

15 June 2015

Premises Review Team
Sectoral Growth Policy Division
Department of Industry and Science
By email: PremisesStandardsReview@industry.gov.au

Dear Premises Review Team,

I write to make a submission on behalf of the Tourism & Transport Forum Australia (TTF) to the Department of Industry and Science's review of the Disability (Access to Premises – Building) Standards 2010 [Disability Premises Standards].

TTF is the peak national body for the tourism, transport and aviation sectors across Australia. We are a CEO forum representing some of the leading institutions and corporations in the Australian visitor economy. Our membership spans accommodation and transport providers, airlines and airports, restaurants and retailers, business and major events organisers, property developers, investors and land managers, amusement and cultural attractions, and professional services. Within the accommodation sector, TTF members comprise owners and operators of hotels, motels, resorts, serviced apartments, hostels, holiday parks, caravan and camping, and other visitor accommodation providers.

TTF utilises its expertise and networks to develop and advocate public policy for the sustainable long-term growth of the visitor economy. TTF strongly believes that it is paramount for adequate visitor accessibility to be balanced with the operating needs of accommodation and transport providers.

The tourism industry exists to make destinations accessible and has a proud tradition of servicing, embracing and accommodating visitors with diverse backgrounds and needs. The industry is committed to providing accessibility and services to visitors with accessibility considerations and therefore, TTF broadly supports the disability premises standards.

However, the standards do impose significant costs on the development, refurbishment and operation of tourism accommodation. In particular, the industry's main concern is with the ratio of accessible rooms in Class 3 accommodation buildings, which far exceeds the room stock needs of disabled visitors. These vacant rooms incur a critical operational cost and make development and refurbishment of accommodation properties, especially smaller properties as well as those in regional locations, unviable.

While TTF recognises that the Australian population is ageing and a proportion of the population has a disability of some kind that poses varied accessibility considerations, TTF believes that imposing a blanket accessible room ratio is not the best approach to ensuring equal access and opportunity for people with a disability.

Tourism 2020 target

The federal government has set an ambitious target to double overnight visitor expenditure by 2020 to between \$115 billion and \$140 billion. According to TTF calculations, this translates to between approximately 670 million and 815 million total visitor nights being spent by approximately 94 million to 116 million total visitors in Australia in 2020¹.

As at year ending September 2014, Australia welcomed 6.3 million international visitors who stayed a total of 221 million nights and spent a total of \$30.7 billion. In addition, domestic travellers stayed a total of 309 million nights across Australia and spent a total of \$54.4 billion.

The accommodation industry is the backbone of the visitor economy. The quality of visitor accommodation and services determines Australia's product offering and drives demand, and the quantity sets the capacity limits for the industry as well as limits jobs, export earnings and economic activity. It is therefore vital to ensure Australia has adequate accommodation supply to meet visitor demand.

Sustainable supply of visitor accommodation in Australia

On average across Australia, the tourism industry is facing some capacity constraints due to the lack of visitor accommodation supply. Deloitte Access Economics' Tourism and Hotel Market Outlook expects demand to grow nationally at nearly twice the pace of supply over the next three years to December 2016, which will further increase the existing visitor accommodation shortfall.

While TTF recognises that sustainable accommodation supply is paramount, increased investment and utilisation of current capacity will be required to meet the visitation numbers associated with reaching both the lower and upper bands of the tourism 2020 target. It has been estimated that between 40,000 and 70,000 rooms will be needed to accommodate the growth in visitation (at occupancy rates of 75 per cent). New rooms will be needed mainly in our capital cities, with improvements on quality rather than quantity the focus for regional destinations across Australia.

According to Tourism Research Australia's Tourism Investment Monitor 2014, investment in the accommodation sector in 2013 amounted to \$7.4 billion, with a number of accommodation investment announcements in both metropolitan and regional areas. If both 'pre-planning' and 'planning' phases translate to 'actual' investment, only an additional 12,020 rooms (or 20,625 rooms if mixed-use development is considered) may be added to supply over the coming years.

¹ Calculations rely on Tourism Research Australia forecasts (Tourism Forecasts, Autumn 2014, Tourism Research Australia, published in June 2015) of international and domestic visitor expenditure. Forecasts have been indexed at a 2.5 per cent rate of inflation. Expenditure, visitor nights and visitor arrivals have been scaled proportionately to meet the nominated targets and have been rounded.

Barriers to investment in visitor accommodation

There are multiple barriers faced by owners and operators wanting to invest in either the construction of new, or redevelopment of existing, visitor accommodation, which are contributing to the accommodation shortfall.

Federal and state government regulations favour residential over tourism use. For example, residential development is favoured by taxation, transfers and planning, and is exempt from bearing many operational and development regulatory costs such as land tax and the application of the disability premises standards. Since residential and tourism use compete for the same land, residential is considered the 'highest and best use' of available land, and results in a higher return on investment in comparison to visitor accommodation.

The impact of a lower return for visitor accommodation is that it contracts investment and development in the sector, worsening the already present accommodation shortage, which also includes disabled access accommodation.

Application of standards to Class 3 buildings

The ratio of disabled access rooms further promotes regulatory distortion of investment in visitor accommodation. The ratio far exceeds current or future demand by disabled visitors resulting in significant operational losses and reduced return on investment, and ultimately reduced investment in tourist accommodation, particularly in regional destinations.

The increase in the accessible room ratio in 2011 came about following a review of the previous Disability Premises Standards requirements, which was conducted by the Australian Building Codes Board. However, the increased ratio was determined without a quantitative assessment of the current and future supply and demand of accessible rooms in Australia.

In September 2013, the then Department of Resources, Energy and Tourism released a final report conducted by PricewaterhouseCoopers Australia (PwC) assessing the supply and demand of accessible accommodation in Australia² (PwC report). TTF was the industry representative on the project steering committee along with Nican³, the consumer representative. The purpose of the report was to provide evidence of current and future demand for, and supply of, accessible accommodation in Australia. The report was informed by existing data sources on accessible accommodation, a survey of accommodation providers, a survey of travellers with disabilities, and a qualitative assessment of accessible rooms in comparison to standard rooms.

² An Assessment of Accessible Accommodation in Australia: Supply and Demand, Final Report, September 2013, PwC and Department of Resources, Energy and Tourism [http://www.tra.gov.au/documents/PwC_DRET_Accessible_Accommodation_Final_Report_-_03102013.pdf]

³ Nican is funded as an Information Service by the Australian Government Department of Families, Housing, Community Services and Indigenous Affairs. Nican provides information on recreation, tourism, sport and the arts for people with disabilities and supports an Australian society where any recreational opportunity values diversity, supports freedom and choice and strengthens inclusive communities.

The key findings of the report were:

- Accessible rooms may be used by any guest, but establishments typically hold accessible rooms on a 'last to let' basis, primarily for guests with accessible room needs.
- On average, accessible rooms are rented by people with disability around 30.2 per cent of the time. The remaining time is split between demand from people without disability that have an accessibility need (34.9 per cent) and demand from those that require accommodation but have no accessibility need (34.9).
- Accessible rooms comprise 4 per cent of the total supply of all accommodation and represent 2.8 per cent of the rooms demanded. Therefore, the current occupancy rate for accessible rooms across Australia is estimated at 45.5 per cent, compared with 65.9 per cent for all rooms.
- Supply of accessible rooms is expected to rise from its current 4 per cent of total supply to 5.9 per cent in 2022, as a result of the application of the Disability Premises Standards.
- However, demand for accessible accommodation by people with and without accessibility requirements requesting such a room will only grow from its current 1.8 per cent to 1.9 per cent in 2022, resulting in a 4 per cent oversupply of accessible rooms.
- As a result of accessible rooms becoming an increased proportion of all rooms, it is estimated that they will be used more by guests without accessibility needs to meet increased demand for all visitor accommodation.

The PwC report shows that in 2012, there was a 1.2 per cent oversupply of accessible rooms (or 2.2 per cent oversupply if demand from only requesting guests is considered), and by 2022, this oversupply will increase to 4 per cent.

Essentially, the accessible room ratio requirements are imposing additional costs on accommodation providers as they have increased the number of almost-permanently vacant rooms that they must carry. Based on the data in the PwC report and calculations by TTF, in 2012 there was an oversupply of 3.2 million accessible room nights in Australia, which cost accommodation providers \$531.2 million (using an average daily room rate [ADR] of \$166⁴). In 2022, this will increase to an oversupply of 6.1 million accessible room nights in Australia, costing accommodation providers \$1.36 billion⁵. This is not only a cost burden for accommodation providers that significantly hinders investment and development of the industry, but impacts on the wider productivity of Australia's visitor economy.

The current standards are well in excess of demand. This is not to suggest that there will always be a room for a disabled guest. In some locations and periods all accommodation rooms will be fully occupied and additional guests (with or without disability access needs) will be turned away. However, lack of disabled access rooms will be primarily due to the overall visitor accommodation shortage, which is being perpetuated by the imposition of the accessible room ratios that are disincentivising accommodation investment.

⁴ Jones Lang LaSalle, Hotel Market Update, Hotels Q4-2013/Australia, February 2014

⁵ Assuming an average growth of 3 per cent per annum in ADR from 2012 to 2022

It is also important to consider the profile of a typical visitor staying in a particular type of accommodation facility. In the case of the backpacker industry for example, a majority of guests are younger international travellers and are less likely to have accessibility requirements. Evidence suggests that as at June 2015, a 500-bed hostel in Sydney which has disability facilities, had estimated demand for a disabled room twice per year and an estimated demand for 15 accessible bed nights per year. It is believed this example is typical for hostels and for this reason, the disabled room ratios are too high for this specific accommodation type.

Moreover, as a service industry, accommodation providers strive to provide a high level of customer service and to be as accommodating as possible within the realistic limitations of their premises. Almost half of the respondents in the PwC report thought that accommodation providers were generally 'helpful' or 'very helpful' at meeting their accessibility needs once issues were raised with accommodation staff or management.

Costs associated with retrofitting, especially in regional locations

Retrofitting existing accommodation buildings in order to comply with the Disability Premises Standards comes at a substantial cost. This is particularly the case for owners and operators in regional destinations for whom the compliance costs form a large percentage of the total cost and who may not be able to recover the cost of their investment as quickly as their metropolitan counterparts. The cost of retrofitting is also more significant than the cost of complying with the Disability Premises Standards in a new-build, as the compliance considerations are incorporated into the planning and the costs are incorporated into the overall cost of a new-build, often forming a small percentage of the total investment.

Further, given the limited availability of green-field sites in key visitor destinations, such as Central Business Districts, it is important to recognise that many visitor accommodation buildings are adaptive reuse of existing buildings for tourism purposes. Some accommodation types, such as backpacker hostels, are also more commonly adaptive reuse than new-build. For example, of the approximately 400 backpacker hostels in Australia, there are very few purpose-built hostels and there has been almost no new backpacker hostel development in Australia since 2011.

The quality of visitor accommodation in regional destinations across Australia varies significantly, and is in some cases below the quality standard of visitor accommodation in metropolitan destinations. While there are many factors contributing to the quality level of visitor accommodation in regional destinations, a key factor is the cost of refurbishing. As regional destinations receive fewer visitors than metropolitan destinations, regional accommodation properties are typically smaller and accommodation providers have a smaller revenue base from which to invest in refurbishing. In addition, the smaller visitation numbers translate to a longer cost recovery timeframe for any investment compared to metropolitan destinations that generally receive more visitors.

The compliance trigger level over a three year period is also a vital factor. When an accommodation owner wishes to refurbish a property, if the quantum of the work is above the trigger level over a three year period, this may bring on compliance requirements for the entire property. This acts as a disincentive for owners to refurbish, resulting in either

the refurbishment not being undertaken or the rate of refurbishment being reduced to ensure the trigger level is not reached within a three year period.

These factors form a “Catch-22” – regional properties are below the quality standard of metropolitan properties and so receive fewer visitors. To increase visitation they need to refurbish their properties, however this work may trigger costly compliance requirements for the entire property, therefore discouraging owners from upgrading either entirely or at a rate needed to attract more visitors. Due to lower visitation numbers, regional owners have less revenue from which to invest in refurbishment, perpetuating the lower quality standard of the property. And so on, and so forth. Given tourism is the lifeblood of many regional destinations, this “Catch-22” is stifling regional economies and their growth.

Therefore, whilst the Disability Premises Standards are generally practical for a new-build accommodation property, they are often difficult to apply to refurbished properties, especially in regional destinations, and this then results in projects not being viable and not proceeding. This translates to fewer accessible rooms being available in regional destinations, impacting on the amenity and recreation of visitors with accessibility requirements.

Recommendations

As previously stated, TTF believes that imposing a blanket accessible room ratio is not the best approach to ensuring equal access and opportunity for people with a disability.

Therefore, TTF strongly recommends that the Review re-examines the existing accessible room ratio requirements in the Disability Premises Standards to align them with current and projected supply of, and demand for, accessible rooms.

TTF also suggests that the Review considers implementing some flexibility with the ratio application based on visitor accommodation type and accommodation location to alleviate the issues raised above. For example, the Review could consider the application of two distinct accessible room ratios – one for new-build accommodation buildings and one for retrofitted accommodation buildings, as well as a reduced ratio for accommodation properties in regional destinations.

Ideally, the industry would like to see a realignment of the accessible room ratio in the Disability Premises Standards to take into account the current and projected oversupply of accessible rooms across Australia.

TTF also supports the opportunities for further exploration identified in the PwC report to explore the option of revising room ratios to account for various levels of support need, and to explore the option to further survey or study specific areas of supply of, and demand for, accessible accommodation to develop a deeper understanding and provide additional information for policy formation.

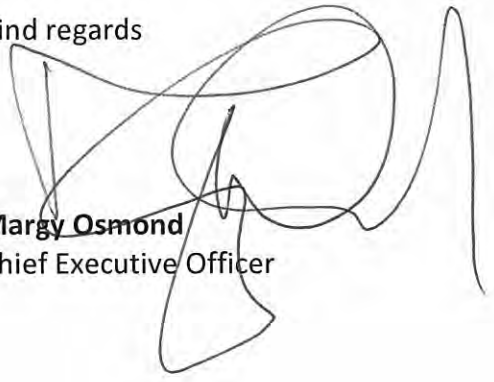
The cumulative effect of the issues raised above is that they hinder investment in the construction of new, and redevelopment of existing, visitor accommodation, exacerbating the overall shortage of accommodation and thereby the supply of accessible rooms.

TTF encourages the Department to work with the accommodation industry as well as consumers to develop an approach that balances adequate visitor accessibility with the operating needs of accommodation and transport providers.

I thank you for your consideration of TTF's submission and we remain available to discuss any of these issues with you in further detail.

Kind regards

Margy Osmond
Chief Executive Officer

A handwritten signature in black ink, consisting of several overlapping loops and a long vertical stroke on the right side, positioned over the typed name and title.