

Executive Summary

Tourism & Transport Forum Australia (TTF) is the peak industry association for the tourism, transport and aviation sectors, representing some 100 organisations across the visitor economy.

Tourism, transport and aviation are all sectors critical to the national economy and TTF welcomes the opportunity to highlight the key priorities for these two critical economic sectors for consideration and inclusion within the 2019-20 Federal Budget.

Over 8.4 million visitors arrived in Australia last year, a massive six per cent increase on the previous year, led by China underpinning visitation and spend and India the fastest growing market. This record visitation supports direct and indirect jobs right across the economy.

Direct tourism employment is forecast to grow from around 598,000 jobs or 4.9 per cent of national employment up to over a million direct jobs or 7.7 per cent of employment by 2022. Tourism's contribution to total direct employment is already greater than financial services, agriculture and mining and is also set to leapfrog manufacturing by 2022.

Additionally, there are 397,000 direct jobs across the road, rail, air and water transport sectors and public transport use is forecast to increase by 32 per cent and air travel to almost double over that same period. This highlights that in addition to these almost one million direct jobs, and many more indirectly, these two sectors truly impact upon the lives of almost every Australian.

If transport and tourism are to continue to form the bedrock of the economy, policymakers must resist the urge to tax a sector that provides \$55 billion in direct tourism GDP and \$113 billion in annual tourism spending which supports around 300,000 tourism businesses. Government must be focussed on driving down visa processing costs, airport and airline costs and ultimately lowering the passenger movement charge to cover only border processing costs, as per its original intent.

Policymakers must also work closely with the private sector to harness the latest technology and build and improve upon key infrastructure to make destinations easier to visit and move around in, for locals and visitors alike. Targeted investments will ensure our cities, towns and regions are able to meet the mobility challenges of the future and then further develop as tourist drawcards.

A skilled tourism workforce, including a strong pipeline of temporary employees and a commitment to supporting young Australians to choose tourism as a long-term career, is critical in order to fill the vacancy gaps with the right skills. Right now, consideration should be given to a full root and branch review of the 2017 visa changes with the aim to rebuild the temporary visa work force and restore the opportunity for tourism sector to reach its full economic potential.

Tourism and transport are Australian success stories but should never be taken for granted. Policymakers must ensure Australia remains as cost competitive as possible by driving ongoing visitor demand particularly with respect to sustainable and ongoing destination marketing funding.



A U S T R A L I A

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At this Budget in the lead up to the 2019 Federal election, policymakers on all sides of the divide must ensure that our tourism, transport, infrastructure and aviation sectors are supported today and into the future in order to keep providing Australia with ongoing economic benefits.

A handwritten signature in blue ink, appearing to read 'MO', is positioned above the name Margy Osmond.

Margy Osmond
Chief Executive
Tourism & Transport Forum

1. Taxes, fees and charges: Resist the urge

One of the key challenges facing the tourism sector in Australia is price competitiveness. When compared to neighbouring markets (eg. Thailand) popular with outbound tourists from countries like China, South Korea and Japan, Australia is not a cheap destination to travel to and around.

Inbound tourism to Australia must be as cost competitive as possible, yet the tourism sector is subject to a range of taxes and charges which combine to reduce our competitiveness as an international destination. Border fees and charges increase the cost of coming to Australia and act as a demand dampener at the decision-making phase of a potential Australian trip.

This is an area where policymakers can directly make changes to immediately reduce cost barriers in the form of the taxes, fees and charges it levies on the industry. This includes visa costs, the overcollection of the Passenger Movement Charge (PMC) and airport and airline security implementation costs.

Visa processing timing and costs

The impact of visa application fees and processes on the decision to travel is significant. A report from the United Nations World Tourism Organization found that if the cost of obtaining a visa (including both the fee and associated costs) exceeds a threshold, potential travellers are simply deterred from making a particular journey or instead choose an alternative, less costly destination.

Consequently, the tourism industry was disappointed that despite this evidence the Federal Government announced in the 2017/18 Budget that it would be increasing the cost of all visa applications by \$5 (as of July 2017) and that visa fees will be indexed annually to the Consumer Price Index (CPI). This decision to reduce Australia's price competitiveness is an additional cost burden on the tourism sector.

Additionally, there are continuing anecdotal reports from TTF members that visa applications from countries like India and China are taking too long to process due to lack of resources and system changes. The Department of Home Affairs states that generally speaking 75% of applications take 15 days to process and 90% of applications take 27 days to process. There is room for improvements to be made in this regard, and additional resources must be provided to improve visa processing times.

Visitors from India and China are required to apply for the Visitor visa (subclass 600) which costs from \$355, rather than being able to apply for the Electronic Travel Authority visa (subclass 601) which is free outside of a \$20 online application service charge.

TTF urges policymakers to allow additional countries to join the 34 nations which currently can apply for a visa to Australia through the simplified Electronic Travel Authority.

Visa costs are also still too high in places like Chile due to reciprocity fees. Australia is the only major nation required to pay a reciprocity fee to enter Chile, due to a hefty visa fee for Chileans to enter Australia.

Further, the cost of temporary skilled shortage visas to employers of short-term stream applicants (\$1175) and medium term and labour agreement stream applicants (\$2455) are excessive and must be reviewed to ensure this is not an unnecessary additional burden on tourism business.

TTF recommends policymakers commit funds to establish an annual Productivity Commission benchmarking report to monitor the international competitiveness of Australia's visitor visa system (Further visa recommendations as they relate to skills are in Section 3)

Passenger Movement Charge over-collection

The PMC is currently set at \$60 and is levied on all passengers as they leave Australia, either by plane or ship, regardless of whether they intend to return to Australia. It is charged to international visitors as they leave the country as well as Australians as they head-off on an overseas trip.

The PMC was introduced in 1995 to replace the departure tax to recover the cost of customs, immigration and quarantine processing of travellers and to fully offset the cost of issuing short-term visitor visas. While it is a charge on departure, the PMC is a hidden tax as it is collected when the travel ticket is issued and is, from the passenger's perspective, part of the fare.

Modelling by the International Air Transport Association (IATA) completed in 2016 when the PMC was last raised estimated that the most recent \$5 increase resulted in 30,000 fewer passenger journeys each year, and a complete removal of the tax would boost visitor numbers by 325,000.

The PMC collected \$1.236 billion in tax revenue in 2017/18 while associated spending on border management that same year by the Department of Home Affairs and the Department of Agriculture and Water Resources was a maximum of \$616 million, less than half of what was collected by the PMC. This is not just gross over-collection, currently to the tune of around \$620 million more than border costs, but more importantly, none of it is going directly to the border but straight into consolidated revenue.

Looking forward, the PMC is forecast to collect \$1.2 billion this financial year and \$1.4 billion by 2021/22, the final year of its legislated freeze period.

TTF urges policymakers to provide a timetable for lowering the PMC beyond the legislated freeze period until it covers the cost of border processing only, as per its original intent.

TTF urges policymakers to also commit additional funding to the Department of Home Affairs and the Department of Agriculture and Water Resources to directly cover border processing costs. This additional funding if leading to processing improvements would compensate both Australian and international travellers who are effectively paying for far more than what they are receiving in the form of travel processing services, particularly visitors that are unable to use e-gates and at times face significant wait times.

Airport and airline costs

The Government has recently announced new security technology upgrades at Australian airports. The tourism and transport sectors acknowledge that any security upgrades are necessary but there are huge costs associated with major airport terminal redesigning and rebuilding that will run into the billions and then flow through to airlines and customers.

Along with additional funding to implement the changes, additional flexibility for airports to implement these required security changes is required. For example, the timeline for introduction of CT scanners by 2020 is simply unachievable. This work needs to be done methodically for all airports to be able adopt into their own lengthy commercial and planning lead times.

Additionally, changes to regional airport security are too complex. Passengers and baggage on aircraft of 40 seats or greater would be screened, meaning larger planes would have to be screened while smaller planes wouldn't. This causes challenges with regional routes, making regional airfares, already unaffordable due to economies of scale, more so, impacting on route economics and potentially leading to regional service withdrawal across a range of locations in NSW, SA and QLD.

The Government has previously announced it will provide \$50 million over four years to introduce new airport security technology in regional airports but this is simply not enough to cover the huge costs of screening changes particularly for these smaller airports and further, these changes have been rushed and have occurred without adequate consultation.

TTF calls on policymakers to consider additional funding for airports to adequately house additional security infrastructure in order to meet what are unrealistic government timetables for the required upgrades.

Destination Marketing Funding

Destination marketing agencies play a fundamental role in an economy. They address market failure by improving efficiencies and allow jurisdictions to unify their efforts and strengthen their competitive position to attract international, interstate and intra-state visitation and major events to enable ongoing economy-wide benefits.

TTF research report Supercharging Australia's Future released last year found that for every additional 1000 visitors, the tourism industry could be expected, on average, to generate 3.2 tourism related jobs, over \$440,000 in tourism consumption, around \$38,000 in tax contributions and \$338,000 in GDP contributions.

One of the most important ways governments can provide this investment is through strategic and sustainable funding of destination marketing agencies like Tourism Australia.

Destination marketing funding is known to deliver strong returns on investment (ROI). Oxford Economics analysis of destination marketing in Australia in 2016 for TTF estimated general ROI to be between \$11 and \$16 in associated economic activity for every dollar spent.

With these figures in mind, Tourism Australia must continue to be as strongly resourced and well-equipped as possible if it is to keep producing results like the recent Crocodile Dundee marketing campaign, which resulted in three per cent increase in visitation from the US inbound market.

As competition between international markets for the international tourism dollar continues to increase, Tourism Australia must be able to rely upon sustainable funding. Over the last two years Tourism Australia has seen a reduction of \$35 million over four years in the 2017/18 Budget and then a subsequent increase of \$5.1 million over four years in the 2018/19 Budget.

Additionally, funding for Tourism Research Australia to conduct the International Visitor Survey and the National Visitor Survey must be at least maintained in real terms to ensure strong evidence-based decision-making remains possible for the tourism industry.

TTF recommends that funding for Australia's principal inbound destination marketing agency be restored via a minimum \$50 million increase over the forward estimates and that Australia's principal tourism research agency's funding is at least maintained in real terms over the four year forward estimates period.

2. Infrastructure: Make the Destination Easier

When it comes to visitor infrastructure development, the guiding view across the industry is that if a destination is easy and attractive to live in for locals than it is easy and attractive for visitors to travel to and move around in.

On the transport side, Australia is a large country that can be costly and difficult to get around in for visitors. A key part of improving accessibility and reducing travel costs is to invest in infrastructure that improves connectivity within and between cities and regions, including ground connectivity in and around airports.

There is also a lack of investment into new major visitor attractions and experiences, and in some locations, a lack of investment into supporting infrastructure to encourage greater visitation to outdoor areas and natural attractions, like free public WiFi in cities and tourism destinations.

Targeted investment in critical infrastructure projects like Brisbane's Cross River Rail project, the extension of the Gold Coast Light Rail and ongoing investment in regional rail networks, as well as transport technology, airport pre-clearance and airport retail improvements will all help to deliver the complete tourist and transport experience.

Deliver funding to support Brisbane's Cross River Rail project

Cross River Rail is the number one transport priority for South East Queensland and TTF has long supported the Cross-River Rail project on the basis that a second rail crossing of the Brisbane River will alleviate pressure on Brisbane's constrained rail network, address rapid population growth and reduce road congestion, in and around the CBD.

TTF calls on policymakers to work with their Queensland counterparts and the private sector to progress this city-changing infrastructure project to ensure that the Brisbane CBD rail network can meet future demand and reduce journey times for commuters.

Extend the Gold Coast Light Rail to the NSW border and onto the Tweed via Gold Coast Airport

The Gold Coast Light Rail has transformed public transport on the Gold Coast for locals and tourists and to support the Gold Coast's booming population and grow further demand for travel, it is vital that policymakers commit funding to extend the existing light rail network to the NSW Border via the Gold Coast Airport.

TTF urges policymakers to work with their QLD and NSW counterparts at both state and local levels as well as the private sector to fund, plan and build this crucial final extension and then over the border into NSW.

Address cruise terminal capacity in Sydney

Australia enjoys a reputation as one of the world's most popular cruising destinations, but port congestion in Australia's gateway port of Sydney during peak seasons is impacting on future national growth of the sector.

This has now also been recognised by the independent statutory body Infrastructure Australia which this month listed addressing Sydney cruise terminal capacity as a new priority initiative. It is one of a list of projects that they have recognised as a credible pipeline of nationally significant proposals for governments at all levels to choose from and reflects the diversity of Australia's future infrastructure needs.

TTF urges federal policymakers to commit to new infrastructure to support long-term access for cruise ships to Sydney, particularly those that are unable to pass under Sydney Harbour Bridge due to their height.

Federal policymakers must work closely with the NSW Government once the NSW Cruise Development Plan strategic business case study is complete as continued cooperation across jurisdictions to address Sydney cruise terminal capacity will provide long term certainty around planning and investment for the industry. The Garden Island option must be urgently reconsidered as a solution to this problem.

Further investment in airport to city rail connectivity and regional rail networks

Improving connectivity between airports and cities and into regions is critical for the growth of the economy and tourism in regional Australia.

TTF commends the \$4.9 billion in projects announced in the last federal budget including part of the total \$5 billion towards a Melbourne Airport Rail Link and \$220 million to complete the electrification of the Gawler line in Adelaide.

TTF is now calling for federal policymakers to work with their state colleagues to ensure increased frequency and regularity of rail services across Australia particularly between Brisbane Airport and the CBD and into regional Queensland, in Newcastle and the Hunter region of NSW.

TTF recommends federal policymakers work closely with their state colleagues to improve frequency of services between airports and CBDs, and to fast-track the development of business cases for improved rail connections between cities and regional centres.

Free public WiFi in major cities and tourism destinations

In an increasingly 'connected' world, and with soaring global use of smart phones and tablet devices, travellers expect to have internet access and Australia does not currently provide the level of access tourists expect and receive in other competing destinations.

TTF calls on policymakers to commit additional funding to deliver free high-speed WiFi at Australia's iconic cities and tourist destinations, to ensure visitors are able to remain 'connected'.

Consistent payment system for public transport services

Providing commuters with seamless public transport payment options is critical to ensuring greater use of public transport services. However, at present, each State and Territory has their own payment system for public transport services, i.e. Opal in NSW, Myki in Victoria and the GoCard in Queensland.

This can be a frustrating experience for tourists who have to purchase multiple 'smartcards' over the duration of a visit, even if a system is working well in one particular state, like the contactless payments system in NSW, which now been used over one million times.

Advancements in contactless payment technology provides an opportunity for Australian jurisdictions to work together to provide a consistent payment system for public transport services, providing a more seamless customer experience.

TTF urges policymakers commit funding for a feasibility study that considers the possibility of developing a consistent payment system for public transport services across Australia.

Immigration 'Pre-Clearance' Trial with New Zealand including biometric screening

Policymakers should continue working with the New Zealand Government to jointly-fund a trial of immigration pre-clearance on trans-Tasman air routes, in order to create a more 'domestic-like' experience for travellers.

This includes funding for the acquisition of next-generation biometric screening technology, post successful trials, to enable passengers travelling between Australia and New Zealand to perform entry formalities at the airport of departure on both sides of the Tasman.

TTF recommends policy makers commit to funding a trial of immigration pre-clearance on trans-Tasman air routes, following on from successful discussions at the Australia New Zealand Leadership Forum (ANZLF) at which TTF co-leads the tourism stream.

Allow the private sector to operate the Tourist Refund Scheme

The Tourist Refund Scheme (TRS) would be significantly enhanced by allowing private operators to compete for its administration, which would then drive innovative product development and increased tourist retail shopping, particularly from international visitors.

The current system administered by government is fragmented, inefficient and costly, unnecessarily draws on the resources of Department of Home Affairs staff and leaves a negative final impression on visitors departing the country.

A conservative industry estimate is that the introduction of private providers for the TRS would result in savings to Home Affairs of around \$10 million per annum. Further, a privately operated TRS would improve the visitor experience, streamline passenger processing and increase Australia-wide visitor economy expenditure by some \$226 million per annum.

If tourism and retail are to continue contributing to the Australian economy at these levels, the sector must be able to expand and grow and the administration of the TRS should be reformed as soon as possible, which would benefit both government and industry.

As a change to the GST, the proposal to reform the TRS has been subject to the Commonwealth-State approval process. Under the intergovernmental arrangements, changes to the base or rate of the GST require the unanimous approval of all states and territories. However, changes of an administrative nature only require the majority approval of the Commonwealth, states and territories.

Policymakers have thus far treated this proposal as a change to the base rather than an administrative change. Therefore, achieving unanimous approval has been and will continue to be very difficult and is unduly blocking what should be a simple reform process which would provide important national benefits.

TTF calls on policymakers to allocate funding for a feasibility study into the benefits of allowing private operators to compete for its administration of the Tourist Refund Scheme.

TTF also recommends that the Australian Government release the Commonwealth Treasury modelling which highlights the potential impact on GST collections returned to States and Territories, to the states and/or industry, in order for industry to have meaningful discussions with all jurisdictions about potential reform.

3. National Economy: Right skills and good jobs

A skilled tourism workforce, including a strong pipeline of temporary employees and additional employees with pathways to permanency, is critical in order to fill the vacancy gaps and ensure tourism's contribution to the Australian economy can continue long into the future.

Around 60,000 job vacancies currently exist in tourism and hospitality in Australia. The challenge of finding and retaining the right staff has a negative impact on the ability of businesses to offer an appropriate level of service, thereby hampering Australia's tourism potential.

Current temporary skilled visa system not addressing skills shortages

The Government's April 2017 changes to the temporary skilled visa system have seen at least a 35.8% decline in the number of visas granted in the year to September 2017.

Visas for work related to the accommodation and skills sector fell 19.7%. Other tourism related sectors also reported declines such as arts and recreational services (65.2%) other services (43.9%) and retail trade (45.3%).

While there is a strong desire amongst TTF members for Australian workers to fill roles within organisations, the reality is there is often limited interest from Australians, and/or Australian workers do not have the required skills or experience to work or undertake training in the sector.

This is particularly the case for higher skilled positions within international tourism operations. If the visa process is too complicated, costly and does not include occupations that have skills and labour shortages in Australia, then the tourism industry will suffer.

TTF urges policymakers to allocate funding for a root and branch review of the 2017 temporary skilled shortage visa changes with the aim to significantly rebuild the temporary visa work force.

Skilled occupation lists need expansion, reviews of occupation categories and caveats

The tourism industry requires staff with specific skills which are, at times, in short supply in Australia. TTF urges that consideration be given to reviewing the skilled occupation lists to re-include tourism and hospitality occupations that were removed in 2017, like Park Ranger and Travel Agency Manager, to ensure the adequate supply of appropriately trained staff across the sector.

TTF also urges the formal outcomes from the six-month reviews of the Short-Term Skilled Occupation List (STSOL) and Medium and Long Term Strategic Skills List (MLTSSL) occur more speedily. As of 18 Jan 2019, the Government has still not provided the outcome of the mid-2018 review of the occupations on these lists. Timely releases of outcomes of these reviews will ensure that roles that are important to the tourism industry can be filled quickly and flexibly.

Tourism related occupations on the STSOL (short-term stream) with only a two-year duration and no potential pathway to permanent residency include Accommodation and Hospitality Manager,

Arts Administrator or Manager, Café or Restaurant Manager, Cook, Conference and Event Manager, Gallery or Museum Curator, Diving Instructor, Pastrycook, Performing Arts Technician, Photographer, Sales and Marketing Manager and Stage Manager. These occupations must join occupations on the MLTSSL (medium to long-term stream) like Chef, Marine Biologist, and Musician where there is the ability to work for longer and a potential pathway to permanent residency.

Further, occupations like Aeroplane Pilot, Flight Attendant, Amusement Centre Manager, Caravan Park and Camping Ground Manager, Conservation Officer, Winemaker and Zookeeper all have regional caveats placed upon them, which in some cases are inflexible for various tourism businesses. In addition, the extensive infrastructure and transport project growth across Australia has led to this sector also suffering from a very real shortage of skilled capacity, which may slow and hamper completion of a range of projects.

Again, TTF urges policymakers to allocate funding for a root and branch review of the 2017 visa changes which should also consider these additional issues.

Structure of Skilling Australians Fund should be reviewed

The structure of the Skilling Australians Fund (SAF) is poorly designed and should be de-linked from being funded by the SAF Levy to ensure ongoing funding is secure in order to grow apprenticeships and trainee programs including within the tourism and transport sector.

SAF funding to States and Territories under the National Partnership Payments system is unpredictable in its current form as it is subject to fluctuations in what is collected by the SAF Levy. The investment in apprenticeships through the SAF should instead be guaranteed by government.

Further, the training contribution charges for businesses taking on overseas employees should be halved from the current \$1,200 minimum charge per year per for an overseas employee for smaller businesses, or \$1,800 minimum charge per year for an overseas employee for larger businesses.

For example, if a small business wanted to nominate an international well qualified and experienced chef for a full-time position in their new business, they could potentially be up for a minimum of \$7,585 in government statutory charges (including Skilling Australian Fund Levy, nomination and visa application charges), not taking additional costs into consideration such as potential family members or other associated costs.

TTF recommends that policymakers review the structure of the Skilling Australians Fund to ensure its funding is more secure and also ensure that employer training contributions be halved, reducing the financial burden on tourism and transport business when hiring overseas employees.

*For further information about TTF's submission to the 2019-20 Federal Budget, please contact:
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