

28 November 2014

Mr Warren Mundy
Commissioner
Productivity Commission
BY EMAIL: tourism@pc.gov.au

Dear Mr Mundy

Productivity Commission research project into Australia's International Tourism Industry

I write to make a submission on behalf of Tourism & Transport Forum (TTF) to the Productivity Commission's research project into Australia's International Tourism Industry.

Enclosed with this letter is a series of advocacy documents produced by TTF outlining the key game-changers that will have the most significant impact on improving the competitiveness of Australia's tourism industry.

Introduction

In 2009, Australia committed to doubling overnight visitor expenditure by 2020. The targets are expressed as a band, ranging from \$115 billion to \$140 billion. While domestic tourism comprises some 70 per cent of the market, international tourism will continue to drive growth in overnight expenditure.

International visitation experienced strong growth in 2013-14, with arrivals increasing by 7.6 per cent to 6.1 million and expenditure increasing by 7.4 per cent to \$30.1 billion.¹ However, this growth follows an extended period between 2009 and 2013 in which expenditure growth was stagnant. This lacklustre performance in all major international markets other than China has resulted in sluggish progress towards the 2020 target, tracking at \$83.4 billion in 2013-14 and, on current trends, unlikely to reach even the lower end of the target band.

TTF advocates for a series of policy game-changers that will help to shift the dial on Australia's international competitiveness as a tourism destination. Principal among these is reform to visitor visas, as well as resourcing for marketing, reducing the tourism taxation burden and improving access for airlines and cruise shipping.

¹ State of the Industry 2014, Tourism Research Australia

Visas and border processing

Simplify visa applications

Obtaining an Australian visitor visa should not be an overly time-consuming, bureaucratic or costly process. Reform is necessary to deliver better equality for visitors from emerging markets, particularly China, who are forced to fill out long paper-based application forms in English, with substantial costs involved for each application made. Further streamlining our visitor visa processing would ensure that Australia is not left behind its competitors; however other destinations are already making bold changes to their visitor visa regimes to attract more Chinese visitors. The United States has recently announced a reciprocal 10-year multiple-entry visa, while New Zealand has waived the requirement to produce evidence of income for platinum or diamond-level UnionPay customers.

While some progress is being made in Australia with a gradual move to online visa processing for all countries, there remains a need for more aggressive reforms and actions. Key priorities include the rapid implementation of online visitor visa processing, prioritising Asia; three-year multiple entry visitor visas; the provision of application forms in other languages; trans-Tasman visitor visas; and a more equitable fee structure for source country visitor visa applicants.

See: [Visitor Visa Reform: Reducing Barriers for Travel](#); [Australian Tourism: Backing Our Strengths](#); [Australia in the Asian Century: Visitor Economy Report Card](#).

Improve border processing

Customs and border control formalities are the first impression international travellers have of Australia. It is therefore crucial to ensure that Australia's border agencies are adequately funded and skilled to deliver world-class passenger processing.

While the introduction of SmartGate self-serve passport kiosks is removing some of the workload, it remains essential to have enough frontline Customs and Immigration staff, who have appropriate cultural and linguistic skills, to adequately process the increasing numbers of international visitors from an array of source markets. Government investment in new technology like SmartGate must continue and previous cuts to frontline Customs staff must be reversed.

User-pays processing models would provide a faster option for passengers willing to pay a premium, which could extend to preferred customs and immigration clearance on arrival in Australia.

See: [Industry Submission: Border Fees and Charges](#); [Visitor Visa Reform: Reducing Barriers for Travel](#); [Australian Tourism: Backing Our Strengths](#); [Australia in the Asian Century: Visitor Economy Report Card](#); [Bringing Our Neighbour Closer](#).

Open additional points of entry

Relative to other developed countries, Australia has few international airports, restricting our destination marketing. This is especially true in the New Zealand market, which suffers from destination fatigue in relation to Australia.

Regional airports wishing to trial seasonal or ad hoc international services are prevented from doing so by two interconnected rules governing border processing. The International Airport Operators' Guidelines contain almost 100 infrastructure requirements, while the border agency staffing levy places an additional cost burden on new airline routes.

What is needed is a new, lightweight model for border clearance for our smaller airports and seaports using mobile technology and cross-warranted border agents.

See: [Bringing Our Neighbour Closer](#).

Tourism marketing

Boosting demand

Funding for tourism marketing is essential to attracting visitors to Australia. Public funding for marketing through a government agency, which at the Commonwealth level is Tourism Australia, helps to address a case of market failure. Commonwealth, state and territory tourism organisations play a vital central coordinating role. While industry commits significant resources to marketing, often in partnership with government, industry alone, with its varying and disparate sectors, is not able to cohesively and consistently market Australia as a destination.

Public funding for tourism marketing should not be viewed as a discretionary spend, rather a necessary investment in a globally competitive industry. A range of studies since 1997² point to a return on investment of between \$8 and \$16 for each dollar spent on marketing. Crucially, the funding made available to government marketing bodies helps to leverage substantial resources from the private sector through cooperative marketing agreements.

In 2014, the National Commission of Audit recommended cutting Commonwealth tourism marketing funding by half, disbanding Tourism Australia and rolling the remainder of its functions into the Department of Foreign Affairs and Trade (DFAT). The industry is currently well-served by a commercially-oriented Tourism Australia, overseen by an expert and commercially-oriented board that works cooperatively with industry and any move to slash its funding and shift its functions to the bureaucracy would greatly risk Australia's competitiveness.

Likewise, ensuring that there is appropriate support for programs and activities that attract high-yielding visitors is key to Australia reaching its 2020 target. International business events, in particular, draw one of the highest-yielding visitor segments to the country and play a significant role in underpinning aviation routes and hotel occupancy while helping to drive a knowledge agenda that can help to support broader public policy outcomes. Tourism Australia, through its Business Events Australia division, plays an important role in supporting the work of state and territory convention bureaux in marketing Australia as a global business events destination.

Appropriately-resourced and commercially-oriented tourism marketing organisations is crucial to ensuring that we have a strong presence in our key markets with the flexibility to respond to emerging demand.

² These studies include: Access Economics (1997); Access Economics (2002); Sustainable Tourism Cooperative Research Centre (2006); Tourism Accommodation Australia (2014)

See: [Australian Tourism: Backing Our Strengths](#); [Australia in the Asian Century: Visitor Economy Report Card](#).

Access

Increasing the capacity of aviation and cruising infrastructure

Aviation access is a key determinant in the success of a destination. This makes building aviation infrastructure capacity in existing markets and enticing airlines to establish new routes fundamental to increasing the number of people travelling to and within Australia.

Ensuring artificial constraints do not arbitrarily restrict the operation of Australia's key gateway airports will foster growth in international arrivals and allow for more domestic flights. This is particularly the case for Sydney Airport, where the current movement cap is limiting the capacity of the country's largest airport and is having significant flow-on impacts across the country.

It is also critical to ensure that Sydney, as the nation's largest city and primary international gateway, has sufficient aviation capacity to deal with future demand. The government must continue to push ahead with the construction of the Western Sydney airport at Badgerys Creek, including the necessary supporting road and rail infrastructure.

Cruising is the fastest growing segment of Australia's tourism industry and that growth is expected to continue over the coming years. The federal government has a role to play in facilitating the continuing growth of Australia's cruise sector, especially through funding the provision of port facilities and allowing access to berths controlled by national agencies, including the naval base at Garden Island in Sydney. This access is critical as a third of all cruise ships visiting Sydney will be unable to fit under the Harbour Bridge within three years, with that figure expected to rise to more than half by 2020.

See: [Australian Tourism: Backing Our Strengths](#); [Australia in the Asian Century: Visitor Economy Report Card](#); [Sydney's Aviation Future](#).

Workplace flexibility

Review of workplace laws

Australia is a high-cost destination and these costs are, in some cases, exacerbated by the restrictive nature of the workplace system. There should be a holistic review of the Fair Work Act's impact on tourism and hospitality operators to better reflect the 24/7 nature of the industry. While penalty rates are a key issue of concern for many operators, other issues of complexity within the system also cause difficulty for operators, including, among others, restrictions on maximum length of shifts.

See: [Australian Tourism: Backing Our Strengths](#).

Taxation

Reduce the Passenger Movement Charge

Australia's Passenger Movement Charge (PMC) is the highest departure tax for short-haul travellers of any country in the developed world, which puts us at a disadvantage relative to our regional rivals. As well as running counter to Australia's plan to target growth in international arrivals from our near neighbours in Asia, the PMC collects almost three times more in revenue than the actual cost to the Commonwealth of providing passenger facilitation services.

While the current Abbott government fulfilled its election commitment to freeze the indexation of the PMC, the tax must now be reduced. The current review of border fees and charges is also too narrow in its scope, restricted by a caveat of budget neutrality and failing to take into account the broader implications for the visitor economy of a genuine reform to the PMC regime.

As with visitor visa reform, Australia risks lagging behind its competitors in relation to border fees and charges. Jurisdictions like Germany and Mexico have recently voted against increases to their border fees while the United Kingdom has moved to reduce its fees and Ireland and Malta have scrapped them entirely.

See: [Industry Submission: Border Fees and Charges](#); [Visitor Visa Reform: Reducing Barriers for Travel](#); [Australian Tourism: Backing Our Strengths](#); [Australia in the Asian Century: Visitor Economy Report Card](#).

Reform the Tourist Refund Scheme to encourage retail spending

Australia's competitiveness can also be improved through enhancement of the Tourist Refund Scheme (TRS), which allows international visitors to claim back the GST on eligible retail purchases. However, there is currently a lack of awareness of the scheme. Privatising the operation of the TRS would help to improve the visitor experience for international tourists and promote Australia as a retail destination.

See: [Australian Tourism: Backing Our Strengths](#).

Rental car regulation

The rental vehicle industry abides by eight different state and territory regulatory and tax regimes – with only Tasmania recognising rental vehicles within their own regulatory framework. Regulatory guidance and legislative instruments have been created without a clear national policy objective and lack the simplicity and flexibility required for a healthy operating environment.

For operators, this has stymied industry growth, hindered product innovation, reduced the efficiency of the workforce, made it difficult to determine the compliance task, created a significant administrative burden and led to cost inefficiencies. For regulatory agencies, it has fashioned a significant knowledge gap, limited national data on the size, value and economic contribution of the industry and created cost inefficiencies.

TTF calls for regulation and tax reform to ensure the industry has a framework that allows it to invest in the innovation required to drive the sector forward.

TTF believes that the PC should investigate options to nationally harmonise regulation for rental vehicles.

See: [Driving Change in the Rental Vehicle Industry](#)

Review of the impact of taxation on the visitor economy

Part of the government's taxation white paper and competitiveness agenda policy framework should examine the broader impact of taxation on the visitor economy. This should include the full range of Commonwealth, state and territory taxes and make recommendations for the removal of inefficient taxes that stifle innovation and investment in the visitor economy.

This should include the adequacy of the depreciation regimes for visitor accommodation and airlines, recent increases to the withholding tax for managed investment trusts and Australia's competitive position globally in relation to these tax measures.

See: [Australian Tourism: Backing Our Strengths.](#)

I thank you for your consideration of TTF's submission and we remain available to discuss any of these issues with you in further detail.

Yours sincerely

Margy Osmond
Chief Executive