

SUBMISSION TO SENATE SELECT COMMITTEE INQUIRY INTO BILATERAL AIR SERVICE AGREEMENTS

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Accommodation Australia
A DIVISION OF THE AHA

Introduction

Accommodation Australia welcomes the opportunity to submit to the Senate Select Committee inquiring into Bilateral Air Service Agreements its comments on the important issue of aviation access.

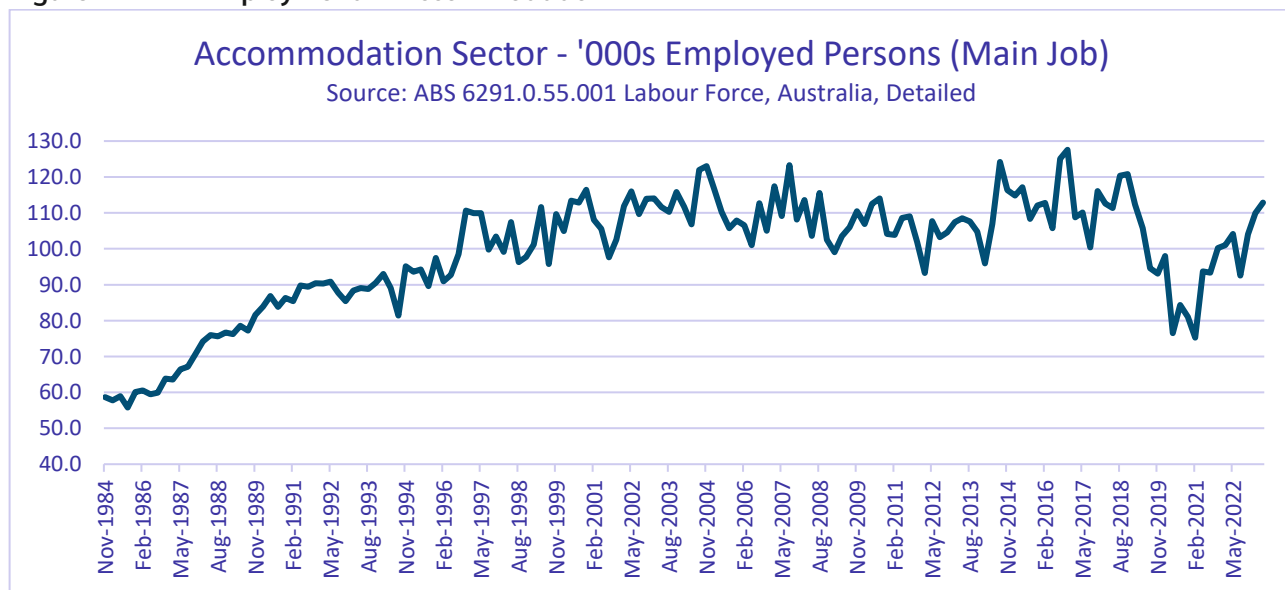
The accommodation sector is at the core of the visitor economy, employing over 110,000 Australians. Like other sectors connected with tourism, accommodation businesses have suffered through a difficult three years and have not yet fully recovered the ground lost during the pandemic. In particular, the sector is still being negatively impacted by the fact that international tourism has not yet fully returned to pre-pandemic levels.

As this submission makes clear, improved aviation access from international visitor source countries to Australia is of critical importance to the accommodation sector. Decisions taken through the Bilateral Agreement process need to balance the needs of aviation as well as the tourism industry and travellers in order to achieve a sustainable competitive market.

Accommodation Sector

As at May 2023, there were 112,800¹ 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, but reflecting the incomplete recovery from the pandemic, employment in our sector is more than 15,000 below its high point before COVID-19.

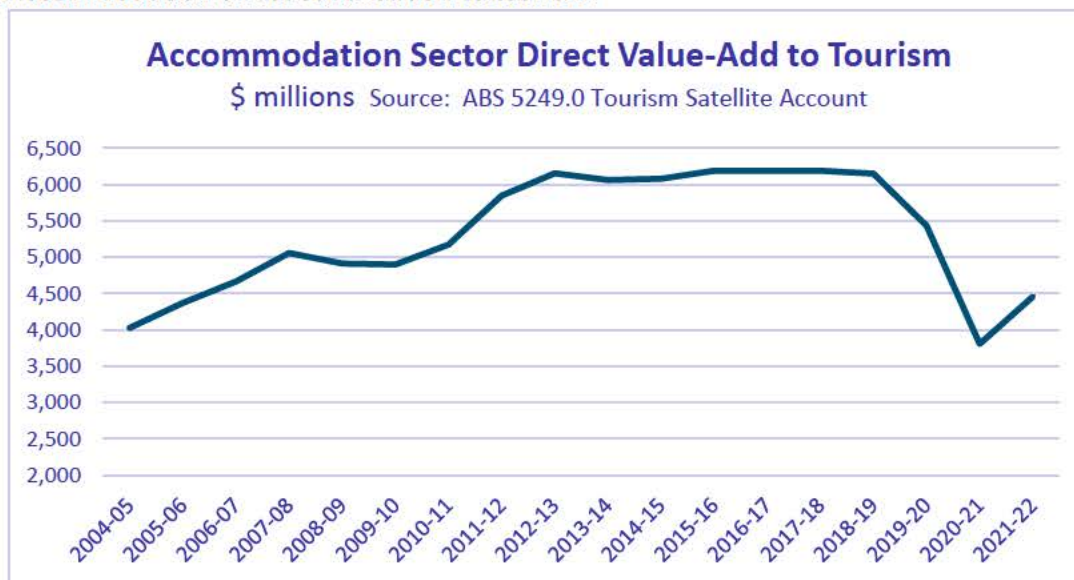
Figure 1. Employment in Accommodation



¹ ABS, 6291.0.55.001 Labour Force, Detailed, May 2023

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 of \$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 2021-22.²

Figure 2. Accommodation direct contribution to tourism



Employment and economic contribution of the accommodation sector will not fully recover until international holiday visitation returns to pre-COVID levels. Although the latest overseas arrival figures for July 2023 show that this recovery is continuing, at a level of 625,120 short term visitor arrivals, it is still over 20% below July 2019.

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%.

Despite these challenges, hotel accommodation investors have continued to demonstrate long-term faith in the market. According to specialist data company STR, over the last three years, 206 new accommodation properties containing 19,246 rooms have opened across Australia. The sector needs international tourism to return, and eventually exceed, pre-pandemic levels to fully justify this faith.

² ABS, 5249.0 Australian National Accounts, Tourism Satellite accounts 2021-22 released 8 Dec 22

Importance of Aviation Access

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. In the year to March 2023 the spend in Australia by international tourists was \$18.3 billion (total spend \$28.8 billion), which is 64% of the March 2020 (pre COVID) levels³. We still have a way to go.

The vast majority of international holiday and business travellers stay in hotels, motels and guesthouses across Australia. In the year to March 2023, these visitor categories stayed for over 96 million nights and spent over \$8 billion in our country. The accommodation component of their stay is exceptionally important in their overall impression of the country. The accommodation sector needs to continue to grow in a sustainable way that encourages hotel investors and owners to build and refurbish properties, ranging from the luxury five-star hotels in the inner city, to the small welcoming country motel in regional Australia,

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.

The price of airfares matters to all segments of the tourist market. Working holiday makers and students are particularly impacted. WHMs will spend more in Australia if they have been able to secure the flights at a reasonable price. The student market is price sensitive, not just relating to their initial journey to Australia, but also the knowledge that they will wish to travel home during their time of study, and their family may wish to visit them in Australia. Both the WHM and student markets are critically important to the accommodation sector, not just for the tourism dollars they bring, but their contribution to the accommodation workforce.

AA recognises that the aviation market needs to be managed. No country would allow unfettered access and would not allow its own carriers to be subject to predatory or loss-leading market practices that would decimate the local industry. However, in the interests of

³ Tourism Research Australia (2023), *International Visitor Survey* year to March 2023

all who have a stake in aviation, including the accommodation sector, tourists and the Australian travel public, the management of the market needs to be about balance.

Bilateral Agreements

Accommodation Australia (AA) strongly supports the ambition expressed by the Department of Infrastructure that the Government aims to be “working within the bilateral system to liberalise air services arrangements and progressively remove restrictions on routes, capacity and airline ownership.”⁴

One question that hopefully this inquiry will address is whether the decision relating to the Qatar request for extra flights, and any other relevant recent requests, positively contributes to fulfilling this ambition.

AA does not hold itself out as an aviation or diplomatic expert, but its members are fundamentally embedded within a global tourism market which is highly competitive. Many of our members are part of global hotel groups that are well-connected into the transport and tourism systems of other countries. Australia’s Bilateral Agreements system not only needs to promote competition - it needs to be competitive in its own right. Indeed, given Australia’s reliance on aviation to bring international tourism to us, our Bilateral Agreements system needs to be world leading.

The Bilateral Agreement system needs to be more transparent. AA recognises that some decisions will be in part or totally based on decisions that for security or foreign diplomacy reasons are not in the public domain. In these cases, the inability for the government to comment needs to be clearly stated, and not delivered through a range of confusing mixed messages as to reasons why decisions were made. Whenever possible, decisions should be fully explained, and subject to appeal.

Any decision by the transport minister in relation to flights should in all instances take full account of the needs of the tourism sector. At the least, this consultation should include Austrade as the relevant tourism department, and Tourism Australia. Ideally, a broader range of tourism stakeholders should be consulted.

It is also not clear why, when a request for extra flights is made, and refused, that a compromise of lesser flights is not offered or negotiated. Of course, it may be that the airline

⁴ Department of Infrastructure, Transport, Regional Development, Communications and the Arts (2023) *Bilateral air services system*, <https://www.infrastructure.gov.au/infrastructure-transport-vehicles/aviation/international-aviation/bilateral-air-services-system>, accessed 13 September 2023

refuses to reduce their request for commercial or other reasons, but this should also be clear that an alternative was offered.

Qatar Decision

The catalyst for the current, and necessary, focus on the Bilateral Agreement process was the decision to refuse additional flights to Qatar Airways. In relation to this decision, AA supports the submission by Australian Chamber – Tourism (AC-T), including that despite the Aviation Green paper pointing out that aviation policy has aimed to maintain capacity ahead of demand, the market at the time of the decision was showing all the signs of demand well exceeding capacity.

The potential cost to the Australian tourism industry, and the national economy in general, of the decision as quoted by AC-T as between \$500 m and \$1 billion is staggeringly high and justifies the scrutiny of the decision.

AA urges the government to make it clearer why the Qatar decision was made or of even greater benefit, agrees to review the decision and looks for a compromise if one can be found. More broadly, AA strongly supports an overhaul of the decision-making process to enable greater transparency and a more balanced approach that takes into account the capacity needs of the tourism sector.

About Accommodation Australia

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

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

