



Pre-Budget Submission 2020-21

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CONTENTS PAGE

1.1	About the Accommodation Association.....	2
1.2	Tourism Contribution to the Economy.....	2
1.3	State of the Industry.....	2
2.0	Budget Priorities for the Accommodation sector.....	3-6
2.1	Investment in Tourism industry recovery - Stimulating demand and Improving Competitiveness.....	3
2.2	Increasing our share of International Business Events	4
2.3	Fair Taxation of the Short-Term Rental sector	4-5
2.4	Investment in Data.....	5-6
2.5	Regional Infrastructure Investment.....	6

1.1 About the Accommodation Association

The Accommodation Association is the peak body representing close to 1,000 accommodation operators and over 100,000 rooms across Australia. Members of the Accommodation Association include major hotels, resorts, motels, motor inns, serviced and holiday apartments, bed and breakfasts and guesthouses that directly contribute \$6.6 billion in GVA to the Australian economy.

Our members include AccorHotels (incorporating Mantra Group); Intercontinental Hotels Group (IHG); Lancemore Group; Hilton; Toga Far East Hotels (TFE); Wyndham Hotel Group; Choice Hotels, Best Western, Big 4 Holiday Parks and Quest Apartment Hotels.

The Association is committed to the future development and growth of a sustainable accommodation industry within Australia's dynamic tourism and hospitality sector.

1.2 Tourism contribution to the Australian economy

In 2018–19, total tourist consumption was \$152.0 billion¹, which resulted in:

- \$60.8 billion in GDP to the economy (3.1% of the national total)
- Employment of 666,000 persons (5.2% of the Australian workforce) and;
- Exports of \$39.1 billion from international visitors to Australia

The accommodation sector is a significant player in the tourism industry, directly contributing close to \$7 billion in GVA and directly employing 86,100 people, 13% of total tourism employment.²

1.3 State of the Industry

The industry has been significantly impacted over the last couple of months by both the bushfires in a number of states and, in the last couple of weeks by the announcements on coronavirus inclusive of the cessation of all travel from the Chinese mainland for a period of two weeks from the 27 January.

The 2019-20 MYEFO pointed to the 'economic impacts of extreme weather events' and pointed to the 'disruptions to business, including tourism,'³ as a result of the bushfires.

The exacerbation of those events since MYEFO, has resulted in industry concern at the longer-term reputational damage to Australia and our destinations. Equally the cancellation of all visitor and trade movements from mainland China, while a necessity, will have significant impacts on the tourism sector with China representing 15.3% of all international visitors; 21.2% of international visitor nights and 27.2% of international trip expenditure.

Adding to this the period around the Chinese New Year is a crucial time, with 308,188 arrivals from China in January and February of 2019. Over the March quarter 2019, Chinese visitors spent \$4.1 billion in Australia.

The impact will also be evidenced in other international markets choosing to curtail international travel to protect their citizens from the spread of the virus.

¹ 2018-19 Tourism Satellite Accounts, TRA

² 5249.0 Australian National Accounts: Tourism Satellite Account, 2018-19

³ Mid-Year Economic and Fiscal Outlook 2019-20, p. 35

2.0 Budget Priorities for the Accommodation sector

2.1 Investment in Tourism industry recovery - *Stimulating demand and Improving Competitiveness*

In the wake of the bushfires, the Federal Government recognised the need to re-establish Australia's reputation globally with a \$76 million tourism bushfire recovery package, part of the government's \$2 billion National Bushfire Recovery fund.

The impact of the drought and bushfires together with the cancellation of visitation from China means we need to look at specific budgetary measures that stimulate the visitor economy long term, driving visitation across a broad range of markets both international and domestic. While outside its current remit, there is no doubt that Tourism Australia's leadership in launching a domestic marketing campaign has stimulated state governments to invest and leverage those activities.

Internationally into the 2020 year and beyond, we will be facing negative global perceptions of Australia based on response to climate change and our position in Asia. This together with the weakening global economy and an increasingly competitive global market (seeking to replace Chinese business within the current year and win it back in the future), means that we need to be innovative in our approach.

In view of the current market our recommendations are threefold:

1. A commitment to additional funds for Tourism Australia of \$25 million per annum over the 2 year forward estimates to ensure that in international markets we address negative perceptions, increase our global competitiveness and expand our priority markets.
2. Continue to sustain the momentum of Tourism Australia's leadership in the domestic market during the recovery period, with an investment of an additional \$20 million per annum over the 2-year forward estimates. This measure is important in achieving the outcomes proposed in the Visitor Economy 2030 strategy which recognises that collaboration between industry and all levels of government is critical to achieving our targets for growth.
3. Funding for practical measures that stimulate the visitor economy over the 2020-21 year. We would recommend visa waiver fee measures across two key markets – a carefully managed waiver for large business event groups on a case by case basis and an offer to Chinese travellers (once the Chief Medical Officer and WHO provide clearance) that we will reissue all cancelled visas at no additional cost and/or minimal processing time.

Recommendation 1

- a. Additional international market funds for Tourism Australia of \$25 million per annum over the 2-year forward estimates.*
- b. Drive collaboration across industry and all levels of government in the domestic market with an additional \$20 million per annum over 2 years for Tourism Australia aimed at domestic market initiatives during the recovery period.*
- c. Invest in practical measures such as well- targeted waiving of visa fees and reduced processing times to both improve our competitiveness in the business events market and in attracting back the Chinese market.*

2.2 Increasing our share of International Business Events

The AACB's latest research shows that international association bid wins are down 28% (to 103) for the 12 months to September 2019, against the previous year. This reflects an expected decrease in association delegate numbers of approximately 86,450 (-49%).

They advise that the main reason for losing International Association bids across this period includes:

1. 38% Geographic preference (perception of the destination, travel distance/time)
2. 23% Total Cost and Financial Package (offered by competitors) with stronger financial incentives offered by competitive destinations.
3. 18% Executive Influence (influence of key decision makers).

There is a need to address Australia's financial competitiveness, a factor of distance, time and visa costs, particularly at a time when the business events market has been significantly impacted. We recommend, as outlined in 2.1 above, that consideration be given to waiving visa fees for targeted international association business events over the 2020-21 year.

In line with AACB, we are also concerned that unlike Europeans, most Asian visitors face an expensive visitor visa option of around \$250 per visitor. From the 2018-19 financial year visa fees increases have been linked to annual CPI changes. In addition, most do not qualify for the electronic travel authority. Therefore, Australia is at a significant disadvantage in attracting Asian business event delegations. As an immediate priority there is a need to review visa fees for all markets.

Recommendation 2

- a. *Ensure the government 2019 commitment to develop benchmarking of visitor visa charges, fees and processes is completed in the 2020 year;*
- b. *Ensure actions to reduce visa fees and improve processes are delivered in the 2020-21 financial year.*

2.3 Fair Taxation of the Short-Term Rental sector

The Accommodation Association has sought for some time a meaningful regulatory response to the significant growth in short term rental accommodation. We therefore welcomed the statement in the Treasury's Black Economy Taskforce Final Report 'that the creation of any 'sharing economy' reporting regime should be one that creates equalisation with traditional businesses that have existing reporting obligations'.⁴

The lack of transparency in this market has been a significant impediment in achieving 'equalisation'. To that end we strongly supported the ATO data matching scheme arising from the Black Economy Taskforce. This scheme was designed to identify taxpayers receiving income from short term rentals and required 'sharing economy' online platforms to supply information for data matching purposes.

MYEFO 2019-20 was clear in continuing that commitment advising that '*The Government will introduce a third-party reporting regime*⁵ which will require sharing economy online platforms to

⁴ Tackling the black economy: A sharing economy reporting regime, January 2019, p.7 Treasury

⁵ https://budget.gov.au/2019-20/content/myefo/download/MYEFO_2019-20.pdf, p, 177

report identification and income information regarding participating sellers to the ATO for data matching purposes.

However, it is with some concern that we note that the reporting regime will only apply to short-term rental accommodation platforms from 1 July 2022.

This is an industry that has already seen significant growth over the past 10 years with Rented house/flat or unit and Other Private Accommodation in the IVS⁶ now representing 50% of all visitor nights in Australia, representing an 80% growth in international visitor night stays over the past 10 years. Stays in unregulated tourist accommodation exceed the number of stays in regulated hotel, motel, serviced apartment and resort accommodation.



Recommendation 3

That the Government expedites in the 2020-21 year the introduction of a third-party reporting regime which requires sharing economy online platforms to report identification and income information regarding participating sellers to the ATO for data matching purposes.

That this reporting regime recognize the significant tax revenues to be derived not only from the reporting of income tax but from capital gain benefits.

2.4 Investment in Data

Industry welcomes the \$2 million in funding support for the government's million-dollar policy challenge – *Intelligent Data to Transform Service Delivery*. We are committed to working with both proponents to ensure a valuable outcome for industry over the 12 to 18 month timeframe.

However, we remain concerned that the delivery of the IVS and NVS are being compromised with a reduction in Federal funding. These quarterly surveys provided important longitudinal insights into industry performance and Tourism Research Australia (TRA) is recognised as a leader globally in the provision of quality tourism data in a complex market.

⁶ International Visitor Survey, year ending September 2019, Tourism Research Australia

Data is also critical in ensuring that that government and industry have the ability to benchmark and report on targets established as part of the Visitor Economy 2030 plan. The Association recommends additional funding over the 4 year forward estimates for the current research program delivered by TRA. This will ensure that TRA is in a position to maintain the integrity of its research, which is vital in underpinning decision making both at the Federal and State level.

Recommendation 4

Additional Federal funding to be provided to TRA to support the continuing sustainability and integrity of the current research program and to support the establishment of the benchmarking required for the Visitor Economy 2030 plan.

2.5 Regional Infrastructure Investment

Tourism is a major industry for many regional areas with 43 cents in every visitor dollar spent in the regions. Many regional areas suffer from insufficient investment and refurbishment of tourism accommodation facilities. This is a factor of poor demand growth driven by seasonality and the need for improved access and tourism-related infrastructure.

We note that government has introduced a range of programs to address these barriers inclusive of:

- ***The Building Better Regions Fund*** which was a \$841.6 million budget commitment over four years from 2016-17. We welcomed the introduction in 2018-19 and 2019-20 of an allocation from these funds (\$45 million and \$70 million respectively) to tourism-related infrastructure projects. We support a further 4-year funding commitment with monies to continue to be quarantined for tourism-related infrastructure.
- ***Regional Tourism Icons package***. A \$50 million commitment was provided in the 2019-20 year. Funding was provided to Rottneest Island, Freycinet National Park and Sovereign Hill amongst others. The advantage of this package was in supporting well established 'tourism icons' to further develop their attractions. The Association would support the continuation of this program.
- ***Regional Tourism Infrastructure Investment Attraction Strategy 2016-2021***
This strategy is a five-year commitment between Austrade and Tourism Australia to work with state, territory and local governments to create an environment conducive to attracting foreign direct investment into regional tourism infrastructure. The Association supports continued Government funding commitment for this strategy with further investment in developing market feasibilities.

Recommendation 5

- a. *A further 4-year funding commitment for the **Building Better Regions Fund** with monies to continue to be quarantined for tourism-related infrastructure.*
- b. *Continuation of funding for the **Regional Tourism Icons package** over the 2020-21 year to ensure established icons are supported in developing their attractions.*
- c. *Expanded funding support for the **Regional Tourism Infrastructure Investment Attraction Strategy** to assist in the development of marketing feasibilities.*

We welcome the opportunity to expand on the issues and recommendations raised.