ACCOMMODATION SECTOR 2025-26 PRE-BUDGET SUBMISSION TO TREASURY

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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 2025-26 Federal Budget. Accommodation Australia, as a division of the Australian Hotels Association (AHA) represents more than 1,000 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, taxation, energy, 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.

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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*
    - *$2,000 per quarter in year 1 for food trade apprentices and*
    - *re-introduced for hospitality traineeships at $1,500 per quarter*
    - *with the addition of attractive incentives for apprentices and trainees during the apprenticeship and on completion.*

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 Senior Chefs.*
4. *That all skilled occupations paid above the CSIT be available 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 by regional employers.*
6. *That there should be a minimum of 47,000 ENS places within the permanent migration planning levels for 2025/26.*
7. *The SAF levy should be halved.*
8. *Continue the increased investment in cutting visa processing times and look at ways to minimise cost and red tape and look at ways to minimise cost and red tape including a reduction in visa fees.*
9. *Working Holiday Makers seeking a second and third year visa should continue to be required to undertake specified work in the regions but that the regions eligible should be expanded and no longer be based on the artificial application of postcodes.*

Tourism

10. *Tourism Australia's budget for 2025/26 should be at least $200 million plus an expanded Business Events Bid budget of $20 million to maximise the opportunity for event attraction and 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. *Tourism Australia to work closely with state tourism bodies to achieve greater regional dispersal of both domestic and international tourists.*
13. *There needs to be strong commitment to increase and diversify international aviation capacity and improve transparency in bilaterial air services agreement including coordination across government to ensure there is input from tourism stakeholders.*
14. *The government examine further avenues to incentivise new entrants in the domestic aviation sector to improve competition, accessibility and quality of service to travellers.*

15. *That there be firm commitment to no further increases in the Passenger Movement Charge over the forward estimates and improved investment of the PMC proceeds into improving the passenger experience at the borders.*
16. *Improve funding support for construction and refurbishment of regional tourism infrastructure and increase funding support for Indigenous tourism businesses.*

Short Term Rental Accommodation and housing

17. *That a national framework for the regulation of short-term rental accommodation (including AirBNB and Stayz) be developed which should include at a minimum:*
    - *The registration of all STRA*
    - *A State/Territory wide cap of 90 days per annum with scope for local governments to impose lower caps*
    - *DA approval required for those properties who seek to rent out above the cap.*
18. *That regulation of STRA be backed by effective enforcement.*
19. *Provide co-funded support and tax incentives for the provision of housing for hospitality workers in the regions.*

Tax and Small Business Support Measures

20. *Remove the applicability of fringe benefits tax on legitimate business entertainment expenses and restore their deductibility for small business.*
21. *Increase the accelerated depreciation rate for accommodation properties to improve cash flow and support increased hotel refurbishment.*
22. *Extend the funding support to small business for improving digital capability and staff training through the small business technology investment and training boost programs.*

Energy

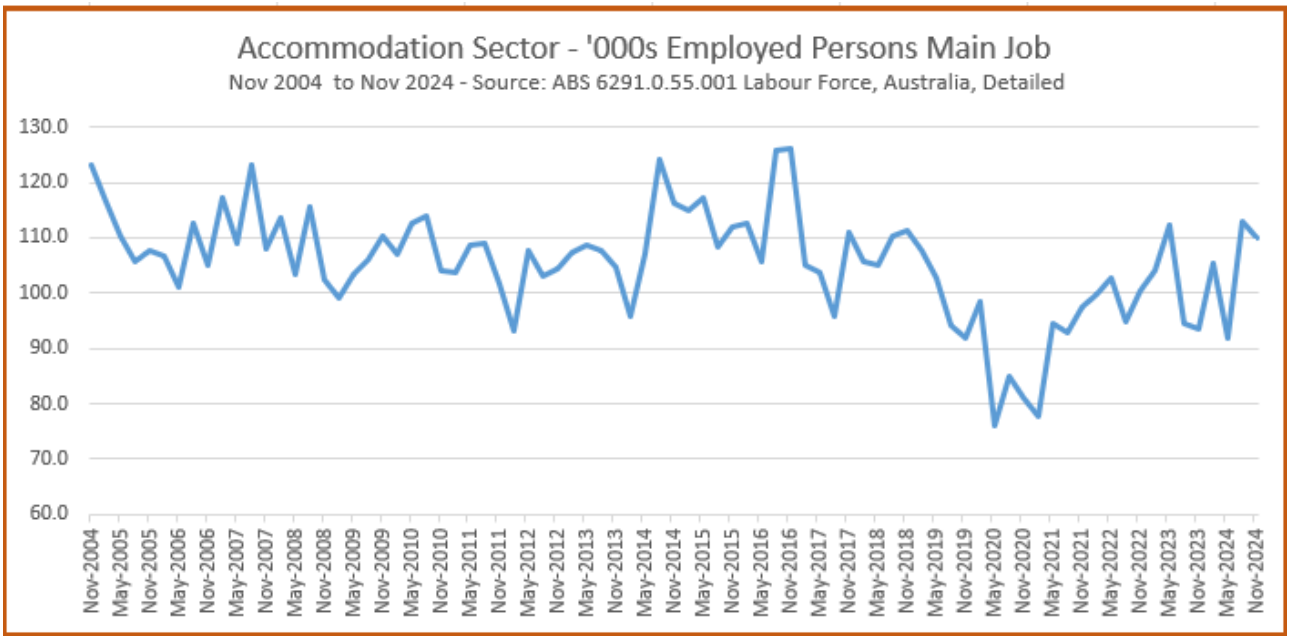
23. *The federal government should implement improved tax incentives and subsidies as well as continue to work with state and territory governments on business support programs to alleviate energy costs and maximise efficiency through advice and financial incentives.*
24. *Continued access to gas as an energy resource is essential.*

Accommodation Sector

Employment

As at November 2024, there were 109,900[1] people employed in the accommodation sector. As Figure 1 shows, employment over the last twenty years has fluctuated due to seasonality, pandemic and outsourcing arrangements, with accommodation sector employment 13% less than a pre-pandemic high of over 126,000 (2016).

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 who supplement their household income through a second job working in the accommodation sector, the total number of employees who derive valuable income from our sector is much higher. In November 2024, the ABS released their analysis on jobs for the year to June 2022 and it showed that 14.9 million employed Australians worked in 22.7 million jobs, with the accommodation and foodservice industry generating 8.3% of all jobs in 2021-22, even in a period when we were coming out of COVID lockdowns. This was the fourth highest job share, behind health at 12.9%, administrative 9.4%, and retail at 9.2%.

Both the job and employment data do not reflect that due to difficulties recruiting labour and specialisations, there has been an increasing trend for some hotels to outsource some of their operations, notably housekeeping services, which shifts some accommodation sector-dependent jobs into other statistically-defined industries such as cleaning.

[1] ABS, 6291.0.55.001 Labour Force, Detailed, Nov 2024

Reflecting the strong career paths and consistency that the accommodation industry offers, the share of full-time employment hovers around 50%, which compares with 37% in other parts of the foodservice industry. The accommodation workforce is 57% female.

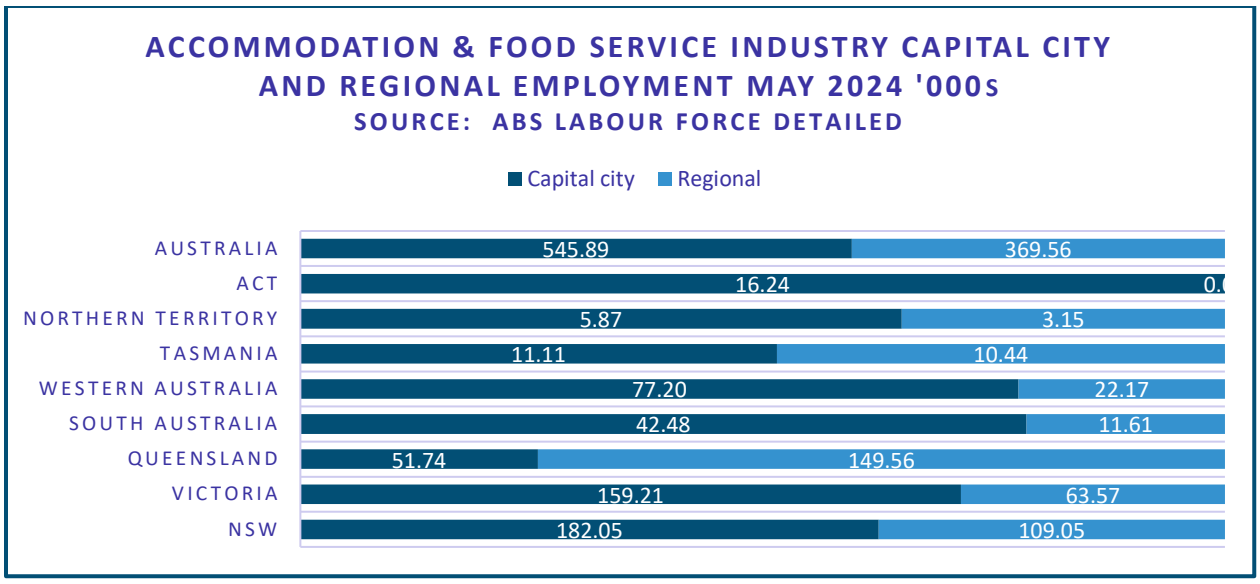
This employment data provides strong evidence of an industry that is significant, career-oriented, and particularly attractive to women who can and do hold major leadership positions in the accommodation sector.

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.

Regional employment

In the accommodation and food service industry, 40%[2] of all jobs are outside of the capital cities (42% if Darwin and Hobart are counted as regional). As Figure 2 illustrates, Queensland has by far the largest percentage of regional employment, with almost 150,000 people (or 74.3% of the State's AFS total) employed in jobs in the AFS industry outside of Brisbane. In fact, regional AFS jobs in Queensland account for over 15% of all Australian AFS jobs, reflecting the decentralisation of population and work in that State, as well as its economic dependence on tourism and hospitality. Overall, Figure 2 demonstrates the geographic spread of the industry across Australia, and the need for workers across all regions.

Figure 2. Regional employment in the Accommodation and Food Service Industry



Employment projections

[2] ABS, 6291.0.55.001 RQ1, Labour Force, Detailed, May 2024, labour Market regional data

Jobs & Skills Australia has commissioned Victoria University to undertake employment projections to 2033 for industries and occupations. As Table 1 shows, the Accommodation and Food Services (AFS) industry is predicted to grow by 59,400 jobs or 6.3% over the five years to May 2028, with 118,100 additional jobs in the ten years to May 2033. The accommodation sector is predicted to grow faster than the AFS average, at 17.1% over 10 years compared to the AFS average of 12.5%.

Table 1. JSA Employment Projections for AFS, Pubs and Accommodation[3]

Industry Employment	Employment - May 2023 ('000)	Projected employment May 2028	Projected employment May 2033	Projected 5 yr growth		Projected 10 yr growth	
				('000)	(%)	('000)	(%)
Accommodation and Food Services	**945.0**	**1004.4**	**1063.1**	**59.4**	**6.3%**	**118.1**	**12.5%**
Accommodation	105.5	113.9	123.5	8.4	8.0%	18.0	17.1%
Pubs, Taverns and Bars	100.5	106.8	112.8	6.3	6.3%	12.3	12.2%

Economic Contribution

In the latest ABS industry data for contribution to the economy, the Accommodation and Food Services industry value added for 2022-23 was over $60 billion[4] which was a 31% increase on COVID-affected 2021-22. Specifically in relation to tourism and accommodation, according to the ABS Tourism Satellite accounts, for pre-COVID 2018-19 the accommodation sector tourism output was $14.6 billion. As can be seen in Figure 2, the impact of COVID was profound, with accommodation tourism output dropping to a low point of $9.2 billion in 2020-21. The recovery in revenue terms post COVID has been very strong, and in 2023-24 it was over $21.2 billion.

Figure 3. Accommodation sector tourism output[5]

[3] Jobs & Skills Australia (2024), *Better Together, the Jobs and Skills Report 2024*, November 2024
[4] ABS (2024), *Australian Industry* 2022-23, released 31 May 2024
[5] ABS (2024) *Tourism Satellite Accounts*, released December 2024

Growth, Occupancy Rates and costs

Despite the pandemic challenges, hotel accommodation investors have continued to demonstrate long-term faith in the market. According to specialist data company STR, since January 2021, 212 new accommodation properties containing 20,289 rooms have opened across Australia.

Notwithstanding the increase in supply, hotel occupancy rates are also recovering, and although they are still not back to pre-pandemic levels, over 2024 there has been some improvement. According to STR, for calendar year 2024, the average Australian occupancy rate was 71.3% compared with 69.5% in 2023 but still short of 73.8% in 2019.

On the downside, operating and compliance costs have been rising dramatically, and the data indicates that these are increasingly being absorbed by the sector. The average daily room rate of a capital city hotel room during 2024 was $239.65 – just 1.1 percent higher than 2023 which is below the inflation rate. Industrial relations reforms, higher wages, planning and energy costs are all placing increasing pressure on the profitability of many properties.

Capital costs of building or renovating hotels have also risen dramatically as the cost of construction materials and skill shortages are hurting our sector as they are many other parts of the economy.

Overall, the picture for the accommodation sector is one of recovery but with some uncertainty felt by the sector for the future. The recent data presents some contradictions, with improving occupancy rates, economic contribution and the increase in hotels and rooms at odds with the most recent employment data from the ABS. From the data, at least in revenue terms, it would appear that 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, as well as the outsourcing of roles that the industry finds difficult to fill. The evidence also demonstrates the strains on profitability created by rising business costs not matched by the changes in the average room rate.

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 pursuing a career in the industry or are seeking an income while they study, or as a supplement to 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 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, which implies that current skill shortages should be the only measure of public benefit. Although we support skill shortages being one measure, public benefit in training funding should be measured not just by current skill shortages but by:

1. Economic benefit derived from productivity improvement obtained through training prior to a person securing a relevant job role.
2. 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.
3. 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 October 2024 the Government released the latest 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. childcare, nursing) are on the list. 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 released by Jobs & Skills Australia (JSA) which are mentioned above, 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

Declining government support for training in our industry is playing out negatively in the employment of hospitality apprenticeships. Of the seven categories of trade apprenticeships used by the NCVER, only food trades had less apprentices in training as at June 2024 compared with 2020. Compared with more than 10,000 food trades commencements in 2014, and 9,060 in 2022 (when the Boosting Apprenticeship Incentive was in place during COVID), only 5,905 commenced in the 12 months to June 2024. In at least some positive news, these commencements for food trades apprenticeships were 13.5% better than 2023 when there were only 4,980 commencements.

The table below, which summarises hospitality apprentices and trainees in training over the last five years, illustrates the success of the substantial subsidies available during COVID, and the dramatic fall as financial support dropped. For trainees undertaking Certificate III in hospitality the 35% fall to June 2024 is expected to decline even further as a result of the employer incentive being discontinued on 30 June 2024.

Table 1. Apprentices and Trainees in training[6]

NCVER Apprentices and Trainees in training 2019 to June 2024							
Occupation	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2024 v 2023**
Managers (Cert IV, Dip & Adv Diploma)	740	690	1335	2595	1410	700	-50.4
Bakers & Pastry Cook (Cert III & IV)	1855	1980	2610	2800	2460	2190	-11.0
Chef & Kitchen Mgr (Certificate IV)	245	265	345	610	425	615	44.7
Trade Cooks & Catering Ops (Cert III)	7440	6410	7335	7660	6920	5985	-13.5
Kitchenhands (Cert II)	150	175	300	375	275	215	-21.8
Hospitality workers (Cert I&II)	630	515	715	945	770	815	5.8
Hospitality workers (Cert III)	6775	6410	9,520	13,905	9055	6925	-34.9

There is no doubt from the evidence over the last decade or more that employers respond to incentives and provide commencement opportunities when the support is sufficient to overcome the reluctance to put someone on who has no relevant skills on commencement.

Although this correlation has been strongly evident since incentives were introduced in 1998, it is also clear that incentives operate in different ways on traineeships v trade apprenticeships, and also in licensed trades v unlicensed trades. In our May 2024 submission to the apprenticeship incentive review (review report not yet released by Government) our recommendations on employer and apprentice incentives should:

- acknowledge the different behavioural drivers between trade apprenticeships and traineeships, and also the differences based on the necessity to complete, such as in licensed trades.
- Recognise that payments to employers in the early period of an apprenticeship are critically important in encouraging commencements as they directly address the early costs in supervision and the lower productivity value of a new apprentice.

[6] National Centre for Vocational Education Research (NCVER 2024), *Apprentices & Traineeships* June quarter 2024

- Employer incentives should be fixed amounts paid quarterly rather than wage subsidies based on a percentage of apprentice wages.
- Retain/reintroduce employer incentives for hospitality traineeships so as to realise the benefits of the apprenticeship model and encourage continuing connection between the industry and the training system as well as delivering post-secondary qualifications to hospitality workers.
- be a targeted additional commencement incentive relating to the employment of first year adult (over 20 yo) trade apprenticeships.
- In industries such as hospitality and retail, certificate II incentives should be reintroduced for trainees at the entry level. A six-month certificate II traineeship is an ideal commencement qualification for occupations such as waiter, bar attendant, barista and front office.

Specifically as it relates to hospitality apprentices:

Trade apprenticeships (not licensed) such as in food trades

Payment to employer to be increased to $2,000 per quarter across the first year, plus a $4000 completion payment

Direct payment to apprentice - A payment of $4,000 to be paid directly to the apprentice/trainee during the first 18 months – $5,000 completion incentive paid on completion of the qualification regardless of whether this is achieved as part of or beyond the training contract.

Traineeship – 12 month – new employee, or an employee who has worked casually for less than 15 hours per week (ie. School casuals still eligible) Cert III and above:

Incentive payments to the employer need to be re-introduced at the rate of $1,500 per quarter across the first six months, $2,000 completion incentive

Trainee - $3,000 paid directly to trainee over the course of the traineeship plus $1,000 on completion

Cert II could be considered at half of the above figures.

Support for apprenticeship incentives in industries such as ours are justified as the 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.

Overall. in relation to skills and training policy as it relates to the accommodation sector, there is a realistic danger that the engagement between the sector and the formal training system will continue to drop away to the extent that very few workers in the industry will hold post-secondary qualifications. The apprenticeship system was an important mechanism for that engagement but with involvement substantially narrowed to trade cooks, the relevance of the formal training system has dramatically declined. Large hotel groups will continue to conduct their own training, and this will be recognised by other businesses in the sector. However, this declining engagement impacts both the potential for improved productivity particularly in small to medium businesses, and well as importantly that benefit to the worker that arises from having a portable, national recognised qualification. This decline can only be addressed by reversing decisions already taken to eliminate hospitality traineeship incentives and to recognise the benefit that arise from financially supporting training in our industry.

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*
    - *$2,000 per quarter in year 1 for food trade apprentices and*
    - *re-introduced for hospitality traineeships at $1,500 per quarter*
    - *with the addition of attractive incentives for apprentices and trainees during the apprenticeship and on completion.*

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 some of 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 Core Skills Occupation List which will regulate occupations available for sponsorship between the Core Skills Income Threshold ($73,150) and $135,000 includes most of the key skilled occupations required in the hospitality industry. A major omission is the restaurant manager, which is a critically important role for our members, and is definitely in shortage particularly in the regions. Also, as mentioned above, there are a wide range of skills needed in hotels and resorts, including important roles such as security manager that are no longer available. 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. In the absence of this flexibility, we recommend that the analysis by Jobs & Skills Australia take into account forecasted future skill needs as well as current shortages.

The new Skills in Demand settings exclude trade occupations from access to Specialist Skill Visas. Almost all trade occupations are skill level 3, but chefs are skill level 2, and under the current ANZSCO the chef occupation includes all levels of chef from the post-apprentice commis chef through to the executive chef. Under the newly released Occupational Standard Classification of Australia, which has replaced ANZSCO, Senior Chefs such as Executive and Sous Chef are separated reflecting their managerial responsibilities. It is important that senior chefs be eligible for Specialist Skill Visas.

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 permanent migration that meets Australia's long-term skills needs. In this context, we were concerned that the government in 2024-25 reduced the planning level from 190,000 to 185,000 but we were encouraged by the number of places allocated to employer nominated migration.

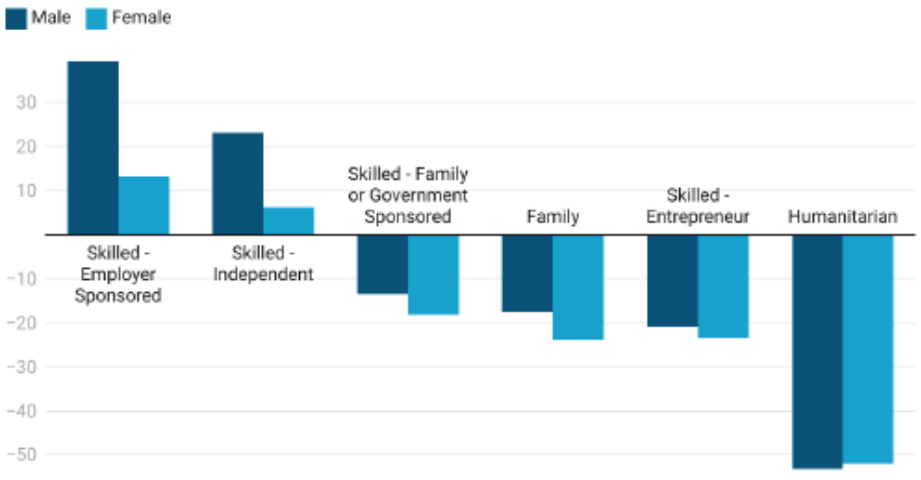
We recommend that the skills component for 2025-26 be 150,000 compared to this year's 132,200. We further recommend that significant proportion of the extra skilled numbers be allocated to Employer Sponsored (ENS) permanent migrants which should be at least 47,000.

We put forward these recommendations for the following reasons:

- There are still widespread skill shortages in key occupations in our industry.
- 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 temporary skilled visa holder to be with their employer before they could be sponsored for permanent residency
- Employer sponsored migration delivers the best long term economic outcomes for the migrant.
- Employer sponsored migration is the most responsive to labour market needs.

Evidence of the benefits of employer sponsored migration to the migrant has been presented through analysis undertaken by CEDA (Figure 4) which shows that employer sponsored migration delivers the most economically beneficial outcomes to the migrant with wages being significantly better than other categories of migrants as well as over 30% above the average for Australian-born workers.

Figure 4. Wage outcome compared with Australian born workers for migrants arriving 2015-19



With this evidence of these beneficial migrant outcomes between 2015 and 2019, it is important to note that up until mid-2017 employer sponsored migrants, both permanent and temporary, could be sponsored under practically any skilled occupation. Provided there was a proven skill need at the business level, employers could sponsor under the "old" CSOL list (Consolidated Skilled Occupation List) which encompassed almost all ANZSCO occupational codes in Skill levels 1 to 3. This program was the most responsive as it was able to fill the skills gaps

which may have been local to a business or reflecting a regional shortage without reliance on lists and assessment of shortage.

The discontinuation of this successful pre-2017 approach to employer-sponsored permanent and temporary migration has not only reduced the responsiveness to local skill needs, but has significantly increased complexity, cost and uncertainty. Although it is essential that any occupation list that controls migration is reviewed regularly, the uncertainty created for employers and industries, and the effort required to ensure that vital occupational needs are not lost or are recaptured through the review process, should not be underestimated.

Regional Migration

The government initiated a review of regional migration as part of its migration strategy. In our submission to that review, we recommended that regional migration settings be as responsive as possible, including the availability for all skilled occupations for sponsorship by regional employers for both permanent and temporary skilled migration.

Regional skilled migration
In our consultations undertaken as part of input to the CSOL, it was very clear that skill shortages were particularly being felt in the regions. As the employment data shows, our industry is geographically very diverse, requiring a range of skills both in terms of occupation and management levels. A migration system that does not enable the meeting of regional skill needs will result in significant impediment to regional economic growth.

The current review of regional migration settings creates an opportunity to embrace the more responsive approach by allowing all regional employers to sponsor any skilled occupation at skill level 1 to 3. In implementing this recommended reform, if there are any integrity concerns created by the migrants taking the jobs that should be available to Australian skilled workers, then this can be closely monitored through evidence analysed by both the Ministerial Advisory Council (MACSM) and Jobs & Skills Australia. For example, any concerning trends occurring in the regions for particular occupations can be identified through the data and action taken in those situations. This is a much more targeted and efficient approach than the current extensive analysis and shortage lists that simply do not work to satisfy regional skills gaps.

In short, responsiveness to regional migration needs should not be sacrificed for the relatively superficial benefit of simplicity created from having one list. The occupations available for regional employers should reflect local and regional needs with all skilled occupations available.

Working Holiday Makers

The other major recommendations made in our regional migration submission dealt with the important working holiday maker visa. Working holiday makers (WHM) are, in large part, an ideal mix of those seeking travel, adventure and work (to earn money in order to fund the first two ambitions). Their mobility is an important aspect of the visa holder, as work for hotels across Australia is often seasonal and therefore temporary. Their presence in the accommodation workforce allows for employers to better manage their overall labour costs by injecting flexibility so necessary with such an event and seasonal-impacted industry.

As an important principle, the inducement for WHM to work in regional Australia is a highly valuable setting within the WHM program as:

- It encourages travel and therefore boosts the regional tourism economy
- It provides a mobile regional workforce which is in contrast to the less mobile habits of most of the domestic workforce
- The WHM are often highly engaged and skilled with a range of different backgrounds and experiences. Their spirit of independent travel is often highly suitable for work in a customer-service industry such as hospitality.

AA strongly supports the retention of a requirement for WHM to undertake regional work so that they can access second and third year visas. In this context we welcome the news that Government will not be accepting a recommendation of the 2023 immigration review panel to limit the Working Holiday Maker visa to one year. However, as this statement only commits the government for visa extensions beyond one year, it is recommended that a third-year extension should also be retained. Already, the largest source market for WHM, being WHM from the UK, have the ability to stay for up to three years locked in via that agreement. WHM from other countries should have the same opportunity to stay for up to three years, although unlike the UK WHMs, the regional work requirement should be retained.

Length of time with each employer

Generally, there is a limit on WHM in that they cannot work with one employer for over six months without seeking permission, with one important exception being if they work in the tourism and hospitality industry. This exemption has proved to be very valuable to our industry and should become embedded into the program as a permanent feature.

Specified Work

The definition for specified work is very complex, postcode-driven and creates at times inexplicable differences between regions – the “have and have nots”. Currently “specified work” as it relates to the tourism and hospitality industry is that it needs to be undertaken in northern or remote and very remote Australia, which is much more restrictive than industries such as agriculture and construction. This narrow definition as it relates to our industry means that the hospitality and tourism businesses in many regional areas cannot access temporary migrant workers to fill roles. It is recommended that the language changes to “eligible regional work”, where the definition of regional as it relates to eligible work for WHM is outside of a capital city and the Gold Coast, but with the exception that Darwin should be considered regional. In relation to industries where regional work can be undertaken, the range of industries including our own currently identified should remain.

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.

We recommend that the government further streamline arrangements for intercompany transfers in recognition of 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 for any skilled occupation with a salary over the CSIT. The accredited sponsor could 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.

Skilling Australians 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 to spread the burden of the levy, 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.

International Students

Migration settings for international students have changed significantly in the past year with the intention of reducing numbers, seemingly in response to concerns about overall net overseas migration levels and housing pressures. This reduction in student numbers is an economic "own goal", as the economic cost of cutting back on such a valuable service export as well as limiting access to an important source of labour outweighs the perceived benefits of lowering temporary migrants. Given the permanent migration planning levels, the larger than expected inflow of international students post-COVID will return to their home country on completion of their studies, so any long-term population and housing impacts can be managed. During their stay, international students are an important contributor to the economy, as well as a driver of tourism through their own travels as well as visitation from friends and relatives. As a source of labour, they are particularly valuable to the accommodation sector in the capital cities in roles such as housekeeping, where it is very difficult to source workers from the domestic workforce.

Although AA supports policies that limit non-genuine student arrangements, as well as the retention of the current fortnightly cap on working hours during study terms, we encourage the government to lift

directives and other activities such as processing devices that limit the growth of this valuable export industry.

Visa Processing

With the exception of the current policies in relation to student visa processing, the Government's efforts to improve visa processing times are appreciated. However, members report they are still experiencing extensive delays (at times up to 9 months), and we urge the government to continue this investment and look at ways of reducing delays, further cutting red tape and reducing costs to business and migrants as. There is no doubt that costly delays are still occurring at considerable cost to members.

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 Senior Chefs.*
4. *That all skilled occupations paid above the CSIT be available 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 by regional employers.*
6. *That there should be a minimum of 47,000 ENS places within the permanent migration planning levels for 2025/26.*
7. *The SAF levy should be halved.*
8. *Continue the increased investment in cutting visa processing times and look at ways to minimise cost and red tape including a reduction in visa fees.*
9. *Working Holiday Makers seeking a second and third year visa should continue to be required to undertake specified work in the regions but that the regions eligible should be expanded and no longer be based on the artificial application of postcodes.*

Tourism-Related Issues

Tourism Australia

For the year ending November 2024, there were 8.18 million short term visitor arrivals compared with 6.96 million in the previous corresponding, but still down by 13.5% from the 9.5 million arrivals in the year to 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 an increase in funding to Tourism Australia. In 2024-25, the TA budget allocation was $170.4 million with $20 million additional revenue from industry sources (compared to an actual in 2023-24 of $173.4 m plus $17.7 m).

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 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.

Another area often debated is the role of Tourism Australia in the promotion of domestic tourism. There have been times when TA has become involved in domestic tourism promotion but it is noted that there is a current directive that it is not to promote domestic tourism. We recommend that consideration be given to TA better coordinating with state tourism bodies to achieve the mutually beneficial aim of regional dispersal. Already there is much cooperation between the two levels of government tourism bodies on international marketing, but more could be achieved in a strategic and joint approach to regional dispersal of both international and domestic tourism.

It is recommended that in order for Australia to remain internationally competitive in the attraction of tourists that Tourism Australia be funded at a minimum of $200 million per annum, plus an additional $20 million for events.

Airline capacity and competition

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 in the last two years on airline access to Australia and Bilateral Service Agreements. There needs to be a strong commitment to increase and diversify international aviation capacity including attracting new routes and transparency in bilaterial air services agreement including coordination across government to ensure there is input from tourism stakeholders when these agreements are negotiated to enable more economic value to be realised.

In this international aviation context, although there is much more to be achieved, it has been pleasing that in the last few months there have been a number of announcements that bring welcome increases in international airline capacity including the ACCC granting conditional approval for more Qatar Airways flights to and from Australia by issuing an interim authorisation for Virgin Australia and Qatar Airways to commence marketing 28 additional flights to commence in June 2025 to Brisbane, Melbourne, Perth and

Sydney. Also, the passing of the Sydney Airport Demand Management Amendment Bill is welcome in better managing slots into Australia's most important gateway.

The same more positive environment is not in any way replicated in the domestic aviation market. The collapse of Bonza in 2024 and the struggles experienced by Rex Airlines is yet another chapter in the difficulty in achieving effective competition of key domestic air routes. This impacts both domestic as well an international tourism as it inhibits tourism dispersal. The recent review accompanying the Aviation White Paper has shown there is no magic solution for this intransigent problem, but the government should place the realisation of genuine domestic aviation competition as the highest priority to improve consumer confidence to travel.

Aviation Industry Ombuds Scheme

The AA supports the establishment of the new Aviation Industry Ombuds Scheme as a way to improve outcomes for air travellers by clarifying and upholding the rights of aviation customers. It is hoped this independent mechanism to resolve customer complaints will encourage more tourists to choose to holiday in Australia.

In addition, the ACCC should be directed to continue to permanently monitor airline and airport pricing and performance with quarterly reports focused on improving consumer outcomes.

Passenger Movement Charge

It was disappointing that the 2022-23 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. The PMC now raises around $1.1 billion of which it is estimated only half is spent on Border Management. 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. [7] 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. During that time, more of the proceeds of the PMC should be spent on improving the passenger experience, including the full digitisation of the incoming passenger card and further implementation of SmartGate technology.

Regional and Indigenous Tourism Development

One of the most successful ways of ensuring repeat tourism visitation is to ensure the tourism offering is refreshed and further developed. Funded support for the development and co-funding of important regional tourism infrastructure is critically important. In both the Growing Regions Program and Regional Precincts and Partnerships Program, we urge the government to embrace tourism clearly within the guidelines for funding support of regional tourism infrastructure. With tourism-related infrastructure builds, regions benefit economically as well as through the acquisition and enhancement of community assets such as airports, attractions and regional conference and event facilities.

It is widely recognised by tourism stakeholders that there are unique opportunities to build on the strength and attractiveness of indigenous tourism. Tourism Australia is doing an increasing amount of

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

important work in this area, and the federal government is urged to support the growth of indigenous tourism through direct support to indigenous tourism businesses. This could include government-backed grants or partnerships to promote Indigenous tourism ventures, such as cultural tours, art exhibits, or Indigenous-owned accommodation businesses. This would position Australia as a destination for authentic cultural experiences. It would put additional funding muscle behind initiatives such as the First Nations Visitor Economy Partnership announced last year by the Minister for Trade and Tourism. This partnership includes First Nations tourism industry representatives from every state and territory and aims to provide leadership and guidance on respectfully embedding Australia's rich cultural heritage in our tourism offerings. The Partnership is also tasked with investigating and establishing a permanent First Nations national tourism peak body which will provide guidance and strategic support to grow this critical sector.

Recommendations:

10. *Tourism Australia's budget for 2025/26 should be at least $200 million plus an expanded Business Events Bid budget of $20 million to maximise the opportunity for event attraction and 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. *Tourism Australia to work closely with state tourism bodies to achieve greater regional dispersal of both domestic and international tourists.*
13. *There needs to be strong commitment to increase and diversify international aviation capacity and improve transparency in bilaterial air services agreement including coordination across government to ensure there is input from tourism stakeholders.*
14. *The government examine further avenues to incentivize new entrants in the domestic aviation sector to improve competition, accessibility and quality of service to travellers.*
15. *That there be firm commitment to no further increases in the Passenger Movement Charge over the forward estimates and improved investment of the PMC proceeds into improving the passenger experience at the borders.*
16. *Improve funding support for construction and refurbishment of regional tourism infrastructure and increase funding support for Indigenous tourism businesses.*

Short Term Rental Accommodation and housing

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*). Some state governments have also acted, including Victoria, Western Australia and the ACT.

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 Australian including:

1. A State or Territory-wide **cap of 90 days for un-hosted STRA** with local **councils authorised to implement a lower cap such as 60 days** depending on their local situation
2. **Obligatory registration** for all STRA including hosted and un-hosted accommodation, with host platforms and agents required to provide information to intending hosts on STRA regulations and ensure the unique property number is clearly identified.
3. **Annual registration fee** for all properties on the market for rental terms less than 90 days per letting (regardless of which platform or agent they use) to cover the cost of administering the scheme.
4. **Stronger enforcement** of the registration system and caps such that:
    a. The listing number is required to be displayed on all advertisements of that property;
    b. The register is available for public viewing including strata managers and the register should record the dates on which the property is used for this purpose.
5. **Significant annual fees** for STRA platforms, and the mandating that host platforms remove from their websites all properties that are not registered except when legally exempt from registration (such as commercial accommodation) and fines for non-compliance with data sharing and regulation enforcement.
6. Registration data **shared across platforms and rental property agent systems** to ensure the property's full rental activity is tracked.
7. **Property owners seeking to exceed the cap must apply for DA approval and be subject to commercial regulation**. Owners which exceed the cap or are non-compliant with registration or other regulation subject to significant fines.
8. **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. In most cases, 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 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. Further efforts at local council level are encouraged to ensure there is greater equivalence of rates and local taxes on STRA as compared with commercial accommodation.
- emphasises the critical role of enforcement including requiring data sharing across systems and platforms to ensure caps can be monitored.

- addresses key safety and noise concerns relating to STRA.
- Compared to stronger measures such as in New York and Canada, it is modest and achievable

Housing availability for hospitality staff

One of the major impacts that the growth of STRA has in tourism areas is the reduction in availability of rental accommodation for tourism and hospitality staff. Effective regulation of STRA as proposed above will go a long way towards solving this problem. But it is not the sole answer. Initiatives such as tax incentives or co-funding of housing for regional hospitality workers should be explored. Removal of FBT and other tax incentives for hotel businesses which build and offer accommodation to their workforce should be considered.

Recommendation:

17. *That a national framework for the regulation of short-term rental accommodation (including AirBNB and Stayz) be developed which should include at a minimum:*
    - *The registration of all STRA*
    - *A State/Territory wide cap of 90 days per annum with scope for local governments to impose lower caps*
    - *DA approval required for those properties who seek to rent out above the cap.*
18. *That regulation of STRA be backed by effective enforcement.*
19. *Provide co-funded support and tax incentives for the provision of housing for hospitality workers in the regions.*

Tax and small business support measures

Meal and entertainment expenses

One of the most inequitable aspects of the taxation system is the ongoing denial of deductions for meal and entertainment expenses for small businesses. An important avenue of growth for businesses of all sizes is the development of strong relationships with customers, suppliers and potential investors, as well as through the enhancement of staff morale and engagement. For larger businesses, these relationships are often fostered through the use of in-house and often up-market catering facilities. This opportunity is not available to small businesses. Not only are these legitimate business expenses denied, they are subject to one of the most complex taxes in the tax system being the Fringe Benefits Tax.

To reverse this inequitable situation, the federal government is urged to remove entertainment expenses incurred by small businesses from the application of the fringe benefits tax and allow meal and entertainment expenses to be tax deductible. Not only will this assist small businesses to enhance their engagement with customers, suppliers and staff, but also will stimulate greater spending in an industry which is dominated by small business, being accommodation and foodservice.

Accelerated depreciation

In the accommodation industry, refurbishment on a regular basis is critically important to meet customer expectations. However, it has been challenging for hotel owners to undertake this necessary refurbishment due to the significant impact of rising construction and other business costs, as well as the medium to long term impacts that are still being felt arising from the pandemic. It is recommended that in order to alleviate this significant pain point is for the federal government to allow a period of accelerated depreciation of hotel capital asset expenditure.

Small business assistance

According to STR data on accommodation properties in Australia, over 70% of the properties have less than 50 rooms. These smaller properties share in the struggle of all small businesses to survive and grow. As a member of ACCI we joined them in welcoming the government's commitment to the Small Business Technology Investment Boost (SBTIB) and Skills Training Boost (STB) programs in the October 2022 Budget. Too many small businesses – around one in five – do not have any or sufficient digital capabilities to support themselves in a digital economy. Programs such as the SBTIB and STB are necessary to prevent further inequities emerging and stifling entrepreneurial and small business growth. Due to delays in implementation these programs did not achieve the stated aims, and a recommitment to supporting small business through the extension of these programs is recommended.

Recommendation:

20. *Remove the applicability of fringe benefits tax on legitimate business entertainment expenses and restore their deductibility for small business.*
21. *Increase the accelerated depreciation rate for accommodation properties to improve cash flow and support increased hotel refurbishment.*
22. *Extend the funding support to small business for improving digital capability and staff training through the small business technology investment and training boost programs.*

Energy

Energy costs are a significant business input cost for accommodation businesses. Many of our members are actively involved in energy efficiency programs but many others, particularly our smaller motels, are missing out on the support needed to encourage greater energy efficiency. We encourage the federal government to continue to work with state and territory governments on business support programs to alleviate energy costs and maximise efficiency through advice and support. There is a need for targeted government grants, subsidies, or tax incentives for businesses that invest in renewable energy systems, waste reduction initiatives, water-saving technologies, or carbon-neutral programs. This would align with global trends in eco-tourism and reduce long-term operating costs for the industry.

It is also essential that our sector retains access to reliable gas. Gas is not only actively used in hot water heating in accommodation properties but is by far the most used energy source for cooking. Moves by some jurisdictions to limit access to gas have been met with a great deal of concern by accommodation businesses.

Recommendation:

23. *The federal government should implement improved tax incentives and subsidies as well as continue to work with state and territory governments on business support programs to alleviate energy costs and maximise efficiency through advice and financial incentives.*
24. *Continued access to gas as an energy resource is essential.*

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 1,000 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 Travel and Leisure with Club Wyndham and other members of the Australian Timeshare and Holiday Ownership Council.

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