

# 2015-16 Federal Budget Analysis

Tuesday, 12 May 2015

## BACKING OUR STRENGTHS – TTF'S NATIONAL POLICY AGENDA

In the lead up to the federal budget, TTF released comprehensive pre-budget submissions for [tourism](#) and [transport](#). Our key advocacy asks included:

### TOURISM

- Increasing funding for Tourism Australia
- Reducing taxes and charges, implementing key visa reform and creating more entry points to increase the industry's competitiveness
- Boosting investment in research and Australian National Parks
- Improving the visitor experience through better passenger processing, reforming the Tourist Refund Scheme, priority visa application and joint visitor visas
- Improving visitor transport through public transport infrastructure projects, cutting red tape in the rental vehicle industry and increasing cruise ship access to Garden Island

### TRANSPORT

The federal government, in consultation with states and territories, should develop a mechanism and allocate capital funding for public transport infrastructure projects that have the support of Infrastructure Australia. Such funding should commence in 2015-16 financial year, and over the budget cycle, be of a quantum to advance several major projects in urban areas.

## BUDGET KEY MEASURES

- Working holiday makers will no longer be treated as residents for tax purposes, removing their eligibility for the tax-free threshold. The change will raise \$540 million over four years. TTF has serious concerns that this will significantly reduce Australia's attractiveness as a destination for this important segment of the market.
- Visitor visa charges will increase raising \$437 million in additional revenue over four years. The cost of a visa from China will increase from \$130 to \$135, while work and holiday maker visa application fees will increase from \$420 to \$440. TTF has argued that to maintain our international competitiveness in key markets like China, visa fees should be reduced.
- The government has continued its commitment to not increase the Passenger Movement Charge. Industry had hoped for a reduction in the PMC, particularly for short-haul flights.
- The government has provided funding for Tourism Australia to compensate the agency for currency fluctuations, which impacts on its overseas marketing purchasing power. However, the budget includes no increase in real terms for Tourism Australia despite industry calls for a boost in marketing funding.
- \$26.2 million over four years has been allocated to establish permanent border clearance services at Townsville and Sunshine Coast airports to support regular international air services. Enabling international flights to more regional airports has been a key ask of TTF.
- The government has maintained strong spending on urban and regional road projects but continues to reject calls for it to fund major public transport projects in our cities.

## KEY BUDGET FACTS AT A GLANCE

	2013-14 Actual	2014-15 Estimated	2015-16 Budget	2016-17 Estimate	2017-18 Projection	2018-19 Projection
Surplus (deficit) (\$ billion)	(48.5)	(41.1)	(35.1)	(25.8)	(14.4)	(6.9)
Real Gross Domestic Product (%)	2.5	2.5	2.75	3.25	3.5	3.5
Unemployment (%)	5.9	6.25	6.5	6.25	6	5.75
Net debt to GDP (%)	12.8	15.6	17.3	18	17.6	16.8

## VISITOR ECONOMY AND TRANSPORT BUDGET MEASURES

BUDGET MEASURE	ANALYSIS
<b>DEMAND DRIVERS</b>	
<b>Tourism marketing</b>	<p><b><i>\$138.7 million in base funding in 2015-16, in addition to \$14 million from the Asian Marketing Fund</i></b></p> <p>The government did provide an additional \$8.6 million to offset negative foreign currency impacts in 2015-16, however Tourism Australia's funding has again failed to increase in real terms.</p>
<b>Major events</b>	<p><b><i>\$5.2 million over four years for Match Australia</i></b></p> <p>The successful Match Australia program, administered by Austrade, will be extended. The program establishes business networking events to link with major sporting events.</p>
<b>International engagement</b>	<p><b><i>\$18 million over four years for Australia Week</i></b></p> <p>Austrade will expand its Australia Week program in China, India, ASEAN and the United States. \$8.8 million of this funding will be redirected from the Department of Foreign Affairs, Austrade and Tourism Australia.</p>
<b>Arts and cultural tourism</b>	<p>The Government will reduce funding for arts and cultural programmes administered by the Australia Council, Screen Australia and the Attorney-General's Department by \$13.2 million over four years.</p> <p>The Government will also reallocate \$110 million over four years from the Australia Council to establish a National Programme for Excellence in the Arts, administered by the Ministry for the Arts within the Attorney-General's Department and the continuation of Creative Partnerships Australia's Plus1 matched funding programme.</p>

## VISITOR INFRASTRUCTURE

<p><b>Secondary international airports</b></p>	<p><b><i>\$26.2 million over four years</i></b></p> <p>The government will establish permanent border clearance services in Townsville and Sunshine Coast airports to support regular international air services. \$6.9 million of this funding will be set aside for capital funding.</p>
<p><b>Northern Australia infrastructure</b></p>	<p><b><i>\$5 billion loan facility</i></b></p> <p>Concessional loans will be made available with the objective of increasing private sector investment in Northern Australia infrastructure.</p> <p>The loan facility will start taking applications from 1 July 2015.</p>
<p><b>Norfolk Island air services</b></p>	<p>Funding is being provided over three years from 2015-16 to underwrite essential air services to Norfolk Island and the Indian Ocean Territories.</p> <p>Funding amounts have not been made public because of the commercial negotiations currently underway with the carriers.</p>
<p><b>Remote airstrip upgrades</b></p>	<p><b><i>\$33.7 million over four years</i></b></p> <p>The government will extend the Regional Aviation Access Programme to provide a further two funding rounds for the Remote Airstrip Upgrade component.</p>
<p><b>Tasmanian visitor infrastructure</b></p>	<p>The \$16 million grant to the Cadbury factory upgrade has been reallocated to undisclosed projects. However, the budget confirms \$4.4 million in 2015-16 for the Tasmanian Regional Tourism Package.</p>
<p><b>Demand-driver tourism infrastructure</b></p>	<p><b><i>\$14.3 million in 2015-16</i></b></p> <p>This funding is distributed to the states and territories to help fund demand-driving tourism infrastructure. This fund replaces the now defunct TIRF grants.</p> <p>\$13.275 million is expected to be expended in 2016-17, falling to only \$10.8 million in 2017-18.</p>
<p><b>National Parks and nature-based tourism</b></p>	<p><b><i>\$160.8 million over four years</i></b></p> <p>Funding for National Parks is being slightly reduced over the forward estimates, starting with a \$575,000 cut in 2015-16.</p> <p>The Grampians Peak Trail tourist development between Halls Gap and Dunkeld in Victoria will receive funding from a \$10 million pool through the National Stronger Regions Scheme.</p>

<b>Great Barrier Reef</b>	<p><b><i>\$100 million over four years</i></b></p> <p>Additional funding from 2015-16 for the Reef Trust to support the delivery of priority projects in the Great Barrier Reef, bringing the total contribution to the Reef Trust to \$140 million.</p>
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## TRANSPORT INFRASTRUCTURE

<b>East West Link</b>	<p><b><i>\$3 billion in contingent liability</i></b></p> <p>The government has used the budget to recommit to the East West Link in Melbourne, saying it will make up to \$3 billion available to ‘any Victorian government that proceeds with the project’.</p> <p>However, the funding has been revised as a contingent liability following the current Victorian government’s opposition to the project.</p>
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## COMPETITIVENESS, TAX AND REGULATION

<b>Working holiday maker tax</b>	<p>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.</p> <p>This measure is expected to raise more than \$540 million over four years.</p> <p>Working holiday makers will be paying 32.5 cents in the dollar from their first dollar of income up to \$80,000.</p>
<b>Visa application charges</b>	<p>Visitor visa application charges will increase under a measure that will raise \$437 million in revenue for the government.</p> <p>Visitors on 600 and e600 sub-classes, including from China, will see their application charges increase from \$130 to \$135, while Work and Holiday Maker visa application fees will increase from \$420 to \$440.</p>
<b>Passenger Movement Charge</b>	<p>The Passenger Movement Charge has not increased, however the government is forecasting receipts from the PMC to reach around \$1 billion in 2015-16.</p>
<b>Coastal shipping reform</b>	<p>The government will introduce reforms for foreign flagged vessels operating in Australian waters. These include:</p> <ul style="list-style-type: none"> <li>• Single Coastal Trading Permit</li> <li>• Minimum Australian senior crewing requirement for foreign ships remaining on the coast for more than</li> </ul>

	<p>183 days in a permit period</p> <ul style="list-style-type: none"> <li>• Annual reporting</li> <li>• Removing exemptions for large ships from the Coastal Trading Permit requirements</li> <li>• Aligning employment conditions for ships based in Australia with international standards</li> </ul>
<b>Research</b>	<p><b><i>\$234.7 million over five years from 2014-15</i></b></p> <p>Funding will be provided for an upgrade of the Australian Bureau of Statistics' computer systems. This includes \$11.2 million over four years from 2015-16 for the production of new input/output tables.</p>
<b>Small business tax relief</b>	<p><b><i>1.5 per cent small business tax cut</i></b>  <b><i>\$20,000 instant asset tax write-off</i></b></p> <p>The \$5.5 billion package will only be available to businesses with turnover of less than \$2 million.</p> <p>TTF estimates that approximately 30 per cent of tourism businesses will be eligible for the tax relief package.</p>
<b>Workforce</b>	<p>A new wage subsidy will be made available to employers who employ parents returning to the workforce, as well as for people over 50 and for young job seekers.</p>