



National Tourism Alliance

10 February 2009

Senator Claire Moore
Senator for Queensland
Parliament House
CANBERRA ACT 2600

Dear Senator,

URGENT

**Re: Senate Finance & Public Administration Committee
Inquiry into Nation Building and Jobs Plan**

With reference to the report being prepared today on the Federal Government's second economic stimulus plan, the National Tourism Alliance wishes to put forward the following key points in relation to the package:

- Unequivocally, the money needs to be put in the hands of people who will spend it in a way that creates or protects jobs.
- Although the temptation is understandable to put more money to welfare recipients, the most important way Australian can help low income earners and those facing unemployment is to protect their jobs – not necessarily putting a relatively modest amount of money in their hands. The money needs to go into the hands of people who will create their jobs through their consumer spending.
- Consumer spend on services, and in particular tourism & hospitality services, creates Australian jobs as it is buying "Australian made" services. The job multiplier is much higher than retail, as many retail products are imported. We would not support retail vouchers as it is too prescriptive and narrow (attached).
- Of all the proposals in the package, the cash handouts, timed as they were around school holidays, have the best chance of creating/protecting jobs through the possible spend in the service economy. Although even the timing may promote this type of spend, it is not prescriptive as the consumers should still have a choice.
- Jobs in the tourism & hospitality sectors are available for all skill levels, and are more readily able to reemploy people who may be displaced from other sectors of the economy.
- Jobs in tourism & hospitality are regionally dispersed.

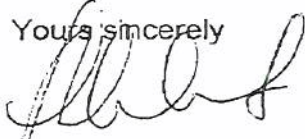
In our pre-budget submission, the NTA presented a number of alternative proposals, a copy of which is attached for your information in extracted form. However, given the truncated consideration time, we want to emphasise the points made to the Treasurer set out below.

"The principle behind the stimulus ideas presented by the NTA is that the **Australian economy is substantially one driven by domestic demand for services**. If we can maintain some confidence, and continue to keep consumer spending at reasonable levels, then Australia is better positioned than most to come through this global downturn in reasonable shape. Even if the particular ideas we have proposed are not accepted, we **strongly urge the Government to accept the principle of stimulating demand by targeting spend in the services sector** and work with us on ideas that will meet that need.

As a labour intensive industry, employing 810,000 Australians both directly and indirectly, tourism is well positioned to deliver jobs outcomes, and will work hard to attract the consumer's spending power delivered through the stimulus package as well as extra spending power coming from lower interest rates and petrol prices.

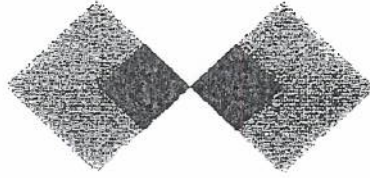
Your Inquiry, Committee report and decisions in relation to the stimulus package are of enormous importance to the economic wellbeing of this country. We urge you to think laterally about ways that jobs can be best supported.

Yours sincerely



JENNY LAMBERT
Chief Executive

Encl.



National Tourism Alliance

MEDIA RELEASE

10 February 2009

Australian Consumers Need Confidence and Choice

Key industry leaders in the tourism and hospitality industry have asked the Australian Parliament to consider maximising the effectiveness of the proposed stimulus package by giving consumers choice on when and how they spend their money.

This follows a submission by the Australian Retailers Association to a Senate Inquiry recommending that the proposed funds be provided as retail vouchers and not cash.

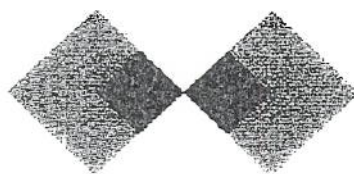
“The key to this intervention is to take immediate action to prop up aggregate demand in order to keep employment at reasonable levels” said Col Hughes, Chair of the National Tourism Alliance. “Australia is now a service economy. Over 80% of employment is in service jobs and we need to ensure people spend their money across all areas of the economy.

“This might include using the funds to fix their car, renovate their house, visit a dentist, take a break away from home with their family, dine out or buy a new lounge” Mr Hughes said “the key issue is give people the confidence to spend and impress upon them that any drop in economic activity jeopardises jobs.”

“Drops in interest rates, tax cuts and lower petrol prices mean Australians have more money in their pocket. The stimulus package should help harness this increased spending power” Mr Hughes said.

Further information:

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National Tourism Alliance

**Pre-Budget Submission
to the
Federal Government**

2009-10

**EXTRACT FOR SENATE
COMMITTEE
FINANCE & PUBLIC
ADMINISTRATION**

Extracted Feb 2009

Contact: Jenny Lambert
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The National Tourism Alliance (“NTA”) welcomes the opportunity to present to the Federal Government our 2009-10 pre-budget submission.

The NTA believes that it has never been more important to make known to Government the opportunities and challenges facing tourism than it is now for the coming budgetary period. The effects of the global financial crisis are already being felt across Australia, and whilst there is concern within the industry on the short term profitability of tourism, the more significant concern is what the industry will look like following the economic downturn.

For an industry already struggling with supply-side challenges, such as skill shortages, the ongoing need to maintain and upgrade important infrastructure, as well as the need to meet the competitive challenges of other destinations, positive and effective policy settings have never been so important. Many of these issues are being address in the Government’s Long Term Tourism Strategy. However, in the meantime, the industry and Government still need to move forward on a range of initiatives.

This submission addresses opportunities for the Federal Government to support tourism in the short to medium term, as well as opportunities to ensure the future growth of entities that serve visitors.

A key new element of our submission for 2009/10, given the economic circumstances globally and in Australia, is the proposition that **tourism is a mechanism of job maintenance and economic stimulus**. The NTA submits that tourism would be an effective vehicle to achieve the Government’s core objectives of improving economic conditions, maintaining and where possible, creating jobs, and supporting regional Australia. Suggestions on how the Government could achieve this are detailed within this submission.

This submission also looks at some of the longer term strategic issues relevant to the tourism, working towards the top-line strategies for the growth of the industry enunciated in the *Tourism in Australia - Future Directions 2009-2014* document released by the NTA in September 2008. Important to this, is a continuation of applicable research driving investment and growth in tourism. In this vein the NTA supports the Sustainable Tourism CRC’s rebid application.

The NTA is ideally positioned to provide a holistic perspective of the industry’s short term needs, as well as the assistance needed for long term prosperity, as it includes the following significant associations as its members:

- Australian Hotels Association
- Australian Tourism Export Council
- Australian Federation of Travel Agents
- Restaurant & Catering Australia
- Hotel, Motel & Accommodation Association
- Caravan, RV & Accommodation Industry of Australia
- Australasian Casino Association
- Board of Airline Representatives

- Business Events Council of Australia
- Queensland Tourism Industry Council
- South Australian Tourism Alliance
- Tourism Council ACT
- Tourism Industry Council Tasmania
- Tourism Council Western Australia
- Tourism Industry Council NSW
- Tourism Alliance Victoria
- Victorian Tourism Industry Council

Not only is the NTA membership comprehensive in its scope, but the leadership of these associations, representing over 45,000 businesses, can bring to the table a great deal of experience, knowledge and determination to address the diverse issues that face tourism.

Despite the 'doom and gloom' stance of the media regarding Australia's economic future of late, the NTA is committed to encouraging a positive outlook in public forums on the future of tourism. Indeed, the NTA encourages the Government to show leadership in this regard through such measures as urging our decision makers and bureaucrats to take leave and hopefully, a domestic holiday, as well as supporting the Government's 'No Leave, No Life' program. The stance of the NTA reflects its understanding of the importance of sustaining consumer confidence during uncertain economic times.

On a broader scale, for service industries such as tourism, if Australians retain sufficient confidence to spend, the economic recession will not have as severe an impact. It is acknowledged that Government walks a fine line – preparing Australians for some tough times, but at the same time, trying not to make matters worse by discouraging Australians from spending money. There is no doubt that Australia is better positioned than most countries to maintain some robustness in the economy through domestic demand that is buoyed by confidence and fiscal stimulus.

The National Tourism Alliance has been encouraged that the Federal Government is considering all possible initiatives to protect Australia's economic security and do whatever possible to protect jobs. Statements made in January indicate that should the first economic stimulus package rolled out in December not have the desired impact, then all options will be "on the table".

This open-minded attitude towards economic stimulus is exactly what the nation needs – innovation must occur in the policies used to prevent Australia succumbing to the ill effects of what the Government has termed 'the worst financial crisis in three quarters of a century'. Employers across Australia will face significant challenges in 2009 – challenges that are already being considered by tourism. The Australian Government has indicated that a 'jobs stimulation' package will be introduced in 2009 – an initiative that the NTA strongly supports.

As a labour intensive industry that employs 810,000 Australians both directly and indirectly, supporting tourism would be an effective mechanism to deliver at least in part this jobs package. As a unique economic activity rather than a specific industry, tourism generates multiple job and economic benefits for a wide range of industries. In this regard, tourism is not unlike the impact of the Australian Government's First Home Buyers Grant which is not only being used to stimulate the housing sector but also the on-flow of this package provides further economic stimulus.

In line with the Rudd Federal Government's open-minded approach to options for economic stimulus, the Members of the NTA have developed the following three ideas to generate economic activity – specifically in rural and regional Australia, protect jobs, and ease pressure for employers. These three ideas are tabled below. Importantly, these are ideas reflect a principle of **interventions that stimulate domestic spend in the service sector**. Even if these particular mechanisms are not accepted, we strongly urge the Federal Government and the expertise of Treasury to look at similar mechanisms to stimulate spending in service industries where jobs will be maintained.

Two of the proposed economic stimulatory measure relates to the increasing the spend at the time of taking annual leave; thereby stimulating the economy through increased discretionary spend, as well as improving businesses' financial position and confidence by removing liabilities from balance sheets. This will have a direct stimulatory effect on the economy, and also give businesses greater confidence in planning for the future, and hopefully, in retaining staff. Importantly, in difficult economic times, employees may feel even more reluctant to take leave, thus putting added pressure on employer liabilities as well as reducing the demand for domestic tourism and decreasing discretionary spend. The third proposed stimulatory measure is to encourage employers to up-skill workers, thereby strongly supporting the Government's 'Knowledge Nation' campaign.

1 - Financial Incentive to spend on Annual Leave I

The NTA recommends that the Federal Government stimulate the economy through providing additional cash in hand at the time of taking of annual leave. Employer balance sheets currently have some 121 million days of annual leave accumulated. The Government's 'No Leave No Life' campaign is acting in response to this entrenched workplace behaviour of stockpiling annual leave and notes the risk to business of having large proportions of annual leave accumulated in their books. However, whilst the risk and costs to business are significant, the incidence of employees not taking annual leave also bears significant social costs – specifically to Australia's working families.

The take up of annual leave could be stimulated through the provision of a financial incentive to apply until the end of the 2009-10 tax year in the form of a flat rate tax rebate for each day of annual leave taken. This is costed below based on \$15 and \$40 per day.

Apart from the stimulatory effect, this would have the added benefit of incentivising workers to draw down on their stockpiled annual leave. Employers would be encouraged to provide the rebate at the time leave was taken rather than the employee waiting until tax returns are filed. This would place the financial benefit of the rebate in the pocket of the employee whilst on leave, thereby incentivising the employee to direct the benefit towards discretionary spend. Employers would benefit through the reduction in annual leave

accumulated by their employees (an end of year statement of leave taken by the employee would be required for the tax return).

This would benefit the Australian economy in two main ways. Firstly, it is anticipated that whilst on leave, Australian employees would increase their daily discretionary spend through taking holidays, dining at restaurants and the like. This would stimulate the economy, as the NTA believes that such targeted tax rebate would allow Australian workers to feel confident spending the extra income received from the tax break, rather than paying down debt or saving it. Secondly, employers would be able to reduce the number of stockpiled annual leave days on their balance sheets.

For such a proposal to have a stimulatory effect and to, hopefully, get people to increase discretionary spend whilst on leave; the benefit from this proposal would need to be experienced at the point of taking leave. It would also need to be accompanied by an effective campaign, such as through the 'No Leave, No Life' campaign, encouraging the public to take leave and explore Australia, and so that there was sufficient uptake for the tax reduction to achieve its objectives.

If an employee was to take all four weeks of their annual leave, with a rebate of \$15 per day, an Australian worker entitled to annual leave would have an extra \$300 to spend. At \$40 per day, a worker would have an additional \$800 available whilst on leave.

Preliminary costings undertaken by the NTA indicate that the cost to the Government of providing this rebate is estimated to be \$1.9 billion at \$15 per day, rising to \$5.1 billion at \$40 per day.

Whilst the cost of the tax rebate is significant, this is an effective way to increase economic activity in times of economic uncertainty. Similar to the \$10 billion stimulus package, this is an efficient way for the Government to support Australian employment and maintain economic activity through reallocating income to Australian consumers.

It is recommended that for the 2009-10 financial year, the Government should introduce this short-term stimulatory initiative with a minimum spend of \$1.9 billion.

II - Financial Incentive to spend on domestic tourism related activities

As an alternative to the option presented above, but also to encourage expenditure in the services sector, the NTA suggests introducing a program whereby employees can pay for domestic holidays with pre tax income. This would be taken as a salary-sacrifice, with such expenses for the 2009-10 tax year exempt from fringe benefits tax ("FBT"). The expenses could be capped at, say, \$1000 per employee and would be available to all employees – not just those with annual leave entitlements.

The preliminary costing of the Government allowing employees to salary sacrifice domestic holidays to a value of \$1000 would be \$1.7 billion.

In practice, the employee would present expenses to their employer to pay, or these could be claimed back after being incurred. These expenses would be claimable for domestic tourism only, and could include such things as:

- Costs associated with having a partner or spouse accompany an employee on a domestic conference;
- Domestic accommodation costs;
- The cost of domestic flights;
- The costs of tourism experiences within Australia, including, but not limited to, entry to theme parks, zoos, museums etc;
- Costs for hiring a caravan; and
- The cost of dining at restaurants whilst travelling in Australia.

These expenses would be deductible by the employer as they are a replacement for salary and wages. As compared to Idea One the opportunity could be open to a broader number of employees, including self employed and casual workers who otherwise do not have paid leave entitlements.

The NTA recommends that for the 2009-10 financial year, the Government should introduce this short-term stimulatory initiative with a minimum spend of \$1.7 billion.

125 per cent Tax Incentive on Employee Training

Business across all industries should be encouraged to utilise the coming downtime to develop their resources to be able to better prepare for when demand increases. One such resource that could be targeted is labour. Industry, unions, and Government have in past weeks been discussing skills development as an important consideration for business and a mechanism to help job retention. However, whilst this is viewed as a practical solution for job retention, the economic realities of business are discouraging them from pursuing this path.

The Australian Industry Group's chief executive, Heather Ridout, revealed in an article in the Australian that a survey commissioned by the group has revealed that businesses are looking to cut expenditure on training for staff as one method to lower overall costs¹. In the services industry, the survey noted that employers intended to reduce their training expenditure by 12.7 per cent. To prevent such a reduction, it is imperative that the Government provide a real financial incentive to enable business to retain and retrain workers. One such mechanism to achieve this is through a 125 per cent tax deductibility on eligible staff training applying until June 2010.

A new tax incentive scheme through a 125 per cent tax deductibility on all eligible Australian-based training would help meet the skill shortage and would operate similar to an R&D incentive, and would assist with employment retention. It is proposed that this new tax incentive scheme would operate for the 2009-10 financial year.

The proposed new incentive scheme would:

- Encourage Australian companies to increase their investment in employee training;
- Aid the Australian Government's broader visions for Australia's knowledge nation;

¹ Mike Stekete, *Economic Crisis a Drain on Employee Training*, The Australian, January 8, 2009

- Encourage Australian innovation through the fostering of face-to-face information learning networks;
- Be a major boost to the flat domestic business events sector;
- Encourage companies to hold their conferences and related programs onshore rather than overseas; and
- Help stem any cuts in corporate training budgets which may result from a looming economic recession.²

The NTA strongly encourages the Government to implement this proposal, to adequately equip business to trade through and out of the coming economic downturn. This will benefit employers, employees, the economy and tourism via the increased encouragement to support locally based training activities and conferences.

We note that in their pre-budget submissions both the ACCI and Restaurant & Catering Australia have supported an ongoing 120% taxation incentive for training, with this funded through adjustments to funding on training in other areas. Whilst different in intent, the outcomes of this proposal will be very similar and would be fully supported as an alternative to the short term, but higher, stimulatory measure.

² Business Events Council of Australia, *A National Business Events Strategy for Australia 2020*, October 2008, p. 59