TTF SUBMISSION

Productivity Commission Draft Report on the Barriers to Services Exports

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TTF AUSTRALIA
Tourism & Transport Forum

Tourism & Transport Forum

Tourism & Transport Forum (TTF) is a national, member-funded CEO forum, advocating the public policy interests of the most prestigious corporations and institutions in the Australian tourism, transport, aviation and investment sectors.

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TTF AUSTRALIA Tourism & Transport Forum

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Introduction

TTF is the peak national body for the tourism, transport and aviation sectors. We are a CEO forum representing the key institutions and corporations in the Australian visitor economy. TTF develops and advocates for public policy that supports the sustainable long-term growth of the visitor economy. We believe that it is paramount for governments at all levels to remove barriers that unnecessarily impede the ability of businesses to export services and that hamper Australia's global competitiveness.

Tourism is the country's largest service export industry and a significant employer, employing almost twice as many people as the mining industry. It generates expenditure of over $100 billion every year – more than all of Australia's primary industries combined.

At June 2013, there were 266,623 tourism businesses across Australia, directly employing 539,600 people, or 4.7% of total employment in Australia[1]. Taking into account indirect tourism employment, this adds another 516,100 employees to a total of 1,055,700 people directly or indirectly employed in tourism, representing 9.2% of total employment across Australia.

The Productivity Commission has identified a number of barriers that are impeding growth in tourism service exports and suggested actions for governments to mitigate their impact or remove them entirely. While TTF is broadly supportive of the Commission's approach, there are a number of important considerations that will help ensure Australia meets its Tourism 2020 target and does not concede the competitive advantage it has gained over other international destinations.

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[1] Tourism Research Australia (January 2015), Tourism Businesses in Australia - June 2010 to June 2013

Specific Recommendations

Domestic Reform Priorities

Recommendation 4.2:
TTF supports this recommendation, as government initiatives that promote competition and a flexible and productive economy, while reducing red tape and unnecessary impediments to service providers, are beneficial in supporting investment and innovation.

The particular focus of this recommendation on Government actions to address concerns about infrastructure acting as a constraint to service exports is commendable. While investment in tourism assets like convention and exhibition facilities, entertainment centres and precincts, recreation and public spaces, and sporting stadia falls to State and Territory governments, Federal funding and facilitation can help expedite projects that assist in strengthening tourism service exports. This includes, for example, funding for business events assets, visitor infrastructure in national parks and national cultural institutions.

In addition, the Federal government plays a leading role in helping to facilitate visitation to key destinations through the provision of strategic infrastructure, like roads, ports, airports and other transport infrastructure.

Recommendation 4.3:
TTF supports this recommendation, as the removal of prescribed industries ensures equitable access to the Industry Skills Fund across all service exports sectors. This is especially important for service exports industries, such as tourism, that are characterised by a large number of small to medium-sized enterprises that benefit from additional training and skills assistance and advice.

Recommendation 4.5:
The NSW and Victorian governments have both taken steps to provide discounted public transport for international students. However, access to public transport by international students should be matched to the access provided to domestic students, as is the case in other jurisdictions across Australia. TTF supports this recommendation. The international education segment is a significant service export industry for Australia and has positive impacts on the broader visitor economy including accommodation, restaurants, and retail.

Recommendation 4.6:
Consideration should be given for this recommendation to address growing markets and not just market failures. Taking a purely economic perspective to supporting export growth may result in a decline in regional tourism product being represented in overseas markets. As the tourism industry predominantly consists of small and medium-sized enterprises, governments should continue to assist these businesses, through grants and other programs, to enter export markets.

Recommendation 4.7:
The provision of information, advice and market research is a “public good” provided by the Australian, state and territory Governments to inform decisions that support economic growth and jobs creation nationally. For this reason, TTF does not support this recommendation. Governments should not strive to recover the costs of providing valuable information, as the cost in terms of hampered economic growth from impeded access to information would far exceed the revenue collection from information users. Further, moving to a user-pays

model would limit information to those with the capacity to pay for it, resulting in information 'blind spots'. This is especially the case for service exports industries, such as tourism, that are characterised by small to medium-sized enterprises that have smaller operating revenues, and where the government's role as funder and facilitator serves to address market failure.

TTF strongly believes that robust and timely national statistics and data are essential for generating informed policy, outcomes and investment decisions for the tourism industry. Without bodies like the Australian Bureau of Statistics (ABS) and Tourism Research Australia (TRA), the industry would not have the capacity to invest in these statistics and data.

For this reason, TTF recommends the Government maintains research funding to support the continuation of free tourism-specific statistical programs conducted by the ABS and TRA, and commits to permanent and continued funding for the Survey of Tourist Accommodation to support accommodation investment decisions.

Opportunities for growth in financial service exports

Recommendation 6.2:
TTF supports this recommendation and its aim to simplify Australia's regime of withholding taxes and introduce greater uniformity. Withholding taxes should be consistent between jurisdictions as differing rates with different countries create inefficiencies in the system.

As an example, the airline industry is highly capital-intensive and Australian carriers must look to offshore markets for a significant portion of their funding. In addition, the vast majority of aircraft lessors are not based in Australia.

At present, the key taxation impediments to aircraft financing are the imposition of interest withholding tax applying to interest payments made to offshore banks; withholding tax applying to payments to offshore lessors for cross-border aircraft leasing; and subjecting offshore lessors, who passively lease aircraft used by the lessee in Australia, to Australian income tax. As such, financiers often require borrowers or lessees to increase their payments to cover the withholding tax, effectively passing the burden back to Australian airlines and making operating costs higher.

Removal of these impediments would increase competitiveness between domestic and foreign investment, ultimately assisting companies to raise capital and become more competitive in the global environment. This supports the notion of capital export neutrality.

Further, to improve access to foreign investment for Australian airlines and to improve their international competitiveness, TTF suggests that withholding tax on interest and royalty should be removed. Imposing withholding tax on leasing distorts investment decisions as there should be no difference between borrowing to finance purchase of equipment or leasing equipment.

As part of the reforms associated with this recommendation and given the time taken to renegotiate tax treaties, there is also an opportunity for Australia to consider making a unilateral change to domestic legislation to ensure that any inefficiencies in the system are further eliminated. For example, the decision in the 2012-13 Federal Budget to double the final withholding tax rate for managed investment trusts from 7.5% to 15% undermined investor confidence in the Government and should be reversed.

Enhancing export capacity in education and health

Recommendation 7.1:
Given the significant economic contribution made by international students to Australia, TTF believes that maintaining immigration integrity should not be the sole policy objective of the student visa program. TTF therefore supports this recommendation in principle only. Immigration integrity should be balanced with promoting Australia as an international education destination, and providing a visa program that facilitates the growth of the international education sector.

Recommendation 7.2:
International education contributes significantly to the Australian economy. Given the need for more skilled labour in the tourism and hospitality industry, in addition to supporting efforts to encourage the pursuit of hospitality careers, TTF supports this recommendation to ensure that domestic and international students are provided with timely and comprehensive information to make informed decisions.

The Department of Education and Training should work closely with its state and territory counterparts in undertaking the review, and with government bodies that have been specifically established to facilitate the growth of international education in their jurisdiction, such as StudyNSW and Study Melbourne.

Removing impediments to tourism exports

Recommendation 8.1:
TTF does not support this recommendation as tourism marketing spending represents good value for public funds. Government provision of international destination marketing, and support for major sporting, cultural and business events, influences decisions of visitors to travel to Australia. In an increasingly competitive global environment strongly vying for the tourism dollar, it is paramount that Australia maintains, and ideally increases, its voice in the international marketplace.

Analysis has already been undertaken that shows the Return on Marketing Investment (ROMI) in the Australian context is around 15:1[2]. This means that for every $1 million spent by Tourism Australia on promoting Australia, $15 million is generated in additional tourism expenditure in Australia. Furthermore, when taking into account other potential uses of these funds and possible 'crowding-out' impacts of private investment, the benefit to cost ratio is 6:1. This means that across the whole economy, for every $1 million spent on tourism promotion by Tourism Australia, the living standards of Australians are increased by $6 million. The results of this analysis demonstrate that government funding of tourism marketing provides net benefits to the Australian economy and community, and therefore government should continue to invest in this form of funding.

In addition to research undertaken by Tourism Australia, a myriad of studies[3] have been conducted nationally and internationally that aim to quantify the return on investment generated from the provision of tourism marketing

[2] Tourism Australia (November 2014), Submission to the Productivity Commission research paper: Australia's international tourism industry
[3] A literature review commissioned by TTF found nine studies conducted in Australia and two studies conducted internationally that consider the return on marketing investment.

funding by Governments. The average return on investment found in each study implies that 15:1 ROMI in the Australian context, is a conservative estimate.

Further, a report written for Tourism Accommodation Australia[4], found that the average return on marketing investment over the four years to March 2014 was 21.75. This means that each $1 million of spending on marketing and promotion resulted in $21.75 million of inbound tourism expenditure, 9,863 inbound visitors and 122 tourism jobs. Taking into consideration marginal return, the return on marketing investment over the four years to March 2014 was 15.86. This means that $1 million of *additional* spending on marketing and promotion resulted in an *additional* $15.86 million of inbound tourism expenditure, 7,192 additional visitors and 89 additional tourism jobs. These findings justify industry calls for increased tourism funding across all jurisdictions.

It is also important to differentiate between tourism marketing funding and major events funding, as each type of funding warrants different mechanisms, evaluation methodologies and application.

Further, Federal, state and territory governments already undertake extensive cost/benefit analysis prior to and after investing in a marketing program or major event. These analyses and reports are not publicly released as they often contain commercially sensitive and confidential information that would hamper the competitive advantage of each jurisdiction domestically, and Australia's competitive advantage globally.

Moreover, governments already have established practices and procedures for approving investment in marketing programs or major events over certain amounts. Adding another layer of analysis that is produced to a standard that can be publicly released would unnecessarily add another inefficient layer of administrative red tape.

Recommendation 8.4:
TTF supports this recommendation provided the framework includes the full spectrum of visa reforms as well as border processing services, and does not result in the Department of Immigration and Border Protection charging for commercially-acceptable servicing levels. In relation to premium passenger processing, this should include both VIP in-terminal processing and off-terminal clearances.
Consideration should also be given to how the Department might support trial programs, such as a cost effective method for providing customs and immigration servicing at regional airports, with the view of services becoming sustainable outside the trial period.

[4] Webber Quantitative Consulting (July 2014), Estimates of the Return on Marketing Investment for Australian Inbound Tourism [estimates using the quadratic model have been used in this submission]

General Policy Commentary

Aviation policy in Australia

Australia is one of the most liberal aviation markets in the world and this policy approach has strived to ensure that total capacity to Australia ahead of demand. This has delivered long-term benefits to the Australian community as reported by the Productivity Commission[5], including a 60% reduction in the real cost of international air travel over the last four decades. There has also been a 260% increase in the number of international passengers carried between 1991-92 and 2013-14; a 220% increase in the number of seats; and a 30% increase in the number of airlines operating to Australia.

The Government has continued to further liberalise Australia's Air Service Agreements with recent examples including a tripling of capacity under the arrangements with China, a 55% increase in capacity under the arrangements with the Philippines and a doubling of capacity for services between Australia and Chile.

TTF supports the position of government to negotiate air capacity rights ahead of demand to help ensure the continuing growth of international visitation to Australia. However, we must also ensure that Australian airlines remain competitive, sustainable and have opportunities to leverage their competitive advantage in the face of foreign carriers with greater geographical and unit cost advantages.

Tourism is an economic development strategy for Australia that can help provide jobs, business opportunities and future prosperity. It is also one of the few, if not the only, sector that delivers economic activity in every single part of Australia. Growing international visitation to Australia through increased access is fundamental to our future economic health.

TTF recognises and supports government's role in implementing the appropriate mechanisms to ensure the sustainability of Australian carriers and trusts that Australia's economic and trade interests remain at the forefront of the government's aviation policy.

International policy case studies

Passenger Movement Charges

Many countries are moving away from departure taxes, as the impact on tourism is becoming more widely understood. Malta led the European movement away from taxing tourists, becoming the first country to repeal its departure tax in 2008. Another country to repeal its tourism tax was Ireland, which abolished its Air Travel Tax in 2014 after economic modelling showed losses to the economy of around €482 million. Ireland has had a number of new international air services introduced from the United Kingdom and long-haul routes following the zero-rating of the tax.

The United Kingdom announced that from 1 May 2015, its Air Passenger Duty (APD) would not apply for young children on flights that depart from the United Kingdom. The APD costs £13 for short-haul flights, covering all of

[5] Productivity Commission (February 2015), Australia's International Tourism Industry, Research Paper

Europe, plus Turkey and North Africa. It can be as much as £97 for longer journeys. While the abolition of the tax initially only applies to under-12s, from March 2016 it will be extended to all children under 16.

Australia's Passenger Movement Charge (PMC) is the second highest departure tax among the member countries of the Organisation for Economic Cooperation and Development after the United Kingdom's APD. But unlike the APD, the PMC is not distance-tiered, making it the highest in the developed world for journeys under 3,220km. For example, a passenger flying from London to Istanbul – about 2,500km – would pay around $22 in tax under the APD, whereas a passenger on a comparable journey from Sydney to Auckland (2,200km) pays $55.

The additional $55 charged by the Australian Government is a substantial barrier to tourism services exports and a serious demand inhibitor. In economic terms, the PMC is a per-unit tax on a price-elastic good, passed through, and thus the burden is borne by consumers.
Modelling by the International Air Transport Association (IATA) suggests that holiday visitors (as distinct from those travelling to visit friends or relatives) are most sensitive to departure taxes such as the PMC, with every price increase of 10 % estimated to generate a decline of 5 to 7 % in the number of leisure passengers travelling globally[6].

Using the average return airfare paid to Australia in early 2014 of $1,628, IATA calculates the removal of the PMC would represent a decrease in total fare of 3.3 %. This in turn would drive an increase in passenger traffic of around 2.3 % annually, leading to 348,000 additional international passenger return journeys each year[7].

At $55 per passenger aged 12 years and over, the PMC has a particularly large impact on visitors travelling relatively short distances, including the trans-Tasman market travelling to the east coast and South East Asian markets travelling to northern Australia. For a family of four travelling to Australia, this is an additional cost of $220. Of this, $165 goes directly to consolidated revenue.

While the initial basis for the PMC was to serve as a cost-recovery mechanism for the provision of immigration and border services, the current $55 charge has significantly moved away from this to become a "cash-cow" for the Government. PMC revenue is forecast to be more than $1 billion by 2016/17, which significantly dwarfs the estimated $250 million it costs to facilitate passenger movements at international airports.

As the Government continues to reform its suite of border fees and charges, TTF urges the Government to commit to freezing any further increases to the PMC and outline a phased reduction of the PMC to return to a genuine cost recovery levy.

Tourist Refund Scheme

Australia's retail offering is a key attraction for international visitors, particularly those from the growing Asian visitor markets. It is also a key part of achieving the yield targets associated with growing overnight visitor expenditure. To increase competitiveness in this area, Australia needs to reform its Tourist Refund Scheme (TRS). The TRS is the program under which departing travellers can claim back either the GST or the Wine Equalisation Tax (WET) on purchases.

[6] International Air Transport Association (2013)
[7] International Air Transport Association (2014)

However, the current system, administered by the Australian Customs and Border Protection Service can be a barrier to tourism services exports because it is cumbersome and time consuming. It also costs the Australian taxpayer some $14 million per year to administer, funded from the Customs budget.

TTF believes that if the TRS scheme was easier and more heavily marketed to international tourists, total spend in Australian stores would rise. Economic modelling, undertaken by KPMG on behalf of the Tourism Shopping Reform Group, estimates that by 2017 such a reform could attract an extra 18,000 international visitors to Australia[8], increasing international visitor shopping spend by $226 million.

TTF believes that opening up the Australian TRS to a private provider would deliver even greater benefits, including promotion of Australia as a shopping destination in key source markets and an improved visitor experience. This is the model adopted very successfully by rival destinations in our region, such as Singapore, and used in more than 40 countries worldwide.

TTF recommends the Government commits to allowing private operators to provide refunds through the TRS.

Visitor visa fees and processing

Competition for leisure visitors is strong and many of Australia's rival destinations are already taking steps to make it easier for visitors to travel, especially for fast-growing target markets, such as China. For example, Canada, the United States of America and the United Kingdom have implemented policy changes that enable Chinese leisure tourists to lodge their visa applications online.

As a further competitive advantage, the USA usually processes visitor visa applications in two to nine days compared to Australia's 15-day standard.

This difference in visa application processes is contributing to stronger growth in visitors from China to the USA than to Australia. In 2013-14, Chinese visitors to Australia grew by 15%, but this was dwarfed by the impressive growth of 23% to the United States and even more impressive 30% to Canada.

In the recent 2015-16 Federal Budget, the Government announced increases to visitor visa charges resulting in $437 million in additional revenue over four years. The cost of a visa from China increased from $130 to $135, while work and holiday maker visa application fees increased from $420 to $440. Coupled with the removal of the tax-free threshold for visitors on a working holiday maker visa, this is sending the wrong signals to the international marketplace and imposes additional barriers to tourism services exports.

Likewise, the lucrative corporate incentive market, which has seen significant growth from China, faces multi-million dollar upfront costs for visas for their delegates. The recently announced pilot for 10-year multiple entry visas for Chinese visitors will carry a $1,000 application fee – significantly higher than similar visa products offered by the United States (AU$215), Canada (AU$105) and Singapore (AU$28).

Similarly, working holiday maker visa costs have increased almost 60%, from $280 in 2011 to $440 in 2016, including a $20 increase in the 2015/16 Federal Budget. The cumulative impact of these increases has been negative: following an increase in the fee in 2013, applications for the program fell by 8.7%, or by approximately 23,000 visas.

[8] KPMG (2012)

TTF calls on the Government to commit to lowering visitor visa charges and simplifying visitor visa processing to ensure that Australia does not further lose its competitive advantage.

The United States of America 'Jolt Act'

Key factors often cited by governments in Opposition to implementing simplified and improved visa and passenger processing are national security, immigration and biosecurity. However, TTF strongly supports that maintaining national security and offering easier visa and passenger processing do not have to be mutually exclusive; and there are many international best practice examples proving this case. The most prominent example is the development of the 'Jobs Originated Through Launching Travel Act' (JOLT Act) in the United States, which aims to leverage the benefits of inbound international travel to the United States to increase economic growth.

The JOLT Act is geared towards expanding and preserving the Visa Waiver Program (VWP), a critical program that maintains national safety in the United States while also attracting high-spending foreign visitors. VWP travellers are carefully screened through multiple intelligence watch lists and thoroughly vetted, however they are also able to pass through customs and immigration with greater ease. The VWP is a cornerstone program for attracting travel to the United States, having helped attract more than 20 million international travellers in 2014.

The United States' VWP is largely based on Australia's Electronic Travel Authority (ETA) that Australia pioneered in the 1990s. The ETA made it simple and affordable for visitors from a range of countries to obtain a visa and was revolutionary for its time. However, since then Australia has steadily lost its competitive advantage and we risk losing even more market share as more countries scramble to take advantage of the burgeoning Asian middle class and growing global appetite for travel.

The United States Congress has recognised the value of the visitor economy in supporting 15 million jobs in the country as well as boosting its diplomacy efforts, and has taken steps to marry the preservation of its national security with the growth of its tourism service exports. TTF would encourage the Department of Immigration and Border Protection to consider the United States as a best-practice example in this regard.

Premium passenger processing

To attract international visitors to Australia and grow tourism service exports, Australia must do more than simply compete on price. There needs to be a focus on providing a high level of customer service, particularly for high-yield visitors who value premium-level service.

TTF has identified two opportunities for Australia to improve its offering of premium processing services at Australia's international airports to support the growth of tourism services exports. Other destinations in Asia and the Middle East are already offering these services, making it critical to adopt them to ensure Australia does not fall behind its competitors.

These services are currently provided on an ad-hoc basis without any cost recovery process in place. Implementing a more structured program and making the requisite legislative and regulatory adjustments for the implementation of premium processing services that are fully cost recoverable could also have a net positive impact on the Budget and generate a revenue stream for Government.

Several destinations, including Singapore and Dubai, offer high-wealth visitors the opportunity to clear customs, immigration and quarantine from premium lounges rather than via normal queuing channels. This is done via either existing airline member lounges or in dedicated premium lounges. Airlines either charge members for this service or cover the costs themselves as a way of attracting high-wealth individuals to their airline program. The separate dedicated lounges are operated by private companies that recoup their costs through service charges.

This model has been a success in other destinations around the world. For example, JetQuay in Singapore, which has operated from Changi Airport since 2006, offer various arrival and departure services that are paid for by travellers. Prices range from around $120 to $800 per person depending on the level of service passengers request.

Similar premium services could also be implemented at jet terminals that receive private planes. Under this model, a private jet terminal company would be able to offer its arriving or departing passengers off-terminal clearance for customs, immigration and quarantine. This is likely to be attractive for operators at terminals that have a larger volume of international arrivals through private facilities, such as Sydney, Melbourne and Brisbane.

As with the premium lounge processing model, customs, immigration and quarantine staff are provided on a contract basis to the jet terminal operator with full cost recovery for government and a potential revenue stream that is currently not utilised.

TTF recommends the Government works with private operators and industry to formulate an appropriate business model for premium processing services, at both terminal and off-terminal locations.

Additional policy considerations

Cruise ship access to Garden Island

Cruising is the fastest growing part of the tourism industry. In 2013-14, the direct economic contribution of cruise tourism in Australia consisted of $1.28 billion in direct output, $660 million in value added and 4,994 full time equivalent jobs paying $437 million in employee compensation. The indirect and induced economic contribution was estimated at an additional $879 million in output and 3,007 full time equivalent jobs[9].

As NSW accounts for approximately 75% of the national economic contribution of the cruise ship industry, the Federal Government should ensure NSW is equipped with the best possible cruise ship infrastructure to support this fast-growing industry.

Sydney Harbour is one of the world's most popular destinations for cruise ships and this has placed serious constraints on the harbour's cruise ship berthing facilities. This is exacerbated by the worldwide trend towards larger cruise ships. Within five years, 85% of new cruise ships constructed will not be able to fit under the Sydney Harbour Bridge and access the White Bay cruise terminal. In addition, the Overseas Passenger Terminal is now at capacity for much of the summer cruising season.

To ensure the growth of the lucrative cruise ship sector is not curtailed, the Federal Government needs to provide regularised and increased shared access for large cruise ships to Garden Island. TTF recommends increasing cruise shipping access from three visits to a base of 20 visits per year, in the peak of the cruise season.

The Federal Government should also develop the ability to process passengers at Garden Island rather than ferry passengers from Garden Island to the White Bay cruise terminal to go through customs. This would greatly improve the customer experience and increase the competitiveness of Sydney as a global cruise destination. The

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[9] AEC Group (2014), Economic Impact of the Cruise Shipping Industry in Australia 2013; international passenger figures only.

additional time given to visitors will also maximise the benefits of the cruise sector to Sydney's, and more broadly Australia's, visitor economy.

TTF recommends the Government increases cruise shipping access to a base of 20 visits per year and implements passenger processing facilities at Garden Island.

Rental car industry regulations

The car hire sector plays a critical role in visitor mobility. Whether for domestic or international travellers, or residents who don't own a car, it is often the favourite transport mode to escape the city and visit regional destinations. However, red tape is impeding the efficiency of the rental vehicle industry and thereby impacting on the growth of services exports, especially tourism services.

The rental car industry is a unique and often overlooked component of Australia's transport and tourism sectors. Generating more than $3 billion in economic activity, the industry serves more than 400,000 international customers and purchases up to 40,000 new vehicles every year[10].

In 2013, 10% of inbound visitors used a rental vehicle during their trip to Australia[11]. The domestic market also represents a large share of the rental vehicle market with 73% of vehicle hires.

However, the full potential of the industry is not being realised due to inconsistent and inadequate regulatory frameworks. The rental industry abides by eight different state and territory regulatory and tax regimes. Of these jurisdictions, only Tasmania has regulation specifically designed for the rental car industry. In other jurisdictions, rental vehicles are often inappropriately categorised with other services such as hire cars and taxis, which have little resemblance to rental vehicles in terms of vehicle type, regulation, risk profile or vehicle working life.

With regulation working solely at a state and territory level, the current regulatory framework is only effective for operators who act within jurisdictional boundaries. With 70 % of annual turnover in the sector generated by national operators, this framework impedes the growth of the industry nationally.

TTF advocates tax and regulatory reforms to reduce inefficiencies and improve the customer experience. These critical changes can be implemented through one of two mechanisms:

- **Option 1** – Harmonisation of state and territory taxes and regulation through an intergovernmental agreement; or
- **Option 2** – The introduction of national regulatory regime administered by a single national body.

TTF believes the Federal Government, through the Department of Infrastructure and Regional Development, should undertake a comprehensive cost benefit analysis of both options, assessing the most viable option in regards to the cost impact on Government and industry against the status quo.

Reform in the rental vehicle industry will involve transition costs and requires political will, arising from the possible transfer of powers from state and territory Governments to the Federal Government. However, the success of the Standing Committee on Transport and Infrastructure and the Council of Australian Governments, in delivering outcomes for national transport reform, provides a strong foundation for conducting this much-needed reform.

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[10] Figures derived through consultation with TTF rental vehicle members and Ibis World Australian Industry Report, Motor Vehicle Hiring in Australia, 2012

[11] Tourism Research Australia (2014) – International Visitor Survey, December quarter 2013 edition

There is a considerable weight of evidence, both in Australia and abroad, demonstrating that national harmonisation of transport regulation delivers significant economic benefits. Building on the success of the introduction of national regulators for heavy vehicles, rail and maritime safety, a similar arrangement for the rental vehicle sector is a logical next step in the push to build a more productive and integrated transport sector.

TTF recommends the Federal Government leads tax and regulatory reforms to harmonise the car rental regulation framework nationally.

Funding for key visitor economy assets

A large part of Australia's international brand appeal and the backbone of tourism services exports are its natural assets, many of which are under the management of Parks Australia. Tourism also contributes to broader environmental and social outcomes, providing funding and engagement for our natural and indigenous heritage.

A recent study by Tourism Australia found consumers from some of Australia's key inbound markets viewed Australia's world-class beauty and natural environment as the third most important factor in selecting a holiday destination, behind only safety and value for money[12]. Capitalising on the potential benefits of our natural assets requires a supportive legislative framework and strategic public investment in critical infrastructure. In addition, consistent funding for Parks Australia is required to ensure continued visitor engagement in national parks.

The 2015-16 Budget allocation for Parks Australia saw a slight decrease over the forward estimates, starting with a $575,000 cut in 2015-16. It is pleasing to see that additional funding was allocated to the Reef Trust to support the delivery of priority projects in the Great Barrier Reef. However, it is important to maintain consistent funding across Australia's national parks agencies to ensure the assets under their remit are appropriately managed and visitor infrastructure is maintained and enhanced as outlined in TTF's National Tourism Agenda[13].

In addition to Australia's natural assets, our national cultural institutions also draw hundreds of thousands of visitors each year, making a vital contribution to the cultural fabric of the country and the growth potential of tourism services exports. Not only is cultural tourism becoming more prominent domestically and globally, but cultural visitors stay longer and therefore spend more at a destination, making them a lucrative high-yield market for the visitor economy. It is essential that cultural assets continue to be supported to ensure Australia's cultural tourism experiences remain attractive and globally competitive to support the growth of tourism services exports. TTF recommends the Government increases funding for national parks agencies and maintains and increases funding support for national cultural institutions.

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[12] Tourism Australia (2013) - Consumer Demand Study
[13] Tourism & Transport Forum (2013) – *Australian Tourism: Backing our Strengths*