

January 28th, 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 - prebudgetssubs@treasury.gov.au

Dear Minister Sukkar,

RE: PRE-BUDGET SUBMISSION – CAIRNS & GREAT BARRIER REEF TOURISM INDUSTRY

The tourism sector in Cairns and the Great Barrier Reef has been decimated by the travel restrictions and economic uncertainty created by the outbreak of COVID-19 globally. As Australia's most successful destination in driving international exports, we were one of the first region impacted by travel restrictions from China and will be one of the last to recover as we rebuild our \$1B international tourism sector.

Our region is predicted to lose \$2.2B in visitor expenditure over the 12 months from February 2020 to February 2021, impacting on more than 11,700 jobs – most of which are currently retained in our industry and in our region by the generous and proactive investment by the Federal Government in JobKeeper.

The challenge over the next twelve months is likely continuation of international border closures and ongoing uncertainty around State borders in the absence of a consistent approach to hotspot management. All this leads to one thing, Australians staying closer to home, and those businesses that have built Australia's international tourism reputation being left behind as those in and around the major population centres thrive.

Please consider the vitally important budget allocations outlined below to give our region its best chance of surviving the downturn and recovering quickly to maximise the globally opportunity created from Australia's exemplary management of COVID-19 in our community.

1) The Extension of Job Keeper beyond March 2021

Tropical North Queensland, extending north from Cardwell to the Torres Strait and west to the NT border is the most dependent region on JobKeeper of any region in Australia. 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 thousands of international visitors a day.

Our region attracts nearly 1M international visitors per annum, more than the NT, South Australia and Tasmania combined. Unlike coast communities in their peak summer season for short breaks 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 11,700 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 five 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 more than 30% of visitor expenditure is international holiday and visiting friends and relatives (compared to 13% nationally).

If an extension of the scheme under its current eligibility criteria is not possible, consideration of a scheme that provides wage support to regions and industry sectors most impacted by the continued closure of Australia to international travel. Many businesses in these regions and industry sectors are experiencing income losses of between 30% and 70% year on year.

Recommendation: That the expiry of JobKeeper be extended beyond March 2021, and by maintaining the 30% loss of revenue threshold compared to normal turnover, the businesses that continue to need the support will get it. The baseline revenue comparison should be with the 2019 year as the March 2020 quarter was significantly impacted by COVID travel restrictions with revenue already dramatically reduced.

If an extension of the scheme is not feasible, a similar program of wage subsidies is needed for regions that have been international drawcards like Cairns and the Great Barrier Reef 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

The cost of property insurance for most businesses and residents in Northern Australia is either rising at exponential rates, or in some cases, is no longer available at all. The region experiences some of the highest average premiums for insurance in the country, linked to the risk of large natural disasters, particularly cyclones.

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 children's horse-riding adventures. 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,

- horse riding businesses,
- 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.

The tourism industry in our nation is on its knees after one of the most challenging years in living memory, and for regions like Cairns and the Great Barrier Reef 2021 could be worse. The recommendations provided for your consideration in the budget aim to support existing businesses during their time of need with wage support through an extended JobKeeper, provide greater support to our rapid recovery with an EMDG reset and underpin future viability through reduced insurance costs and uncertainty.

Thank you for taking the time to consider our proposals and don't hesitate to call me on 0418 773 806 if you have any questions.

Kind regards,



Mark Olsen
Chief Executive Officer
Tourism Tropical North Queensland

cc. *The Hon Warren Entsch, Member for Leichhardt*
The Hon Bob Katter, Member for Kennedy