

PRE BUDGET 2020/21 SUBMISSION

**AUSTRALIAN TOURISM
EXPORT COUNCIL**

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Australian Tourism Export Council Limited

Suite 9.04, 6A Glen Street
Milsons Point NSW 2061

Telephone: +61 2 8262 5500
Email: atec@atec.net.au
Web: www.atec.net.au



FOREWORD

Tourism needs support now more than ever.

The events of January and February 2020 have re-shaped the tourism industry and permanently altered strategic, marketing, investment and growth plans for businesses across Australia. Unprecedented bushfire activity, now coupled with a global health emergency in coronavirus has forced our sector into involuntary retreat as many business owners face the prospect of seriously eroded revenues for the indefinite immediate future. Whilst the tourism sector is proud of its resilience and has returned to growth phases after previous blows such as SARS and the global financial crisis, a double hit such as this, coupled with an already slowing China market even prior to the coronavirus outbreak is going to send shocks through the sector from which may be impossible to recover, without significant intervention.

It is too early to measure the full economic impacts of these events, and ATEC has been working closely with both government and industry partners to manage, communicate, assess immediate impacts and identify support measures since early January. We applaud the swiftness with which the Federal government has responded to the bushfire emergency, both with the \$76m assistance package, as well as with the positive, factual messaging from Tourism Australia to overseas audiences that Australia remains open for business. We also commend the speed at which Tourism Australia's domestic recovery campaign, #holidayherethisyear was launched.

From now, we need to work together to ensure the blow to businesses affected by one or both of these disasters is mitigated. Considerations including lowering or removing government taxes and charges on businesses should be elevated as a means by which operators can maintain trading during the immediate months ahead. Concessional loans should be made available to assist with cashflow. And importantly, we need a strong and informed public message from government that dispels myths, corrects erroneous reports and reassures the travelling public that Australia is safe and ready to welcome visitors.

In the context of the 20/21 Federal budget, ATEC urges the government to consider the measures outlined in this submission which will deliver short-term relief, medium-term stability and long-term growth.

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1. SUMMARY OF BUDGETARY RECOMMENDATIONS

The table below presents a summary of budgetary recommendations.

Immediate measures

- Concessional loans - loans of up to \$500,000 for businesses that have suffered significant loss of revenue as a result of the coronavirus.
- Tax relief – offer coronavirus-affected businesses extensions on BAS and income return lodgment dates
- Waive federal government charges/levies imposed on operators such as the Environment Management Charge
- Remove or reduce visitor visa application charges for the China and India markets for a six month window

Measures to maintain Australia as a competitive destination

- Restore Tourism Australia funding in real terms over the forward estimates. Maintain additional \$20m for domestic activity.
- Reform visitor visa policy:
 - reduce the visa application charge for 417 and 462 sub classes to drive demand in youth markets
 - extend sub class 600 visa validity for India to a consistent three years
 - implement “visa for life” to approved applicants
 - ensure long term validity visa products are competitively priced
 - commission the visa benchmarking study to identify current strengths and opportunities
 - address processing delays in key markets with a commitment to efficient systems and/or increased in-post resources to manage case flows
 - condense visa classes to reflect purpose of visit only
 - implement a system which allows for native language completion online
 - continue to review the caps policy for 462 visa sub-class, including the reciprocity requirement
 - progress negotiations with India for a 462 agreement
- Maintain the Commonwealth government’s commitment to Approved Destination Status (ADS) of at least \$11m over four years in the forward estimates
- Freeze the Passenger Movement Charge at current level of AUD\$60

Measures to deliver a high quality experience to the international visitor

- Establish a Tourism Capability Fund to support industry-delivered programs
- Labour and skills:
 - implement the recommendations of the Austrade Tourism Labour and Skills Roundtable
 - continue to expand the working holiday maker program
 - ensure employer sponsored skilled migration is accessible and affordable for employers

- Invest in reforms to the EMDG program:
 - increase budget allocation in order to meet government’s goal to enable 1000 new exporters per annum
 - remove the current eight year cap to allow a business to move into new and emerging markets
 - link grant fund eligibility to export capability
 - implement a tiered system of eligibility
 - invest in coordinated educational/awareness programs
- Enhance the visitor experience at airports
 - reform the Tourist Refund Scheme
 - extend international gateways to more regional airports
 - invest in biometric and facial recognition technology at major gateways
 - allow for premium processing including off-terminal processing – user pays systems
- Maintain Austrade’s funding for 2020/21 at current levels & retain an independent Tourism Research Australia
- Continue to support the regions via the *Building Better Regions Fund*

2. DISCUSSION

Tourism drives growth.

It is well documented that tourism and the visitor economy create jobs, facilitate economic prosperity and drive investment – particularly for regional Australia.

Australia's tourism export industry is now more valuable to the national economy than coal or rural exports, and with global international tourism spend growing at more than 10% a year the future looks extraordinary, notwithstanding current shocks.

it has never been more important for industry and government to work together effectively. Global travel is growing at such a rate that Australia must address supply-side challenges that could potentially mitigate our market share if ignored.

ATEC supports the government's current process in developing the Tourism 2030 strategy and looks forward to partnering with key government and industry stakeholders to implement key actions and initiatives.

Our strategic focus should be simple: **maintain Australia as a competitive destination** and **deliver a high quality experience to the international visitor**. Accordingly, our budgetary recommendations are presented in this context.

Theme 1: Maintaining Australia as a competitive destination

3.1 Tourism Australia funding

Positioning Australia as 'open for business' and as a world class destination are strategic priorities as we look to recover our global market share post fires and coronavirus. We will need to re-establish consumer faith in our destination – both from a propensity to travel and a perceived safety perspective. Our market presence in China will be critical as borders re-open and many nations work to rebuild their share. Neighbouring countries are also likely impacted by reduced propensity to travel. Co-ordinated, tactical campaigns over the next three years will be essential to ensure we can recover and see a return to pre-fire arrivals and expenditure.

It is also important that any ongoing domestic initiatives such as #holidayherethisyear are resourced over and above Tourism Australia's funding allocation for international activity. Domestic campaigns are vitally important and ATEC strongly supports TA's role in their delivery but they must not erode TA's international presence.

ATEC has previously called for increases to Tourism Australia funding to ensure we can create conversion. National tourism organisations are becoming increasingly competitive, particularly as the costs of media continue to rise. In fact, media cost inflation sits well above global regular inflation (around 4.5%) and in some markets such as China and India, even more so. This heavily impacts Tourism Australia's purchasing power and subsequent ability to achieve cut-through in such a competitive and crowded market: nations aggressively vying for a slice of the USD\$1.3 trillion expenditure pie.

ATEC commends the government on its increase to Tourism Australia's funding in the 2019/20 budget which was a welcome outcome. However, Tourism Australia's funding in real terms has declined over past years and ATEC calls on the Federal government to restore funding to ensure the authority can continue to demonstrate global leadership, particularly in the current environment.

RECOMMENDATIONS restore Tourism Australia's funding in real terms. Maintain the additional \$20m in 2020/21 for the current domestic marketing campaign.

3.2 Visitor visas: continue reforms to streamline visa application processes and the visitor experience

In light of the coronavirus impacts to our industry, we urge government to consider reducing or even waiving visa application charges for the China market for six months. This not only sends a positive 'welcome back' message to the Chinese trade and traveller, but helps drive demand by completely eradicating any additional barriers to travel, making Australia an attractive destination option once borders re-open. We would also encourage government to consider a similar option for the India market – again, removing a barrier to travel and potentially helping operators offset some losses from the China market with added demand from India.

Visa policy remains a key challenge for our industry. Finding the balance between border integrity and inhibiting growth from emerging tourism markets is critical to long term economic growth.

A TEC respects the need for tightly managed passenger movement but we also identify several areas where simple adjustment of policy levers would address issues and allow for sustainable growth. A TEC also commends the Commonwealth government on the significant reforms already implemented, including the move to 100% online applications across the globe, and the recent improvements to processing times for markets such as India.

The global trend of surging passenger movements is taking its toll on antiquated systems built decades ago. Today, with more than 1.2 billion international travellers going to great lengths and costs to obtain a visa, wasting time waiting in lines, many with old fashioned paper documents in hand, we face new challenges that cannot be addressed by legacy systems. The Coalition committed to a visa benchmarking study in the lead up to the 2019 election, yet we are still waiting advice on the scope, timing and delivery of this study.

More critically, we continue to see unacceptable processing times for visas in key markets like South America. As mentioned, delays in the India market have been well addressed in more recent months, with processing times significantly reduced. The correlation between processing times and record visa grants and visitation from the India market cannot be dismissed. This outcome demonstrates that these efficiencies can be achieved and A TEC urges government to ensure that the measures in place to manage processing times are sustainable and can withstand peak periods such as World Cup Cricket for example.

Government must also recognise that the global population is actively mobile, and the concept of a 'long weekend' in Australia is very much a reality for our neighbouring countries in south east Asia. It is vital that we find real solutions to visa processing times, and, when there are reasons for delays that these are promptly communicated to the wholesaler and inbound tour operator.

Whilst it is important to be ambitious with regard to visa-free and passport-free travel in the future, we need to consider in the short term implementing long validity visas (3, 5, & 10 years) for all short-medium haul Asian markets. These products must also be competitively priced.

Our working holiday maker program is also an opportunity to drive demand. In light of recent events, the government could adjust the visa application charge for sub classes 417 and 462 to make Australia a more attractive destination for a working holiday (Australia's VAC is currently the second highest among all 417 partners). We must also look at increasing caps on 462 for countries where there is pent up demand – A TEC notes the recent adjustment for Indonesia – and also consider adjusting the superannuation impost on working holiday makers to 15%. Furthermore, we urge government to elevate the working holiday maker discussions with India as there is currently no arrangement in place. Feedback from industry strongly supports this opportunity.

Presented below is a table that presents a summary of key short-term wins that drive growth without mitigating border integrity platforms.

RECOMMENDATIONS

Australia's visa system must be ambitious and internationally competitive

- Implement a visa application charge 'holiday' for six months for the China (& potentially India) market
- Reduce the visa application charge for 417 and 462 sub classes to drive demand in youth markets
- Extend sub class 600 visa validity for India to a consistent three years
- Implement "visa for life" to approved applicants
- Ensure long term validity visa products are competitively priced

Australia's visa system must be simple, consistent, nimble and intuitive

- Commission the visa benchmarking study to identify current strengths and opportunities
- Address processing delays in key markets with a commitment to efficient systems and/or increased in-post resources to manage case flows
- Condense visa classes to reflect purpose of visit only
- Implement a system which allows for native language completion online
- Continue to review the caps policy for 462 visa sub-class, including the reciprocity requirement
- Progress negotiations with India for a 462 agreement

3.3 Maintain the Commonwealth government's commitment to Approved Destination Status (ADS)

The Approved Destination Status (ADS) scheme has been operating since 1999 and facilitates group travel from the People's Republic of China. ADS is a bilateral arrangement between the Chinese Government and a destination country that establishes a regulatory framework for Chinese tourists to undertake group leisure travel to that country. Given the circumstances surrounding coronavirus and group travel, now more than ever it is critical that we continue to support the recovery of group travel, particularly from third-tier cities who residents may consider travel for the first time to a destination that supports tourism and recovery post-coronavirus. The ADS scheme is one that offers structure, positive trade sentiment and efficiency for leisure travel from China.

The ADS unit of Austrade must be resourced to deliver training, quality frameworks including a contemporary Code of Conduct, capacity building for product servicing the China market and educational programs for the ADS agents in China on destination Australia, particularly in emerging tier-three or four provinces.

RECOMMENDATION – maintain the Commonwealth government's commitment to ADS of \$11m over four years in the forward estimates

3.4 Freeze the Passenger Movement Charge at current level of AUD\$60

The Passenger Movement Charge (PMC) was introduced in July 1995 (replacing the "departure tax"). The PMC was introduced to recover the cost of customs, immigration and quarantine processing of inbound and outbound international travellers and fully offset the cost of issuing short-term visitor visas.

Modelling by the International Air Transport Association suggests that holiday visitors (as distinct from those travelling to visit friends or relatives) are most sensitive to departure taxes such as the Passenger Movement Charge (PMC), with every price increase of 10% estimated to generate a decline of 5-7% in the number of leisure passengers travelling globally.

The Passenger Movement Charge, now at \$60 per person, has been under much scrutiny of late. Industry certainly supports a charge levied on the travelling individual that covers the increasing costs of border security and customs/quarantine. However, it is also well known that the PMC generates far in excess of the passenger processing costs at our borders and the government is over-collecting for what should be a cost-recovery exercise. Furthermore, the disparity between the revenue generated and growth-generating funding for tourism, including marketing, is of significant frustration and concern to the tourism sector.

That said, ATEC is of the view that it is time for industry and government to stop circling around the PMC and have an informed and innovative examination of how a de-constructed and re-constructed PMC could deliver for both industry and government. International tourism arrivals and spending are growing. ATEC asserts that looking at this “tax” differently could drive more revenue and potentially create savings in other parts of the Federal Budget if appropriately structured.

It is strongly recommended that the government commit to a review of the Passenger Movement Charge during the 2020/21 fiscal year with a view to implementing a new structure in the 2021/22 budget.

RECOMMENDATION – Freeze the Passenger Movement Charge at current level of AUD\$60

Theme 2: Delivering a high quality experience to the international visitor

3.4 Build capability – establish a Tourism Capability Fund

In order to maximise the opportunity that a growth in tourism exports presents, it is vital that businesses have access to relevant, accessible and practical education and training. We need to foster the development of new and emerging products to ensure Australia’s offering to the global traveller is desirable and export ready. Australia must be in a position to cater to a range of different markets with different expectations and cultural needs. A vibrant and progressive “international ready” program and toolkit is essential.

Some of our greatest tourism assets exist in remote and regional Australia, the areas of our country which are regularly highlighted as having the least access to the essential resources required to meet their business needs. Along with labour force pressures, our industry’s ability to present a consistent experience for our visitors across the country is patchy, as is the ability of tourism businesses to sell themselves successfully to the international market.

Along with working to find solutions to current business needs, we must look forward and support businesses to develop the kind of products and infrastructure required for them to take full advantage of a growing inbound market. There are many places across Australia where we are already behind and there is an urgent need to address capacity issues both present and future.

If we are to achieve greater regional dispersal, then we must ensure the businesses in remote and regional Australia, including indigenous experiences, are ready and capable of serving the international visitor.

An example of industry-led programs currently being developed and rolled out which could be more actively supported by government include the ATEC industry development initiatives such as *International Ready*, *ChinaHost*, *IndiaHost* & *JapanHost*, all of which deliver on the much-needed capability-building for regional Australia. These programs focus on regional development as well as personnel upskilling, leadership, and international commercial readiness. ATEC’s programs can also be adapted to sector-specific needs, as has been the case with the *Growing Wine Tourism* project.

A **Tourism Capability Fund** should be established to identify growth opportunities in a variety of destinations and to channel funds into industry-led, consistent and scalable programs delivered by trade experts. Funds from the existing *Skilling Australians Fund* and *Building Better Regions Fund* could potentially be hypothecated to establish the Tourism Capability Fund.

RECOMMENDATION – Establish a Tourism Capability Fund to support industry programs designed to build commercial capability and trade partnerships to expand the Australian tourism product offering

3.5 Labour and skills: implement measures which allow for a flexible and nimble tourism workforce

Current labour and skills shortages acutely felt by the tourism and hospitality sector limit its productive capacity and hamper efforts to compete with other global destinations. Current policy settings have restricted the tourism and hospitality industry's access to a variety of skilled staff at different skill levels. Access to adequate and properly trained staff is critical to ensuring we have a tourism workforce capable of giving visitors a world-class experience. ATEC supports the position of **Australian Chamber - Tourism** in relation to workforce reform.

RECOMMENDATIONS

- Implement the recommendations of the Austrade Tourism Labour and Skills Roundtable
- Continue to expand the working holiday maker program
- Ensure employer sponsored skilled migration is accessible and affordable for employers

3.6 Export Market Development Grant scheme (EMDG)

Maintenance of the EMDG scheme is critical to shoring up Australia's potential to grow in this ever-increasing competitive global market. We must provide our SMEs with the tools to infiltrate, establish and sustain their presence in both established and emerging export markets. Product innovation and distribution are essential elements in achieving visibility and conversion.

EMDG is the Australian government's principal financial assistance program for aspiring and developing exporters. As Australia's largest services export industry, the tourism industry is highly dependent on EMDG as a mechanism to assist the industry to enhance Australia's overall export performance.

EMDG is a vitally important program to give Australian businesses confidence to export. The government's recent increase to EMDG in the last budget was welcomed by the tourism export industry, however it is not enough. The budget appropriation for EMDG falls well below demand for the grant. The intent of EMDG is to give SMEs the confidence to become global operators, but the lack of knowledge on how much funding a business may access does cause uncertainty.

ATEC firmly believes that there needs to be a link between access to EMDG and business capability. There needs to be a review of the eligibility criteria such that a business can demonstrate its export capability before it can access any form of assistance. For example, ATEC runs industry-supported structured learning pathways which focus on export trade capability. Government could consider applying this as a minimum requirement to access EMDG, possibly administered by the relevant industry association. Funds are limited so we need to ensure educated businesses can access a grant.

A tiered approach to EMDG could also be considered. Every year, the EMDG pool is shrinking, and the tranche payments to participants decreasing. ATEC holds some concern over EMDG eligibility and asserts that some businesses receiving EMDG support should not be, thus resulting in bona fide businesses

missing out. Some thought could be given to a tiered system where business meeting minimum criteria can access minimum funding for less years, and businesses that can demonstrate industry engagement, capability building and training should be eligible for more funding for an extended period.

There is a broad lack of awareness of both EMDG and assistance schemes in general. Government should invest in coordinated educational programs which are delivered in partnership with industry to maximise connectivity with potential exporters.

RECOMMENDATIONS

- Increase budget allocation in order to meet government’s goal to enable 1000 new exporters per annum
- Remove the current eight year cap to allow a business to move into new and emerging markets
- Link grant fund eligibility to export capability
- Implement a tiered system of eligibility
- Invest in coordinated educational/awareness programs

3.8 Enhance the visitor experience at airports, including reforming the Tourist Refund Scheme to allow for privatisation

First impressions are paramount. Airport capacity, passenger processing, airside infrastructure and technology all contribute to a traveller’s first touch of Australia and its people.

With airside challenges already prevalent, it is of concern that with growing visitor arrivals to Australia’s primary international gateways, our systems and capabilities will be inundated and unable to cope efficiently.

The potential for growth in international tourist visitation is heavily mitigated by:

- poorly administered tourist refund scheme (GST refund)
- inadequate international gateway access, particularly in regional Australia
- traveller identification technology at airports
- Lack of premium processing including off-terminal processing

RECOMMENDATIONS

- Reform the Tourist Refund Scheme to allow for private operators to process GST refunds
- Extend international gateways to more regional airports
- Invest in biometric and facial recognition technology at major gateways
- Allow for premium processing including off-terminal processing – user pays systems

3.8 Maintain Austrade funding / regional development funds

Austrade plays a vital role in delivering programs and support for supply-side imperatives including building capacity in regional Australia.

Research is essential at all levels of decision making. It is vital that adequate funding be allocated to maintain research including Tourism Research Australia's International Visitors' Survey, the Australian Bureau of Statistics' Overseas Arrivals and Departures and other key studies like the Tourism Satellite Accounts. The independent role of Tourism Research Australia (TRA) remains important and ATEC supports the ongoing charter of TRA.

Austrade's programs are critical to building skills and empowering new exporters to grow. Austrade must remain empowered to elevate tourism exports, particularly as we observe tourism's surge towards being our largest export.

The Building Better Regions funding must be maintained in the 19/20 budget, and be included in the forward estimates, and should be earmarked for both hard and soft infrastructure projects.

RECOMMENDATIONS

- Maintain Austrade's funding for 2020/21 at current levels
- Retain an independently funded Tourism Research Australia
- Continue to support the regions through the Building Better Regions fund

3. CONCLUDING STATEMENT

Australia's tourism industry is in a vulnerable state. Now more than ever, government and industry must work together to support business, stimulate demand and maximise our competitiveness. We must ensure any barriers to travel are minimal or removed altogether, particularly once the coronavirus issue passes and the China market re-opens.

The tourism industry has an enormous amount of potential and with the right investment, government policy settings and thorough consultation with tourism operators we can make much of this success for Australia's strong economic future.

Here, we have endeavoured to illustrate, through active engagement with leading business owners and senior executives, the key challenges that actually impact growth potential for the Australian tourism export sector.

ATEC believes none of these challenges are insurmountable and holds the view that through active collaboration between industry and government, Australia can further unlock the profitability, sustainability and maximise conversion.

We thank you for the opportunity to present this submission.

For further information please contact:

Peter Shelley
Managing Director
Australian Tourism Export Council
peter.shelley@atec.net.au

Anna Taylor
National Policy Manager
Australian Tourism Export Council
anna.taylor@atec.net.au

4. ABOUT THE AUTHOR

The Australian Tourism Export Council (ATEC) is the peak industry body representing the thousands of companies throughout Australia that provide tourism services to foreign visitors. Whilst the tourism export sector is experiencing positive growth, ATEC's role is to maximise opportunity for Australian businesses in both existing and emerging markets, and to ensure any impediments to that growth are managed and kept to a minimum.

ATEC is the only, singularly-focused national body with inbound tourism at its core. Our membership represents the depth and breadth of our industry and includes more than 1,000 large national and multinational companies as well as small-and medium-sized enterprises, many of whom are based in regional and remote parts of Australia. In this way, we have a solid connection to the 'grass-roots' of our industry. We see and hear their direct experiences and we work alongside these businesses to alleviate the pressures and provide support. Our core functions are to:

- Advocate for policy that supports growth
- Connect buyers and sellers and deliver commercial opportunity
- Support, train and mentor for export excellence
- Promote inbound tourism's contribution to the broader Australian community