

Submission No 143

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Submission

Draft Disability (Access to premises –
Building) Standards 2009

Oaks Hotels & Resorts Limited

13 March 2009

**Submission date closes
Friday 13 March 2009**

Executive summary

This submission identifies the following considerations and concerns relevant to the implementation of the proposed draft *Disability (Access to Premises – Buildings Standards 2009) (Standards)*:

1. The requirements imposed are onerous and lack certainty in their application on what exactly constitutes “*building work*” “*modification*”, or “*extension*” under the Standards is uncertain. In particular, it is important to confirm in advance whether refurbishment or renovation triggers compliance with the Standards;
2. The increased cost in the construction of hotels and other Class 3 buildings in order to comply with the Standards will have a significant and detrimental impact on developers. This increased cost will contribute to a decline in the construction of new hotels; and
3. In the medium to long term there is potential for significant downturn in the tourism and construction industries caused by the increased cost of compliance with the Standards and the resulting lack of new hotel stock in Australia’s key tourism markets.

We recommend that the following actions be taken:

1. That an assessment of the financial impact of the Standards on Australia’s tourism and construction industries, on a short, medium and long term basis, should be conducted;
2. That an assessment of the financial modelling (including materials and assumptions), utilised when preparing the Standards, should be reviewed by a working party of building surveyors (or other professionals who have recent experience in the construction and renovation of hotels in Australia) with a view to considering the impact of the Standards on the hotel and construction industries;
3. That the Standards be amended to include definitions providing certainty of the key terms, such as:
 - (a) “building work”;
 - (b) “modification”;
 - (c) “extension”.

It may be appropriate for these definitions to expressly exclude renovations, refurbishment, general maintenance and minor modification, repairs and upgrading of facilities, fittings and fixtures.

The passing of the Standards without taking the above considerations and recommendations into affect could result in a significant and detrimental financial impact on the Australian tourism and construction industries in the short term and Australian economy in the medium to long term.

1. Clarification of key terms in the Standards

- 1.1 Section 2.1.3(3) of the guidelines for the Standards provides that Class 3 buildings will remain exempt to the extent that no applications are made under section 2.1.(4)(a) for the approval of “*building work*”, “*modification*” or “*extensions*”.
- 1.2 The key terms “building work”, “modification” and “extension” are not defined. As a consequence some building owners may inadvertently make additions to their buildings unsure of whether those additions fall within the scope of those words and the subsequent application of the Standards.
- 1.3 In order to protect against uncertainty these key terms should be clearly defined in an amended version of the Standards, so that building owners are aware of what level of works constitutes either “building work”,

“modification” and “extension”. This definition should be applied nationally, not from one local authority to another.

2. Increase the cost of construction under the Standards

- 2.1 The specific requirements of the Standards are addressed in detail at Part D.
- 2.2 Accompanying the Standards is a series of cost matrixes which attempt to forecast the cost implications of compliance with the Standards for new and existing buildings.
- 2.3 The cost matrixes do not include assumptions or materials on which these amounts are based. It is difficult to properly assess these cost matrixes in the absence of this supporting material.
- 2.4 It seems clear that compliance the Standards will impose an additional cost on the construction of new Class 3 Buildings or the renovation of Class 3 buildings. The actual cost of compliance is uncertain and needs to be assessed on a subjective (project to project) basis.
- 2.5 The cost of compliance with the Standards could lead to a stifling of building development on a national level, particularly for hotels and other Class 3 buildings.
- 2.6 We do not agree with the conclusions made in the cost matrix models provided with the Standards. In our view the costs need to be assessed more thoroughly before the Standards are implemented in their current form. In particular the costing of construction of new buildings to comply with the Standards are likely, in our view, to be considerably higher than those detailed in the cost matrixes which accompanied the Standards.
- 2.7 Alternatively, building owners may deem the cost required to comply with the Standards prohibitive and may refuse to make any further refurbishment or development of their buildings. It is likely that hotel groups will likely refrain from developing new buildings for hotel accommodation throughout Australia, due in part to these increased costs. When considered the impact of the Standards on a national level, this may also adversely affect the future viability of the construction industry generally, as well as the tourism industry.
- 2.8 We do not agree that compliance with the Standards will necessarily increase the value of the buildings constructed to meet the Standards. The Standards are likely to decrease the net lettable area, as well as impose requirements on building owners to have certain technology in place. This technology will likely dramatically change over time, thus increasing the rate of depreciating much of the ‘improvements’ required by the Standards.
- 2.9 The Tourism & Transport Forum Australia (**TTF**) in its recent paper on ‘Tourism Infrastructure Policies and Priorities’ identifies the time consuming nature and uncertainties of local authorities’ planning regimes as being deterring factors contributing to the lack of supply in the short term rental market.¹ There should be national consistency on the application of the Standards.
- 2.10 Coupled with this uncertainty around planning and certification issues, the added cost of compliance with the Standards is likely to add to the deterrence of future supply into the short term rental market (including hotels).
- 2.11 It is evident that the Standards will require great financial commitment on behalf of hotel owners and operators. Given the current global economic crisis, the national implementation of these Standards places even greater financial pressure on industries which are already suffering from the decline of the domestic and international tourism markets.
- 2.12 In addition, many financial institutions may be reluctant to advance debt funding to new hotel construction projects.

3. Detrimental impact on the tourism industry

¹ Tourism and Transport Forum, Tourism Infrastructure Policy and Priorities, 2008.

- 3.1 As the number of apartments available for short term rental dramatically decrease, so too will the vacant accommodation available to tourists or short term apartments occupants. With increased unavailability of stock the number of visitors to South East Queensland will decline. This will have a detrimental flow-on affect to local events and attractions, the food and beverage industry (cafes and restaurants), transport, retail and all the other sectors that derive a benefit from tourism.
- 3.2 Tourism is a significant driver of the Australian economy generating 3.7% of direct GDP (\$38.9 billion), employing 4.7% of the work force (482,000 people) and contributing 10.4% to export earnings (22.3 billion). In Australia tourism is forecast to grow an average of 4.4% per annum between 2008 and 2017.²
- 3.3
- 3.4 Australia has a competitive advantage in tourism evidenced by recognition of Australia as one of the world's most recognised international brands and desired tourism destination.³
- 3.5 Accommodation (including hotels, apartments and resorts) accounted for \$3.608 billion of total tourism product exports in the year ending June 2008.⁴
- 3.6 TTF recognises that one of the most significant problems effecting tourism is the under-investment in tourism infrastructure, particularly in hotel and resort accommodation.⁵ Across Australia's capital cities there are capacity problems where some destinations are experiencing record occupancy levels (placing the cities of Perth, Brisbane, Melbourne and Sydney in the top global 15 cities for accommodation occupancy rates)⁶ and others are suffering from over supply of stock (including Canberra, Cairns and regional locations).
- 3.7 In the words of TTF: "Across capital cities, room supply is either declining (as short term accommodation is converted to residential or commercial use) or growing at a rate above demand. Room supply growth is well short of the 26.7% increase needed by 2017 to provide 17,200 additional rooms required to accommodate tourism growth in the capital cities".⁷
- 3.8 TTF forecasts that by 2017 over 9 million international tourists will visit Australia.⁸
- 3.9 A shortage in rooms for short term rental contributes to increased inflation, lost leisure and tourism revenue (into other sectors such as retail, cafes/restaurants, transport, education and attractions/events) in capital cities and regional markets and an overall reduction in GDP.
- 3.10 To take premature action and pass the Standard will have profound impacts on tourism and construction, industries that have already experienced significant setbacks in Queensland.
- 3.11 With only limited or no new supply of short term rental stock in the foreseeable future in the Brisbane market, the impact on corporate and leisure travel into Brisbane and regional areas will be significant and detrimental, if the Standards are passed.
- 3.12 The tourism industry has experienced a severe downturn caused by numerous factors including recent high fuel prices and the high Australian dollar.
- 3.13 In New South Wales there has been an attempt to regulate the tourism industry which has resulted in an adverse impact for hotel development. As a consequence there is very little hotel investment occurring in

² ABS Cat 5249.0 Tourism Satellite Account 2006-2007.

³ FutureBrand, Country Brand Index, 2007.

⁴ Tourism Infrastructure Policy and Priorities, Tourism & Transport Forum Australia, 2008.

⁵ Tourism Infrastructure Policy and Priorities, Tourism & Transport Forum Australia, 2008.

⁶ Deloitte, Hotel Benchmark Survey, 2008.

⁷ Tourism Infrastructure Policy and Priorities, Tourism & Transport Forum Australia, 2008.

⁸ Tourism Research Australia, Transport Forecasting Committee, Issue 1 2008.

Sydney. Sydney has always prided itself on being a world class destination. The demand for rooms is increasing and supply is decreasing. An unintended consequence of the New South Wales regulation has been to benefit Brisbane and Melbourne by diverting demand away from Sydney and to those two cities. However, if the Standards were passed then this slowdown in hotel development may spread nationally, which may have a detrimental impact on the national tourism industry.

- 3.14 In our submission it would be prudent to analyse the economic impact and outcomes of the Standards on the tourism industry, particularly at this fragile time in the economic climate.

4. Other Sectors

- 4.1 There are likely to be other areas of concern, which could be expressed by various participants throughout the following sectors including:

- tourism
- construction (and ancillary industries)
- management rights
- hotel and apartments
- restaurants and cafes
- transport
- events and theme parks
- construction
- banking finance
- legal
- accounting.

- 4.2 This list does not include the sectors that are likely to suffer consequential losses as a result in the slow down of the tourism and construction industries anticipated by the approval of the Standard. The tourism and construction industries are recognised as two drivers to the Australian economy.

Conclusion

To ensure that the needs of all stakeholders are met, we request that the recommended actions to be taken.

We note that a public hearing has been set for 3 April 2009 in Brisbane in connection with the Standards.

We ask to be afforded the opportunity to appear as witnesses at this upcoming public hearing in Brisbane.

Dated: 13 March 2009



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