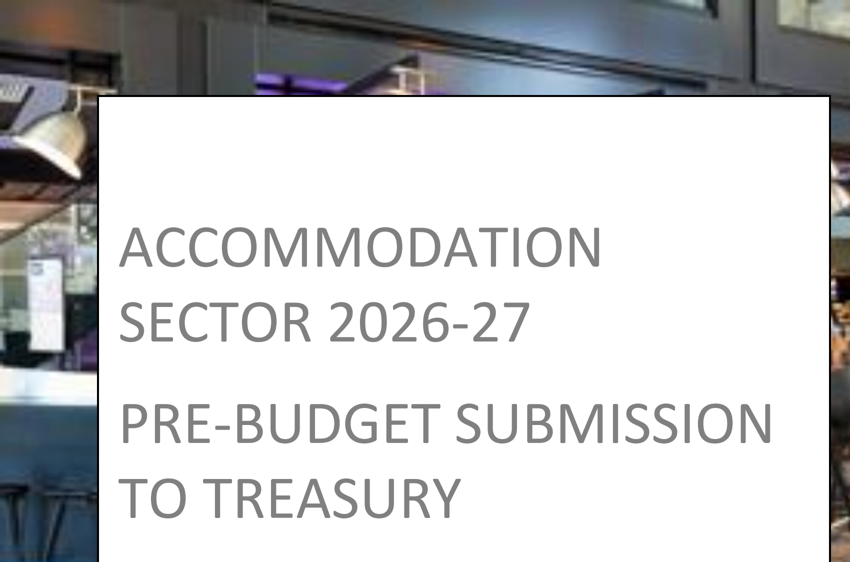

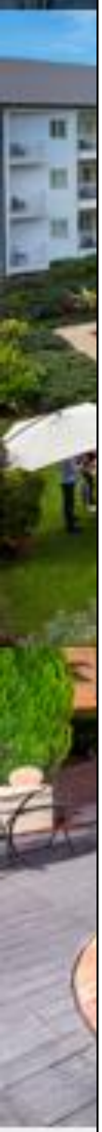

ACCOMMODATION SECTOR 2026-27

PRE-BUDGET SUBMISSION TO TREASURY

JANUARY 2026

Submission of Accommodation Australia

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Accommodation Australia
A DIVISION OF THE AHA

Contents

Executive Summary

Accommodation Australia (AA) welcomes the opportunity to submit recommendations to the government relating to the 2026-27 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. The AHA has made a separate prebudget submission and Accommodation Australia supports that submission.

The accommodation and food service (AFS) industry adds $63.4 billion to the economy, and employs over 1.2 million workers, over 120,000 of which are employed in the accommodation sector including those that have their second job in the industry. Accommodation accounts for almost $10 billion or 15% of all tourism gross value add, the highest of any tourism related sector. Around one third of all AFS employment is in the regions, and the accommodation workforce is 61% female and 57% full-time which compares with only 36% in other sectors of the hospitality industry.

Job vacancies across the AFS industry are at historic highs (excluding the abnormal post pandemic period). Over 50% of members are currently experiencing staff shortages with one of the occupations hardest to fill being chef. In 2024-25 commencements in the key Certificate III cookery apprenticeship fell by 23% to 1,940, which compares even more unfavourably to the pre-COVID level of 4,500 – 6,400 per annum. This drop has severely exacerbated the skills shortage and has driven many members to take the more expensive path of sponsoring temporary skilled migrants. In 2024-25, of the 68,200 visas granted across all industries, 10,770 were for the accommodation and food service industry, which was 125.2% more than the previous year. Chefs accounted for 6,360 of these visa grants.

A significant reason for the fall in apprenticeship numbers and those undertaking hospitality qualifications generally has been a de-prioritisation of industries such as ours to receive **training funding**. Hospitality traineeship employer incentives were discontinued in 2024, and from 1 January 2026, the incentive for the chef apprenticeship was halved. This funding reduction is unjustifiable and unfair, particularly as our industry contributed around $64 million in 2024-25 to the Skilling Australians Fund as a levy payable for sponsoring migrants. This submission calls into question the government's decision to prioritise some industries over others, pointing out that the economy is interconnected and that previous training priorities such as increasing the level of post-secondary qualifications have been abandoned, with qualifications and apprenticeship numbers dropping across the economy.

With our industry increasingly reliant on **migration**, this submission calls for a more responsive migration system that enables skill needs to be met at the local and regional level, processing times to be reduced and the SAF levy to be halved, with refunds of the levy forthcoming if an application is unsuccessful. Working holiday makers should continue to be required to work in the regions to be eligible for visas beyond one year, but the regions that are eligible for hospitality work should be expanded. Overall, in migration policy, the government is urged to resist the political temptation to reduce numbers in key visas as this will severely impact industries such as ours.

Tourism is the main driver of growth in the accommodation sector, and it is essential that **Tourism Australia's funding** is increased to ensure that our country continues to be high on the travel aspiration list. TA's funding should increase from the current level of $170 million to $200 million plus $20 million for events, as major and business events are a key driver of tourism and economic success. Improving **airline capacity and competition**, particularly in domestic aviation, will also greatly improve outcomes.

One of the key community concerns is the lack of housing availability and affordability, and it is recommended that Australia implements a more nationally consistent framework for **regulation of short-term rental accommodation** and then back that regulation with effective enforcement. The unfettered growth of STRA removes long term rental properties owned by investors from the market and makes supply side planning of commercial accommodation difficult.

Energy costs continue to be a burden on business and both support and advice is needed on ways to reduce these costs. In its net zero ambitions, the government needs to be open to a range of pathways that larger hotels can and have already taken to reduce emissions rather than solely relying on the NABERs energy rating system which it is proposed by government should be compulsory for large hotels.

Summary of Recommendations

Skills

1. *Increase the employer incentive to employ an apprentice chef to overcome the significant first year costs and better incentivise apprentices to complete their apprenticeship.*
2. *Reintroduce employer incentives for hospitality traineeships.*
3. *Recognise that skills development in all industries adds value and productivity to the economy, particularly in growing labour-intensive industries such as hospitality.*

Migration

4. *That the exclusion of trades from the benefit of the new specialist skill visa not include those Australia retains the current policy that enables:*
   - *all temporary skilled migrants to have the opportunity to transition to permanent residency; and*
   - *employers who have incurred the cost of sponsoring a temporary skilled migrant to then be able to sponsor these valuable workers for permanent residency subject to overall migration planning levels.*
5. *To better target Australia's skilled migration program, it is recommended that:*
   - *for employer sponsored migrants (both permanent and temporary), restore the pre-2017 policy that all skilled occupations (not just those on the CSOL) be available for sponsorship to ensure local and regional needs are met without reliance on an imperfect national shortage analysis.*
   - *For independent permanent skilled migrants, a narrower list of occupations applies for those that are shown to be in national shortage. This provides stronger assurance to the independent applicant that there are likely to be job vacancies in the occupations on the list.*
   - *State sponsored supplementary lists be retained in order to meet state and regional needs so as to provide a second opportunity for non-employer-sponsored migrants to apply for occupations not on the narrow national list for independent skilled migrants.*
   - *That there continues to be considerably more employer-sponsored places in the permanent migration planning levels than for independent skilled migrants*
   - *Consideration be given to reducing the CSIT at least for regional employers, where the cost of living and market rates of pay are lower.*
   - *Improve processing times and reduce complexity for industry and company labour agreements so that the temporary skilled migration can be more responsive to industry and business needs.*
6. *Consideration be given to reducing the CSIT at least for regional employers, where the cost of living and market rates of pay are lower.*
7. *Improve processing times and reduce complexity for industry and company labour agreements so that the temporary skilled migration can be more responsive to industry and business needs.*
8. *Places for employer sponsored permanent skilled migrants remain higher than other skilled categories, and that the skilled component as a percentage of the total be increased.*
9. *Review the outcomes of the regional provisional permanent migration visas to analyse whether a provisional regional approach has led to better outcomes for the employers, migrants and regions.*
10. *Increase the investment in visa processing resources and look at ways of reducing delays, further cutting red tape and reducing costs to business and migrants.*
11. *The Skilling Australia Fund levy should, at a minimum, be halved to $600 per year for small business and $900 for large.*

12. *Improve the fairness of the SAF levy by ensuring industries that contribute via the levy to skilling Australians are prioritised for government training funding.*
13. *Reduce the complexity of refunds of the SAF levy so that when the job role is not filled by a sponsored migrant, the levy should be refunded.*
14. *Enable increased places for international students, particularly in reputable VET colleges training chefs.*
15. *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

16. *Tourism Australia's budget for 2026-27 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.*
17. *Tourism Australia identify opportunities to support major event bids and prepare a business case for additional Federal investment as appropriate.*
18. *Tourism Australia to work closely with state tourism bodies to achieve greater regional dispersal of both domestic and international tourists.*
19. *The government examine further avenues to incentivise new entrants in the domestic aviation sector to improve competition, accessibility and quality of service to travellers.*
20. *That there be firm commitment to no further increases in the Passenger Movement Charge over the forward estimates and boost investment of the PMC proceeds into improving the passenger experience at the borders.*
21. *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

22. *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.*
23. *That regulation of STRA be backed by effective enforcement.*
24. *Consideration be given to changing the taxation treatment of STRA including to negative gearing of investment properties consistently used for STRA.*
25. *Provide co-funded support and tax incentives for the provision of housing for hospitality workers in the regions.*

Tax and Small Business Support Measures

26. *Remove the applicability of fringe benefits tax on legitimate business entertainment expenses and restore their deductibility for small business.*
27. *Increase the accelerated depreciation rate for accommodation properties to improve cash flow and support increased hotel refurbishment.*
28. *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

29. *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.*
30. *Continued access to gas as an energy resource is essential.*
31. *The Federal Government to work closely with the accommodation sector to recognise the extensive work already undertaken in the industry to achieve carbon emission reductions and reduce any duplication and unnecessary regulatory burden that may arise through only relying on the NABERs rating scheme to achieve the desired outcome.*

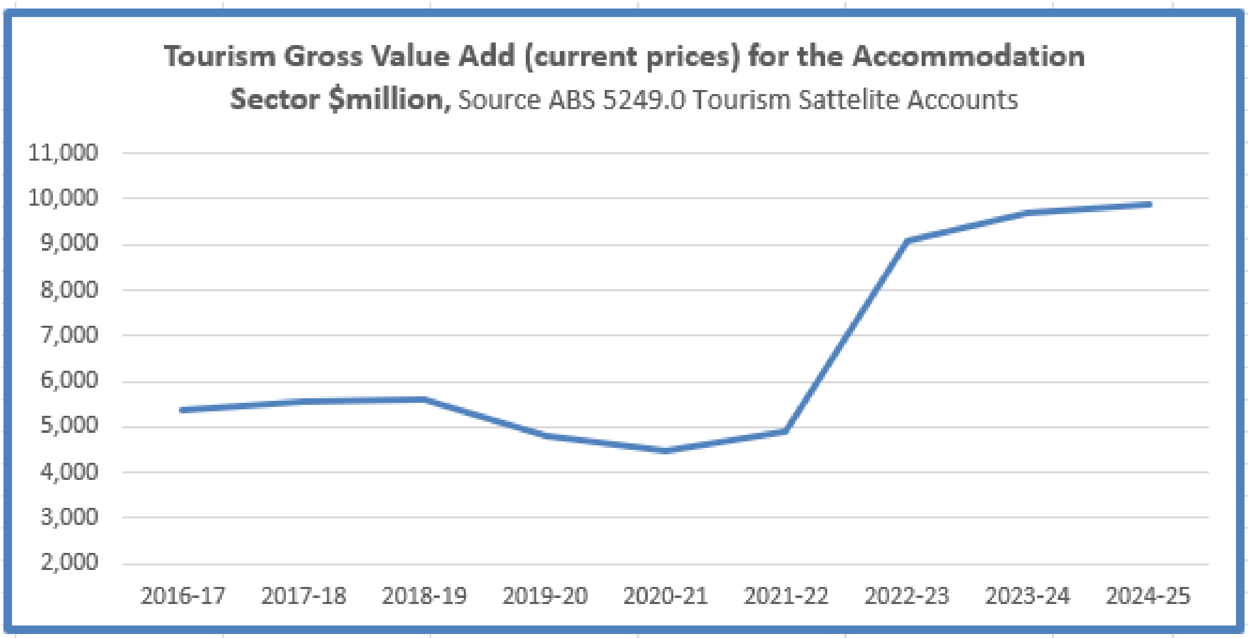
Accommodation Sector

Economic Contribution

The accommodation sector falls within the ABS-defined Accommodation and Foodservice industry (AFS - often termed "hospitality"). According to the ABS, the industry value-add (IVA) for the Accommodation and Food Service Industry in 2023-24 was $63.4 billion (compared with $60.4 billion in 2022-23) on revenue of $156.2 billion[1]. Wages and salaries paid by AFS employers to 1.22 million workers in 2023-24 totaled over$39 billion.

According to the ABS Tourism Satellite accounts, the Gross Value Add to tourism by the accommodation sector in 2024-25 was close to $10 billion. As can be seen in Figure 1, the impact of COVID was profound, with the contribution dropping to a low point of $4.5 billion in 2020-21, before recovering so that in 2024-25, the value add to tourism was 76% more than pre-COVID. The accommodation sector contributes over 14% of all tourism GVA, the highest of any tourism related sector.

Figure 1. Direct contribution to tourism by the Accommodation Sector



The latest business turnover[2] figures for September 2025 issued by the ABS show that business turnover in July for the AFS was higher than the previous month, rising by 1.4% compared with August. Compared with September 2024, the increase was a significant rise of 7.9%, the third highest of the 13-indexed industries.

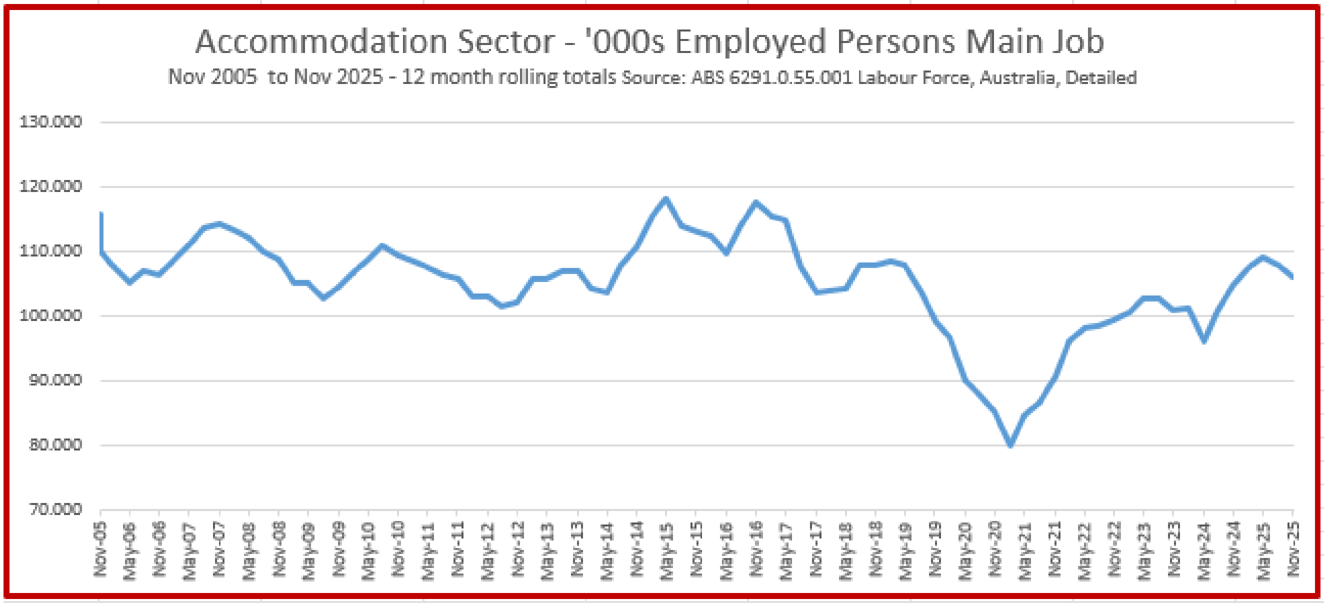
[1] ABS, 81550DO001_202324 Australian Industry, 2023-24 released on 30 May 2025.

[2] ABS, 5681.0 Monthly Business Turnover Indicator, Reference period September 2025

Employment

As at November 2025, there were 102,600[3] people employed in the accommodation sector. As Figure 2 shows, employment over the last twenty years has fluctuated, with accommodation sector employment 19% less than a pre-pandemic high of over 126,000 (2016). The chart presents 12-month rolling totals to minimise the seasonal quarterly fluctuations in the data.

Figure 2.Employment in Accommodation



It is important to note that labour force data underestimates the total number of people employed in the accommodation and food service industry as it categorises the workforce according to their main job. As there are many people who supplement their household income through a second job working in hospitality, the total number of employees who derive valuable income from our sector is much higher. According to the ABS Labour Account[4], which reports on the total number of jobs, as at September 2025, there were 1,339,100 jobs (seasonally adjusted) in the AFS, 1.19 million main jobs, and 113,600 secondary jobs.   This was an increase of 4.9% compared to 1,276,600 jobs in the AFS as at September 2024, and over 150,000 more jobs than the pre-COVID number of 1.13 million.

The employment data also reflects that, despite the growth in accommodation, there has been an increasing trend for many accommodation 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.

Reflecting the strong career paths and consistency that the accommodation industry offers, the share of full-time employment in November 2025 was 57% which compares with 36% in other parts of the hospitality industry. The accommodation workforce is 61% female.

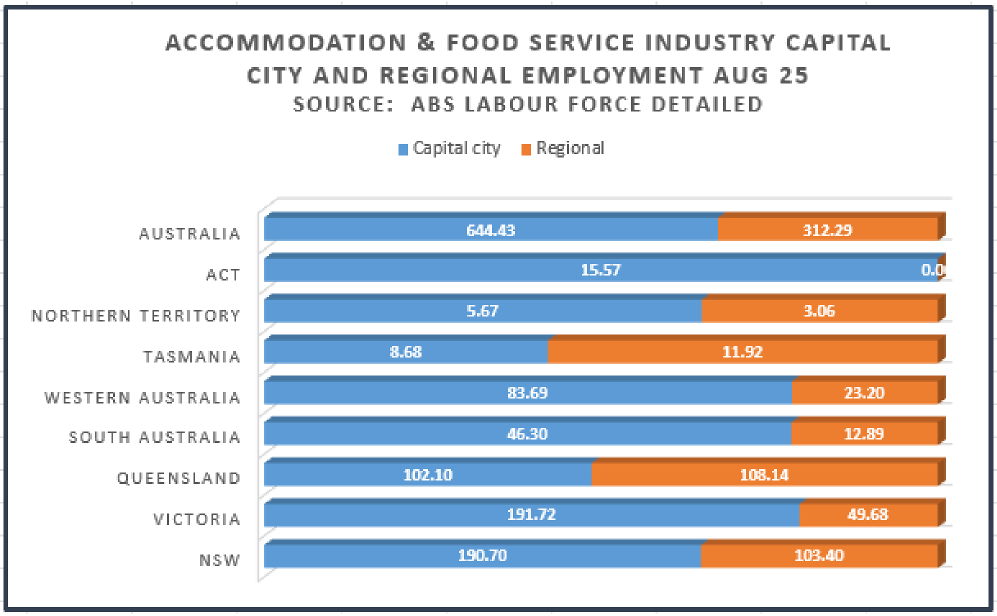
[3] ABS, 6291.0.55.001 *Labour Force,* Detailed, Nov 2025
[4] ABS, 6150.055.033, *Labour Account Australia*, Sep 2025

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.

Regional employment

In the accommodation and food service industry, almost one third[5] of all jobs are outside of the capital cities with this figure rising to over 40% if surrounding regions such as the Central Coast are included in regional. As Figure 3 illustrates, Tasmania and Queensland stand out in terms of regional employment, with over half of the AFS workforce outside of the greater capital city region. Overall, Figure 3 demonstrates the geographic spread of the industry across Australia, and the need for workers across all regions.

Figure 3. Regional employment in the Accommodation and Food Service Industry



Employment projections and their shortcomings

According to Jobs & Skills Australia/Victoria Uni projections (Table 1), the Accommodation and Food Services (AFS) industry is predicted to grow by 33,400 jobs or 3.5% over the five years to May 2030, and 92,400 additional jobs in the ten years to May 2035. However, it is noted that these projections are lower than those published by JSA in the previous two years. Of even greater concern, for the accommodation sector, JSA predict virtually zero employment growth in the next five years which is not consistent with tourism and general industry growth projections. It also contrasts with the 8.1% predicted growth only a year earlier. As recently as February 2025 employment in main job in the accommodation sector was 117,200, which is higher than the five-and-ten year JSA projections for 2030 and 2035.

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

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

Industry Employment	Employment - May 2025 ('000)	Projected employment - May 2030	Projected employment - May 2035	Projected 5 yr growth ('000)	Projected 5 yr growth (%)	Projected 10 yr growth ('000)	Projected 10 yr growth (%)
Accommodation and Food Services	962.1	995.5	1,054.5	33.4	3.5%	92.4	9.6%
Accommodation	104.4	104.5	113.2	0.1	0.1%	8.8	8.4%
Pubs, Taverns and Bars	104.6	109.1	115.4	4.4	4.2%	10.8	10.3%

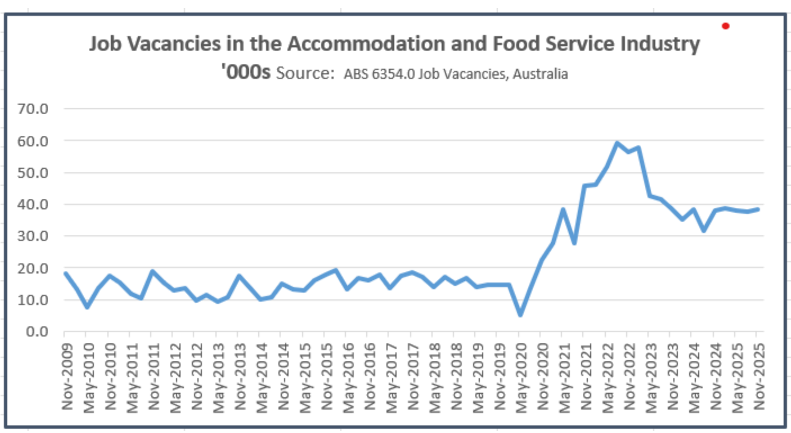
Attention is drawn to these concerns regarding employment projections to ensure that any reliance within Treasury that may be placed on JSA employment projections within the next ten years and beyond should be tempered by the likely underestimate of total employment and skills needs for our industry in the future.

Job Vacancies

ABS job vacancy data[6] shows that the Accommodation and Food Service Industry had 38,200 vacancies in November 2025, which was significantly higher than the 31,700 in August last year but around the same as the November 2024 to August 2025 period. This number of vacancies is second only to the Health Care industry and almost twice as many as industries such as manufacturing. The change in vacancies since pre-COVID (August 2019) was over 160%, which is the highest change of all industries, and compares to the all-industry average increase of 44%. Demonstrating the difficulty still being experienced by our members and also the growth in the industry, as Figure 4 shows, the average quarterly vacancy figure for the AFS industry pre-COVID was much lower than it is today. Since February 2021, job vacancies have been consistently higher each quarter than the larger retail industry.

In an AHA WA survey conducted in August 2025, over 73% of respondents indicated they were experiencing staff shortages. Almost a third of members rated the importance of skilled permanent and temporary migrants and working holiday makers at the highest level of very important, and two thirds rated it as important to some extent. Similarly, a survey conducted by Victorian AHA in late 2025 showed that one third of members struggle to recruit staff, with around 50% experiencing staff shortages. The three roles that members find the most difficult to fill are senior chefs, food & beverage managers and wait/bar staff.

Figure 4. ABS Job Vacancies in the AFS Industry – November 2025



[6] ABS 6354.0 *Job Vacancies,* November 2025

Domestic Skills supply

Detailed consultation undertaken by AA with members in the last twelve months indicates that they are experiencing difficulties in attracting skilled staff with key occupations such as chef, cook and hotel and restaurant managers proving hardest to find.

The most important apprenticeship in hospitality is for cooks and chefs, where training is dominated by Certificate III Commercial Cookery. Much smaller numbers undertake a Certificate IV in cookery or kitchen management. As Table 2 shows, in the year to June the number of apprentices commencing as cooks and chefs fell by 25% to 2,210 compared to the 2,935 that commenced the previous year. Those in training fell by 12% to 5,775. These numbers compare unfavourably to the pre-COVID levels when the number of cooking apprentices in training in September 2019 were 7,685, and 3,725 commenced their training in the year to September 2019. In the period 2010-2017, the number of commencements in the Certificate III alone were in the 4,500 – 6,400 range per annum, putting the 1,940 in 2024-25 in stark contrast.

The data also reveals that hospitality traineeships continued to dramatically fall following the removal of government funded employer incentives on 1 July 2024. Commencements fell by 29% to 5,090 in the year to June 2025 compared to the previous year, and as the table shows, there were only 5,955 traineeships in training as at June 2025, a fall of over 30% compared to 2023-24.

Table 2. Commercial Cookery Apprenticeships and Hospitality Traineeships

Chef Apprentices in training June quarter								
	2019	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2025 v 2024**
Chefs Cert IV		330	435	630	540	515	720	39.8
Cooks Cert III		6360	7375	7745	6945	6020	5055	-16.0
Total	7685	6690	7810	8375	7485	6535	5775	-11.6
Chef Apprentices commencements year to 30 June								
Chefs Cert IV			260	535	125	430	270	-37.2
Cooks Cert III			4170	4005	2725	2505	1940	-22.6
Total	3725		4430	4540	2850	2935	2210	-24.7
Hospitality Traineeships in training June quarter								
Cert I to Diploma			12155	18175	11655	8575	5955	-30.6
Hospitality Traineeships commencements year to 30 June								
Cert I to Diploma			12060	17650	6920	7140	5090	-28.7

Source: National Centre for Vocational Education Research

Without intervention, the number of apprentice chefs currently in training is sure to fall even further as those that commenced in COVID when wage subsidies were in place complete their training, and the number of new commencements, is not sufficient to replenish this reduction. This reduction does not just impact tourism and hospitality but industries such as health, aged care and workers in government designated priority industries which consume the food prepared by cooks and chefs, including those business guests staying within our member properties.

Although the industry reports some difficulty in attracting people to become cooking apprentices, the above figures show that if the employer incentives are sufficient, the numbers rise. Flying in the face of this need, the government announced in November 2025 a halving of the employer incentives for taking on an apprentice chef. Previously $5,000 in the first year, as of 1 January 2026, this incentive will drop to $2,500. Given the obvious impact of incentives on apprentice numbers, this reduction is sure to see the above numbers fall even further and the demand for migrant skills rise proportionately.

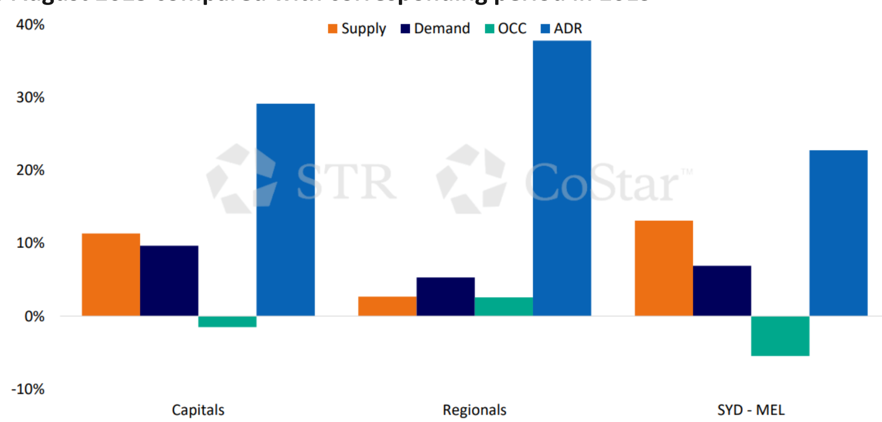
Tourism drives the need for skills across Australia

In the year to September 2025, international tourists spent $37.1 billion in Australia, an increase of 15% on the previous year. By 2030, Tourism Research Australia is predicting that international tourism spend in Australia will rise to $46 billion, and total tourism spend including domestic overnight and day trips will rise from $181 billion in 2024 to $233 billion in 2030.[7]

The contribution of the accommodation and pub sectors to tourism is not just significant but vital. Almost one third of international visitor nights are spent in a hotel, motel or resort, a significant increase compared to the 22% share in pre-pandemic 2019.

One of the key sources of accommodation data is global company Co Star STR which shows that across Australia in 2025 there has been a steady improvement in both occupancy rates and average daily room rate (ADR) for accommodation hotels as demand starts to outpace supply. The graph below illustrates this picture of demand increasing at a faster pace than supply, particularly in regional accommodation when the year to August 2025 is compared with the corresponding period pre-pandemic. This growth in demand will put even more pressure on skills shortages particularly in the regions.

Figure 5. Australia capital cities and the regions, showing growth in supply, demand, occupancy rates and ADR YoY Change, year to August 2025 compared with corresponding period in 2019[8]



The role of migration in the hospitality industry

For a wide range of reasons migrants play a critically important role in the hospitality industry, and a large proportion of migrant types are relevant. In addition to skilled permanent and temporary migrants, there are also a large number of working holiday makers, international students, and bridging visa holders working in the industry.

In 2024-25, of the 68,200[9] primary temporary skilled migration visas granted across all industries, 10,770 were for the accommodation and food service industry, which was 125.2% more than the previous year. Chefs accounted for 6,360 of these visa grants which represented 9.3% of all occupations granted a

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[7] Tourism Research Australia (2025), *Tourism Forecasts for Australia, 2025 to 2030*, Tourism forecasts | Tourism Research Australia
[8] STR (2025), Presentation to Golden Chain Conference, October 2025
[9] Home Affairs (2025), *Temporary Resident Skilled Report 2024-25*, Temporary resident (skilled) report 30 June 2025

temporary skilled visa – the highest across all industries. Cooks were the 6th highest and Cafe & Restaurant Manager was the 5th highest occupation granted visas, up 79.4% to 1,680. All visa grants for restaurant managers would have related to applications made prior to December 2024 when that job role lost its eligibility by its removal from the Core skills Occupation List (CSOL).

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, 242 new accommodation properties containing 23,137 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, there has been some improvement over the last two years. According to STR, for calendar year 2025, the average Australian occupancy rate was 73.2% compared with 71.2% in 2024 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. A survey of members in Victoria in late 2025 showed that the number one business concern was the rises in wages and superannuation, as well as the ongoing impact of penalty rates on their business. It also showed that the greatest operational challenge is the rising cost of goods and services.

Although the rise in the average daily rate (ADR) in 2025 was higher than inflation in some states, namely Victoria, South Australia, NT and ACT, the ADR increase was lower than the rise in the CPI. 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 of the accommodation sector is one of growth but with some uncertainty felt by the sector for the future largely relating to rising costs and staff shortages. The evidence presented above illustrates an industry that is making a strong economic contribution and employing over one hundred thousand workers, but is struggling to fill skills and labour vacancies which has led to some outsourcing to specialist housekeeping providers 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 industry employing 6.7% of the Australia's total workforce[10], 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.   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. It is also of significant concern that the apprenticeship incentive for cooks and chefs was halved for both the employer and the apprentice effective from 1 January 2026.

Developing skills in all industries should be the priority

Under previous Labor Governments, encouraging skills development across **all industries** was a priority. Indeed, it was a central feature of award restructuring in the 1980s and 1990s and connected industrial awards to the national VET training system.   Ensuring more Australians had post-school qualifications was also a priority. But these priorities are not supported by the current approach of picking winners, where some industries receive support, while others are left to suffer. Apprenticeships and traineeships were a mechanism to build engagement between employers and the structured training system. Lack of apprenticeship support to industries such as ours has led and will lead to lower post-secondary qualifications across large sections of the workforce - hospitality and retail alone employ 2.5 million Australians - that is a lot or people who will become disconnected from VET and formal qualifications.

Prioritisation of some industries over others has the perverse result that industries such as ours are left to rely more heavily on migration to fill the skills gap left by falling government investment in training for our industry. Migration should always be seen as one half of the skills equation, with domestic skills development the other half. When support for the second falls in the dramatic way it has done in the last few years, it is inevitable that the demand for skilled migrants increases for those industries that continue to grow.

Addressing the chef shortage

At the heart of every hotel dining outlet servicing tourists and locals alike are skilled cooks and chefs. Although chef shortages have been a structural long-term problem for the industry over many years, the current confluence of factors has seriously exacerbated the situation. Despite improvements in

[10] Jobs & Skills Australia, *Occupation and Industry Profiles*, [Industries | Jobs and Skills Australia](), accessed 9 Jan 26

workplace conditions, including higher wages and stronger work health and safety regulations the industry continues to struggle with attracting and retaining chefs, with an insufficient local chef training pipeline and limitations in using the migration options.

There is no single solution to the chef shortage crisis. Action is needed on all policy fronts including apprenticeships, innovative training approaches, migration, and attracting more people to choose cooking as a career. Some of these solutions are in industry's hands, while others require governments, both federal and state, to act.

Despite the importance of cooks and chefs across a range of industries, including aged care and hospitals, the government has reduced its support for food trades apprentices. This decision ignores the role cooks and chefs play in preparing food for workers across the economy, including those that work in the "so called" priority industries such as construction and clean energy.

Coinciding with the cuts in incentives that have affected industries such as ours, all new funding for incentives across the apprenticeship system has gone to apprentices rather than employers, particularly those in clean energy sectors and house building trades. However, with trade apprenticeships numbers falling across the board, it is questionable whether the money redirected from employers to apprentices is making any difference, particularly in the licensed trades where the qualification alone is incentive to complete. This contrasts with the irrefutable evidence that money invested in employer incentives results in increased apprentice numbers.

One of the largest barriers to increasing apprentice chef commencements is the cost to the employer in the first year. A new apprentice knows little about operations in the kitchen, their productive output is low and supervisory costs high. These costs are even higher in hospitality due to the 24/7 nature of the industry and the rostering complexities of ensuring adequate supervision for the apprentice.

it is also important to encourage more apprentices to complete. Being an unlicensed trade, many apprentices leave before completion due to the high demand for cooks as, unlike an electrician or plumber, they do not need a licence to utilise their skills. While the skills of a non-completer are still very valuable in the industry, finishing their apprenticeships delivers even more value to both the apprentice and the industry.

Given the above evidence, it is proposed that the financial incentives should be distributed as follows:

Incentives Payment Schedule	**Chef apprentice**	**Chef Employer**
Year One		
3 months		2,000
6 months	3,000	2,000
9 months		2,000
12months	3,000	2,000
Year Two		
18 months	2,500	2,000
24 months	2,500	2,000
Year Three	2,000	2,000
On completion	2,000	1,000
Total	**15,000**	**15,000**

This structured approach ensures ongoing financial support, increased apprentice retention, and encourages businesses to commit to long-term training with:

- Increased commencements of chef apprenticeships

- Increased apprentice retention – financial security during training will reduce the need for apprentices to work multiple jobs, lowering dropout rates.

- A more attractive structure to better enable the hiring of adult apprentices who are highly valued as apprentice chefs due to their ability to handle pressure in the kitchen and the application of experience and other life skills.

- Stronger domestic workforce – A greater supply of local chefs will reduce reliance on migrant workers, enhancing industry stability.

- Support for small and regional businesses – stronger incentives will help small hospitality venues invest in training without excessive financial strain.

Expanding employer wage subsidies and apprentice financial support will create a sustainable and attractive career pathway, ensuring a skilled, local workforce for the hospitality sector

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.

In addition to apprenticeship incentives, in our extensive consultation with members undertaken this year to address the chef shortage, one of the main barriers to apprenticeships in the regions is lack of convenient access to training providers. Governments should look beyond free-TAFE initiatives into holistic policies that would encourage a geographic diversity of quality providers, whether they be public or private.

Overall, in relation to skills and training policy as it relates to the accommodation sector, there is a 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, including traineeships, was an important mechanism for that engagement but with involvement substantially narrowed to trade cooks and even for them now in decline, 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.

Recommendation:

1. *Increase the employer incentive to employ an apprentice chef to overcome the significant first year costs and better incentivise apprentices to complete their apprenticeship.*
2. *Reintroduce employer incentives for hospitality traineeships.*
3. *Recognise that skills development in all industries adds value and productivity to the economy, particularly in growing labour-intensive industries such as hospitality.*

Migration

Migration plays an important role in the accommodation sector 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 a particular 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 as a pathway to permanency

With the election of a Labor Government in 2022, an important and positive change has been the restoration of a pathway to permanency for all temporary skilled migrants and the elimination of a distinction between “short term” and “medium to long term” temporary skilled migrants. The opportunity to transition from temporary to permanency, subject to the planning levels of permanent migration, is an important attraction for potential temporary skilled migrants. A skilled worker considering migration to a new country also benefits from the opportunity to accept a temporary role and become comfortable that Australia is the country in which they wish to permanently settle.

Recommendation:

4. *Australia retains the current policy that enables:*
   - *all temporary skilled migrants to have the opportunity to transition to permanent residency; and*
   - *employers who have incurred the cost of sponsoring a temporary skilled migrant to then be able to sponsor these valuable workers for permanent residency subject to overall migration planning levels.*

Employer-sponsored program driven by lists adds uncertainty

Up until mid-2017 employer sponsored migrants, both permanent and temporary, could be sponsored under practically any skilled occupation as defined by the ABS in what is now known as OSCA. Under those policy settings, employers could sponsor under the "old" CSOL list (Consolidated Skilled Occupation List) which encompassed almost all (then) ANZSCO occupational codes in Skill levels 1 to 3, provided there was a proven skill need at the business level. This pre-2017 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. Most importantly, this approach provided greater certainty that, subject to evidence of a proven skill need and the genuineness of the role, the employer could access the skills they needed.

The discontinuation of this successful pre-2017 approach to employer-sponsored permanent and temporary skilled migration has not only reduced the responsiveness to local skill needs, but has significantly increased complexity, cost and uncertainty. The uncertainty created by constantly updating the list 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.

The changes in 2017 also combined the lists that controlled both employer-sponsored medium to long term temporary migrants with the independent migration occupation list. Previously independent migrants with no employer sponsor could only apply under the Independent skilled national program, or the State sponsored program, which had defined lists in contrast to the broader employer-sponsored approach. The independent list, previously known as the Skilled Occupation List (SOL) was much narrower list of occupations than currently exists under the new (post 2024) CSOL. As abundant evidence[11] testifies, employer sponsored migrants deliver the best economic dividend both for the country and the migrant. Whether they be temporary or permanent, the employer sponsor has incurred significant costs to sponsor the applicant and have guaranteed them a job on arrival in Australia, or in transition from another working visa, such as a student or working holiday maker visa.

In this context, in order to better target Australia's skilled migration program it is recommended that:

- for employer sponsored migrants (both permanent and temporary), the previous policy that all skilled occupations be available for sponsorship be restored in order to ensure that local and regional needs are met without reliance on an imperfect national shortage analysis.
- For independent permanent skilled migrants, a narrower list of occupations apply to occupations that are shown to be in national shortage. This provides stronger assurance to the independent applicant that there are likely to be job vacancies in the occupations on the list.
- State sponsored supplementary lists be retained to provide a second opportunity for non-employer-sponsored migrants to apply for occupations not on the narrow national list for independent skilled migrants in order to meet state and regional needs.
- That there continues to be considerably more employer-sponsored places in the permanent migration planning levels than for independent skilled migrants.

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[11] See Varela, Husek, Williams, Maher & Kennedy. Treasury Paper, *The Lifetime Fiscal Impact of the Australian Permanent Migration Program*, December 2021 [Treasury Paper: The lifetime fiscal impact of the Australian permanent migration program]() and Barker, A & Tofts-Len, S (2024*), Making Better Use of Migrants' Skill*s, CEDA

The consequence of these recommendations would be that the current Core Skills Occupation List (CSOL) is replaced by a much narrower list of skilled occupations (SOL) which would inform independent skilled migration, and that all skilled occupations, as assessed by the ABS as skill levels 1 to 3, would be available for employer sponsorship. Not only will this ensure the skilled program is more responsive to local and business needs, but it improves certainty to employers and reduces the workload on industry groups as well as government and the JSA who each year embark on a laborious and frustrating process advocating for the inclusion of occupations vital to each industry on the CSOL.

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 and local skills gaps.

In short, the recommendations recognise that a single list, currently the CSOL, is not fit for purpose in informing both employer sponsored and independent migration – for employer sponsored it is too narrow and not sufficiently responsive; for independent it is too broad and likely to lead to disappointment in employment outcomes for independent migrants.

Recommendation:

5. *To better target Australia's skilled migration program, it is recommended that:*
   - *for employer sponsored migrants (both permanent and temporary), restore the pre-2017 policy that all skilled occupations (not just those on the CSOL) be available for sponsorship to ensure local and regional needs are met without reliance on an imperfect national shortage analysis.*
   - *For independent permanent skilled migrants, a narrower list of occupations applies for those that are shown to be in national shortage. This provides stronger assurance to the independent applicant that there are likely to be job vacancies in the occupations on the list.*
   - *State sponsored supplementary lists be retained in order to meet state and regional needs so as to provide a second opportunity for non-employer-sponsored migrants to apply for occupations not on the narrow national list for independent skilled migrants.*
   - *That there continues to be considerably more employer-sponsored places in the permanent migration planning levels than for independent skilled migrants.*

Temporary Skilled Migration

The Core Skills Occupation List which currently regulates occupations available for sponsorship above the Core Skills Income Threshold ($76,515) includes most of the key skilled occupations required in the hospitality industry. However, 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, there are a wide range of skill needed in hotels and resorts, including important roles such as security manager that are no longer available. This further reinforces the need to ensure all skilled occupations are available for employer sponsorship.

Core Skills Income Threshold

The level of the CSIT, previously known as the TSMIT, at $76,515 is a barrier to sponsorship of critically important occupations in our industry due to it being above the market salary of key roles, particularly for our regional employers. Compared to the Hospitality Award the CSIT is equivalent at present to the salaried (award plus 25%) wage of a Chef de Partie, which is the highest level of chef in the Award below managers. This limits sponsorship for most trained but less experienced commi and demi chefs as well as commercial cooks, even though there is a high demand and significant staff shortages in these categories.

Consideration should be given to reducing the CSIT at least for regional employers, where the cost of living and market rates of pay are lower.

Labour agreements

An important element of the temporary skilled migration program is the opportunity to strike labour agreements that can provide flexibility in the program relating to settings such as occupations available, English language requirements or the CSIT. Labour agreements have become increasingly important to address inflexibilities in the general settings. District Area Migration Agreements (DAMAs) have started to be introduced not just at regional level but at State level. Although the extra responsiveness is welcome, it says something about the overall system settings, that a State Government wishes to establish a DAMA that provides greater flexibility and addresses some of the barriers such as the CSIT and the limited list of occupations in the CSOL. If some of the recommendations made in this submission are taken up, the need for state-wide DAMAs would be less important.

One of the major barriers to labour agreements at the industry and company level is the complexity and time taken to implement given the long processing times. It is important that processing times improve and the process becomes simpler for employers and industry to access.

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 (should recommendation #5 not be enacted). 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.

Recommendation:

6. *Consideration be given to reducing the CSIT at least for regional employers, where the cost of living and market rates of pay are lower.*
7. *Improve processing times and reduce complexity for industry and company labour agreements so that the temporary skilled migration can be more responsive to industry and business needs.*

Permanent migration

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 skill needs. In this context, we were relieved that the government in 2025-26 maintained the planning levels at 185,000 and encouraged by the number of places allocated to employer nominated migration.

Specifically, in the planning levels we recommend places for employer sponsored migrants remain higher than other skilled categories, and that the skilled component as a percentage of the total be increased. For planning levels around 185,000-190,000, the skills component should be around 145,000, and employer sponsored numbers around 47,000 (up from the current 44,000).

Should the recommendation (#5 above) that all occupations be available for temporary and permanent employer sponsored migration not be taken up, at the very least the list of occupations available for permanent migration should be more extensive and inclusive. Café and Restaurant Manager is a good example. Last year, in deciding that restaurant manager not be available for temporary skilled migration, the government's decision to extend the use of the CSOL to permanent employer sponsored migration also denied the opportunity to sponsor restaurant managers into permanent roles. Migration outcome analysis is not nearly as relevant to outcomes for permanent migrants as their options are broader. Temporary visa applications for restaurant managers were up 79% in 2024-25 compared to the previous financial year, even though their eligibility was only available prior to the changes to the CSOL in December 2024. The demand for this occupation is high, particularly in regional Australia, but the list is not responsive to this irrefutable need.

One of the other changes that have been implemented in the past decade has been the introduction of provisional permanent regional skilled visas including employer-sponsored visas. The reduction in numbers accessing these provisional employer sponsored categories compared to the previous use of the Regional Sponsored Migration Scheme (RSMS) indicates that the changes to provisional have not been entirely successful. Forcing people to stay in the regions for a set period by keeping their status provisional is a questionable approach worthy of review as to whether the stakeholders including the employers and migrants find it beneficial. The program also needs to be analysed as to whether it has led, relatively speaking, to increased long term settlement in the regions

Recommendation:

8. *Places for employer sponsored permanent skilled migrants remain higher than other skilled categories, and that the skilled component as a percentage of the total be increased.*
9. *Review the outcomes of the regional provisional permanent migration visas to analyse whether a provisional regional approach has led to better outcomes for the employers, migrants and regions.*

Visa Processing

The Government's early efforts to improve visa processing times were appreciated. However, members report that they are again experiencing extensive delays, particularly with temporary skilled visas (at times up to 9 months). We urge the government to increase the investment in process resources and look at ways of reducing delays, further cut red tape and reducing costs to business and migrants. There is no doubt that costly delays are still occurring at considerable cost to members, and of significant impact to productivity and customer service.

> **Recommendation:**
>
> 10. *Increase the investment in visa processing resources and look at ways of reducing delays, further cutting red tape and reducing costs to business and migrants.*

Skilling Australia Fund

The imposition of the SAF levy on skilled migration since 2018 has been a huge burden on businesses and has comprehensively and non-transparently under-delivered on training outcomes. Initially, the SAF levy funded, by hypothecation, 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). Also, two states did not even sign up to the partnership agreement 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. As an alternative or as an additional option, the SAF levy should be waived completely if the sponsoring employer commits to employing an additional apprentice in the same or equivalent occupation to the visa applicant.

The expense of the Skilling Australian Fund has been made even more unfair by the recent decision to:

- halve the government funded employer incentives to employ an apprentice for many occupations, including chefs;
- the removal of employer incentives entirely from hospitality traineeships; and,
- the decline in publicly funded training for hospitality qualifications.

It is estimated that, based on the numbers cited above of visas granted for employer sponsored migrants (page 11), **the hospitality industry would have contributed in 2024-25 approximately $64 million to SAF**.[12] It is abhorrent and grossly unfair that the industry which contributes this amount is seeing the investment government makes in training for our industry fall away so dramatically.

Also relating to the SAF, the Migration Strategy released in 2023 signaled a conversation about charging the levy monthly rather than all up-front. While supportive of the principle of spreading the burden of the levy, this may work better if looked at annually rather than monthly. In either case, it is unsure how the

[12]Estimate based on 10,770 industry temporary migrants, and 2,000 employer sponsored permanent migrants, estimating that half the applicants would be large businesses.

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 or need to leave their initial sponsoring employer. A reduction in the levy to half the current levels will make both the initial sponsorship and any acquiring employer decision more affordable.

The rules relating to SAF levy refunds to the employer are unnecessarily complex. It is entirely unfair that generally when the department has refused an application for a Skills in Demand or ENS (permanent) visa, the employer is not refunded the levy. However, in the case where, for example, an approved applicant does not commence employment, a refund is available even though the outcome to the employer is the same, that being that the vacancy has not been filled. The employer already pays substantial visa application fees ($330-$540 plus $420 to become an approved sponsor), so it is unjustifiable that the SAF levy is not refunded in all circumstances where the role is not filled.

Recommendation:

11. *The Skilling Australia Fund levy should, at a minimum, be halved to $600 per year for small business and $900 for large.*
12. *Improve the fairness of the SAF levy by ensuring industries that contribute via the levy to skilling Australians are prioritised for government training funding.*
13. *Reduce the complexity of refunds of the SAF levy so that when the job role is not filled by a sponsored migrant, the levy should be refunded.*

Working Holiday Makers

In the context of the hospitality workforce, 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 better enables employers to manage their overall labour costs by injecting flexibility so necessary to such an event and seasonally-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 announcement that Government will not be limiting 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 the existing 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 due to a Free Trade 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 and Hobart 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.

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.

An important pathway into employer sponsorship of temporary skilled migrants is the international student visa. Through our current consultation with members concerning the critical chef shortage, it is very clear that a key source of skilled chefs has, particularly since the pandemic, been international students studying commercial cookery at international colleges here in Australia. Although the government is right to crack down on undesirable practices when students were not genuine, the imposition of “caps” on the number of enrolments has had a very detrimental impact on well-respected education providers of cooking qualifications. This has further exacerbated the chef shortage as this channel was an important source of skilled cooks and chefs.

Although AA supports policies that limit non-genuine student arrangements, as well as the retention of the current fortnightly cap on working hours of students 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.

Overall, the economic benefit of migrants, particularly skilled migrants, is 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 at the very minimum retains current productivity.

Recommendation:

14. *Enable increased places for international students, particularly in reputable VET colleges training chefs.*
15. *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

Unarguably, previous promotions by Tourism Australia since the "shrimp on the barbie" days of the late 1980s has put Australia on the global tourism bucket list as a must-see destination. Without this marketing effort, as a mid-tier country and long-haul flight option for most global travellers, Australia would struggle to capture world-wide attention as a tourism destination. Travellers in Europe and America rarely study Australia historically, nor do they frequently see it on the TV or movie screens. Ancestral links that are often a catalyst for visitation to other countries are also minimal. International marketing is the most important way to inspire potential travellers and alert them to our natural wonders and fascinating indigenous culture.

In this context, it is essential that funding to Tourism Australia is increased. In both 2024-25 and 2025-26, the TA budget allocation was held constant at around $170 million despite significant increases in costs of marketing and promotional activities overseas. It is a concern that according to media reports about fiscal action taken across the public service this figure may be further eroded this financial year which, in the face of rising media costs, would increase the challenge of maintaining, let alone improving, traveller awareness and intention to travel to Australia. Increased funding will also better enable TA to deal with any changes to travel intention arising from the tragic terrorism incident in December 2025.

In addition to leisure tourism, a consistent and high-quality flow 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.

As an extension to current activity, 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 where it is a joint federal/state effort. 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 (such as on exit from the pandemic) but it is noted that there is a current ministerial directive that TA 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.

Recent efforts to raise international capacity both by government and the airlines are welcome and momentum should continue.

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 monitor airline and airport pricing and performance with quarterly reports focused on improving consumer outcomes.

Passenger Movement Charge

It was disappointing that the passenger movement charge (PMC) was yet again increased in 1 July 2024, and is $70 per traveller. 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 $1.38 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. [13] 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 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.

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

Recommendations:

16. *Tourism Australia's budget for 2026-27 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.*
17. *Tourism Australia identify opportunities to support major event bids and prepare a business case for additional Federal investment as appropriate.*
18. *Tourism Australia to work closely with state tourism bodies to achieve greater regional dispersal of both domestic and international tourists.*
19. *The government examine further avenues to incentivise new entrants in the domestic aviation sector to improve competition, accessibility and quality of service to travellers.*
20. *That there be firm commitment to no further increases in the Passenger Movement Charge over the forward estimates and boost investment of the PMC proceeds into improving the passenger experience at the borders.*
21. *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.

Short Term Rental Accommodation (STRA) relates to those properties where the owner chooses to market their property for short term rental instead of offering the property under a long-term rental agreement. By definition, STRA does not include hotels, motels, resorts, serviced apartments or properties that operate in a similar way which are highly regulated for the benefit of customers and investors.

The Australian STRA market has over 160,000 listings on AirBNB across Australia and tens of thousands more properties listed through other websites and agents. This is equal to the number of new home dwellings currently built each year. With the current need for increased housing supply, this is an area where effective action can be taken.

Since the 2023 commitment, action by State & Territory governments has been mixed, with some seeming to take no action at all. **Firstly**, to achieve greater consistency of definitions and regulation, we urge the Federal Government to lead the development of a national STRA regulatory framework 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.
9. Clearly defined and consistent approach to what is considered STRA.

Secondly, we urge the Federal Government to consider changes to the taxation treatment of investor owners of STRA properties. Action for consideration could include:

- Disallowing negative gearing for defined STRA properties which were rented on lease agreements of less than 30 days for more than 90 days in each financial year; and/or
- If a nationally consistent regulatory framework were adopted, following the example of the Canadian parliament:
    - to deny income tax deductions for expenses incurred by STRA residential property owners for any period of non-compliance with provincial or municipal rules or restrictions; and,
    - provide funding to state and local governments to assist in enforcement of effective regulation

Features of this proposed policy approach are:

- 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 more effective maximum cap across all regions that is well below the 180-day cap 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 as it is merely passed on to the customer and does not impact investment decisions.
- balances the needs of property owners with the needs of the community. Those owners that have a holiday home can still enjoy some income from rental up to a quarter of the year when they are not using the property,
- 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 as STRA.
- requires 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, parts of Europe and Canada, it is modest and achievable
- Provides direct intervention options at the federal as well as the State/Territory level.
- Aims to achieve greater consistency of definitions and regulation across Australia. In the four jurisdictions where STRA legislation is in place the definition of what is STRA varies as does the regulatory approach.

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:

22. *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.*
23. *That regulation of STRA be backed by effective enforcement.*
24. *Consideration be given to changing the taxation treatment of STRA including to negative gearing of investment properties consistently used for STRA.*
25. *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, we recommend the Government enable all taxpayers who carry on a business; be allowed to claim a tax deduction and GST inputs on meal and beverage entertainment; together with being allowed a credit for the related GST and not requiring any FBT for the business owner or their employees. Please note – this benefit is intended to be for workers only and not for business associates of the employer. 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. Too many small businesses – around one in five – do not have any or sufficient digital capabilities to support themselves in a digital economy. Recent attempts to provide funding support for small business to improve digital capability need to be appropriately reviewed and future funding problems well designed to achieve maximum effectiveness.

Recommendation:

26. *Remove the applicability of fringe benefits tax on legitimate business entertainment expenses and restore their deductibility for small business.*
27. *Increase the accelerated depreciation rate for accommodation properties to improve cash flow and support increased hotel refurbishment.*
28. *Extend funding support to small business to improve digital capability.*

Energy and climate action

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.

In its pathway to Net Zero, the government has indicated that larger hotels greater than 100 rooms be required to adopt the NABERs energy rating program to be rated according to their energy efficiency. Larger hotels, which are often part of national or global accommodation chains, are already undertaking extensive action to reduce energy use and carbon emissions. AA has been in active discussion with the relevant Department to better recognise initiatives already undertaken and avoid duplication that may be created by the government making only one scheme compulsory. It is essential that these discussions focus on the objective of achieving emission reductions rather than the assumption that there is only one pathway to achieve this.

Recommendation:

29. *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.*
30. *Continued access to gas as an energy resource is essential*
31. *The Federal Government to work closely with the accommodation sector to recognise the extensive work already undertaken in the industry to achieve carbon emission reductions and reduce any duplication and unnecessary regulatory burden that may arise through only relying on the NABERs rating scheme to achieve the desired outcome.*

About Accommodation Australia

Accommodation Australia

A DIVISION OF THE AHA

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.