



Senate Legal and Constitutional Affairs Committee Inquiry –
Passenger Movement Charge Amendment Bill 2012

Submission of the
Accommodation Association of Australia

Accommodation Association of Australia – Principal Contact
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EXECUTIVE SUMMARY

- There should be a broader debate about the merits or otherwise of recalibrating the Passenger Movement Charge so that it benefits domestic tourism.

INTRODUCTION

1. The Accommodation Association of Australia welcomes the opportunity to put forward the following formal submission to be considered as part of the Senate Legal and Constitutional Affairs Committee Inquiry into the Passenger Movement Charge Amendment Bill 2012 (PMC Bill).

ABOUT THE ACCOMMODATION ASSOCIATION

2. The Accommodation Association of Australia (the Accommodation Association) is the national industry body for the Australian accommodation industry.
3. Members of the Accommodation Association include major hotels, resorts, motels, motor inns, serviced and holiday apartments, bed and breakfasts, guesthouses, backpackers and timeshare establishments in metropolitan, regional and rural Australia across all states and territories.
4. The Association's membership base includes almost 2000 properties and more than 110,000 guest rooms.
5. The Association's members include major hotel chains, including Accor Hotels, Mirvac Hotels and Resorts, Hilton Hotels, Toga Hospitality, Mantra Group, Rydges Hotels, Amora Hotels, InterContinental Hotels Group, 8Hotels and Quest Serviced Apartments.

TOURISM AND ACCOMMODATION – OVERVIEW

6. Tourism contributes \$34 billion to Australia's gross domestic product (GDP), a 2.6 per cent share.¹
7. Around 500,000 Australians are employed in the Australian tourism industry – 4.5 per cent of total employment.²
8. Employment within Australia's accommodation sector is 110,969.³
9. Tourism is Australia's leading services export and it is the sixth-largest total export earner.⁴
10. Tourism contributes \$23 billion or 9 per cent of Australia's total export earnings for all goods and services.⁵
11. There are 4279 tourism accommodation establishments in Australia.⁶
12. There are 227,320 tourism accommodation rooms within Australia and 640,454 bed spaces.⁷

¹ Tourism Industry Facts & Figures (at a glance), Department of Resources, Energy and Tourism/Tourism Research Australia, May 2011, Page 44

² Ibid, Page 44

³ Ibid, Page 55

⁴ Ibid, Page 45

⁵ Ibid, Page 45

⁶ Ibid, Page 55

⁷ Ibid, Page 55

13. Tourism's share of the Australian economy has been declining.
14. The number of domestic overnight trips taken by Australians has fallen by 1.1 per cent on average each year over the period 2001-2010.⁸
15. The total number of domestic visitor nights fell by 1.2 per cent on average each year between 2001-2010.⁹
16. Tourism has a number of unique characteristics in comparison to other industries. These include:
 - It is highly labour intensive;
 - It requires the input of many service providers into a single "product" to the end consumer;
 - It is dominated by a significant number of small businesses;
 - Tourism competes against all other discretionary expenditures for the "hearts and minds" expenditure of the consumer; and
 - Tourism businesses operate in a highly complex environment requiring significant compliance skills and costs.

⁸ Ibid, Page 26

⁹ Ibid, Page 26

PASSENGER MOVEMENT CHARGE – BACKGROUND

17. In 1995, the Passenger Movement Charge (PMC) replaced departure tax within Australia.
18. In essence, the PMC remains a departure tax as it is imposed on a person who is departing Australia to another country, regardless of whether or not the person intends to return to Australia.
19. The original purpose of the PMC was to fund costs incurred by Federal Government agencies when they process international passengers, namely Customs, immigration and quarantine.
20. At its inception (in 1995), the PMC was \$27 per departing passenger.
21. Since, then the PMC has risen on several occasions:
 - 1999: Increased to \$30 (to cover additional processing costs due to the Sydney Olympics in 2000);
 - 2001: \$38 (foot and mouth disease);
 - 2008: \$47; and
 - 1 July 2012 (proposed) \$55.
22. The legislation to give effect to the latest proposed increase is the PMC Bill, which is being scrutinised by this inquiry.
23. From 2013-14 on, the PMC is to be indexed annually in line with the consumer price index.
24. The 2012-13 Federal Budget papers reveal that the PMC is expected to raise \$610 million over the next four years.
25. Despite close links between the PMC and tourism, funds raised by the collection of the tax go directly to consolidated revenue. This means that any funding collected as a result of the PMC which is greater than cost recovery is not allocated to directly benefit tourism.

PASSENGER MOVEMENT CHARGE – POLICY POSITION

26. Australia's accommodation industry is fundamentally opposed to the PMC because it is a virtual tax on tourism.
27. This "tourism tax" has a direct negative impact on visitor numbers which in turn has a detrimental effect on room occupancy and revenue per available room (RevPAR) in tourism accommodation businesses.
28. In 2010, outbound tourism (departures for overseas from Australia) increased by 13.2 per cent, while inbound tourism (international visitor arrivals to Australia) increased by 5.4 per cent.
29. Since 2008, the number of outbound passengers has outstripped the number of inbound visitors and this is a gap that continues to widen.
30. Given that the Federal Government has indicated that the PMC will be retained, the Accommodation Association has developed a policy position which is designed to benefit domestic tourism while remaining revenue neutral.
31. This position was articulated in the Association's 2012-13 Pre-Budget Submission.

32. Specifically, the Accommodation Association is advocating for consideration being given to focusing the financial impost of the PMC on outbound travellers for the benefit of domestic tourism.
33. As far leisure tourism is concerned, the growing gulf between the number of international departures and arrivals confirms that more Australians are making a conscious decision to travel overseas in preference to domestic travel, reducing the benefits of tourism to the Australian economy. Decisions to travel overseas are made because of the high Australian dollar, the relatively low cost of overseas destinations and a range of other factors.
34. It is highly likely that such travellers will not be deterred from going overseas by having to pay an even higher PMC, but for international visitors to Australia who are forced to pay the PMC on their departure from Australia, this remains an issue because it effectively penalises inbound tourism.
35. Therefore, it is the Association's position that consideration should be given to there being a broader debate about the merits or otherwise of increasing the PMC for persons who have been in Australia for more than three months (i.e. Australians travelling overseas) and reducing it for persons who have been here for less than three months (i.e. international visitors).
36. Such a debate should involve careful analysis of the long-term future of domestic tourism within Australia in comparison to outbound travel, particularly to emerging destinations such as many within Asia.

PASSENGER MOVEMENT CHARGE – WHY IT HURTS TOURISM ACCOMMODATION BUSINESSES

37. As stated above, a higher PMC directly equates to less visitor numbers and lower occupancy and average room rates in tourism accommodation businesses.
38. Given it is already widely acknowledged that Australia is a high-cost tourism destination, adding to these costs through a higher PMC creates an additional reason why overseas consumers will choose not to travel to Australia.
39. Of particular concern is the imposition of the PMC as part of the cost to consumers of shorter international flights to destinations such as New Zealand and Asia.
40. According to the Tourism and Transport Forum, the proposed increase in the PMC will mean a family of four from New Zealand which travels to Australia will pay more than \$NZ280 in departure tax (PMC).¹⁰ In some instances, this amount is higher than the cost of a single individual ticket on a flight from Australia to New Zealand.
41. Examples like this illustrate why the latest proposed increase in the PMC will further reduce Australia's competitiveness as an international tourism destination and therefore, hurt our tourism industry.

¹⁰ Cash for Cars – Taxes for Tourism, Media Release, Tourism and Transport Forum, 8 May 2012

PASSENGER MOVEMENT CHARGE – ADDITIONAL REVENUE

- 42. The Accommodation Association does not support any additional revenue beyond cost recovery being collected through the PMC.
- 43. However, in the event that there is to be additional revenue raised by increasing the amount of the PMC or if the PMC is to be recalibrated, then this extra funding should be quarantined specifically to benefit the slowing domestic tourism industry.
- 44. For example, additional funds generated could be used to fund proposed tax relief on refurbishment and/or development of tourism accommodation properties in Australia.
- 45. The Accommodation Association notes that in the 2012-13 Budget, the Government allocated \$61 million over four years to Tourism Australia to establish an Asia Marketing Fund. The industry welcomes this initiative and in particular, that the funding is to be targeted for tourism promotion in emerging markets in this region.

CONCLUSION

- 46. The Accommodation Association looks forward to further engagement with the Committee on the issues raised in this submission which are of significant importance to Australia's accommodation industry.

Date: 1 June 2012