

PRE-BUDGET SUBMISSION 2021-22

Tourism Accommodation Australia Submission



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INTRODUCTION

Tourism Accommodation Australia (TAA) welcomes the opportunity to make a pre-budget submission for 2021 - 2022.

TAA is a division of the Australia Hotels Association (AHA) and together, they form the national peak bodies representing Australia's tourism, hotel accommodation and hospitality industry. Our membership is diverse and serviced by a network of branches based in every state and territory, plus a Canberra-based National Office. We represent licensed businesses from small bars, restaurants, taverns, pub-style hotels through to three, four and five-star international accommodation hotels and resorts located in each state and territory.

Our role is to represent the business and commercial interests of our members through services, advocacy, and policies. We are committed to ensuring the future recovery and growth of the accommodation sector following droughts, bushfires, floods and COVID19 that saw the decimation of our industry throughout 2020.

TAA recognises the importance of working with government departments and stakeholders and we have a demonstrated history of achievement in working with Federal, State and Local Government, law enforcement agencies, educators, universities, and other organisations, never more so than over the last 12 months.

Prior to COVID19 tourism had been identified as the super-growth sector of Australia's transitioning economy, with total tourist consumption \$143 billion, which saw \$57.3 billion in GDP contributed to the economy (comprising 3.1% of the national total), and employment of 646,000 persons (5.2% of the Australian workforce).¹ Confidence and investment had supported the recent strong performance of the sector which has outpaced national growth rate for the last three years.²

TAA's recommendations for the Federal Budget 2020-2021 are summarised and then outlined in detail below.

¹ Australian Bureau of Statistics, 2018, *Tourism Satellite Account 2017-18*, <https://www.tra.gov.au/economic-analysis/economic-value/national-tourism-satellite-account/national-tourism-satellite-account>.

² <https://www2.deloitte.com/au/en/pages/consumer-industrial-products/articles/tourism-hotel-outlook.html>.

TAA RECOMMENDS:

A continued wage subsidy support for impacted hotels

- *Ensure an ongoing wage subsidy is available to those hotels hardest hit by the international and domestic border closures as a result of the COVID19 pandemic. Prioritise said subsidy for the larger CBDs of Sydney and Melbourne which, due to their feeder market value, will be critical to tourism's recovery.*

Support Domestic Tourism and the return of International Travellers

- *Ensure funding for Tourism Australia is \$300 million to support intrastate and interstate travel and is effective in leveraging marketing campaigns in key international markets once borders reopen.*
- *Commit to expanding the business events bid fund, which ensures Australia remains competitive in attracting high-yielding business events for the future which will be critical for our recovery.*

Investment and Regulation

- *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 that can access our recovery.*
- *Continue to support the Australian Accommodation Monitor, essential to tracking performance in regional areas.*
- *The restoration of reasonable entertainment expenses as a tax deduction and the removal of FBT on accommodation and employee meals.*

Boost Regional Tourism Performance

- *Continue to provide funding under the Building Better Regions fund to facilitate growth in regional tourism infrastructure.*
- *Tourism Australia continue to promote Holiday Here This Year campaign to drive visitation into regions across the country*

Allocate Resources to Address Labour & Skills Shortages

- *Fund a further economic report into labour and skills shortages to determine the nature and quantum of gaps created by Covid19 in the tourism and hospitality sector to 2030.*
- *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.*
- *Government to consider extending incentives and initiatives to attract more Australians into the industry such as:*
 - *Work with industry to identify pre-apprenticeship programs;*
 - *Extending the apprenticeship wage subsidy to encourage retention to December 21 at the existing 50% for hotels and hospitality which was hardest hit by the ongoing restrictions,*

1. A CONTINUED WAGE SUBSIDY SUPPORT FOR IMPACTED HOTELS

JobKeeper was intended to be a temporary support package for businesses impacted by the COVID19 pandemic and associated restrictions imposed by Government to control its spread throughout the community. Originally set to cease at the end of September 2020, in July 2020 the Federal Government announced its extension to 28 March 2021. This welcomed extension reflected that many businesses, especially hotels, were still experiencing the detrimental impacts of restrictions and border closures, including at the time a second wave of COVID in Victoria.

The first phase of JobKeeper supported more than 3.6 million workers (at \$1500 per fortnight per employee) and around 1 million businesses at a cost of \$70 billion for the 26 weeks to 27 September 2020. Data released in November 2020 indicated that 450,000 less businesses and 2 million fewer employees qualified for December quarter payments of which 86% of workers received Tier 1 (\$1200 per fortnight per employee) payments. Although March 2021 quarter data will not be released until February, it is highly likely that the number of businesses and workers covered by the scheme has further reduced demonstrating the scheme becoming more scoped to those who require it most.

Although businesses currently receiving JobKeeper are likely to come from a wide range of sectors, it is envisaged that the businesses who remained eligible for payments after 4 January 2021 would be dominated by those operating in tourism, hotels and hospitality. This is presumed as many hotels were previously reliant on international tourism, which inserted a lucrative \$60 billion to the Australian economy each year. The unpredictability of State & Territory Government decisions about borders has made it difficult for many hotels, particularly those in major gateways and CBDs to recover to profitable occupancy levels.

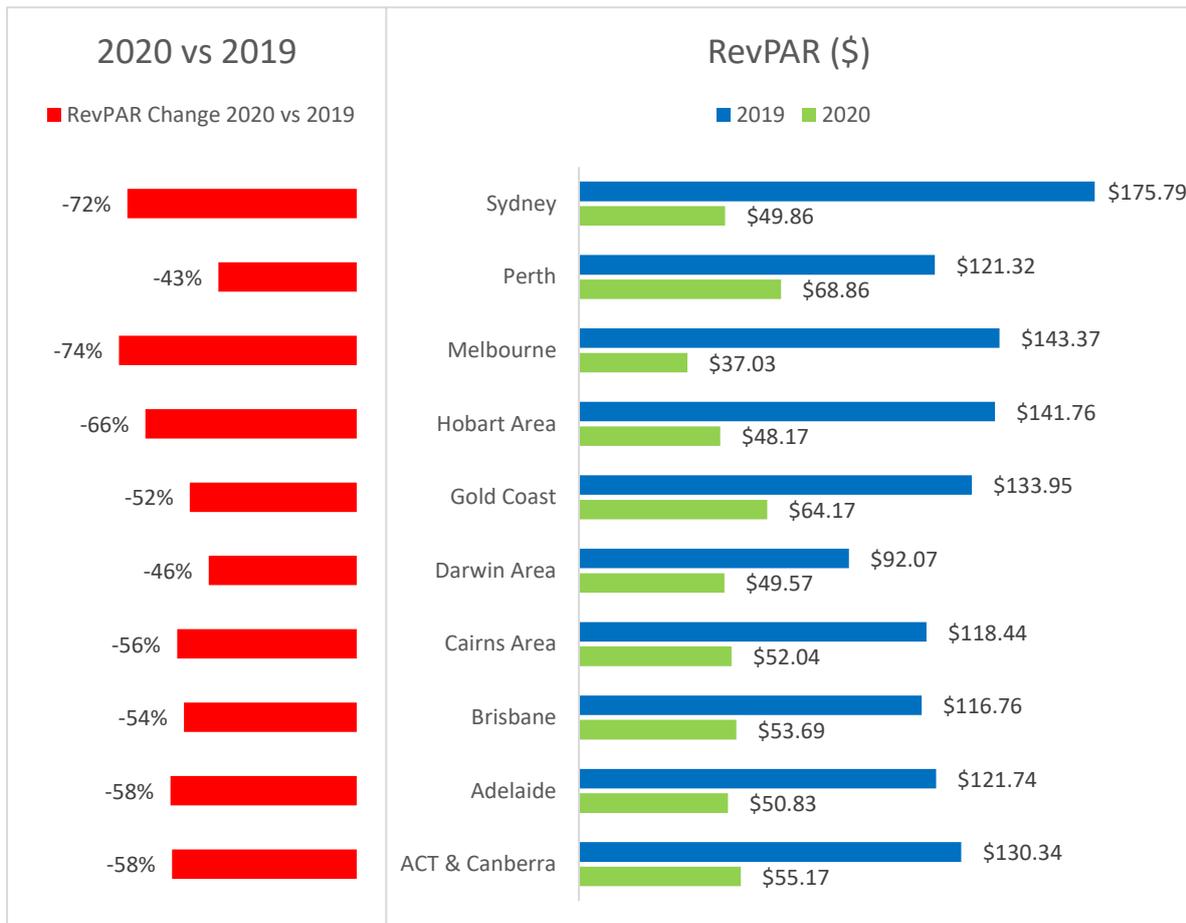
To ensure the survival of hotels operating at sub 20% for many consecutive months it is critical for that an ongoing wage subsidy is available to support the business and associated staff that were previously yielding successful results, however, due to no fault of their own find themselves in this dire situation.

Graph 1.0 indicates the impact of COVID-19 on hotels from April – December 2020. Please also note that these figures are inclusive of Quarantine hotel business which we assume have since dramatically dropped off as there is a lower demand to host quarantine travellers.

TAA RECOMMENDS:

A continued wage subsidy support for impacted hotels

- *Ensure an ongoing wage subsidy is available to those hotels hardest hit by the international and domestic border closures as a result of the COVID19 pandemic. Prioritise said subsidy for the larger CBDs of Sydney and Melbourne which, due to their feeder market value, will be critical to tourism's recovery.*



Graph 1.0 – RevPar of Hotels in Australian CBDs

2. SUPPORT DOMESTIC TOURISM AND THE RETURN OF INTERNATIONAL TRAVELLERS

1.1 INVESTMENT IN TOURISM AUSTRALIA

As a world leader in international destination marketing, it is imperative that Tourism Australia retains its status to ensure it remains a contender in the highly competitive international tourism market post pandemic. In response to the Bushfire crisis, Tourism Australia took on a domestic marketing role in addition to international marketing efforts. This was a welcome move as it saw the release of unified domestic tourism campaigns and the establishment of State Tourism bodies.

In partnership with the state and territory bodies, the activation of lucrative international recovery campaigns aligned with the strategic domestic campaigns have reinforced the vital role Tourism Australia plays in the rebooting of our industry.

It is predicted that the post pandemic environment will create significant opportunities for Australian tourism, both internationally and domestically. Tourism Australia must stand in a well resourced stead to take full advantage of these opportunities as they will be tasked to promote the country, at which time, there will be fierce competition within the global market to capture the tourism spend.

TAA applauds the Federal Government of their funding commitment, made in 2019, to Tourism Australia, announcing \$644.7 million over four years. Tourism Australia has received additional targeted funding in 2020 and this will total \$195 million in the FY 2020-21. Given the post COVID-19 marketing effort needed, funding needs to increase to \$300 million over the forward estimates for FY 21-22 and 22-23.

1.2 BUSINESS EVENTS

The national business events bid fund supports bids for new, high-value international incentive, association, and exhibition events. As part of our industries recovery from COVID19 it is recommended that a formal Federal Events fund be established in addition to State Government funds. As a growing global trend towards direct financial support for major business events, this will ensure that Australia is able to proactively respond within an extremely competitive events bid market once international travel resumes worldwide.

The Association of Australian Convention Bureau (AACB) published research in 2018 confirming that 12% of international association convention bids for events from 2015 - 2025 were lost due to stronger financial incentives offered by Australian competitors.³ **The current bid fund has proved successful and helps mitigate against the high cost of doing business in Australia.**

TAA RECOMMENDS:

Support Domestic Tourism and the return of International Travellers

- *Ensure funding for Tourism Australia is \$300 million to support domestic intrastate and interstate travel and is effective in leveraging marketing campaigns in key international markets once borders reopen.*
- *Commit to expanding the business events bid fund, which ensures Australia remains competitive in attracting high-yielding business events for the future which will be critical for our recovery.*

3. 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, the Passenger Movement Charge (PMC), and courier fees for any paper-based applications. A key consideration in Australia's overall competitiveness as a destination for future tourists and for Working Holiday Makers (WHMs) is the cost of visa fees and supplementary charges, along with visa processing times. It is well understood that WHMs are a great opportunity for our country's recovery. They assist our CBD and regional staffing shortages and, to the benefit of our local visitor economy, spend almost all of their income during their visit.

Provided the Working Holiday Makers maintain the status of long-stay tourists, quarantine should not be labelled as an issue. It is recommended that Government support these associated costs as an

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>.

attraction mechanism. This is the easiest form of international travel returning which brings high yield and supports our staff shortages, particularly in regions.

2.2 AVIATION ACCESS

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

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

TAA RECOMMENDS:

- *Secure continued funding for the benchmarking of all visitor visa fees and charges and processing times to ensure we remain competitive.*
- *Use the Passenger Movement Charge to improve infrastructure and support the tourism industry.*
- *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.*

4. INVESTMENT AND REGULATION

TAA welcomed announcements in the last Budget period of ongoing commitments to infrastructure 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 that will be critical to monitor the industries recovery in a post COVID19 environment.

3.2 FRINGE BENEFITS TAX (FBT)

Since being introduced in 1986, FBT has been an enormous impost for business. The fact that meals which are genuinely for business purposes attract FBT is to the detriment of the hotel industry and the broader business community. TAA calls for this tax to be abolished entirely or the minimum, the next 3 years to support industries COVID19 recovery. During 2020, TAA in conjunction with the AHA, engaged Ernst and Young (EY) to prepare a report to support this request.

The EY report shows that a temporary suspension of meals entertainment and accommodation FBT in both the below options has a positive economic benefit. In FY22 and FY23, the economic returns range from 3.25x to 3.81x.

| GDP per dollar of cost to Government | | |
|--------------------------------------|--------------------------------|------------------------------------|
| | For all businesses (Option 1A) | Restricted to SME only (Option 1B) |
| 2020/21 | \$1.89 | \$2.11 |
| 2021/22 | \$3.26 | \$3.81 |
| 2022/23 | \$3.25 | \$3.79 |

The AFS sector has over 100,000 establishments employing over 900,000 people, including above average representation of females and young people. TAA and the AHA believe that the suspension of FBT is a moderate policy in the circumstances that will grow revenue and jobs in the sector. Importantly, we request a tax that inhibits growth, to be suspended.

TAA RECOMMENDS:

- *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.*
- *The restoration of reasonable entertainment expenses as a tax deduction and the removal of FBT on staff business meals and accommodation.*

4. BOOST REGIONAL TOURISM PERFORMANCE

Regional visitor economies are underperforming in many key tourism destinations due to the lack of international tourists due to international border closures due to Covid19. Whilst there has been some reprieve from intrastate and interstate travel the spend of travelling Australians is lower and ultimately this pent-up demand will be short lived.

Based on the above the regional visitor economy needs urgent action to provide:

- **Reliable and useful tourism data** to support sustainable planning and decision-making,
- Initiatives that support **regional dispersal**, we know visitors will travel 3-4 hours from major population centres and this ongoing challenge has only been amplified,
- Programs and initiatives to address **skills shortages**, and
- **Industry development** to build a stronger and more resilient communities.

The growth of regional visitor economies is dependent on dispersing more international visitors beyond capital cities for longer overnight stays. With the eminent return of international visitors and more travelling domestic Australians there is a need to attract more quality supply into regional Australia, to assist with increased dispersal to regional areas. Many of Australia's regional areas suffer from insufficient investment in, and renewal of, tourism facilities. Investment in regional facilities is unlikely to occur without an increase in regional visitor nights, yet an increase in regional visitor nights is unlikely to occur without improved accommodation.

4.1 REGIONAL INFRASTRUCTURE

TAA welcomes the focus on regional tourism projects by earmarking \$100 million of the grant in the fifth round of the Building Better Regions Fund to tourism related infrastructure projects.

There is need to improve tourism-related infrastructure and support demand driven projects. Prioritising infrastructure with the aim of boosting local tourism has wider benefits for an entire local community. Particularly as domestic tourism is the basis for the restart post COVID-19 and drive tourism will likely be the starting point, increasing the capacity of a regional conference centre, a road leading to a local attraction, improving facilities for tourism vessels such as houseboats or expanding a regional airport directly benefits not just tourism operators but the regional visitor economy more broadly. Long-term projects such as these will increase local tourism numbers and deliver benefits to the wider community, directly and indirectly, year on year. TAA in conjunction with Australian Chamber – Tourism also highlights the need for prioritisation of ground and waterways infrastructure for tourism.

Allocate Resources to Address Labour & Skills Shortages

- *Fund a further economic report into labour and skills shortages to determine the nature and quantum of gaps created by Covid19 in the tourism and hospitality sector to 2030.*
- *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.*
- *Government to consider extending incentives and initiatives to attract more Australians into the industry such as:*
 - *Work with industry to identify pre-apprenticeship programs;*
 - *Extending the apprenticeship wage subsidy to encourage retention to December 21 at the existing 50% for hotels and hospitality which was hardest hit by the ongoing restrictions,*

TAA RECOMMENDS:

- 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.
- Funding and resources for areas affected by extreme weather events and disasters factor in the costs of tourism infrastructure and marketing of regions as tourism destinations still open for business following the bushfires and floods of 2020.

5. ALLOCATE RESOURCES TO ADDRESS LABOUR & SKILLS SHORTAGES

As the tourism industry is operating in unprecedented times it is important that the industry – and the accommodation sector – are still supported by a skilled and productive workforce. Ultimately, a two-pronged approach is required to meet the skills shortages of the industry as we recover from Covid19 being: 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.

The TAA NSW Labour Benchmarking Study 2019 indicated that 0.43 employees are required per accommodation room. The Tourism Investment Monitor reveals that there are 53,227 projects in the pipeline (recorded as at 2018) from 305 projects. This creates a need for at least 22,887 additional workers to service the identified projects. As recorded in 2017, there are 88,800 directly employed accommodation workers. Hence, 22,887 additional workers represents a 26% increase of the workforce in the coming years.

By way of breakdown, data from the Department of Employment, Skills, Small and Family Business indicates that the broader Accommodation and Food Sector will require an additional:

- 400 Hotel and Motel Managers (increase of 1.7%);
- 10,200 Accommodation and Hospitality Managers (increase of 9.4%);
- 13,300 Miscellaneous Hospitality, Retail and Service Managers (increase of 7.6%);
- 16,800 Chefs (increase of 16.7%);
- 14,100 Bar Attendants and Baristas (increase of 13.4%);
- 21,800 Waiters (increase of 21.8%); and
- 4,300 Housekeepers (increase of 12.5%).⁴

Whilst these statistics are now dated due to COVID19 we envisage higher shortages to the industry due to many staff leaving due to the instability of business levels.

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

⁴ Department of Employment, Skills, Small and Family Business, Occupation Projections – five years to May 2023, <http://lmip.gov.au/default.aspx?LMIP/EmploymentProjections>.

end a number of initiatives have been undertaken, including a review of the sector by Stephen Joyce and the skills package announced in the 2019-20 Budget.

Regarding the skills package, like ACCI we note that this has been substantially funded by the Skilling Australians Fund (SAF) levy imposed on employers accessing skilled migration programs, as opposed to being a commitment in the Budget. We also are concerned at the quantum of the SAF levy and seek a halving of the costs involved.

5.2 VET Student Loans

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 and hospitality sectors and VET Student Loans.

5.3 Apprenticeships and Traineeships

To assist in the recovery of travel, tourism and hospitality businesses, Governments are asked to reaffirm their commitment to the skills initiatives that are supporting the tourism workforce during the COVID-19 period.

The 50 percent wage subsidy for apprentices and trainees in small businesses announced as part of the first government response to the COVID-19 crisis was an important step in encouraging retention of apprentices and trainees. JobKeeper has also played an important role, but when it winds up, and for those businesses that may not have been eligible, apprenticeship retention in difficult economic circumstances will remain a challenge. Another concern is that the significant drop in commencements will create a significant skills shortage in the future.

Our recommendation will incentivise commencements, which have suffered a dramatic fall during the COVID-19 crisis as well as address the skills challenge and rising youth unemployment.

TAA RECOMMENDS:

- *Fund a further economic report into labour and skills shortages to determine the nature and quantum of gaps created by Covid19 in the tourism and hospitality sector to 2030.*
- *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.*
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