ACCOMMODATION SECTOR PRE-BUDGET SUBMISSION 2024-25 TO TREASURY

JANUARY 2024

Submission of Accommodation Australia

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Accommodation Australia
A DIVISION OF THE AHA

Introduction

Accommodation Australia (AA) welcomes the opportunity to submit recommendations to the government relating to the 2024-25 Federal Budget. Accommodation Australia, as a division of the Australian Hotels Association (AHA) represents more than 1400 accommodation properties ranging from independent regional motels and caravan parks to the largest hotel and resort groups.

This submission highlights the importance of issues such as skills, migration, airline capacity, and funding for Tourism Australia, as well as recommending a national framework for regulation of short-term rental accommodation in the face of a housing crisis.

Contents

Summary of Recommendations

Skills

1. *That the public benefit which drives government investment in training and apprenticeships be assessed beyond current skill shortages to include:*
   - *Economic benefit derived from productivity improvement obtained through training.*
   - *Social benefit derived from supporting valuable school-to-work entry pathways such as traineeships.*
   - *Future skill and labour needs.*
2. *That apprenticeship employer incentives should be a minimum of 30% wage subsidy in year 1 – for 12 months for apprenticeships 3 years and over, and for 6 months otherwise.*

Migration

3. *That the exclusion of trades from the benefit of the new specialist skill visa not include those occupations assessed at Skill Level 2 such as chefs.*
4. *That the benefit of the new specialist skill visa extend to occupations paid above the TSMIT where it is an intercompany transfer sponsored by an approved employer.*
5. *All ANZSCO occupations assessed at Skill Level 3 or above should be eligible for sponsorship in the middle tier (TSMIT to $135,000), or at a minimum, sponsorship should be available on an assessed regional shortage (not just national).*
6. *That there should be a minimum of 47,500 ENS places within the permanent migration planning levels for 2024/25.*
7. *The SAF levy should be halved.*
8. *Confidence in the PALM program to be restored to ensure mutual benefit continues to flow to both employers and employees.*
9. *Continue the increased investment in cutting visa processing times and look at ways to minimise cost and red tape.*

Tourism

10. *Tourism Australia's budget for 2024/25 should be at least $200 million with an expanded Business Events Bid budget to enable access to smaller events proposed for the regions.*
11. *Tourism Australia identify opportunities to support major event bids and prepare a business case for additional Federal investment as appropriate.*
12. *There needs to be an overhaul of the bilateral service agreement decision-making process to enable greater transparency and a more balanced approach that takes into account the capacity needs of the tourism sector as well as more effort in increasing aviation capacity overall.*
13. *That there be firm commitment for no further increases in the Passenger Movement Charge over the forward estimates.*
14. *Regional infrastructure grant funding should specifically encourage grant applications from and co-investment in tourism infrastructure.*

Short Term Rental Accommodation

15. *That a national framework for the regulation of short-term rental accommodation (including AirBNB and Stayz) be developed which should include at a minimum:*
    a. *The registration of all STRA*
    b. *A State/Territory wide cap at a minimum of 90 days per annum with scope for local governments to impose lower caps*
    c. *DA approval required for those properties who seek to rent out above the cap.*

Payday Superannuation

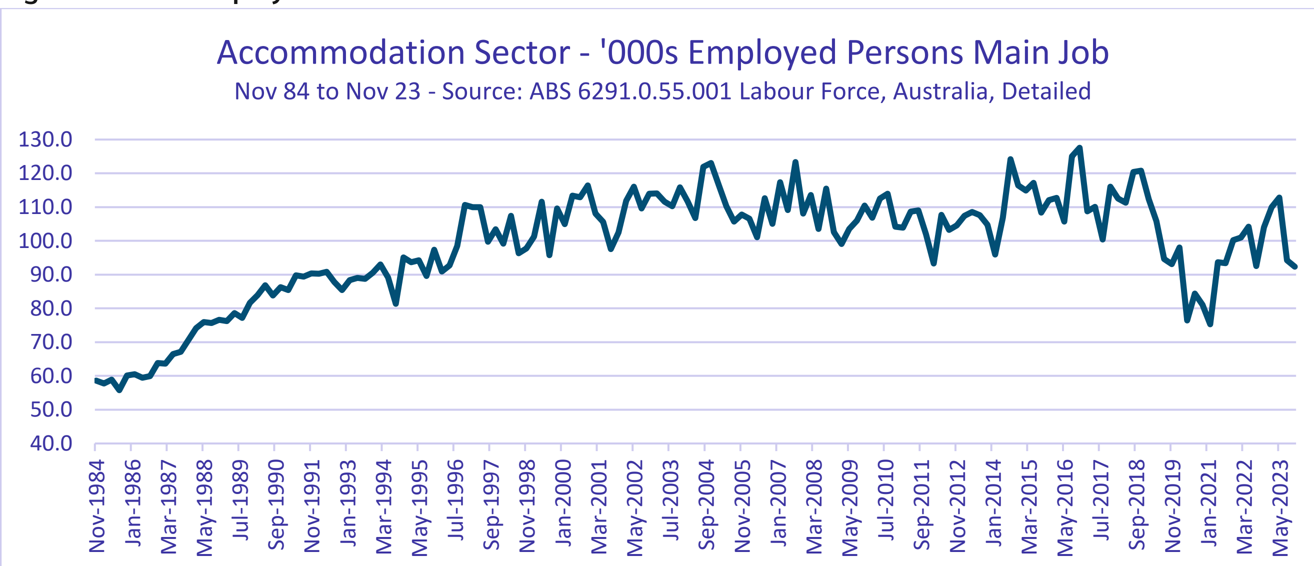
16. *Government to acknowledge that "payday superannuation" is not practically achievable and should instead focus on super being received by the fund as quickly as reasonably practical.*
17. *To solve the delay problems, Treasury should establish an industry reference group made up of subject matter experts including employer, worker, payroll manager, clearing house, super fund, ATO and Treasury.*

Accommodation Sector

Employment

As at November 2023, there were 92,400[1] people who identified that their main job was in the accommodation sector. As Figure 1 shows, the growth over the last forty years has been considerable, although jobs are still 25 % less than a pre-pandemic high of over 120,000 reflecting that job recovery in the accommodation sector is incomplete.

Figure 1. Employment in Accommodation



It is important to note that this employment data underestimates the total number of people employed in the accommodation industry as it categorises the labour force according to their main job. As there are many people working in hospitality who supplement their household income through a second job working in accommodation, the total number of employees who derive valuable income from our sector is much higher. Due to difficulties recruiting labour and specialisations, there has also been an increasing trend for some hotels to outsource some of the operations, notably housekeeping services, which would shift some sector-dependent jobs into other industries.

Reflecting the strong career paths and consistency that the accommodation industry offers, the share of full-time employment has not significantly changed in the last 40 years and has remained above 50%. This compares with a decline in full-time employment in foodservice (clubs, restaurants, pubs, catering) from 60% to 39% over the same period. The accommodation workforce is 62% female.

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[1] ABS, 6291.0.55.001 Labour Force, Detailed, Nov 2023

This data provides strong evidence of an industry that is significant, career-oriented, and particularly attractive to women who can and do hold major leadership positions in the accommodation sector.

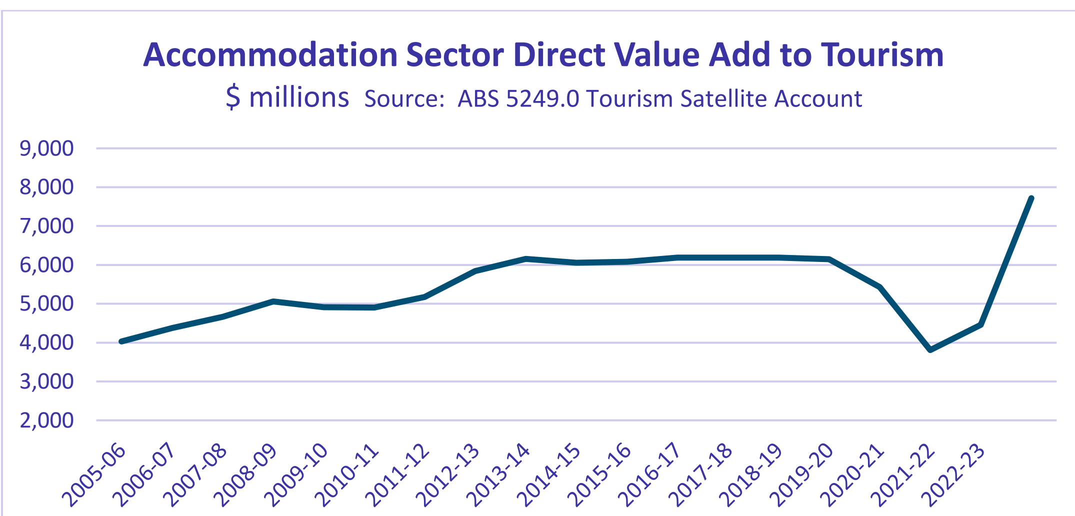
The accommodation sector competes for job seekers with other sectors within the Accommodation and Food Service industry.   According to the ABS Labour Force Survey, the top 5 occupations in demand in the Accommodation and Food Service industry include important accommodation job roles of Waiters, Kitchenhands, Bar Attendants, and Chefs.

Employment projections to 2026 indicate that accommodation and food services is one of only four industries that will account for a third of all jobs growth, with the net growth for accommodation and foodservice projected to be 112,400. Net employment growth is going to be particularly strong for Café and Restaurant Managers (up by 17,500 or 27.3%) and Chefs (up 11,200 or 13.9%)[2]

Economic Contribution

According to the ABS Tourism Satellite accounts, for pre-COVID 2018-19 the accommodation sector gross value add was $8.58 billion, and direct value-add to tourism was $6.2 billion. As can be seen in Figure 2, the impact of COVID was profound, with the contribution to tourism dropping to a low point of $3.8 billion in 2020-21, before recovering some lost ground to $4.5 billion in 2021-22[3] and more recently surpassing previous contribution levels with $7.7 billion in 2022/23, over 25% higher than pre-COVID level.

Figure 2. Accommodation direct contribution to tourism



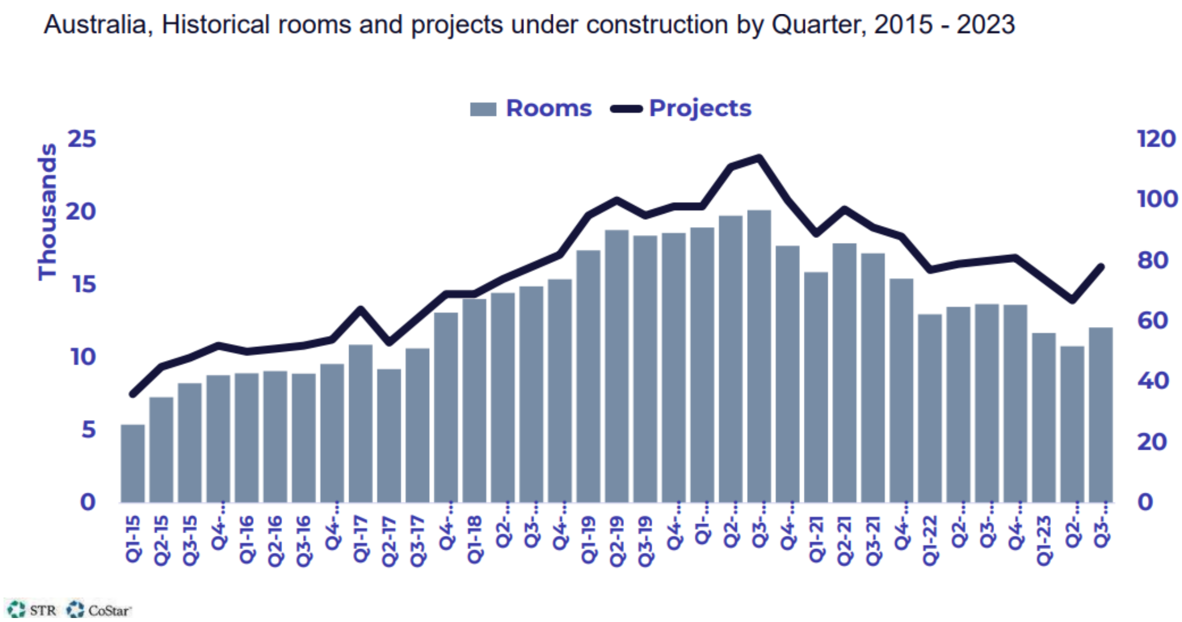
[2] National Skills Commission, Employment Projections, [Employment Projections | National Skills Commission](), accessed 30 August 2023
[3] ABS, 5249.0 Australian National Accounts, Tourism Satellite accounts 2022-23 released 6 Dec 23

Growth

Despite the pandemic challenges, hotel accommodation investors have continued to demonstrate long-term faith in the market. According to specialist data company STR, over the last three years, 206 new accommodation properties containing 19,246 rooms have opened across Australia.

Although construction growth is finally slowing, as the graph in Figure 4 shows, the increase in supply of rooms has been significant in the last 8 years.

Figure 4: STR Accommodation Sector supply of rooms built and under construction – Source STR



Occupancy Rates

Despite the increase in supply, hotel occupancy rates are also recovering, and although they are still not back to pre-pandemic levels, in the last few months there has been considerable improvement. According to STR, for the year to November 2023 the average occupancy rate across Australia was 75.5% compared with 78.1% in the year to November 2019.   All States and Territories were below the pre-pandemic average except WA and Queensland, where the average occupancy rate was 83.5% (2019-77.5%) and 72.2% (2019-71.8%) respectively. Forward bookings for 2024 are on average stronger than 2023.

Overall, the picture for the accommodation sector is one of recovery and there is general optimism in our sector for the future. However, the recent data presents some contradiction, with improving occupancy rates, economic contribution and the increase in hotels and rooms at odds with the most recent employment data from the ABS.   If the ABS jobs data holds true, then the sector is demonstrating a significant increase in productivity, perhaps arising out of long suffering from skills and labour shortages and having to do more with less, or the outsourcing is impacting the data (or both).

Issues for the Accommodation Sector

Labour & Skills

As a labour-intensive industry, the accommodation sector relies on an adequate supply of job seekers who are either seeking a career in the industry or are seeking an income while they study, or as a supplement to the household income. Both labour sources are exceptionally important, the former providing a dedication to skills development, enthusiasm and long-term commitment to the industry; the latter fulfilling an important need to cope with the short-term demands of seasonality or the many functions and events that take place both within and external to accommodation properties which impact on food and beverage services and bed occupancy. In both cases, training improves productivity and the level of customer service that is highly important in a service sector such as accommodation.

Despite accommodation and food services being one of the four industries from which a third of the jobs of the future will come, the industry is no longer well served by the vocational training system on which it is primarily reliant. Government prioritisation of investment in vocational training requires a rethink. Apart from cooks and chefs, most of the key qualifications relating to accommodation, particularly those in food & beverage, are no longer eligible for federal apprenticeship support and also have dropped off the training subsidy priority lists of a number of the State and Territory Governments.

The new national agreement for skills and the Federal Government's investment in apprenticeship support is now primarily driven by Job & Skills Australia's assessment of skills shortages, as though current skill shortages are the only measure of public benefit. Although we support it being one measure, public benefit should be measured not just by current skill shortages but by:

- Economic benefit derived from productivity improvement obtained through training prior to a person securing a relevant job role.
- Social benefit derived from supporting valuable school-to-work entry pathways which had previously been delivered by food and beverage, front office and other accommodation-related traineeships.
- Future skill and labour needs.

On each of these measures, the public benefit in supporting training relevant to the accommodation sector is very strong. By way of example, in December 2023 the Government released the 2024 Apprenticeship Priority List. It is understandable that qualifications for occupations that require training either for licensing (eg. Plumbers, electricians) or for quality accreditation reasons (eg. child care, nursing) are supported. Apart from that, prioritisation should be equal across all qualifications/occupations and be based on the four dimensions as mentioned above and not just current skill shortages.

According to the labour force projections undertaken by Victoria University for Jobs & Skills Australia (JSA), Accommodation and Food services will generate an additional 59,400 jobs by

2028 and 118,100 by 2033. For the food & beverage occupations of bar attendants and baristas, the net increase in jobs by 2033 is **14,400** to 125,900 and for waiters, **17,400** to 149,600. Despite this significant demand, traineeship qualifications for food and beverage attendants are not on the 2024 Apprenticeship Priority List, but the qualifications relating to the following occupations are on the list despite having only modest net job increases over the next ten years:

Agricultural technicians	net increase of only 200 jobs
Nursery person	700 jobs
Picture framer	200 jobs
Sound technician	1800 jobs
Tour Guide	600 jobs

The changes made to apprenticeship incentives in the last two years have been disastrous and support needs to be reassessed. Commencements for the year to June 2023[4] were down 40.1% compared to 2021/22. Commencements for food trades apprenticeships were down 44.5%, and for traineeships across all industries 48.9%. The traineeship commencement numbers are now below 2019 levels, which was prior to the additional subsidies provided during the pandemic. These figures are only going to become worse as the withdrawal of much of the traineeship support including to our sector will have had the biggest impact post July 2023.

For our main trade qualification, as at June 2023, there were 11% less food trades apprentices in training compared with 2022, and 20% less than 2019. This is disastrous for an occupation in national shortage now and predicted to grow from 119,700 chefs now to 136,800 chefs by 2033 (net 17,100).

The wage subsidy for apprenticeships and traineeships should be 30% as a minimum in the first year. This public investment is justifiable as:

- Apprenticeship models of training and work-integrated learning are proven to be a high-quality mechanism of skills acquisition and in turn productivity improvement.
- Traineeships are an excellent form for school to work transition, providing secure employment as well as a post-school qualification.
- Traineeship models are ideal for disadvantaged groups including long-term unemployed and people with disability as they incorporate support structures beyond the workplace.
- Wage incentives are proven to work in increasing the number of apprenticeship and traineeship opportunities. There has been a long-term correlation between incentives and numbers of apprentices, dating from when incentives first were introduced, and then the changes made in 2012 all the way through to the more recent changes made for the pandemic and post pandemic. Employers respond to incentives and provide opportunities when the support is sufficient to overcome the reluctance to put someone on who has no relevant skills on commencement.

[4] The latest release available from NCVER, *Apprentices and Trainees 2023 June Quarter*.

Recommendations:

1. *That the public benefit which drives government investment in training and apprenticeships be assessed beyond current skill shortages to include:*
   - *Economic benefit derived from productivity improvement obtained through training.*
   - *Social benefit derived from supporting valuable school-to-work entry pathways such as traineeships.*
   - *Future skill and labour needs.*
2. *That apprenticeship employer incentives should be a minimum of 30% wage subsidy in year 1 – for 12 months for apprenticeships 3 years and over, and for 6 months otherwise,*

Migration

Migration plays an important role in accommodation for both labour and skills. Skilled occupations such as chefs, accommodation managers, and food and beverage managers have been in shortage (either nationally or regionally) for many years, and migration is an important supplement to the workforce developed in Australia. There are also many specialist cuisine restaurants in hotels and resorts that need highly skilled chefs in that cuisine style. Customers expect an authentic experience, and chefs cooking their native cuisine provide this, as well as imparting valuable skills to Australians working in their kitchens. With even something as popular with customers as Asian food, the number of chefs trained here in Asian cuisine is relatively small and unable to meet the demand for those skills in Thai, Vietnamese, Japanese and Chinese restaurants, to name but a few.

Migration is also an important contributor to the accommodation front-line workforce, with international students and working holiday makers both playing a vital role. There is a strong contingent of both who work in housekeeping as room attendants, as well as in other work throughout the hotel. Due to the type of work, or its location, or the seasonality, or often the lack of rental accommodation, it is difficult for accommodation businesses particularly in regional areas to attract Australians to undertake the work. Students and Working Holiday Makers (WHMs) are looking for short term, flexible work, and in the case of WHM they are willing to travel and stay in hostels and other shared accommodation that may be available in an otherwise difficult region to rent.

Temporary Skilled Migration

For many years, migration has been regulated through skilled occupation lists which limit which occupations can be sponsored for either permanent or temporary skilled migration. Although there is an important regulatory role in migration for this national analysis, now undertaken by JSA, it is essential to understand that many skill needs are local and will not be identifiable from national analysis. In accommodation, there are many occupations that are not what would be seen as a hospitality job. For example, wellness and health professionals, lifeguards, greenkeepers, air conditioning mechanics, plumbers and many others are critically important to the operation of a hotel or resort. National or even state or regional analysis may not show a shortage or much demand for these skilled occupations in a region where a resort is located, but that business may find it very difficult to source the skills they need where and when they need them. For this reason, it is critically important that both temporary and skilled **employer sponsored** migration remains a key component of Australia's migration program, and that it is responsive to these needs.

The recently released migration strategy responds relatively well to this need for flexibility at the tier above $135,000 (specialist skill pathway) and the approach is generally supported. Sponsorship at this tier does not rely on lists or shortage analysis, and in this way is an improvement not only on the current system, but that which existed pre-2017 where the outdated ANZSCO classification of occupations was (and is still and the middle tier) a limitation. However, the key concern for our sector with the proposed specialist pathway is the exclusion of trades as, depending on how this is finally defined, may exclude chefs. In ANZSCO, a chef is rated at skill level 2, equivalent to a manager, but the main training pathway for chefs is a trade apprenticeship. In the ANZSCO review we have recommended to the ABS that Senior chefs be separated from chefs that have recently completed their apprenticeship. Senior chefs such as Sous Chefs and Chef de Partie have management or supervisory responsibilities as well as the application of their high-level technical skills. Many sponsored roles in these senior chef categories would be above the threshold and we strongly recommend that they be eligible for the specialist skill pathway.

The main concern with the proposed middle tier between the TSMIT at $70,000 and $135,000 is that it will, in the same way as training and apprenticeship support, rely on a national analysis of shortages based on the outdated ANZSCO. Our strong preference with employer sponsored skilled migration (both permanent and temporary) is that all skilled occupations should be eligible (as was the case prior to 2017) as the employer sponsorship and regulatory and cost barriers are evidence of the need. However, as this is not the path chosen by the government in its new strategy, at the very least we encourage the government to allow sponsorship where there is a proven regional or State/Territory shortage, not just a national one.

Intercompany Transfers

Accommodation is a global industry with many strong, successful global hotel chains operating in this country. Australians who have been educated and trained here have benefited from working with a global hotel group, not just for the careers they can establish here, but also the opportunities to work and live abroad. The current general manager and executive chef cohorts in Australia include many examples of professionals who have honed their skills both domestically and internationally.

The migration strategy provides an excellent opportunity to introduce special visa arrangements for intercompany transfers for global companies. Streamlined arrangements for intercompany transfers would recognise the value to our economy of global skills transfers and international careers.

To maintain program integrity, it would be expected that this would only be available to accredited sponsors with a proven track record and perhaps with a minimum global workforce size, such as 1000 employees with the one employer or related employers (via global chains). The intercompany subclass could operate by granting accredited sponsors a set number of places that could be used under the same conditions as for a specialist skill visa (top tier) but with a salary over the TSMIT rather than $135,000. The accredited sponsor would still use the mainstream program for numbers above the approved number of intercompany transfers, but otherwise the program should be flexible to meet skill and workforce development needs.

Better visa arrangements for intercompany transfers would demonstrate that Australia was truly embracing its global connectiveness.

Permanent migration

In relation to permanent migration, we support the Government's intention to move to a three-year planning cycle. Although we are very aware of the concerns being given voice in the media about migration numbers, we urge the government to stay the course on maintaining a level of permeant migration that meets Australia's long-term skills needs. In our submission on the 2024/25 planning numbers, we recommended that the skills component be 150,000 compared to this year's 137,100. We further recommended that most of the extra skilled numbers be allocated to Employer Sponsored (ENS) permanent migrants as ENS has met or exceeded their planning levels in the last few years. From extra data received from Home Affairs, we note that the skilled regional migration program is dominated by independent migrants (26,707 of the 33,944 migrants in 2022-23), with employer sponsored (visa s/c 494 – 7,004) only 20% of the program. As we understand this split to be demand-driven, employers are demonstrably not utilising this avenue at scale, or if it is on first-come-first-served basis, then perhaps their sponsorship is being beaten to the mark by the "quick to apply" independents.

This split of regional migration means that the total number of employer-sponsored migrants in 2022-23 was 42,004 compared with 58,807 independent migrants (32,100+26,707). When we consider that the State and Territory Nominated migrants are also quasi-independent provided they are in occupations identified by the State or Territory as in demand, it is clear that independent migration is dominant.

Given employer sponsored (ENS) migrants generally have better employment and economic outcomes compared with independent skilled migrants, the economic case for increasing the ENS numbers is very strong and the 2024/25 program should plan for at least 47,000 ENS.

We put forward these recommendations for the following reasons:

- There are still widespread skill shortages in key occupations in our industry. The most recent Skills Priority List released by Jobs & Skills Australia indicates that:
    - Chefs, Cooks and Pastrycooks are in shortage in every state and territory
    - Accommodation and hospitality managers are in shortage in all states except Victoria and Western Australia (compared to a shortage only in the NT in 2022).
- The prediction of the net increase in key occupations over the next 10 years for our sector is very strong.
- The increased eligibility of all temporary skilled migrants to be sponsored for permanency, including from the occupations where this has been denied since 2017

- The shortened time from 3 years to 2 years for the TSS visa holder to be with their employer before they could be sponsored for permanent residency
- Employer sponsored migration is the most responsive to labour market needs.

Skilling Australian Fund

The imposition of the SAF levy on skilled migration in 2017 has been a huge burden on businesses and has comprehensively and non-transparently under-delivered on training outcomes. Initially, the SAF levy funded a partnership agreement on apprenticeships with the State and Territory Governments which, due to its structure and settings, did not demonstrably deliver any additional apprenticeships (with perhaps the exception of South Australia), and to which two states did not even sign up given the uncertainty over the levy proceeds. Since then, there has been no transparency over the proceeds of the levy. It is just a tax to consolidated revenue. Given this context, and also the new migration strategy's emphasis on increased mobility of temporary skilled migrants, the amount of the SAF levy should, at a minimum, be halved to $600 per year for small business and $900 for large. The Strategy also signals a conversation about charging the levy monthly rather than all up-front. While supportive of this approach, we are unsure how the passing on of the levy responsibilities to receiving employers of migrants will impact the potential for that migrant to secure a new position should they desire to leave their sponsoring employer. A levy commitment lower than the current levels will make both the initial sponsorship and any acquiring employer decision more affordable.

PALM

Those of our members who use the Pacific Australia Labour mobility scheme highly value it. In that context, we are concerned at the implications of a recent change in the scheme which previously guaranteed a minimum 30 hours averaged over 8 weeks to a minimum of 30 hours each week. Generally meeting this minimum is achievable in our sector (although there are always unpredictable circumstances in tourism), but we note that the dominant users, being the agricultural sector, have expressed serious concern[5] about the new rules as well as potentially bad actors encouraging workers to leave the scheme and seek asylum. It seems illogical that a worker approved for PALM would then consider themselves eligible for asylum, but we comment no further as we do not know the details and the issue is not happening in our sector. Our key point is that any changes that undermine the confidence and usability of the scheme are a cause for concern for the accommodation sector, and we urge the government to reconsider the settings to rebuild confidence, usability and integrity of the scheme.

Visa Processing

The Government is to be congratulated for investing in significantly improving visa processing times and continuing to place emphasis on minimising delays. We urge the government to continue this investment and look at ways of cutting red tape and reducing costs to business and migrants.

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[5] Down, Rhiannon (2024), Farmers Grow Tired of Pacific Islander Worker Visa Scheme, *The Australian*, 2 January 2024.

Overall, the economic benefit of migrants, particularly skilled migrants, are irrefutable, as the Treasury's own research has proven. Particularly with Australia's birth rate predicted to continue to fall, it is essential that we properly plan for a robust skilled migration program that brings benefits to local communities as well as the economy generally. The costs of educating these migrants and looking after their health up until they are accepted as permanent residents has not fallen to Australia but is carried by the migrants themselves or their employers and families. Australia reaps the rewards of that investment.

Recommendation:

3. *That the exclusion of trades from the benefit of the new specialist skill visa not include those occupations assessed at Skill Level 2 such as chefs.*
4. *That the benefits of the new specialist skill visa extend to occupations paid above the TSMIT where it is an intercompany transfer sponsored by an approved employer.*
5. *All ANZSCO occupations assessed at Skill Level 3 or above should be eligible for sponsorship in the middle tier (TSMIT to $135,000), or at a minimum sponsorship should be available on an assessed regional shortage (not just national).*
6. *That there should be a minimum of 47,500 ENS places within the permanent migration planning levels for 2024/25.*
7. *The SAF levy should be halved.*
8. *Confidence in the PALM program to be restored to ensure the continued mutual benefit continues to flow.*
9. *Continue the increased investment in cutting visa processing times and look at ways to minimise cost and red tape.*

Tourism-Related Issues

Tourism Australia

The announcement in 2023 by China to restore Australia's Approved Destination Status is a major step on the road to recovery of international tourism. However, short term visitor arrivals are still well short of pre-pandemic levels, with 663,760 arrivals in November 2023 compared with 815,910 in November 2019. To further expand international tourism opportunities, it is important that Tourism Australia continues to be well funded to undertake successful marketing campaigns, and that Government identifies opportunities to grow aviation access. In this regard, we support the submission of Aus Chamber Tourism (of which AA is a member) which advocates the importance of Tourism Australia remaining a world leader in international destination marketing by ensuring it is funded at the level of $200 million per year including an allocation to promote into China on the back of the ADS.

A consistent and high-quality flow through of events is of critical importance to the accommodation sector. Sporting, entertainment and business events all have an important role to play. The Business Events Bid Fund should also be increased and its eligibility expanded to include events smaller than 400 delegates (association events) and 700 delegates (incentives) where the event is going to be held in regional Australia. In addition, nationally TA should be encouraged to look at how major event attractiveness can be improved, and if extra investment would enhance success. Historically, major event bidding has been a competitive process between the State and Territory Governments, with the exception of ad hoc consideration of very large events such as the Olympics. However, similar to business events, there is an overall Australian economic benefit in attracting major events to Australia. The national opportunity also extends to supporting the construction of events infrastructure, and appropriate co-investment with State Governments and private investment is encouraged.

Airline Capacity and Pricing

Given Australia is a large island continent, the overwhelming majority of international visitors arrive by air. There is no doubt that aviation access is critical to the tourism industry not just returning to pre-COVID levels but growing beyond them. The accommodation sector is reliant on airlines to bring their guests in from overseas in an affordable and timely way, treat them well so they return, and fly them efficiently and cost effectively around the country once they arrive. These positive aviation market characteristics are only achieved through an active, sustainable, and competitive airline market. Additional airline access not only provides the competition that leads to cheaper airfares for tourists, but it also brings more tourists. It is in the vested interest of airlines once they have been granted flights into Australia to promote travel to our country and to work with other partners, such as Tourism Australia, to undertake that marketing.

There has been a great deal of attention on airline access to Australia and Bilateral Service Agreements following the decision of the Government to deny extra flights to Qatar and the subsequent Senate Inquiry. Arising from this attention, it is critically important that there is greater transparency on decision make on Bilateral Agreements and more effort put into increasing aviation capacity into Australia.

Passenger Movement Charge

It was disappointing that the last federal budget included a prospective increase of the PMC from $60 to $70 from 1 July 2024. It is yet another illustration of tourism being treated as a cash cow rather than respected as an important export revenue earner. Taxes and charges (both ours and the origin/destination country) are now around 15% of the total cost of an international airfare (or more for many destinations), and the PMC is one of the highest of the large number of taxes and charges that are applied to the fare. [6] We urge the government to announce a freeze on any future increases at least over the forward estimates with a strong encouragement to go beyond.

[6] Gebicki, Michael (2023), "Why you're paying hundreds extra in airfare fees and charges", *Sydney Morning Herald*, 22 May 2023

Tourism Infrastructure Support

Under the previous Government's Building Better Regions Fund (BBRF) one of the stated objectives was to support tourism related infrastructure. With the two replacement programs, Growing Regions Program and Regional Precincts and Partnerships Program, the link to tourism is not as clear. We urge the government to embrace tourism clearly within the guidelines for funding in support of regional tourism infrastructure. In order to maintain our international competitiveness and encourage repeat business, Australia needs to constantly refresh its product offering. With tourism-related infrastructure builds, regions benefit economically as well as through the acquisition and enhancement of community assets such as attractions and regional conference and event facilities.

Recommendation:

10. *Tourism Australia's budget for 2024/25 should be at least $200 million with an expanded Business Events Bid budget which enabled access to smaller events proposed for the regions.*
11. *Tourism Australia identify opportunities to support major event bids and prepare a business case for additional Federal investment as appropriate.*
12. *There needs to be an overhaul of the bilateral service agreement decision-making process to enable greater transparency and a more balanced approach that takes into account the capacity needs of the tourism sector as well as more effort in increasing aviation capacity overall.*
13. *That there be firm commitment for no further increases in the Passenger Movement Charge over the forward estimates.*
14. *Regional infrastructure grant funding should specifically encourage grant applications from and co-investment in tourism infrastructure.*

Short Term Rental Accommodation

A policy issue of significant concern to the accommodation sector that intersects housing policy is the unfettered growth via digital platforms such as AirBNB and Stayz in the non-commercial short-term rental accommodation (STRA) market. This issue has been the subject of increasing scrutiny, including a commitment on 16 August 2023 by the National Cabinet in its focus on housing policy, to "Consider options for better regulation of short-stay residential accommodation" (commitment 8 of *A Better Deal for Renters*).

Following a review of STRA regulatory action taken around Australia and internationally, we recommend the following policy approach to a national framework to guide the actions of jurisdictions who have not yet moved in this area:

- obligatory registration for all STRA including hosted as well as un-hosted accommodation
- common baseline requirements relating to core safety issues and code of conduct

- annual registration fee for all STRA (regardless of which platform they use) to cover the cost of administering the scheme
- A State/Territory-wide cap of 90 days for un-hosted STRA with local councils authorised to implement a lower cap depending on their local situation
- Registration data, using the registration number unique to a particular property, shared across platforms to ensure the property's full rental activity is tracked with an obligation on platforms and STRA systems to share data.
- Property owners seeking to exceed the cap must apply for DA approval and be subject to commercial regulation.
- Authorising local councils to charge higher than residential rates for properties registered as STRA.

Features of this proposed policy approach are that it:

- focuses on the objective of influencing the decision of property owners to more frequently choose long-term rental rather than STRA
- sends a clear signal to property owners and the STRA industry that unfettered, under-regulated STRA has gone too far.
- allows for regional differences of long-term rental demand and seasonal tourism needs.
- proposes a maximum cap across all regions that is well below 180 days that is in place in some jurisdictions, as the 180-day limit wherever imposed has proved ineffective in shifting owner decisions.
- does not include a call for a levy, as a levy by itself will not convert many STRA properties to long term rentals, particularly if the levy applies to a limited number of platforms such as the proposed Victorian levy. Many property owners currently listed on the major platforms who want to continue to offer STRA but avoid the levy will simply shift to other marketing channels, and for those that remain on the taxed platforms, the levy will merely be passed on to the consumer and there will be no impact on the financial equation for the property owner.
- balances the needs of property owners with the needs of the community. Those owners that have a second home in the ACT can still enjoy some income from rental up to a quarter of the year when they are not using the home,
- focuses on un-hosted STRA with hosted accommodation only having a light touch annual registration process and fee.
- addresses, in part, the disparity of costs and regulation imposed on commercial accommodation compared to those who offer their properties at STRA.
- requires data sharing across systems and platforms to ensure caps can be monitored.
- addresses key safety and noise concerns relating to STRA

Recommendation:

15. That a national framework for the regulation of short-term rental accommodation (including AirBNB and Stayz) be developed which should include at a minimum:
   a. The registration of all STRA
   b. A State/Territory wide cap at a minimum of 90 days per annum with scope for local governments to impose lower caps
   c. DA approval required for those properties who seek to rent out above the cap.

Payday Superannuation

In the 2023/2024 budget, the Government announced it will legislate:

- For employers to pay their employees Superannuation Guarantee (SG) contributions at the same time that they pay salary and wages, i.e., 'payday super'
- Amend the SG compliance framework, including amending the calculation of the SG charge and adding new penalties.

The AHA and AA have participated in the consultation processes set up and have made a submission to Treasury where we identified that the current financial system is incapable of having payments into a worker's fund deposited the same day that payment is made. At this early stage, Government should focus on super being received by the fund as quickly as reasonably practical, bearing in mind it currently takes up to three weeks under current structures. We also urged Treasury to establish an industry reference group to solve the delay problems made up of subject matter experts involved in the superannuation payment process, e.g., employer, worker, payroll manager, clearing house, super fund, ATO and Treasury.

Recommendation:

16. Government to acknowledge that "payday superannuation" is not practically achievable and should instead focus on super being received by the fund as quickly as reasonably practical.

17. To solve the delay problems, Treasury should establish an industry reference group made up of subject matter experts including employer, worker, payroll manager, clearing house, super fund, ATO and Treasury.

About Accommodation Australia

Accommodation Australia (AA) is the nation's only peak body representing the entire accommodation sector. AA was formed on 1 July 2023 after the merger of Tourism Accommodation Australia and the Accommodation Association of Australia. AA represents more than 1400 properties ranging from independent regional motels and caravan parks to the largest local and international hotels and resort groups, including Best Western, Choice, Golden Chain, Lancemore, Ovolo, Crystalbrook, Accor, Hyatt, IHG, Marriott, Crown, Pan Pacific, TFE, Minor, Ascott & Quest Apartments, EVT Group, Star, Hilton and Wyndham Destinations.

AA is the accommodation division of the peak hospitality body – the Australian Hotels Association.