

2016-17 Federal Budget Analysis

Tuesday, 3rd May 2016

BACKING OUR STRENGTHS – TTF’S NATIONAL POLICY AGENDA

In the lead up to the federal budget, TTF released a comprehensive [pre-budget submission](#). The Tourism & Transport Forum Australia (TTF) called on the Federal Government to make serious investments in the future of the tourism sector to support more jobs and stimulate growth. The submission focused on the potential to grow Australia’s tourism industry and reaching ambitious targets, particularly in light of recent growth. Our key advocacy asks included:

- Driving visitor demand through increased investment in Tourism Australia by an additional 29 per cent over forward estimates;
- Accessible and affordable visas, the reduction of taxes and charges, and streamlining regulation to alleviate the cost of travelling to Australia;
- Improving the visitor experience through investment in passenger facilitation initiatives, better customer service delivery, the introduction of a premium processing and reform of the Tourist Refund Scheme; and
- Investment in visitor economy infrastructure, public transport projects and funding in Australia’s national parks and cultural institutions to lift our tourism offering.

BUDGET HIGHLIGHTS

The Government’s \$50 billion infrastructure program (over 2013/14 to 2019/20) removes the existing bias against public transport infrastructure and includes \$1.5 billion and \$751 million for projects in Victoria and Western Australia respectively.

Tourism Australia’s funding has reached a record \$629.4 million over the forward estimates, reflecting the decision to maintain an \$8.6 million increase in last year’s budget to compensate for currency movements. Nominally their funding will fall by 2.4% to \$154.3 million in 2016/17, rising to \$161.5 million in 2019/20. This equates to a 2.4% fall in real terms over the forward estimates period.

The Government has not changed the passenger movement charge, expecting to generate \$985 million in 2016/17.

The Government has also not announced any changes to visa application charges (and introduced more pilot schemes for fast tracking applications).

While not detailed, the Federal Government will proceed with last year’s decision to treat Working Holiday Makers as non-residents for tax purposes, removing their eligibility for the tax-free threshold. The change will raise \$540 million over four years and the nominal commencement date remains July 1 2016 (despite a lack of legislation).

KEY BUDGET FACTS AT A GLANCE

	2014-15 Actual	2015-16 Estimated	2016-17 Budget	2017-18 Estimate	2018-19 Projection	2019-20 Projection
Underlying Cash Balance (\$ billion)	-37.9	-39.9	-37.1	-26.1	-15.4	-6.0
Real Gross Domestic Product (%)	2.2	2.5	2.5	3	3	3
Unemployment rate (%)	6.1	5.75	5.5	5.5	5.5	5.5
Net debt to GDP (%)	15.6	17.3	18.9	19.2	18.8	17.8

VISITOR ECONOMY AND TRANSPORT BUDGET MEASURES

BUDGET MEASURE	ANALYSIS
DEMAND DRIVERS	
Tourism marketing	<p>\$154.3 million (including \$14 million from the Asia Marketing Fund) in 2016/17 and \$629.4 million over four years</p> <p>Tourism Australia’s funding has reached a record \$629.4 million over the forward estimates, reflecting the decision to maintain an \$8.6 million increase in last year’s budget to compensate for currency movements. Nominally their funding will fall by 2.4% to \$154.3 million in 2016/17, rising to \$161.5 million in 2019/20. This equates to a 2.4% fall in real terms over the forward estimates period.</p> <p>Tourism Australia’s funding will fall by 2.4% in real terms (using the Government’s expectations for CPI inflation) over the forward estimates period.</p>
Major events	<p>Funding for Match Australia will fall, but this is not specified</p> <p>Match Australia is the Australian Government’s business networking program which connects Australian businesses with global partners through major sporting events.</p> <p>This measure has been detailed as part of an efficiency dividend from Austrade.</p>
International engagement	<p>\$18 million to expand Australia Week trade and promotional events in China, India, US and ASEAN, promoting Australia as tourism and education destination as well as trade and investment partner.</p>
Cultural Institutions	<p>The changes to funding for some of Australia’s federal cultural institutions include:</p> <ul style="list-style-type: none"> • National Portrait Gallery of Australia: <ul style="list-style-type: none"> ○ \$46.2 million allocated over four years

	<ul style="list-style-type: none"> ○ Slight decrease in 2016/17 compared to last year (\$10.96 million compared to \$11.3 million in 2015/16) ● National Museum of Australia: <ul style="list-style-type: none"> ○ \$199.4 million allocated over four years ○ Slight decrease in 2016/17 compared to last year (\$39.3 million compared to \$40.9 million in 2015-16) ● National Gallery of Australia: <ul style="list-style-type: none"> ○ \$125.96 million allocated over four years ○ Slight decrease in 2016/17 compared to last year, (\$31.286 million compared to \$32.589 million in 2015-16) ● Australian National Maritime Museum: <ul style="list-style-type: none"> ○ \$84.5 million allocated over four years ○ Slight decrease in 2016-17 compared to last year, (\$21.1 million compared to \$21.9 million in 2015-16).
National Parks	<p>\$186.6 million allocated over four years</p> <p>Funding gradually increases, with a slight increase in funding for 2016/17 compared to last year (\$42.8 million for 2016/17 compared to \$40.5 million in 2015/16).</p>
Great Barrier Reef Marine Park Authority	<p>\$188.251 million allocated over four years</p> <p>There will be a slight decrease in 2016/17 compared to last year (\$53.435 million compared to \$55.202 million in 2015/16).</p> <p>The overarching outcome includes implementation of actions which aim to protect, manage and restore the Great Barrier Reef's ecosystem health, biodiversity and heritage values.</p>

TRANSPORT AND VISITOR INFRASTRUCTURE

Infrastructure in Cities and Regions (National Infrastructure Plan)	<p>\$50 billion in infrastructure programs (between 2013/14 and 2019/20), including:</p> <ul style="list-style-type: none"> ● \$490 million in Western Australia for the Forrestfield-Airport Rail Link ● \$261 million in Western Australia for section 2 of the Perth Freight Link ● \$200 million in Queensland for the Ipswich Motorway (on a matching basis with the Queensland Government) ● \$1.5 billion for new projects in Victoria to be funded on a matching basis with the Victorian Government including: <ul style="list-style-type: none"> ○ \$350 million for the Western Ring Road ○ \$500 million for the Monash Freeway ○ \$345 million for rural and regional highways ○ \$750 million for urban congestion ● \$594 million in additional equity funding for the Melbourne to Brisbane Inland Rail
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Sydney and Melbourne Metro	The Government is undertaking an Asset Recycling Initiative with four States and Territories worth \$3.3 billion, which is anticipated to unlock over \$23 billion in State infrastructure spending for key projects including the Sydney and Melbourne Metro projects.
Western Sydney Airport	The Government announced further preparatory activities and the development of a rail access concept design to be prepared with assistance from Transport for NSW. The Government is investing in \$65.6 million in 2016-17 and \$49.5 million in 2017-18.
Air services agreements	This includes negotiation of revised air services agreements with China with the aim of tripling gateway capacity between Australia and China by the end of 2016.
Regional infrastructure	\$43 million for the Tourism Demand-Driver Infrastructure Program to improve quality of regional tourism infrastructure to attract visitors.

COMPETITIVENESS, TAX AND REGULATION

Passenger Movement Charge	The Passenger Movement Charge has not increased The Government expects to generate \$985 million in 2016/17, rising to \$1,136 million in 2019/20.
Working holiday maker tax	\$540 million over four years There has been no change to the announcement from last year's budget. Working holiday makers will no longer be treated as residents for tax purposes. As a consequence, they will no longer be eligible for the tax-free threshold, paying tax from the first dollar they earn. This measure is expected to raise more than \$540 million over four years. Working holiday makers will be paying 32.5 cents in the dollar from their first dollar of income up to \$87,000 (accounting for the increase in the 32.5 cent bracket).
Visas	No new visa fee change proposals Three year (and pilot of ten year) multiple entry visas for approved tourist and business applicants from China and Indonesia. A trial of online lodgement for visitor visas in China, India and Indonesia with full roll out by end of 2016 in China and 2017 in Indonesia and India. The Government also announced trial user-pays fast track for India and UAE and a three year multiple entry trial for India, Thailand, Vietnam and Chile.

Visa processing	Savings of \$180 million over three years from 2017/18 by reforming the visa and migration framework, improving automation in visa processing, providing self-service options and using more sophisticated assessment capabilities.
Premium passenger facilitation	The establishment of premium border clearance services is mentioned but no funding detail for commercial in confidence reasons.
Passport fees	\$172.9 million over four years Increase for Australian passport fee applications of \$20 for adults and \$10 for children from 1 January 2017.
Biosecurity	\$15.9 million over four years The funding is allocated to improve the analytical capability of the Department of Agriculture and Water Resources to turn data into intelligence for use by Government entities (States and Territories) to better manage Australia’s biosecurity risks.