



AFTA Submission Beyond Tourism 2020

MARCH 2019



Foreword



The Australian Federation of Travel Agents (AFTA) welcomes the opportunity to contribute to the consultation process in response to the Beyond 2020 Steering Committee Report submitted to Government in December 2018.

In 2018-19 Australian travel agencies currently employ over 29,000 Australians throughout the nation and contribute over \$28 billion annually to the economy across more than 3,950 locations in Australia¹. Significantly, Australians are travelling at record rates with domestic tourism growing by 7% to \$62 billion last year.

International travel by Australians represented 8.4% of total imports, making personal travel's economic contribution greater than motor vehicles and petrol².

Importantly the Australian travel sector creates well-paying local jobs as the industry consists of businesses both large and small, ranging from ASX listed companies, including Flight Centre Travel Group Limited (FLT), Corporate Travel Management (CTD) and Helloworld Travel (HLO), online only agents such as Expedia.com.au, to sole operators in small regional towns. While the travel industry is not immune from the pressures facing the retail sector at large, travel agencies in partnership with their expert staff continue to provide sought after professional advice to Australians travelling domestically and overseas both in the leisure and corporate travel sectors.

While the Travel and Tourism Sector has achieved impressive growth, it is a diverse and complex ecosystem, making it problematic for Government budget appropriation or even recognition within the economic debate.

¹ DFAT 2016 Australia's top 10 goods and services imports <http://dfat.gov.au/trade/resources/trade-at-a-glance/pages/top-goods-services.aspx>

² Tourism Research Australia, 2017 Travel by Australians Year end June 2017 https://www.tra.gov.au/ArticleDocuments/251/NVS_onepager_June2017.pdf.aspx?Embed=Y

AFTA congratulates the Steering Committee on the delivery of the Beyond 2020 Tourism Report, and in particular for identifying the below actions for implementation:

1. Encourage the growth of domestic travel.
2. Expand capacity of entry/exit passenger facilitation, including the increase in biometric technology and Smart Gate usage.
3. Encourage competitiveness by ensuring tourism specific taxes, such as the Passenger Movement Charge, are appropriate and not merely applied as a revenue source.
4. Implement a technology solution to offer GST refunds consistent with international competitors, such as privatisation of the Tourist Refund Scheme.
5. Invest in data analytics capability, and the implementation of defined targets with measurable goals.

About the Australian Federation of Travel Agents

The Australian Federation of Travel Agents (AFTA) was founded in 1957 to:

-) Establish professional standards for travel agents
-) Stimulate and promote travel
-) Bring together those acting as intermediaries in the distribution of travel-related services
-) Build strong working relationships with suppliers and consumers of travel-related services

As the peak industry body in Australia, AFTA represents the majority of retail travel agents including all of the major travel agency groups.

AFTA represents the interests of its members on many local and international associations, committees and boards, including the Consular Consultative Committee. AFTA also engages regularly with organisations to promote the benefits of inbound and outbound travel.

AFTA administers Australia's only accreditation scheme for travel agents and travel wholesales, known as ATAS. ATAS has been operating since July 2014 and has been endorsed by all state and territory jurisdictions consumer affairs and fair trading departments, following the deregulation of the eight separate legislative regimes governing travel agents from state and territory jurisdiction.

With 1,400 Australian businesses now ATAS accredited, AFTA members are committed to maintaining Australia's world class travel industry. In particular, ATAS accredited travel agents strongly believe in a thriving domestic tourism industry, where more and more Australians enjoy holidaying at home.

Table of Contents

Forward	1
About the Australian Federation of Travel Agents.....	3
Table of Contents	4
Industry challenges.....	5
1. The recognition of the outbound Sector in government policy	5
2. Update the current market settings placed on the Sector by the ACCC	6
3. Passenger facilitation	7
4. Passenger Movement Charge.....	8
5. Reform of the Tourism Refund Scheme	9
6. Inbound and outbound tourism targets for major markets	9
Conclusion	10

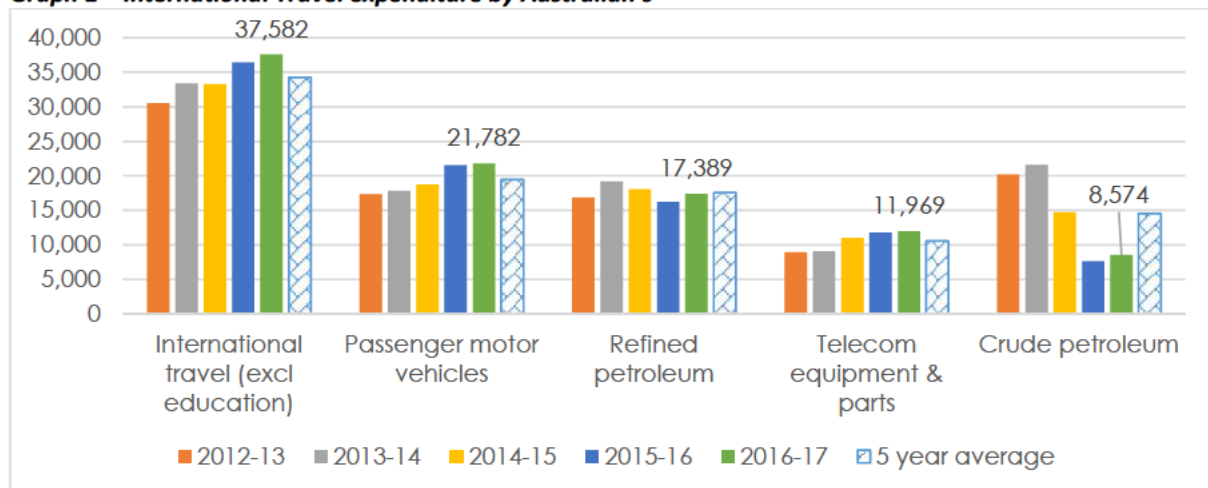
Industry Challenges

1. The recognition of the outbound Sector in government policy

Outbound tourism is a key part of the Australian Tourism Industry and significantly contributes to the success of overall industry development and to the nation. The past approach by all Commonwealth Governments, has been to not include the outbound market in the nations tourism policy and AFTA strongly believes that it is time this is rectified.

Over the last five years, Australians have spent on average 5.6% per annum more than the previous year on international travel and in 2016, this reached a new record of \$37.6 billion. Nearly 73% of international travel is still managed through a travel agent.

Graph 1 – International Travel expenditure by Australian’s³



Government led industry strategies continue to be a one-way vision which is at odds to the position held by tourism suppliers and distributors. Since tourism includes many sectors including education, this inflates the inbound leisure, business and VFR spend figures. If education related travel is excluded from the tourism figures, of the \$60 billion spent annual on travel in Australia, only 40% comes from the inbound sector.

While AFTA welcomes the recommendation that Tourism Australia collaborate with the states and territories to encourage Australians to holiday at home, we highlight the importance of a government strategy that recognises the partnership between the inbound and outbound sector.

³ DFAT Australia's trade in goods and services 2016-17 <http://dfat.gov.au/trade/resources/trade-statistics/trade-in-goods-and-services/Pages/trade-in-goods-and-services.aspx>

2. Update the current market settings placed on the Sector by the ACCC

The Committee is well aware that industry growth is not guaranteed and the current market regulatory settings as applied by the Australian Competition and Consumer Commission (ACCC) do place at risk continued growth.

AFTA is of the view that the current competition settings being pursued by the ACCC on behalf of the Government should be reviewed. The ACCC has sought and been successful in fundamentally deeming travel agents no longer “Agents” of the suppliers, along with defining and regulating the bricks and mortar and online channels separately. This creates further tension and barriers for growth as suppliers and distributors need to manage multiple strategies to ensure compliance.

The current policy settings of the ACCC and recent Australian High Court decision⁴ (HCA 49) that Travel Agents are in fact competitors to Airlines places another barrier for continued growth. More than 80% of all travel booked (domestic and international) in Australia is booked through an Australia travel agency (corporate and leisure). As the major sellers of travel in Australia, these successful Australian businesses have also expanded internationally and have become critical sellers of Australia, yet there is no formal recognition of this within any government tourism policy.

While most of the inbound and outbound markets are near parity, China as an inbound market is more than double the outbound Sector. Travel agents have a vital role in closing this gap but it requires government recognition and assistance.

AFTA recommends greater emphasis be placed on a government strategy that recognises the partnership between the inbound and outbound sector, to enhance the effectiveness of this beyond 2020 process.

⁴ Australian Competition and Consumer Commission v Flight Centre Travel [2016] HCA 49
<http://eresources.hcourt.gov.au/showCase/2016/HCA/49>

3. Passenger facilitation

While the Department of Home Affairs has managed to improve Australia's passenger facilitation service, AFTA maintains that the use of Australian Border Force (ABF) officers to perform the function of checking passengers' right to fly is inefficient. The ABF's strategy of using electronic barriers using facial biometric technology (smart gates) for face-to-passport verification to process low risk travellers, has allowed more high risk travellers to be intercepted and therefore securing Australia's border.

AFTA commends the Steering Committee on the recommendation that biometric technology and an increase in Smart Gates should be implemented, which in turn will accelerate passenger entry and exit processes.

The Department of Home Affairs is to be congratulated and encouraged to continue the Future Traveller Program (FTP). The development of this program through the National Passenger Facilitation Committee (NPFC) should be a blue print for engaging with all relevant stakeholders in the Travel and Tourism Sector. The NPFC is of tremendous value to the Sector and is an exemplary example of a government and industry dialogue structure.

AFTA proposes that the investment into technology solutions to improve the border experience by travellers and the current appropriations available to Future Traveller Program, are both maintained.

4. Passenger Movement Charge

AFTA concurs with the Steering Committee on its recommendation that tourism specific taxes such as the Passenger Movement Charge (PMC) are not merely seen as a revenue source and subject to unnecessary increases.

However, AFTA is of the view that a set percentage of revenue derived from the PMC should be returned to the Sector. AFTA has always believed that increasing the number of movements is the best approach to increase the tax revenue for the Government and provide economic growth for the wider community.

The increase of the PMC by 9% in 2016 was passed by the Parliament with an amendment to the Government's legislation to freeze the tax at the \$60 level until the year 2021. While this freeze has allowed the industry to price products with a certainty of taxation, it has still meant that Australian businesses and travellers are penalised by the highest tax rate in the world.

The PMC currently generates over \$1 billion in tax revenue each year, which by 2021/22 will rise to \$1.4 billion. Spending on border management in 2017/18 by Home Affairs and Department of Agriculture and Water was a maximum of \$616 million⁵. This considerable over-collection of revenue from passengers under the current PMC arrangements means any additional spending investment required by the Department of Agriculture and Water Resources for passenger facilitation, should be apportioned from the current taxation envelop as provided by the PMC at the rate of \$60.

The travel and tourism industry is united that no further increases to the PMC is required and that what is currently collected is allocated directly to the security of the Australian border as per its original intention. AFTA is of the firm belief that the PMC is a poorly designed tax that has moved far from its original intention to recover the necessary costs associated with border processing. The PMC reduces inbound visitor spending and impacts particularly on international visitors in emerging tourism source markets who compare the price of visas and taxes when planning a holiday.

No further increases should be made to the PMC until revenues are matched with the required expenditure.

⁵ The Department of Home Affairs Border Management Program cost \$242m in 2017/18. The Department of Agriculture and Water Resources Australian Quarantine and Inspection Service cost \$374m in 2017/18. Australian Quarantine and Inspection Service Special Account is used for the purposes of providing quarantine, inspection and certification services for passengers, cargo, mail, animals, plants, and animal or plant products arriving in Australia and agricultural products exported from Australia) This covers both goods and passenger inspections with no line item for passengers listed separately.

5. Reform of the Tourist Refund Scheme

Australia's current Tourist Refund Scheme (TRS) is administered by the Department of Immigration and Border Protection (DIBP) through the Australian Border Force (ABF). As one of the few known government-run TRS systems in the world, the scheme is labour-intensive, time consuming, paper-based and an inefficient use of scarce fully-trained ABF officials.

Continual increases in TRS usage by departing international travellers, particularly from China, along with a range of entitlement changes implemented in 2013, have put increasing strain on the existing TRS at Australian airports.

AFTA congratulates the Steering Committee on their proposed strategic action of implementing a technology solution to offer GST refunds consistent with international competitors.

The Tourism Shopping Reform Group (TSRG) has been established to advocate for the reform of the TRS, and has undertaken extensive modelling and advocacy on this issue. Representing all major Australian retailers and tourism stakeholders, the TSRG calls on the Government to reform the TRS to provide an open, competitive system operated by private refund providers which allows reimbursement whilst visitors are still in Australia.

The Committee's measure of success of a reduction in passenger processing times at border control and increased visitor satisfaction at airports mirrors that of AFTA and the TSRG. In addition to improving the visitor travel experience, the TSRG believes that this approach will drive tourist shopping and facilitate product development for international visitors, leading to increased spending by international visitors. Modelling conducted by KPMG forecasted that this reform will deliver an additional economic impact of \$226 million to the Australian economy and assist state, territory and Commonwealth Governments.

6. Inbound and outbound tourism targets for major markets

AFTA calls on the Government to benchmark and publish yearly market trade statistics on both inbound and outbound performance, therefore providing key insights into emerging markets.

The investment in aggregated and segmented data analytics capability will provide an improved range of data offerings, allowing government to develop concrete targets or measures of success.

AFTA supports the position of the Steering Committee to enhance data capture methods and conduct regular industry research to measure the performance of tourism and its contribution to the Australian economy. A rigorous set of measures from real time data can influence policy and targeting of appropriate source markets.

Conclusion

AFTA congratulates the Beyond 2020 Steering Committee for their contribution on how to best take the travel and tourism sector to the next level, beyond the life of the current 2020 strategy.

As the industry moves towards 2030, the following issues need to be addressed by Government:

1. The recognition of the outbound Sector in government policy.
2. The development of a government strategy that recognises the partnership between the inbound and outbound sector.
3. Update the current market settings placed on the Sector by the ACCC.
4. Continual investment into biometric technology solutions to improve the border experience by travellers, including an increase in Smart Gates.
5. No further increases should be made to the Passenger Movement Charge until revenues are matched with the required expenditure.
6. Reform the Tourist Refund Scheme to provide an open, competitive system operated by private refund providers.
7. Investment in data analytics capability, and the implementation of defined targets with measurable goals.