

ACCOMMODATION INDUSTRY

AUSTRALIA

EMBARGO: 11:30AM (CANBERRA TIME) THURS 5 AUG 1999

CONTENTS

	<i>page</i>
Notes	2
Main features	3

TABLES

1 Accommodation businesses and establishments.	3
2 Key figures	5
3 Selected hospitality industries.	6
4 Sources of income	7
5 Items of expenditure	8
6 Characteristics of employment	9
7 Business size	10
8 State and Territory comparisons	11
9 Performance ratios	12
10 Profitability of accommodation establishments	15

ADDITIONAL INFORMATION

Explanatory notes	16
Glossary	20

- For further information about these and related statistics, contact Paull Hoffmann on Brisbane 07 3222 6201, or Client Services in any ABS office as shown on the back cover of this publication.

NOTES

ABOUT THIS PUBLICATION

This publication presents results, in respect of the 1997–98 financial year, from an Australian Bureau of Statistics (ABS) survey of employing businesses in the accommodation industry. This is the fifth time that the ABS has surveyed the accommodation industry. Surveys were previously conducted in respect of the 1979–80, 1986–87, 1991–92 and 1995–96 financial years.

Information in this publication relates to businesses classified to Class 5710 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 of both short- and long-term accommodation in caravan parks, camping grounds and student residences (excluding boarding schools).

This publication is one of a series to be issued in respect of 1997–98 covering the hospitality and gambling industries. Other publications in the series are:

Casinos, Australia, 1997–98 (Cat. no. 8683.0)—issued 17 December 1998

Clubs, Pubs, Taverns and Bars, Australia, 1997–98 (Cat. no. 8687.0)
—issued 24 June 1999

Gambling Industries, Australia, 1997–98 (Cat. no. 8684.0)—issued
28 June 1999

Gambling Industries, Australia, Preliminary, 1997–98 (Cat. no. 8647.0)
—issued 8 April 1999

COMMENTS ON THIS PUBLICATION

The ABS welcomes comments and suggestions from users recommending industries and data items for inclusion in future industry surveys. These comments should be addressed to The Director, Service Industry Surveys, ABS, PO Box 10, Belconnen, ACT 2616.

W McLennan
Australian Statistician

MAIN FEATURES

INTRODUCTION

This publication presents results in respect of the 1997–98 financial year of a survey of 2,800 non-government, employing businesses in the accommodation industry. The results from this survey will differ from those in the quarterly Survey of Tourist Accommodation (STA) because there are other businesses which provide accommodation services and are included in STA but are predominantly engaged in other activities, which were 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; clubs; and real estate agents renting houses, flats and units for individual owners.

Overall, it is estimated that businesses in the accommodation industry accounted for approximately 85% of the total accommodation takings recorded in the quarterly Survey of Tourist Accommodation.

TYPE OF BUSINESS

At the end of June 1998, there were 6,143 employing businesses in the accommodation industry, which was a 16% increase since June 1996.

These businesses operated 6,496 separate accommodation establishments. Motel establishments (2,638) and caravan parks (1,709) accounted for 41% and 26% respectively of the total number of establishments. Other accommodation establishments covered included holiday flats, units or houses (486), licensed hotels (450), serviced apartments (377) and guest houses (297).

1 ACCOMMODATION BUSINESSES AND ESTABLISHMENTS

	<i>no.</i>
Businesses	6 143
Establishments	
Licensed hotels	450
Other hotel	29
Motel	2 638
Guest house	297
Bed and breakfast	215
Serviced apartments	377
Holiday flat, unit or house	486
Backpacker hostel	144
Other visitor hostel	*61
Student residence	90
Caravan park	1 709
Total	6 496

BUSINESS SIZE	<p>Businesses with employment of fewer than 20 persons comprised 88% of all businesses in the industry in 1997–98. These businesses accounted for 30% of industry employment and 47% 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 33% of operating profit before tax. These proportions were similar in 1995–96, except that large businesses accounted for 21% of operating profit before tax in 1995–96.</p> <p>The industry gross product of the accommodation industry during 1997–98 was \$3,026 million which was a 14% increase since 1995–96.</p>
EMPLOYMENT	<p>At the end of June 1998, employment of businesses in the accommodation industry was 97,201 persons, which was a 20% increase in total employment since 30 June 1996. At the end of June 1998, there were 53,033 permanent employees and 40,313 casual employees which were increases of 22% and 18%, respectively, since June 1996.</p>
INCOME	<p>During 1997–98, businesses in the accommodation industry generated total income of \$6,763 million of which \$4,141 million (61%) was from takings from accommodation, a similar proportion as reported in 1995–96. Total industry income has increased by 29% since 1995–96.</p>
EXPENSES	<p>Total expenses incurred by businesses in the accommodation industry were \$6,269 million during 1997–98, of which labour costs represented 33%.</p>
PROFITABILITY	<p>The industry recorded an operating profit before tax of \$502 million for the 1997–98 financial year which represented the same operating profit margin (7.8%) as recorded in 1995–96. This levelling out of profit margins compares to a –8.4% operating profit margin recorded in 1991–92.</p>

STATE AND TERRITORY
DATA

Businesses operating in New South Wales and Queensland accounted for 63% of the total income of the industry in 1997–98. While businesses operating in Victoria accounted for 17% of income, this was well below the Victorian share (25%) of the Australian population.

2 KEY FIGURES

	1991–92	1995–96	1997–98
Businesses at end June 1998 (no.)	4 314	5 288	6 143
Employment at end June (no.)	74 136	81 086	97 201
Takings from accommodation (\$m)	2 336.5	3 252.8	4 141.3
Other income (\$m)	1 645.2	2 006.4	2 621.3
<i>Total income (\$m)</i>	<i>3 981.7</i>	<i>5 259.2</i>	<i>6 762.6</i>
Labour costs (\$m)	1 263.8	1 591.9	2 034.6
Other expenses (\$m)	3 037.1	3 264.6	4 234.0
<i>Total expenses (\$m)</i>	<i>4 300.9</i>	<i>4 856.5</i>	<i>6 268.5</i>
Operating profit before tax (\$m)	–319.2	400.8	502.0
Operating profit margin (%)	–8.4	7.8	7.8
Industry gross product (\$m)	1 674.9	2 657.9	3 026.1

INDUSTRY COMPARISON

In addition to the survey of businesses in the accommodation industry, the ABS also conducted surveys of businesses in the selected hospitality industries of pubs, taverns and bars; clubs (hospitality); and casinos in respect of 1997–98. Results showed that there was considerable overlap in the sources of income of businesses in these hospitality industries. While takings from accommodation were \$4,141 million for businesses in the accommodation industry, a further \$290 million was received by businesses in these related industries: pubs, taverns and bars (\$166 million), casinos (\$78 million) and clubs (hospitality) (\$46 million).

The takings from meals of businesses in these four industries were \$2,477 million of which businesses in the accommodation industry contributed 46%. In contrast, businesses in the accommodation industry contributed 6% of the total sales of liquor and other beverages, and less than 1% of gambling income.

The total employment of the four industries was 266,728 persons, of which 36% was contributed by businesses in the accommodation industry. The average employment per accommodation business was 15.8 compared to 17.1 for pubs, taverns and bars, 17.9 for clubs (hospitality) and 1,579 for casinos.

The operating profit margin of businesses in the accommodation industry in 1997–98 was 7.8%, which was marginally below the operating profit margin of businesses in the pubs, taverns and bars industry (8.3%) and the clubs (hospitality) industry (9.4%), but much higher than the operating profit margin of the casinos industry (–10.8%).

Further details of the other industries are contained in *Clubs, Pubs, Taverns and Bars, Australia, 1997–98* (Cat. no. 8687.0) and *Casinos, Australia, 1997–98* (Cat. no. 8683.0).

3 SELECTED HOSPITALITY INDUSTRIES

	Accommodation	Pubs, taverns and bars	Clubs (hospitality)	Casinos	Total
Businesses at end June 1998 (no.)	6 143	4 792	3 749	13	14 697
Takings from accommodation (\$m)	4 141.3	166.2	45.7	77.6	4 430.8
Takings from meals (\$m)	1 150.7	682.3	482.5	161.0	2 476.5
Sale of liquor and other beverages (\$m)	522.6	5 847.8	1 628.6	147.6	8 146.6
Income from gambling (\$m)	10.2	1 325.6	3 207.6	2 166.6	6 710.0
Other income (\$m)	937.8	231.4	648.1	156.9	1 974.2
Total income (\$m)	6 762.6	8 253.3	6 012.5	2 709.7	23 738.1
Employment at end June 1998 (no.)	97 201	81 724	67 272	20 531	266 728
Operating profit margin (%)	7.8	8.3	9.4	–10.8	..

SOURCES OF INCOME

In 1997–98, the total income received by businesses in the accommodation industry was \$6,763 million. Of that income, 61% was from takings for accommodation, a further 17% was received from takings for meals and 8% from the sale of liquor and other beverages. More than half (57%) of businesses in the industry received income from the provision of meals, and 30% of businesses received income from the sale of liquor and other beverages.

The main income data item proportions are very similar to the proportions in 1995–96.

Businesses estimated that \$529 million (8%) of their total income related to income from conventions.

4 SOURCES OF INCOME

	<i>Businesses at end of June 1998</i>		
	<i>no.</i>	<i>\$m</i>	<i>%</i>
Sales of goods and services			
Takings from accommodation	6 143	4 141.3	61.2
Takings from meals	3 492	1 150.7	17.0
Sale of liquor and other beverages	1 831	522.6	7.7
Other retail sales	2 518	182.8	2.7
Income from poker/gaming machines	34	10.2	0.2
Rent, leasing and hiring income	1 668	210.2	3.1
Telecommunication services	2 960	103.1	1.5
Income from management fees	312	69.5	1.0
Other goods and services	13	28.1	0.4
<i>Total</i>	6 143	6 418.5	94.9
Interest income	2 432	77.7	1.1
Other income	2 017	266.4	3.9
Total income	6 143	6 762.6	100.0
Income from conventions(a)	955	529.2	. .

(a) Included in Sales of goods and services.

EXPENDITURE

Total expenses of businesses in the accommodation industry in 1997–98 were \$6,269 million.

Labour costs (\$2,035 million) were the largest expenditure item, comprising 33% of total expenses. Labour costs in the industry averaged \$21,800 per employee. Other major expenses were purchases (\$880 million), rent, leasing and hiring expenses (\$465 million), interest expenses (\$427 million), and depreciation and amortisation (\$341 million).

The government taxes and levies for the industry were \$193 million, which represented 3% of total expenses.

5 ITEMS OF EXPENDITURE

	\$m	%
Labour costs		
Wages and salaries	1 864.8	29.7
Employer contributions to superannuation funds	122.8	2.0
Workers' compensation costs	47.0	0.7
<i>Total</i>	2 034.6	32.5
Purchases		
Liquor and other beverages	206.1	3.3
Foodstuffs for use in preparing meals	422.6	6.7
Other finished goods for resale	103.1	1.6
Other non-capitalised purchases	148.3	2.4
<i>Total</i>	880.1	14.0
Selected expenses		
Laundry and cleaning services	116.9	1.9
Repair and maintenance expenses	250.3	4.0
Electricity, gas charges	211.1	3.4
Taxes and levies		
Bed tax	23.1	0.4
Other Government taxes and levies	169.5	2.7
<i>Total</i>	192.6	3.1
Commission expenses	110.3	1.8
Rent, leasing and hiring expenses		
Rent of land, buildings and other structures	391.4	6.2
Other rent, leasing and hiring expenses	73.4	1.2
<i>Total</i>	464.8	7.4
Management fees	135.8	2.2
Advertising, marketing, promotion and sponsorship expenses	200.6	3.2
Telecommunications services expenses	95.1	1.5
Live entertainment expenses	14.4	0.2
Other operating expenses	735.3	11.7
<i>Total</i>	2 527.1	40.3
Other costs		
Insurance premiums	50.7	0.8
Interest expenses	426.5	6.8
Depreciation and amortisation	341.2	5.4
Bad debts	8.4	0.1
<i>Total</i>	826.8	13.2
Total expenses	6 268.5	100.0

EMPLOYMENT

At the end of June 1998, the total employment in the accommodation industry was 97,201 persons, a 20% increase since June 1996.

There were 3,855 working proprietors and partners (4% of total employment), 53,033 permanent employees (55%) and 40,313 casual employees (41%). The high proportion of casual employees is reflected in the relatively low labour cost per employee of \$21,800 for the industry.

The percentage of females employed in the industry has remained unchanged at 59% when compared to June 1996. The 27,891 female casual employees represented 69% of all casual employees compared to permanent female employees representing 52% of all permanent employees.

6 CHARACTERISTICS OF EMPLOYMENT

	<i>Males</i>	<i>Females</i>	<i>Persons</i>
Working proprietors and partners (no.)	1 951	1 904	3 855
Employees			
Permanent full-time (no.)	22 764	20 938	43 702
Permanent part-time (no.)	2 915	6 416	9 331
<i>Total permanent (no.)</i>	25 679	27 354	53 033
Casual (no.)	12 422	27 891	40 313
<i>Total (no.)</i>	38 101	55 245	93 346
Total employment at end June 1998 (no.)	40 052	57 149	97 201
Proportion of total (%)	41.2	58.8	100.0
Total employment end June 1996 (no.)	33 146	47 940	81 086
Total employment end June 1992 (no.)	30 519	43 617	74 136

BUSINESS SIZE

Businesses with employment of less than 20 persons continued to dominate in terms of number of businesses in the accommodation industry during 1997–98 (88% of all businesses as compared with 90% in 1995–96). However, these businesses accounted for only 30% of employment and 26% of total income of the industry. In contrast, businesses with employment of 100 or more persons represented 2% of accommodation businesses, yet accounted for 49% of employment and 53% of total income of the industry.

In terms of operating profit margin, businesses with employment of less than 20 persons were the most profitable in the industry, particularly those with fewer than five persons working. These businesses generated an operating profit margin of 15.7%. This high profitability reflects in part the large numbers of working proprietorships and partnerships in this segment of the industry. These businesses accounted for 57% of all working proprietors and partners. Drawings of working proprietors and partners are not included in the business expenses component of the profit calculation.

In comparison, the 145 large businesses (employment of 100 or more persons) had an operating profit before tax of \$164 million which represented an operating profit margin of 4.9% during 1997–98. During 1995–96, these large businesses recorded an operating profit margin of 3.1%.

7 BUSINESS SIZE

	Employment size						Total
	0–4 persons	5–9 persons	10–19 persons	20–49 persons	50–99 persons	100 or more persons	
Businesses at end of June 1998 (no.)	2 839	1 912	685	448	114	145	6 143
Proportion (%)	46.2	31.1	11.2	7.3	1.9	2.4	100.0
Working proprietors and partners at end of June 1998 (no.)	2 192	1 216	361	85	—	—	3 855
Proportion (%)	56.9	31.6	9.4	2.2	—	—	100.0
Employees at end of June 1998 (no.)	4 989	11 182	8 719	12 871	8 017	47 568	93 346
Proportion (%)	5.3	12.0	9.3	13.8	8.6	51.0	100.0
Total employment at end of June 1998 (no.)	7 182	12 398	9 081	12 956	8 017	47 568	97 201
Proportion (%)	7.4	12.8	9.3	13.3	8.2	48.9	100.0
Wages and salaries (\$m)	72.4	131.1	128.1	245.2	173.0	1 115.0	1 864.8
Proportion (%)	3.9	7.0	6.9	13.2	9.3	59.8	100.0
Total income (\$m)	477.6	707.9	576.4	837.9	560.0	3 602.8	6 762.6
Proportion (%)	7.1	10.5	8.5	12.4	8.3	53.3	100.0
Operating profit before tax (\$m)	72.4	80.5	85.6	70.5	29.4	163.8	502.0
Operating profit margin (%)	15.7	11.9	15.3	8.8	5.5	4.9	7.8

STATE AND TERRITORY COMPARISONS

Accommodation industry businesses in 1997–98 were concentrated in the eastern mainland States, with 80% operating in New South Wales, Victoria and Queensland.

Accommodation industry income in New South Wales (36%) and Queensland (27%) was greater than their respective share of the Australian population of 34% and 18%. Conversely, industry income in Victoria (17%) and South Australia (5%) was below their share of the Australian population of 25% and 8% respectively.

On average, each business in the accommodation industry employed 16 persons at the end of June 1998. Employment per business in the Australian Capital Territory and the Northern Territory was the highest among the States and Territories at 46 and 31 persons respectively. Businesses in Tasmania and Victoria recorded the lowest employment per business at 12 persons.

Businesses in the Australian Capital Territory and the Northern Territory also recorded the highest total income per business at \$3.2 million and \$2.8 million respectively, well above the Australian average of \$1.1 million. Average total income per business in Tasmania and Victoria was \$659,000 and \$782,000 respectively.

8 STATE AND TERRITORY COMPARISONS

	<i>Businesses(a)</i>	<i>Total employment at end June 1998</i>		<i>Wages and salaries</i>		<i>Total income</i>	
	<i>no.</i>	<i>no.</i>	<i>%</i>	<i>\$m</i>	<i>%</i>	<i>\$m</i>	<i>%</i>
New South Wales	2 233	33 308	34.3	649.5	34.8	2 409.5	35.6
Victoria	1 440	17 064	17.6	297.4	15.9	1 126.4	16.7
Queensland	1 235	25 577	26.3	534.0	28.6	1 848.7	27.3
South Australia	398	5 364	5.5	88.1	4.7	313.4	4.6
Western Australia	524	8 148	8.4	130.6	7.0	509.2	7.5
Tasmania	261	3 021	3.1	53.8	2.9	172.0	2.5
Northern Territory	79	2 411	2.5	64.6	3.5	222.7	3.3
Australian Capital Territory	50	2 308	2.4	46.8	2.5	160.7	2.4
Australia	6 143	97 201	100.0	1 864.8	100.0	6 762.6	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 MEASURES

This section presents statistics for accommodation businesses for 1997–98 in three size categories, each defined by the number of persons employed: fewer than 20 persons, 20–99 persons, and 100 persons or more. These are referred to as small, medium and large businesses.

Average labour costs per employee for all businesses were \$21,800 and ranged from \$14,900 for small businesses to \$25,400 for large businesses. Labour costs represented 24% of the total expenses of small businesses compared to 35% for other businesses.

The operating profit margin in this industry (7.8%) varied significantly among small (14.0%), medium (7.5%) and large businesses (4.9%). These operating profit margins are reflected in the operating profit before tax per person employed, which for small businesses was \$8,300, for medium businesses \$4,800, and for large businesses \$3,400.

Small businesses earned 78% of their income from accommodation compared to 63% for medium businesses and 52% for large businesses. Conversely, the medium and large businesses received, respectively, 18% and 21% of their income from the provision of meals, and 8% and 10%, respectively, from the sale of liquor and other beverages.

9 PERFORMANCE RATIOS

	<i>Small businesses</i>	<i>Medium businesses</i>	<i>Large businesses</i>	<i>All businesses</i>
Total income per employment (\$000)	61.5	66.7	75.7	69.6
Takings from accommodation per employment (\$000)	48.0	42.1	39.6	42.6
Accommodation income to total income (%)	78.0	63.1	52.3	61.2
Takings from meals to total income (%)	8.4	18.2	20.8	17.0
Sale of liquor and other beverages to total income (%)	2.6	7.8	10.2	7.7
Total expenses per employment (\$000)	53.1	61.9	72.5	64.5
Labour costs per employee (\$000)	14.9	21.8	25.4	21.8
Labour costs to total expenses (%)	24.4	35.1	35.0	32.5
Operating profit before tax per employment (\$000)	8.3	4.8	3.4	5.2
Operating profit margin (%)	14.0	7.5	4.9	7.8

PROFITABILITY OF ESTABLISHMENTS

INTRODUCTION

Table 10 provides profitability measures of accommodation establishments which were operated by businesses classified to the accommodation industry. The profitability measure used is Earnings Before Interest and Tax (EBIT) expressed as a percentage of the total income of the establishment.

This profitability measure differs from operating profit margin in that it is derived before the deduction of interest expense and hence it is higher than the operating profit margin shown for businesses in earlier tables.

The objective of the table is to provide indicative profitability comparisons across the different types of accommodation establishments (licensed hotels, motels and guest houses and caravan parks), for a range of different characteristics such as size of establishment, star grading and State of operation. For the purposes of this table, businesses were asked to classify each of their accommodation establishments by type (see paragraph 6 of the Explanatory Notes for further details).

Accommodation establishments operated by non-accommodation businesses, such as casinos, clubs or service stations, have not contributed to these estimates (see paragraph 3 of the Explanatory Notes for further details).

LICENSED HOTELS

The EBIT profit margin of the 450 licensed hotel establishments in the accommodation industry in 1997–98 was 11.6%, compared to the EBIT profit margin of 17.8% for motel and guest house establishments and 26.6% for caravan parks.

Licensed hotels in all States and Territories recorded higher EBIT profit margins than the Australian average except for Tasmania (–0.2%), the Northern Territory (9.1%) and Queensland (1.6%). The highest EBIT profit margins were recorded by licensed hotels in Victoria (20.9%) and New South Wales (18.4%).

The 196 licensed hotels in capital cities had an EBIT profit margin of 16.5%, far in excess of the 3.3% EBIT profit margin recorded by licensed hotels located outside capital cities.

Licensed hotels with a 4–5 star grading had an EBIT profit margin of 12.4%, licensed hotels with a 3 star grading, 8% and those with a 1–2 star grading, 3.3%. In comparison, 4–5 star motels and guest houses had an EBIT profit margin of 16.9%. Of all licensed hotels, those with 50–99 rooms recorded the highest EBIT profit margin of 14.4%.

MOTELS AND GUEST HOUSES

While the EBIT profit margin of motels and guest houses was 17.8%, this profit margin varied across States and Territories. The lowest EBIT profit margin for motels and guest houses was recorded in Victoria (12.6%) and Western Australia (13.5%). In contrast to the high profit margins recorded in capital cities by caravan parks (31.5%), motels and guest houses had an EBIT profit margin of 16.1% in capital cities and 18.6% in country areas.

On a capacity basis, motels and guest houses with less than 20 rooms had the highest EBIT profit margin (24.7%). However, these were the establishments which were more likely to have working proprietors and partners, for whom drawings were not part of the profit calculation. There were 80 motels and guest houses with income of \$2 million or greater and these establishments recorded the lowest EBIT profit margin of 16.4%.

Just over half of the motels and guest houses were graded as 3 star establishments and they recorded an EBIT profit margin of 16.7%. In comparison, 1–2 star motels and guest houses recorded a higher EBIT profit margin of 20.8% and 4–5 star motels and guest houses 16.9%.

CARAVAN PARKS

These estimates relate to privately owned caravan parks.

The EBIT profit margin for the 1,709 caravan park establishments was 26.6%. The highest EBIT profit margins were recorded by caravan parks in Queensland (31.6%) and New South Wales (29.4%), with the lowest being in Tasmania (17%) and the Northern Territory (18%).

In terms of capacity, the 175 caravan parks with less than 20 sites had the highest profit margin of 36%. Caravan parks with 50–99 sites recorded a lower than average EBIT profit margin of 21.8%.

The most profitable caravan parks in terms of income size were those in the income range \$500,000–\$1,999,999, which recorded an EBIT profit margin of 32.1%.

10 PROFITABILITY OF ACCOMMODATION ESTABLISHMENTS

	Licensed hotels		Motels and guest houses		Caravan parks	
	Establishments	EBIT profit margin	Establishments	EBIT profit margin	Establishments	EBIT profit margin
	no.	%	no.	%	no.	%
Rooms, sites available						
0–19	*30	*5.9	1 263	24.7	175	*36.0
20–49	60	**4.7	1 445	15.4	*300	*26.5
50–99	*118	14.4	203	18.8	460	21.8
>99	242	11.7	24	15.4	774	26.6
Income size						
\$0–\$499 999	*39	**–11.6	2 205	19.5	1 365	21.9
\$500 000–\$1 999 999	*115	*7.8	650	17.2	337	32.1
\$2 000 000 and over	296	11.9	80	16.4	7	16.2
Star grading						
1–2	12	3.3	176	20.8
3	*124	8.0	1 497	16.7
4–5	302	12.4	967	16.9
Ungraded	12	6.1	295	29.7
State and Territory						
New South Wales	119	18.4	1 316	19.2	577	29.4
Victoria	57	20.9	681	12.6	429	20.5
Queensland	164	**1.6	479	22.0	*374	31.6
South Australia	16	12.5	175	16.3	108	25.3
Western Australia	40	15.4	149	13.5	157	26.8
Tasmania	21	**–0.2	92	17.0	43	17.0
Northern Territory	18	9.1	29	15.0	19	18.0
Australian Capital Territory	15	15.8	14	22.4	*3	n.p.
Total Capital Cities	196	16.5	577	16.1	315	31.5
Total Rest of State	254	*3.3	2 358	18.6	1 394	25.0
Total Australia	450	11.6	2 935	17.8	1 709	26.6

EXPLANATORY NOTES

SCOPE AND METHODOLOGY

1 This publication contains results from a sample survey of 2,800 businesses classified to the accommodation industry for the reference year 1997–98. This is the fifth time the Australian Bureau of Statistics has surveyed this industry. Previous statistics were released in respect of 1979–80, 1986–87, 1991–92 and 1995–96.

2 The scope of the survey was all employing businesses classified to Class 5710, Accommodation, of the 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 A proportion of accommodation activity in Australia is not covered by this survey, as some businesses providing accommodation have predominant income from other activities and hence are classified to other industries. For example:

- Licensed hotels, mainly engaged in selling alcoholic beverages for consumption on the premises. Such businesses are classified to ANZSIC Class 5720, Pubs, Taverns and Bars. This industry was also surveyed in 1997–98 and results were published in *Clubs, Pubs, Taverns and Bars, Australia, 1997–98* (Cat. no. 8687.0).
- Clubs mainly engaged in providing hospitality services to members. Such businesses are classified to ANZSIC Class 5740, Clubs (Hospitality). This industry was also surveyed in 1997–98 and results were published in *Clubs, Pubs, Taverns and Bars, Australia, 1997–98* (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. This industry was last surveyed in 1995–96 and results were published in *Real Estate Agents Industry, Australia, 1995–96* (Cat. no. 8663.0).
- Casinos mainly involved in providing gambling services. Casinos are classified to ANZSIC Class 9322 and the results from the latest survey of this industry were published in *Casinos, Australia, 1997–98* (Cat. no. 8683.0).

4 This survey obtained detailed information about accommodation businesses and some aggregate data about their accommodation establishments.

STATISTICAL UNIT

5 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.

6 Information was also collected in respect of each of the accommodation establishments operated by the management units in the accommodation industry. For the purposes of this survey an establishment was the operations at a single physical location of the management unit. Each management unit was asked to classify each of its establishments by type. It should be noted that the classification and the means of classifying each establishment used in the survey varied from that used in the Survey of Tourist Accommodation. As such the data are not directly comparable to data from the Survey of Tourist Accommodation.

RELIABILITY OF ESTIMATES

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

Sampling errors

8 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.

9 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.

10 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.

Sampling errors *continued*

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

RELATIVE STANDARD ERRORS FOR KEY DATA ITEMS

<i>Data item</i>	<i>%</i>
Businesses at end June 1998	2.8
Employment at end June 1998	
Full-time	2.4
Part-time	3.7
Casual	2.9
Total	2.1
Income	
Takings from accommodation	2.4
Total	2.4
Expenses	
Labour costs	2.2
Total	2.3
Operating profit before tax	6.7
Operating profit margin	5.7

12 As an example of the above, an estimate of total income for the accommodation industry is \$6,762.6 million and the RSE is 2.4%, giving a SE of \$162.3 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 \$6,600.3 million to \$6,924.9 million would have been obtained, and 19 chances in 20 that the figure would have been within the range of \$6,438.0 million to \$7,087.2 million (i.e. a confidence interval of 95%).

Non-sampling error

13 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

14 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 1998. Counts of businesses include only those businesses that were operating at 30 June 1998.

BUSINESSES CEASED
DURING THE YEAR

15 A number of businesses ceased operations during the 1997–98 reference period. It is normal ABS procedure to include the contributions of these businesses in the survey output.

SYMBOLS AND OTHER
USAGES

ABS	Australian Bureau of Statistics
ANZSIC	Australian and New Zealand Standard Industrial Classification.
. .	not applicable
EBIT	Earnings before interest and tax
PAYE	Pay as you earn
RSE	relative standard error
SE	standard error
STA	Survey of Tourist Accommodation
*	subject to sampling variability too high for most practical purposes
**	subject to sampling variability too high for practical purposes
—	nil or rounded to zero

Where figures have been rounded, discrepancies may occur between the sum of the component items and the total.

GLOSSARY

Bad and doubtful debts	Bad debts are the actual amount of bad debt written off, net of bad debts previously written off but recovered.
Bed tax	This item is a government tax applying to businesses with accommodation establishments operating in the Northern Territory and Sydney City.
Businesses at end June	This is a count of management units operating at the end of June 1998. A management unit is the highest-level accounting unit within a business, having regard for industry homogeneity, for which accounts are maintained.
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	Depreciation and amortisation are financial charges made in the accounts to reflect that part of the value of the asset which may be regarded as having been used up in producing revenue in a particular accounting period.
Earnings before interest and tax (EBIT)	This is a measure of profit before extraordinary items are brought to account and prior to the deduction of interest expense, income tax and appropriations to owners (e.g. dividends paid).
EBIT profit margin	This represents earnings before interest and tax expressed as a percentage of total income.
Electricity and gas charges	These are electricity and gas expenses incurred during the normal operation of the business. They exclude costs of self-generation of electricity and any installation charges.
Employees	Employees are all persons working for the business, excluding working proprietors and partners, for whom PAYE tax is deducted from their remuneration.
Employer contributions to superannuation funds	This item includes the costs of the employer's superannuation contributions during the reference period (including contributions made by the employer on behalf of employees).
Employment at end June	This item includes working proprietors and partners, working directors, and other employees working for a business during the last pay period ending in June 1998. Employees absent on paid or prepaid leave are included.

Establishment	This is defined as the smallest type of accounting unit within a management unit which controls its productive activity. In the accommodation industry it generally equates to the single physical location.
Income from conventions	This is income from the provision of accommodation, food, beverages, room/equipment hire, etc. for on-site and off-site conventions and meetings.
Income from management fees	This is income for management services provided, revenue sharing arrangements and other income treated as management-related by the business in its profit and loss statement. Interest income and rent, leasing and hiring income are excluded.
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. It includes interest on bank loans, loans from partners, interest in respect of finance leases, interest equivalents such as hedging costs and expenses associated with discounted bills.
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.
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	A management unit is the highest-level accounting unit within a business, having regard for industry homogeneity, for which accounts are maintained.
Operating profit before tax	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	<p>This is the percentage of sales of goods and services available as operating profit (operating profit before tax times 100 divided by sales of goods and services), i.e.</p> $\text{Operating profit margin} = \frac{\text{Operating profit before tax}}{\text{Sales of goods and services}} \times 100$
Other government taxes and levies	<p>These include fringe benefit tax, payroll tax, land tax, land rates, gambling taxes, indirect taxes and levies. They exclude bed tax; income tax and other direct taxes; electricity, gas and water charges; sales tax and excise payable to the government and council; and/or government general rates.</p>
Other operating expenses	<p>These include council and government general and water rates; freight and cartage expenses; postal, mail and courier services; bank charges other than interest; credit card charges; motor vehicle running expenses (including compulsory third-party insurance premiums); audit and other accounting expenses; legal expenses; paper, printing and stationery expenses; training; travel expenses; security; and contract and sub-contract expenses.</p>
Other retail sales	<p>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.</p>
Permanent employees	<p>These include all employees, full-time or part-time, who were entitled to paid holidays or leave pay in their main job.</p>
Rent, leasing and hiring expenses	<p>Rent, leasing and hiring expenses are the costs for the rent, leasing (excluding finance leases) and hiring of vehicles, land, buildings, machinery, equipment and any other property from other businesses or individuals.</p>
Rent, leasing and hiring income	<p>Rent, leasing and hiring income is revenue derived from the renting, leasing or hiring of assets such as land, buildings, vehicles, machinery or equipment to other businesses or individuals.</p>
Repair and maintenance expenses	<p>These are expenses associated with work undertaken on plant and machinery to maintain normal business operations including computer software and hardware maintenance, and goods and materials used for repair and maintenance. They exclude repair and maintenance expenses of motor vehicles, and wages and salaries paid to own employees.</p>
Sale of liquor and other beverages	<p>These include income from the provision of beer, wine, spirits and other beverages served with meals, and bottle shop sales.</p>

Star grading	The star grading scheme is operated by the Australian Automobile Association. Data in this publication refer to gradings as advised by respondents to the survey.
Takings from accommodation	This is income received from the provision of accommodation, including bed tax where appropriate. 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 income	This includes all types of telecommunication services provided and paid for by guests.
Wages and salaries	This refers to the gross earnings before taxation and other deductions. It excludes drawings of working proprietors and working partners of unincorporated businesses.
Workers' compensation costs	These costs include insurance premiums/levies and non-payroll costs incurred by businesses and not reimbursed by an insurance company.

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2869500007975
ISBN 0 642 27537 8

RRP \$16.50

<i>POST</i>	Client Services, ABS, PO Box 10, Belconnen ACT 2616
<i>EMAIL</i>	client.services@abs.gov.au