

PRE-BUDGET SUBMISSION 2023-24

Tourism Accommodation Australia & Accommodation
Association Submission



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INTRODUCTION

Tourism Accommodation Australia (TAA) and the Accommodation Association of Australia (AAoA) welcomes the opportunity to make a pre-budget submission for 2023 - 2024.

TAA is a division of the Australia Hotels Association (AHA) and together with the Accommodation Association they form the national peak bodies representing Australia's tourism, hotel accommodation and hospitality industry. Our membership is diverse and serviced by a network of branches based in every state and territory. We represent licensed businesses from small bars, restaurants, taverns, pub-style hotels through to three, four and five-star international accommodation hotels and resorts, serviced apartments and motels located in each state and territory.

Our members include Accor Hotels (incorporating Mantra Group); Marriott Hotels, Hyatt Hotels and Resorts; Intercontinental Hotels Group (IHG); Pan Pacific Hotels; Parkroyal Hotels and Resorts; Lancemore Group; Hilton; Event Hospitality Group including Rydges and QT Hotels; Toga Far East Hotels (TFE); Wyndham Hotel Group; Choice Hotels, Best Western, Big 4 Holiday Parks and Quest Apartment Hotels. The Associations are committed to the future development and growth of a sustainable accommodation industry within Australia's dynamic tourism and hospitality sector.

Our role is to represent the business and commercial interests of our members through services, advocacy, and policies. We are committed to ensuring the ongoing recovery and growth of the accommodation sector following droughts, bushfires, floods and COVID-19 that saw the decimation of our industry throughout 2020 and 2021.

TAA and the Accommodation Association recognises the importance of working with Government departments and stakeholders and we have a demonstrated history of achievement in working with Federal, State and Local Government, law enforcement agencies, educators, universities, and other organisations, never more so than over the last 36 months.

Prior to COVID-19, tourism had been identified as the super-growth sector of Australia's transitioning economy, in 2017–18, total tourist consumption was \$143 billion¹, which resulted in:

- \$57.3 billion in GDP to the economy (3.1% of the national total)
- Employment of 646,000 persons (5.2% of the Australian workforce) and;
- Exports of \$37.4 billion from international visitors to Australia (9.3% of Australia's exports earnings were from tourism)

¹ Australian Bureau of Statistics, 2018, *Tourism Satellite Account 2017-18*,
<https://www.tra.gov.au/economic-analysis/economic-value/national-tourism-satellite-account/national-tourism-satellite-account>.

Confidence and investment have supported the recent strong performance of the sector which has outpaced national growth rate for the last three years.² Driven primarily by domestic tourism which has largely recovered to pre-pandemic level, international tourism remains at half of pre-COVID.

TAA and AAoA has identified key policy initiatives for the Government to consider to continue the tourism sectors strong recovery, rebuilding the sector as the super-growth sector that employs hundreds of thousands of Australians and contributes billions of dollars in GDP. Recommendations for the Federal Budget 2023 – 2024 are summarised and then outlined in detail below.

² <https://www2.deloitte.com/au/en/pages/consumer-industrial-products/articles/tourism-hotel-outlook.html>.

RECOMMENDATIONS

TAA/AA RECOMMENDS:

Measures To Address Workforce Challenges

- *That the temporary Hotel and Accommodation industry labour agreement is turned from temporary to ongoing and that reputable industry organisations with high levels of industrial compliance among their membership sponsored visa applications are expedited.*
- *International students working in the hospitality industry be permitted to continue to work up to 30 hours per week until June 30, 2024.*
- *That the permanent skilled migration cap is increased to 210,000*
- *Skilling Australians Fund levy be halved to \$600 per year for small business and \$900 for large business for each sponsored temporary migrant, in recognition of the already significant costs associated with accessing overseas labour.*
- *That the Skilling Australians Fund levy be refunded in all cases where a skilled migration application is not successful.*

Support Domestic Tourism and The Return of International Travellers

- *Ensure funding for Tourism Australia is \$250 million to support offshore marketing campaigns in key international markets particularly now as it is so competitive.*
- *Commit to expanding the business events bid fund, which ensures Australia remains competitive in attracting high-yielding business events for the future which will still be critical for our recovery.*
- *The Business Events Bid Fund should be extended to smaller events being proposed in regional destinations with a minimum of 200 international attendees.*
- *Continue the prioritisation of funding for tourism infrastructure projects under all existing hard and soft infrastructure grants.*
- *Accelerate depreciation in regions for the purposes of upgrading/refurbishment of tourism assets including hotels and attractions.*

Insurance Reform

- *Monitor and if needed regulate insurance classes to ensure certainty and affordability for the accommodation and hospitality sector*
- *Consider other alternative risk mitigations such as advance deposit schemes that underwrite the tourism and events supply chains*
- *Adequately fund a Discretionary Mutual Fund (DMF) to cover risk for the leisure industries that include parts of the tourism sector and critical to the accommodation and hospitality industry.*

1. MEASURES TO ADDRESS WORKFORCE CHALLENGES

As the accommodation industry continues to recover, accommodation providers operating in Australia are facing significant workforce shortages. This is impacting current providers and the large pipeline of new business and incoming travellers whose experience will be severely impacted if our workforce challenges are not addressed as a priority.

Employment outlook predicts future jobs growth in the Accommodation and Food Services Industry to be the strongest growth of any industry (16.8 per cent between November 2020-November 2025). This data forecasts huge labour demand for our sector, on attracting, retaining, and upskilling our broader workforce, and on current vacancy figures there are more than 70,000 job vacancies.³ This is resulting in accommodation providers having to reduce services, impacting the industries recovery and Australia's brand as a leader in the international tourism sector.

The commitments to providing funding to numerous industry specific initiatives made by the government in the October 2022 budget to assist in easing the workforce challenges facing our members and the wider tourism industry, was strongly welcomed by AAoA and TAA and something our organisations and members have been long calling for.

We are currently working with Austrade to implement the \$10 million expansion to 'The Hub' which will provide 'tiered' and proportionate servicing to attract, engage, retain, and educate business, jobseekers, existing workers, and international students/visitors eligible to work in Australia, promoting the Accommodation sector as a career of choice. We urge the Government to ensure the other initiatives are implemented as soon as possible.

³ <https://www.seek.com.au/jobs> January 2023

1.1 NEED FOR SKILLED MIGRATION

Hiring Australian workers is always priority for hospitality businesses. It is cheaper, more reliable, and sustainable solution to workforce shortages. However, not for want of trying, labour shortages following Covid-19 are now at record highs in the licensed hospitality and accommodation industry.

The current worker shortage is set out below.

Occupation	Vacancies ⁴
Chef	8,218
Sous Chef	2,422
Chef de Partie	2,892
Kitchen Hand	7,656
Pastry Chef	1,427
Restaurant Manager	3,318
Restaurant Assistant Manager	857
Café Manager	3,716
Waitstaff	8,778
Barista	14,442
Bartender	8,225
Host/Hostess	2,191
Housekeeper	5,946
TOTAL	70,088

Addressing the long-term skills shortages in key occupations in the accommodation industry (chefs, cooks, and management employees) will take time as there are insufficient numbers of Australians currently ready, willing, and able to fill these positions. Nor are there enough in the apprenticeship or trainee pipeline.

⁴ <https://www.seek.com.au/jobs> January 2023

1.2 ACCOMMODATION AND HOTEL LABOR AGREEMENT

Supporting Australians is a top priority for our industry and particularly our members, our members always seek to employ local talent in the communities they operate in. The Accommodation Association and TAA with the support of our members, our affiliate industry peaks, and partners have developed several innovative programs aimed at training local talent to match vacancies in the industry. Some of the programs we have developed to drive local employment and skills include:

- **The Hub** – a one-stop transformational Hospitality portal to for employers, job seekers, consultants with streamlined processes, forms and tools for anyone to use so that the matching of individuals to job and career opportunities is even faster and easier. It also provides a unified job Board for the sector.
- **The Accommodation Jobs initiative** – A Victorian initiative, which will attract 320 priority cohort jobseekers into paid training and at least 12 months of secure employment.
- **The Gappa** –this is a gap year experience for anyone but is targeted at young adults who are encouraged to take their gap year in their own backyard and make money doing it while working anywhere in the country for a year.
- **Train2Earn** – our hugely successful direct training program which provides a short, intensive 3-day immersion training with a job interview at the end. This is already tracking at a 94% employment outcome.
- Our PaTH Business Placement Partnerships programs which provide all jobseekers who complete training with a guaranteed 4 week live and practical internship in metro and regional venues nationally. These programs have an 80% employment success rate and provide the core basic skills to start a career in the sector. As part of this and in line with the sector's commitment to creating an inclusive workforce, there are also dedicated DES programs to run in a hotel environment with a supported PaTH internship and employment support package.

Given the current difficulties finding local talent to fill the more than 70,000 vacancies we must look outward to fill critical skill shortages in the hotel and accommodation industry.

In May 2022 the Commonwealth Government introduced a set of company-specific labour agreement arrangements to support businesses to fill critical skill shortages in the hotel and accommodation industry, including in-house food services. The agreement, known as the 'Accommodation and Hotel Labour Agreement' is temporary and introduced to support recovery from COVID-19.

The Labour Agreement includes a temporary visa pathway for the specific occupations with concessions on English language requirements and it may also include a permanent visa pathway for all the above occupations with concessions on standing age requirements.

AAoA and TAA recommend the temporary Hotel and Accommodation industry labour agreement is turned from temporary to ongoing.

1.3 SUBCLASS 500 STUDENT VISA

International students are an important source of labour for the hospitality industry. In October 2022, there were 424,793 international students in Australia.⁵ By comparison, the number of international students in Australia in March 2019 was 639,000. This reduction exacerbates the labour and skills shortages in industries such as accommodation that depend on international student workers.

International students were only permitted to work 40 hours per fortnight while their course is in session. However, in recognition of international students' vital role as part of a sustainable labour mix, the Department of Home Affairs and the Australian Border Force in June 2021 relaxed this requirement and allowed international student visa holders to work more than 40 hours per fortnight in the hospitality, tourism and accommodation sector. This relaxation was attributed to the exceptional circumstances caused by the COVID-19 pandemic.

Given that the exceptional circumstances caused by the COVID-19 pandemic have afflicted the hospitality industry, and that the available number of international students will take time to return to pre-covid numbers, AAoA and TAA seek that international students working in the Accommodation industry be permitted to work 30 hours per fortnight up until June 2024. Whilst we appreciate the need for a cap to return to support Australia's education export business, a 30hr cap per week would ensure businesses don't fall back in dire labour shortage problems and assist students fund the higher cost of living associated with today's economy.

1.4 INCREASE PERMANENT SKILLED MIGRATION CAP

Migration is both a substantial contributor to Australia's economic prosperity but it also the lifeblood of Australia's heritage and culture. Australia is a nation that is built on migration, as is our workforce and our economy.

AAoA and TAA view the temporary and permanent skilled migration programs as highly valuable components of workforce planning and development for the licensed hospitality and accommodation industry. Skilled migration is a vital tool that assists individual businesses who experience skills shortages as well as fill skilled gaps in the broader economy. When a business needs to expand or replace a departing worker, skill migration provides access to skilled workers that are not otherwise available. Without this option, the licensed hospitality and accommodation industry is negatively affected. This impacts on overall economic activity, and therefore reduces the job opportunities available to Australian workers.

From 2020-21 to 2022-23, the planning level for the permanent migration program has been set at 160,000 places. In 2022/23 the Labor Government, as part of the Jobs and Skills Summit increased this to 195,000 places. AAoA and TAA recommend catching up on the years of limited uptake on migration that planned permanent migration intake for 2023-24 should be increased to 210,000 places for skilled migrants to support the current skills and labour shortage. Further, beyond 2023-24 the migration caps should be set according to the evidence of maximum benefit including an assessment of economic, fiscal, and demographic outcomes. We believe 210,000 to be an appropriate level to maximise the benefits of migration while controlling overall migration levels. We are also of the view

⁵ The Administration of the Immigration and Citizenship Programs – 10th edition (home affairs)

that the distribution between skilled and family migrants needs to be restored to two thirds versus one third.

1.5 THE COST OF SPONSORSHIP

There are high economic and productivity costs to seeking out an employee from overseas.

Employers who utilise temporary skilled migration are forced to pay significant amounts of money to sponsor a skilled migrant. This is akin to a tax on business productivity. The average cost to hotels of employing a person on a STSOL visa averages \$6,100 with a maximum of approximately \$9,000. For a MLTSSL visa, the cost averages \$6,500 with a maximum of approximately \$11,000.⁶ As these businesses cannot source suitably skilled Australian workers, these costs are unavoidable.

AAoA and TAA remain concerned at the quantum of the Skilling Australians Fund levy. In line with the Australian Chamber of Commerce and Industry, we recommend that the levy be halved to \$600 per year for small business and \$900 for large business for each sponsored temporary migrant.

More support for employers in regional areas (especially in the context of natural disasters) can be delivered through concessions such as waiving Skilling Australians Fund levies.

AAoA and TAA also seek improvement in the refund scheme, which is only available in limited circumstances and argue that it should be available for all cases where the application has not been successful.

TAA/AA RECOMMENDS:

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⁶ TAA NSW 2019

2. SUPPORT DOMESTIC TOURISM AND THE RETURN OF INTERNATIONAL TRAVELLERS

2.1 INVESTMENT IN TOURISM AUSTRALIA

As a world leader in international destination marketing, it is imperative that Tourism Australia retains its status to ensure it remains a contender in the highly competitive international tourism market post pandemic. In response to the Bushfire crisis followed by Covid19, Tourism Australia took on a domestic marketing role in addition to international marketing efforts. This was a welcome move as it saw the release of unified domestic tourism campaigns and the establishment of State Tourism bodies.

In partnership with the state and territory bodies, the activation of lucrative international recovery campaigns aligned with the strategic domestic campaigns have reinforced the vital role Tourism Australia plays in the rebooting of our industry.

It is predicted that the post pandemic environment will create significant opportunities for Australian tourism, both internationally and domestically. Australia has surpassed pre-COVID restriction levels in online searches, however this is not translating into bookings or arrivals.

Tourism Australia must stand in a well-resourced stead to take full advantage of these opportunities as they are now tasked to promote the country, at which time, there is fierce competition within the global market to capture the tourism spend.

Given the post COVID-19 marketing effort needed, funding needs to increase to \$250 million per annum.

2.2 BUSINESS EVENTS

The national business events bid fund supports bids for new, high-value international incentive, association, and exhibition events. AAoA and TAA welcomed the allocation of the Business Events Bids Fund in FY 23.

As part of our industries continued recovery from COVID-19 the industry needs long-term sustainable investment that will enable Australia to proactively respond within an extremely competitive events bid market once international travel resumes worldwide.

The Association of Australian Convention Bureau (AACB) published research in 2018 confirming that 12% of international association convention bids for events from 2015 - 2025 were lost due to stronger financial incentives offered by Australian competitors.⁷ The current bid fund has proved successful and helps mitigate against the high cost of doing business in Australia.

2.3 BOOST REGIONAL TOURISM

Regional visitor economies are underperforming in many key tourism destinations due to the slow return of international travellers. Whilst there has been some reprieve from intrastate and interstate travel the spend of travelling Australians is lower and ultimately this pent-up demand will be short lived.

⁷ Association of Australian Convention Bureaux, *AACB Submission to the Beyond Tourism 2020 Steering Committee*, 26 April 2018, <https://aacb.org.au/Beyond%20Tourism%202020>.

Based on the above the regional visitor economy needs urgent action to provide:

- **Reliable and useful tourism data** to support sustainable planning and decision-making,
- Initiatives that support **regional dispersal**, we know visitors will travel 3-4 hours from major population centres and this ongoing challenge has only been amplified,
- Programs and initiatives to address **skills shortages crisis**, and
- **Industry development** to build a stronger and more resilient communities.

The growth of regional visitor economies is dependent on dispersing more international visitors beyond capital cities for longer overnight stays. With the gradual return of international visitors and more travelling domestic Australians there is a need to attract more quality supply into regional Australia, to assist with increased dispersal to regional areas. Many of Australia's regional areas suffer from insufficient investment in, and renewal of, tourism facilities. Investment in regional facilities is unlikely to occur without an increase in regional visitor nights, yet an increase in regional visitor nights is unlikely to occur without improved accommodation.

There is ongoing need to improve tourism-related infrastructure and support demand driven projects. Prioritising infrastructure with the aim of boosting local tourism has wider benefits for an entire local community. Particularly as domestic tourism is the basis for the restart post COVID-19 and drive tourism will likely be the starting point, increasing the capacity of a regional conference centre, a road leading to a local attraction, improving facilities for tourism vessels such as houseboats or expanding a regional airport directly benefits not just tourism operators but the regional visitor economy more broadly. Long-term projects such as these will increase local tourism numbers and deliver benefits to the wider community, directly and indirectly, year on year.

It is also recommended to accelerate depreciation in regions for the purposes of upgrading/refurbishment of tourism assets including hotels and attractions.

TAA/AA RECOMMENDS:

Support the return of International Travellers

- *Ensure funding for Tourism Australia is \$250 million to support offshore marketing campaigns in key international markets particularly now as it is so competitive.*
- *Commit to expanding the business events bid fund, which ensures Australia remains competitive in attracting high-yielding business events for the future which will still be critical for our recovery.*
- *The Business Events Bid Fund should be extended to smaller events being proposed in regional destinations with a minimum of 200 international attendees.*
- *Continue the prioritisation of funding for tourism infrastructure projects under all existing hard and soft infrastructure grants.*
- *Accelerate depreciation in regions for the purposes of upgrading/refurbishment of tourism assets including hotels and attractions.*

3. INSURANCE REFORM

Visitors and business involved in the broader tourism sector insure against the risks of travelling and providing services to visitors. Insurance classes such as workers compensation, public liability and travel insurance all face impacts from COVID-19. Hotels are responding to these risks by being more flexible with bookings and refunds but will need the support of insurers and their underwriters to be able to offer the certainty that insurance provides, at a cost the insured can afford. There may be a role for Government in monitoring and, if necessary, regulating to ensure certainty and affordability can be achieved.

This recommendation reflects the need to ensure that insurance responses to COVID-19 do not make insurance inaccessible for hotels and hospitality businesses, especially Workers Compensation, Public Liability, Conference and Events insurance. Affordability and accessibility of adequate insurance coverage is crucial so that businesses can protect their employees, their consumers, and their operations. There are a number of key insurance concerns currently faced by the accommodation and tourism sector, including operators not being able to access appropriate insurance products or facing issues with renewal increasing premiums and decreasing cover; the lack of a national solution to the business events cancellation risk; coverage of supply chain risks; and the unavailability of travel insurance that covers travellers quarantining and contractions of COVID-19 is a serious issue in the lead up to easing border restrictions and the flow of international travellers resuming.

Liability caps may be imposed, if necessary, to ensure businesses remain solvent. An accessible and competitive travel insurance market will facilitate travel and not act as a deterrent in an already tight and competitive market. The Australian Small Business and Family Enterprise Ombudsman (ASBFEO) Insurance Inquiry Final Report also recommended that the liability for personal injury should be subject to statutory caps and where there is only one or no insurers left in a professional indemnity market, that the Federal Government should provide an insurance scheme of last resort for small business.

Consideration should also be given to other risk mitigation measures, such as advance deposit schemes that underwrite the tourism and events supply chains. It is expected that post-COVID there will be international expectation of changed payment arrangements that will severely impact cash flows in Australian businesses in the medium term.

In addition, on 6 December 2021 ASBFEO released its final report into the insurance crisis facing Australia's amusement, leisure, and recreation sector, *'Discretionary Mutual Fund Review Final Report: The Show Must Go On'*. In conjunction with the interim report, the final report has explored and found that a Discretionary Mutual Fund (DMF) is currently the only workable and durable solution to enable the amusement, leisure and recreation sector to remain operational in a hardened global insurance market. It was highlighted that if these businesses cannot secure risk protection, they face imminent closure and that will lead to significant job losses (particularly in regional areas) and a loss of economic activity generated by metro and regional shows and amusement parks. The DMF solution as set out in the final report is reliant on all foundational support from all levels of government, including Federal. Adequate funding of the DMF is necessary to cover risk for the leisure industries that include parts of the tourism sector and a critical source to the accommodation and hospitality industry.

TAA/AA RECOMMENDS:

- *Monitor and if needed regulate insurance classes to ensure certainty and affordability for the accommodation and hospitality sector.*
- *Consider other alternative risk mitigations such as advance deposit schemes that underwrite the tourism and events supply chains.*
- *Adequately fund a Discretionary Mutual Fund (DMF) to cover risk for the leisure industries that include parts of the tourism sector and critical to the accommodation and hospitality industry.*