

## **“Backpacker Tax” Senate Inquiry Public Hearing – 31/10/16**

### **Ben Woodward, The CaPTA Group**

The CaPTA Group is the largest family owned and operated tourism company in North Queensland, consisting of 4 attractions (Rainforestation Nature Park, Wildlife Habitat, Australian Butterfly Sanctuary, and Cairns ZOOM & Wildlife Dome) and 2 touring companies (Tropic Wings Cairns Tours, and Jungle Tours & Trekking).

We have been active players in the Youth, Backpacker and Adventure Travel Market for several decades, and continue a strong presence in these markets with Jungle Tours and Cairns ZOOM & Wildlife Dome in particular.

Jungle Tours operates day and extended tours to Cape Tribulation and the Daintree for this market, whilst Cairns ZOOM offers a unique combination of adventure and wildlife via a Ropes Challenge Course located within a conveniently CBD located wildlife park.

We also operate a Wildlife Volunteer Program at several of our parks, which attracts many younger travellers who stay on longer in Australia as Working Holiday Makers.

Whilst 2016 has seen very positive growth and recovery of the tourism in our region across all markets, the one particular market segment that is not seeing significant recovery is the Youth, Backpacker and Adventure market.

Whilst we have seen a steady increase in our Jungle Tours numbers in 2016, other operators in the market have been reporting a very soft year, with the following anecdotal observations:

- Youth / Backpacker / Adventure travellers are staying in region for a shorter period of time
- They are spreading their stay across more destinations, rather than just the traditional iconic destinations along the East Coast (eg. Cairns, Whitsundays, Byron Bay)
- Traditional backpacker hostels are experiencing increased competition from new online accommodation channels such as AirBNB
- Self-drive / budget campervan options are becoming increasingly popular alternatives to accommodation and touring
- Backpackers are still spending money on the essential “must-do” experiences (ie. reef, rainforest, adventure) however secondary activities are reporting a decline

A number of international factors may have contributed to this changing climate:

- Economic uncertainty in the EU following Brexit
- The declining AUD (which has been good for inbound tourism but not as attractive for WHM to earn)
- An increase in the WHV fee has already contributed to a decline in WHM

Whilst Australia has always been, and continues to be, a popular “must-do” destination for this market, we can’t afford to take anything for granted, and need to be mindful of this current challenging and competitive climate for this market.

The real concern is that this current trend of diminishing duration of stay and dispersal in Australia may continue, in line with the impact of the tax on the net earnings of WHMs.

Whilst it is positive that the proposed “Backpacker Tax” will be dropped from 32.5% to 19%, we still need to be mindful of where this places us with competing international destinations. New Zealand has become increasingly more popular for this market, and considering their similar tax is at a lower rate, we may see a trend of backpacker and youth travellers choosing to spend more time in NZ for a Working Holiday than in Australia.

Undoubtedly, there are a lot of sectors that rely on the employment of WHM, particularly the agricultural sector. The tourism industry also relies on seasonal employment of WHM for temporary hospitality positions in peak periods such as Chinese New Year.

Most income earned by WHM is spent in the Australian economy before departure. Certainly this is the case in our region which is ultimately a “leisure” destination for this market, where they spend their earnings on the must-do Australian experiences (reef & rainforest) following stints of agricultural work as they’ve travelled up the East Coast. The current reported decline in secondary experiences is likely to continue under the implementation of this tax.

The damage has already been done. This market consists primarily of millennials who have already heard negativity surrounding Australia’s “backpacker tax” through viral messaging and social media, which has in turn impacted their decision-making process on coming to Australia. Several of our Wildlife Volunteers from Europe who are currently doing placements with us have said that this issue was on their radar when deciding to come to Australia for their placement, and would be fair to say we have seen a slight decrease in our Wildlife Volunteer numbers as a result of this.

Positive changes to the package:

- Increasing the age of eligibility from 30 to 35
- Reducing the visa by \$50 to \$390 (but it is still more expensive than NZ & Canada WHV)
- \$10 million for Tourism Australia for dedicated backpacker tourism promotion over 2 years