



# Australian Chamber National Tourism Council

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## Tourism and the Visitor Economy 2016 Election Policy

The visitor economy is one of the brightest lights on Australia's economic horizon, domestic and international tourism along with business travel and events provide jobs creating better living standards for nearly one million people, almost one in twelve jobs. The sector makes a \$100 billion contribution to our national economy (3% of GDP) and it's projected to grow by more than 4% per year, boosting national income and providing more than 123,000 additional jobs (figures from Tourism Research Australia).

Australia is well placed for even greater growth, well positioned for the massive expansion of the Chinese outbound market and the huge potential of the Indonesian and Indian markets. Currently 120 million Chinese travel overseas each year (Travel China Guide, 2016) and last year we saw just over 1 million visit Australia. By 2020 more than 200 million Chinese will be travelling overseas presenting every tourist destination a massive opportunity.

But we are in a hugely competitive market. Australia's product is at the top of the desirability list, but our competitive position in key growth markets is hampered by cumbersome, expensive and outdated visa processes, internationally uncompetitive taxes on visitors and shortages of skilled staff.

The World Economic Forum's Travel & Tourism Competitiveness index (2015) ranks Australia highly as a safe, clean, desirable destination with good health care, but our rankings fall when it comes to visa requirements (49<sup>th</sup> overall) and taxes and charges – where we rank a very poor 127<sup>th</sup> - well behind our major competitors for the key growth markets (World Economic Forum, 2015).

Australia's \$55 Passenger Movement Charge (PMC) is the second highest international ticket tax in the world and the longest short haul charge in the world – an Australian travelling to Indonesia, for example, will now find a quarter of their ticket cost is Australian tax.

Our competition is moving fast, easing visa requirements, reducing or eliminating costs, providing online access in source country languages and boosting targeted promotion.

The Australian Government has also moved in this area and has, to its credit, some world leading innovations in electronic processing, but the changes, while positive, are not quick enough to stay ahead of the competition. A Chinese tourist can now fill out a visa application to go to New Zealand online in Mandarin, they can't do the same to come to Australia.

In 2015 Australia experienced a commendable 21% increase in Chinese visitors, South Korea experienced a 42% increase, Italy is expecting a 166% increase to 4 million in 2016 and Thailand quotes a 71% increase in 2015 (Tourism Authority of Thailand, 2016) now receiving more than 7.5million Chinese visitors. The competition have all eased or removed visa requirements and costs.

The competition is also boosting promotional funding. Tourism Australia does a very effective and targeted job with funds available but its funding has declined significantly in real terms and it must be given the resources it needs to generate the massive potential multiplier for the Australian economy.

Australian visitation has benefited from a low Australian dollar and security concerns in other parts of the world; we've also had supportive Government policy and effective use of the promotional dollar. But if we want to accelerate the growth and reap the economic and social benefits of the visitor boom then we need to act now in these key policy areas.

### **Visa reform**

- 1. Welcome more international visitors by making visas cheaper and easier to obtain. Speed up visa reform and roll out of e-lodgement in key target markets including China, India and Indonesia. Reduce cost and complexity of paper based and long term multiple entry visas for visitors and employees in key areas of need. Ensure that tourists in key growth markets can make applications in the source market language.**
- 2. Work with business events and convention industry to streamline visa processes for international delegates to events.**

International Tourism is a very competitive market and one of the key up front decision points for a potential visitor is the cost and complexity of getting a visa. Australia is extremely competitive for visitors from EU countries and many of our more traditional source countries but we are now uncompetitive when it comes to the key growth markets including China, Indonesia and India.

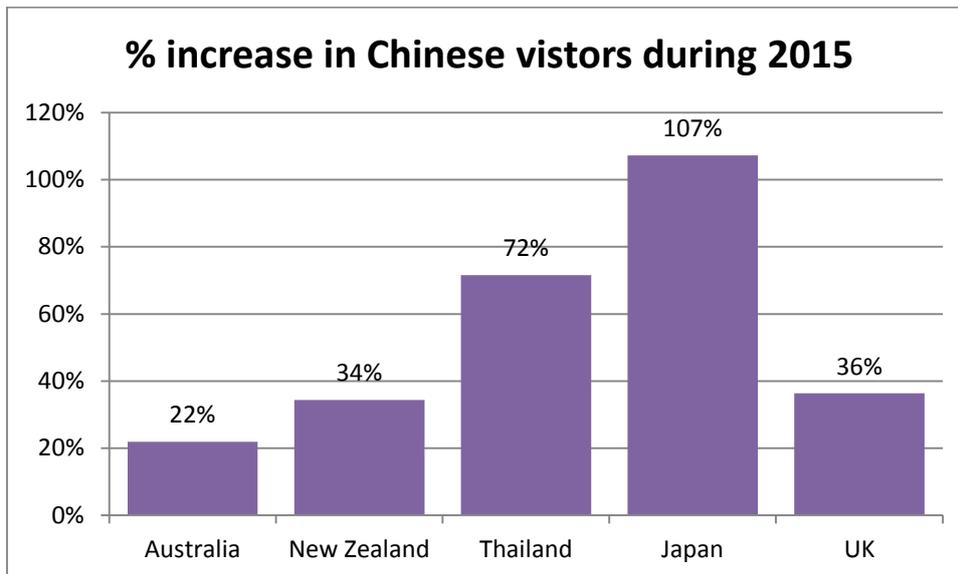
The Australian Chamber National Tourism Council acknowledges that improvements to visas have been announced by the current Government and welcomes those improvements, however our competitors are moving faster.

In 2015 the World Economic Forum ranked Australia 49<sup>th</sup> most competitive nation when it came to visa and entry requirements. It recognised in making that ranking that Australian authorities had relaxed some entry requirements. Unfortunately when that ranking is put against our major competitors for the high growth markets (mainly China) we come close to last. Since the 2015 rankings many of our competitors have moved to further relax requirements.

Focusing on China, it is acknowledged that the Government has announced that it will move to online applications by the end of 2016 and will be introducing a ten year multiple entry visa. Currently most Chinese tourists have to fill out a 21 page paper form which has to be submitted to a visa office along with complex identity documentation, it costs \$135. The new ten year visa will cost \$1,000.

In contrast a visitor to Australia from the EU can apply completely online for an Electronic Travel Authority at a cost of \$20. Visitors from many other countries including Libya and Lebanon can apply for a visa completely online.

Australia is moving to make it easier, but our competitors for the Chinese market are moving much faster, producing simpler and much cheaper entry to their countries and they are reaping the economic rewards.



Thailand offers Chinese visitors a US\$36 visa on arrival an arrangement which has contributed to a 71% increase in Chinese visitors in 2015 from 4.6 million to 7.9 million (Tourism Authority of Thailand, 2016). Chinese tourist arrivals to Korea for the year ending December 2014 reached a record high of 6.1 million visitors; a 42% increase on the previous year following the easing of visa requirements. In Japan “easier visa policies” contributed to 5 million visitors and a 111% increase in the number of nights mainland Chinese visitors stayed in hotels in 2015 (China Daily, 2016).

Many European countries including the France, Germany and Italy have eased visas for Chinese all experiencing growth in visitation higher than Australia. In our region Fiji and Indonesia have introduced visa free entry for Chinese, Malaysia has removed all fees and New Zealand has sped up processing with online applications in Mandarin.

The Australian Chamber National Tourism Council acknowledges that the Government must balance ease of access with high standards of security however on even on that basis it is difficult to see why a citizen of Libya or Lebanon can make an online application but a citizen of China cannot and why applications on-line, in mandarin, are not generally available.

Similar issues exist for the next growth markets Indonesia and India. The Government has made progress in these areas but the next Government needs to accelerate the pace of change.

Long term multiple entry visas also require work. The introduction of a 10 year multiple entry visa for Chinese and three year visa for Indonesians is welcome but prices and access need to be internationally competitive. On the visa for Chinese visitors the cost will be \$1,000, the equivalent US visa costs \$225, Canada \$105 and Singapore \$30.

Australia has great potential to further develop the economic contribution from the **business meetings and events sector**. The business events and exhibitions sector is worth \$23.1 billion to Australia's GDP according to the Exhibition and Events Association of Australia (DiMascio, 2016). Visa reform needs to consider and work with this sector in looking to provide streamline visa processes for international delegates to conferences; events like the cricket world cup illustrated the ability to put in place specific arrangements for events.

The visitor economy including tourism, hospitality and events has an identified staff and skill shortage. The sector's first priority is to source and train long term permanent resident staff, however temporary and skilled visas remain a vital part of overcoming staffing shortages in many areas. They make up less than 5% of the tourism workforce but without them it is hard to provide the complete services Australian and international visitors expect. Temporary work visa holders are important for the visitor economy and for the broader economy including for existing Australian workers as they are spending in the area they work, assisting produce economic activity and make no claims on public services. The Migration Council of Australia in 2015 said independent research "points to Australia's current temporary work visa categories having a beneficial impact on the average wage of existing workers" (Migration Council of Australia, 2015, p. 5).

Working Holiday Makers generally spend all they earn plus savings in a local economy and particularly in regional areas are a valuable boost for agriculture and tourism. The Australian Chamber National Tourism Council supports strongly the need to change the proposed removal of the tax free threshold for these visa holders and the extension of the program to allow a second year for people working in regional hospitality businesses.

The sector has worked with Government also to ensure that the list of occupations available on the Skilled Occupations list is relevant to the areas of need. The next Government should continue to work with industry to use work visas to supplement genuine efforts to train and retain local staff in key skill areas.

### **The Passenger Movement Charge**

- 3. Freeze the Passenger Movement Charge (PMC) at its existing dollar rate of \$55 for the term of the next Government. Acknowledge that even frozen at its current dollar rate the PMC will return an additional \$225 million in revenue over the term of the next Government (\$3 billion in total revenue) and return a portion of that increased revenue to further build demand through targeted funding programs.**

The World Economic Forum says Australia ranks 127<sup>th</sup> on competitiveness on ticket taxes and charges with its \$55 Passenger Movement Charge. The charge is the second highest in the world and the highest on short haul destinations. \$55 of a \$384 ticket from Sydney to Jakarta, for example, is a significant impact in a competitive market.

The PMC was introduced for cost recovery, however some estimates now suggest it raises four times the cost it was introduced to cover (Tourism and Transport Forum Media Release 26 February 2016). For the past term the tax has been frozen at \$55. Naturally industry would prefer this tax was reduced to cost recovery however with the challenging revenue environment it is recognised this is unlikely.

At the very least Australia's competitive position should not be further damaged by increases in this tax.

A freeze at the current rate of \$55 per passenger over 12 years of age would (on current growth projections) still see an increase in total revenue collected over the three years from 2016-17 to 2018-19 of more than \$250 million and over the period to 2014-25 \$1.8 billion in additional revenue. Based on visitor projections from Tourism Research Australia, over the budgets the next Government will deliver (2017-18 to 2019-20) the PMC will contribute at least \$2.3 billion in revenue even frozen at its current dollar per passenger value.

It should be noted that if visitor visas for Chinese visitors are simplified this revenue estimate could be quite conservative.

A freeze at the current rate is a win for Government and industry; it prevents deterioration of Australia's competitive position and produces more revenue for Government. Currently a portion of the additional revenue (over cost recovery) collected by Government goes back to tourism through the Asia Development Fund and the Tourism Demand Driver Infrastructure Scheme.

Building demand and visitation directly results in increased Government revenue therefore the industry would want to see that funding continued with a proportion of the additional revenue over the next term of Government also directed to industry development.

### **Labour and Skills**

- 4. Source and train long term permanent resident staff to address serious skilled staff shortages in the tourism sector.**
- 5. Address labour shortages by developing and implementing a nationally agreed strategy for training and retention.**

Growth in demand for Australia as a destination both internationally and domestically will create at least 123,000 additional jobs over the next four years. These jobs provide opportunities for Australian's to engage in rewarding long term careers in a growing sector.

However there are very real challenges in matching the people with the jobs and particularly the skills.

Australia is a desirable destination for many international visitors because of the wonderful product we can offer and because when they get here our visitors feel welcome. Skilled staff are a key part of that visitor experience and ideally the visitor economy sector would like to have skilled long term Australian staff who see a good and rewarding career in the area.

Already Australia has hundreds of thousands of people working in or running businesses who are doing just that. But there are very real challenges in ensuring that labour and skills shortages that already exist and will get worse over the next few years are addressed.

Businesses in the visitor economy recognise that it is in their interests to be able to develop and appropriately reward loyal skilled long term staff who will make their customers feel that they want to come back or recommend the business to others (a critical point with social media reviews driving many travel decisions). In the vast majority of cases rapid staff turnover just increases the difficulty and cost of meeting skills requirements.

But given Federal and State Government's key roles in education and training, it is critical that Government work with industry to ensure that the career opportunities available in the visitor economy are able to be filled by properly trained people. Given the complexity of Government responsibilities for education and training at State and Federal levels it is critical that the next Federal Government take the lead in putting in place a nationally agreed strategy for training and retention.

As a follow up to its work identifying labour and skill shortages and attitudes to working in the sector, Austrade has recently formed a cross portfolio committee involving Government at State and Federal levels and industry to look at how to address labour and skill shortages. The Australian Chamber National Tourism Council believes the next Government needs to ensure that the Austrade committee has a whole of Government commitment to putting in place a strategy which includes deliverable actions and ensure that it does not just repeat studies and discussions undertaken by previous Governments.

### **Working Holiday Makers (Backpackers tax)**

#### **6. Reverse the decision to remove the tax free threshold for Working Holiday Makers (WHMs) and expand the second year extension and eligibility to hospitality businesses in regional Australia.**

International visitors to Australia want an Australian experience when they arrive and that means they also want to encounter friendly well trained Australian staff. Unfortunately even with the best efforts it is not possible to fill all positions with long term local staff, skills shortages, labour shortages in some areas and even attitudes to working in the industry mean that overseas staff continue to be critical to providing some of the services Australian and International tourists expect. According to the 2015 Working Holiday Makers made up 5% of the tourism workforce with temporary skilled migrants making up just 2% (Deloitte Access Economics , 2015, p. iv), these are small but important components of the tourism workforce and they will continue to be vital if the sector is to achieve its potential contribution to Australia's economic wellbeing. Deloitte Access Economics notes in its report that the portion of the tourism labour force made up by overseas residents shrunk from its previous survey to this one, given the increasing labour force shortage in the sector that is not a positive trend.

Changes announced in the 2015-16 budget are likely to exacerbate labour force shortages. From July 1 people on working holiday maker visas will be deemed to be non-residents for tax purposes

and that means they lose the tax free threshold – paying 32 cents for every dollar earned. This, so called, “backpacker tax” will make Australia’s tax arrangements for working holiday makers far less favourable than competitor countries (including New Zealand) and is likely to result in a reduction in applications. Tourism will be impacted along with Agriculture.

Working holiday makers generally spend everything they earn plus some of their savings from home while they are in Australia – they provide a positive input for the local economy they are living and working in. They are also essential in some areas (particularly rural) to keep the doors of the business open.

Short term international workers should be given appropriate legal award rates and employment conditions, when a foreign worker is employed in accordance with the law (as they should be) they are not undercutting Australian labour. As noted above in the majority of cases short term international workers in tourism and the visitor economy provide a positive impact for a local economy and for existing Australian workers.

As noted in the point above the Australian Chamber National Tourism Council advocates visa and tax settings for short term and skilled overseas workers that will assist the industry to meet labour and skill shortages unable to be met from local sources.

### **Passenger facilitation at International Gateways**

- 7. Ensure adequate staffing of the primary and secondary lines at international gateways to reduce waiting times for visitors and continue the roll out of e-gates.**
- 8. Reform the Tourist Refund Scheme to bring processing online and remove long airport delays.**

The experience at our international gateways is an important part of the overall welcome Australia provides to visitors and a factor in return visits. The next Government needs to continue the roll out of e-gates and work on other technologies to facilitate more rapid processing.

The Australian Chamber National Tourism Council acknowledges the vital work the Department of Immigration and Border Protection and the Department of Agriculture and Water Resources do to protect Australia from quarantine and security threats and also the work they have done to simplify and streamline processes at our international gateways.

Despite this under staffing of border is a serious problem, long waits at peak times are still far too common and there is a lack of publicly available data on processing times at these periods. The Australian Airports Association has raised in its submissions to Government the lack of flexibility of resourcing to cope with peak periods. The Australian Chamber National Tourism Council would agree that adequate staffing to eliminating as far as possible delays in processing is critical.

Long delays in administering the Tourist Refund Scheme are also contributing to delayed flights and a lasting final bad impression of Australia for some visitors. Currently departing travellers seeking

refund of GST on goods they are taking out of Australia are put through a very labour intensive manual process with long waiting periods. Highly trained border force staff do not need to administer this process and would be better utilised doing immigration functions, most of the world's developed countries already use digitised online systems that make this a quick and easy process. Proposals have been put to Government for reform of the system and it needs to happen urgently.

### **Marketing and Research funding**

#### **9. Increase Tourism Australia's funding in real terms by \$20 million per annum to enable a greater focus on marketing to the developing Indonesian and Indian markets and continue targeted promotion in traditional and existing high growth markets.**

Government coordinated promotion underpins our international marketing efforts and forms a base on which a much larger private sector investment is able to be effectively made. The effectiveness of the investment has been born out in balance of trade figures over three decades – prior to the innovative Paul Hogan 'shrimp on the barbie' campaign Australia had a consistent deficit when it came to international travel. In the 30 years since there have only been rare quarters of deficit with the surplus reaching another record in the last quarter of 2015. The last quarter of 2015 saw "tourism related" exports earn Australia more than \$11 billion outstripping "rural goods" and "coal, coke and briquettes."

Tourism Australia figures suggest that their expenditure on marketing activities produces a benefit cost ratio of 6:1

Australia's competitors also realise the value of marketing funding, New Zealand announced an additional NZ\$158m over four years in 2013 and has reaped the dividend with a 38% increase in visitor spending in the year up to Sep 2015.

Tourism Australia has produced outstanding results with its targeted campaigns but in real terms its budgets have seen significant declines since it was formed in 2004-05. The Australian Chamber estimates it would need \$38 million in additional funding simply to return to the 2004-05 real levels. In the current budget environment it is recognised that this would be difficult to achieve however an investment of an additional \$20 million by Government would produce real economic benefits for Australia. It is noted that an additional \$20 per annum in real terms would be more than recouped by additional Passenger Movement Charge receipts from increased visitation.

The next Government should also look favourably on further funding contingent on additional matching industry funds.

Investment in the visitor economy needs to be based on sound research so it is imperative that funding for Tourism Research Australia is at least maintained. Given the competition in tourism promotion the Chamber also recommends the Government undertake research to benchmark expenditure by other competitors in the market to ensure that Tourism Australia is able to compete effectively.

## **Infrastructure and product development**

- 10. Recognise that the Federal Government continues to have an important role funding capital programs for visitor economy related infrastructure which drive demand and support greater dispersal of visitors across Australia.**
- 11. Extend the Tourism Demand Driver Infrastructure program with administration and approval processes streamlined and consultation with industry on objectives and criteria.**

Australia is one of the world's most desirable destinations for visitors whether they are coming for tourism or business events. As we seek to boost the number of visitors it is important that we keep developing quality product that will attract greater numbers of visitors but also critically that we develop the product that will help to disperse visitors across Australia bringing the direct benefit of visitor expenditure to regional Australia as well as the biggest cities.

The Federal Government continues to have an important role in funding capital programs to assist the development of infrastructure that helps to drive that demand. Currently the Federal Government has the Tourism Demand Driver Infrastructure (TDDI) program, that program is the latest in a line of grants programs and one off capital grants that have assisted with infrastructure for the visitor economy.

The current TDDI program is funded by the Passenger Movement Charge and is scheduled to conclude during the term of the next Government. The Australian Chamber National Tourism Council sees an ongoing role for the Federal Government in providing grants that assist in driving demand and would want to see a scheme of some sort continue.

Currently the TDDI grants are determined by the State Governments. This system has proven to result in a fairly slow and cumbersome approvals process (involving both State and Federal Governments). In designing the next scheme the Australian Chamber National Tourism Council would want to see consultation with industry on objectives, criteria and processes for the program along with ensuring a component of grants is available for nationally significant projects.

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