



The Coalition's Policy for Tourism

September 2013

Key Points

The Coalition believes tourism is an important sector of the Australian economy and one that should be a source of economic strength and international competitiveness.

We want our tourism sector to continue employing hundreds of thousands of Australians.

The Coalition will support the tourism industry by making it easier, not harder, for the tourism sector. We will:

- abolish the carbon tax, which will reduce electricity and gas costs for tourism businesses;
- locate tourism under the Foreign Affairs and Trade portfolio;
- freeze the Passenger Movement Charge at \$55 for the whole next term of the Parliament;
- create a Minister for Trade and Investment;
- begin to restore funding to the Export Market Development Grants programme, with an initial \$50 million boost;
- allocate all funding from the Asian Marketing Fund directly to Tourism Australia rather than having those funds allocated through the Department;
- return responsibility for domestic tourism marketing to the States and Territories, while Austrade will resume responsibility for international investment attraction;
- provide \$2 million in additional funding to secure the future of Australia Week in China over the forward estimates;
- ensure the Tourism Quality Council of Australia and the T-QUAL Accreditation scheme are returned to industry; and
- cut the company tax rate by 1.5 per cent, which will see tourism businesses paying a new lower rate of 28.5 per cent from 1 July 2015.

We understand the importance of tourism and services exports to the national economy, and the fundamental role tourism plays in providing jobs, investment and growth in towns and communities right across Australia.

The Coalition is determined to support the Australian tourism industry.



Introduction

Tourism is an integral part of Australia's economy, providing employment for more than 500,000 Australians and accounting for \$107 billion of economic activity.

With more than \$25 billion in export earnings, tourism is amongst Australia's largest services export earners.

Australia is a strong international brand.

The Country Brand Index has consistently rated Australia as one of the top country brand preferences worldwide. Australia has more World Heritage natural sites than any other country and some of the world's most recognised tourism landmarks.

Tourism provides opportunities for regional and remote communities to grow jobs, diversify their economic base, and generate higher standards of living. Nearly half of total tourism expenditure occurs in the regions.

With the emergence of new and highly competitive destinations abroad, Australia's share of global tourism has fallen.

Since 2008 Australia has slipped from fourth to 11th place in the World Economic Forum Travel and Tourism Competitiveness Index rankings. Australia is now a net importer of tourism services, with more Australians heading overseas than foreigners visiting our shores.

Rather than supporting Australia's tourism industry, Labor has increased tourism taxes, driven up tourism business costs and cut funding for Tourism Australia – the agency of government charged with marketing Australia overseas.

The Coalition is determined to support the Australian tourism industry.

We understand the importance of tourism and services exports to the national economy, and the fundamental role tourism plays in providing jobs, investment and growth in towns and communities right across Australia.



The Plan

1. Rescind Labor's Carbon Tax

The Coalition will move immediately to abolish the carbon tax.

The carbon tax is detrimental to tourism industry's productivity and competitiveness because it is a tax that our international competitors do not have to pay.

The carbon tax has pushed up the price of a local holiday relative to our overseas competitors, including the cost of airfares and hotel rooms. The carbon tax is also hurting investment with Tourism Accommodation Australia revealing the carbon tax has reduced hotel profits by 12 per cent.

The carbon tax is unequivocally a tax that punishes tourism businesses for using electricity, and that increases the cost of everyday items.

This toxic, job-destroying tax punishes successful and hard-working Australian businesses, particularly trade-exposed businesses.

If Labor is re-elected, Australians will be paying more – a total of \$3,000 for the average family over the six years to mid-2020.

Abolishing the carbon tax will lift a \$9 billion a year tax burden on Australian businesses and households, result in the removal of 19 separate Acts and 1,100 pages of legislation, and unwind Labor's sprawling climate change bureaucracy.

The Coalition will not let the carbon tax destroy the tourism industry and tourism jobs.

2. Tourism will be Part of the Foreign Affairs and Trade Portfolio

The Coalition will locate tourism under the Foreign Affairs and Trade portfolio.

As Australia's largest services export, tourism deserves prominence in government.

Locating tourism under the Foreign Affairs and Trade portfolio will reduce duplication and enhance the relationship between Austrade and Tourism Australia, as well as ensuring a consistent image, branding and positioning in a global context.



3. A Freeze on the Passenger Movement Charge

The Coalition will freeze the Passenger Movement Charge at \$55 for the whole next term of the Parliament.

Labor has increased the Passenger Movement Charge twice, without warning, hitting tourists who travel to Australia with a higher tax burden. Under Labor, revenue from the Passenger Movement Charge is scheduled to rise 109 per cent.

4. A Minister for Trade and Investment

The Coalition will create a Minister for Trade and Investment, within the Department of Foreign Affairs and Trade.

The Commonwealth Government should do much more to attract investment to Australia, including foreign investment, so as to support jobs growth and the development of a diverse tourism services sector.

In addition to promoting services exports and local investment by domestic firms, the Minister for Trade and Investment will be responsible for encouraging foreign direct investment in Australian and Australian-based industries, including tourism services.

Foreign investment has been a key element in the development of Australia. It has provided critical funding to projects, business and industry that has enabled the development of a sophisticated economy centred on agriculture, financial services, mining and resources, manufacturing, tourism, and retail and wholesale services.

There is no sector in the modern Australian economy that has not benefited from foreign investment and it remains integral to Australia's economic expansion in the future.

Just like any enterprise, Australia must attract capital investment if it is to remain competitive. The Minister for Trade and Investment will be a 'sales rep' for Australia and will encourage greater inward investment in the country by:

- participating in trade missions and private sector investor 'road-shows' or capital raising ventures (at the invitation of the business or principal investor group);
- actively engaging with large multinational enterprises with the intent of promoting Australia as a favourable investment location;
- representing the Australian Government at international business fairs; and
- taking part in the negotiation of Free Trade Agreements.

The Minister will make an annual statement to Parliament outlining the quantum of new investment in Australia and the number of jobs growth.



A Minister for Trade and Investment is a recognition that Australia shouldn't just trade with the world – we should actively compete for the capital investment that underpins greater jobs growth and higher real wages.

5. Boost Australia's Export Base

The Coalition will begin to restore funding to the Export Market Development Grants programme, with an initial \$50 million boost.

The Coalition believes exports are the base for a successful services sector. We will progressively restore funding for Export Market Development Grants, with an initial \$50 million boost and look to further increases as the budget improves.

Over one in five Australian jobs are linked to trade and an increased export capacity will allow Australian manufacturers and services to grow into new and emerging markets.

This programme will assist in encouraging small and medium sized Australian manufacturers and service businesses to develop export markets.

6. Tourism Australia and the Asian Marketing Fund

The Coalition will allocate all funding from the Asian Marketing Fund directly to Tourism Australia rather than having those funds allocated through the Department.

The Coalition's commitment will remove an unnecessary layer of bureaucracy and reflects our view that Tourism Australia is best placed to make decisions about investments that promote Australia in the growing Asian region.

It was a Coalition Government that created Tourism Australia and we remain entirely committed to its important role. Support for Tourism Australia to promote Australia to the world will be a priority of the Coalition's commitment to tourism.

7. A Renewed Focus on Export Markets

The Coalition will return responsibility for domestic tourism marketing to the States and Territories, while Austrade will resume responsibility for international investment attraction.

A refocused Tourism Australia will boost our offshore marketing capacity for the consumer and business events segments. This will also increase the capacity of Business Events Australia to get business events tourists spending in Australia.



We will also provide consular and ministerial backing for bids for key international conferences.

8. More Welcoming Visa Arrangements for Chinese Tourists

The Coalition is committed to reducing the government roadblocks that are stopping more Chinese tourists travelling to Australia.

China is Australia's highest yielding inbound tourist market, worth \$3.3 billion annually.

For Chinese nationals, we will introduce online lodgement for visitor visas; work toward multiple entry visas to encourage repeat visits; and consider trialling a premium visa processing system.

9. An Ongoing Commitment to Australia Week in China

The Coalition will provide \$2 million in additional funding to secure the future of Australia Week in China over the forward estimates.

We are committed to promoting Australian tourism, trade and investment opportunities to the rapidly growing Chinese market.

Unfortunately, Labor has failed to fund this important engagement beyond the short term.

10. Lowering Company Tax

We will cut the company tax rate by 1.5 per cent, which will see tourism businesses paying a new lower rate of 28.5 per cent from 1 July 2015.

By cutting corporate taxes we will make Australian jobs more secure, boost real wage growth and make our economy stronger.

As former Treasury Secretary and personal adviser to Prime Minister Julia Gillard, Ken Henry, said at the Government's own Tax Forum in late 2011:

*"...if the company income tax were to be cut, the principal beneficiaries would be workers."*¹

¹ Ken Henry, Comment on Day 1 of Tax Forum, 4 October 2011, Parliament House; see The Australian, 'Cut Company Rate to Aid Workers, Henry Urges,' 5 October 2011.



A competitive corporate tax rate is also essential to ensure ongoing investment in our economy. According to the Government's own Business Tax Working Group, a one percentage point reduction in the company tax rate would have the following effects in the long run:

- GDP up 0.2 per cent (around \$3 billion a year);
- wages up 0.2 per cent; and
- employment up 0.1 per cent (over 10,000 jobs based on the current labour force).

The Australia's Future Tax System Review (the 'Henry Review') concluded that:

*"...company tax rates matter for investment decisions, particularly investments for which location is not critical, and decisions by firms about where to declare profits and pay tax."*²

Cutting company tax is a key part of helping tourism workers and easing cost of living pressures on Australian families, since it will flow through to better wages for employees of Australia's 750,000 companies, better returns for shareholders and lower prices.

11. Cut Red Tape Costs by \$1 Billion a Year

The Coalition will ease the burden imposed on the Australian economy by reducing red tape costs on business by at least \$1 billion a year.

Excessive regulation stifles our economic prospects and impedes the work of Australia's businesses and community organisations.

The Coalition will implement a genuine deregulation reform agenda so that industry can create more jobs and opportunities for all Australians.

One important element of the Coalition's deregulation agenda will be implementing a 'one-stop-shop' for environmental approvals, to get rid of needless and costly duplication of paperwork while retaining Australia's current high environmental standards.

Our 'one-stop-shop' will make it much easier for Australian industry to invest in new projects and to employ thousands more Australians.

² Australia's Future Tax System, December 2009, p. 8.



12. Returning Accreditation to Industry

The Coalition will ensure the Tourism Quality Council of Australia and the T-QUAL Accreditation scheme return to industry.

Labor has failed to adequately administer its own government-run tourism accreditation scheme, T-QUAL, and the brand has been left unestablished and widely unrecognised as a result.

The Coalition will provide up to \$600,000 to transition responsibility for the accreditation of tourism products away from government to industry. Funding will be allocated following a tender process.

13. Simpler Tax to Encourage Accommodation Investment

The Coalition acknowledges the need for simpler tax treatment of accommodation investment. Within two years, an incoming Coalition government will consult with the community to produce a comprehensive white paper on tax reform.

The Coalition's tax White Paper will evaluate the current asset depreciation schedules for accommodation investment.

14. Investing in Infrastructure that Supports Tourism

Infrastructure is key to Australia's competitiveness.

Better road infrastructure underpins the tourism industry, especially the caravan and holiday parks sector. Under the Coalition, vital transport projects will be underway across the country within twelve months of an election.

We have already committed:

- \$6.7 billion to fix Queensland's Bruce Highway;
- \$1.5 billion to get construction underway on Melbourne's East West Link;
- \$1.5 billion to ensure the Westconnex project gets underway in Sydney;
- \$1 billion to support the Gateway Motorway upgrade in Brisbane;
- \$686 million to complete Perth's Gateway without the mining tax;
- \$615 million to build the Swan Valley Bypass on the Perth-Darwin Highway;
- \$500 million to support the upgrade of Adelaide's North-South Road Corridor;



- \$400 million to upgrade the Midland Highway in Tasmania; and
- \$5.6 billion to complete the duplication of the Pacific Highway from Newcastle to the Queensland border.

In addition, the Coalition will:

- work with the NSW Government to get Sydney's F3 to M2 started by late 2014, which will mean shorter travel times, reduced congestion and safer roads for the residents of the Central Coast;
- get the Toowoomba Second Range Crossing underway; and
- \$25 million to upgrade the iconic Great Ocean Road.

The Coalition has a clear and definitive plan to build the nationally significant infrastructure our cities and country needs.

15. Promote Aviation Liberalisation

The Coalition acknowledges the importance of international aviation to our tourism industry and our broader economy. We recognise the potential of Australia as a prime tourism destination within the Asia-Pacific region.

The Coalition will work to increase global aviation liberalisation while recognising the need to protect our national interest.

We will strongly support the entry of Australian airlines into foreign markets and negotiate to remove barriers that prevent access. The Coalition will prioritise bilateral air services agreements to ensure we have the aviation capacity necessary to meet future demand.

16. Re-Focus Tourism Grants to Drive Demand for Tourism Services

Under Labor the tourism industry has seen grants for indoor plants and one competitor's taxes upgrading the others hotel.

The Coalition will stop bureaucrats from 'picking winners' by subsidising competitive business investment. We will instead refocus funding for existing tourism grant programmes 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.

We want to maximise the benefits from any government investment in tourism.



The Choice

After six years of Labor, Australia is heading down the wrong track, leading to Australia's slide from fourth to 11th place on the World Economic Forum's Travel and Tourism Competitiveness Index.

The divided and dysfunctional Rudd-Gillard-Rudd Government has sapped consumer confidence. Labor's reckless spending and nearly \$300 billion of debt have put the Australian economy in a vulnerable position.

Labor's reckless economic management and new taxes have increased cost of living pressures on families who are forced to make difficult choices.

Families that have to spend more on their household budget have less to spend on travel and holidays. This has a direct impact upon the domestic tourism industry.

Labor's economic mismanagement has also meant higher taxes on the tourism industry, reducing Australia's competitiveness in what is a highly sensitive and competitive international market.

The Passenger Movement Charge, a \$55 tax levied on each passenger, has increased by 45 per cent under Labor. In addition, tourist visa fees have increased by more than 50 per cent. The world's biggest carbon tax has reduced hotel profitability by 12 per cent and pushed up the cost of domestic airfares. These tax burdens have made it more expensive to come to Australia and made our international competitors comparatively cheaper.

Labor has cut funding for Tourism Australia – the agency charged with marketing Australia overseas. When the Coalition left office our 2007-08 Budget had funding for Tourism Australia at \$136.3 million whereas in 2013-14 funding has been reduced to \$130.4 million.

The Rudd-Gillard-Rudd Government has failed to meet any of the election commitments they made in the 2010 Federal Election. Despite promising to spend \$10 million each year on the T-QUAL Grants Program, Labor has not reached this level in any year since the election. Less than \$25 million of the promised \$40 million will be delivered before the 2013 Federal Election.

Labor's only other tourism commitment at the 2010 Federal Election – the so-called 'Long-Term Tourism Strategy' lasted just 721 days before being scrapped.

Only the Coalition will take real action to support and expand Australian tourism.

We will create a stronger economy that generates two million new jobs over the next decade. We will do so by abolishing unnecessary taxes (like the carbon tax), cutting red tape costs by \$1 billion a year, ending government waste, lowering the company tax rate, and providing incentives for individuals to achieve their potential.



Cost

The Coalition's *Policy for to The Coalition's Plan for Tourism* will invest \$3 million to boost tourism over the forward estimates.



Hope.
Reward.
Opportunity.



THE NATIONALS *for Regional Australia*

For further details of the Coalition's Plan go to
www.realsolutions.org.au