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Accommodation Industry

Australia

Statistics

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NOTES

INTRODUCTION

This publication presents results for the financial year 1995-96 from an Australian Bureau of Statistics (ABS) survey of businesses operating in the accommodation industry. It is the fourth survey of the industry with previous surveys conducted in respect of 1979-80, 1986-87 and 1991-92.

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DATA VIEWS

The survey provides for two different views of the industry to be presented in this publication. Tables 1-7 of the publication present estimates of the size and structure of the accommodation industry in Australia. These data relate to all the activities of the businesses classified to the industry. Table 8 presents profitability estimates in respect of only the accommodation establishments of these businesses.

For a description of the coverage of the survey, see paragraphs 2-5 of the Explanatory Notes.

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SYMBOLS AND OTHER USAGES

ABS	Australian Bureau of Statistics
ANZSIC	Australian and New Zealand Standard Industrial Classification
SE	standard error
RSE	relative standard error
..	not applicable
-	nil or rounded to zero

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INQUIRIES

For information about other ABS statistics and services, please refer to the back of this publication.

For further information about statistics in this publication, please contact Wayne Duncan on Brisbane (07) 3222 6218.

PREFACE

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As part of its service industries survey program, the ABS conducted a survey of the accommodation industry in respect of the 1995-96 financial year. This publication presents statistics from that survey.

Information in this publication covers employing non-government businesses mainly engaged in providing accommodation, i.e. classified to Class 5710 of the *Australian and New Zealand Standard Industrial Classification (ANZSIC), 1993* (Cat. no. 1292.0). This class comprises businesses predominantly engaged in the provision of short-term accommodation in hotels, motels, serviced apartments, flats/units, guest houses and youth hostels, and of both long- and short-term accommodation in caravan parks, camping grounds and student residences (excluding boarding schools).

This is the fourth time that the ABS has surveyed the accommodation industry. Surveys were previously conducted in respect of the 1979-80, 1986-87 and 1991-92 financial years. Results from the 1991-92 survey were released in *Hospitality Industries, Australia, 1991-92* (Cat. no. 8674.0).

This publication contains a selection of the information available from the survey. More detailed information is available from the ABS on request.

The ABS is committed to providing more information on the priority service industries sector of the economy. The ABS welcomes comments and suggestions from users recommending industries and data items for inclusion in future surveys. These comments should be addressed to:

The Director, Service Industry Surveys, P O Box 10, Belconnen, ACT, 2616.

ABS publications draw extensively on information provided freely by individuals, businesses, governments and other organisations. Their continued cooperation is very much appreciated: without it, the wide range of statistics published by the ABS would not be available. Information received by the ABS is treated in strict confidence as required by the *Census and Statistics Act 1905*.

Dennis Trewin
Acting Australian Statistician

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MAIN FEATURES

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INTRODUCTION

This publication presents results in respect of the 1995-96 financial year of a survey of 2,700 non-government, employing businesses predominantly engaged in providing accommodation. There are, however, other businesses predominantly engaged in activities other than accommodation but which also provide accommodation which are excluded from the survey. Examples are government-owned caravan parks (mainly local government), hotels (in the pubs, taverns and bars industry which provide accommodation but earn the majority of their income from liquor sales and other sources), casinos and clubs, and real estate agents renting houses, flats and units for individual owners.

As an indication of the size of excluded businesses, other ABS surveys have shown that in 1994-95 takings from accommodation for businesses in the clubs industry was \$33 million, while for businesses in the pubs, taverns and bars industry, takings from accommodation was \$121 million. In 1995-96, takings from accommodation in the casinos industry was \$48 million. This compares with accommodation takings as measured in this survey of \$3,253 million for the accommodation industry.

While there is a fair degree of commonality between accommodation businesses in this survey and accommodation establishments in the quarterly Survey of Tourist Accommodation, there are still some differences. For example, of about 1,150 licensed hotel establishments in the quarterly survey, only 20% earn the majority of their income from accommodation and are thus represented in the estimates in this publication. However, about 92% of the 3,800 motels and guest houses in the quarterly survey are operated by businesses where accommodation is the major source of their income (the balance being mainly accommodation establishments of non-accommodation businesses and not included in estimates in this publication).

Another area of difference between the surveys is the exclusion of government owned and small non-employing caravan parks from this survey. About half of the 2,700 caravan parks in the quarterly survey are included in the estimates in this publication.

SIZE OF THE INDUSTRY

There were 5,288 non-government, employing businesses in the accommodation industry at 30 June 1996, a significant increase from the number of businesses at 30 June 1992. These businesses operated about 5,900 accommodation establishments, for which profitability estimates are shown in table 8.

BUSINESS SIZE

Businesses with fewer than 20 persons employed comprised 90% of all businesses in the industry in 1995-96. These businesses accounted for 31% of industry employment and 53% of the industry's operating profit before tax. In contrast, large businesses (those employing more than 100 persons) accounted for 2% of all businesses in the industry, but accounted for 49% of industry employment and 21% of operating profit before tax.

EMPLOYMENT

Businesses in the accommodation industry employed a total of 81,086 persons at 30 June 1996. This was a 9% increase in total employment since 30 June 1992, with full-time employment increasing 14% and part-time employment increasing 3%.

MAIN FEATURES *continued*

INCOME

In 1995-96, businesses in the accommodation industry generated total income of \$5,259 million of which \$3,253 million (62%) was from the provision of accommodation. In 1991-92, the proportion of accommodation takings to total income was 59%.

EXPENSES

Total expenses incurred by businesses in the accommodation industry were \$4,857 million. In 1995-96, labour costs represented 33% of the total expenses compared to 29% in 1991-92.

PROFITABILITY

The industry recorded an operating profit before tax of \$401 million for the 1995-96 financial year which represented an operating profit margin of 7.8%. This profit margin represented a significant turnaround from the 8.4% loss in 1991-92 and was also an increase on the 3.7% recorded in 1986-87.

STATE AND TERRITORY ASPECTS

Businesses in the accommodation industry in 1995-96 were concentrated in New South Wales, Victoria and Queensland, with 37%, 22% and 22% respectively of total businesses operating in Australia. Businesses in Queensland and the Northern Territory had a significantly larger relative share of the accommodation industry than their share of the overall Australian economy, contributing 28% and 4% respectively to the total income of the industry. Comparatively, the contribution of the other States to industry estimates was much lower.

1 Key figures

Data item	1986-87	1991-92	1995-96
Businesses at end June (no.)	3 826	4 314	5 288
Employment at end June			
Full-time (no.)	30 581	43 766	49 852
Part-time (no.)	23 831	30 370	31 234
Total (no.)	54 412	74 136	81 086
Takings from accommodation (\$m)	1 343.3	2 336.5	3 252.8
Total income (\$m)	2 193.6	3 981.7	5 259.2
Labour costs (\$m)	663.5	1 263.8	1 591.9
Total expenses (\$m)	2 090.9	4 300.9	4 856.5
Operating profit before tax (\$m)	81.1	-319.2	400.8
Operating profit margin (%)	3.7	-8.4	7.8
Industry gross product (\$m)	1 055.7	1 674.9	2 657.9

INCOME AND EXPENDITURE

INCOME

In 1995-96, total income earned by businesses in the accommodation industry was \$5,259 million. Of that income, 62% was from takings for accommodation, and a further 26% was from takings for meals and liquor sales. There were 61% of businesses in the industry that earned income from providing meals, and 28% of businesses earned income from sales of liquor.

CONVENTION INCOME

Businesses estimated that \$482 million (9%) of their total income related to income from conventions.

2 Income

Sources of income	Businesses at end June 1996	Value	Contribution to total value
	no.	\$m	%
Sales of goods and services			
Takings from accommodation	5 288	3 252.8	61.9
Takings from meals	3 204	948.3	18.0
Sales of liquor	1 469	412.1	7.8
Other retail sales	1 881	130.5	2.5
Telecommunication services	2 782	94.7	1.8
Other services	1 930	297.1	5.7
Total	5 288	5 135.5	97.7
Interest income	2 078	28.1	0.5
Other income	1 057	95.6	1.8
Total income	5 288	5 259.2	100.0
Income from conventions (a)	894	481.5	..

(a) Included in Sales of goods and services.

INCOME AND EXPENDITURE *continued*

EXPENSES

Total expenses incurred by businesses in the accommodation industry in 1995-96 were \$4,857 million. Labour costs was the largest expenditure item, comprising 33% of total expenses. Labour costs in the industry averaged \$20,600 per employee. Other major expenses were purchases (\$666 million), interest expenses (\$462 million), depreciation and amortisation (\$263 million) and rent, leasing and hiring expenses (\$242 million).

3 Expenditure

Type of expense	Value	Contribution to total value
	\$m	%
Labour costs		
Wages and salaries	1 470.1	30.3
Employer contributions to superannuation funds	94.6	2.0
Workers' compensation costs	27.2	0.6
<i>Total</i>	<i>1 591.9</i>	<i>32.8</i>
Purchases	665.9	13.7
Selected expenses		
Laundry and cleaning services	84.4	1.7
Repair and maintenance expenses	180.9	3.7
Electricity, gas and water charges	201.5	4.2
Other government charges and indirect taxes	116.8	2.4
Commission expenses	80.0	1.7
Rent, leasing and hiring expenses	242.2	5.0
Other business expenses	918.9	18.9
<i>Total</i>	<i>1 824.7</i>	<i>37.6</i>
Other costs		
Insurance premiums	44.1	0.9
Interest expenses	462.0	9.5
Depreciation and amortisation	263.0	5.4
Bad debts	4.9	0.1
<i>Total</i>	<i>774.0</i>	<i>15.9</i>
Total expenses	4 856.5	100.0

EMPLOYMENT

At the end of June 1996, total employment in the accommodation industry was 81,086, of which 59% (47,940) were females.

Since June 1992, there has been an increase in employment of 9% largely due to a 14% increase in full-time employment compared to a 3% increase in part-time employment.

The industry had small proportions of working proprietors and partners (4.5%) and working directors (5.8%) at the end of June 1996.

4 Employment

Industry class	FULL-TIME.....			PART-TIME.....			TOTAL.....		
	Males	Females	Persons	Male	Females	Persons	Males	Females	Persons
Working proprietors and partners (no.)	1 596	1 562	3 159	246	259	505	1 842	1 821	3 664
Employees									
Working directors (no.)	2 318	1 918	4 236	202	239	441	2 520	2 157	4 677
Other employees—permanent (no.)	17 483	15 895	33 359	1 358	3 987	5 345	18 822	19 883	38 705
Other employees—casual (no.)	3 319	5 777	9 097	6 641	18 300	24 941	9 961	24 077	34 039
Total (no.)	23 101	23 591	46 693	8 202	22 526	30 729	31 304	46 118	77 422
Total employment at end June 1996 (no.)	24 698	25 154	49 852	8 448	22 785	31 234	33 146	47 940	81 086
Percentage contribution to total (%)	30.5	31.0	61.5	10.4	28.1	38.5	40.9	59.1	100.0
Total employment at end June 1992 (no.)	21 620	22 146	43 766	8 900	21 470	30 370	30 519	43 617	74 136
Percentage contribution to total (%)	29.2	29.9	59.0	12.0	29.0	41.0	41.2	58.8	100.0

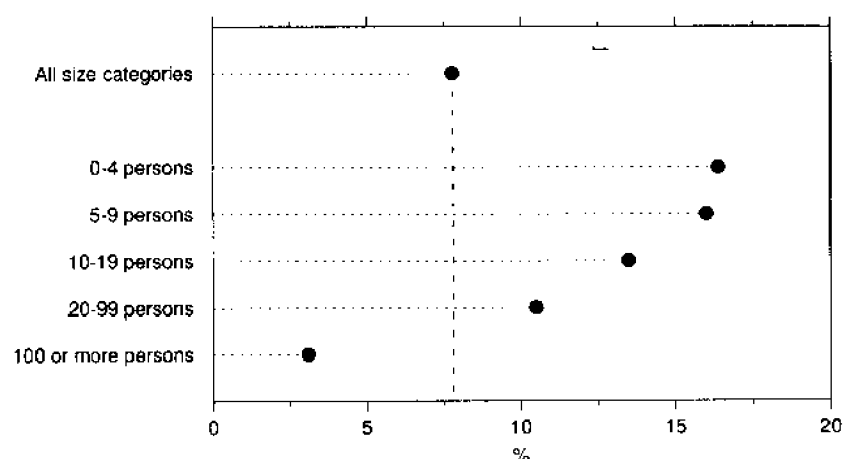
BUSINESS SIZE

In terms of the number of businesses, the accommodation industry in 1995-96 was dominated by businesses with less than 20 persons employed (90%). However, these businesses accounted for only 31% of total employment and 27% of total income of the industry. In contrast, businesses employing 100 or more persons accounted for only 2% of accommodation businesses, yet accounted for 49% of employment and 54% of total income of the industry.

In terms of operating profit margin, businesses employing less than 20 persons were the most profitable in the industry, particularly those with fewer than 5 persons which generated an operating profit margin of 16.4%. This high profitability is likely to reflect the large numbers of working proprietorships and partnerships in this segment of the industry, as drawings of working proprietors and partners are not included in the business expenses in the profit calculation.

In comparison, large businesses employing 100 or more persons generated an operating profit margin of 3.1% during 1995-96.

Operating profit margin by business size



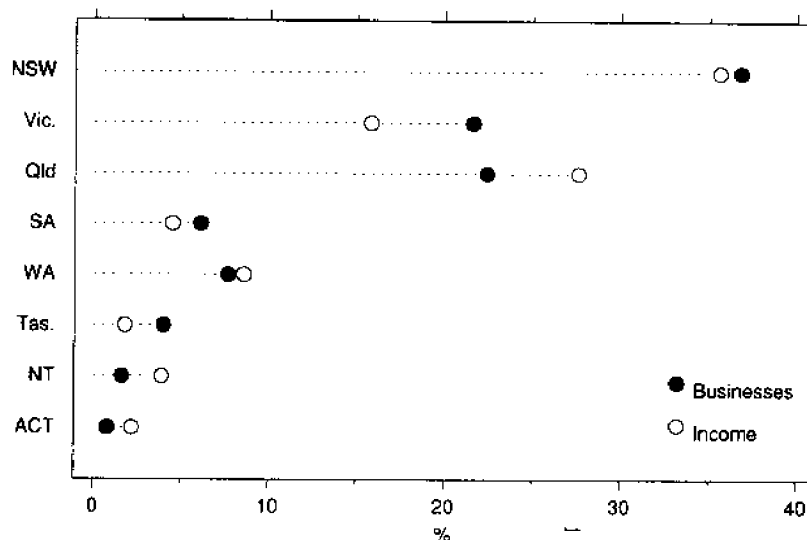
5 Business size

Employment size category at end June 1996	Businesses at end June 1996		Employment at end June 1996		Wages and salaries.....		Total income.....		Operating profit before tax.....		Operating profit margin
	no.	%	no.	%	\$m	%	\$m	%	\$m	%	%
0-4 persons	2 479	46.9	6 534	8.1	41.8	2.8	351.2	6.7	56.3	14.1	16.4
5-9 persons	1 665	31.5	10 974	13.5	126.6	8.6	629.4	12.0	99.1	24.7	16.0
10-19 persons	612	11.6	8 017	9.9	111.3	7.6	432.8	8.2	57.5	14.3	13.5
20-99 persons	424	8.0	16 106	19.9	291.6	19.8	1 004.2	19.1	103.7	25.9	10.5
100 or more persons	108	2.0	39 459	48.7	898.9	61.2	2 841.9	54.0	84.3	21.0	3.1
Total	5 288	100.0	81 086	100.0	1 470.1	100.0	5 259.2	100.0	400.8	100.0	7.8

STATE AND TERRITORY COMPARISONS

Accommodation industry businesses in 1995-96 were concentrated in the eastern mainland States, with 81% operating in New South Wales, Victoria and Queensland.

State and Territory comparisons



On average, each business in the accommodation industry employed 15 persons at the end of June 1996. Average employment for businesses in the Australian Capital Territory and the Northern Territory were highest among the States and Territories at 43 and 31 persons respectively. Businesses in Tasmania and Victoria recorded the lowest average employment at 9 and 12 persons respectively.

Businesses in the Australian Capital Territory and the Northern Territory also recorded the highest total income per business at \$2.8 million and \$2.4 million respectively, well above the Australian average of \$1.0 million. Average total income per business in Tasmania and Victoria was \$461,200 and \$728,000 respectively.

STATE AND TERRITORY COMPARISONS *continued*

6 State and Territory comparisons

State and Territory	Businesses at end June 1996 (a)		Employment at end June 1996		Wages & salaries		Total income.....	
	no.	%	no.	%	\$m	%	\$m	%
New South Wales	1 944	36.8	27 581	34.0	512.6	34.9	1 872.2	35.6
Victoria	1 140	21.6	13 326	16.4	220.0	15.0	829.9	15.8
Queensland	1 182	22.4	21 554	26.6	415.8	28.3	1 451.5	27.6
South Australia	324	6.1	4 508	5.6	70.5	4.8	237.9	4.5
Western Australia	406	7.7	7 667	9.5	132.2	9.0	451.1	8.6
Tasmania	209	4.0	1 981	2.4	27.3	1.9	96.4	1.8
Northern Territory	85	1.6	2 656	3.3	58.8	4.0	203.9	3.9
Australian Capital Territory	42	0.8	1 811	2.2	32.9	2.2	116.2	2.2
Australia	5 288	100.0	81 086	100.0	1 470.1	100.0	5 259.2	100.0

(a) Multi-State businesses are counted in each State and Territory in which they operated. Hence the counts of businesses for States and Territories do not sum to the total for Australia.

PERFORMANCE RATIOS

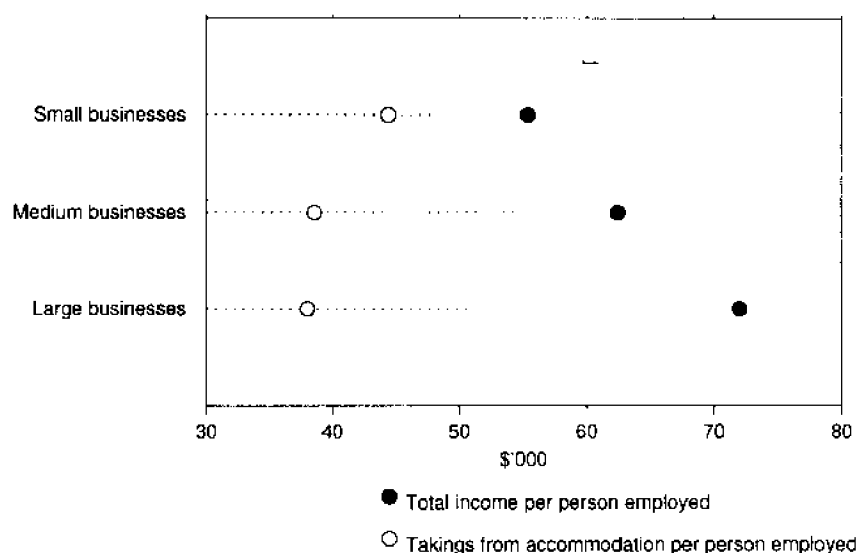
This section presents statistics for accommodation businesses for 1995-96 in three size categories, each defined by the number of persons employed: fewer than 20, 20-99, and 100 or more. These are referred to as small, medium and large businesses.

Labour costs per employee for all businesses were \$20,600 and ranged from \$14,200 for small businesses to \$24,500 for large businesses. Labour costs represented 26% of the total expenses of small businesses compared to 35% for other businesses.

The operating profit margin in this industry (7.8%) varied significantly between small (15.4%), medium (10.5%) and large businesses (3.1%). These operating profit margins are reflected in the operating profit before tax per person employed, which was \$8,300 for small businesses, \$6,400 for medium businesses and \$2,100 for large businesses.

Small businesses tended to concentrate on their core activity, earning 80% of their income from accommodation compared to 62% for medium businesses and 53% for large businesses.

Selected performance ratios by business size



PERFORMANCE RATIOS *continued*

7 Performance ratios

Description	Small businesses	Medium businesses	Large businesses	All businesses
Employment ratios				
Total income per person employed (\$000)	55.4	62.4	72.0	64.9
Takings from accommodation per person employed (\$000)	44.4	38.6	38.0	40.1
Total expenses per person employed (\$000)	47.0	55.8	69.9	59.9
Operating profit before tax per person employed (\$000)	8.3	6.4	2.1	4.9
Labour costs per employee (\$000)	14.2	19.6	24.5	20.6
Labour costs to total expenses (%)	26.0	35.0	35.0	32.8
Profitability ratio				
Operating profit margin (%)	15.4	10.5	3.1	7.8
Income ratios				
Accommodation income to total income (%)	80.2	61.9	52.7	61.9
Takings from meals to total income (%)	10.1	20.4	21.2	18.0
Sales of liquor to total income (%)	2.1	8.1	10.6	7.8

ACCOMMODATION ESTABLISHMENTS

The following estimates relate to the profitability (as measured by operating profit margin) of accommodation establishments operated by businesses predominantly engaged in the accommodation industry in 1995-96. Where those establishments are also covered by the ABS quarterly Survey of Tourist Accommodation, data relating to the type and level of activity of each establishment has been matched with the financial performance of each establishment to produce indicators of profitability for different types and levels of activity.

It should be noted that profitability measures are influenced by the numbers of working proprietorships and partnerships in the different segments of the industry. This is due to the fact that drawings of working proprietors and partners are not included in the business expenses in the profit calculation.

Establishments operated by other businesses and establishments not covered by the quarterly Survey of Tourist Accommodation have not contributed to these estimates. For further information please refer to paragraphs 2-5 of the Explanatory Notes.

LICENSED HOTELS

The 4.4% operating profit margin for licensed hotel establishments was lower than the profit margin for motel and guest house establishments (14.8%) and caravan park establishments (15.8%).

This relatively low operating profit margin was mainly attributed to large hotels with star grading of 4 or 5 or with more than 100 rooms, which recorded a profit margin of 2.9% and 3.8% respectively. These large hotels represented about half of all licensed hotel establishments in the survey.

In terms of operating profit margin, the most profitable hotel establishments were those with greater than 80% room occupancy rate (14.9%), those establishments with 50-99 rooms (13.3%), income of \$100,000-\$499,000 (22.7%) and establishments with star grading of 1 or 2 (25.3%).

The most profitable hotel establishments were in the Northern Territory (22.2%), Western Australia (18.3%) and Victoria (14.8%). Hotel establishments in Queensland reported a poor profit margin of -6.1% reflecting losses by some large hotels in Queensland.

MOTELS & GUEST HOUSES

The 14.8% operating profit margin of motel and guest house establishments was spread relatively evenly across the various types of these establishments. Establishments with greater than 80% room occupancy rate (around 4% of motels and guest houses in the survey) had a profit margin of 20.6%. Motels and guest houses with 0-19 rooms, which represented about 37% of these types of establishments in the survey, recorded a profit margin of 19.7%. The less profitable establishments were those with less than 50% room occupancy rate (10.8%) and those accruing total income between \$500,000 and \$1,999,999 (10.9%).

The most profitable motel and guest house establishments were in Western Australia (20.1%) whereas motels and guest houses in Tasmania recorded the lowest profit margin at 11.0%.

ACCOMMODATION ESTABLISHMENTS *continued*

CARAVAN PARKS

These estimates relate to privately owned caravan parks, which represent about half of the caravan parks in the quarterly Survey of Tourist Accommodation.

The most profitable caravan park establishments were those with 66-80% room/site occupancy rates (27.1%) and those with total income between \$500,000 and \$1,999,999 (20.0%). The less profitable, in terms of profit margin, were those establishments accruing total income over \$2 million (9.9%). There were less than 1% of caravan parks which reported income greater than \$2 million in the survey.

Caravan park establishments in the Australian Capital Territory and the Northern Territory had the highest profit margin of 21.3% and 20.4% respectively.

8 Profitability of accommodation establishments

	Licensed hotels	Motels and guest houses	Caravan parks
Operating profit margin (%)			
Average room/site occupancy rate			
Less than 50%	-1.9	10.8	13.7
50-65%	-9.5	13.6	17.3
66-80%	1.7	15.9	27.1
More than 80%	14.9	20.6	12.4
Rooms, sites available			
0-19	7.2	19.7	14.9
20-49	12.1	12.4	17.2
50-99	13.3	15.8	14.5
100 and over	3.8	15.7	16.3
Income size			
0-\$99 000	-	14.9	12.8
\$100 000-\$499 000	22.7	16.5	13.6
\$500 000-\$1 999 000	3.8	10.9	20.0
\$2 000 000 and over	4.3	17.0	9.9
Star grading			
1-2	25.3	13.1	..
3	10.2	14.1	..
4-5	2.9	17.6	..
State and Territory			
New South Wales	4.7	14.7	16.2
Victoria	14.8	15.9	17.0
Queensland	-6.1	12.9	11.4
South Australia	0.6	14.0	17.2
Western Australia	18.3	20.1	18.6
Tasmania	7.3	11.0	8.5
Northern Territory	22.2	14.6	20.4
Australian Capital Territory	4.9	17.4	21.3
Total establishments	4.4	14.8	15.8

EXPLANATORY NOTES

SCOPE AND METHODOLOGY

1 This publication contains results from a survey of 2,700 businesses classified to the accommodation industry for the reference year 1995–96. This is the fourth time the ABS has surveyed this industry. Previously statistics were released in respect of 1979–80, 1986–87 and 1991–92.

2 The survey included employing businesses classified to Class 5710, Accommodation, of the Australian and New Zealand Standard Industrial Classification (ANZSIC). This class comprises businesses predominantly engaged in the provision of short-term accommodation in hotels, motels, serviced apartments, flats/units, guest houses and youth hostels, and short- and long-term accommodation in caravan parks, camping grounds and student residences (excluding boarding schools).

3 It should be noted that a proportion of accommodation activity in Australia is not covered by this survey, as some businesses providing accommodation have predominant income from other activities. For example:

- Licensed hotels, clubs mainly providing beer, wine and spirits and other hospitality services. Such businesses are classified to ANZSIC Class 5720, Pubs, Taverns and Bars, and this industry was last surveyed in 1994–95. Results from that survey are published in *Pubs, Clubs, Taverns and Bars, Australia, 1994–95* (Cat. no. 8687.0).
- Real estate agents mainly engaged in managing properties for others. Such businesses are classified to ANZSIC Class 7720, Real Estate Agents, and was last surveyed in 1995–96. Results from that survey are published in *Real Estate Agents Industry, Australia, 1995–96* (Cat. no. 8663.0).
- Casinos which are mainly involved in providing gambling services. Casinos are classified to ANZSIC Class 9322 and the latest results of this industry are published in *Casinos, Australia, 1995–96* (Cat. no. 8683.0).

4 This survey obtained detailed information about accommodation businesses and some aggregate data about their accommodation establishments. Information presented in table 8 of this publication relates to these accommodation establishments which are also included in the ABS quarterly Survey of Tourist Accommodation.

5 The scope of the quarterly Survey of Tourist Accommodation includes:

- Hotels, motels and guest houses, with facilities, providing predominantly short term accommodation to the general public and being hotels licensed to operate a public bar and motels, private hotels and guest houses all of which provide a bath (or shower) and toilet in most guest rooms and have breakfast available for guests. Establishments with fewer than five rooms are excluded from the scope of the collection.
- Caravan parks providing either short- or long-term accommodation to the general public and which provide powered sites for caravans and toilet, shower and laundry facilities for guests.

6 Occupancy rates, star grading and other details from the quarterly survey have been matched against profitability measures for the same establishments from this survey to provide indicative estimates by type and level of activity.

EXPLANATORY NOTES *continued*

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STATISTICAL UNIT

7 The unit for which statistics were reported in the survey was the management unit. The management unit is the highest-level accounting unit within a business or organisation, having regard for industry homogeneity, for which accounts are maintained. In nearly all cases it coincides with the legal entity owning the business (i.e. company, partnership, trust, sole operator, etc.). In the case of large diversified businesses, however, there may be more than one management unit, each coinciding with a 'division' or 'line of business'. A division or line of business is recognised where separate and comprehensive accounts are compiled for it. Some aggregate data was obtained about accommodation establishments of these management units in order to produce data on operating profit margin of establishments.

RELIABILITY OF ESTIMATES

8 The estimates presented in this publication are subject to sampling and non-sampling error.

SAMPLING ERRORS

9 Since the estimates in this publication are based on information obtained from a sample drawn from units in the surveyed population, the estimates are subject to sampling variability, that is, they may differ from figures that would have been obtained if all units had been included in the survey. One measure of the likely difference is given by the standard error (SE), which indicates the extent to which an estimate might have varied by chance because only a sample of units was included.

10 There are about two chances in three that a sample estimate will differ by less than one SE from the figure that would have been obtained if a census had been conducted, and approximately 19 chances in 20 that the difference will be less than two SEs.

11 Sampling variability can be measured by the relative standard error (RSE) which is obtained by expressing the SE as a percentage of the estimate to which it refers. The RSE is a useful measure in that it provides an immediate indication of the percentage errors likely to have occurred due to sampling, and this avoids the need to refer also to the size of the estimate.

EXPLANATORY NOTES *continued*

12 The following table contains estimates of RSEs for a selection of the statistics presented in this publication.

<i>Data item</i>	<i>RSE (%)</i>
.....	
Businesses at end June 1996	1.8
Employment at end June 1996	
Full-time	1.4
Part-time	1.9
Total	1.3
Takings from accommodation	1.5
Total income	1.3
Labour costs	1.3
Total expenses	1.3
Operating profit before tax	4.4
Operating profit margin	4.0
Industry gross product	1.4
.....	

13 As an example of the above, an estimate of total income for the accommodation industry is \$5,259.2 million and the RSE is 1.3%, giving a SE of \$68.4 million. Therefore, there would be two chances in three that, if all units had been included in the survey, a figure in the range of \$5,190.8 million to \$5,327.6 million would have been obtained, and 19 chances in 20 that the figure would have been within the range of \$5,122.5 million to \$5,395.9 million (i.e. a confidence interval of 95%).

NON-SAMPLING ERROR

14 Errors other than those due to sampling may occur because of deficiencies in the register of units from which the sample was selected, non-response, and imperfections in reporting by respondents. Inaccuracies of this kind are referred to as non-sampling errors and they may occur in any collection, whether it be a census or a sample. Every effort has been made to reduce non-sampling error to a minimum by careful design and testing of questionnaires and efficient operating procedures and systems used to compile the statistics.

REFERENCE PERIOD

15 Data contained in the tables of this publication relate to all businesses which operated in Australia at any time during the year ended 30 June 1996. Counts of businesses include only those businesses that were operating at 30 June 1996.

BUSINESSES CEASED DURING THE YEAR

16 A very small number of businesses ceased operations during the 1995-96 reference period. It is normal ABS procedure to include the contributions of these businesses in the survey output.

GLOSSARY

Bad debts	These are accounts receivable by a business which are expected to be unrecoverable from debtors.
Businesses at end June	This is a count of management units operating at the end of June 1996.
Casual employees	These include all employees who were not entitled to holiday leave or sick leave in their main job.
Commission expenses	These are payments to other businesses and self-employed persons for work done or sales made on a commission basis, including payments to persons paid by commission without a retainer and travel agents' commissions.
Depreciation and amortisation	These are the financial charges made to the business accounts to show that part of the value of an asset which is considered to have been used up in producing revenue during a particular accounting period.
Electricity, gas and water charges	These are electricity, gas and water expenses incurred during the normal operation of the business. They exclude costs of self-generation of electricity and installation charges.
Employees	This includes all persons working for the business who received remuneration during the reference period. It excludes working proprietors and partners.
Employer contributions to superannuation funds	These are the contributions by the employer to superannuation funds, including the employer productivity contribution.
Employment at end June	This includes full-time and part-time employees, employees absent on paid or pre-paid leave, managerial and executive employees, permanent, temporary and casual employees, consultants who are employees and working proprietors and partners at the end of June 1997. It excludes non-salaried directors and self-employed persons such as contractors and consultants.
Establishment	This is defined as the smallest type of accounting unit within a management unit which controls its productive activity. It consists, in most industries, of one or more locations in a State or Territory of Australia at (or from) which it operates.
Income from conventions	This is the income from the provision of accommodation, food, beverages, room/equipment hire, etc. for on-site and off-site conventions and meetings.
Industry Gross Product	This is a measure of the unduplicated gross product of businesses. It is defined as sales of goods and services plus government subsidies plus closing stocks minus opening stocks minus purchases and selected expenses.
Insurance premiums	These are payments made by a business in respect of different types of insurance policies, including optional third-party and comprehensive motor vehicle insurance premiums, fire, general, accident and public liability premiums and professional indemnity insurance premiums. Workers' compensation and compulsory third party motor vehicle insurance are excluded.
Interest expenses	These are expenses related to the cost of the use of borrowed funds from financial institutions and related companies.
Interest income	This is income earned through lending out funds owned by the entity, including interest received from bank accounts, loans and finance leases and earnings on discounted bills.

GLOSSARY *continued*

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Labour costs	These include wages and salaries, employer contributions to superannuation funds and workers' compensation costs.
Laundry and cleaning services	These include payments to other businesses for provision of laundry and cleaning services and costs incurred under charge-back arrangements.
Management unit	See under Statistical unit in paragraph 7 of the Explanatory Notes.
Operating profit before tax (OPBT)	This is a measure of profit before extraordinary items are brought to account and prior to the deduction of income tax and appropriations to owners (e.g. dividends paid).
Operating profit margin	This is the percentage of sales of goods and services available as operating profit, (i.e. operating profit before tax times 100 divided by sales of goods and services).
Other business expenses	These include advertising expenses, waste management and environmental protection expenses and other operating expenses.
Other government charges and indirect taxes	These include fringe benefit tax, payroll tax, land tax, land rates, gambling taxes and levies and liquor license fees. They exclude income tax and other direct taxes, electricity, gas and water charges, waste management and environmental protection expenses, sales tax and excise payable to the government and council and/or government general rates.
Other income	This includes net profit (loss) on the sale of fixed tangible assets, and net profit (loss) on foreign exchange transactions, government subsidies, donations and dividend income.
Other retail sales	These include income from the sale of retail goods except dine-in meals and liquor. They include sales of confectionery, souvenirs, cigarettes, groceries, etc., soft drinks and ice cream not served with meals, takeaway meals and food sold in takeaway packs or containers.
Other services	This item includes income from management fees, subscription and membership fees, rent, leasing and hiring income and commission income.
Permanent employees	These include all employees who were entitled to paid holidays or leave pay in their main job.
Purchases	These include purchases of finished goods for resale, purchases under charge-back arrangements and other non-capitalised purchases of goods and materials.
Rent, leasing and hiring expenses	These include those expenses incurred for the rent, leasing and hiring of land, buildings and other structures, motor vehicles and equipment used by the business.
Repair and maintenance expenses	These are expenses associated with work undertaken on plant and machinery to maintain normal business operations. They exclude repair and maintenance expenses of motor vehicles and wages and salaries paid to own employees.
Sales of goods and services	These include income from the sales of goods and the provision of services, income from rent, leasing and hiring and contract and commission revenue.
Sales of liquor	These include income from the provision of wine, beer and spirits served with meals and bottle shop sales.

GLOSSARY *continued*

.....

Selected expenses	This item includes laundry and cleaning services, repair and maintenance expenses, electricity, gas and water charges, other government charges and indirect taxes, commission expenses, and other business expenses.
Takings from accommodation	This is income received from the provision of accommodation. All takings from meals including the meals component where meals and accommodation are combined are excluded.
Takings from meals	This is income received from the provision of meals sold for consumption on the premises. It excludes income from catering concessions and takeaway food.
Telecommunication services	These include all types of telecommunication services provided to guests.
Wages and salaries	This refers to the gross earnings, before taxation and other deductions, of all employees including provision expenses for employee entitlements. They exclude drawings of working proprietors and working partners of unincorporated businesses.
Workers' compensation costs	These include insurance premiums/levies and non-payroll costs incurred by businesses and not reimbursed by an insurance company.
Working directors	This includes directors of companies who received a wage or salary during the reference period.

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