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Australian Chamber
– Tourism

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Submission to Inquiry in Australia's Tourism and International Education Sectors

Australian Chamber – Tourism is the peak national body for representative organisations in Australian tourism operating within the Australian Chamber of Commerce and Industry (ACCI) and we welcome the opportunity to make a submission to this Inquiry. In our submission we address the tourism related aspects of the terms of reference. The international education sector elements are addressed in ACCI's submission.

Prior to the COVID-19 restrictions, tourism was major contributor to the Australian economy, contributing \$60.8 billion to the national GDP, and domestic and international tourism spend totalling \$166 billion. There was a direct benefit to the regions, with 44 cents of every tourism dollar spent in regional destinations. The tourism sector has been severely impacted since COVID-19 restrictions, with total expenditure losses since the start of the pandemic estimated to be at \$146.5 billion.

The sector faces many challenges but there is also a significant opportunity for growth and to assert ourselves as a leader in the international tourism sector. With tourism a driver of growth for the Australian economy, it is a crucial that the policy settings support the rebuilding of tourism businesses and encourage tourism growth. We make a number of recommendations in line with the terms of reference in **Attachment A**.

Yours sincerely

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ATTACHMENT A: AUSTRALIAN CHAMBER – TOURISM RECOMMENDATIONS



1. Becoming a world leader in destination marketing

As borders continue to open and marketing campaigns are activated across the world, a significant effort will be required to compete with other countries for tourists, and to ensure Australia remains an attractive destination and attracts visitors in a highly competitive international market.

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. 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. Tourism Australia must have adequate funding and resourcing so that it can deliver on the marketing effort required so that Australia can successfully compete with other destinations.

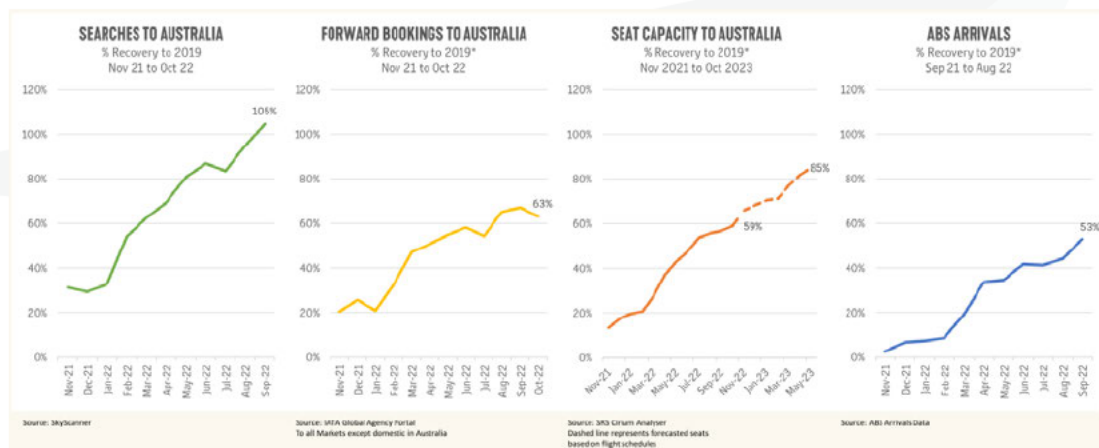


Figure (i) – Search, Forward Bookings, Capacity and Arrivals into Australia

As can be seen from the images above, searches to Australia have surpassed pre-COVID restriction levels (at 105%), however, this is not translating to bookings (at 63%) or arrivals (at 53%). Whilst the latter is based on data from August, there is still a clear pattern of interest in travelling to Australia not converting to actual visitation. This is likely based on a blend of capacity and price of airline seats and competition among our competitor destinations.

Aviation access is a key factor in Australia's tourism recovery. Whilst to some extent the supply of seats will follow demand, currently demand is being deterred by the cost and availability of seats. There is a good case for intervention to attract further services to strategic ports in Australia. This work is being done by States / Territories through their various aviation attraction funds, however, this is based on the interests of those jurisdictions and not the strategic interests of the Country. The Commonwealth should make support available to ensure a strategic return of aviation access into Australia.

Following the COVID restriction period, every nation in the world has rebooted its tourism industry. Australia's key competitor markets, such as Japan, New Zealand, Hawaii, have invested large amounts of money to bring back demand as strongly and quickly as possible. Tourism Australia has received an increase in funding that will enable Australia to rebuild market share but only whilst investment is being diverted from the Chinese market.

When the Chinese market is able to travel there is an expectation that demand for outbound travel will be very high. As demonstrated in figure (ii), the prediction is that there will be a strong rebound in visitation by Chinese into Australia, however, this is dependant upon significant investment into direct marketing onshore in China.



PAST & PREDICTED OOR VISITATION ARRIVALS TO AUSTRALIA FROM TOP 15 MARKETS

CY 2005 - CY 2029

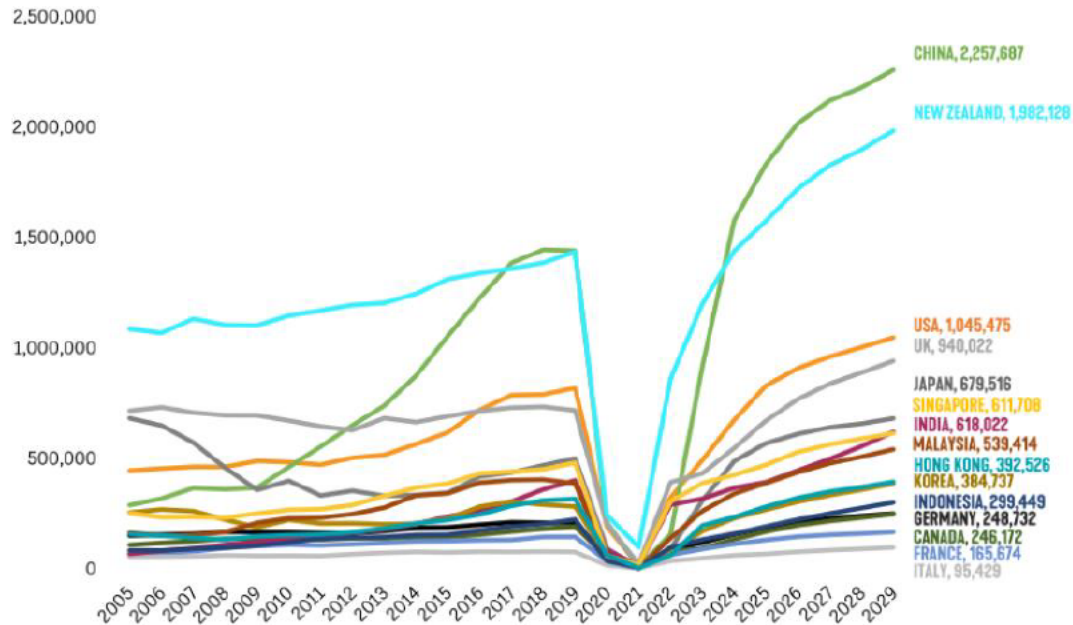


Figure (ii) – OOR Visitation to Australia – source Oxford Economics.

In addition to direct marketing in China, Australia needs to invest in event (and incentivise) attraction from China. The allocation of the Business Events Bid Fund, in the FY 23 Budget, was appreciated, however this fund has been expended and further investment is required to attract business event back to Australia, from China, when the time is right.

Recommendations:

- Make support available to ensure a strategic return of aviation access into Australia.
- Increase Tourism Australia Funding to \$200,000 Million per annum, including an allocation to the China restart and the Business Events Bid Fund.

2. Growing Demand

The most effective way to grow visitor demand, behind a sustained international marketing effort, is to leverage the investment of individual tourism businesses. Co-investment programs, such as the Export Market Development Grant (EMDG) Scheme are a very effective way to assist businesses to grow and/or diversify their markets, provided the eligibility and scheme meets the needs of industry. This is directly linked to repairing and regrowing the export component of the visitor economy, a key element of achieving the targets set out in *THRIVE 2030*. We need to ensure the EMDG Scheme (or any similar replacement scheme) is sufficiently streamlined, simplified and funded to ensure businesses are able to successfully access and utilise the scheme.

Recommendations:

- Implement an adequately funded Co-investment scheme (EMDG or similar) that is streamlined and has appropriate eligibility, particularly for tourism businesses that will need to rebuild trust and confidence in diversified markets.



3. Enhancing opportunities in the regions

Tourism product in the regions is integral to visitor attraction, both domestic and international. Particularly after the period of COVID restrictions, visitors are seeking experiences in regional locations that have fewer people and wide open spaces.

Agritourism is a key opportunity for developing product in regional Australia. Regional experiences are vital in Australia becoming internationally competitive, in driving visitation, and to meeting the regional targets set in the *THRIVE 2030* Strategy. Developing Agritourism will provide our visitors with unique, distinctly Australian experiences. While investment is required for product development in agritourism, equally of importance is the need to consider red tape reduction that enables innovation and growth.

In addition, there is a 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. 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.

In relation to supporting business events, consideration should also be given to conducting a national audit and infrastructure study of local and regional capacity and potential, including transport, venues, accommodation, catering, attractions and event planners. Such an audit would support informed planning, investment attraction and growth, especially in regional areas.

Recommendations:

- Increase Australia's ability to harness the opportunities of Agritourism, including by:
 - Implementing a process to facilitate cross portfolio policy development (Tourism, Agriculture and Local Government)
 - Ensuring funded projects will align with *THRIVE 2030*, State and regional tourism strategies under any replacement Building Better Regions Fund. Committing to work with industry in setting criteria / applicant evaluation to enable adequate visitor infrastructure, and unique, distinctly Australian experiences.
 - Consideration for flexibility in criteria of regional grant funding programs for NFP's that are often unable to match fund integral large-scale projects.
- Continue the prioritisation of funding for tourism infrastructure projects under all existing hard and soft infrastructure grants.

4. Traveller competitiveness

Australia needs to be competitive with other destinations as far as cost and the traveller experience is concerned. As a long haul destination for many markets, Australia is costly to visit and therefore visitors are 'high value travellers' and have expectations of cost and experience that we must measure up to. Australia ranks 130th of 140 Countries for tourism price competitiveness. Components of this, that create this poor ranking, are ticket taxes and airport charges.

Visas and Electronic Travel Authorities

The first experience of Australia, for an international visitor, is obtaining a visa to come to Australia. The Competitiveness Index acknowledges Australia's improvements in visa conditions between 2013 and 2015, but still ranked Australia below the top five destinations for Chinese tourists. Since the index was released, the United States has added a 10-year visa for Chinese visitors costing US\$160, Germany has significantly reformed its visas and the United Kingdom has flagged reforms. In the absence of government action, Australia's 10-year visa for Chinese visitors will be at a cost more than four times higher than the US.



This is acknowledged in the 2019 index. In 2019, China was Australia's first largest inbound market for visitor arrivals and largest market for total spend and visitor nights. It is vital that measures are progressed to ensure this market is retained as it reopens.

In addition, we note that the working holiday maker (WHM) visa fee has recently increased (from \$495 to \$510). While this is a standard increase, it is another disincentive and sends the wrong message when we are competing with other countries to attract WHM who are of great value to Australia noting in pre-COVID restriction times WHM contributed \$3.2 billion, as well as their contribution to addressing workforce shortages.

The Australian Chamber – Tourism urges accelerated visa reform, including more rapid roll-out of streamlined and online visa processes for citizens in rapidly expanding markets such as China, India and Indonesia. In particular, the Australian Chamber - Tourism urges the Government to undertake a thorough review of visa pricing with a view to enhancing Australia's competitiveness as a tourist destination. As part of this, the 2020-21 competitiveness review of visa charges, fees and processes should be promptly published and acted upon.

In addition, there are accessibility issues relating to the Electronic Travel Authorities (ETAs) – these should be available in a wide range of languages other than English.

Given the value of visitation, these measures will only seek to enhance Australia's attractiveness and economic contribution of the industry.

Recommendations:

- Accelerate visa reform, including acting on the competitiveness review of visa charges, as well as rapid rollout of streamlined and online visa processes.
- Ensure Electronic travel authorities are available in a wide range of languages other than English.

Tourist Refund Scheme

Another element of the traveller journey that currently detracts from the visitor experience is the outdated Tourist Refund Scheme (TRS). Pre-COVID, 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 has delayed the departure of international flights and left a negative final impression of Australia by departing travellers. In comparison, other countries have forged ahead with simple and quick end-to-end digital online processing.

Shopping is a key holiday attraction for many tourists, particularly from Asia, and our outdated system is a deterrent to return visits and to increasing retail sales. In the COVID-19 restriction 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 within the visitor economy.

Recommendation

- Commence an improvement and/or transition of the Tourist Refund Scheme system from a Government run system to a world-class outsourced digital system containing the required fraud and security controls.

Australia Chamber – Tourism has recently formed a Future Traveller Advisory Committee with a view to defining the services that our travellers of the future (both inbound and outbound) will require. This will inform submissions such as this as the work is completed throughout 2023.

5. Measures to address workforce shortages and build a resilient workforce

The tourism sector faces severe skills and labour shortages impacting its ability to rebuild and recover effectively. The tourism industry is about 167,000 people short. This has resulted in businesses in the travel, tourism, accommodation, hospitality and events sectors having to reduce their operating hours, offer more limited services or even close their doors

due to lack of staff. Capacity is currently constrained to around 74% - impacting recovery and the sector's ability to reassert itself as a leader in the international tourism sector.



The skills and labour shortages need to be addressed in three major ways: skills development, employment participation and migration. There are a range of solutions canvassed in our submission to the Employment White Paper, with some of the key recommendations outlined below.

In addition, action needs to be taken to increase the availability and affordability of housing, particularly in the regions, to assist with the supply of available workers.

Recommendations:

1. Implement recommendations in Australian Chamber – Tourism's Employment White Paper submission, including in relation to:
 - a. Employment – Adequately fund the enhanced services for the long-term unemployed to ensure it is able to function as intended; ensure the settings are right for the replacement Youth Jobs PaTH program and extend it to other cohorts; make improvements to disability employment services aimed at supporting employers to recruit and retain people with disability; introduce stronger policies to make childcare more accessible, with more options available to assist parents to return to the workforce sooner; implement an awareness campaign to assist people in identifying transferable skills and increase and extend the aged pension work bonus
 - b. Migration – Increase the permanent migration intake, including a significant increase in the cap for skilled migration to 200,000 for the next two years at least, increase post-study work rights of international students on the Graduate Work Stream of the 485 visa, ensure policy settings encourage sufficient access to working holiday makers, and ensure the TSMIT is set at a level that does not inadvertently exclude tourism and hospitality occupations that current have access to the skilled migration program.
 - c. Vocational education and training – Ensure the inclusion of entry-level Certificate I – III programs to be funded by States as part of the NASWD, and locking in support for apprentice wage subsidies without limitation by any list.
2. The Federal and State Governments to take actions to add to the stock of housing and increase the availability and affordability of rental housing in regional areas.

The initiatives outlined to rebuild tourism are not unfunded suggestions put forward by the industry. The Passenger Movement Charge (PMC) is collected from all departing passengers and collects \$1.23 Billion per annum. When established in 1988, the initial stated aim of the PMC was to recover costs associated with passenger processing at Australia's air and sea ports. In subsequent budgets the then *Departure Tax* was linked to the promotion of tourism either through marketing or through the removal of a cost barriers to travel. The Australian Chamber – Tourism believes that the collections of the PMC is an important source of revenue from the tourism sector that should be attributed to the sector.