



# AFTA Submission to the Commonwealth Treasury

## 2020-21 Pre-Budget Submission

### JANUARY 2020



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## Foreword

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In 2018 Australians spent over \$42 billion on international travel, representing the largest import sector of the Australian economy and maintaining this position for over 10 years<sup>1</sup>. In fact, the Australian travel sector experienced YoY growth of 11.3%, and has maintained growth of 6.6% over the past five years.

Domestic tourism has also continued to grow at record rates, with spend reaching \$74.5 billion during the year ending March 2019 with the primary reason being a holiday<sup>2</sup>. Travel agencies are a major employer within the community in which they operate, employing over 30,000 Australians and contributing over \$28 billion annually to the economy.

The Australian travel sector contains businesses both large and small, ranging from ASX listed companies, including Flight Centre Travel Group Limited (FLT), Corporate Travel Management (CTD) and Helloworld Travel Ltd (HLO); and small to medium sized travel agency businesses located in both metropolitan and regional areas of Australia. There are in fact more travel agency locations throughout the country than there are Australia Post office outlets.

AFTA wishes to thank the Commonwealth Government for allowing pre-budget submissions. AFTA and the wider travel and tourism sector looks forward to working with the Commonwealth Government over the coming financial year.

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<sup>1</sup> Australia's Trade in Goods and Services 2018 <https://dfat.gov.au/trade/resources/trade-statistics/trade-in-goods-and-services/Documents/australias-goods-services-by-top-25-imports-2017-18.pdf>

<sup>2</sup> Tourism Research Australia, Latest National Visitor Survey (NVS) Results For The Year Ending March 2019 <https://www.tra.gov.au/Domestic/domestic-tourism-results>

## About AFTA

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

- ) Establish professional standards for travel agents;
- ) Stimulate and promote travel both domestically and internationally;
- ) Bring together those acting as intermediaries in the distribution of travel-related services to enhance service standards and improve business operations; and
- ) Build strong working relationships with suppliers and consumers of travel-related services

As the peak travel industry body in Australia, AFTA represents the majority of travel agencies who service both leisure and corporate travellers and who transact in a retail or online transaction model. AFTA represents the interests of its members on many local and international associations, committees and boards, to promote the benefits of inbound and outbound travel.

AFTA administers Australia's only accreditation scheme for travel agents and travel wholesalers, known as the *AFTA Travel Accreditation Scheme (ATAS)*. ATAS has been operating since July 2014 and has been endorsed by all state and territory jurisdiction 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 businesses must comply with a set of strict criteria outlined in the ATAS Charter and abide by the Code of Conduct which has been modelled on the ACCC voluntary code of conduct benchmark.

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. Research indicates 70% of all international departures are booked through a travel agent. Of those who book through a travel agent, 71% will choose an ATAS accredited travel agent over a non-accredited travel agent. In 2019, ATAS had over 2,800 accredited locations throughout Australia, representing close to 1,400 Australian businesses.

# Improve International Competitiveness

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## The Passenger Movement Charge

The Passenger Movement Charge (PMC) is currently set at \$60 and is levied on all passengers as they leave Australia, either by plane or ship, regardless of whether they intend to return to Australia. It is charged to international visitors as they leave the country as well as Australians as they head-off on an overseas trip.

The PMC was first introduced in 1995 to replace the departure tax to recover the cost of customs, immigration and quarantine processing of travellers and to fully offset the cost of issuing short-term visitor visas. Since the PMC was first established at \$27<sup>3</sup> in 1995, it has been increased five times, with the most recent increase in 2016 bringing the PMC to \$60.

The PMC collected \$1.236 billion in tax revenue in 2017/18 while associated spending on border management that same year by the Department of Home Affairs and the Department of Agriculture and Water Resources was a maximum of \$616 million, less than half of what was collected by the PMC. The over collection of this charge is going straight into consolidated revenue, and is directly affecting the competitiveness of Australia as a tourism destination.

Increasing the PMC would also raise the cost to Australian firms doing business overseas, in particular travelling to win new business and maintain existing client relationships. For Australian companies, the PMC is therefore effectively a tax on exports. Not only is it a cost that is not faced by their competitors in international markets, unlike most sales taxes for example, it is also non-recoverable. Increasing the PMC would make Australian business less competitive in the increasingly competitive Asian marketplace, particularly in the travel and tourism sector.

Given this over collection, AFTA believes that the Government should continue the process of closing this gap. The Government should rule out any increase in the PMC as it will likely have a negative impact on travel agents and airlines.

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<sup>3</sup> Passenger Movement Charge, [http://www.aph.gov.au/media/economics\\_ctte\\_BackpackerTaxBill2016](http://www.aph.gov.au/media/economics_ctte_BackpackerTaxBill2016)

| Year | Rate  | Rationale   |
|------|-------|---|
| 1995 | A\$27 | To offset the cost of customs, immigration and quarantine processing at Australia's borders and the cost of issuing short-term visitor visas. |
| 1998 | A\$30 | To meet the additional costs associated with the transit of people and goods for the Sydney 2000 Olympic Games.                               |
| 2001 | A\$38 | To fund increased passenger processing costs as part of Australia's response to the threat of the introduction of foot-and-mouth disease.     |
| 2008 | A\$47 | To partially fund national aviation security initiatives.   |
| 2012 | A\$55 | No reason provided.   |
| 2017 | A\$60 | No reason provided.   |

Figure 1 – Passenger Movement increases.

**Action:**

**AFTA calls on the Commonwealth Government to maintain the current level of taxation with the PMC, and confirm there will be no increase until the revenue collected is matched to the cost of administering the services.**

## Passenger Facilitation

The first impression international visitors have of Australia is the experience they receive coming through the airport. A positive impact increases the likelihood of return and word-of-mouth testimonials to other potential visitors.

AFTA acknowledges strong efforts by the Department of Immigration and Border Protection (DIBP), Australian Border Force (ABF), and the Department of Agriculture and Water Resources to simplify and streamline the processes at our international airports. We also acknowledge the vital importance of effective quarantine and border control.

Progress has been made through the continuing roll-out of inbound and outbound SmartGates, and is a welcome development in the improvement in passenger facilitation in Australia.

However, AFTA maintains that the use of ABF officers to perform the function of checking passengers' rights to fly is inefficient. The ABF's strategy of using electronic barriers using facial biometric technology (SmartGates) for face-to-passport verification to process low risk travellers has allowed more high risk travellers to be intercepted and therefore further securing Australia's border.

AFTA urges the Government to continue the delivery of the next generation of Automated Border Control passenger-processing technology. The Government decision to invest in the latest innovation with an external provider will assist the DIBP to collect and verify biometric data from passengers arriving and departing

Australia. AFTA believes that this investment will allow the ABF to move to the industry's desired state of travellers to self-process through the border without the need to physically use a passport.

**Action:**

**AFTA supports the current trial of contactless smart gates for inbound international travellers which will enable faster processing through immigration, and urges Government to maintain funding for the future traveller and SmartGate programs.**

## Reform the Tourist Refund Scheme

The out-dated Tourism Refund Scheme (TRS) is an embarrassment to Australia. Departing tourists are being delayed by long queues while they wait for paper-based manual processing of their goods and services tax (GST) refunds. The system is delaying the departure of international flights and leaves a negative final impression of Australia.

Shopping is a key holiday attraction for many tourists particularly from Asia and our out-dated system is a deterrent to return visits. This issue has been discussed for many years while competitors have forged ahead with simple quick online processing.

The Tourism Shopping Reform Group (TSRG) has been established to advocate for the reform of the TRS and represents all major Australian retailers and tourism stakeholders. AFTA believes that this reform 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.

This reform will release Border Force resources currently allocated to the government scheme to undertake frontline operations, while reducing delays at airports and improving the shopping experience for tourists.

**Action:**

**AFTA and the TSRG calls upon the Federal Government to reform Australia's GST Tourist Refund Scheme to provide an open, competitive system by private refund operators. This reform will drive tourist shopping and product development to international visitors and allow reimbursement whilst visitors are still in Australia.**



## Greater support for Consular Services

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### Consular Services

For the past 16 years, the travel industry and the Department of Foreign Affairs and Trade (DFAT) have been working together to ensure that when Australians take an overseas trip they take out travel insurance, ensure their vaccinations are up to date, and make sure the destinations they are wanting to travel to are safe.

AFTA's members know that the services provided by DFAT are pivotal in ensuring Australians travel safely with the appropriate safety net.

AFTA members are the first point of information for travellers seeking to travel internationally and therefore have firsthand information on their requirements. AFTA engages with the Consular Consultative Committee with the aim of lowering the number of Australian's requiring assistance while abroad.

To achieve this AFTA works in partnership with DFAT to improve how the department engages with travellers who are more likely to undertake high risk activity. AFTA completes this on behalf of the travel sector as part of our industry's obligation to the Australian community. AFTA regularly supports DFAT messaging via our social media channels and member communication.

The continuation of support for Consular services is critical to traveller support. AFTA wishes to continue to work with DFAT to educate Australian travellers on the importance of travel insurance, and their responsibilities associated with travelling to high risk destinations with the aim of lowering traveller's need to access these services.

**Action:**

**AFTA calls on the Commonwealth Government to maintain the appropriation to the programs associated with Smarttraveller and Consular Services.**



## Passport Fees

Australians are travelling at record rates with over 57%<sup>4</sup> of the Australian population currently holding a passport. On January 1 2019, the passport fee for a 10-year Australian adult travel book rose to \$293, up from \$282. The cost of a new passport – which is tied to CPI – has increased 41 per cent over the past decade from the 2008 fee of \$200.

The passport remains a must have identification document for personal and business travel and the Australian Government continues to raise the cost to be one of the highest in the world. Given that the price of Australian passports is now on average 112% more expensive than our major trading partners, the Government should seek to reduce the cost of living pressure by not applying the CPI increase in 2020 – 2021.

While the fees associated with a passport may not drive demand, high passport fees reduce the discretionary money available to spend on travel and the wider economy. For a family of four Australians travelling internationally, passport applications represent a significant initial outlay of \$882. For lower income families, this is a considerable investment and can influence international travel plans and does increase the cost of travel for Australians.

**Action:**

**AFTA calls upon the Commonwealth Government to freeze the cost of passports for the 2020-21 Budget.**

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<sup>4</sup> 2018-19 Passport Facts <https://www.passports.gov.au/2018-19-passport-facts>

## Education

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### Apprenticeships

Over the last decade both Federal and State funding of Vocational Education Training (VET) has declined and student engagement with the sector has declined. Government has recognised the need to improve student and industry perceptions and engagement with the VET sector.

Apprenticeships play an important role in encouraging employers to consider a work integrated learning model to skills development. Incentives encourage employers to enter into a work integrated learning, training and employment arrangement to develop skills with a high productivity value across the economy.

The current review of the National Skills Needs List (NSNL) by the Department of Employment, Skills, Small and Family Business, brings apprenticeship incentives into focus and it is important that no matter the outcome of the review, base apprenticeship incentives, currently set at \$1,500 on commencement and \$2,500 on completion, should not be removed or reduced.

Apprenticeships and traineeships have the highest graduate employment outcomes across all VET qualification options and most higher education qualification options. This delivers a long-term economic dividend for both the community and the individual. Apprenticeships offer suitable pathways for school to work transition, combining a continuation of structured learning alongside work experience within a model where the student receives remuneration, and the employer has access to pay rates that reflect the work/training nature of the employment relationship.

AFTA has also been participating in the Austrade Tourism Labour and Skills Roundtable over the past 12 months. The Roundtable has brought together industry and relevant Federal and some State departments to look for solutions to critical labour force and skills shortages and will result in recommendations to Ministers. AFTA recommends that the Government commit to implementing the recommendations of the Roundtable including providing funding for implementation.

**Action:**

**AFTA urges the Commonwealth Government to commit to long-term, consistent funding of VET which delivers real funding increases that ensures the economy's skill needs are met.**

## Hayne Reform

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AFTA congratulates the Government on their ongoing reform agenda and recommendations from The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, led by Commissioner Hayne (Hayne). The report, published in February 2019, contained 76 recommendations across 4 key industry segments: banking, financial advice, superannuation and insurance, with the Commonwealth Government committing to implement all of the Royal Commission's recommendations.

### Add-On Insurance (AOI)

Following on from the Hayne Royal Commission report, the Government and, in particular, Federal Treasury released a Proposal Paper in September 2019, *Reforms to the sale of add-on insurance products*, calling for the introduction of a deferred sales model for add-on insurance (AOI). If this model were to be applied to travel agents, it would impose a four-day deferral period which consumers could not be sold travel insurance, from the time consumers financially commit to purchase the related travel products.

AFTA welcomed the opportunity to contribute to the consultation process, publishing a detailed submission distinguishing travel agents from other segments of the travel insurance market, and recommending that add-on travel insurance distributed through travel agents be given a statutory exemption in the proposed Tier 3 category.

AFTA members play a key role in distributing travel insurance products to Australian travellers so that they can make travel plans without having to set aside additional funds for a catastrophe during their trip. Surveys indicate that 20% of consumers source their travel insurance through travel agents, and the Department of Foreign Affairs and Trade (DFAT) continues to acknowledge the important role that travel agents play in the distribution of travel insurance.

The importance of travel insurance cannot be overstated in helping travellers avoid the costs of nightmare scenarios, stemming from lack of insurance coverage in foreign jurisdictions, and in reducing the amount of public expenditure on consular assistance. It would not be in the public interest to have a deferred sales model create:

- ) A system where travellers with imminent departures opt out of travel insurance altogether;
- ) An additional window of travel underinsurance during the four-day deferral period; or
- ) Additional instances of underinsurance resulting from traveller apathy and procrastination.

AFTA calls on the Government to support the travel agent community for the sale of travel insurance under an exemption from the reform being suggested. AFTA's submission outlines the current market, reasons why travel agents remain well placed for this exemption, and the value consumers gain by being able to continue to access travel insurance from agents.

**Action:**

**AFTA recommends that add-on travel insurance distributed through travel agents should be given statutory exemption in the proposed Tier 3 category, as there is overwhelming evidence that it is good value for money, is sold in a competitive market, is well understood by consumers, and there would be a high risk of underinsurance if the four-day deferred sale was applied.**

## Removal of Point of Sale (POS) exemption

Consumers making large purchases sometimes borrow money in order to pay the price at the point of sale and not at the lender's premises. In this situation, the *National Consumer Credit Protection Regulations 2010 (NCR)*, provides an exemption from the requirement to hold a credit license for suppliers who arrange credit for their customers, on behalf of a 'linked credit provider', to be used predominately to pay for goods or services provided by the supplier.

This arrangement is known as the 'point of sale' exemption, and there are a number of strict conditions that must be met before it can be applied.

AFTA has been administering Australia's only accreditation scheme for travel agents and travel wholesalers, known as the AFTA Travel Accreditation Scheme (ATAS) since 2014, following the deregulation of the eight separate legislative regimes governing travel agents from state and territory jurisdiction. ATAS has been endorsed by all state and territory jurisdiction consumer affairs and fair trading departments.

ATAS accredited travel businesses must comply with a set of strict criteria outlined in the ATAS Charter and abide by the Code of Conduct which has been modelled on the ACCC voluntary code of conduct benchmark. There is no evidence to suggest a problem in the travel sector.

The travel industry has a long track record of referring consumers to a third party credit provider, who assesses their financial situation and recommends a product that meets their needs. This payment opportunity provides consumers with a low-interest payment option for their travel, allowing flexibility and freedom to book and pay for their booking.

If the POS exemption is removed, retail travel agents offering finance will need an Australian Credit Licence holder in store at all times; alternatively, they may become Authorised Representatives of an ACL holder. Both of these options entail significant costs and resources.

**Action:**

**AFTA recommends that travel agents be exempt from holding an Australian Credit Licence, as there is sufficient consumer protection within the sales process.**

# Rebuilding Australian Tourism

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## Morrison Government's National Bushfire Recovery Fund

The recent bushfires have dealt the biggest reputational blow to Australia's tourism industry that it has ever faced internationally. The early bushfire season saw fires across several states burning through hundreds of thousands of hectares and destroying hundreds of properties. The devastation to homes, destruction to the natural environment, and the loss of lives cannot be overlooked.

AFTA acknowledges and commends the Government on the delivery of the initial \$76 million tourism recovery package to protect jobs, small businesses and local economies by helping get tourists travelling across Australia again.

The Government is to be congratulated for its strong engagement with industry and its prompt action. The package recognises the need to act immediately to send a positive message that Australia is "Open for Business".

AFTA urges the Government to maintain a strong focus on domestic tourism, to encourage people to explore the almost endless number of amazing destinations across our country that despite the fires are accessible, open for business and desperately need visitors to keep coming.

For the travel industry, this plan presents an opportunity to be involved in the national recovery efforts by ensuring that agencies, consultants and advisors are tuned in and up to speed on the various offers with domestic holiday options.

What is most important, is that the \$76 million tourism recovery package is delivered to where it is needed most, Australian based businesses advocating for domestic tourism.

ATAS accredited travel agents comply with a set of strict criteria, modelled on the ACCC voluntary code of conduct benchmark. The entire network of ATAS accredited travel agents are fully compliant with Australian taxation legislation and the Australian Consumer Law, and include regionally based small businesses, large corporate geographically dispersed locations and online travel agents.

ATAS accredited travel agents strongly believe in a thriving domestic tourism industry, and are committed to advocating for the benefits of travelling on home soil to both businesses and travellers.

Tourism is and will continue to be the fundamental economic powerhouse for Australia, and the Australian travel agency network is ready to support and advise domestic travellers in any way they can.

**Action:**

**AFTA recommends that the ongoing campaign by government include Australian based travel agency businesses for distribution arrangements and to be caution of including non-Australian overseas companies to distribute holiday content to Australians looking to holiday in Australia.**

**The ATAS network of travel agents include regionally based small businesses, large corporate geographically dispersed locations and online travel agents – all Australian companies fully compliant with Australian taxation legislation and the Australian Consumer Law.**



## Summary of Recommendations

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AFTA wishes to thank the Commonwealth Government for allowing pre-budget submissions. AFTA and the wider travel and tourism sector looks forward to working with the Commonwealth Government over the coming financial year.

1. AFTA calls on the Commonwealth Government to maintain the current level of taxation with the PMC, and confirm there will be no increase until the revenue collected is matched to the cost of administering the services.
2. AFTA supports the current trial of contactless SmartGates for inbound international travellers which will enable faster processing through immigration, and urges Government to maintain funding for the future traveller and SmartGate programs.
3. AFTA and the TSRG calls upon the Federal Government to reform Australia's GST Tourist Refund Scheme to provide an open, competitive system by private refund operators. This reform will drive tourist shopping and product development to international visitors and allow reimbursement whilst visitors are still in Australia.
4. AFTA calls on the Commonwealth Government to maintain the appropriation to the programs associated with Smarttraveller and Consular Services.
5. AFTA calls upon the Commonwealth Government to freeze the cost of passports for the 2020-21 Budget.
6. AFTA urges the Commonwealth Government to commit to long-term, consistent funding of VET which delivers real funding increases that ensures the economy's skill needs are met.
7. AFTA recommends that add-on travel insurance distributed through travel agents should be given a statutory exemption in the proposed Tier 3 category, as there is overwhelming evidence that it is good value for money, is sold in a competitive market, is well understood by consumers, and there would be a high risk of underinsurance if the four-day deferred sale was applied.
8. AFTA recommends that travel agents be exempt from holding an Australian Credit Licence, as there is sufficient consumer protection within the sales process.

9. AFTA recommends that the ongoing campaign by government include Australian based travel agency businesses for distribution arrangements and to be caution of including non-Australian overseas companies to distribute holiday content looking to holiday in Australia. The ATAS network of travel agents include regionally based physical small businesses, large corporate geographically dispersed locations and online travel agents – all Australian companies fully compliant with Australian taxation legislation and the Australian Consumer Law.