



## National Tourism Alliance

26 November 2013

Mr Tony Shepherd AO  
Chair  
National Commission of Audit

By email: [submissions@ncoa.gov.au](mailto:submissions@ncoa.gov.au)

Dear Mr Shepherd

### **RE: National Commission of Audit**

Thank you for the opportunity to make a submission to the National Commission of Audit.

I am writing on behalf of the National Tourism Alliance (NTA), whose membership comprises national and state industry associations who together represent the interests of an industry with 280,000 businesses in Australia; around 90% of these are small businesses, and about half of them are in regional areas.

Tourism is an integral component of the Australian economy, contributing \$41 billion to Australia's GDP. Tourism generates \$25.5 billion in export earnings (representing 8 per cent of total exports). Total consumption of tourism goods and services in Australia is \$106.6 billion. Tourism makes a valuable contribution to regional Australia, with 46 cents in every dollar of domestic tourism expenditure being spent in regional Australia. Tourism related employment in regional areas generates over 200,000 jobs and provides more jobs for Australians than mining, agriculture, forestry and fishing.

The NTA's members have a significant interest in a number of policy issues affecting the industry. For the purpose of this submission, we would like the Commission to deliberate on two key policy areas, namely discretionary grants and the Tourism Refund Scheme (TRS). We would welcome further consultation during your deliberations to ensure grants programs are re-focussed to drive demand for tourism services, in line with the Coalition's Tourism Policy.

Please find following a briefing paper for your reference and consideration as part of the National Commission of Audit.

Should you have any queries or require any further information, please feel free to contact me on [REDACTED] or by email at [REDACTED]

Yours sincerely

[REDACTED]  
[REDACTED]  
Chief Executive Officer

### ***National Tourism Alliance - Background***

*The National Tourism Alliance represents industry associations with an interest in Australia's tourism and hospitality industry. Tourism and hospitality contribute \$41 billion to Australia's GDP and generate \$25.5 billion in export earnings, representing 8% of total exports. Tourism and hospitality businesses employ 1,000,000 Australians, almost 8% of total employment in this country. The total consumption of tourism goods and services in Australia by domestic and international visitors is \$106.6 billion.*

*Tourism and hospitality are particularly important to regional communities, as well as capital cities. Australians spend \$50 billion on overnight domestic travel and over half of this is spent in regional areas, making a valuable and essential contribution to Australia's regions.*

*There are 280,000 businesses in Australia who are dependent upon or connected to tourism and hospitality; around 90% of these are small businesses, and about half of them are in regional areas.*

### **NATIONAL TOURISM ALLIANCE MEMBERS**

- AAA Tourism
- Accommodation Association of Australia
- Australian Regional Tourism Network
- Australian Tourism Export Council
- Caravan, RV & Accommodation Industry of Australia
- Queensland Tourism Industry Council
- Restaurant & Catering Australia
- South Australian Tourism Industry Council
- Tourism Accommodation Australia (AHA)
- Tourism Council ACT and Region
- Tourism Council Western Australia
- Tourism Industry Council NSW
- Tourism Industry Council Tasmania
- Victoria Tourism Industry Council

## **BRIEFING PAPER: COMMISSION OF AUDIT**

### **1. DISCRETIONARY GRANTS**

#### **The NTA members submit that:**

The tourism industry would greatly benefit from a review to the administration of the grants program, to enhance its effectiveness as a key tool for ongoing industry development. In particular:

- A commitment from Government to maintain the real value of the grants program, to ensure that the quantum of funds committed is responsive to inflationary pressures;
- A review of the dollar-for-dollar matched funding requirements from grant recipients, to acknowledge the impact of the weaker economic climate and the high Australian dollar on the capital adequacy of SMEs in the tourism industry;
- Removal of the provisions that ‘Suggestions submitted to the Department become the property of the Commonwealth Government and [...] there is no guarantee that the person or organisation who suggested the project will receive the grant to deliver the project if the project is funded’;
- Introduction of an industry role in prioritising where funding is directed, such as an industry advisory council, in the context of development the new grants program;
- An explicit requirement that grants be linked to areas, regions or destinations that have a Destination Management Plan in place;
- Consultation on the definitions and criteria in the new grants program’s ‘demand drivers’. The NTA’s members have significant experience and industry knowledge that would help devise a renewed program that ‘maximises the benefits from any government investment in tourism.’

#### **a) Rationale for a continued Tourism Grants Program**

A recent report by Deloitte Access Economics, ‘Positioning for Prosperity?’, found that tourism is expected to be the country’s second fastest growing industry over the next 20 years, with 4.08 per cent annual growth in output eclipsed only by the gas industry. In light of this forecast, continued funding and discretionary grants for the tourism industry is important. The industry’s current and potential contribution to the national economy will assist the Government in its aim to improve productivity and pay down debt.

Tourism is a good investment. Tourism Research Australia’s 2012 report *Tourism’s Contribution to the Australian Economy, 1997–98 to 2010–11*, states that “tourism’s total output multiplier was valued at 1.92. This means that for every dollar tourism earns directly

in the Australian economy, it value adds an additional 92 cents to other parts of the economy. At 1.92, tourism's total multiplier is larger than other important industries such as *Mining* (1.67), *Retail trade* (1.81) and *Education and training* (1.38)." A high value of this multiplier indicates that a higher indirect value is created in the economy.

The Coalition's Tourism Policy's stated aim is to 'maximise the benefits from any government investment in tourism', with an intention to 'refocus funding for existing tourism grant programs on demand-driver infrastructure to ensure that the benefits of any government investment can be multiplied across the tourism sector, including accommodation, aviation and hospitality'.

The NTA and its members welcome the direct support provided by the Federal Government to the industry through the grants program. The NTA would welcome ongoing industry engagement and consultation on the definitions and criteria of the proposed renewed grants program.

Grants programs are an essential source of funding for businesses within the Australian visitor economy that seek to innovate and enhance their product offering to domestic and international visitors.

The tourism industry in Australia primarily comprises small and medium enterprises (SMEs), who operate on modest turnovers. These businesses are highly exposed to the volatile global economy and multi-speed Australian economy and as a result, bear much of the brunt of falling demand for travel domestically and within mature international markets.

Furthermore, as Australia's largest export services sector, tourism businesses are particularly impacted by the high exchange rate of the Australian Dollar.

**b) It is important to link grants to Destination Management Plans.**

The success of a destination relies on a coordinated approach to the planning, development, management and marketing of a destination. A clearly defined destination management structure and plan provides destination managers and stakeholders with a place to negotiate economically sustainable destination development, ongoing management and effective destination marketing outcomes.

Commonwealth grants should be linked to destinations which provide evidence of management plans, with strong stakeholder buy-in. In this way, the Government can maximise the dollar value of the funding, leverage existing investment and development, and reward those who demonstrate best practice in the areas of destination planning, management, development and marketing.

### **c) Reviewing the structure of grants**

Like a vast majority of Federal and State/Territory Government, grants programs require applicants to provide dollar-for-dollar matched funding. Whilst the NTA acknowledges the rationale behind dollar-for-dollar matched funding requirements, this requirement is currently putting the grants program out of the reach of many in the tourism industry. Given the high proportion of SME tourist businesses and operators in the industry, the cumulative impact of flat demand within the domestic and mature international markets (such as the United States and Japan), coupled with the impost of the Carbon Tax and the high Australian Dollar, has adversely impacted the capital adequacy of many Australian tourist operators.

The current economic climate is limiting the available capital of small Australian tourism operators to make the necessary investments that would justify qualification for financial assistance under one of the grants programs. As such, innovative and much needed ideas are not passing the conceptual phase as industry members cannot afford to make the necessary co-investment.

### **d) Consulting industry on future grants funding under a Coalition Government**

The NTA members welcome the Government's willingness to consult with the Australian tourism industry to help further develop a grants policy platform, in part through this National Commission of Audit. Ongoing industry consultation will assist the government with its policy aim to 'maximise the benefits from any government investment in tourism.'

## **2. TOURIST REFUND SCHEME**

Additional improvements to Federal Government productivity and efficiency can also be achieved through the outsourcing of functions currently being undertaken by the Commonwealth. The Tourist Refund Scheme (TRS) is an example of the potential cost savings that would be derived by outsourcing the scheme to private operators.

Australia's TRS is currently administered by the Australian Customs and Border Protection Service (Customs) on the behalf of the Australian Taxation Office (ATO). As such, government meets 100 per cent of the administrative costs associated with providing this service to departing international travellers. This is an antiquated practice by international standards, where governments predominantly outsource TRS operation to experienced private sector operators, with travellers meeting the cost of the scheme through a commission levied on the GST refund amount.

## **The NTA and its members submit that:**

- The Federal Government consider reforming Australia's GST Tourist Refund Scheme (TRS) to allow competition by private refund operators that will drive tourist shopping and product development to international visitors and allow reimbursement whilst visitors are still in Australia.

## **Rationale**

The issue of reforming the TRS has been on the Federal Government's agenda for more than five years. The NTA supports the Tourism Shopping Reform Group (TSRG) in its calls to implement key enhancements to tourism shopping arrangements in Australia.

The TRS should be opened up to private operators, as is the case in 42 other countries, allowing for a more cost effective and efficient refund processing scheme. Australia currently lags behind many other countries around the world, where private providers operate a more efficient TRS. Australia is one of four countries that still operate a Government-run TRS, along with Thailand, Indonesia and Taiwan.

A private provider platform will enable innovations that can enhance Australia as a tourism shopping destination, helping to increase the yield by international visitors whilst in Australia. Private refund providers in tourism destinations are fundamental in the promotion of shopping as a key aspect of the tourism experience for international travelers. Australia would be better placed to compete with our Asia-Pacific neighbours who already reap the benefits of private refund providers, who actively market the destination's shopping opportunities directly to prospective international travellers within their home countries. The current government-run scheme is unable to do this.

Industry is not calling for any structural changes to TRS entitlements (such as an adjustment to the minimum claim threshold). Such changes would likely trigger requirements for changes to relevant legislation or regulation, and formal State/Territory Government involvement in the reform process. It is understood that a former Federal Government has previously ruled out adjusting the minimum claim threshold of \$300 and extending the coverage of the TRS to services within the visitor economy (such as accommodation and transport). Furthermore, the Commonwealth and the states/territories have recently agreed to extend the maximum claim period from 30 days to 60 days prior to departure and have enabled travellers to aggregate multiple receipts from a single retailer to meet the \$300 minimum threshold.

Enhancements to the current arrangements would allow private providers' entry to the TRS. Unlike the current scheme administered by Customs, private refund providers will have the incentive to actively market the TRS as a service offering to international travellers. As such, private providers will affiliate with Australian retailers and promote retail shopping directly to international travellers through their existing marketing channels throughout the world.

These activities will drive tourist shopping and product development to international visitors and allow reimbursement while visitors are still in Australia. Economic modelling

commissioned by the TSRG demonstrates that a doubling of the current TRS take up rate of 3.6 per cent of all departing international travellers to 7 per cent will result in considerable additional activity within the visitor economy. The modelling demonstrates that this small enhancement has the ability to generate an additional \$226 million of visitor economy expenditure, and attract an addition 18,000 international visitors to Australia per year.

Furthermore, changes to the operation model for Australia's TRS will reduce administrative costs to Federal and State taxpayers, and enhance the tourism shopping experience in Australia.

A digital TRS system, as was recently introduced in Singapore, will improve customer service, enhance fraud protection and provide savings for the Australian Customs and Border Protection Service (Customs). The potential cost savings derived from outsourcing the TRS to private operators warrants closer examination.

Reforming the TRS by allowing private providers into the market meets with the Government's aim to 'identify areas or programs where Commonwealth involvement is inappropriate or no longer needed' and 'improve the overall efficiency and effectiveness with which government services are delivered'.

This proposed reform presents an implementable system that meets the Commission's remit for efficiency and productivity improvements across all areas of Government expenditure. TRS reform will, in line with the Commission's Audit scope, will enable the 'adoption of new technologies in service delivery and within government' and 'rationalising the service delivery footprint to ensure better, more productive and efficient service for stakeholders'.

The proposed TRS reform also meets the Commission's remit to 'identify options for continuous assessment of programs, agencies and performance'. Furthermore, it is an area that falls within the Commission's goal to 'identify where there remains a compelling case for the activity to continue to be undertaken; and if so, whether there is a strong case for continued direct involvement of government, or whether the activity could be undertaken more efficiently by the private sector, the not-for-profit sector, the States or local government'. Importantly, this reform will enable Australia to 'catch up' with other countries around the world that have long-realised the benefits of industry providing this service rather than government. Whilst government will retain responsibility for export verification functions, industry is far better placed to efficiently provide refunds to the traveller.

This reform is publicly supported by the NSW Government, Western Australian Government, ACT Government and Queensland Government. Each of these governments have formally expressed their support in writing and a copy of these letters is available on request.

**NATIONAL TOURISM ALLIANCE  
26 NOVEMBER 2013**