



2021-2022 FEDERAL GOVERNMENT PRE-BUDGET GRANT SUBMISSION

“Supporting a sustainable industry sector”

25th January 2021

“This submission is firmly focused on the future and the sustainable recovery of the Australian travel industry.”

“The programs detailed within this submission will accelerate the re-employment of the thousands of jobs lost throughout the travel industry and ensure that when it is possible to travel again Australians are able to do so safely.”

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Executive Summary

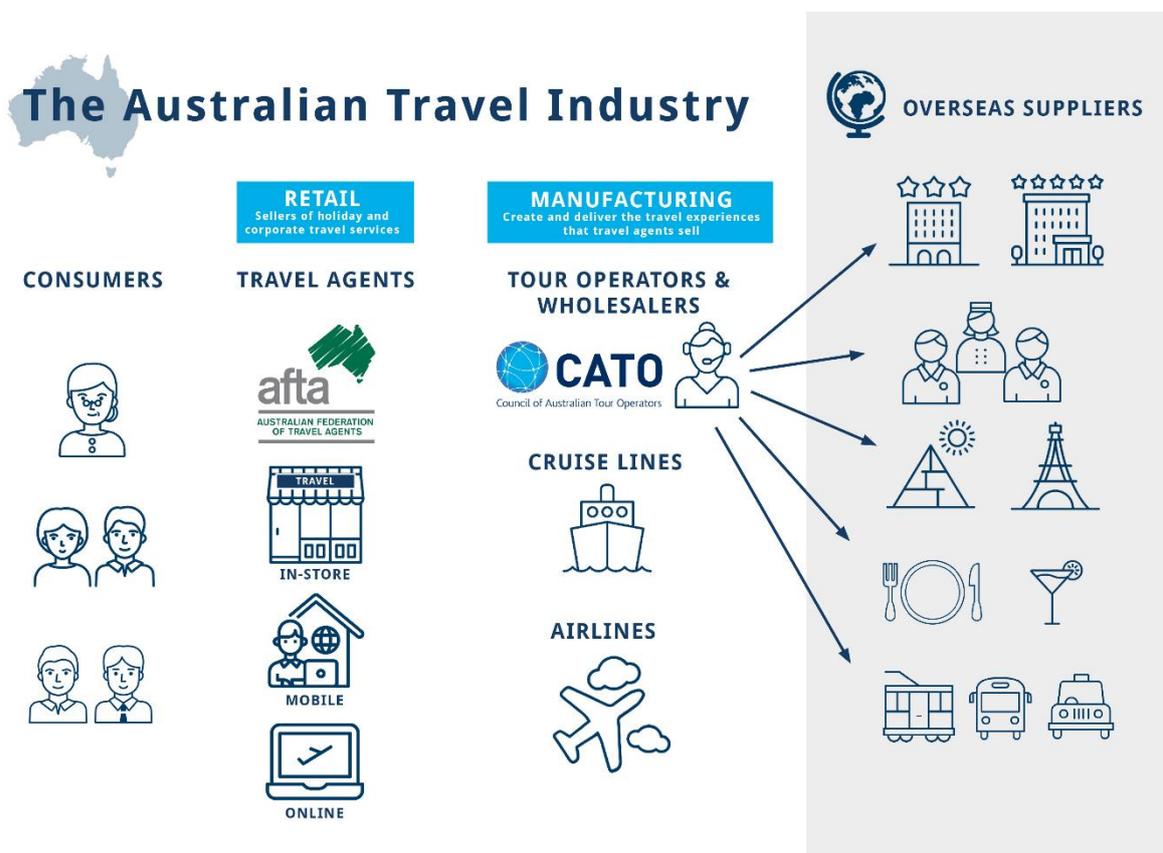
The Council of Australian Tour Operators (CATO) is Australia's peak outbound travel association representing Australian based organisations that **take the risk to invest in, develop, package, distribute and market product that is sold through travel agents** – effectively the “manufacturing” side of the travel industry known as **tour operators and/or wholesalers of travel product**. We refer to our members that create packaged travel product as the “land-supply” sector as we are focused on land-based holidays.

Our members are the lifeblood of the travel industry.

They are experts in their field who create, supply, deliver and support travel products and services to travel agents, to enable Australians to discover the world and return home safely.

CATO and its members have played a vital role, working closely with DFAT, to assist in the repatriation of more than 200,000 Australians when border closures and shutdowns made returning home more difficult at the onset of COVID.

The infographic below shows where CATO members are positioned in the travel industry ecosystem.



The economic impact from CATO members and other participants in the land-supply sector of the Australian travel industry is \$20 billion (\$10 billion direct and a further \$10 billion indirect). Further, in the ongoing COVID crisis 40,000 Australian jobs have been impacted across the travel sector.

The current COVID situation is critical as our members face a high risk of economic breakdown, both in terms of cash flow requirements and the ability to maintain operations. It is unlikely we will see

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revenue coming back in the next 12-18 months; therefore, the fast-tracking of safe border re-openings is critical.

Without CATO members, tour package options tailor-made to the Australian consumer will be extremely limited, leaving travel agents and travellers to book directly with international suppliers, predominantly foreign entities. These offshore suppliers do not have the same level of understanding of Australian travel needs, nor the relationship with our local authorities such as DFAT and the ACCC. This will result in major challenges in future crisis situations.

Given this scenario and the essential role that CATO members play in the travel and tourism sector, CATO seeks Government support with a grant request of \$10.5 million.

This submission is firmly focused on the future and a sustainable recovery of the Australian travel industry. The programs detailed within this submission will accelerate the re-employment of the 1,000's of jobs lost throughout the travel industry and ensure that when it is possible to travel again Australians are able to do so safely.

We would welcome an opportunity to meet to discuss further the contents in this submission.

For further information regarding CATO's submission please contact:

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Background

The Council of Australian Tour Operators (CATO) is the representative body of the land supply sector of the Australian travel industry.

CATO members comprise of tour operators and wholesalers (full members) as well as tourist offices and travel related product and service providers (associate members), who will all play a vital role in enabling Australians to safely travel again once the borders reopen.

Our tour operator and wholesaler members are the lifeblood of the travel industry. From SME's to household brands, they are our Australian travel industry experts, epitomising best practice as well as being forward thinking entrepreneurs and business leaders, who will take the industry into the future – inspiring innovation in a socially and sustainable manner.

Our members create, supply, and deliver travel products and services, sold predominantly by retail travel agents to enable Australians to discover the world and return home safely.

Without these businesses, travel agents would face overwhelming challenges to sell international travel due to the legal limitations and complexity of contracting with many service providers worldwide.

CATO as an association provides invaluable support and delivers benefit to its members through four strategic pillars. During the COVID crisis these services are more essential to our members than ever before:

1. **Advocacy:** creating unity and one voice in representing the Australian land-supply sector of the travel industry through coordinated and concise government liaison and open dialogue with other industry sectors on relevant industry needs.
2. **Research:** providing annual research on the size, scope, and trends of international leisure travel from the Australian market.
3. **Education:** providing education and events to its members across multiple areas including, but not limited to, compliance, legal, marketing and crisis management.
4. **Marketing:** delivering a credible profile for its members through extensive public relations and media initiatives as well as the development of its own publications delivered to both the travel trade and consumers.

CATO is an active participant on the **Department of Foreign Affairs and Trade (DFAT)** Travel Industry Consultative Committee, is actively engaged with the **Australian Competition and Consumer Commission (ACCC)** and works closely with the **Insurance Council of Australia (ICA)**.



Australian Government
Department of Foreign Affairs and Trade



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Economic Impact (pre-COVIDCOVID)

In 2019:

- 11 million Australians travelled overseas (ABS data), 6.5 million of these were for the purpose of a holiday.
- This equates to 1:4 Australians travelling overseas - a 25% market penetration.
- The average spend by Australian holiday makers was \$8,000 (CATO consumer survey Feb 20 – 1,300 responses from our active magazine database).
- This equates to more than \$52 billion spent on international leisure travel by Australians.
- This spend directly supports 40,000 Australian jobs across the outbound travel sector, which in turn underpins aviation capacity supporting the Australian inbound tourism sector.
- Based on CATO research and direct member data, the economic impact from CATO members and other participants in the land-supply sector of the Australian travel industry is estimated at over \$20 billion (\$10 billion direct and a further \$10 billion indirect).
- CATO members alone paid out over \$1 billion in travel agent commissions in 2019 and further supported the retail travel sector at an approximate cost of \$250 million through;
 - o Brochure printing and distribution
 - o Override commissions to retail network head offices
 - o Additional incentives based on sales targets
 - o Conference fees and sponsorship
 - o Co-operative advertising funds for consumer marketing
 - o Heavily subsidised travel consultant educational trips
 - o Travel prizes, incentives, trips, give-aways

This level of support in the current climate will not be possible to extend to travel agents which will further impact education and awareness to consumers.

Moving forward:

As Australian States continue to struggle with an agreed and appropriate national approach to dealing with COVID, we question how (as a nation) we can expect to safely negotiate international travel (inbound and outbound) with 195 other countries.

As a result of the inconsistent approach to border controls within Australia, consumer confidence in travel is at an all-time low. This has led to a significant decline in bookings for future travel.

As revenue achieved by a travel intermediary cannot be recognised until travel has availed, our industry is faced with a further 12-18 months of extreme adversity.

Our members current view is that until a vaccine has been widely accepted and rolled out, it is unlikely we are going to see revenue returning within the next 12-18 months, and sufficient revenues are unlikely to return to the sector until the opening of the higher value US and European markets.

It is also estimated that passenger traffic will not return to pre-crisis levels until at least 2024.

The situation is now at a critical juncture as our members face a high risk of economic breakdown both in terms of their cash flow requirements and their ability to maintain operations, even in a hibernated model to service both the requirements of agents and the consumer.

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Impact of COVID on CATO member businesses

Since the official ban on all overseas travel and the subsequent closure of Australia's international borders from the 24th of March 2020, CATO members have been prevented from trading. This has resulted in negative income due to the volume of booking cancellations and refunds processed.

The priority for CATO and its members as COVID impacted the world was as follows:

- **Provide support to Government & Australian Travellers/Residents:**
 - o CATO and its members played a vital role working closely with DFAT to assist in the repatriation of 200,000 Australians at the onset of COVID.
 - o This assisted enormously to reduce the pressure of DFAT's consular assistance program.
 - o This is a role CATO members have played in many previous crisis situations including in recent times the Sri Lankan Bombings, Arab Spring, and numerous other natural disasters.

- **Prioritise Booking Cancellations:**
 - o Once the initial repatriation phase was over, CATO members turned their attention to processing the cancellation of all future bookings.
 - o The complex nature of travel resulted in dealing with dozens of different suppliers in multiple countries just to cancel one passenger booking.
 - o The sheer volume of bookings being cancelled, and that the system was not designed to operate in reverse, was an extensive task alone.
 - o In many cases the funds were held by suppliers located overseas who were themselves in lockdown and, in some instances, prevented by their own governments from processing international money transfers.
 - o The estimated value of cancellations and refunds was AUD 10 billion on behalf of 4 million Australians.

Whilst the industry has been impacted by many global events and natural disasters, nothing compares to the magnitude of COVID.

- **Travel Credits:**
 - o Due to the complexity around the structure of the global travel ecosystem and foreign government policy, many passengers have been issued travel credits rather than refunds.
 - o For Australian consumers to use these credits it is vital that CATO members remain viable.

- **Business Sustainability:**
 - o The financial impact of COVID on CATO members has been devastating. Confirmation from our members conservatively indicates 50% of jobs have been lost already and those that remain are supported entirely by JobKeeper.
 - o Members had to act quickly to put staff reduction measures in place as well as shifting to remote operations. This is in addition to keeping a minimal staffing structure to process non-revenue generating income such as cancellations and refunds.
 - o All business expenditure has been cut to allow for survival.
 - o CATO members have had to absorb the substantial cost of pre-COVID marketing of travel that has now generated zero return.
 - o Loss of industry knowledge from the market which will be hard to replace as businesses look to rebuild.

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The role CATO Members will play in rebuilding the industry beyond COVID

The majority of CATO members are destination experts or specialists in a particular style of travel that is only deliverable through international travel. The ability for these organisation to pivot and sell domestic travel (in most cases) is simply not viable.

As such we must focus our efforts supporting CATO members that create and deliver the travel services sold through travel agents to ensure they survive to be part of the significant economic activity generated by the travel industry.

Our members' investment in product development, marketing, training, and promotional activity helps to underpin not only the 40,000 jobs (pre-COVID) that make up the travel industry, but also supports the broader Australian economy through sectors such as airlines, hospitality, media, technology, events, education, printing, and other allied services.

Outbound travel services drive significant volume that directly supports the Australian aviation sector and are completely complimentary to our country's inbound tourism offering.

Due to its geographic location Australians travel further and longer than any other nationality. As noted above, in 2019 6.5 million Australians travelled overseas for leisure purposes.

Post COVID CATO members will:

- Develop a safe, hygienic, and sustainable product offering for consumers to book for international travel through travel agents or directly.
- Ensure their clients return home safely in times of crisis
- Educate travel agents and consumers on the importance of DFAT travel advisories
- Continue to support DFAT in bringing Australians home when global events impact travel.
- Work with the World Travel and Tourism Council (WTTC) in the delivery of agreed COVID safe travel protocols, which will play a vital role in educating travellers
- Encourage members to promote the use WTTC COVID Safe Travel Stamp (available under licence from CATO) across all marketing activity. NB: Users must agree to abide by CATO's safe travel protocols developed in alignment with those issued by the WTTC.

Without CATO members, travel agents and travellers will be left to book directly with international suppliers, who do not have the same level of understanding of Australian travel needs nor the relationship with DFAT. This will result in major challenges in future crisis situations.

CATO consumer research confirms there is a significant amount of pent-up demand for overseas travel and there will be a heavy demand for functioning teams within the CATO membership to be active (and viable) to facilitate this requirement. In many cases, where credits are on file, this will be a duplication of work that has already been processed.

CATO members will continue to create the travel products that travel agents sell. **This requires significant upfront investment by CATO members in product development, training, and marketing.**

Without this investment by CATO members, there is a significant flow-on effect to the existence of travel agents, whereby they will have little or no product to sell to consumers.

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Application for Government Support

CATO would like to firstly acknowledge and extend our thanks and appreciation to the Australian Government for its economic response to the COVID pandemic. The support measures that have been delivered including cash flow and employment support has greatly assisted in this time and JobKeeper has been a lifeline to many businesses.

As we emerge from COVID, industry experts predict leisure travel will not return to pre-COVID levels until 2024. As such, the extension of JobKeeper beyond March 2021 is critical.

Until international borders restrictions are lifted, the movement of people resumes, and travel products can be sold, the travel industry will continue to be severely impacted.

In extending JobKeeper CATO supports the increasing of the 30% revenue drop threshold to 70% in order for a company to continue to qualify for the program. In recognition of the continued devastating impact of COVID related border closures we call for JobKeeper payments (using the 70% threshold) to be restored to their original \$1,500 per fortnight level.

Without open international borders, the majority of CATO members will continue to face operations with nil income (as has been the case since March 2020) to process cancellations and credits/refunds. Without being able to trade due to Government restrictions, this process of handling cancellations, refunds and credits has been provided on behalf of consumers at no charge.

We seek the Government's assistance to support our sector of the industry to survive this crisis and to prepare for an accelerated recovery that will allow us to rebuild jobs and ensure Australians are able to travel safely.

Request for funding of \$10.5m to allow CATO to support recovery of our critical sector.

CATO is seeking direct funding to allow us as an association to be able to support this sector of the industry to **re-employ staff and rebuild their businesses in a sustainable manner** for the future by developing and executing the following business growth programs.

- Training for members to enable delivery of a **COVID-safe travel experience for Australians** and to effectively crisis-manage potential outbreaks. NB: Increased member education will **alleviate pressures on Australia's Department of Foreign Affairs and Trade (DFAT)**.
- Development and delivery of an extensive **consumer marketing campaign** to promote our members using globally agreed WTTC safe travel protocol guidelines and highlighting use of the WTTC COVID Safe Travel Stamp (issued under licence via CATO).
- Development and distribution of **consumer/traveller education messaging regarding COVID safe travel** in conjunction with DFAT.
- Develop and implement industry **standard booking terms & conditions** (for adoption by all members) better aligned with Australian Competition and Consumer Commission (ACCC) guidelines leading to better outcomes for clients and members and reducing pressures on ACCC services.
- Investigation and support of potential industry reforms as a result of COVID.

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- Support to members through technology developments that will assist travel agents in selling locally developed travel packages to consumers.
- **Provide a grant to member businesses** that need support to develop and print brochures and/or develop enhanced online capabilities for agents to sell destinations to consumers.

Program Details

CATO will undertake to provide the Government with regular updates on outcomes from each of the programs included in this grant submission.

1. Business Recovery & Sustainability Training & Development - \$1.5m

- *Ensure business sustainability*
- *Increased sector employment*
- *Future-proof businesses*

The stronger CATO members can come out of the COVID crisis, the quicker travel industry jobs will recover. This includes direct employment by CATO members as well as the broader travel industry and associated sectors.

CATO's Business Recovery Training will focus on providing CATO members with the practical skills to ensure business continuity and sustainability for the future as well as the tools to review their business models and the ability to reshape their activity for future success. This includes financial management, human resources, business sustainability, marketing, and sales as well as in-depth training on growth indicators and finding your formula for business success.

The 18-month training/growth programs will be delivered online by accredited training providers with industry experience. Training will be provided free of charge to CATO members.

Creation of Training Program:	\$300,000
Delivery of Training Program:	\$1,200,000
Time Frame:	18-month program with impact within 6 months
Outcome:	<p>This program will allow CATO members to execute accelerated re-employment programs, additionally creating more travel agent opportunities (minimum of 3 times the rate of not having this program in place).</p> <p>It will drive companies into a growth phase, to allow them to return to profitability within 18 months.</p> <p>It will upskill business owners and staff, reducing the risk of businesses closing, further impacting the economy.</p> <p>Direct economic benefits to the education sector and further indirect benefits to Australian businesses servicing CATO members.</p>

2. Crisis Management and COVID-Safe Travel Training - \$1m

- *Development of COVID-Safe Travel Protocols for Australian operators*
- *Sector-wide crisis management training*
- *Ensuring Australian traveller safety*

CATO members are highly experienced in dealing with crisis situations. This includes natural and man-made disasters, civil-war, revolutions, and terrorism. COVID has presented new challenges and it is important that we learn from this experience and incorporate these learnings into our future crisis management training programs.

Similarly, as the world emerges from COVID, it is essential that our members are fully equipped to provide COVID-safe travel experiences and are able to deal with any future outbreaks quickly, safely, and efficiently.

CATO will play a vital role in educating our members and ensuring they are ready to handle these challenges.

Phase 1: Development of COVID-Safe Travel protocols.

Using the world's best practice, as developed in consultation with the World Travel & Tourism Council (WTTC), CATO will develop a series of safe travel protocols. Training sessions will then be conducted with all CATO members to ensure they are implemented.

Phase 2: Crisis Management Training

A detailed analysis will be undertaken of how the travel industry handled the COVID crisis globally. Learnings from this will be used to develop training programs for all CATO members on best-practice for dealing with any future crisis.

Creation of Programs: \$250,000 per program

Delivery of Programs: \$250,000 per program

Outcome: Traveller Safety - CATO members will be prepared and ready to execute promptly the correct response to any potential crisis whilst ensuring the safety of Australians continues to be the number one priority.

Consumer confidence to travel – kickstarting investment back into travel to stimulate the economy.

3. COVID-Safe Travel Marketing to Restore Consumer Confidence - \$5m

- *Increased consumer confidence*
- *Business sustainability*
- *Increased employment opportunity*
- *Reduced pressure on DFAT*
- *Kickstart economy*

Consumer confidence will be key to kick starting international travel and stimulating the economy.

CATO plays a key role in distributing DFAT Smart Traveller Travel Advisory information. In a post-COVID world, ensuring Australians are aware of industry COVID-safe travel protocols is vital to restore confidence and aid in the recovery of jobs.

The association will also play an important role in assuring Australians of our safe travel measures by promoting our licensed members using the WTTC COVID Safe Travel Stamp.

CATO is uniquely positioned to get this message across to both consumers and trade at the time of decision making. Our members are also uniquely positioned to reinforce this message whilst Australians are actually travelling, placing further emphasis on traveller safety.

We propose to use the above funds to develop and deliver a comprehensive marketing plan to highlight the COVID-Safe Travel message. This plan will include:

- Development of comprehensive COVID-Safe Travel messaging around how the Australian Travel Industry is supporting safe travel protocols and explaining what the COVID Safe Travel Stamp means to consumers
- Execution of a National Consumer Marketing Campaign (online and print) to reach Australian travellers at the booking and decision-making stage. This will be done through various channels including (but not limited to) national television, radio, a wide range of digital channels, traditional print media and extensive trade focused communication.
- We will also develop a series of short videos for online purposes for travellers to educate them on the importance of travel safety. This will include a video on how CATO works with DFAT, the role of DFAT consular assistance when something goes wrong and the importance of the DFAT Travel Advisories
- Implementation of a far-reaching trade and consumer public relations campaign for COVID Safe Travel.
- Execution of a trade marketing campaign to travel agents and industry partners via direct messaging, trade press and CATO publications.
- Creation of materials to reinforce the safe-travel message whilst travellers are overseas on travel services supplied by CATO members.

Outcomes

- Employment: re-employment of 4,000 jobs comprising 2,000 direct employees of CATO members and a further 2,000 across travel agencies and ancillary businesses
- Increase GDP by stimulating the Australian economy through confidence to purchase travel.
- Keep our members in business as well as other sectors of the outbound travel industry (pre-COVID estimated at 40,000 jobs)
- Reach 11 million Australians to communicate COVID-Safe Messaging through our Marketing Campaigns.
- Reduced pressure of DFAT consular assistance programs.

4. Government Industry marketing fund - \$2m

- *Business sustainability*
- *Kickstart economy*
- *Increased consumer confidence to travel*

As our members develop product for international travel, marketing materials are typically produced in brochure formats for both retail agencies and for the consumer, and significantly contribute to the booking of travel. For many tour operators and wholesalers, the spend on brochures can vary between \$75K to \$400K per business.

Many of our members will not have been able to produce brochures for 2020/2021 and 2021/2022 season is in doubt, which will have a significant impact on the available sales tools for travel agents and educational material for consumers when travel recommences.

Members also require financial assistance to attend and exhibit at travel expos and conferences when international travel re-opens. Travel expos are consumer events which are fundamental in the conversion of travel sales. Our wholesaler/tour operator/tourism board members purchase space and build stands to allow their attendance at these events to support retail travel agencies and educate consumers.

We are proposing an industry wide marketing grant be put in place which allows member businesses to apply directly to government for support to identify new, innovative, and dynamic forms of consumer interaction in the promotion of international travel.

The grant would offer up to \$125K per business to recover up to 50% of eligible market development expenditure through technology with a view to replacing the unsustainable creation of traditional brochures.

CATO will ensure that all expenditure is with Australian based suppliers, so the total economic benefit is directed to protecting Australian jobs.

Outcome:

- Keep our members in business as well as other sectors of the industry (up to 40,000 jobs).
- Increase GDP by stimulating the Australian economy through:
 - Confidence to purchase travel.
 - Supporting Australian based allied industries including print, design, event, and marketing companies.

5. COVID-Normal Booking Terms & Conditions and Consumer Law Advice - \$750k

- *Increased consumer protection*
- *Flexibility for consumers in travel bookings*
- *Reduced complaints*

One of the key findings of the COVID crisis has been the confusion and stress caused by the lack of uniform booking terms & conditions. The ACCC saw a significant increase in travel related complaints and CATO is very cognisant of the need for reform.

Once travel recommences there is likely to be a period of uncertainty as heightened anxiety results in more health checks and subsequent refusal to allow passengers to complete their holidays. The industry needs to ensure both consumers and CATO members are protected through concise and consistent booking terms & conditions.

CATO is working with a Melbourne based law firm specialising in travel law to develop a core set of industry standard booking terms and conditions that are 'COVID-Normal' ready –clear and specific provisions to deal with disruption due to COVID-style outbreaks that support equitable outcomes for both operators and consumers are required for both business certainty and consumer protection and confidence.

Due to the complex and varied nature of the travel industry, CATO members will require specific legal advice on consumer obligations and legal risk, and to have additional bespoke provisions drafted to respond to requirements of specific business models.

Due to the financial impact of COVID-19, many CATO members will not have resources available to engage a law firm to obtain specific advice and to trade under COVID-normal booking conditions. Because of this, there is a real risk that significant consumer law issues will arise post-COVID, which will result in increased complaints to the ACCC and a reduction in consumer confidence. A reduction in consumer confidence will impede business recovery.

These funds will be used to ensure that all CATO members will be able to (a) obtain specific legal advice on their obligations to consumers in the 'COVID-normal' environment; (b) have access a core set of standardised booking terms & conditions; and (c) have bespoke provisions drafted to meet the specific requirements of their business model.

Outcomes

- Reduced consumer complaints to ACCC about travel industry terms & conditions.
- Increased consumer confidence
- Reduced pressure on the courts system.
- Increased professionalism throughout the entire sector leading to better outcomes for consumers and CATO members.

6. Industry Reform Study - \$250k

The COVID crisis has highlighted the need for reform within the travel industry. Potential areas of reform are:

- Travel Insurance Coverage
- Consumer Protection Against Supplier Insolvency
- Safeguarding of Client Funds

CATO will provide industry support to undertake a review of the industry and identify areas where reform is required.

Funds will be used to support the engagement of professional consultants from within and outside the industry and to ensure our sector is fairly represented in this study.

Summary

CATO members have been impacted and have had no revenue since March 2020.

Full recovery of the industry is unlikely until 2024.

Membership of CATO in a post-COVID era will be critical for Australian tour operators and wholesalers that will all require ongoing support and relevant services to survive.

*Survival of these organisations will lead to **increased employment** and the long-term sustainability of CATO as an industry body available to support the sector.*

CATO is seeking government assistance of \$10.5m to underwrite the above programs.

This will enable CATO to continue providing valuable services to members, rapidly increasing re-employment, building industry professionalism, and paving the way for rapid sector recovery.

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For further information regarding CATO's submission please contact:

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