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Australian Chamber- Tourism Pre-budget Submission 2021-22

January 2021



Australian Chamber
-Tourism

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Introduction

As the peak body for business groups operating in tourism, Australian Chamber – Tourism recommends the 2021-22 Budget include a suite of dedicated initiatives to support rebuilding tourism businesses and kickstart tourism growth in order to contribute to Australia’s future economic and social wellbeing and spread the benefits across the country. Our advocacy covers international and domestic tourism, as well as all industries in the sector, from business events and hospitality to cruise and transport.

Up until the current COVID-19 and 2019-20 Bushfire crises, Tourism had enormous potential for future growth in a highly competitive international market. However, starting in December 2019, tourism was seriously affected by Australia’s image internationally being negatively impacted by reporting of the bushfire activity. Tourism was also the first to feel the impacts of COVID-19 with a Chinese tourism travel ban in February 2020 followed closely by a more complete tourism shut down due to border and business closures resulting in cessation of travel and all meetings and events cancelled. While this health response was vital to control the spread of the COVID-19 virus, by April 2020, travel, tourism and hospitality in Australia was shut down and the impact of the crisis was felt by all tourism business owners and workers.

Provided policy settings are now tailored to support and rebuild tourism businesses, this vital sector in the economy will be survive the devastation of 2020. If managed well, there is also a real opportunity for the Australian market to be the front runner when borders re-open and international markets start vying for the tourist dollar. Investment from government would enhance the opportunity of the visitor economy¹ so that Australia can once again enjoy the jobs, growth and export income that the sector creates, including the multiplier effect generated, for example from trade and consumer shows.

To help restart tourism following the global pandemic, Australian Chamber-Tourism set up the Tourism Restart Taskforce to provide an industry roadmap to the Government to assist in the recovery efforts. The taskforce comprises of tourism industry leaders and has worked with Australian Government agencies, including Austrade, the National COVID Coordination Commission, Tourism Australia and Treasury in devising a Restart Plan for the industry. The plan provides a runway back to operations for the industries that comprise Australia’s largest services export and the creator of one in 13 jobs in the Australian economy.

Australian Chamber – Tourism has identified key policy initiatives for the Government’s consideration in order to assist in the recovery and capitalise on the potential of the visitor economy. This submission includes insights from industry through the Taskforce’s Restart Plan and our

¹ Visitor economy encompasses all industries operating within the tourism space including business events.

member network. Australian Chamber-Tourism also supports the recommendations made in the broader ACCI Pre-budget submission regarding skills and migration.

Recommendation 1: Extend financial support beyond March 2021 for tourism businesses still heavily impacted by government restrictions arising from COVID 19.

Recommendation 2: Remove the Passenger Movement Charge

Recommendation 3: Remove the Fringe Benefit Tax on entertainment and travel and reinstate deductibility for business expenditure on entertainment and travel for FY 21-22 and 22-23.

Recommendation 4: Increase Tourism Australia funding to \$300 million per annum for FY 21-22 and 22-23 to drive tourism recovery

Recommendation 5: Extend the Export Market Development Grant scheme to tourism businesses that were previously deemed ineligible due to reaching the maximum eight-grant limit

Recommendation 6: Commence an improvement of the Tourist Refund Scheme system

Recommendation 7: Regulate insurance classes to ensure certainty and affordability for the tourism sector

Recommendation 8: Improve and retool passenger facilitation systems

Recommendation 9: Increase Funding for Tourism Research Australia

Recommendation 10: Prioritise Tourism Infrastructure Projects under Federal Government Grant Programs

Recommendation 11: Extend 50 percent wage subsidy to all tourism and hospitality apprentices and trainees through to 31 December 2021

Recommendation 12: Reinstate the Tourism Labour Force Survey

Recommendation 13: Allocate \$10 million to encourage careers pathways in Tourism and Hospitality

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1 Extend business support beyond 31 March 2021

Although businesses currently receiving JobKeeper are likely to come from a wide range of sectors, it is envisaged that the businesses still eligible after 4 January 2021 would be dominated by those operating in tourism, business and major events, hospitality businesses in CBD, international education providers (particularly those previously reliant on international tourism which was worth over \$60 billion to the Australian economy), and live entertainment. The unpredictability of state & territory government decisions on borders has made it difficult for many tourism businesses to successfully pivot to domestic travel, and it is not possible to replace all of the \$63 billion spend of international tourists with domestic spend as the spending and travel patterns differ significantly. Many tourism businesses, particularly those which overwhelmingly relied on international tourism, will still be struggling to survive when JobKeeper is due to wind down. We need to remember that this is through no fault of their own, but as a result of COVID and government-imposed sanctions to manage the health crisis.

There is no doubt that the most important support that can be delivered to business post March 2021 is through:

- certainty in the way state and territory governments respond to COVID cases in accordance with an updated national framework;
- a clear path to reopening international travel that appropriately manages the health risk; and
- effective roll out and implementation of vaccine.

This support will take time to deliver, but in the meantime, it is essential that support beyond March 2021 be targeted to businesses:

- that were successful economic contributors and job generators prior to COVID;
- that as a result of government restrictions and through no fault of their own are still being significantly impacted, and
- which would be of high value to the economic opportunities that arise as Australia and the world come out of the crisis - in other words we are preserving future jobs

These businesses will still need government support in order that they will be able to rebuild once restrictions are eased. The loss of a substantial number of businesses post-March will not only be a blow to those owners and workers who have invested their lives and their efforts in building a successful business but will impede the ability for Australia to take advantage of tourism opportunities moving forward. Although action will need to be taken prior to the May budget, recommendations for ongoing support is included in this Submission, as it will impact 2021-22 investment by Government.

We recommend that in addition to the amount of support being based on two tiers relating to the number of hours worked, there be two tiers relating to the size of the impact on business turnover (compared with 2019 in most cases, as 2020 was COVID impacted):

- a third or more reduction in turnover with support at \$450 per week per employee, which is less than is currently the case with JobKeeper. It is to be hoped that with the roll out of

the vaccine, open state and territory borders and an increase in gathering sizes, the number of businesses requiring this support will diminish relatively quickly.

- a two-thirds or higher reduction in turnover with \$700 per week per employee. This group will include those businesses heavily reliant on international travel. Although they would most likely have reduced their workforce in the past year, they are trying desperately to hang on to their most highly skilled workers who will be most needed when restrictions ease. Support below this rate per employee will make it very difficult to hold onto these workers beyond the March quarter.

We recognise that the most challenging policy task in our proposal is the design of the mechanism to prove eligibility given that it is specifically targeted at those businesses who are still impacted by government restrictions. The Australian Chamber has sent this detailed proposal to the Treasurer and we strongly urge the Government to favourably consider this proposal.

Recommendation 1: Extend financial support beyond March 2021 for tourism businesses still heavily impacted by government restrictions arising from COVID 19.

2 Removal of the Passenger Movement Charge

In the COVID-19 recovery period, existing taxes and charges will reduce demand for tourism services. In the 2019 Travel and Tourism Competitiveness Report, Australia ranked 130th of 140 countries for tourism price competitiveness. The component that creates this abysmal ranking is ticket taxes and airport charges. This includes the price of visas to come to Australia as well as the Passenger Movement Charge. In the absence of most international travel these taxes and charges are not being collected to any great extent.

In addition to direct demand stimulus undertaken by Tourism Australia, the Government is asked to consider at least a reprieve in these demand dampening charges, specifically the Passenger Movement Charge. Contrary to international agreements, the Passenger Movement Charge is already being treated as general revenue by the Government and raises significantly more than the cost it was introduced to cover. In a post pandemic travel environment, where competition for visitation in the international market will be intense, even a small disadvantage will set us back considerably.

Recommendation 2: Remove the passenger movement charge to improve our overall price competitiveness and attract visitors in the post COVID-19 travel environment.

3 Removal of Fringe Benefit Tax on Entertainment and Travel

Fringe benefits tax (FBT) provides only a small contribution to the overall tax take (0.85 percent of total tax revenue in 2018-19) but represents a significant cost to business and acts as a disincentive to employment and constraint on consumption. This proposal is aimed at stimulating domestic spend on tourism and hospitality products in the medium-term to assist recovery.

FBT is levied on non-cash benefits an employer provides to an employee, including entertainment-related expenses such as food, drink or recreation and any accommodation or travel in connection with it. The tax, paid by the employer, is at the top personal income tax rate, which is significantly higher than the corporate tax rate. While fringe benefits are not included in an employee's taxable income, the value is included in their payment summary on a 'grossed-up' basis. Therefore, the fringe benefit is effectively treated as if it is purchased out of after-tax income of the employee.

FBT involves a considerable amount of red-tape and adds administrative costs to businesses. The administrative burden, in addition to raising an employer's wages bill, acts as a major disincentive to take on new employees.

The removal of FBT on entertainment-related expenses, such as meals and entertainment, and travel and accommodation will boost spending in sectors hardest hit by the COVID-19 shutdowns, such as accommodation, restaurants, cafes and bars.

Recommendation 3: To assist in the recovery of tourism businesses hit by both the Bushfire and COVID-19 crises, the Australian Chamber-Tourism recommends the removal of the Fringe Benefit Tax on travel and entertainment and reinstating deductibility for business expenditure for the same for FY 21-22 and 22-23.

4 Increase Tourism Australia Funding

Tourism Australia is a world leader when it comes to international destination marketing and it is critical that it remains a leader given the highly competitive international tourism market. In response to the Bushfire crisis, Tourism Australia took on a domestic marketing role in addition to international marketing efforts which was welcome. Domestic Tourism campaigns by Tourism Australian and State Tourism bodies launched in June 2020 are welcome. The international recovery campaign along with the domestic campaign in partnership with states and territories demonstrated how vital the activities of Tourism Australia are. The post pandemic environment will create opportunities for Australian tourism both internationally and domestically, which Tourism Australia should be well resourced to fully take advantage of. Tourism Australia is tasked to promote Australian tourism at a time in which there will be fierce competition in the global market to capture tourist spend.

In 2019, the Federal Government gave a welcome funding commitment 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.

The marketing effort post COVID-19 will involve targeting markets as they open. The Australian Chamber-Tourism expects that as health objectives are addressed through bi-lateral arrangements, there will be a gradual opening market by market as done with New Zealand. This will require a focussed marketing effort based on upcoming market arrangements. The staged opening on the international border has significant implications for the marketing of Australia as a travel and business events destination. Tourism Australia will need to pivot their efforts to new markets as they become open for travel to Australia. These specific markets may not be those in which individual business and Tourism Australia have any experience or presence in and therefore require adequate funding including for Business Events Australia to deal with the challenges.

Recommendation 4: Increase Tourism Australia funding to \$300 million per annum (for FY 21-22 and 22-23) with an ongoing domestic role and an increase to the business events bid fund.

5 Extend the Export Market Development Grants Scheme

The Export Market Development Grants (EMDG) administered by Austrade was expanded at the beginning of the COVID-19 interventions. This increased flexibility and provided support for the marketing effort by individual business, which is vital if businesses are to leverage demand generation that will be activated by the Federal and State Governments.

This recommendation reflects the need for tourism businesses to claim for investment in promotional activities in the current no travel scenario. In the post pandemic scenario, these businesses would most likely need to change markets or refocus marketing efforts towards existing markets to bring back visitors. The recommendation also highlights the need to extend the EMDG to businesses that have already reached the maximum grant quota of eight.

Recommendation 5: Extend the EMDG scheme to businesses that were previously deemed ineligible due to reaching the maximum eight grant limit as well as specifically for tourism businesses that will need to rebuild trust and confidence in key as well as new and emerging markets.

6 Reform the Tourist Refund Scheme

The antiquated Tourist Refund Scheme (TRS) is an embarrassment to Australia. Pre COVID-19, departing tourists were being delayed by long queues while they wait for paper-based manual processing of their goods and services tax (GST) refunds. The system delayed the departure of international flights and left a negative final impression of Australia.

Shopping is a key holiday attraction for many tourists particularly from Asia and our out-dated system is a deterrent to return visits and to increasing retail sales. This issue has been on the table for several years while competitors have forged ahead with simple and quick online processing.

The barrier in the past has been the reduction in GST revenue that may result from more efficient refund processing (through outsourcing). Given that international travel has reduced by 97 percent, revenue is virtually zero. This being the case, it is an ideal time to improve the TRS system in advance of the restart. In the COVID-19 recovery period every dollar that can be earned from international visitors will be vital to capture. The efficiency of the TRS will assist in creating additional retail spend.

Recommendation 6: Commence an improvement and/or transition of the TRS system in FY 21-22 as part of the COVID-19 recovery package.

7 Insurance Reform

Visitors and business involved in the broader tourism sector insure against the risks of travelling and providing services to visitors. Insurance classes such as workers compensation, public liability and travel insurance all face impacts from COVID-19. Businesses are responding to these risks by being more flexible with bookings and refunds but will need the support of insurers and their underwriters to be able to offer the certainty that insurance provides, at a cost the insured can afford. There may be a role for Government in monitoring and, if necessary, regulating to ensure certainty and affordability can be achieved.

This recommendation reflects the need to ensure that insurance responses to COVID-19 do not make insurance inaccessible for tourism and visitor facing businesses, especially Workers Compensation and Public Liability insurance. Liability caps may be imposed if necessary, to ensure businesses do not go bust. An accessible and competitive travel insurance market will facilitate travel and not act as a deterrent in an already tight and competitive market. The Australian Small Business and Family Enterprise Ombudsman (ASBFEO) Insurance Inquiry Final Report also recommended that the liability for personal injury should be subject to statutory caps and where there is only one or no insurers left in a professional indemnity market, that the Federal Government should provide an insurance scheme of last resort for small business.

Recommendation 7: Monitor and if needed regulate insurance classes to ensure certainty and affordability to the tourism sector businesses looking to rebuild

8 Improve Passenger Facilitation

Whilst the Australian border is closed there is very little passenger facilitation activity. This is an ideal time to invest in the already agreed work program to streamline the systems and processes for movements of passengers across the border. The streamlined process and contactless travel will also assist in making ports more COVID safe.

The return to effective implementation of new generation of Smart Gates will greatly improve passenger movements. Further trials of coordinated passenger identification, luggage handling, security screening and processing, including cooperation between ports, airlines and ships must be progressed as a matter of priority. Australia is losing competitiveness in the area of passenger facilitation in ports, which will affect our attractiveness as a destination.

Additionally, the decision by the Australian Border Force/Department of Home Affairs to pass on the full fixed and variable costs of facilitating passenger movements for all new commencing international services, to the ports themselves, is a disincentive to the growth of services and routes. Smaller airports wishing to commence international routes will not be able to fully fund on an ongoing basis the Border Force passenger facilitation charges, and thus will abandon the idea of expansion altogether, stymying tourism growth and dispersal to the regions. The International Port Operators Policy also perversely benefits the established ports in larger cities, which get a competitive advantage in comparison to other airports without current international routes.

Recommendation 8: Leverage the window of opportunity that currently exists to retool passenger facilitation systems whilst visitor demand is virtually non-existent.

9 Increase Funding for Tourism Research Australia

Successful investment in tourism needs to effectively and appropriately target emerging growth markets. To enable this, Government and business need accurate data in a timely manner, increasingly at an individual level. The current global pandemic has also highlighted the need for accurate research and data within our existing markets to gauge interest in Australian travel and products. This will be needed to target and tailor marketing and promotional campaigns and create new and interesting products for our international and domestic visitors. Tourism Research Australia already provides very useful information through the National Visitor Survey Results, International Visitor Survey Results and the State Tourism Satellite Accounts, however this data has proven to be relatively broad and simplistic in contrast to Australia's competitors. It is vital that Tourism Research Australia pursue new collection methodologies to ensure that timely, individual, predictive data is made available to industry and Tourism Australia and State/Territory tourism market bodies. It is also important that the relativity of the National Visitors Survey and International Visitors Survey time-series is maintained. Significant investment is required to bring in third-party data to achieve this objective. The data sets must be able to determine search and booking behaviours, potential visitation and spend. There is scope to broaden data collection and produce industry specific research to aid in the recovery and ramp up of tourism in Australia.

Recommendation 9: Increase funding for Tourism Research Australia to improve the availability of timely and relevant data in an increasingly competitive post COVID-19 travel environment and to assist in the monitoring of the recovery activity in as close to real time as possible.

10 Prioritising Tourism Infrastructure Projects

Australian Chamber-Tourism 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 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. The Australian Chamber – Tourism also highlights the need for prioritisation of ground and waterways infrastructure for tourism.

Recommendation 10: Continue the prioritisation of funding for tourism infrastructure projects under all existing hard and soft infrastructure grants.

11 Extend Wage Subsidies for Apprentices and Trainees

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.

Recommendation 11: The Australian Chamber-Tourism recommends that the apprenticeship subsidy scheme be extended to apply a 50 percent wage subsidy to all tourism and hospitality apprentices and trainees, both existing and commencing, through to 31 December 2021.

12 Reinstatement of the Tourism Labour Force Survey

The Tourism Labour Force Survey 2015-2020 commissioned by Austrade worked to highlight the labour and skills needs of the sector. Deloitte Access Economics conducted a survey of tourism businesses to provide a snapshot of conditions in the tourism labour market. The focus of the survey was on the extent of recruitment, retention and skills deficiencies experienced by businesses. Industry welcomed the report's insights with expansion and growth activities planned around the labour and skills pipeline. However, the survey has not been undertaken since then leaving a gap in the insights available to the industry and Government.

With most hospitality and tourism businesses impacted by either or both crises, an accurate picture of the labour and skills in the industry as well as forecasts for the future are vital to allow businesses to rebuild and industry to regain lost ground. In the post pandemic environment, accurate industry insights will assist not only business but also those that have lost jobs and are looking to re-engage. It will also assist the Government to tailor assistance measures to specific sectors.

Recommendation 12: Reinstatement of the Tourism Labour Force Survey.

13 Encourage Career Pathways in Tourism and Hospitality

In the current environment, those that have lost jobs are looking to re-skill or upskill and undertaking education and training. The 2015-2020 Tourism and Labour Force Survey reflected the dire need for skilled labour in the industry. With businesses looking to re-open and rebuild, trained and skilled labour will be needed across the board to assist in the recovery efforts. The skilled labour shortage in the industry will only exacerbate unless efforts are made to draw those looking to upskill into the industry.

The promotional campaign should be funded to encourage career pathways in tourism and hospitality whilst also highlighting the importance of the Vocational Education and Training (VET) sector as an important pathway to develop labour and skills in the business and leisure tourism and hospitality industry to build a pipeline of skilled labour.

Recommendation 13: The Australian Chamber-Tourism recommends an allocation of \$10 million be made to develop a promotional campaign to encourage career pathways in Tourism and Hospitality.

14 About Australian Chamber - Tourism

Australian Chamber – Tourism is a part of the Australian Chamber of Commerce and Industry, Australia’s largest business advocacy network. Australian Chamber – Tourism represents one in eight Australian businesses engaged in the visitor economy. It brings together key participants in the tourism sector to advocate better policies, including in the areas of tax, regulation, tourism marketing, research, labour supply, visas and infrastructure.

The Australian Chamber of Commerce and Industry speaks on behalf of Australian business at home and abroad.

We are the largest and most representative business advocacy network in Australia.

We represent more than 300,000 businesses of all sizes, across all industries and all parts of the country, employing over four million Australian workers.

Our membership comprises all state and territory chambers of commerce and leading national industry associations. Individual businesses are also members of the Australian Chamber’s Business Leaders Council.

The Australian Chamber strives to make Australia a great place to do business in order to improve our standard of living and sustain and create jobs.

We seek to create an environment in which businesspeople, employees and independent contractors can achieve their potential as part of a dynamic private sector. We encourage entrepreneurship and innovation to achieve prosperity, economic growth and jobs.

We focus on issues that impact on business, including economics, industry policy, trade, workplace relations, work health and safety, and employment, education and training.

We advocate for Australian business in public debate and to policy decision-makers, including ministers, shadow ministers, members of parliament, ministerial policy advisors, public servants, regulators and other national agencies. We represent Australian business in international forums.

We represent the broad interests of the private sector rather than individual clients or narrow sectional interests.

OUR MEMBERS



STATE AND TERRITORY CHAMBERS



INDUSTRY ASSOCIATIONS

