

Budget Policy Division
The Treasury
Langton Crescent
PARKES ACT 2600

4 February 2019

prebudgetsubs@treasury.gov.au

Dear Sir/Madam,

Re: Pre-Budget Submission 2019-2020

Tourism Accommodation Australia (TAA), a division of the Australian Hotels Association, represents the needs and interests of the major hotels, motels and serviced apartments in Australia's accommodation sector. TAA provides leadership for its members through advocacy, industrial relations and legal support, intelligence, research, education and networking.

Tourism has been identified as a super-growth sector of Australia's transitioning economy. In 2016–17, GDP from tourism increased 6.1% (or \$3.2 billion), to reach a record of \$55.3 billion in nominal terms. The accommodation sector is a dominant player in the tourism industry and, in terms of GVA, \$8 billion was directly contributed and more than 88,800 people are directly employed and 101,900 indirectly employed in the sector.¹ This figure will continue to increase with the industry going through a rapid period of growth.

TAA has a number of recommendations for the Federal Budget 2019-2020, which are outlined in detail below.

1. Support Sustainable Demand Growth

1.1 Investment in Tourism Australia

In FY18/19, the eight states and territories combined spent eight times more money on tourism promotion than the Commonwealth Government. Individually, the NT, NSW, QLD and VIC outspent the Commonwealth Government.

Given that Tourism Australia's funding is spent in overseas markets, the 2015 *Foreign Exchange Hedging Agreement* inoculates Tourism Australia from fluctuations in purchasing power associated with foreign exchange movements. However, this funding is not protected against international media-cost inflation in overseas markets.

The TAA commissioned report on the return on marketing investment for Australian inbound tourism² showed that the average level of media inflation over the past 5 years is 4.5%. The report showed that each additional dollar of real marketing and promotional spending by Tourism Australia results in additional inbound tourism expenditure of \$22.40. When considering funding to Tourism

¹ Australian Bureau of Statistics, 2017, *Tourism Satellite Account 2016-17* and AEC Group, 2017, *Economic Contribution of the Tourism Accommodation Sector in Australia*

² Airline Intelligence and Research Pty Ltd, *Estimates of the Return on Marketing Investment for Australian Inbound Tourism*, December 2018.

Australia, the Federal Government needs to consider the fact that media inflation is growing at between two to five times the CPI in Australia's key and growing tourism markets. This significantly impacts upon the real output and reach of Tourism Australia's marketing campaigns, and the ability to grow inbound tourism demand.

1.2 Business Events

The national business events bid fund support bids for new, high-value international incentive, association, and exhibition events. In having a formal federal fund in addition to state government funds, Australia is reacting to a growing global trend towards direct financial support for major business events. However, this funding amount is absorbed within Tourism Australia's budget.

The Association of Australian Convention Bureau research from 2018 shows that 12% of international association conventions bids due to be held over the next decade to 2025 were lost due to stronger financial incentives offered by our competitors.³ The current bid fund has proved successful and helps mitigate against the high cost of doing business in Australia.

TAA recommendations:

- *Ensure funding for Tourism Australia is protected against international media-cost inflation thus supporting the effective leveraging of marketing campaigns in key markets.*
- *Commit to further expanding and maintaining the business events bid fund, which is critical in ensuring we remain competitive in attracting high-yielding business events.*

2. Drive Continued Improvements in Access

2.1 Working Holiday Makers

Apart from explicit visa application fees, the real costs of visas also include biometrics fees, Visa Application Centre fees, Passenger Movement Charge (PMC), and courier fees for any paper-based applications. A key consideration in Australia's overall competitiveness as a destination for Working Holiday Makers (WHMs) is the cost of visa fees and supplementary charges, along with visa processing times. TAA research on *Visa Competitiveness in Asian markets* showed that visa fees are amongst the least competitive and processing times are also relatively uncompetitive, when compared to other destinations. *Our research also showed that when all fees are added, including passenger movement charges, Australia is amongst the countries that have the most expensive visa costs, along with the UK.*⁴

The Government increasing the PMC from \$55 to \$60 confirms it as the most expensive short haul charge in the world and the second highest long haul charge. This situation is likely to worsen as visa changes are linked to Consumer Price Index (CPI) increases.

2.2 Aviation Access

The Australian Government has negotiated over 100 bilateral air services agreements and associated arrangements. These agreements have been instrumental in supporting continued visitor growth and access.

³ Association of Australian Convention Bureaux, *AACB Submission to the Beyond Tourism 2020 Steering Committee*, 26 April 2018, <https://aacb.org.au/Beyond%20Tourism%202020>.

⁴ Tourism Accommodation Australia, *Visitor Visas for Asian Markets: Comparison Between Australia and Key Competitors*, May 2018.

A separate funding source for airports is needed to continue support for visitor growth. This would require input from the Federal Government and the relevant State Government and airport organisations. Improved resourcing of airports would also have the benefit of improving and opening up trade routes and regional destinations.

TAA recommendations:

- *Maintain the inclusive nature of the WHM visa but improve its competitiveness in terms of processing times.*
- *Commence benchmarking all visitor visa fees and charges and processing times to ensure we remain competitive.*
- *Establish a separate funding source for airports with input from multiple sources to ensure that airports can continue to provide the capacity and facilities to service the growing number of visitors.*

3. Investment and Regulation

The 2018-19 Mid-Year Economic and Fiscal Outlook (MYEFO) contained ongoing commitments to infrastructure support as part of the national infrastructure plan, including commitments to Western Sydney Airport, Melbourne Airport Rail Link, and the Bruce Highway. The City Deals and Regional Deals are central in providing the funding and support for essential tourism infrastructure.

3.1 Investment in data

Government visitor economy data is an important resource for all tourism stakeholders. It is required to track performance across metropolitan and regional localities; assess the impact of government policy; and provide investors with the critical information they need to assess the market and make decisions.

TAA welcomed the appointment of STR to produce the Australian Accommodation Monitor (AAM), which filled the gap particularly in regional accommodation metrics, but we would like to see ongoing support guaranteed for this vital dataset. We value the continued investment in the National Visitor Survey and the International Visitor Survey and support the continuing investment and long term commitment to alternative data sources that provide timely tourism metrics.

3.2 Regulation of Unregulated Accommodation

There are issues of tax avoidance in the short stay accommodation market and the need for greater regulation to address obvious inequities that have emerged between unregulated and regulated accommodation providers, specifically around capital gains tax and income tax collection.

To that extent, we strongly support the ATO's extensive data-matching program to collect income tax from individuals who receive income from short term rentals during the 2016-17 to 2019-20 financial years and look forward to its extension beyond 2020.

TAA recommendations:

- *Continue to identify and provide funding support for key State infrastructure projects that are essential to visitor economy growth.*
- *Support the continuing investment in core visitor surveys and provide long term commitment to alternative data sources that provide timely tourism metrics.*
- *Continue to support the Australian Accommodation Monitor, essential to tracking performance in regional areas.*
- *Funding be made available for a continued commitment to ATO data matching beyond June 2020.*

4. Boost Regional Tourism performance

Regional tourism is underperforming. This underperformance is particularly noticeable in the dispersal of international visitors/visitor nights from key source markets, in regional expenditure by international tourists and in accommodation performance metrics.

Overall, Australia's regions attract less than one fifth of both international visitor nights and international visitor expenditure. For every month in Australia, international visitors spend less than one week beyond the capital cities, accounting for 15 cents out of every dollar spent. Growth of regional visitor economies is dependent on dispersing more international visitors beyond capital cities.

4.1 Regional Infrastructure

In the 2018-19 budget the Government committed to providing \$206.5 million over four years for round three of the *Building Better Regions Fund*, to support investment in community infrastructure and capacity building projects in regional areas. This includes \$45 million to improve tourism related infrastructure and supporting demand-driven projects which is of vital importance to increase regional dispersal and improve the capacity and attraction of regional visitor economies.

Programs such as Austrade and Tourism Australia's *Regional Tourism Infrastructure Investment Attraction Strategy 2016 – 2021* are important in facilitating regional investment. To be effective we would like to see resources and funding commitment to enable not just the promotion of regional areas, but the identification of projects and the development of market feasibilities to attract potential investors.

TAA recommendations:

- *Continue to provide funding under the Building Better Regions fund to facilitate growth in regional tourism infrastructure.*
- *Commitment via funding and resources to initiatives such as the Regional Tourism Infrastructure Investment Attraction Strategy 2016 – 2021, to enable not just the promotion of regional areas to investors, but the identification and support of market-ready proposals.*

5. Allocate Resources to address Labour & Skills Shortages

As the tourism industry is in an unprecedented period of growth and has been identified as one of the super-growth sectors of Australia's transitioning economy, it is important that the industry – and the accommodation sector – are supported by a skilled and productive workforce. Ultimately, a two-pronged approach is required to meet the skills shortages of the industry: create a pipeline of skilled

Australian workers and at the same time, enable employers who have acted with integrity to more easily access skilled migrant workers.

5.1 Better Resources and Funding for Training Australians

Over the last decade both Federal and State funding of Vocational Education Training (VET) has declined and student engagement with the sector has declined. Government has recognised the need to improve student and industry perceptions and engagement with the VET sector, and to that end a number of initiatives have been undertaken.

The introduction of the *VET Information Strategy*, with the tagline *Real Skills for Real Careers*, has been an important initiative. TAA supports the intent of this initiative, however it requires robust funding, complemented by better awareness from industry and comprehensive engagement with secondary schools. We recommend the expansion of the VET Information Strategy to a broader career development strategy.

The replacement program for VET FEE-HELP, VET Student Loans, is too restrictive. Other than for specified exceptions (e.g. aviation), there are three loan cap bands of \$5,075, \$10,150 and \$15,225 (indexed each year), based on cost of delivery. For students interested in studying qualifications related to the hospitality and tourism industry, accessing VET Student Loans is difficult and different states have different subsidies dependent on a number of factors such as prior qualifications.

This makes navigating the system difficult for students and often means that the funding gap is at least half – and sometimes more – for the qualifications in the hospitality and tourism sector. TAA recommends that there be a decrease in the funding gap between qualifications for the accommodation industry and VET Student Loans.

5.1.1 Apprenticeships and Traineeships

To fill skills gaps across a range of roles in the industry employers are re-introducing internships and traineeships to ensure attraction and retention of many employees. Incentives and initiatives are needed to both attract more Australians into the industry and encourage employers to take on apprentices and trainees.

We have welcomed the government initiative of directing funds from the Skilling Australians Fund (SAF) to foster the growth in apprenticeships. However, we remain concerned at the quantum of the SAF levy.

The accommodation sector has well documented skills shortages for both cooks and chefs, as well as a number of management and other positions. However, interest in apprenticeship pathways has declined as highlighted above due to poor perceptions of the industry as a career, funding gaps and poor career advice.

The *Australian Apprenticeships Incentives Programme* needs to recognise the barriers, in particular the decline and inconsistency in funding and the poor employer and apprentice incentives that exist to hire apprentices and trainees.

A number of changes to policy have contributed to the decline, specifically in the food trades:

- The moving of the Employer Commencement Incentive (\$1,500) from 3 months to 6 months is a deterrent as most of the employer's effort goes into the first three months of the apprentice's employment. For example, recruitment, induction and orientation etc.

- The introduction of a \$20,000 trade loan that replaced the Tools for your Trade incentives paid directly to Australian Apprentices. The incentive/s represented up to \$7,500 tax free paid over the life of the training contract, which proved far more attractive than the current trade loan.

The NCVER research *'The changing nature of apprenticeships: 1996–2016'* points to the inconsistency of funding and Commonwealth policy over two decades. The importance of employer incentives in growing engagement is highlighted by the 'Apprentice Kick Start' program introduced by the Federal government in 2009 to stimulate recovery from the impact of the global recession. This initiative had a significant positive impact on employers taking on apprentices in the food trades.

TAA recommendations:

- *Fund a further economic report into labour and skills shortages to determine the nature and quantum of gaps in the tourism and hospitality sector to 2030.*
- *In line with The Australian Chamber of Commerce and Industry, we recommend halving the Skilling Australians Fund levy (SAF) to \$600 for small business and \$900 for large businesses for each sponsored temporary migrant, in recognition of the already significant costs associated with accessing overseas labour.*
- *Expand the VET Information Strategy and provide robust funding to develop it into a broader career development strategy.*
- *Government consider incentives and initiatives to attract more Australians into the industry such as:*
 - *Work with industry to identify pre-apprenticeship programs;*
 - *Increase funding incentives for employers and apprentices in areas of high skills shortages, such as cooks, and provide consistency of that funding over the longer term.*
- *Support apprenticeships and traineeships as a proven model of structured training and work experience.*

I would welcome the opportunity to expand on the issues and recommendations raised above. I can be reached by phone on (02) 8218 1816, or via email at carol@tourismaccommodation.com.au.

Yours sincerely,



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