

2017-18 FEDERAL
BUDGET
SUBMISSION

Future Economy
Future Jobs



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Executive Summary

Tourism & Transport Forum (TTF) welcomes the opportunity to provide input into the 2017-18 Federal Budget. TTF supports Australian Government budget measures to ensure national policy settings are conducive to generating jobs and supporting the continued transition of the Australian economy away from its reliance on mining investment. With the right policy settings tourism has the potential to play a major role in this transition process.

As a sector, tourism is not looking for a Budget that just delivers for 2017-18 or even a Budget that delivers for the four years of the forward estimates. The sector is looking for a Budget that can generate the level of confidence and facilitate the types of investments that will propel the industry forward into the coming decades.

Fast growing sectors, such as tourism, offer strong platforms for the broader economy in terms of jobs and growth, but this potential will not be achieved without significant investment in tourism-based assets. Much of this investment will be from the private sector, but governments have a role in both directly supporting this – with complimentary public investment - and indirectly offering support through a demonstrated recognition of the importance of the sector to Australia's future.

Any policy changes with the potential to impact on tourism need to be assessed against three key criteria:

- Does the policy encourage/facilitate investment in key tourism-related infrastructure such as transport systems, accommodation facilities, venues, attractions, natural resources and skills?
- Does the policy encourage international visitors to come to Australia rather than go to alternate destinations or encourage Australians to holiday locally rather than go overseas?
- Does the policy improve the experience on offer to all travellers in Australia?

TTF has developed a number of Budget-based recommendations that are consistent with these objectives and will ensure that the industry is well placed to contribute to the broader Australian economy for decades to come. In addition, TTF notes key efficiency and growth measures to improve Australia's economic position by enhancing tourism potential.



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TTF believes it is critically important to bring together Ministers in key portfolios – treasury, finance, trade, tourism and investment, foreign affairs, transport and infrastructure – with the leading players in the tourism, aviation and transport industries to enable the sector to reach its full potential.

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Recommendations

TOURISM AND TRANSPORT RECOMMENDATIONS

Tourism destination marketing

- Maintain funding for Tourism Australia over the forward estimates

Commercial accommodation taxation

- Income Tax competitive neutrality - ensuring that all commercial accommodation operators in the “sharing” economy remit the appropriate amount of income tax.
- Capital Gains competitive neutrality – establish transparency through short-term letting registration system to support appropriate capital gains tax collection.

Business events

- Establish National Business Events Bid Fund of \$10 million per annum over four years

Tourism research

- Maintain research funding to support the continuation of tourism-specific statistical programs conducted by the ABS and TRA.

Visas

- Improve international competitiveness of visitor and working holiday visas charges
- Investigate the potential for establishing a permanent joint visa partnership with New Zealand for key source markets

Aviation

- Continue investments in world-leading biometric technology and automation

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- Support and accelerate implementation of a premium processing product delivered jointly with the private sector
- Introduce customer feedback at the border to benchmark customer service

Infrastructure

- Continue accelerated implementation of Infrastructure Australia's Priority List
- Accelerate investigation and funding key public transport priorities
- Support the roll out free public Wi-Fi in major cities and tourism destinations

Labour and Skills

- Support development of a focussed and coordinated strategy to address labour and skills shortages across the tourism and hospitality sectors with appropriate governance, funding and tripartite commitment

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Tourism: a sector of jobs and growth

The Australian economy is at a critical stage as it adjusts to a post-mining investment boom period. This transition will only be successful if there is stronger growth, investment and job creation in the non-mining sectors of the economy. Tourism has the capacity to make a major contribution to this process in terms of generating growth, creating jobs and attracting new investment.

Tourism is a sector delivering economic growth. In 2015-16, real direct tourism GDP grew 6.1%, compared to the economy-wide average of 2.8%. The potential of Australia's tourism industry was highlighted in the Deloitte Access Economics report *Positioning for Prosperity*. The report identified tourism as one of Australia's five super growth industries capable of collectively delivering an additional \$250 billion to the national economy over the next 20 years.¹

The visitor economy is critical to Australia

- **\$130 billion:** Tourism consumption in Australia totalled \$130 billion in 2015-16
- **\$53 billion:** Tourism's direct contribution to Australian gross domestic product (GDP), a 3.2% share of the Australian economy
- **580,200:** Direct jobs supported by visitor expenditure, which represents 4.9% of the total workforce
- **\$34 billion:** Tourism is an important source of export revenue, generating \$34 billion in export revenue in 2015-16

Tourism is a sector delivering jobs. In 2015-16 the sector directly employed 580,200 people, up 1.2% on the previous year. The sector plays a particularly important role in employing part-time staff, many of whom have study and caring commitments and so are seeking these more flexible employment arrangements. Part-time direct tourism employment grew 4.5% in 2015-16, compared to 3.1% across the national economy.

Tourism is a sector that has the potential to attract investment. International visitor arrivals grew 10% in 2015-16 and domestic visitor numbers rose 9% over the same period. Of Australia's 20 largest source markets for international tourists, 12 are within Asia, and 11 of these delivered double-digit growth last year.

¹ Deloitte Access Economics (2013) *Positioning for Prosperity? Catching the next wave*



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The latest figures available for 2016 show that China provided almost 1.2 million visitors – an increase of almost 200,000, or 20%, over 2015. In 2017, the China-Australia Year of Tourism, China will overtake New Zealand to become our biggest tourism source market, and following the recent aviation agreement between Australia and China, the potential for further growth is huge.

After China, the next-largest Asian markets last year were Singapore, Japan and Malaysia, which collectively delivered another 1.23 million visitors, while the fastest-growing of all tourism source markets was South Korea, up 27 per cent to 284,000.

Combining China's growth with that of Asia's other markets, the influx of visitors to Australia from the world's fastest-growing region was almost 3.8 million in 2016, 46 per cent of the national total and well over three times the number delivered by China alone.

The International Air Transport Association says that by 2035, 1.8 billion additional passenger journeys will be made within the Asia Pacific region. China will be the world's fastest-growing market by passenger numbers (up 817 million to 1.3 billion), followed by the USA (+488 million to 1.1 billion), then India (+322 million to 442 million), Indonesia (+135 million to 242 million) and Vietnam (+112 million to 150 million).

The pace of growth in new visitors to Australia requires significant expansion of both public and private infrastructure across many areas including transport systems, accommodation facilities, venues, attractions, natural resources and skills.

Efficient, affordable and sustainable public transport networks underpin the productivity of Australia's cities and urban environments. They also provide vital connections to regional areas, complementing our road networks.

Attracting this investment is critical to ensure that visitors in the future can receive the high level of service and facilities they expect when travelling in Australia, to encourage both revisits and positive word of mouth advocates.

A key priority for industry in 2017 is the active pursuit of a whole of government approach to the Tourism sector. TTF believes it is critically important to bring together Ministers in key portfolios to enable industry to reach its full potential – treasury, finance, trade, tourism and investment, foreign affairs, transport and infrastructure – with the leading players in the tourism, aviation and transport industries.

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What do we need?

Tourism destination marketing

Tourism covers a wide range of sectors including accommodation, catering, clubs, travel agency and tour operators, cultural and sporting services and transportation, operating across wide geographical locations. Ninety five per cent of tourism businesses are small companies.

The fragmented nature of the industry and the wide dispersal of visitor expenditure across industry sectors drives the need for Government to play a central funding and coordinating role.

The benefits of destination marketing in building a country's brand extend well beyond the leisure tourism market, assisting Australia to bid for major events and secure international conferences, exhibitions, business events and incentives. All these combined efforts ensure Australia continues to be positioned as a premium destination to visit, work, study and invest in.

Destination marketing has proven to be historically effective, producing returns in excess of investments and greater than many other sectors. Tourism Australia reports ROI on tourism promotion as 16:1², making this an extremely worthwhile investment.

TTF appreciates the initiative of the Federal Government in recognising the essential need to correct the reduction in Working Holiday Maker (WHM) arrivals, resulting from increases in visa fees and the proposed increase in taxation, by allocating an additional \$10million over 2016-17 to 2018-19 to Tourism Australia for an advertising campaign to reassure and encourage the youth market to return to Australia.

Tourism Australia has been successful in attracting significant private sector investment in destination marketing. In 2015/16, the organisation was able to leverage an additional \$81 million in marketing spend through industry partnerships. A strategic and collaborative approach to destination and events marketing can increase Tourism Australia's reach and should be embraced to further leverage the contribution and influence of industry.

Despite its forward-thinking innovation and ability to leverage private sector investment, Tourism Australia's budget has declined in real terms by around nine per cent since 2008.

² Tourism Australia, Annual Report 2015/16, p. 2



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This has corresponded with an 18 per cent decline in Australia's share of Oceania and South-East Asia arrivals.

In the most recent Federal Budget, Tourism Australia's funding reached a record \$709 million over the forward estimates period to 2019/20. However, at a time when competing destinations are investing aggressively in tourism marketing, the Federal Government has indicated its intention to reduce overall funding to Tourism Australia over the forward estimates, with reductions of 6 per cent and 8 per cent respectively in 2018-19 and 2019-20 after smaller reductions in 2017-18³.

Tourism Australia's funding must at least be maintained in real terms to enable Australia to hold its position in attracting the valuable tourist visitors and their dollars to benefit our economy in jobs and investment.

Australia must also fiercely compete internationally to maintain the highest standard of commercial short-term accommodation expected by international visitors.

Commercial accommodation taxation

All commercial short-term accommodation providers should have the same taxation requirements. This applies equally to commercial operators in the "sharing" economy and operators of hotels, motels and serviced apartments.

Figures provided by Inside Airbnb show that operators utilising sharing economy platforms to run commercial short-term accommodation operations represent over forty percent of Australian Airbnb listings. Tourism Accommodation Australia (TAA) defines this segment as "commercial-residential accommodation", which includes properties offering un-hosted short-term accommodation for a cumulative total of more than 90 days, and entire properties short-term let year-round by non-resident operators often with multiple listings. This segment currently operates without regard for existing taxation and regulatory requirements.

TTF and TAA believe that suppliers of commercial-residential accommodation should face equal regulatory obligations as traditional, short-term commercial accommodation providers. Two areas in which sharing economy platforms (such as Airbnb) and the ATO could collaborate for the collection and remittance of taxation are income tax and capital gains tax.

³ Mid-Year Economic and Fiscal Outlook 2016-17, December 2016, p. 69

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At present, there is no mechanism to monitor if the income derived from the short-term letting of unregulated accommodation is being accurately declared to the ATO nor for the capital gains tax liability on properties that are short-term let as commercial-residential accommodation.

TTF recommends that the Australian Government follow the examples set by regulators overseas and introduce structures to provide oversight, ensuring that all commercial accommodation operators in the “sharing” economy are remitting the appropriate amount of income tax.

TTF recommends that the Government ensures transparency through a short-term letting registration system that automatically shares hosts’ earnings and booking activity with Government. This allows Government to ensure that upon sale of a short-term letting asset, the correct amount of capital gains tax is being collected.

Business events

Business events are also major drivers of the Australian economy, supporting both the visitor and knowledge economies. Business events generated \$28 billion in direct expenditure in 2013/14 and supported 179,357 jobs. While Australia does well in attracting international conferences, its market share is declining in the face of both improved convention facilities and more aggressive bidding elsewhere in the world.

The International Congress and Convention Association (ICCA) reports that Australia’s global ranking for business events declined from 7th position in 2000 to 15th position in 2015, with Sydney ranked 25th, Melbourne 51st and Brisbane 95th for international cities attracting business events⁴. On ICCA statistics, Australia has generally attracted around 2.1 per cent of international business events⁵.

Year	Rank	Intl Meetings held in Australia
2015	15 th	247
2014	13 th	260
2013	16 th	231

⁴ file:///C:/Users/sstreeter/Downloads/ICCA%20Statistics%20Report_2015.pdf, accessed 11 January 2017

⁵ file:///C:/Users/sstreeter/Downloads/ICCA_A%20Modern%20History%20of%20International%20Association%20Meetings.pdf

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2012	13 th	253
2011	16 th	204
2010	11 th	239
2009	16 th	169
2008	14 th	182
2007	13 th	194
*2006	9 th	190
2005	8 th	164

*2006 Report - <http://www.iccaworld.org/dcps/doc.cfm?flag=0&docid=458>

Many of Australia's business events competitors are supported by Government backed funds available to secure business.

The industry is calling for the Government to provide a new funding commitment of \$10 million per annum over four years towards a National Business Events Bid Fund to support event bid acquisitions that have true national significance. The actual funding would only be expended when a bid is won and only apply to bids that meet the criteria of being deemed nationally significant for a city or region. State and Territory Governments continue to make significant investments in expanded and renewed convention and event facilities, including the newly opened International Convention Centre in Sydney, which opened in December 2016.

Tourism research

Good policy decisions are based on good data and the continuation of the tourism-based publications compiled by Tourism Research Australia and the Australian Bureau of Statistics is essential for future planning within the tourism sector.

The 2016-17 Forward Work Program of the Australian Bureau of Statistics indicates that the agency is currently reviewing the continuation of key publications, including retail sales, which has close links to tourism. In addition, the ABS also indicated it is looking at whether or not to continue tier 3 publications including the Survey of Tourist Accommodation and the Tourism Satellite Account. Both of these reports are currently funded by Austrade and must continue to ensure that accurate information is available about the sector. These

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publications are already only once a year, and any decision to reduce or abandon them would result in poorer decision-making across the sector.

Visas

Maintain the Working Holiday Maker visa application fee at \$390

In 2016, the Federal Government, as part of its Working Holiday Maker Reform Package, announced a reduction of the visa application fee for foreign visitors on working holidays from \$440 to \$390. This package was ratified by the Senate. In its mid-year economic fiscal outlook (MYEFO) presented in December 2016, the Government announced its intention to reinstate the \$440 charge. TTF is opposed to the Government's unilateral decision to alter one of the key elements of the so-called 'backpacker tax' legislation, and urges the Government to honour its commitment to a \$390 visa charge for working holiday makers.

Visa pricing and processing

International travel is highly competitive and increasingly price-sensitive. Due to its geographical isolation, and the cost of long haul flights relative to other destinations, Australia is regarded by many prospective visitors as an expensive destination. To ensure that Australia remains price-competitive, particularly from key visitor source markets of Asia, Europe and the Americas, TTF urges the Federal Government to regularly monitor visa fees charged by competitor destinations, and to ensure that Australian visa charges are competitive, and not considered a disincentive to potential visitors. Additionally, TTF urges the Federal Government to maximise the use of appropriate technology to minimise the time taken to process visa applications.

Trans-Tasman visa

Many international travellers to Australia or New Zealand take the opportunity while in this region to visit both countries. TTF favours the introduction of a single regional visa, through which visitors from specified countries can enter either Australia or New Zealand, then travel to the other without the need to apply for a second visa, streamlining their travel and increasing the productivity of border management agencies. This concept was tested early in 2015 when the ICC Cricket World Cup was hosted in New Zealand. To help facilitate travel to the event, agreement was reached between the Australian and New Zealand Governments, enabling international visitors holding an Australian visa to automatically obtain on arrival a three month visa to New Zealand. In addition to enticing cricket fans, the



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regional visa also attracted many other travellers, of whom 40 per cent were from China, a nation not playing in the World Cup.

Airports and Aviation

Passenger facilitation in international air terminals

With the substantial and continuing increase in international visitor numbers, in particular from rapidly-expanding Asian markets, there is a need to continuously identify opportunities to improve the experience of both passengers and visitors at Australia's major airport terminals. TTF urges the Federal Government to reinvest a portion of the near-\$1 billion revenue generated by the Passenger Movement Charge to expedite the provision of industry-leading biometric and 'face-on-the-move' technology, improving passenger flow by removing e-Gates and enabling Australian Border Force to focus upon travellers identified as high risk, freeing the majority of passengers to proceed directly from their flight to the baggage collection area. TTF also urges the Government to progress its proposal of last year to introduce premium processing services for international travellers, providing them with the option to pay a fee for expedited passage to or from their aircraft, including border formalities and other value-added opportunities. In addition to improving the passenger experience, such a service also would provide a new revenue stream.

Immigration pre-clearance

In tandem with new border management technology referred to above, TTF further requests that the Federal Government set aside funds to implement a test program for immigration pre-clearance, through which international travellers can perform their Australian entry formalities at origin destinations, eliminating the need to queue again on arrival, assisting Australian Border Force in pre-identifying travellers of interest, and removing the need for most to undergo quarantine inspections. An obvious market in which to introduce pre-clearance is Trans-Tasman, which currently delivers more passengers into Australia than any other market. Pre-clearance of such large numbers of passengers would reduce substantially the congestion in our international air terminals. China, soon to become our largest source market for international visitors, should also be considered for early adoption of a pre-clearance program.

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Infrastructure

The tourism and transport sectors both directly benefit from game changing federal government infrastructure investment. Key projects such as transport links to airports, cruise ship facilities, outback road access to key tourist destinations and the provision of mobile phone coverage and Wi-Fi demonstrate the overlap for the visitor economy and city commuter needs is significant as is the benefit to regional communities across the federation. Related improvements to national parks, cultural institutions, convention centres and urban open spaces all improve quality of life for Australians while boosting the visitor experience and tourism sector.

Infrastructure Australia's *Infrastructure Priority List* is strongly supported by TTF Australia's members.

High Priority Projects⁶

- Western Sydney Airport
- M4 motorway upgrade
- WestConnex
- Ipswich Motorway Rocklea-Darra
- M80 Ring Road upgrade
- Perth Freight Link

Productivity enhancing public transport infrastructure remains at the heart of critical infrastructure for the visitor economy. TTF has strongly encouraged and welcomed the Federal Government's change in approach to funding public transport and strongly supports a modally-neutral approach to assessing and funding transport infrastructure needs and proposals.

The Federal Government should continue to fund projects based on their contribution to the functioning of the national economy and enhancing national productivity.

TTF supports key public transport projects and initiatives:

- Brisbane Cross River Rail
- Melbourne Airport Rail Link

⁶ http://infrastructureaustralia.gov.au/projects/files/IPL_161123.pdf Release Date 23 November 2016

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- Gold Coast light rail extension to the airport
- Perth light rail
- Perth (Forrestfield) Airport Link
- Sydney Metro (Chatswood to Bankstown via Sydney CBD)
- Adelaide Gawler Line rail upgrade
- Melbourne Metro Rail
- Western Sydney Preserve corridor/s for Western Sydney Airport rail connection
- Sydney western line, CBD to Parramatta

Other TTF key infrastructure initiatives with visitor economy benefits include:

- Western Sydney corridor for airport fuel pipeline
- Strzelecki Track sealing and mobile coverage
- Sydney Garden Island Cruise Ship access and Customs passenger processing facilities
- Hobart Derwent River crossing capacity
- Melbourne Airport third runway
- Perth Airport third runway
- Wadeye, Tiwi Islands, Jabiru NT enabling infrastructure and essential services to remote NT communities

As well as improving national economic performance, improving the ability visitors to explore more of our cities and regional and remote attractions through good transport and related experience has a direct impact on the visitor experience and likelihood of return visitation and expenditure.

Free public Wi-Fi

In an increasingly 'connected' world, and with soaring global use of smart phones and tablet devices, travellers expect to have internet access. Free, high-speed Wi-Fi is now available in public spaces in many countries. But similar connectivity in Australia is patchy at best. The international Wi-Fi watchdog *Rotten Wi-Fi* recently released its 2016 list of the top 20 nations, ranked by the speed of their public Wi-Fi networks. Lithuania was ranked number 1, followed by Singapore, Switzerland, Denmark and the UK, but Australia was not in the top 20. TTF urges the Federal Government, either independently or in collaboration with state governments, to support Australia's surging visitor economy by providing funds in the 2017-



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18 budget for the activation or expansion of high-speed public Wi-Fi, initially in capital cities, and a plan for subsequent rollout into key regional destinations.

Labour and skills

Australia is competing globally for skilled workers in travel, tourism, transport and hospitality.

With growth in demand for services there are some sectors that experience prolonged difficulties in attracting and retaining appropriately skilled staff, which can dramatically impact productivity and the service offering. By 2020 the industry will be experiencing a shortage of 123,000 workers with skilled workers accounting for almost half of this shortage⁷.

This problem is particularly pronounced in remote and regional areas of Australia where geographical isolation is often the strongest deterrent. Some of Australia's most luxurious resorts struggle with high staff turnover and persistent vacancies. Even operators in major capital cities report staff shortages and similarly high turnover among both skilled and unskilled workers. Staff shortages place operators under enormous pressure to deliver on their service promise.

As a predominantly long-haul, high-cost destination, Australia must prove its value for money proposition to international visitors. However, chronic shortages of staff, particularly in regional locations, make this increasingly difficult.

Industry has worked with government agencies in a Labour and Skills Roundtable convened by Austrade to identify a strategy to address skill shortages by ensuring best possible coordination, utilisation and promotion of programs operating across industry and government sectors. This includes a campaign to overcome perceptions of the tourism sector lacking career opportunities and pathways for development and misalignment of training and employer needs.

Government needs to support a focussed and coordinated strategy to address labour and skills shortages across the tourism and hospitality sectors with appropriate governance, funding and tripartite commitment.

⁷ Deloitte Access Economics (2015) Australian Tourism Labour Force Report: 2015-2020

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Efficiency and growth measures

Not all initiatives proposed by TTF are requests for funding. In a number of cases, reforms are proposed in order to increase the productivity of current assets or resources, or to identify fresh opportunities for improvement, resulting in greater structural efficiency, increased economic contribution and reduced medium-term call on funds. Recommendations are listed below.

Ease capacity restrictions at Sydney International Airport

Operations at Sydney Airport are heavily restricted by regulations, limiting the growth of aviation activity and impacting on the operational efficiency of the airport and the convenience of travellers. Restrictions include limiting slots and movements to 80 per hour, measured over a 'rolling hour' that commences every 15 minutes, and a curfew on commercial passenger flights between 11pm and 6am, with selected flights operating during the curfew under strict conditions.

In addition, the significant growth in inbound tourism is creating even greater pressure on peak period 'slots'.

TTF urges the Federal Government to approve:

- an increase in permitted aircraft movements from 80 to 90 per hour;
- an increase in 'shoulder period' operations (from 5am to 6am and 11pm to midnight) for international flights;
- the removal of the 'rolling hour' that commences every 15 minutes; and
- decoupling the cap on slots from actual movements.

These changes will ensure tourism growth into the future and ensure that Sydney Airport is able to maximise its efficiency.

Additional cruise ship facilities in Sydney

Demand for ocean cruising is surging internationally. One of the fastest-growing markets is Australia, and our largest cruise gateway is Sydney. But with port facilities at Circular Quay at full capacity, and the next generation of ships too large to pass beneath Sydney Harbour Bridge to access the White Bay terminal, the only deep water option in the city which is able to accommodate growth is Garden Island, currently used almost exclusively by the Royal Australian Navy. TTF urges the Federal Departments of Tourism, Transport and Infrastructure, Immigration and Border Protection, and Defence to initiate and jointly explore means of establishing common user terminal facilities at Garden Island for the use



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of large cruise ships, to help ensure continued growth of this rapidly-expanding tourism segment.

Tourist Refund Scheme

The Tourist Refund Scheme enables all international travellers departing Australia to claim the refund of GST and Wine Equalisation Tax on goods purchased in Australia for consumption or use overseas. The processing of these refunds is currently managed by officers of Australian Border Force, a task which is neither core to ABF activities nor appropriate use of its resources. Additionally, with the growing number of travellers using this scheme, processing at airports is causing long queues, impacting upon the experience of travellers, contributing to congestion in terminals, and causing knock-on delays to aircraft departures and the on-time performance of airlines. TTF urges the Federal Government to outsource the administration of refunds and management of the TRS program to the private sector, releasing ABF officers to focus upon more pressing matters of border security. Private management of this process has been undertaken widely in other countries, with significant success. This issue has been considered by Australian Governments for several years, and TTF urges the Turnbull Government to finally progress this matter in the 2017-18 budget.

[END]