22 July 2014

Discussion Paper – AUSTRAC Industry Contribution
Legal and Policy Branch
PO Box 13173, Law Courts
MELBOURNE VIC 8010

Policy_consultation@austrac.gov.au

The ALH Group (**ALH**) welcomes the opportunity to respond to the AUSTRAC Industry Contribution Discussion Paper of 23 June 2014.

1 Background

ALH operates 329 licensed venues and over 500 retail liquor outlets across Australia. We employ almost 16,000 people. Our venues offer a diverse hospitality experience.

ALH provides one service which technically comprises two designated services regulated by AUSTRAC. The relevant service is the provision of electronic gaming machines (**EGMs**) in some of our venues.

We note under the proposed industry contribution that:

- The industry contribution will replace the current supervisory levy model;
- The industry contribution removes the $300 base component to the levy;
- If a hoteliers' levy does not exceed a $1,000 threshold it will be waived; and
- If a hoteliers' domestic earnings do not exceed $100,000,000 they will not be required to pay an earnings component of 0.05% of their domestic earnings.

We have 3 main concerns with the proposed approach which we address in turn below.

2 Inherent unfairness on large hotel owners

The proposed method of calculating the industry contribution (including the earnings threshold) would likely mean that ALH and one other large operator of hotels will be the only 2 hotel owners in Australia required to pay any industry contribution.

It is manifestly unfair to implement a scheme which would require contribution from, at most, only 2 hotel owners out of some 7,100[1] hotels in Australia where the same benefits of being regulated by AUSTRAC accrue to those non-contributing hotel owners. ALH operates only **4%** of hotels in Australia and **less than 6%** of the total number of EGMs.

While the proposed model may be appropriate for the financial services industry given the size and nature of the participants, it is not appropriate for the hotel industry which has a very different participant profile. ALH is concerned the proposed industry contribution unfairly targets us in isolation from the rest of the industry.

[1] IBIS World

STREET ADDRESS
Level 2, 10 Yarra Street
South Yarra VIC 3141

POSTAL ADDRESS
Locked Bag 4040
South Melbourne VIC 3205

T 03 9829 1000
W alhgroup.com.au

ALH Group Pty Ltd | ABN 68 098 212 134

3 Earnings component calculated on domestic earnings of whole of business – unfair on hotels

Under the proposed calculation method, ALH would be required to pay an industry contribution calculated on an earnings component (a nominated percentage of its domestic earnings) based on the domestic earnings of its entire diverse business.

It appears from the Discussion Paper that the method for calculating industry contribution is designed with the financial services industry in mind. In this regard, close to 100% of the reporting entity or Billable Group's domestic earnings are derived from the provision of many designated services comprised in the financial services industry.

As stated above, in ALH's case, there is only one service attracting only 2 designated services. Only **16%** of ALH's revenue is derived from the operation of EGMs, the balance is from the provision of products and services outside the regulation of AUSTRAC and which do not involve designated services. The vast majority of ALH's revenue is derived from a wide variety of activities not involving designated services including sports bars, bistros, restaurants, cafes, retail liquor, accommodation and nightclubs.

Whilst, again, the all inclusive earnings base may be appropriate for the financial services industry, it is clearly inappropriate when applied to the hotel industry given its earnings make up. The financial impact on us is not justified.

4 Billable Groups

Under the current supervisory levy regime, ALH pays a 'large entity' component. However, under the industry contribution, ALH will pay significantly more in total contribution than under the supervisory levy scheme due to the fact it is a Billable Group.

It would be possible for an existing large Billable Group to avoid fees altogether if it 'unbundled' its entities/ hotels. This incentive would be at odds with the broader desirable objectives of forming designated business groups to reduce administration costs including the duplication of reporting and the burden of red tape.

The proposed method would provide for a higher contribution by Billable Groups with no consideration of the size or revenue of the individual businesses within the group. Whilst this may not be an issue for the financial services industry, comprising relatively large financial institutions providing integrated designated services, it does not translate well into the hotel industry.

In this regard, the ALH Group is essentially made up of many small, separate, geographically standalone businesses located in different urban and regional centres across Australia. If each venue was considered in isolation, ALH would be exempt from paying any fees under the proposed calculation method.

5 Inequitable quantum

Pursuant to s11 of the *Australian Transaction Reports and Analysis Centre Supervisory Cost Recovery Levy (Collection) Act 2011* (**Act**), the AUSTRAC CEO, may, on behalf of the government, waive the payment of the levy. While the Act does not provide any detail of circumstances where waiver may be considered appropriate, the AUSTRAC Supervisory Levy FAQ's available on the AUSTRAC website provide that waiver may be appropriate if recovery would be inequitable.

AUSTRAC states:

'that recovery of a supervisory levy from a leviable entity would be inequitable where the impact of applying the calculation model in a reporting entity's particular circumstances has resulted in that entity incurring an unintended supervisory levy, or a supervisory levy of an unintended quantum.'

We assume that as the existing invoicing, administrative and review arrangements will remain, so too will the waiver of those contributions considered inequitable. If the proposed model was to be introduced on the basis outlined in the Discussion Paper we would submit, for the reasons outlined above, that the industry contribution resulted in an inequitable quantum when applied to ALH.

We would welcome the opportunity to discuss this further.

Yours Sincerely,

B. Math

Bruce J Mathieson
Chief Executive Officer