



## **Australian Hotels Association**

Submission to:

**National Commission of Audit**

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**Contact:**

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The Australian Hotels Association (AHA) is an organisation of employers in the hotel and hospitality industry registered under the *Fair Work (Registered Organisations) Act 2009*. Its membership of more than 5,000 licensed hotel businesses includes pub-style hotels plus three, four and five-star accommodation hotels located in each state and territory. The AHA's members are serviced by branches located in every Australian capital city and a Canberra-based national office. Accommodation hotels are represented by Tourism Accommodation Australia, a division of the AHA.

We make the following submission to the National Commission of Audit.

## **1. Review the funding and structure of Employment Services**

The current annual budget for Employment Services is approximately \$1.3 Billion a year. Notwithstanding this investment we have approximately 700,000 unemployed Australians. Yet in the tourism sector alone (which forms part of the greater hospitality sector) we have current skill and labour shortages of about 38,000 workers and future shortfalls of up to 56,000 workers by 2015.

The existing Employment Services has failed to address the labour shortages in our industry (and many other sectors). The Employment Services (including Disability employment Services) needs to be reviewed and revamped to connect with our sector and other businesses.

We would recommend a review of the employment services program with particular attention to the following:

- Focussing more on the demands of employers and not just on the specific needs of the person requiring the job placement
- Currently the system is driven by the service fee structure which is not necessarily consistent with meeting the labour demands of our sector. Accordingly, the service fees structure needs to be reviewed to ensure better employment outcomes. Currently these service fees are not market driven and their prescriptive nature is a hindrance to jobseeker outcomes.
- Casual employment is a legitimate pathway for employment. Accordingly, service fees need to provide incentives for casual employment as well as permanent employment.
- Employment service providers are only used by 7% of the businesses. There is limited engagement in the hospitality sector and there is no requirement for employment services to engage with business and industry sectors more widely. The use of employer brokers or facilitators provides a conduit to the job vacancies required to be filled and skill sets required filling these vacancies. Employer brokers will broaden the engagement between employers and employment services and improve the prospects of job seekers achieving sustainable employment.
- The cost of employer brokers and pre-employment training need to be paid from within the current funding of employment services. The improved outcomes would justify the expenditure.
- The 2015 Employment Services Tender terms and conditions need to have the flexibility to be able to address the policy direction of the Federal Government. It should focus on employment placement in particular demand driven sectors (e.g. hospitality, retail, building and construction, aged care). Despite the best efforts of government agencies to address labour shortages (e.g. Tourism Employment Plans) unless Employment Services can be directed during the term of a contract to co-operate or participate in the career promotions or engage with industry sectors then acute labour shortages will not be properly addressed through Employment Services.

**2. Review the requirement for hotels and clubs to report to AUSTRAC, pay its supervisory levy, and comply with Anti-Money Laundering (AML) legislation.**

The *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* requires any businesses that has the potential to pay any customer \$10,000 or more in cash to register with the Government's financial intelligence agency, AUSTRAC, comply with a range of regulatory requirements and pay an annual supervisory levy. In recent years the AHA was successful in securing an exemption for hotels with 15 or fewer gaming machines on the basis that the risk of money laundering occurring in hotels is extremely low. The AHA believes this exemption should be extended to cover all hotels.

Compliance requirements/costs for hotels

An example of the regulatory cost to hotels is as follows:

- Register the business with AUSTRAC as a 'reporting entity' – 1 hour @ \$60 per hour = \$60 (one off cost)
- Undertake a basic risk and patron risk assessment of their business – 2 hours @ \$60 per hour = \$120 (one off cost);
- Formally appoint and maintain an AML/CTF Compliance Officer for the venue – 2 hours per week @ \$60 per hour for 52 weeks = \$6,240 per annum;
- Develop and put in place an AML/CTF Compliance Program for the venue – 12 hours @ \$60 per hour = \$720 (one off cost);
- Undertake regular AML/CTF staff awareness training in the venue – 2 hours per month for seven staff members @ \$30 per hour for twelve months = 5,040 per annum;
- Draft and submit an annual AML/CTF return to AUSTRAC – 3 hours @ \$60 per hour - \$180 per annum;
- Periodically undertaken an independent review of the business's AML/CTF Compliance Program and arrangements – assuming this occurs every second year, outsource to a contract consultant @ \$1,000 per cycle = \$500 per annum;
- Implement changes from the independent review including re-draft paperwork and update training requirement – 4 hours @ \$60 per hour every second year = \$120 per year; and
- Pay an annual supervisory levy to AUSTRAC – currently \$300 per annum.

**HOTEL COMPLIANCE COSTS:**

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| <b>Annual cost per hotel:</b>           | <b>\$12,380</b>   |
| <b>Additional one-off costs:</b>        | <b>\$900</b>  |
| <b>Number of venues affected:</b>       | <b>1,727</b>  |
| <b>Total potential red tape saving:</b> | <b>\$21.38 million per year (excluding one-off costs)</b> |

There are the additional regulatory and compliance costs to AUSTRAC in performing the function over and above any cost recovery.

Industry concerns

- The AML/CTF compliance regime for hotels is technically complex and totally out of proportion to the risks and potential frequency of criminal money laundering activity through gaming machines in hotels;

- All compliance requirements have been imposed on individual business with little training or wider support; and
- As well as being required to meet all of their own compliance costs, to rub salt into the wound, an AUSTRAC supervisory levy has been imposed on all reporting entities as “their businesses have given rise to the supervisory requirement”.
- Currently all states and territories regulate gaming and the regimes are quite separate for each jurisdiction.
- The only objective of the AUSTRAC regime is the requirement for reporting suspicious behaviour around gaming venues. With the co-operations of the state and territories this reporting requirement could be regulated through the states and territories and directed to the appropriate law enforcement arms (including state and federal police).
- The establishment of AUSTRAC and its Anti-Money Laundering / Counter-Terrorism Financing regulation of hotels with gaming machines, despite widespread acceptance that hotels are at very low risk for this type of criminal activity.

It is recommended to remove the AUSTRAC compliance requirement at a federal level and arrange for the State and Territory gaming regulators to take over the function of requiring hotels to maintain suspicious activity reporting

### **3. Alcohol and Health.**

The Federal Government provides more than \$100 million per year to a variety of non-government organisations for the provision of services relating to preventative health. A significant amount of this funding is unnecessary, duplicated by other government agencies or wasteful. For example, \$25 million of government grants were recently provided to replace alcohol sponsorship of 14 Australian sports, despite 13 of these sports not actually receiving any alcohol sponsorship in the first place.

There are also serious concerns that instead of supporting the provision of services, government funding is being used to support advocacy efforts by these organisation to bring about legislative or policy change, particularly relating to the consumption of alcohol. Effectively, anti-alcohol organisations are being funded by the Federal Government to lobby the Federal Government to change its alcohol policies.

This practice was sufficiently concerning to the Newman Government in Queensland that it inserted the following clause in Queensland Health funding agreements:

*“Where the Organisation receives 50% or more of its total funding from Queensland Health and other Queensland government agencies, the Organisation must not advocate for State or Federal legislative change. The Organisation must also no include link on their website to other organisations’ websites that advocate for State or Federal legislative change.”*

The Queensland Government has said its funding to health-related NGOs is designed to fund health and services outcomes rather than political campaigning.

The AHA strongly supports the Queensland Government policy in relation to health funding and calls for the Federal Government to institute a similar policy for its funding agreements with organisations receiving funding from Health budget (including the Department of Health & Ageing and various agencies such as Australian National Preventative Health Agency (ANPHA)).

Industry has also been forced to deal with numerous Federal policy inquiries and reviews instigated by the health lobby, even in areas that are the domain of state/territory governments. The Federal Government should recognise the jurisdiction of the state and territories in the areas of liquor

licensing, trading hours, policing and alcohol promotions and not seek to duplicate or override regulation in these areas.

The Federal Government has only a limited alcohol policy role. Both the function of the Australian National Preventative Health Agency and the terms of the National Partnership Agreement on Preventative Health far exceed the Federal role. The Federal Government alcohol policy is best managed and reviewed by the Department of Health & Ageing and it is unnecessary to have the stand alone agency ANPHA.

In 2013 Victoria released a 15 point drug and alcohol plan which addressed the following issues:

**Alcohol**

1. Reducing alcohol related violence, antisocial behaviour and drink driving
2. Effective liquor regulation
3. Changing drinking culture
4. Better health promotion in education
5. Better, earlier healthcare for alcohol problems

**Pharmaceutical Drugs**

6. Better controls and evidence on misused pharmaceutical drugs
7. Improved clinical, prescribing and dispensing practices

**Illegal Drugs**

8. Strong laws to protect the community from drug trafficking
9. Better referral of drug users to treatment
10. Improved harm-reduction services and targeted prevention

**Care, Treatment and Recovery**

11. New directions in alcohol and drug treatment services
12. Better person-centred care through social services, especially for vulnerable families
13. Community-based action on social factors driving substance misuse
14. Promoting successful recovery and reducing stigma in the community

**Leadership**

15. Leadership to reduce the toll

This Victorian plan indicates the specific areas that this state jurisdiction will be focussing on. Accordingly, the Federal Government needs to review what areas it is duplicating with the states, what areas it is not dealing with and what areas it will be exclusively dealing with it. For instance, with respect to the alcohol plan the first two points are actioned by state laws and enforcement and accordingly are not the function of a Commonwealth government.

The establishment of the ANPHA and its recent inquiry into alcohol advertising that includes consideration of promotions undertaken by licensed venues. This is in ignorance of the fact that state and territory liquor licensing legislation already imposes conditions on venues that are enforced by well-resourced inspectors.

The AHA is particularly concerned with the increasing resources being directed toward the Federal health bureaucracy to initiate reviews, inquiries and actions in areas already subject to regulation and control at state and territory level. For example, there are significant questions about whether it is appropriate for the Federal Government to fund a study on liquor licensing<sup>1</sup>, a matter regulated and controlled by state and territory governments.

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<sup>1</sup> National Centre for Education & Training on Addictions (2011) *Liquor Licensing in Australia*

We would request the Audit Committee consider the following with respect to alcohol and health issues:

- The Federal Government should recognise the jurisdiction over liquor licensing, policing and alcohol promotion by state and territory governments and not to seek to duplicate or override these. In particular the Federal Government Alcohol Plan should be reviewed to ensure that the Commonwealth does not duplicate the current state functions.
- There is no need for a separate agency such as ANPHA.
- The National Partnership on Preventative Health needs to be reviewed in light of the revised role under the Federal Government Alcohol Plan.
- There needs to be a review of NGO's receiving Federal funding in light of the revised role under the Federal Government Alcohol Plan. The review should examine conflicts of interest and the funding of advocacy work (separate from research). Any research work funded should fall within priority areas relevant to the functions of Federal Government.