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Australian Chamber – Tourism: 2019-20 Pre-budget Submission

January 2019



Australian Chamber
-Tourism

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Executive Summary

As the peak body for businesses operating in tourism, Australian Chamber – Tourism recommends the 2019-20 Budget include initiatives to support tourism growth in order to contribute to Australia’s future economic and social wellbeing and importantly spread the benefits across the country.

Tourism has enormous potential for future growth – provided the policy settings are right to support growth in a highly competitive international market. Investment from Government would enhance the opportunity of the visitor economy so that Australia can enjoy the jobs, growth and export income that the sector can generate.

Australian Chamber – Tourism, representing State and Territory tourism industry councils and national industry associations with an interest in tourism, has identified a number of key policy initiatives for the Government’s consideration in order to maximise the potential of the visitor economy.

To stimulate productivity growth in a fiscally constrained environment, it is essential to ensure that spending initiatives generate economic activity. This will support the living standards Australians enjoy through keeping Australian enterprises competitive.

Australian Chamber – Tourism frames proposed budget initiatives under three key themes:

- International Competitiveness
- Product Development
- Labour and Skills

Recommendation 1: Improve international competitiveness

- Freeze the Passenger Movement Charge
- Increase Tourism Australia funding by \$100 million to grow inbound volume from high value markets

Recommendation 2: Develop Australian product

- Create a Visitor Economy Growth Centre to prioritise the development of business events and leisure tourism sectors within existing resources
- Carve an allocation for tourism projects in digital innovation programs run by the Department of Industry
- Allocate resources for quality tourism product development, particularly in regional Australia
- Increase funding to enhance data collection capabilities within Tourism Research Australia
- Prioritise funding for tourism infrastructure projects under all existing hard and soft infrastructure grants

Recommendation 3: Invest in labour and skills

- Allocate funding to reinstate the Tourism Labour Force Survey
- Allocate \$10 million to develop a promotional campaign to encourage career pathways in Tourism and Hospitality
- Promote VET as an important pathway to developing labour and skills in Tourism (both business and leisure) and hospitality
- Allocate sufficient resources to address the extensive delays in the processing of visa applications, including in the labour agreement stream
- Improve access to temporary and permanent skilled migration for regional employers

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1 Introduction

At a time when many Australian exports are struggling, tourism is booming. At a time of major structural change in employment and investment, Australia needs tourism to continue to grow and employ.

Tourism's output grew at 4.9 percent during 2016-17, a \$54.7 billion contribution to overall GDP – driving growth in jobs and export earnings¹. International visitors to Australia are projected to grow by 64% in 2026-27 compared to 2017-18². Direct and indirect tourism output equals \$210 billion and 924,600 Australians are employed through tourism either directly or indirectly³.

Of course, tourism is much more than just leisure and holidays. For example, travel for business purposes contributes significantly to overall tourism growth. Between 2016 and 2017, international visitors who listed business as the predominant reason for their visit grew by 14%⁴, on par with the increase in domestic business travellers⁵. In the year ending December 2017, there were more than 21 million overnight trips undertaken by Australians domestically for business purposes (up 12%)⁶, making business travel a large part of the tourism sector's growth. In particular, business events are a booming and lucrative area, with international conventions and conferences bringing in millions of dollars and large flow on effects for the broader tourism economy.

An important benefit of tourism, often underestimated, is its clear and measurable economic contribution to regional Australia. According to '*Regional 2030 – Unlocking Opportunity*', 45 cents from every dollar spent by both international and local visitors is spent in a regional area⁷. Regional visitation has been on the rise with 56% of the New Zealand, European and North American market visiting regional Australia as compared to the capital cities and Gold Coast⁸. Domestic overnight visitors were also most likely to disperse outside of the capital cities, with 63% of trips including regional Australia⁹. However, more work needs to be done to attract international visitors from a range of markets.

By 2024-25, overall inbound tourism expenditure could generate \$67.8 billion in real terms¹⁰. With domestic tourism expenditure also expected to grow substantially, the visitor economy could be one of the biggest drivers of new jobs over the next decade.

However, achieving or even exceeding these growth predictions is not guaranteed. The international tourism market is very competitive and it has medium and longer-term price sensitivities. International tourists are price sensitive.

¹ Tourism Research Australia, 2017, *Tourism Satellite Accounts 2016-17*, p.1

² Tourism Research Australia, 2018, *State Tourism Satellite Accounts 2016-17*, p.2

³ Tourism Research Australia, 2018, *State Tourism Satellite Accounts 2016-17*, p.5

⁴ Tourism Research Australia, 2018, *International Visitor Survey Year Ending December 2017*

⁵ Tourism Research Australia, 2018, *National Visitor Survey Year Ending December 2017*

⁶ Tourism Research Australia, 2018, *National Visitor Survey Year Ending December 2017*

⁷ Department of Infrastructure and Regional Development, 2017, *Regions 2030; Unlocking Opportunity*, p. 6

⁸ Tourism Research Australia 2018, *International Visitors Survey year ending March 2018*

⁹ Tourism Research Australia 2018, *State of the Industry 2016-17*, p.12.

¹⁰ Tourism Research Australia, 2016, *Tourism Forecasts 2016*, p.10

Australian Chamber – Tourism frames its budget initiatives under the three key themes of:

- International Competitiveness
- Product Development
- Labour and Skills

Action within these key themes is aimed at ensuring that the sector is able to deliver or exceed the upper range of the potential predicted by the Government and that it is able to do that even if the terms of trade become less favourable.

2 International competitiveness

Australian tourism is currently in a strong competitive position in relation to areas such as airfares, security and our natural advantages. Unfortunately, Australia is not competitive when it comes to a number of Government processes, taxes and fees. Our position will be enhanced if the Government committed to international best practice as a benchmark.

The past year has seen positives and negatives in this area from Government. It is positive there is an ongoing commitment to improving visitor visas particularly for key growth markets. However, it is disappointing that the Passenger Movement Charge was increased, the decision to reduce visa fees for working holidaymakers was reversed and the budget for Tourism Australia decreased.

The Australian Chamber – Tourism recommends that the Government consider the following initiatives to improve our international competitiveness.

2.1 Freeze the Passenger Movement Charge

Inbound tourists are price sensitive, particularly group or package travellers and fully independent travellers. Whilst Australia is a long-haul destination for many source Countries, the cost of visitation is more competitive than it has been for some time because of the low Australian dollar and lower fuel costs. However Australia rates poorly against our direct competition regarding fixed charges for visas and the Passenger Movement Charge (PMC).

Growth by Chinese visitors remains strong. In the year to September 2017, Australia continued to experience strong growth with 1.3 million Chinese visitors arriving (up 19.4%). Chinese tourists are our highest value market, yet we still have huge potential. Of the 135 million Chinese who travel overseas, Australia only receives a reducing market-share of 0.8%. It is unfortunate that Australia cannot attract more Chinese visitors because Tourism Australia research shows Australia ranks first on the wish list for Chinese tourists but we struggle to translate that into actual visits. The cost of travelling to Australia is higher than the cost to travel to South Korea, Thailand or Singapore, though it is less than the cost of travelling to other top 10 destinations such as France, Germany, Italy or the United States. Given the growing middle class of China, Australia should undertake reforms to make our country more attractive to visit for Chinese tourists.

Australia rates poorly on government charges; the World Economic Forum's 2015 Travel and Tourism Competitiveness Index ranked Australia 127th for airport taxes and charges. Australia ranked behind 10 of the biggest destinations for Chinese tourists and only just ahead of the United States and the United Kingdom.

A key component of that cost is the Passenger Movement Charge, which at \$60 is unfortunately the most expensive short haul charge in the world and the second highest long haul charge.

In order to continue to be an attractive destination, it is important that the quantum of visa fees and the application process remain internationally competitive. In recent years, we have seen visa fees rise in real terms. The Competitiveness Index acknowledges improvements in visa conditions between 2013 and 2015, but still ranked Australia below five of the top destinations for Chinese tourists. Since the index was released, the United States has added a 10-year visa for Chinese costing US\$160, Germany has significantly reformed its visas and the United Kingdom has flagged reforms for Chinese visitors. Australia's 10-year visa for Chinese will be more than four times higher than the US equivalent.

Australian Chamber - Tourism acknowledges progress in visa reform for key Australian tourism markets but urges a faster pace of reform, including more rapid roll-out of multiple entry, streamlined and online visa processes for citizens in rapidly expanding markets such as China, India and Indonesia.

2.2 Increased Funding for Tourism Australia

International tourism is a consumer market. To succeed, a destination must stay front-of-mind for potential consumers. Tourism Australia is a world leader when it comes to marketing Australia as an international destination and it is critical that it continues. Tourism Australia has successfully marketed Australia to the booming Chinese market, attracting a record number of visitors. However this still accounts for only 0.8% of Chinese holidaymakers. The premium and free independent traveller sectors have huge potential, along with the more established segments. Tourism Australia would likely produce very strong results for the Australian economy and employment if it had more resources to focus on the Indian and Indonesian markets.

Government spending on Tourism Australia is justified by the significant return on investment that its activities generate. Tourism Australia has told the Productivity Commission that promotion of Australia by Tourism Australia generates tourism expenditure in a ratio of 15:1, converting into a benefit:cost ratio of 6:1 (after allowing for displacement effects, crowding out and the marginal cost of public funds). "This ratio of 6:1 is an important contribution to Australians' living standards and proof that government can perform this role effectively," Tourism Australia said.¹¹

Despite the four year funding commitment, Tourism Australia has experienced a decline in real levels of funding since it was established by the Howard Government in 2004-05 when it had a budget of \$138.4 million. The current success of Tourism Australia on a funding base that has declined in real terms is remarkable, but to continue without restoring real funding levels puts Australia at risk from increasingly competitive rivals.

¹¹ Tourism Australia, 2014, Submission to Productivity Commission Research Paper on Australia's International Tourism Industry, November.

Examples of this increased competition include New Zealand, which announced in 2013 an additional NZ\$158 million over four years for its tourism promotion efforts. The investment appears to have paid dividends: the annual spend by visitors for the year to September 2015 was up by 38 per cent to NZ\$9.4 billion.¹² The United States also significantly boosted its national tourism funding in recent years with the Brand USA campaign. This funding, plus recent US visa reform, presents a continuing threat to Australia's share of the Chinese tourism market.

Australian Chamber – Tourism believes that there is a strong case in the medium term to increase Tourism Australia's funding in real terms by \$100 million.

3 Developing Australian Product

Growing the number of international visitors presents challenges for Australia. Those challenges come from providing the diverse range of product that will continue to attract new and repeat visitors, along with promoting geographic dispersal of visitors and ensuring that tourism infrastructure is up to the task.

Federal Governments have an inconsistent history when it comes to funding for tourism related and demand driving infrastructure. Local grants programs have strong appeal to Governments and local members and they can produce valuable product but they can also, on occasions, fail to link properly with broader objectives. Tourism related infrastructure includes many things that cross over into transport infrastructure, including key roads, public transport, etc. It can also include public primarily state facilities like bus and train stations and private infrastructure like Marinas.

The Australian Chamber has made it clear that on large infrastructure priorities it endorses the independent role of Infrastructure Australia. There is however an ongoing need for a federal role in helping to fund smaller infrastructure that can help to drive demand and develop quality product, particularly to encourage geographic dispersal.

3.1 Visitor Economy Industry Growth Centre

In 2014, the Government announced the creation of "Industry Growth Centres" as part of its Industry Innovation and Competitiveness Agenda, which are tasked to address barriers to success in areas of competitive strength and strategic priority. So far, the Government has identified six areas as having high growth potential. The Australian Chamber – Tourism recommends that the Government fund an additional growth centre focussed on tourism from within existing funding. Deloitte has identified the tourism and visitor economy as one of five "super-growth industries" for Australia¹³, something the Government has consistently emphasised as well.

However, in the 2018-19 Federal Budget, the Government announced efficiencies of \$30 million over two years starting 2019-20 by returning uncommitted funding from the Industry Growth Centres and the Cooperative Research Centres Program to the Budget. Leveraging from this

¹² Tourism New Zealand, '2015 – the year in review', <http://www.tourismnewzealand.com/news/2015-the-year-in-review> (accessed 27 January 2016).

¹³ Deloitte, 2013, *Positioning for prosperity? Catching the next wave*

existing funding to enable collaboration between the three levels of Government, universities and industry towards research and development delivers on the current potential to meet industry and local authority needs.

3.2 Resources for Quality Product Development in Regional Australia

The continuing attraction of Australia as a tourism destination to both domestic and international visitors is dependent upon a supply of quality experiences. The quality of tourism products is integral to attracting visitors, their experience, satisfaction and achieving greater spend.

The supply of quality product is an issue across the country but is particularly limited in the regions. The quality product that is available needs to be promoted as part of promoting Australia and individual destinations. The gaps in available product need to be filled through the development of new or enhancement of existing product and capabilities. It also needs to be embedded in long-term tourism strategies.

The Australian Chamber calls on the Government to support industry initiatives such as the Quality Tourism Framework and other programs more broadly to improve capabilities that develop quality tourism product, particularly in the regions.

Agritourism is an ideal sector to further develop regional tourism and to encourage dispersal of international markets. Agritourism provides social and economic benefits to the visitor economy and agricultural sectors. The Australian Chamber supports the pre-budget submission of our member, Australian Regional Tourism Ltd in its call for more support to agritourism.

3.3 Increase funding for Tourism Research Australia

Successful investment in tourism needs to effectively and appropriately target growth markets. To enable this, Government and business need accurate data in a timely manner. Tourism Research Australia (TRA) already provides very useful information through the National Visitor Survey Results, International Visitor Survey Results and the State Tourism Satellite Accounts. However, the government needs to ensure that the TRA is adequately funded on a continuous basis to ensure this research continues and, despite seeking new collection methodologies, the time-series is maintained. It is also recommended that TRA funding is increased to access big data sources and develop the capability for real-time data, while maintaining NVS and IVS collections.

In addition, the Australian Bureau of Statistics (ABS) has conducted an annual Survey of Tourist Accommodation, a key resource that provides valuable data with regard to the accommodation that is available in each tourist region, and the only independent, robust and reliable data to support regional accommodation investment decisions. The Australian Chamber – Tourism understands that the ABS has discontinued this product¹⁴ and the Australian Accommodation Monitor produced by the data analytics company STR now serves as the main source of

¹⁴ ABS 2016, *Tourist Accommodation*, Australia, 2015-16

accommodation data. It is unclear if the new Australian Accommodation Monitor supports continuity of data. Investors and financiers rely on independent Government data to support investment decisions and to secure financing from banks.

3.4 Prioritise funding for Tourism Infrastructure under existing grants

Improving infrastructure with the aim of boosting local tourism has wider benefits for an entire local community. Increasing the capacity of a regional conference centre, a road leading to a local attraction or expanding a regional airport directly benefits not just tourism operators but the regional economy more broadly. Long-term projects such as these will increase local tourism numbers and deliver benefits to the wider community, directly and indirectly, year on year.

In the 2017-18 Federal Budget, the Government announced that a \$272 million Regional Growth Fund (RGF) will be established to 'drive major transformational projects of more than \$10 million' in regional Australia¹⁵. The RGF program will fund projects across a range of key economic categories including, but not limited to - transport and communications, tourism, manufacturing and primary industries. The Australian Chamber supports the inclusion of tourism in the RGF program.

In the 2018-19 Federal Budget, the Government announced round three of the Building Better Regions Fund (BBRF), which includes \$45 million to improve tourism-related infrastructure, supporting demand driven projects that ensure benefits are multiplied across the tourism sector in the regions. The BBRF is a dedicated regional fund and funding is thus limited to regions outside the major capital cities of Sydney, Melbourne, Brisbane, Perth, Adelaide and Canberra. The Australian Chamber welcomes the dedicated \$45 million for tourism in the BBRF.

In addition to the RGF and the BBRF, access to all regional funds, grants and loans needs to be made available for tourism.

The Australian Chamber also recommends the creation of a Visitor Economy Development Fund by redirecting a portion of revenue raised from the increase in the Passenger Movement Charge to fund new and additional visitor economy related programs, including research and development.

4 Invest in labour and skills focused on the visitor economy

Tourism accounts for 8 percent of Australia's total employment. Government has acknowledged the challenge of meeting a significant projected shortfall in labour for the tourism sector. In October 2015 Austrade projected a shortfall of 150,000 workers by 2020. Significantly, this included a major gap in the skills needs of businesses and available workers. There are currently 38,000 unfilled vacancies in the sector and tourism businesses are facing substantial recruitment and retention difficulties and skills deficiencies¹⁶.

¹⁵ Minister for Regional Development, 09/05/2017, [Investing in growth for our regions](#).

¹⁶ AusTrade website

Meeting the demand for labour requires government and industry to make a strong and strategic commitment to training and skills development, as well as attractive career paths, pay and conditions, promotion of careers in tourism and simple arrangements for skilled-entry and temporary workers. The government has identified key issues and action items to alleviate labour and skills shortage under Tourism 2020 but in the short term the changes to the 457 visa (now the Temporary Skills Shortage visa) and the limitations in the STSOL and MLTSSL have rendered the process of sourcing skilled labour difficult and rigid.

The Australian Chamber has been participating in the Austrade Tourism Labour and Skills Roundtable over the past 12 months. The Roundtable has brought together industry and relevant Federal and some State departments to look for solutions to critical labour force and skills shortages and will result in recommendations to Ministers. The Australian Chamber recommends that the Government commit to implementing the recommendations of the Roundtable including providing funding for implementation.

As part of the investment in labour and skills, the Australian Chamber recommends allocating funding to reinstate the Tourism and Labour Force Survey and \$10 million to develop a promotional campaign in partnership with state and territory agencies to encourage career pathways in Tourism and Hospitality.

Regional skills shortage is an issue that is more pronounced in the tourism and hospitality sector. It requires considerable investment in the development of labour and skills across the country. It is important to allocate funds to promote the Vocational Education and Training (VET) sector as an important pathway to developing labour and skills in Tourism (both business and leisure) and Hospitality. This can be combined with encouraging career pathways in Tourism and Hospitality to allow prospective students the opportunity to visualise the various paths to a career in the field.

4.1 Improving access to temporary and permanent skilled migration

In December 2018, the Australian Chamber issued a major policy statement on migration and population entitled *Migration Works for All of Us*¹⁷. Within this policy, a number of recommendations are made to improve the migration program. In particular, to improve access to temporary and permanent skilled migration, the Government should ensure all skilled occupations on the skilled migration occupation lists are available for sponsorship by regional employers through an expanded Regional Occupations List, as is currently the case with the interim Regional Sponsored Migration Scheme (RSMS) list. This implies all skilled occupations will become available to both permanent as well as temporary skilled migration with a pathway to permanency but only to regional employers. This creates a positive bias towards regional migration and embeds the connection between the migrant and the regional community through the employer sponsored migration streams (which have the best economic outcomes).

It is recommended to allocate sufficient resources to address the extensive delays in the processing of visa applications, including in the labour agreement stream and improve access to temporary and permanent skilled migration for regional employers.

¹⁷ Australian Chamber of Commerce and Industry 2018, https://www.australianchamber.com.au/wp-content/uploads/2018/12/FINAL-Australian-Chamber_Policy_Migration_WEB.pdf

5 About Australian Chamber - Tourism

Australian Chamber – Tourism is a part of the Australian Chamber of Commerce and Industry, Australia’s largest business advocacy network. Australian Chamber – Tourism represents one in eight Australian businesses engaged in the visitor economy. It brings together key participants in the tourism sector to advocate better policies, including in the areas of tax, regulation, tourism marketing, research, labour supply, visas and infrastructure.

The Australian Chamber of Commerce and Industry speaks on behalf of Australian business at home and abroad.

We are the largest and most representative business advocacy network in Australia.

We represent more than 300,000 businesses of all sizes, across all industries and all parts of the country, employing over four million Australian workers.

Our membership comprises all state and territory chambers of commerce and leading national industry associations. Individual businesses are also members of the Australian Chamber’s Business Leaders Council.

The Australian Chamber strives to make Australia a great place to do business in order to improve our standard of living and sustain and create jobs.

We seek to create an environment in which businesspeople, employees and independent contractors can achieve their potential as part of a dynamic private sector. We encourage entrepreneurship and innovation to achieve prosperity, economic growth and jobs.

We focus on issues that impact on business, including economics, industry policy, trade, workplace relations, work health and safety, and employment, education and training.

We advocate for Australian business in public debate and to policy decision-makers, including ministers, shadow ministers, members of parliament, ministerial policy advisors, public servants, regulators and other national agencies. We represent Australian business in international forums.

We represent the broad interests of the private sector rather than individual clients or narrow sectional interests.

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INDUSTRY ASSOCIATION

