or reducing "red tape".
40. Red tape costs accommodation businesses and the economy in general millions of dollars every year that would otherwise be invested in employment, infrastructure or other more productive initiatives.
41. While its intentions may be honourable, local government has a track record of creating more red tape than less for businesses in the accommodation industry in NSW.
42. While being mindful of the need to uphold high standards and comply with the law, our members constantly express frustration about the manner in which they are dealt with by local government on issues where there is a high degree of discretion on the part of local government.
43. An example of local government regulatory over-reach was when the Shire of Roebourne in regional WA notified a local accommodation business in writing that it intended to introduce a new differential category for council rates, "Workforce Accommodation".
44. Specifically, the council sought 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. For the business in question, this represented a 64 per cent increase in its council rates.
45. The accommodation industry emphatically rejects such increases – both the rationale for the increase and the quantum of it.
46. In short, this is a tangible example of local government gouging tourism accommodation businesses, particularly where council rates are concerned (because councils operate in a monopoly).
47. The Accommodation Association formally raised this issue in submission to the Productivity Commission as part of its study into business regulation benchmarking and the role of local government as regulator.
48. In our submission, the Association stated:

"The Association is actively campaigning against local government using council rates to gouge tourism accommodation businesses."<sup>17</sup>
49. In its findings, the Productivity Commission found that local governments can prevent a business from operating or realising opportunities and that although local instruments can impose costs on business and/or be anti-competitive, these instruments do not face as much scrutiny as state, territory or Commonwealth regulation.<sup>18</sup>

## **SPECIAL RATE VARIATIONS**

50. The Accommodation Association notes Recommendation 20 of the Visitor Economy Taskforce Final Report, which stated:

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<sup>17</sup> Submission to Productivity Commission, Accommodation Association, Page 5, 31 October 2011

<sup>18</sup> The Role of Local Government as a Regulator, Productivity Commission Research Report, Page 2, July 2012

“That the guidelines governing the consideration by IPART for approval to a special rate variation, above the rate cap and applied to businesses, be amended to include expenditure in relation to the visitor economy. The additional rate revenue should be outside the current cap and would be collected and accounted for by councils. The expenditure of these funds would be overseen and administered by special purpose entities. The funds should be spent in accordance with relevant Destination Management Plans on those critical visitor economy initiatives to achieve the 2020 target.”<sup>19</sup>

51. The Government’s response to this recommendation was:

“Supported in principle. As NSW councils are able to apply for a special rate variation, it is not considered necessary to alter the current guidelines for special rate variations. The NSW Government will develop information specifically tailored to assist councils who wish to apply for rate variation to support visitor economy initiatives.”<sup>20</sup>

52. The Association’s policy position is that it does not support special rate variations to support local tourism initiatives.

53. Special rate variations are another way of describing the imposition of a new tax because businesses would be forced to pay these funds.

54. This was a major issue in January 2013 when a public debate was triggered by a suggestion that a bed tax should be imposed on accommodation businesses in the Byron Bay region to provide the local council with even more funding than it already receives/collects.

55. The accommodation industry is vehemently opposed to a bed tax of any form in any part of Australia.

56. The accommodation industry already contributes tens of millions of dollars to local government in NSW every year through council rates and any move to compel accommodation businesses to pay even more to councils will not be entertained.

57. The accommodation industry’s preferred model is for voluntary additional contributions by businesses to help fund tourism marketing and other initiatives, which is administered outside of local government. This is because of the poor track record that local government has of reinvesting funds from council rates back into tourism.

## **RESPONSIBILITY FOR TOURISM MARKETING**

58. The accommodation industry is an advocate of clearer delineation of responsibilities for tourism marketing between state and local government in NSW.

59. The Accommodation Association’s position is that Destination NSW should have responsibility for promoting NSW as a whole as a tourism destination and local government should have responsibility for promoting its region as a tourism destination.

60. Funding for local government to play this role should only be derived from the NSW Government or existing revenue sources, such as council rates.

61. The Accommodation Association is opposed to additional levies or taxes being imposed by local government on businesses for the purpose of tourism marketing. This is because there

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<sup>19</sup> Final Report of the Visitor Economy Taskforce, NSW Government, Page 82, June 2012.

<sup>20</sup> Visitor Economy Industry Action Plan, NSW Government, Page 34, December 2012.



is every chance that only a very small portion of funds would end up going directly to tourism marketing.

## **GOVERNMENT FUNDING OF TOURISM**

62. The Accommodation Association is aware of a number of government grant programs which directly benefit the tourism industry, including accommodation businesses.
63. These include the federal Tourism Industry Regional Development Fund (TIRF) grants.
64. The first round of this program saw 65 tourism projects offered \$13.1 million in government funding.
65. Given the tougher business environment in regional areas, such funding is pivotal in assisting with lifting the standard of the tourism product in these parts of Australia.
66. In general, government grant funding for tourism provides tangible returns for both government and the industry alike.

## **CONCLUSION**

67. The Association looks forward to further engagement with the committee in relation to the issues which have been raised in this submission.

Date: 4 July 2013