

# AFTA SUBMISSION 2018

BEYOND 2020

 02 9287 9900

 [www.AFTA.com.au](http://www.AFTA.com.au)

 Lv 3, 309 Pitt St, Sydney

 [AFTA@afta.com.au](mailto:AFTA@afta.com.au)





## 1. Overview of the Australian Travel Sector.

Australians are travelling at record rates with domestic tourism growing by 7% to \$62 billion last year and international travel by Australians represented 8.4% of total imports, making personal travel, Australia's largest economic expenditure greater than motor vehicles and petrol<sup>1</sup>. Even in an economic environment of rapid and consistent change Australian travel agencies currently employ over 29,000 contributing \$28 billion annually to the economy<sup>2</sup>.

Importantly these 29,000 travel jobs are well-paying local jobs as the industry consists of more than 200 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 Webjet Ltd (WEB), 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.

## 2. About the Australian Federation of Travel Agents.

The Australian Federation of Travel Agents Ltd (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 a 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 and boards, including the Consular Consultative Committee as well as engaging with concurring organisations to promote the benefits of inbound and outbound travel.

Research indicates that 83% of all air and sea departures are booked through a travel agent. Of those who book through a travel agent, 71% will choose an industry accredited ATAS travel agent over a non-accredited travel agent<sup>3</sup>. AFTA also has a substantial base of associate members, representing non-intermediary Sectors of the travel-related services industry including suppliers, insurance companies and destination marketing organisations. Members are bound by AFTA's Code of Ethics and are accredited under the national industry scheme known as the AFTA Travel Accreditation Scheme (ATAS).

---

<sup>1</sup> 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](https://www.tra.gov.au/ArticleDocuments/251/NVS_onepager_June2017.pdf.aspx?Embed=Y). Accessed: 24 November 2017

<sup>2</sup> 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> accessed April 2018

<sup>3</sup> Cruise Line International Association (CLIA), 2016 Cruise Industry Source Market Report  
[https://www.cruising.org.au/Tenant/C0000003/5090\\_CLIA\\_Market\\_Report\\_AUS\\_Final\\_LR.pdf](https://www.cruising.org.au/Tenant/C0000003/5090_CLIA_Market_Report_AUS_Final_LR.pdf).  
Accessed: 19 November 2017



ATAS is administered by AFTA and is Australia's only accreditation scheme for travel agents and travel wholesalers. ATAS has now 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. ATAS accredited travel agents are committed to maintaining Australia's world class travel industry and in 2017 ATAS has over 2,900 accredited locations representing close to 1,400 Australian businesses.

### 3. Introduction.

AFTA welcomes the opportunity to contribute to the Beyond 2020 process reviewing Government policy settings for the Tourism and Travel Sector. The Committee receives this submission at a critical point for the Australian Travel and Tourism Sector, as it is reliant on a single source market for the origins of its growth. The exponential growth from China, while welcomed has in many ways masked the short comings of government settings for this Sector. Unlike traditional industries the Travel and Tourism Sector is diverse and complex making it problematic for Government budget appropriation or even recognition within the economic debate. In developing this Submission AFTA reviewed the Tourism White Paper (2003) and Long Term Tourism Strategy / Jackson Report (2008) to assess the performance of these generational reports. It was vexing to note that the pillars of this review also form the corner stones of these past reports.

While many recommendations have sat idle, the Australian Competition and Consumer Commission (ACCC) has sought to intervene in the right of suppliers and distributors to negotiate price for products and services, Treasury has implemented new payment restrictions and increased the Passenger Movement Charge (PMC) on products that are being sold at similar prices to those in the 1980's. Critically none of these issues were raised by for government action and worryingly the majority of the 10 recommendations put forward in 2008 are the pillars for this review. Conversely the significant positive development over the last five years, has been the increased investment and subsequent improvement in passenger facilitation at port and airports. The Department of Home Affairs is to be congratulated and encouraged to continue the Future Traveller Program and must be supported by this Committee. The development of the Future Traveller Program through the National Passenger Facilitation Committee should be a blue print for engaging with all relevant stakeholders in the Travel and Tourism Sector. Lastly AFTA calls upon the Committee to further entrench the Sector's desire to reform the last area of reform of boarder clearance. The Tourist Refund Scheme has been plagued by Government inertia at all levels despite consistent and comprehensive advocacy.

Impressively the Travel and Tourism Sector has achieved the growth rate jointly agreed upon; however, government coordination beyond destination marketing has been at best limited and this needs to be rectified. Because of this, AFTA believes that the following issues need to be addressed by this paper being developed by this Committee.

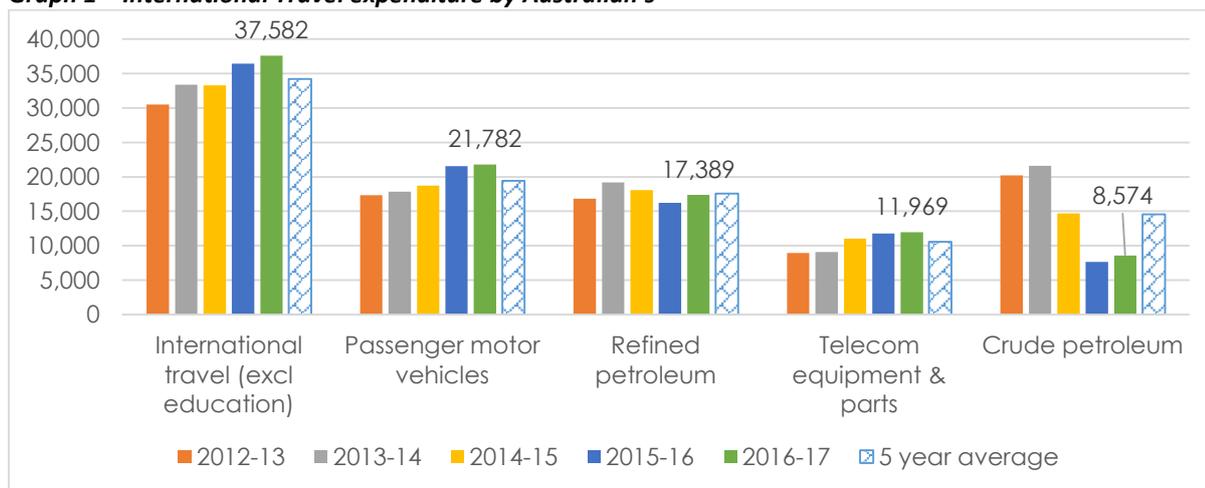
1. The recognition of the outbound Sector in government policy
2. Update the current market settings placed on the Sector by the ACCC
3. Passenger facilitation
4. Passenger Movement Charge
5. Reform of the Tourist Refund Scheme
6. Inbound and outbound tourism targets for major markets

## 4. Recognising the Important Partnership Between Inbound and Outbound Travel.

A risk to all industries is a single source or limited sources of revenue and the Travel and Tourism Sector is no different. Therefore, suppliers measure the potential and success of a market on the level of bilateral trade; as it provides two separate sources of revenue to achieve sustainable and long-term growth. The past approach by all Commonwealth Governments, has been to not include the outbound market in the nations tourism policy and AFTA believes that it is time that 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. This consistent growth has provided the environment for continued investment in products and services from international carriers both air and sea which have predominately been sold by ATAS travel agents. While many commentators have stated demise of Australian travel agents, nearly 73% of international travel is still managed through an agency.

**Graph 1 – International Travel expenditure by Australian's<sup>4</sup>**

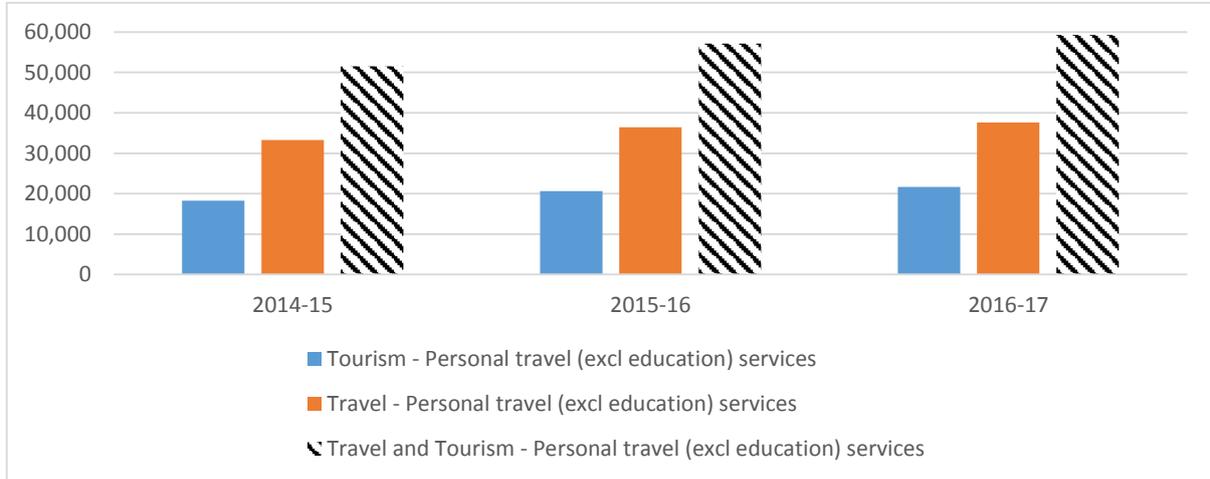


As has been noted in all Government reports in the past 30 years, Australia's connectivity is essential for the continued success of the Sector and its positive contribution to the nation's economy. However, Government led industry strategies continue to be a one-way vision which is at odds to the position held by tourism suppliers and distributors. Since the Government defines tourism loosely, the performance of the business, leisure and 'other' segments are grouped with education. Including education sub-Sector inflates the inbound tourism Sector economic performance significantly and distorts the importance of the outbound Sector to suppliers. 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.

AFTA believes that there is an opportunity for Government to start the process of leveraging this spend for the betterment of the tourism Sector.

<sup>4</sup> 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>

**Graph 2 – combined economic impact of Australia’s international travel spend an international tourism spend<sup>5</sup>**



As the Committee knows growth is not guaranteed and the current market regulatory settings as applied by the ACCC do place at risk this continued growth. A fundamental issue that must be included in this review is the current competition settings being pursued by the ACCC on behalf of the Government. The ACCC has sought and been successful in fundamentally deeming travel agents no longer “Agents” of the suppliers. The ACCC has also sought to define and regulate the different bricks and mortar and online channels separately. This has created further tension and barriers for growth as suppliers and distributors need to manage multiple strategies to ensure compliance.

Up until this ruling the Travel and Tourism businesses have worked hand in glove to promote the Sector, while maintain robust commercial relationships which benefit of the wider economy and consumers. The current policy settings of the ACCC and recent Australian High Court decision<sup>6</sup> (HCA 49) that Travel Agents are in fact competitors to Airlines places another barrier for continued growth in an era where it has never been cheaper to travel. Travel distribution is a critical plank in the Travel and Tourism ecosystem that ensures choice for travellers both domestic and international. More than 80% of all travel booked (domestic and international) in Australia booked through an Australia travel agency (corporate and leisure). As the major sellers of travel in Australia, these successful Australian business have also expanded internationally and have become critical sellers of Australia, yet there is no formal recognition of this within any government tourism policy.

A major reason for this international foot print is that most of the markets Australian’s visit are those that visit Australia. While most of the markets are near parity, China as an inbound market is more then double the outbound Sector. This is of great concern for AFTA as there appears to be similarities to that of Japan visitation to Australia in the 1980’s. Travel agents have a vital role in closing this gap but it requires government recognition and assistance.

<sup>5</sup> 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>

<sup>6</sup> Australian Competition and Consumer Commission v Flight Centre Travel [2016] HCA 49 <http://eresources.hcourt.gov.au/showCase/2016/HCA/49>

**Table 1 – Major source and destination markets for 2016 and 2017<sup>7</sup>**

	2016 Total Number of international visitors to Australia	2016 Total number of international trips by Australians	2017 Total Number of international visitors to Australia	2017 Total number of international trips by Australians
<b>China</b>	1,220,000	465,300	1,382,800	538,300
<b>New Zealand</b>	1,338,200	1,342,200	1,355,300	1,423,900
<b>UK</b>	711,600	584,800	726,300	632,200
<b>USA</b>	717,400	1,076,100	783,600	1,076,100
<b>Singapore</b>	430,600	385,300	440,400	405,400
<b>Japan</b>	416,900	355,000	435,400	401,100
<b>Malaysia</b>	389,000	253,400	401,700	274,700
<b>South Korea</b>	281,600	72,000	302,200	71,800
<b>India</b>	262,700	320,800	302,900	365,100
<b>Hong Kong</b>	244,600	220,000	285,100	223,100
<b>Indonesia</b>	173,000	1,235,500	190,700	1,179,500
<b>Thailand</b>	91,000	546,200	97,700	583,200
<b>Fiji</b>	36,100	346,600	41,800	344,500
<b>National Total</b>	<b>8,251,400</b>	<b>9,935,200</b>	<b>8,846,700</b>	<b>10,548,100</b>

While this may not be as popular as destination marketing, it does provide business the ability to plan and invest with greater certainty. The following two outputs can be easily developed and will be of great benefit to the Sector:

- Create traveller profiles and publish these profiles for the 13 major markets
- Yearly bench marching of entry and overall visa requirements for the 13 major markets to be used as part of free trade negotiations.

A government strategy that recognises the partnership between inbound and outbound Sector will enhance the effectiveness of this beyond 2020 process.

<sup>7</sup> February 2018 AFTA Travel Trends, Australian Bureau of Statistics, Overseas Arrivals and Departure, 3401. [http://www.afta.com.au/uploads/582/180226\\_february\\_afta\\_travel\\_trends-report\\_final.pdf](http://www.afta.com.au/uploads/582/180226_february_afta_travel_trends-report_final.pdf)

## 5. Passenger Facilitation.

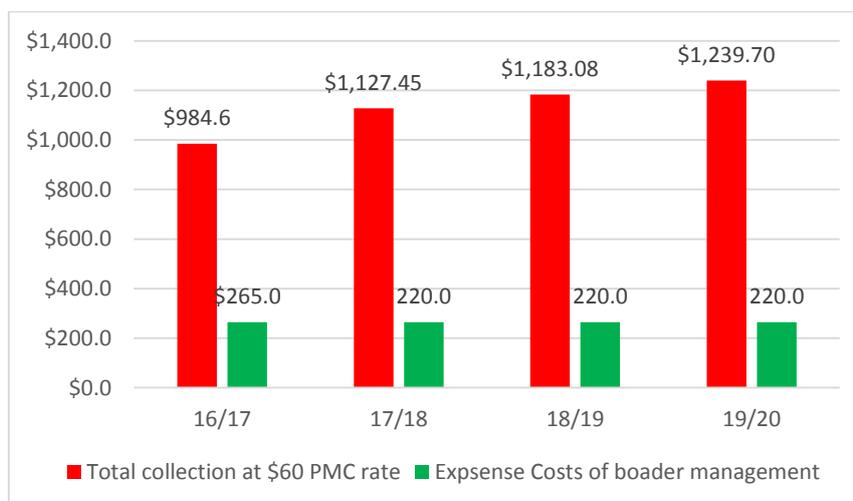
The Department of Home Affairs has managed to improve Australia’s passenger facilitation service to be one of the best in the world. While the overall experience has been improved, the Beyond 2020 Committee must ensure there are no further rises to the Passenger Movement Charge (PMC) and the Tourist Refund Scheme is modernised through privatisation.

The \$220 million per annual, Future Traveller program has been entirely funded by the PMC which now raises more than \$1.1 billion for the Government. The PMC is currently frozen for the next four years which was legislated following a 9% increase in 2016 following industry advocacy. It is essential that the principle of no further increases be embedded into the beyond 2020 strategy. The Future Traveller Program (FTP) managed by Home Affairs has yet to be completed and the beyond 2020 Committee must endorse its completion and the ongoing principles of FTP. Central to the success of the FTP the National Passenger Facilitation Committee (NPFC) as a conduit to develop the next boarder control strategy. The NPFC is of tremendous value to the Sector and is exemplary example of a government and industry dialogue structure. The Beyond 2020 Committee may wish to examine this structure for other important issues facing the tourism Sector which rest outside of the control of the Minister for Tourism.

## 6. Passenger Movement Charge.

In 2016 the Government pulled the economic lever to penalise one of the Sectors which is supposed to assist with the economic recovery following the softening of the mining investment<sup>8</sup>. The increase of the PMC by 9% 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 business and travellers are penalised by the highest tax rate in the world.

**Table 2 – Passenger Movement Charge and Home affairs expenditure.**



<sup>8</sup> Deloitte Access Economics <http://blog.deloitte.com.au/weekly-economic-briefing-tourism-hotel-market-outlook-australias-tourism-boom-continues/> Date Accessed: 24 November 2017

Disappointingly the forecasted drop in demand for travel following the introduction of the increased PMC resulted in the growth rate for international travellers to Australia falling from 10.7% to 6.6% for and a February month end growth slowdown drop from 12.0% to 3.9%<sup>9</sup>. The slowing of inbound visitation was forecasted by the International Air Transport Association (IATA) when its research found that because of the increased taxation the Australian economy was forecasted to lose \$377.4 million and 3,840 unrealised jobs if this proposed increase was supported by the Parliament<sup>10</sup>.

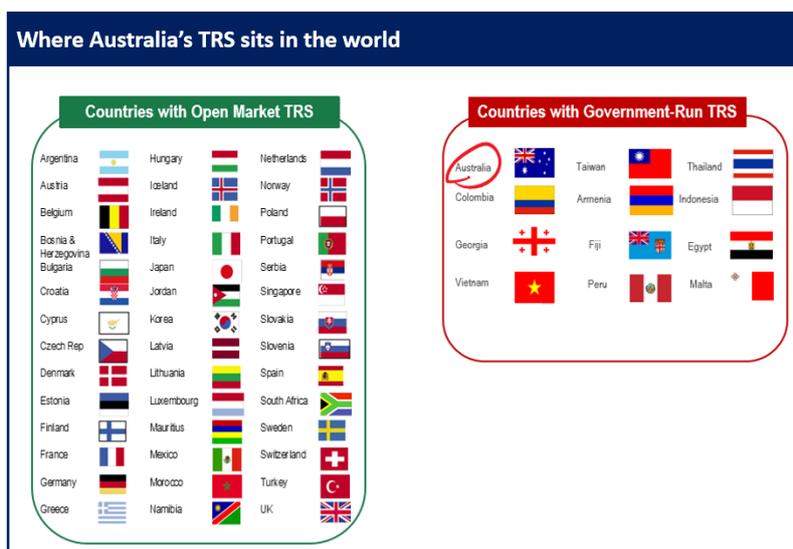
While there are multiple influencing factors to this slowdown in demand and the \$100 million provided for environmental improvement programs in the 2016 debate, the Government should explore the potential for a portion of the revenue generated by the Travel and Tourism industry to be reinvested back to the industry it was collected from. The beyond 2020 Committee should request that a set percentage of revenue derived from this tax, be required to return the Sector. AFTA has always believed and continued to do so, that increasing the number of movements is the best approach to increase the tax revenue for Government and provide economic growth for the wider economy.

The Committee must recommend that no further increases of the PMC until revenues are matched the required expenditure.

## 7. Tourism Refund Scheme.

One of the most ineffective system managed by the department of Home Affairs on behalf of the Australian Tax Office is the Tourist Refund Scheme (TRS). The Committee must endorse the position of the Tourism Shopping Reform Group (TSRG) which has undertaken extensive modelling and advocacy on this issue.

**Figure 1 – illustration of Australia’s TRS policy position**



<sup>9</sup> April 2018 AFTA Travel Trends, Australian Bureau of Statistics, Overseas Arrivals and Departure, 3401.

[http://www.afta.com.au/uploads/582/180415\\_april\\_afta-travel-trends-report\\_final.pdf](http://www.afta.com.au/uploads/582/180415_april_afta-travel-trends-report_final.pdf)

<sup>10</sup> IATA, 2016. The Economic Impact of Increasing the Passenger Movement Charge In Australia.

<https://www.iata.org/policy/Documents/attachment-1-australia-pmc-removal-oct.pdf> Accessed: 15 November 2017

The TSRG has been established to advocate for the reform the TRS and represents all major Australian retailers and tourism stakeholders. AFTA believes that this proposal is long overdue and we call 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.

If the Government reforms the TRS it will radically improve the visitors' travel experience at airports and seaports and provide an economic boost of \$226 million over four years. The current, manual paper process for TRS claims results in long queue times, delayed flights, frustration and even accidents at airports. Australia is the only G20 country to maintain a paper based system meaning Australia is grouped with developing countries. Allowing private refund providers to operate in the TRS system would streamline administrative processes at international airports and sea terminals.

Importantly, while improving the visitor experience it will also boost revenues for Australian retailers. Modelling conducted by KPMG forecasted that this reform will also deliver an additional economic impact of \$226 million to the Australian economy and assist state, territory and Commonwealth Governments. This additional spend will also assist all Governments to fulfil their election commitments to double overnight visitor expenditure by 2020.

**Figure 2 - Australia and Singapore shopping market share of Chinese travellers.**



The TSRG believes that this approach will drive tourist shopping and facilitate product development for international visitors, leading to increased spending by international visitors. As demonstrated in Figure 4, Australia's share of the lucrative Chinese shopping market is 35% smaller than that of Singapore. Feedback from the retail Sector and visitors detail that the lack of private operated TRS which can drive inbound sales and provide customised services is a reason for this.



## 8. Tourism target beyond 2020.

AFTA supports the positions put forward by TTF for the next tourism strategy. The suggestions detailed in the TTF Submission provide for a comprehensive set of measurements that will serve the Sector well given its complexities.

In addition to the measurements detailed by TTF, AFTA calls on the Government to benchmark and then publish yearly market trade statistics on both inbound and outbound performance. This would provide key insights into emerging markets and allow Government to be proactive in trade negotiations to advocate for additional access if it were appropriate.

## 9. Conclusion and additional information.

AFTA again thanks the Beyond 2020 Committee for seeking and permitting the additional time for this Submission.

If the Committee requires additional information on any of the issues raised, AFTA would welcome the opportunity assist. AFTA's head of Public Policy and Strategic Partnership can provide this information if requested and can be contacted via email; [dean.long@afta.com.au](mailto:dean.long@afta.com.au) or via phone 02 9287 9911.