



Restaurant
& Catering

17 February 2017

SAVOUR
AUSTRALIA



Mr Andrew Dawson
Inquiry Secretary
Joint Standing Committee on Foreign Affairs, Defence and Trade
C/- jscfadt@aph.gov.au

Dear Mr Dawson

RE: Australia's trade and investment relationship with the United Kingdom

Restaurant & Catering Australia (R&CA) welcomes the opportunity to provide comment to the Joint Standing Committee on Foreign Affairs, Defence and Trade (JSCFADT) on Australia's trade and investment relationship with the United Kingdom. As Australia's largest services export, R&CA seeks to ensure tourism is recognised as a legitimate form of trade that strengthens Australia's ties with the UK, while increasing the employment potential and export capacity of small businesses here in Australia.

R&CA is the peak industry association representing the interests of 35,000 restaurants, cafe and catering businesses across Australia. Restaurant, café and catering businesses are the largest employer of the tourism industry, employing half a million Australians and contributing \$18.9 billion to Gross Value Add (GVA) each year. The sector is a major contributor to the Australian tourism industry, which contributes \$53 billion nationally to GDP each year¹.

The value of tourism to Australia's trading position is significant. Austrade estimates tourism exports to be worth \$41.1 billion². The visitor economy represents almost two thirds (65 per cent) of all services exports and 13 per cent of total Australian exports. When ranked, tourism and hospitality is Australia's second largest export earner ahead of coal (\$38.0 billion in 2014-15)³. Future growth in the economy will be led by export services sectors such as tourism. Service exports have doubled over the past 20 years, with growth in tourism expenditure now occurring at a faster rate than the national economy.

The tourism and hospitality industry are significant benefactors of Australia's trade relationship with the UK, particularly from a visitation and employment perspective. Further strengthening Australia's trade relationship with the UK will result in greater visitation and expenditure in local businesses, which is necessary to grow Australia's \$116 billion visitor economy.

¹ Tourism Research Australia (2017) State of the Industry 2015-16 Summary, February 2017

² Austrade (2016) *Our second largest export earner: introducing Australia's Visitor Economy*, 3 June 2016

³ Ibid 2

Inbound arrivals from the UK

Travellers from the UK represent Australia's third largest source market at 716,700 visitors annually. For the Year Ending December 2016, there was a 3.7 per cent increase in the number of travellers from the UK to Australia. While this growth rate is much lower than that currently being experienced by Asian source markets such as China and Korea, the UK is one of Australia's longest-standing mature travel markets that has provided consistently strong visitation over the years.

Travellers from the UK are high-yielding visitors, injecting \$3.7 billion into the Australian economy annually⁴. As a long-haul destination, however, travel to Australia is susceptible to changes in the exchange rate and product pricing. R&CA remains concerned over the impact the \$5 increase in the Passenger Movement Charge (PMC) to \$60 will have on visitation and the perception of Australia as a destination to holiday and work.

While R&CA has welcomed the Government's commitment to freeze the PMC for the next five years, R&CA believes the market cannot sustain any further increases, and must be closely monitored to ensure no negative impact is sustained on visitation.

Contribution to the Australian workforce

The tourism and hospitality industry relies heavily on temporary skilled migration and working holiday makers to alleviate chronic labour shortages in regional and metropolitan Australia. Workers from the UK represent a significant proportion of Australia's temporary workforce, and play a vital role in the productivity of the sector.

The UK provides the second largest group of temporary skilled workers (subclass 457) and the largest group of Working Holiday Makers (subclass 417) to Australia. For the period ending 30 June 2016, 7,800 temporary skilled visas were granted to workers from the UK, representing 17.2 per cent of total visas granted⁵. There were also 43,500 working holiday makers from the UK over the same period⁶.

Ensuring our trade relationship with the UK continues to recognise the significant value derived from UK migrants is of vital importance to the Australian tourism industry. It is estimated WHM spend on average \$13,000 while in Australia⁷; meaning UK WHM contribute close to \$565 million annually to local communities across Australia.

Ensuring visa fees and charges, tax arrangements, length of stay requirements and the application process remains simple and cost effective is of vital importance to this cohort of our workforce.

The delayed decision on tax arrangements for WHM ('backpacker tax') caused considerable angst and confusion among the industry and prospective WHMs. While the \$10 million global youth campaign currently being undertaken by Tourism Australia will go some way in

⁴ Tourism Australia (2016) International Tourism Snapshot as at September 2016

⁵ DIBP (2016) Subclass 457 quarterly report - quarter ending at 30 June 2016

⁶ DIBP (2016) Working Holiday Maker visa programme report – 30 June 2016

⁷ Australian Tourism Export Council (2012) *The importance of the Working Holiday visa (Subclass 417)* Position Paper, February 2012.

addressing misconceptions of Australia as a destination to travel and work, a sustained effort is required to ensure Australia remains top of mind with UK travellers when deciding to holiday and work.

The Government must ensure the cost of visas remains competitive to other long-haul destinations, and funding for the global youth campaign is continued well after its planned three-year allocation to maintain Australia's share of this important labour market.

Export potential of Australian producers

Australia's trade relationship with the UK provides a significant opportunity to increase the export capacity of Australian businesses, particularly small food and wine producers. Research shows that 'great food, wine and local cuisine' is now a major factor in holiday decision making, ahead of 'world class beauty and natural environments'⁸. Australia ranks number one for food and wine experiences among travellers from our major source markets, with one in five dollars spent by international visitors on food and wine while in Australia.

Providing access to these products well after visitors return home offers a further avenue to expand and grow the capacity of food service businesses. However, tax arrangements and assistance programs must support small hospitality businesses to leverage trade arrangements. While reform of the Wine Equalisation Tax (WET) in some instances will provide greater transparency and support to legitimate producers, the impact the tax has on the price competitiveness of Australian product in international markets still remains a concern for industry.

Further, R&CA fully supports the ongoing use of the Export Market Development Grants scheme by tourism and hospitality operators as a means of leveraging international trade opportunities. The visitor economy is dominated by small to medium sized enterprises, many of whom lack the financial capacity to enter international markets independently. As such, the EMDG provides these operators with the capacity to expand their businesses internationally, and broaden their customer base in major international source markets.

If you require any additional information on this submission, please do not hesitate to contact me

Yours faithfully,

John Hart
Chief Executive Officer

⁸ Tourism Australia (2014) *Consumer Demand Project: Food & Wine*