



29 January 2021

The Hon Michael Sukkar MP

Assistant Treasurer, Minister for Housing, and

Minister for Homelessness, Social and Community Housing

PO Box 6022

House of Representatives

Parliament House

Canberra ACT 2600

via email - prebudgetsubs@treasury.gov.au

Dear Minister Sukkar,

Tourism is The Whitsundays largest employer, accounting for approximately 40% of jobs. In terms of ranking, the economic importance of tourism in The Whitsundays is the highest in Australia alongside Central Northern Territory, Phillip Island, and the Snowy Mountains. It also should be noted that 40% of all visitation to the Great Barrier Reef is in The Whitsundays.

While international borders remain closed and the domestic market have lost confidence in travel within Australia, The Whitsundays is expected to lose upwards of \$39.9M in visitor expenditure over the next 12 months. On top of this, the immediate future is of great concern as our region enters into what is traditionally the quiet season.

We hope you will consider the below recommendations as part of the budget plan. These will go a long way to assisting this important sector to Australia survive.

1) The implementation of a stimulus targeted to tourism businesses

The implementation of the JobKeeper initiative meant that many of our businesses were able to keep people employed and survive. The expiry date for the JobKeeper Payment Scheme (28 March 2021) coincides with the regions low season for domestic travel and the time when we would typically be welcoming international visitors.

Unlike many regions within driving distance of capital cities, our operators have missed their peak season and most are now operating at between 15% and 50% of pre-COVID levels. Without the critical wage support of JobKeeper we estimate over half of the JobKeeper dependant roles in our regional tourism industry will be made redundant. This will create a landslide of economic impacts for our region, where one in three jobs are directly funded by tourism expenditure.

Without some type of continued support until international travel resumes, our region (and Australia) will lose its recovery capacity as international travel returns and Australia is at the top of every global travellers list of places to go first.

Our region is grateful for the demand driving stimulus the Commonwealth Government has provided through additional marketing funds, aviation support, and the Recovery for the Regions program.

These however will not replace the lost income from international tourism in a region where approximately 30% of visitation is international (*with some marine tourism and adventure operators as high as 90% international, and just not easily re-gearred or appealing to domestic visitors*).

Recommendation: That the JobKeeper stimulus be augmented/substituted with a new stimulus package focused on tourism and hospitality industries with a focus on maintaining workforce and skills. The baseline comparison for revenue loss can't be March quarter 2020 data however as these figures were significantly impacted by COVID travel restrictions. We ask that you remember that businesses find themselves in this situation through no fault of their own, the imposed sanctions, restrictions, border closers to manage the health crisis have had significant impact on our businesses that has heavy reliance on international visitation as well as significant inter/intra-state tourism numbers. If additional consideration for tourism specific business support is needed, consider the viability of international drawcards like 74 Islands, Whitehaven Beach and Hill Inlet, 40% of all visitation to the Great Barrier Reef, the largest fleet of overnight sailing experiences in the Southern Hemisphere as destinations where the impact will continue to be felt until international travel resumes.

2: Increase funds for the EMDG including a reset of operator eligibility.

Once international travel resumes into and out of Australia, the tourism sector will have a significant job to do to reinstate the \$30B trade partnerships that have driven Australia's international brand and reputation. Tourism trade not only supports the travel sector, it positions Australian products and services in the global economy.

The Export Market Development Grant has been a vital part of growing the value of international visitor numbers and trade receipts for Australia. The rules around the EMDG are currently under review, following the passing of legislative changes in December 2020. The focus of the new EMDG rules is to reduce complexity and uncertainty – from what has been released thus far, the new EMDG will only increase complexity and uncertainty for businesses.

The changes will reduce the funding available to a reduced number of exporters. Currently over 4000 applicants per year, which is expected to drop by 25-50%, this is the opposite of what should be happening and will be disastrous for our region.

The global downturn in travel from COVID related travel restrictions has seen the tourism workforce globally slashed, meaning many established industries (inc. tourism and education) will effectively be starting from scratch to re-establish their export markets. The new EMDG does not assist these industries and/or applicants which may have exhausted EMDG applications in the past, as the 8 year limitation still applies.

The new EMDG reduces the annual turnover threshold from \$50m to \$20m, punishing those established exporters who will be looking to re-establish export markets in the post-Covid era. Most businesses and most regions will be starting again in building trade partnerships, that costs money and most businesses don't have.

Now is not the time to change the 'rules' of global export support when the market we will be operating in is in turmoil.

Recommendation: Rather than reducing eligibility, the Government should be 'resetting' the eight year limit on EMDG eligibility for existing tourism operators, and maintaining the current eligibility threshold and level of support to kick-start Australia's trade-driven COVID recovery for review once global travel resumes.

3: Expand the Federal Reinsurance Pool to reduce property insurance costs

Property insurance for most businesses and residents in Northern Australia is either rising at exponential rates, or no longer available. The region experiences some of the highest average premiums for insurance in the country, linked to the likelihood of natural disasters.

In 2018-19, the average premium for combined property insurance across Northern Australia was approximately \$2,500, almost double that for the rest of Australia (\$1,400). The impacts leave many businesses concerned they cannot afford the extreme prices of insurance due to the financial stressors associated with COVID-19.

The recent Small Business and Family Enterprise Ombudsman's Report (December 2020) recommends expanding the Federal Reinsurance Pool to ease property premiums for existing small businesses; however, it should not be an incentive to build commercial property in areas that are of high risk to natural liabilities. The Royal Commission into Natural Disaster Arrangements recommends this risk can be mitigated through attention to natural disaster risk in land planning decision.

Recommendation: Expanding the Australian Reinsurance Pool to provide assurance to struggling Northern Australian businesses, preparing them for all-natural disasters and ensuring that they are covered with affordable commercial property insurance.

4: Create a program for Public Liability Insurance

Many small businesses report being unable to obtain public liability and professional indemnity insurances in the travel and tourism sector in Northern Australia. The open-ended nature of injury claims mean that insurance availability is limited. Considering a slip or a fall can cost a small business millions of dollars, operating without public liability insurance is not an option.

For businesses in tourism or outdoor activities, this lack of insurance is causing many to shut their doors. These closures risk endangering Australian traditions like caravan family holidays, outdoor trekking on school camps, and motorised water sport experiences. Public liability insurance has become almost impossible to obtain for a variety of small businesses, particularly for recreational activities.

Industries that have been particularly impacted include:

- caravan parks,
- amusement operators and tourism attractions,
- outdoor camps,
- quad bike tours, and
- jet boating.

The Australian Government should take urgent steps to work with each State and Territory Government to ensure that Australia has a functioning civil liability framework to limit inconsistencies. The current framework of fault-based injury compensation only creates uncontrollable risks for both insurers and small business.

Corresponding with the Small Business and Family Enterprise Ombudsman's Report (Dec 2020), a solution would be to follow the approach taken in New Zealand, where liability for personal injury be subject to statutory caps. This approach is designed to provide clarity and certainty, rebalance risks for insurers, and allow businesses access to the insurance products to protect themselves for when things go wrong.

New Zealand follows the Productivity Commission Report into Disability Care and Support which recommends two schemes: the National Disability Insurance Scheme (NDIS) that has been rolled out across Australia, and a no-fault National Injury Insurance Scheme (NIIS) to cover lifetime care for acquired catastrophic injuries. This proposal does not cover non-catastrophic care costs or economic loss and pain and suffering for catastrophic injuries. By retaining these risks, businesses would have ample incentive to undertake risk mitigation and continue to hold public liability insurance.

Recommendation: Australia should adopt the National Injury Insurance Scheme (NIIS) model implemented in New Zealand, creating a similar program for public liability insurance to provide affordable and accessible liability insurance for small and medium businesses, especially those in the travel and tourism sector.

Tourism has many pillars from destination events, leisure visitation, and business events, all of which are critical economic drivers to The Whitsundays region. The tourism industry injects over \$790 million to the local Whitsundays economy and is the region's biggest employer accounting for approximately 40% of all jobs. The recommendations provided above will keep people employed and businesses open, not just here in The Whitsundays but many affected areas of Australia. These businesses will be critical to the country's recovery once international borders open. Thank you for your consideration.

Kind regards,

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