



Australian Federation of Travel Agents (AFTA) Submission to the Commonwealth Treasury

2022-23 Pre-Budget Submission

January 2022



State of the Travel Industry

21 JANUARY 2022

Online survey of travel agency owners and store managers, tour operators, and wholesalers. 656 respondents as at Friday, 21 January 2022. Reduction in staff numbers does not include those businesses that have already shut due to the impact of COVID-19.



Revenue for Jan 22 is down 96% from Jan 20, compounding the 89% decline experienced in FY21

- Jan 22 experience the lowest enquiry and booking rate since the beginning of the pandemic, down 95%
- Domestic bookings in Dec 21 are down 50% when compared with pre-COVID levels

Other sectors of the economy have been able to recover and grow as overall consumer confidence has returned. Given the uncertain travel and border outlook, growth in consumer discretionary spending has not flowed towards travel bookings.

For small to medium size businesses there has been a 28% decline in the number of staff employed since the end of JobKeeper. AFTA has also recorded a 35% reduction in member locations due to COVID.

↓ 28%

If Government support is not extended **14% of businesses will cease to operate in the next 6 months**. A further 37% are unsure about their business's future.

Women make up 78% of the workforce of travel agent businesses



and any further job losses in the sector would have a disproportionate impact on female employment, particularly in regional areas.

On average **51% of all travel businesses' work** is assisting clients use travel credits from COVID affected travel.

51% 

58% of respondents think that their business won't return to profit until 2023, and 21% remain unsure.

Executive Summary

1. Ongoing support is required to ensure that the travel industry can support Australia's economic recovery.

Australia's travel industry remains significantly impacted by government policies responding to the threat of COVID-19. While major parts of the Australian economy have adapted to 'COVID normal' and entered its recovery phase thanks to the lifting of state/territory government mandated lockdowns, the travel industry remains in a stage of significantly impaired recovery due to on-going uncertainty surrounding state/territory border restrictions and the lack of inbound and outbound travel.

Since the emergence of COVID-19, AFTA estimates **a third of the travel sector, approximately 15,000 jobs, have been lost.** A further round of cancellations resulting from the Omicron COVID-19 variant and economy-wide labour shortages resulting from isolation requirements have put additional pressure on the travel industry.

Further Government support is critical. Without it, the travel industry will struggle to survive beyond the current iteration of international travel restrictions and quarantine requirements, undermining the broader domestic tourism and hospitality sector recovery.

A *Travel Sector Skills Retention and Impaired Recovery Package (TSSRIRP)* will deliver much needed certainty to the travel industry, and for consumers. The additional burden of maintaining multiple shopfronts or retail premises for small and medium sized travel businesses, not addressed in the first round of the Government's *COVID-19 Consumer Travel Support Program (CTSP)*, was recognised in Round Two through a \$10,000 multi-outlet grant announced by the Government in October 2021. It is critical that the same or similar arrangements are incorporated into any future industry support program.

RECOMMENDATION 1.1:

The Australian Federation of Travel Agents (AFTA) recommends that the Government implement a *Travel Sector Skills Retention and Impaired Recovery Package* at a cost of \$190 million in 2021-22 and 2021-22, to be partially offset from the remaining \$66 million¹ underspend from the *COVID-19 Consumer Travel Support Program (CTSP)* and \$124 million in new funding. This program could be established quickly by using a modified verification process from Round Two of the CTSP.

Adjust eligibility criteria and improve program integrity measures

The travel industry has welcomed the actions taken by the Federal Government to support travel businesses through JobKeeper, and subsequently through Rounds One and Two of the CTSP. However, **policy modifications must be made in order to ensure**

¹ Based on AFTA's best internal estimates of funds remaining of the \$130 million announced for Round Two of the CTSP on 11 April 2021. AFTA recognises that this estimate may differ from Austrade's internal figures, and would welcome the opportunity to validate or revise our estimates in consultation with Austrade.

that the CTSP meets the Government's aspirations for an "effective and efficient" and "targeted" support package for the travel industry.²

In order to ensure that the Government's support gets to those businesses that need it most, requirements relating to Round Two support, and the definition of a 'travel agent' should be reviewed.

Similarly, **verification requirements should be streamlined** to reduce red tape for already overburdened travel businesses, while still retaining the integrity of the program. For example, a new operational test should be implemented, requiring evidence of current business activity via a recent Business Activity Statement (BAS).

RECOMMENDATION 1.2:

AFTA recommends that the Government adjust the eligibility criteria to include previously excluded businesses and to implement a new streamlined but robust verification process for applicants who were not verified or not eligible for Round Two of the COVID-19 Consumer Travel Support Program. AFTA further recommends a new operational test for all applicants.

2. A new and re-engaged travel industry workforce: *Travel Industry JobStarter*

A skilled workforce and pipeline of trained travel industry staff is integral to maintaining Australia's travel industry capability. Even prior to the Omicron variant's significant impact on Australia's workforce, **the travel industry had seen 15,000 jobs lost since 2019.** Currently, travel businesses cannot attract and sustain the staff required to process the travel credits that are being claimed.

To address immediate staffing issues and ensure the ongoing viability of Australia's travel industry, AFTA proposes a new *Travel Industry JobStarter Package* (TIJP), to support the hiring and re-engagement of travel industry staff.

The TIJP would support travel businesses with a payment of \$10,000 per new or re-engaged prior employee, to generate **10,000 jobs across the industry.**

RECOMMENDATION 2:

AFTA recommends that the Government implement a *Travel Industry JobStarter Package*, similar to the *International Aviation Support Program*, which would provide a payment of \$10,000 per new or reengaged employee by a travel business.

² *Additional funding to support travel agent*; the Hon Dan Tehan MP, Minister for Trade, Tourism and Investment; Media release, 11 April 2021.

3. Improve data collection to underpin and support industry recovery and the Re-Imagined Visitor Economy

Two-way travel is essential to the tourism, hospitality, and travel sector's economic recovery. It is a commercial reality of aviation that route viability is determined both on the export *and* import of tourism and travel services; outbound travel by Australians underpins the ability of an airline to maintain air services to Australia that support our domestic tourism industry.

The current volatile environment for international travel caused by new waves of COVID-19 make it more important than ever to strategically target specific markets that would support mutual demand for travel. This strategic approach should be coordinated between relevant industry players like travel agents and airlines, and government bodies like Tourism Australia, Austrade, and the Department of Foreign Affairs and Trade.

RECOMMENDATION 3.1:

AFTA recommends that the Government establish a market identification working group to analyse strategic markets to establish if there is a mutual demand for travel to Australia and Australians to specific markets. New data sets should be created and updated yearly with funding to support this priority committed over the medium term. The working group should include relevant stakeholders in the tourism and travel ecosystem: transport, distribution, and trade associations.

Accurate and timely data on labour markets have never been more vital for the travel industry. The Tourism Labour Force Survey 2015-2020 commissioned by Austrade worked to highlight the labour and skills needs for the sector. With most hospitality and tourism businesses impacted by either or both crises, an accurate picture of labour and skills in the industry, as well as forecasts for the future, are vital to allow businesses to rebuild and industry to regain lost ground.

In the post pandemic environment, accurate industry insights will assist not only business but also those that have lost jobs and are looking to re-engage. It will also assist the Government to tailor assistance measures to specific sectors.

RECOMMENDATION 3.2:

AFTA recommends that the Tourism Labour Force Survey be reinstated, providing policymakers and industry with an accurate and contemporary picture of the tourism and hospitality industry to underpin effective policy development and industry strategy.

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1. Travel Sector Skills Retention and Impaired Recovery package

AFTA is grateful that the Government has acknowledged the unique position the travel industry occupies in the Australian economy, and that it necessitates additional support even while some other areas of the economy have seen a stronger recovery after the initial impact of COVID-19 in 2020. Rounds One and Two of the COVID-19 Consumer Travel Support Program and the associated multi-outlet grant were strong endorsements for the future of Australia's travel industry and recognition that it continues to require additional targeted support during this phase of the COVID-19 pandemic.

Further Government assistance remains crucial to supporting the travel industry during this current period when government mandated international border controls and quarantine requirements prohibit travel in almost all circumstances. The proposed Travel Sector Skills Retention and Impaired Recovery Package is targeted at ensuring those Australian travel businesses are supported through to when government restrictions are eased globally, allowing travel businesses to operate unhindered by restrictions.

Fundamentally, the most significant liability for the travel industry remains the up to \$6 billion of travel credits held on behalf of Australian customers. The Travel Sector Skills Retention and Impaired Recovery Package is designed to support the businesses which are currently carrying this liability on their balance sheets until they are able to be redeemed via re-booking as international destinations become accessible and business and leisure travel becomes feasible. The Package also supports the industry to retain existing skilled travel professionals to manage this process.

Design and Eligibility

The package would take the form of a one-off payment, to travel businesses, similar to a 'Round Three' of the COVID-19 Consumer Travel Support Program. This funding would assist these businesses to remain open, employ staff and assist Australian consumers as they re-book their credits and seek new bookings.

The Package would be based on the outcome of Round Two of the Consumer Travel Support Program and the decisions made. As a verification process has been completed, this information can be used to automatically process this grant, saving resources and allowing funding to get to the travel industry before the end of 2021-22.

In addition, AFTA recommends the eligibility turnover limit be increased to accommodate travel businesses with up to \$150 million in annual turnover. This will acknowledge that medium to large businesses have higher overheads and employee costs and continue to carry these costs, as well as the bulk of Australians consumers' travel credits. Proposed tiers of eligibility are set out in *Table 1* below.

Table 1. Proposed Tiers of Eligibility - Travel Sector Skills Retention and Impaired Recovery Package

Tiers of Eligibility

Revenue Tiers (\$) Lower	Revenue Tiers (\$) Upper	Government support grant value (\$)	Estimated Travel Businesses*
50,000	99,999	7,500	280
100,000	299,99	15,000	220
200,000	399,999	22,500	210
300,000	399,999	30,000	140
400,000	499,999	37,500	100
500,000	749,999	45,000	100
750,000	999,999	63,750	100
1,000,000	1,999,999	82,500	80
2,000,000	3,999,999	157,500	40
4,000,000	4,999,999	307,500	6
5,000,000	7,499,999	382,500	18
7,500,000	9,999,999	570,000	5
10,000,000	150,000,000	757,500	17

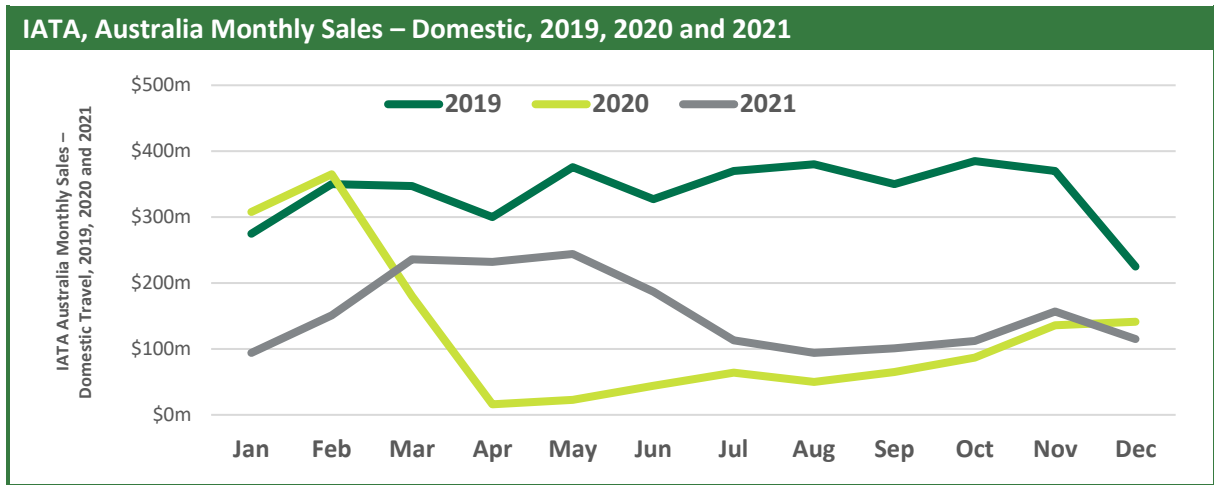
*Based on AFTA estimates.

The package would also include a Round Two of the Multi-outlet scheme, valued at \$10,000 per eligible location, to assist businesses that have one or more specific outlets beyond a main location. This is to acknowledge, as the Government has, that multi-outlet businesses are subject to increased overheads including staff costs. These businesses were previously disadvantaged in relation to grant funding allocation under the ABN-based eligibility model. This was conducted recently and minimal changes are expected.

Key data depicting relevant recent travel sector trends are set out below:

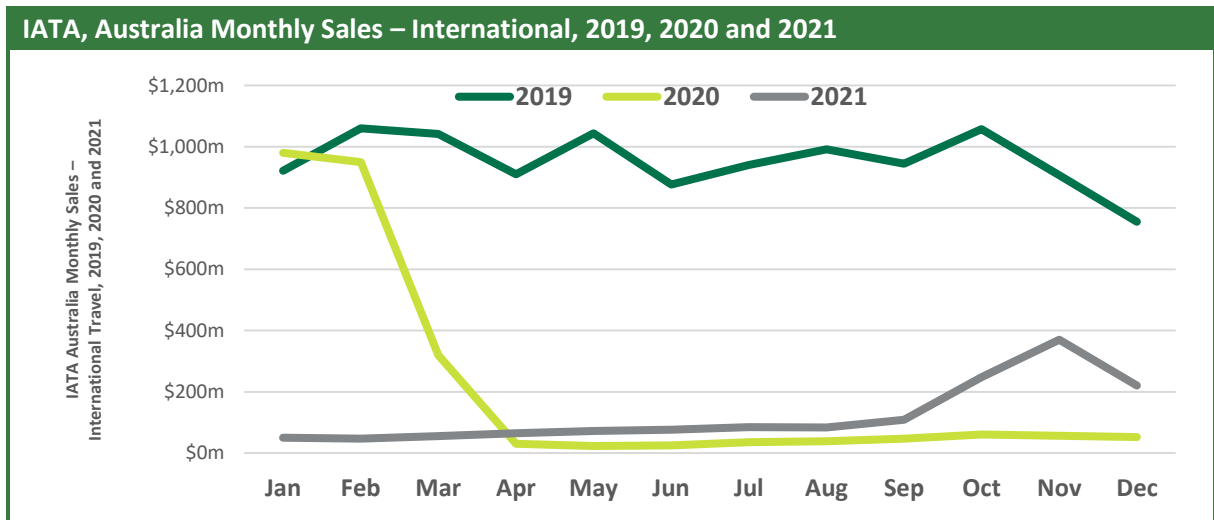
- Figure 1: Monthly sales for domestic travel;
- Figure 2: Monthly sales for international travel; and
- Figure 3: Weekly refunds to Australian consumers.

Figure 1. IATA, Australia Monthly Sales – Domestic Sales, 2019, 2020 and 2021



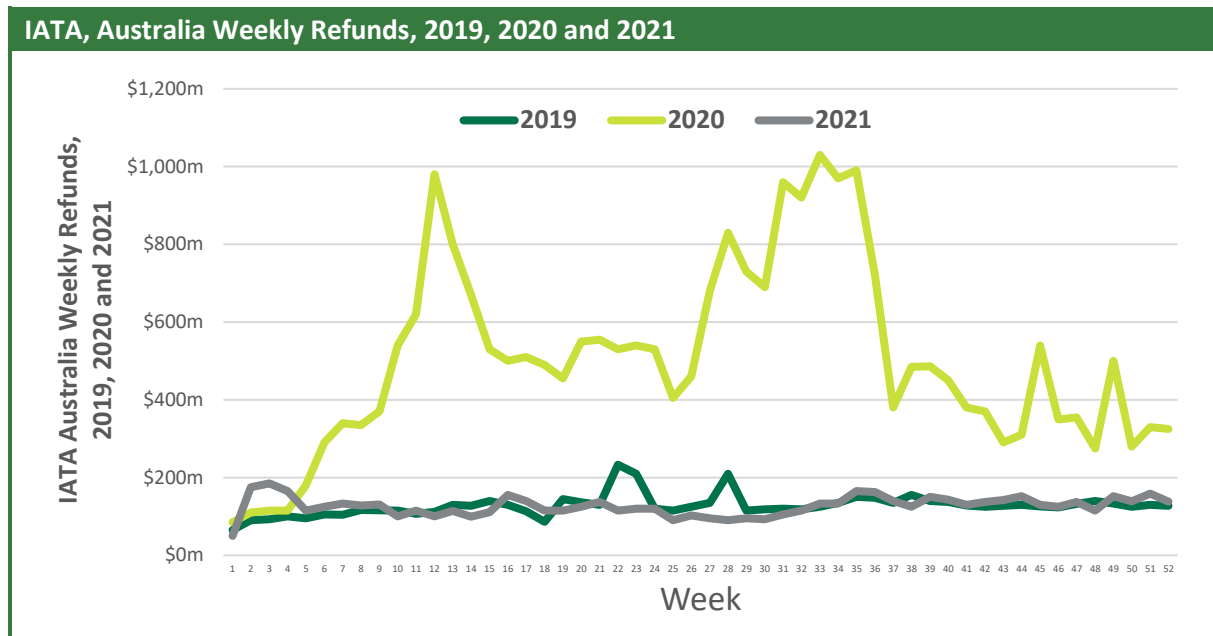
Source: IATA 2022

Figure 2. IATA, Australia Monthly Sales – International Sales, 2019, 2020 and 2021



Source: IATA 2022

Figure 3. IATA, Australia Weekly Refunds, 2019, 2020 and 2021



Source: IATA 2022

RECOMMENDATION 1.1:

AFTA recommends that the Government implement a *Travel Sector Skills Retention and Impaired Recovery Package* at a cost of \$190 million in 2021-22 and 2021-22, to be partially offset from the remaining \$66 million underspend from the *COVID-19 Consumer Travel Support Program (CTSP)* and \$124 million in new funding. This program could be established quickly by using a modified verification process from Round Two of the CTSP.

Adjusting eligibility criteria and improving program integrity measures

Rounds One and Two of the COVID-19 Consumer Travel Support Program were crucial in delivering important support to the travel sector during 2021. In addition, the verification process used in Round Two addressed a number of issues that had been raised with regards to Round One and instances of inequity in payments due to inconsistencies in data reported at G1 on BAS statements.

Eligibility Criteria

To ensure equity in further payments under the COVID-19 Consumer Travel Support Program, including payments under the proposed Travel Sector Skills Retention and Impaired Recovery Package, the following must be addressed:

- i. Removing the requirement that JobKeeper had to be received;
- ii. Removing the requirement that a travel business had to apply for Round One or Two of the COVID-19 Consumer Travel Support Package;

- iii. Ensuring any financial AFTA/ATAS member is automatically eligible subject to other criteria. That is, some members were excluded on the basis that they were not believed to be a travel agent business; and
- iv. Allowing businesses that commenced operation between October 2019 and March 2020 to be eligible. An adjusted criteria should be applied to these businesses taking into account a realistic assessment of the size of the business.

Verification Requirements

As the Government applied a robust verification process in Round 2, the majority of applicants have had their turnover verified which would allow for a simplified, automated payment. This would be subject however to a new operational verification.

A summary of the verifications that should be applied are:

A. Where eligible and paid under Round 2

An operational test to demonstrate the business is currently operational. This can be done by making a declaration and via submitting a minimum of 2 of the following:

- i. A current lease contract or proof of continued ownership of premises for the purpose of conducting a travel business;
- ii. A current BAS or Instalment Activity Statement (IAS). A suggestion would be to have the ATO submit this automatically to Austrade;
- iii. Continued paid membership of AFTA, CATO or ATEC.

B. Where not eligible or paid under Round 2

A full verification as previously conducted by Deloitte will be required in addition to the above operational test (see A) for the following:

- i. Applicants who were ineligible for Round Two on the basis that they were paid on Total Transaction Value (TTV) rather than turnover. An assessment will be required to determine if they are eligible or not for any further funding to ensure equitable distribution.
- ii. Previously excluded businesses that are now eligible due to adjusted Eligibility Criteria.

RECOMMENDATION 1.2:

AFTA recommends that the Government adjust the eligibility criteria to include previously excluded businesses and to implement a new streamlined but robust verification process for applicants who were not verified or not eligible for Round Two of the COVID-19 Consumer Travel Support Program. AFTA further recommends a new operational test for all applicants.

2. Retaining and growing a travel industry capability for Australia’s recovery: Travel Industry JobStarter

To function effectively, the travel industry requires a skilled workforce to undertake the challenging and often technical tasks of managing bookings and, now more so than ever, to undertake re-bookings covering the up to \$6 billion in travel credits it is estimated Australian consumers hold.

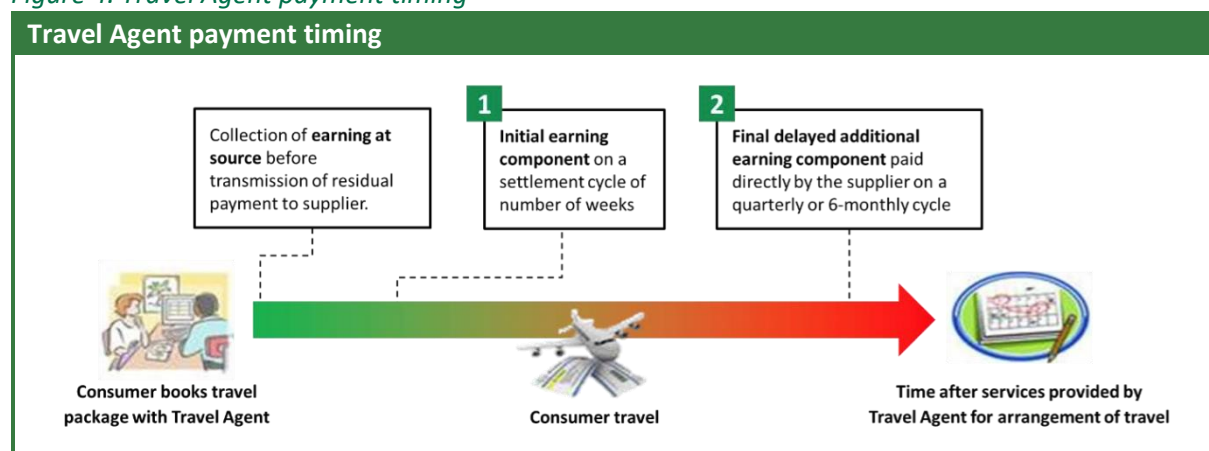
AFTA has proposed the Travel Industry *JobStarter* program to address the immediate critical need for new staff required to process re-bookings, and to avoid the risk of permanent labour market scarring and significant loss of capability across the industry into the future.

Consumer and corporate reliance on travel professionals has increased significantly during COVID-19. Australians turned to travel industry professionals to help them navigate the multiple challenges of managing COVID-19-impacted travel, credits and refunds. The travel industry has provided this support through the 19 months since the international travel ban was imposed, without remuneration. This work for limited income will need to continue as Australian consumers look to rebook their outstanding credits.

The program is designed to support the hiring of new and re-engaged travel industry staff by covering some of the upfront cost of hiring and training new travel industry professionals. AFTA estimates this will create an additional 10,000 new jobs, going some way to address the 15,000 jobs lost as a result of COVID-19.

The majority of travel industry businesses are still experiencing significantly diminished cashflow, with this trend expected well into 2023. As such, it is simply not feasible for travel businesses to hire new employees, even as there is some marginal increase in demand. **Figure 4** shows that revenues for travel agencies and similar businesses are delayed until the consumer has travelled, however, the workforce that is required to book the consumer’s travel is required from the outset.

Figure 4. Travel Agent payment timing



Source: AFTA

Design and Eligibility

AFTA recommends that the Travel Industry *JobStarter* program support be a demand-driven \$10,000 payment for every new or re-engaged employee. The payment should be available to travel businesses that are at least 50% down on 2019 turnover.

Eligible businesses would receive the grant in two installments. First, upon commencement of employment and submission of an application to Austrade. Second, after six months of employment and confirmation that the employee is working at least 20 hours a week. AFTA recommends that eligibility for the grant be open to all travel industry businesses, regardless of turnover, recognising that the industry as a whole is facing workforce pressures.

Re-engaged employees would have to have not worked in the travel industry for at least 3 months or would have had to have worked for a travel business that has been closed or not produced revenue for 3 months. This will ensure that employees are encouraged to continue to seek work within the travel sector even if their employer's business has ended.

Funding provided under the program could be spent on the upfront costs of hiring that employee. For example, on initial payroll expenses, company training costs, subsidising a supervisor, or on capital expenses such as product or system costs.

RECOMMENDATION 2:

AFTA recommends that the Government implement a Travel Industry *JobStarter* Package, similar to the International Aviation Support program, which would provide a payment of \$10,000 per new or reengaged employee by a travel business.

3. Improve data collection to underpin and support industry recovery and the Re-Imagined Visitor Economy

A strategic approach to re-establishing Australia's tourism export market is essential for the recovery of the travel, tourism and hospitality industries within Australia. This strategy must be facilitated by industry collaboration and grounded in accurate and contemporary data.

In analysing demand and capacity levels with regard to both inbound and outbound travel, insights can be gained to inform investors and governments on the need for further investment into the traveler pathway, attractions, and service levels. It will increase the probability of an emerging market to develop into a mature market, which itself is key to re-establishing Australia's tourism exports.

AFTA strongly supports the Recommendation 2.1 of the Expert Panel Report, *Reimagining the Visitor Economy*, to establish a Visitor Economy Data Expert Working Group for a twelve-month period with both government and industry experts to provide national leadership on identifying and providing solutions to government and industry data needs and data sharing.³ In addition to the recommendation from the Hon Martin Ferguson AM, we recommend that the Expert Working Group establish a subcommittee with a remit to make recommendations to the group as to which markets should be targeted for marketing and promotion. The group will then have an ability to make recommendations to the Government and Tourism Australia, to coordinate its approach with other relevant industry participants.

RECOMMENDATION 3.1:

AFTA recommends the Government establish a market identification working group to analyse developing markets to establish if there is a mutual demand for travel to Australia and Australians to specific markets. New data sets should be created and updated yearly with funding to support this priority committed over the medium term. The working group should include relevant stakeholders in the tourism and travel ecosystem: transport, distribution, and trade associations.

³ *Reimagining the Visitor Economy – Expert Panel Report – A report from the Hon Martin Ferguson AM, September 2021, page 23.*

The Tourism Labor Force Survey (2015-2020) was one of the only Tourism specific datasets provided by the Australian Bureau of Statistics (ABS) and was a valuable source of information to industry and policymakers. This is even more important in the current environment of labour force pressures caused by state/territory government-mandated COVID-19 isolation requirements.

AFTA joins with the Australian Chamber of Commerce and Industry (ACCI)⁴ in requesting the Federal Government reinstate the survey for the period 2022-23 to 2027-28 and undertake industry consultation on the effectiveness of the survey after 3 years.

RECOMMENDATION 3.2:

AFTA recommends the Tourism Labour Force Survey be reinstated, providing policymakers and industry with an accurate and contemporary picture of the tourism and hospitality industry to underpin effective policy development and industry strategy.

⁴ Australian Chamber – *Tourism Pre-budget Submission 2021-22*, January 2021, Recommendation 12.

4. Fiscal Impact

Table 2 represent indicative costings of each of recommendation over the Forward Estimates period undertaken by the AFTA using data provided by the travel industry.

AFTA would welcome the opportunity to discuss these costings with the Departments of Finance and Treasury and Austrade to validate or revise our estimates of the fiscal impacts of our recommendations.

Table 2. Indicative costings over the Forward Estimates period

Payments (\$m)	2021-22	2022-23	2023-24	2024-25	2025-24	
Rec. 1.1 and 1.2	120.0	70.0	-	-	-	190.0
<i>Remaining funds from CTSP Round Two</i>	-66.0	-	-	-	-	-66.0
Rec. 2	-	70.0	25.0	5.0		100.0
Rec. 3.1 and 3.2	-	10.0	10.0	10.0	10.0	40.0
Total UCB Impact	54.0	150.0	35.0	15.0	10.0	264.0

5. Conclusion

AFTA is grateful that the Government has acknowledged the unique position the travel industry occupies in the Australian economy.

Further Government assistance remains crucial to supporting the travel industry during this current period when government mandated international border controls and quarantine requirements prohibit travel in almost all circumstances.

AFTA proposes three key initiatives to enable the travel industry to contribute more effectively to Australia's economic recovery:

1. A *Travel Sector Skills Retention and Impaired Recovery Package*;
2. A travel sector *JobStarter* package; and
3. Reinstatement of the *Tourism Labour Force Survey*.

The net cost is estimated to be \$264m over the Forward Estimates period.