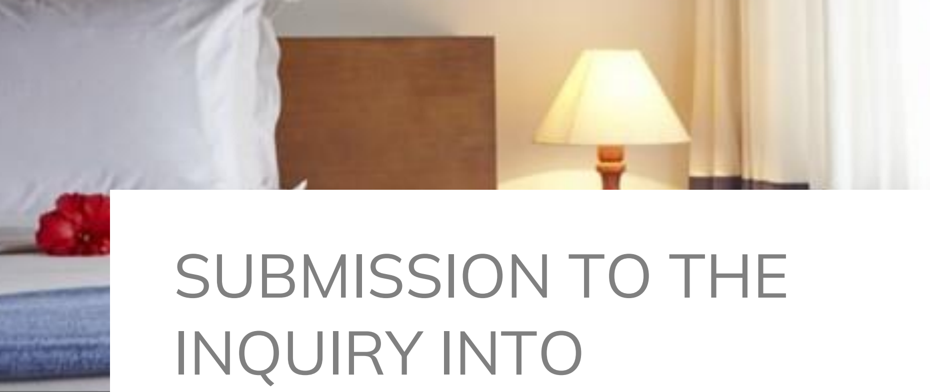

SUBMISSION TO THE INQUIRY INTO AUSTRALIA’S TOURISM AND INTERNATIONAL EDUCATION SECTORS

SEPTEMBER 2023

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

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

Executive Summary

The accommodation sector is at the core of the visitor economy, employing over 110,000 Australians, down from pre-COVID level of around 127,000. Economic value-add to tourism of the accommodation sector at $4.5 billion in 2021-22 is also showing some recovery but still considerably short of the $6.2 billion in 2018-19.

There is 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. Current hotels under construction and recent openings illustrate that hotel investors stayed faithful to the positive long-term future of the sector throughout the challenging COVID period.

There are a range of policy issues that need to be addressed in order for the sector to grow even more strongly. This submission identifies opportunities in:

- migration, including the regulation of the Temporary Skilled Migration Income Threshold, ensuring working holiday maker visas are not limited to one year, enhancing employer sponsored migration and improving the visa arrangements for intercompany transfers;
- skills, including the need for higher employer commencement incentives for apprentices;
- improving employer engagement with employment services;
- our complex workplace relations laws, including the need to recognise the valuable, and mutually beneficial role that casual employment plays in a sector that has major fluctuations due to such factors as seasonality and events;
- tourism demand initiatives including increased funding for Tourism Australia and better aviation access;
- the need for more effective and consistent regulation of short-term rental accommodation to replace the current ad hoc, inefficient approach; and,
- Further growth in international education, with benefits flowing both in terms of the tourism it generates, as well as the very important contribution to the accommodation sector workforce.

Introduction

The accommodation sector is at the core of the visitor economy, employing over 110,000 Australians. For decades the sector has been represented by two organisations, which on 1 July 2023 merged to become Accommodation Australia (AA). With this one voice, and unity of purpose, we appreciate the opportunity to highlight issues to the Joint Standing Committee on Foreign Affairs, Defence and Trade that impact on the challenges and opportunities for growth in tourism which are at the heart of the terms of reference of the Inquiry.

Like other sectors connected with tourism, accommodation businesses have suffered through a difficult three years and have not yet fully recovered the ground lost during the pandemic. Despite these hard times, the number of hotels currently under construction, and the reinvestment in the industry by existing operators, is a testament to faith in the long-term future of the sector. However, this positive outlook can only be realised if there are enablers to assist the industry to grow and serve, and a reduction in the barriers that hold it back.

This submission covers policy recommendations relating to migration, workplace relations, skills, workforce planning, short term accommodation and tourism demand. It also draws attention to how readily governments can seek to undermine tourism growth through taxation as well as the benefit of continued growth in international education.

Accommodation Sector

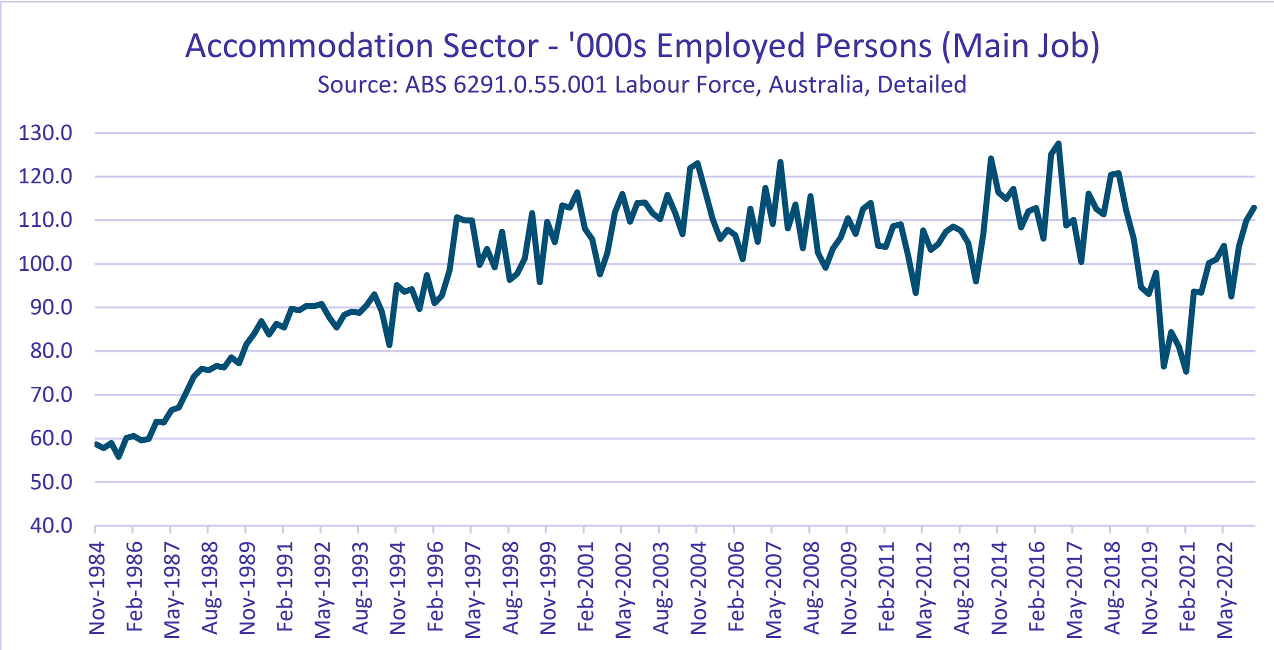
Employment

As at May 2023, there were 112,800[1] people who identified that their main job was in the accommodation sector. As Figure 1 shows, this is almost double the number of forty years ago. Reflecting the incomplete recovery from the pandemic, the employment figure is over 15,000 below its high point before COVID-19.

It is important to note that the employment data for our sector underestimates the total number of people employed in the accommodation industry as the ABS categorises the labour force according to their main job. As there are many people working in hospitality who supplement their household income through a secondary job working in accommodation, the total number of employees who are income-reliant on our sector is much higher.

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

Figure 1. **Employment in Accommodation**



Reflecting the strong career paths and consistency that the accommodation industry offers, the share of full-time employment has not significantly changed in the last 40 years, being 58% full time in 1984, compared with 56% in May 2023. This compares with a decline in full-time employment in retail from 68% to 50%, and foodservice (clubs, restaurants, pubs, catering) from 60% to 39% over the same period.

The proportion of female employment has also grown significantly, being 58% of total employment in accommodation in 1984 compared with 68% in May 2023.

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

The accommodation sector competes for job seekers with other sectors within the Accommodation and Food Service industry. According to the ABS Labour Force Survey, the top 5 occupations in demand in the Accommodation and Food Service industry include important accommodation job roles of Waiters, Kitchenhands, Bar Attendants, and Chefs. Across the broader hospitality industry, the demand for cooks and chefs through the apprenticeship pathway is predicted to be 32,000 per annum.[2]

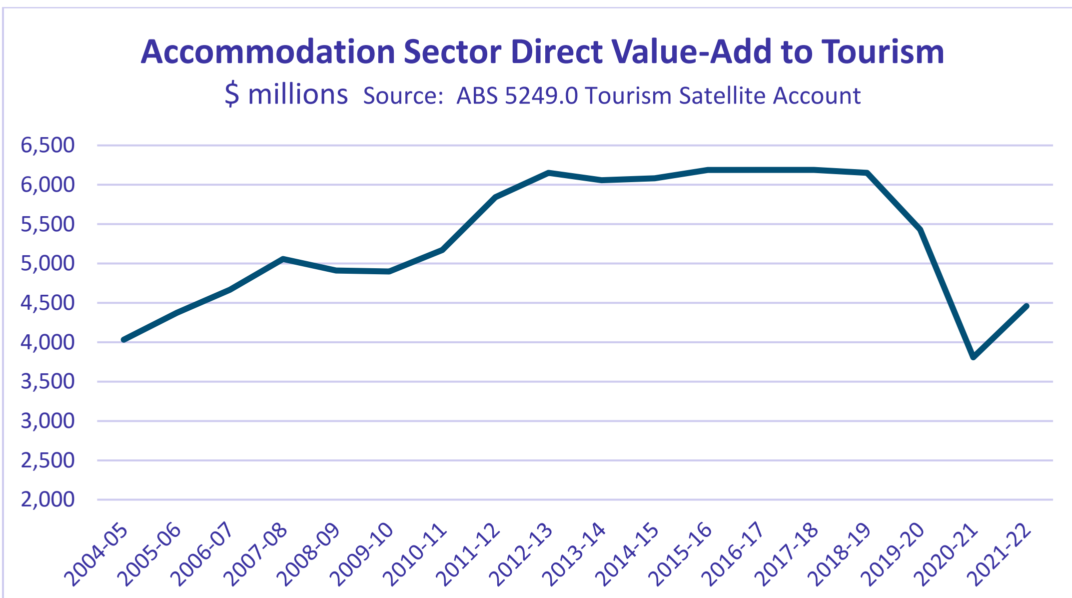
[2] Aus Chamber Tourism & Tourism Training Australia, *Tourism Workforce Development Strategy*, 2023

Employment projections to 2026 indicate that accommodation and food services is one of only four industries that will account for a third of all jobs growth, with the net growth for accommodation and foodservice projected to be 112,400. Net employment growth is going to be particularly strong for Café and Restaurant Managers (up by 17,500 or 27.3%) and Chefs (up 11,200 or 13.9%)[3]

Economic Contribution

According to the ABS Tourism Satellite accounts, for pre-COVID 2018-19 the accommodation sector gross value add was $8.58 billion, and direct value-add to tourism was $6.2 billion. As can be seen in Figure 2, the impact of COVID was profound, with the contribution to tourism dropping to a low point of $3.8 billion in 2020-21, before recovering some lost ground to $4.5 billion in 2021-22.[4]

Figure 2. Accommodation direct contribution to tourism



Growth

Despite the recent challenges, hotel accommodation investors have continued to demonstrate long-term faith in the market. According to specialist data company STR, over the last three

[3] National Skills Commission, Employment Projections, [Employment Projections | National Skills Commission](), accessed 30 August 2023

[4] ABS, 5249.0 Australian National Accounts, Tourism Satellite accounts 2021-22 released 8 Dec 22

years, 206 new accommodation properties containing 19,246 rooms have opened across Australia, which are broken down by State in figure 3.

Figure 3. Hotels and Rooms opened 2020-23[5]

	Hotels	Rooms
Australian Capital Territory	5	488
New South Wales	57	3,784
Northern Territory	2	46
Queensland	36	3,133
South Australia	17	1,697
Tasmania	8	1,194
Victoria	71	8,016
Western Australia	10	888
Australia Total	**206**	**19,246**

Occupancy Rates

Hotel occupancy rates are also showing some recovery but, again, are still not back to pre-pandemic levels. For the year to June 2023 the average occupancy rate across Australia was 67.8% compared with 72.2% in the year to June 2019. All States and Territories were below the pre-pandemic average except WA, where the average occupancy rate was 72.1% in 2022/23 compared with 67.5% in 2018/19. Victoria was the worst effected, with 66.7% compared with pre-pandemic 77.3%.

The latest occupancy rate data from STR for July 2023 indicates that the growth in the level of visitation lags the rate of new rooms opening over the last four years in all states and territories except Western Australia where the occupancy rate of 70.3% is virtually equal to pre-COVID July 2019. Northern Territory, NSW and Queensland have also substantially recovered, but all other states are over 10 percent behind occupancy levels in 2019. Overall, the average occupancy rate for Australia in July 2023 was 70.9%, compared with 68.6% in July 2022 and 74.8% in July 2019. Tasmania, ACT and SA experienced July 2023 occupancies below July 2022.

[5] STR Data available via subscription, general web address - The Global Hotel Industry Standard for Improving Performance and Measuring Success | STR

Issues for the Accommodation Sector

Migration

Migration plays an important role in accommodation for both labour and skills. Skilled occupations such as chefs, accommodation and food and beverage managers have been in shortage for many years, and migration is an important supplement to the workforce developed here. There are also many specialist cuisine restaurants in hotels and resorts that need highly skilled chefs in that cuisine style. Customers expect an authentic experience, and chefs cooking their native cuisine provide this, as well as imparting valuable skills to Australians working in their kitchens.

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 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 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 place to rent.

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

Response to the Independent Panel review of migration

In response to the recent review of Migration undertaken by the independent Panel headed by Martin Parkinson and noting the Government's intention to release a migration strategy later this year, Accommodation Australia supports:

- Action already taken by government so that hundreds of thousands of New Zealanders do not have to be permanently temporary
- Pathways to permanency for all Temporary skill shortage (TSS) visas, eliminating the difference between short and medium/long term skill shortage visas
- A tripartite, evidence-based approach, with an active Ministerial Advisory Council
- Reduced complexity including the removal of labour market testing, a three-tiered approach based on salary thresholds, a simplification of the occupation lists and a reduced reliance on outdated ANZSCO
- Monthly or more practically annual invoicing for the training levy to spread the cost burden, allow for movement of the migrant and maintain connection between Department Home Affairs and the employer/migrant

Accommodation Australia is not supportive of, or has some concerns about, a number of other Panel recommendations. Notably, the recommendation that Working Holiday Maker visas be limited to one year by denying second and third year extensions which are currently accessed by 88 days per year of regional work would have a detrimental impact. It is important that Australia retains structural incentives for WHMs to work in the regions so that the accommodation industry can tap into this seasonal workforce. While we share concerns about any integrity issues with WHM visas, these problems are not prevalent in the accommodation sector, and in general are best addressed through proper regulation and enforcement. Indeed, the steps recently taken by the Government to tackle exploitation of migrant workers is a more targeted approach and will do no harm to employers in our industry where businesses and WHMs mutually benefit.

The Panel also expressed concerns about exploitation of temporary skilled migrants by employers who sponsored workers and then sought to “tie” them to that workplace. There is never any excuse for exploitation, and measures taken to ensure migrants are aware of their rights and to enforce these rules are important. However, these concerns should not detract from the overwhelming success story that is employer-sponsored migration – both permanent and temporary. Sponsored skilled migrants overwhelmingly experience much better employment outcomes than independent skilled migrants. The employer sponsored scheme is also more responsive to a wider range of occupations and needs.

Accommodation Australia supports more mobility for temporary skilled migrants to minimise any exploitation risk, but only if the cost of the sponsorship is no longer entirely borne by the sponsoring employer upfront. Annual or monthly invoicing of the SAF levy will help in this regard, although further investigation of the consequence of having the acquiring employer takeover the cost will need to be undertaken.

Another recommendation of the panel was that net overseas migration (NOM) data could be used instead of or as a complement to the permanent migration planning levels. Although the broader recommendations about the importance of population (including migration) and infrastructure planning at all levels of government is fully supported, it would be a concern if the NOM was used in a way that capped migrant work visas that are currently demand driven. Skilled temporary migrants are sponsored according to demand, and the regulatory and cost barriers alone are sufficient to limit use of migrants compared with hiring Australians should they be available.

With students and working holiday makers, their economic, soft diplomacy and labour force value is so strong that there should be no consideration of limiting their numbers. Australia would not limit the export of Australian-made goods or primary produce due to inadequate infrastructure of ports. They would fix the infrastructure. Why would we consider limiting our people-based export industries? This Panel recommendation, again, appears to be driven by integrity as well as infrastructure planning concerns. Both concerns can be addressed in other ways, without putting limitations on our exports and economy.

Temporary Skilled Migration Income Threshold (TSMIT)

It is noted that the Government has already acted to increase the TSMIT to $70,000. One result has been that a number of much needed occupations in regional Australia have become ineligible due to the role of TSMIT as not just a minimum income threshold but also as an eligibility threshold if the market salary rate of the occupation with that employer or in that region is lower than the TSMIT.

This can be fixed by removing the market salary rate (MSR) mechanism within the TSMIT structure to allow for paid rates above the TSMIT to qualify for a visa. This would allow an employer to pay above the TSMIT even if the market salary rate (MSR) of the occupation is less that the TSMIT.

By way of example, if the market rate of a commis chef (recently apprentice-qualified) in a resort location (including normal penalties and allowances) is $65,000, then currently the employer cannot sponsor a commis chef even if they were prepared to pay above $70,000. If the MSR for occupations below the TSMIT was removed, the employer could sponsor by committing to pay $70,000. In many cases, this could boost the wages of other commis chefs the sponsor employs to deal with internal pay equity issues.

To address this recommendation in more detail, the MSR and the TSMIT currently operate together, not only to ensure someone receives a minimum income, but to discourage sponsors from paying migrants more than the equivalent Australian workers. It is expressed in the Migration Regulations in this way 2.72 (15):

> *(d) **the annual market salary rate, excluding any non-monetary benefits, for the occupation** (determined by the person in accordance with an instrument made under subregulation (17)) is not less than the temporary skilled migration income threshold specified by the Minister in a legislative instrument made for the purposes of this paragraph; and*
>
> *(e) the nominee's annual earnings in relation to the occupation will not be less than the annual market salary rate for the occupation (determined by the person in accordance with an instrument made under subregulation (17)); and*
>
> *(f) the nominee's annual earnings, excluding any non-monetary benefits, in relation to the occupation will not be less than the temporary skilled migration income threshold specified by the Minister in a legislative instrument made for the purposes of paragraph (d);*

There is also a reinforcing regulation within the Migration Regulations [2.72 (10)] that the position has be “genuine” which means that the employer cannot say they are sponsoring a manager, but they really want them as a room attendant even if they are willing to pay them over the TSMIT.

As indicated by the above regulations, TSMIT is generally defined by using the market rate of the Base Rate of Pay – ie what is the base rate of pay that an equivalent Australian worker earns (either by reference to other staff in the same firm, or other workers in nearby equivalent workplaces. However, there is an exemption [2.72(16)] that allows for Ministerial discretion. This has been implemented through the use of Guaranteed Annual Earnings (GAE), when the GAE of workers doing similar roles is greater than the TSMIT. The GAE can include things like regular weekend penalties, broken shift allowances and even non-cash fringe benefits. Note, though, that the GAE does not include superannuation.

So, one of the key issues for the accommodation sector with any change of the TSMIT, **is that the GAE Exemption needs to remain**. In our industry, allowances and penalties above the base rate of pay are standard and it helps to boost the GAE and enable some occupations to become eligible over the threshold.

In terms of change needed, to allow for TSS visa holders to be sponsored into workplaces where the market rate (even allowing for the GAE) is less than the new (and now every increasing by the WPI) TSMIT, the MSR mechanism needs to be disconnected from the TSMIT to allow for migrants who are paid above the TSMIT to qualify for a visa. This can be achieved by removing 2.72 (15) (d). This still preserves the market rate for occupations above the threshold (e), and (f) ensures that any skilled migrant is actually paid above the TSMIT.

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 Australian GM and executive chef cohorts include many examples of professionals who have honed their skills both domestically and internationally.

The proposed migration strategy provides an excellent opportunity to introduce special visa arrangements for intercompany transfers for global companies. It would be expected that this would only be available to accredited sponsors with a proven track record. Streamlined arrangements for intercompany transfers would recognise the value to our economy of global skills transfers and international careers.

This could be achieved by granting accredited sponsors a set number of places that could be used at skill level 3 or above (and the top two tiers in terms of salary should the 3-tier system be adopted), but without the requirement to fit within an occupation list. There should also be more flexibility as to length of visa and training fees should be prorated accordingly. The accredited sponsor would still use the mainstream program for numbers above the approved number, 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.

Vocational Education and Training

Apprentices and Trainees

Even though there are no licensed trades in the hospitality-related occupations, apprentices and trainees have traditionally played an important role in the accommodation sector. The key apprentice trade is cooking, and for trainees, the sector has been a valuable avenue for trainees who are transitioning from school to work, or for those who have been unemployed, to work at the front office, housekeeping or in food and beverage occupations.

In this context, it is of great concern that the recent apprenticeship data (Dec 2022) shows the number of apprentices commencing a cooking trade has dropped by over 40% following the reduction in employer wage subsidies. A return to at least a 30% wage subsidy level in the first year is essential to ensure there is an adequate throughput of skilled chefs.

Similarly, with most of the traineeship pathways in the sector no longer eligible for employer incentives, the engagement of industry with this mechanism will decline which is a lost opportunity to ensure the employee who is often seeking their first job, receives a formal qualification while they work.

Training Funding

It is vital that the key qualifications needed for our industry are prioritised by both Federal and State Governments and are reflected in priority lists arising from national training and partnership agreements. With the exception of the cooking trade, hospitality qualifications have at times not been well served by priority lists and funding and can receive only partial or no subsidy. This is a misguided approach, as skills acquired with a Registered Training Organisation as part of a qualification are an important complement to skills learnt on the job, leading to higher productivity and better economic outcomes.

The most recent funding agreements have focused on TAFE. Although the sector is a big user of TAFE output, the role of private providers delivering qualifications in our sector is very important and we urge all governments to equitably fund quality providers across the VET system, not just TAFE.

It is also important that with the new national agreements, greater consideration be given to funding micro credentials (or skill sets). With unemployment low, there is less incentive for a job seeker or existing employee to undertake a full qualification, but economic outcomes and productivity would be improved if they undertake some immediate skills development.

Workforce Australia

The accommodation sector has traditionally actively engaged with government-funded employment services to secure a better alignment between sector needs and unemployed job seekers. The current Parliamentary review of Workforce Australia needs to identify ways that employers can better engage with the system and have access to the full cohort of job seekers not just those on the client list of one provider.

There are two core issues that need to be addressed in improving employer engagement: building confidence of employers in the suitability of applicants they receive through employment services and making the point of contact more straightforward and better known. Most employers don’t even think about using Workforce Australia when they are looking for staff. However, raising its profile is not enough if the service does not match the expectation.

Shortlisted, suitable candidates drawn from the entire Workforce Australia pool, is the free service that would be a value add to employers struggling to find staff. This would help negate any concerns employers may have in considering those currently unemployed.

Workplace Relations

Workplace laws have become increasingly complex, and particularly the small businesses with no HR departments that operate guest houses, motels and bespoke accommodation find it very difficult to understand and apply the laws. Notwithstanding these difficulties, the accommodation sector has a positive record of compliance, and more importantly of having positive and productive workplaces.

Recently the Federal Government introduced into Parliament the Fair Work Legislation Amendment (Closing Loopholes) Bill 2023. The Bill proposes extensive change to Australian workplace regulation, and its implications are still being considered.

The proposed change of most relevance to our sector is that affecting casuals. The most publicised proposed reform has been the right for casuals to request to convert to permanent after six months rather than 12. In the new Bill, there has been a carve out on this issue so that 12 months will remain for small businesses less than 15 employees. Our sector's experience of the opportunity for employees to convert under the existing legislation, is that very few employees take it up, preferred the flexibility and the additional 25% loading that comes with being a casual.

Of greater concern with the Bill is the proposed definition of casuals, which in the Bill runs to some two pages of complex legalise, with the bottom line being that an employee can only be a casual if they are paid a loading (which is straight forward) and the "employment relationship is characterised by the absence of a firm advance commitment to continuing and indefinite work". Fines are also proposed for an employer incorrectly engaging someone as a casual.

Accommodation Australia and the AHA will be putting forward views on the legislation in more detail in the current consultations and Senate hearings on the Bill, but there is an important general point to be made. Even though our proportion of full-time employees in the accommodation sector is relatively high, casual employment remains a very important part of our industry, particularly given the seasonal nature of many locations and the need for conference and event workers. Casuals need to be seen by all stakeholders as having a legitimate and positive role in Australia's workforce.

It is also important that any future reforms enhance, and not limit, existing flexibilities within Awards and open up greater opportunities for enterprises to negotiate positive and mutually beneficial industrial arrangements.

Tourism Demand

The recent announcement by China to restore Australia's Approved Destination Status is a major step on the road to recovery of international tourism. To further expand international tourism opportunities, it is important that Tourism Australia continues to be well funded to undertake successful marketing campaigns, and that Government identifies opportunities to grow aviation access. In this regard, we support the submission of Aus Chamber Tourism (of which AA is a member) which advocates the importance of Tourism Australia remaining a world leader in international destination marketing by ensuring it is funded at the level of $200 m per year including an allocation to promote into China on the back of the ADS as well as the business Events Bid Fund.

Increased airline access to Australia not only creates more capacity for tourist volume but increases competition and reduces airfares. The recent decision by government to deny the request by Qatar airlines to operate more flights is a major concern. This decision needs to be urgently reviewed, and requests by other international carriers need to be considered more favourably.

Impact of Short-Term Accommodation growth

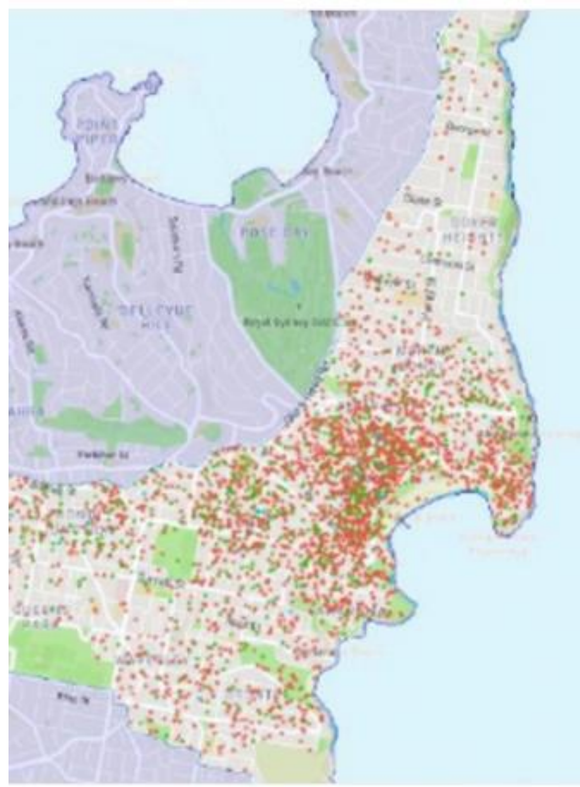
In recent years, the accommodation sector has not only been negatively impacted by the pandemic, but also the growth in the unregulated short-term rental market largely through AirBNB and Stayz. This trend is happening locally and globally. According to the Skift Global Accommodation report, the fastest growing segment of accommodation globally has been short-term rentals. The sector is estimated to have grown at a compounded growth rate (CAGR) of 10 percent between 2018-2022 while the hotels sector shows a negative CAGR (-1 percent) for the same time period. STRs now represent a small but growing section of the accommodation industry, with Skift estimating that STR share of global accommodation to have increased from 10 percent in 2018 to 14 percent in 2022.[6]

[6] Skift, Global Accommodation Market Estimates, Global Accommodation Sector Market Estimates 2022: New Skift Research, accessed 28 August 2023

In Australia, over the 18 months to June 2023, the growth particularly in Air BNB has seen listings increase by 25%, totaling 166,000 listings, ranking Australia as 10th largest globally.[7] The decisions being taken by apartment and house owners to offer their properties as short term rather than long term rentals are having a concerning impact on housing availability, both in the cities and regions. The Australian Financial Review recently reported that on the Gold Coast, revenue from short term rentals increased in the first quarter of 2023 to $83.6 million, more than double the same quarter in 2022. [8]

In response to this massive and largely unregulated growth, Governments are starting to act, including:

- In November 2021, the NSW Government introduced obligatory registration and fees for short term rentals and a code of conduct. There is a limit of 180 days in Greater Sydney where the host is not present.
- A proposal by Byron Shire council to impose a limit of 90 days, and consideration of an even lower limit of 60 days.
- In September 2023, Waverley Council (Sydney East) called for a statewide consideration of 60-day limit on Air BNB, noting that there were 3000 listings in their council area alone, 9% of dwellings (see Map published by Waverly Council).[9]
- The requirement for a development application to Brisbane City Council for short-term rental accommodation and the adoption of a development code. They have also announced a rate surcharge increase on short-term properties from 50% to 65%.
- A commitment by Melbourne City Council (August 2023), in the absence of state government laws, to introduce a registration fee for short term rentals and to limit the days to 180 per year.



Airbnb listings in the Waverley LGA, data sourced from Inside Airbnb 2023. Picture: Waverley Council.

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[7] Pricelab, The State of Short-Term Rentals in Australia: Insights and Opportunities, https://hello.pricelabs.co/the-state-of-short-term-rentals-in-australia/#:~:text=About%20PriceLabs-,The%20growth%20of%20the%20supply,listings%20as%20of%20June%202023., accessed 28 August 23

[8] Bennett, Tess (2023) *"Serious Money": Why listing on Airbnb, Stayz is so attractive*, AFR, 14 April 2023

[9] Healey, B (2023), *Waverley Council proposes motion for NSW 60-day limit on short term rentals*, Airbnb, Wentworth Courier, 12 September 2023,

Internationally, we have seen more robust action taken, including a recent decision by New York to limit Air BNB to only "hosted" accommodation, where the owner is on site. This reflects the original concept of letting out a spare room to tourists rather than converting a whole dwelling for short term holiday rentals. Also, the State of Penang, in Malaysia, has recently banned Air BNB in all but serviced apartments where 75% of residents have agreed to allow it. Each rental unit will also only be allowed to receive guests for a maximum of three days a week.

The disparity of actions of various governments is symptomatic of the absence of any consistent or effective approach to tackle the problems created by the massive growth in short-term rental accommodation.

Commercial accommodation providers operate in a highly regulated business environment, with a raft of related compliance costs – increased land tax, commercial Council rates, payroll tax, Workcover levies and insurances, staff wages, food safety, fire safety and building compliance – for example, disability access and egress.

By contrast, short-term rental accommodation has very little regulation in most jurisdictions and generally pay residential council rates. A home or apartment can be transformed into a tourist accommodation "overnight". For many properties, occupancy needs only to be as low as 35% for there to be a greater financial incentive for landlords to choose short-term over long-term rental. This is a gross under-utilisation of the accommodation amenity from a community perspective, and at a time of high housing rental costs and low availability, it is adding to the difficulties.

In addition, as short-term accommodation is often concentrated in higher tourist areas, the reduction in rental stock has exacerbated the difficulties in staff working in tourism areas being able to find rental accommodation.

There needs to be a national approach to regulation of the short-term accommodation market negotiated through the national committee of Federal and State ministers and built on a thorough State-level review of the impact. The alternative is a piecemeal grab-bag of solutions which are of limited effectiveness.

Tourism Vulnerability to Inefficient taxes

In July 2023, the Victorian government announced that they were considering a $5 per booking bed tax on all accommodation. The proposal highlights the vulnerability of tourism to taxes by any government seeking revenue. In this case, it is done on the premise of a housing strategy and payment for social housing, but there have been other examples of a bed tax which has been for tourism related spending, or just consolidate revenue. Prior to the GST, the Northern Territory had a bed tax, which was one of the inefficient state taxes eliminated under the GST agreement. The Queensland Government has also considered but then abandoned the idea of a bed tax.

Bed taxes are inefficient with negative economic consequences, regardless of any Governments proposed use of the funds. As evidenced by the federal Passenger Movement Charge levied on all outbound travellers, the collection of what was designed as targeted revenue inevitably exceeds the original proposal of what it is raised for. In the case of the PMC, it was originally imposed to cover the government cost of security and customs relating to tourists at the borders, but the evidence has long since shown that the amount collected has far exceeded these costs.

It is to be hoped that the Victorian Government will not proceed with its proposal, and that future state or federal governments shelve any plans to tax tourists, or the tourism sector. It may often seem to governments that tourists do not vote, but tourism taxes do hurt Australians, as they stifle economic activity in the visitor economy.

Careers in Accommodation

One of the major difficulties experienced by accommodation businesses is attracting and retaining staff. To address this, Accommodation Australia is pleased to be the recipient of funding from Austrade to develop a careers and jobs hub for not just our sector, but tourism, travel and hospitality generally. There is an exciting opportunity to develop a fully integrated approach to careers, jobs, and training to improve the efficiency and effectiveness of the labour market in this industry. The advisory board driving this project is drawn from all sectors of tourism, including travel, inbound tourism operators, clubs, and hotels. It will be a significant step forward in linking into existing successful arrangements, and a replacement for those projects that have not delivered what the industry needs.

International Education

Although this submission is primarily about the tourism terms of reference of this inquiry, the accommodation sector has a very active interest and engagement with international education. Tourism is a strong beneficiary of international education, particularly with travel associated with visiting students studying in Australia.

Most importantly, the accommodation sector employs a high number of international students whose needs for flexible, accessible and reliable work close to their study are well met by working in hotels and serviced apartments, particularly in the CBDs.

The removal of the cap on hours during COVID was a very important policy response to an urgent need for labour during that period. Although there are some in the sector, as well as a large number of the students, who would have liked to have seen the cap removed permanently, AA recognises the importance of balance, and supports the reimposition of cap as well as the recognising the value of the new limit of 24 hours per week.

The accommodation sector also highly values the graduate visa conditions that enable many of the students who have established a career in the industry to take their skills further into longer term employment arrangements.

Given these benefits, Accommodation Australia strongly supports the continued growth of international education and encourages government to improve visa arrangements as well as diversifying the spread of international students into regional areas for the benefit of all economies.