The Case for extending The JobKeeper Program for Tourism and Transport Sector

Executive Summary

This research paper provides a January 2021 update from our previous research paper to assess the impact of retaining the Commonwealth Government's JobKeeper Scheme post-March 2021 when the job payment subsidy is expected to be removed.

Research and analysis undertaken by Stafford Strategy (Stafford) on behalf of TTF members indicate the continuing fragile state of the tourism, transport and hospitality sectors and the likelihood of significantly reduced re-employment occurring without the JobKeeper Scheme being retained post March 2021.

Key findings from the research indicate the following.

- International visitation will remain close to zero with border closures in place until most likely 2022 when the Trans-Tasman travel bubble with New Zealand may come into effect. The very small numbers of international visitors are mostly from New Zealand who are expected to be visiting to see friends and relatives rather than for other purposes. The remaining few arrivals are associated with visitors coming to partake in major sporting events (the Australian Tennis Open and various cricket matches etc. along with a small number of support personnel).
- The Trans-Tasman travel bubble will likely only produce limited visitation due to airline capacity constraints and other factors restricting inbound visitation which is estimated to be less than 4k on average per month from New Zealand only and coupled with short term Australian arrivals and those from the UK and USA is estimated in total at less than 12k per month on average in total.
- The Northern Beaches COVID Cluster and additional Western Sydney Clusters in late December 2020 resulted in major border closures to visitors from Greater Sydney and wider NSW during December – January peak domestic travel period. This was estimated to have a significant impact on visitor spend (initially estimated at a $2.97b loss over the period from 24th December 2020 to 10th January inclusive).
- The additional Brisbane COVID event which resulted in a further lockdown and other state border closures will have added to this initial estimate.
- The $2.97b figure was only for the peak period of 24th December 2020 to 10th January 2021. With many state borders still closed as of 19th January 2021 and in some instances likely to remain so possibly into February, the impact on lost visitor spending alone is expected to potentially add a further $3.83b[1] to this loss, if this scenario remains out to 31st January 2021. Border closures beyond the end of January will only exacerbate this estimated loss in direct visitor spend.
- In summary an estimated $6.8 billion to be lost in visitor spend from Christmas Eve 2020 to the end of January 2021 if current scenarios continue.
- Potential job losses of up to 318,000 existing tourism, transport and hospitality jobs could go by September 2021 without JobKeeper.
- This includes an estimated 59,700 in Queensland, 85,300 in Victoria, and 118,000 in NSW, the three biggest state job providers.
- In addition to the loss in direct visitor spend, is the additional broader economic impact from lost business associated with the supply of goods and services to the tourism, hospitality and transport sectors which could nearly double the quantum of the loss from visitor spend alone from indirect and induced expenditure impacts.

[1] This figure also includes a ratio of 35% of all visitor spend being redirected back into states and territories as substitute spend by intrastate travellers who aren't travelling beyond their state borders.

- The estimated monthly loss in tourism, transport, and hospitality direct jobs without the JobKeeper Scheme (as opposed to retaining the JobKeeper Scheme) are forecast for Australia wide-ranging from 112k to 337k per month over the period April to December 2021.
- The value of additional wages attributed to jobs supported by retaining the JobKeeper Scheme range from $0.6b in January 2021 to $1.1b in December 2021.
- The estimated value of PAYG contributions attributed to jobs supported by retaining the JobKeeper scheme ranges from $0.17b in January 2021 to $0.34b in December 2021.
- The retention of the JobKeeper Scheme is noted by the industry as essential to retaining current staff engaged and to support the gradual introduction of more staff as visitation gradually increases.

Possibly the most negative impacts, however, from the potential loss of the JobKeeper Scheme are:

- the risk that many small-medium sized tourism, transport, and hospitality businesses will not look to reopen and may potentially close for good, as visitation numbers will often not support the ability to operate at a 30%-40% demand capacity level.
- that larger businesses are less likely to open up/reactivate all their facilities so the risk of a far slower recovery period back to where businesses are fully operational may occur; and
- noting that the impact across the industry is likely to be very uneven with some major attractions (such as those within the cultural sector), for example not being able to see solid benefits occurring till some time in 2021.

In summary, the recovery by the tourism, transport and hospitality sectors is noted as being particularly vulnerable, with potentially spasmodic and relatively modest growth in domestic visitation being forecast out to December 2021. Further COVID cluster outbreaks, however, which may lead to further state and territory border closures, will reduce the forecasted recovery of the domestic visitor market during 2021.

For the international visitor markets, the current indicators reflect international travel being resumed on a very gradual scale with most major inbound visitor markets possibly only opening by 2023 at the earliest, and dependent on the ability to avoid successive waves of the virus continuing to generate lockdowns from occurring offshore especially. As the vaccines are not able to stop the spread of the virus but are seen to be able to greatly reduce the impacts from them so fewer patients require to be hospitalised, it is still uncertain how most countries will control the spread of the virus, other than keeping their borders closed for anything other than essential travel.

Introduction

The gradual recovery of the tourism, transport and hospitality sector is expected to move particularly slowly during 2021 as international border lockdowns neutralise any uplift which would normally be expected from the international visitor markets to Australia concerning visitation and particularly via associated visitor spend which is noticeably higher than domestic visitor spend levels.

The lack of a two-way Trans-Tasman travel bubble with New Zealand in 2021 is a reflection of the ongoing risk seen with new mutations of the virus and the difficulty countries are having in controlling these even with closed borders. The level of uncertainty in trying to deal with the impact of COVID, continues to create both short- and longer-term decision-making challenges for tourism-based businesses.

Visitor Impact Assessment

Figure 1 illustrates the forecasted monthly loss of international visitation into Australia which is not expected to grow in 2021 without a Trans-Tasman travel bubble with New Zealand which is now seen as less likely. For the period from January to December 2021, there is effectively no international visitation into Australia other than a very small number (averaging 12k pa. from all sources including short-term returning Australians) of mostly New Zealand travellers to Australia coming primarily to visit friends and relatives. The figure also shows likely international visitor spend per month averaging $50m at best from all short-term arrivals.

By way of comparison, pre COVID-19 monthly average international visitation into Australia in 2019 was 720k with an average monthly spend of $3.9b.

Figure 1: Modest Growth of Monthly International Visitors to Australia

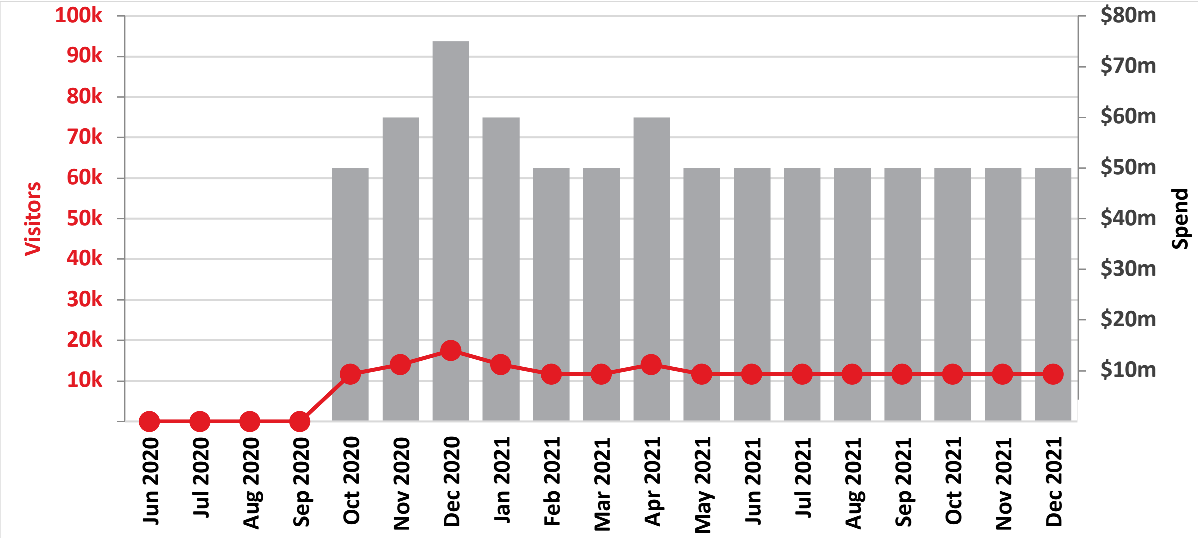

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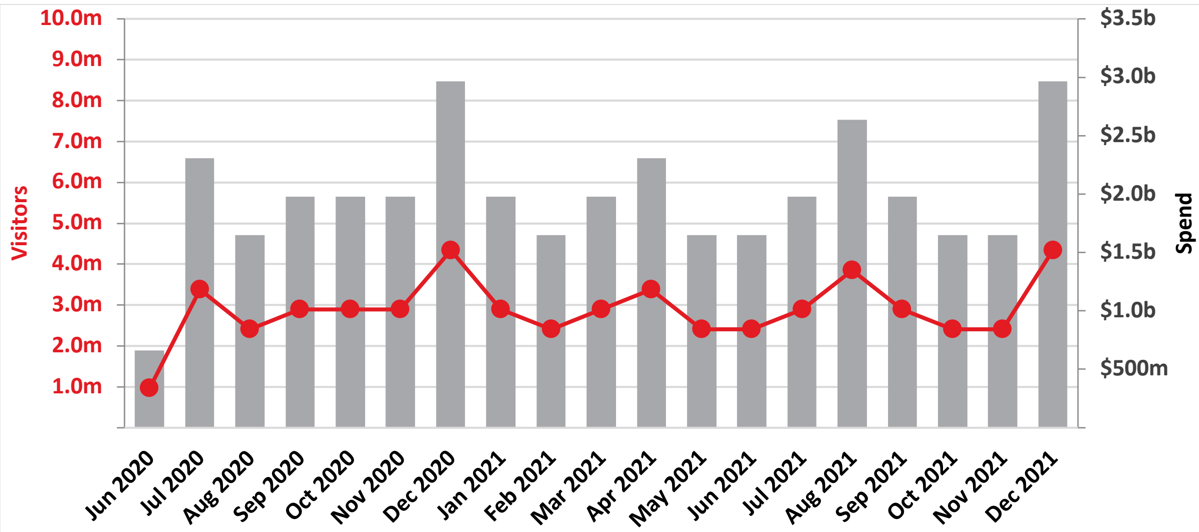
Figure 2 demonstrates the forecasted growth in domestic overnight visitation and associated visitor spend throughout Australia on a monthly basis. It assumes that from July 2020 onwards, domestic borders will open in time for school holidays and that there will be a period of constant (rather than rapid) growth predominantly driven by school holiday travellers, VFR and business travellers, though the uplift in December is expected to be from leisure-based travel primarily. These forecasts assume there will be no downturn in visitation from further lockdowns or other issues.

Figure 2: Modest Monthly Growth of Domestic Overnight Visitation in Australia



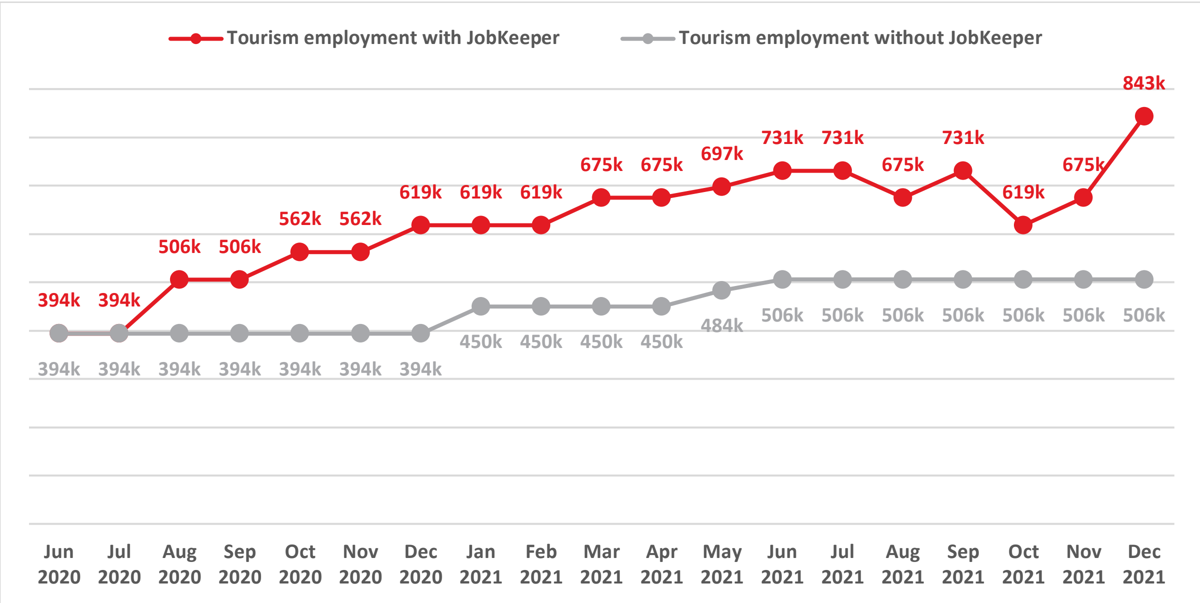
Pre COVID-19, average domestic overnight visitation was 9.64m per month with an average monthly domestic spend of $6.6b across Australia. The forecast estimated peak monthly spend in domestic overnight visitation over the next 12-month period from January 2021 – December 2021 is expected to reach $2.98b or 45% of 2019 achieved domestic visitor levels.

Whilst strengthening of the domestic overnight visitor market is highly important, it also needs to be noted that average spend per domestic visitor trip in 2019 was $684, compared to $4,286 per international visitor trip in Australia. The average domestic visitor overnight trip is therefore only 16% of what an average international visitor would spend per trip in Australia.

The historic importance, therefore, of the international visitor market on industry viability and profitability, cannot be stressed enough.

Figure 3 indicates the forecast uplift in tourism, transport and hospitality-related direct employment from the retention of the JobKeeper Scheme which is due to be halted at the end of March 2021. Without the Scheme, the industry has indicated a lack of ability (due to modest visitor growth, fixed operating costs, business risk and lack of profitability) to increase and/or hold employment into the sector. The graph assumes the Scheme will remain as per currently, till December 2021 at the rate applied.

Figure 3: Estimated Tourism Employment with/without JobKeeper



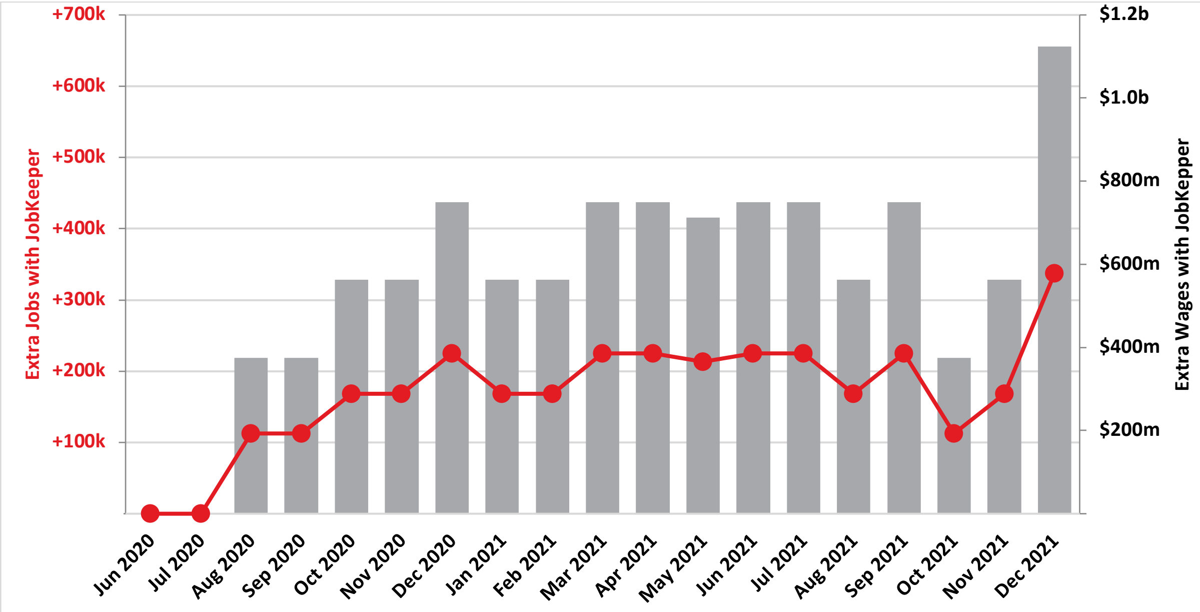
We estimate that current sector employment is about 55% now of what it was in Jan 2019. Worst case it could get down to 35-40% by sept 2021 without jobkeeper. But with jobkeeper it could grow back to potentially 72% of 2019 employment by Dec 2021.

Figure 4 illustrates forecasted employment growth due to the retention of the JobKeeper Scheme, which is noted by the industry as essential, in moving from the current transition phase post-lockdown to a period where domestic visitor growth is expected to gradually strengthen.

The Figure also provides detail of estimated average monthly wages to illustrate the contribution from industry operators back into the economy. Importantly, the jobs and wage estimates are only for direct employment into tourism, transport and hospitality and do not include the provision of indirect employment uplift which would occur from the supply of goods and services into the sector.

It is assumed that the Scheme will need to remain in place until the end of March 2021 at the current JobKeeper wage support level. Due to the modest forecasted growth in visitation out to December 2021 and the challenge for many operators grappling with reduced market demand, lower plant/product capacity utilisation, and a reduction in the level of the wage subsidy via the JobKeeper Scheme, this is expected to result in a decline in sector employment post-March 2021 if the scheme is halted as planned.

Figure 4: Estimated Additional Tourism Jobs Retained because of JobKeeper



Potential Businesses Lost

In 2019 there were an estimated 159,860 tourism businesses throughout Australia.

Based on our estimate of potential employment loss with jobkeeper removed, this could result in 20% (31,972) or close to 32k actual tourism businesses being lost in calendar year 2021. This loss will not be shared evenly across Australia with the likelihood that more remote regional locations (those beyond a three hour drive of major cities) and some cities throughout Australia would likely bear the brunt of business closure.

	EMPLOYING BUSINESSES				TOTAL EMPLOYING	NON-EMPLOYING	TOTAL
	Micro (1-4 employees)	Small (5-19 employees)	Medium (20-199 employees)	Large (200+ employees)			
Total tourism businesses[a]							
Incorporated company	50,621	30,053	8,969	610	90,253	37,407	127,660
Sole proprietor	12,966	2,891	241	3	16,101	78,289	94,390
Partnership	9,215	4,784	1,088	14	15,101	17,477	32,578
Trust	17,498	16,090	4,548	220	38,356	19,515	57,871
TOTAL*	**90,306**	**53,821**	**14,871**	**862**	**159,860**	**152,700**	**312,560**

Source: Australian Bureau of Statistics, ABS Business Register (unpublished data)
** Total includes public sector and unidentified businesses.*
a) Total tourism businesses may not be equal to the estimates presented elsewhere in the text because of the confidentialisation process adopted by the ABS which differs for different classifications.

Notes: Smaller estimates need to be used with caution as these may not represent the true estimate due to rounding process undertaken in the confidentialisation process by the ABS. The estimates presented here may be slightly different from the estimates quoted elsewhere in the text and appendices. These variations are caused by the confidentialisation of smaller estimates by the ABS to protect the identity of individual businesses.

Australia Wide

The following infographic graphically illustrates the impact on the tourism, transport and hospitality sector as of January 2021. It illustrates the ongoing challenge for the tourism sector recovery overall and its vulnerability in dealing effectively with internal state and territory border closures on domestic tourism growth in an environment where international travel is still forecasted to be some way off.

96m infected & 2.05m deaths (as of 19th January 2021) COVID-19 IMPACT GLOBALLY	**$3.86b p/month** (from January 2021) AVERAGE MONTHLY DECREASE IN INTERNATIONAL TOURISM SPEND	**Up to 680k p/month** (from January 2021) AVERAGE MONTHLY DECREASE IN INTERNATIONAL VISITATION	**$2.01b p/month** (from January 2021) AVERAGE MONHTLY DECREASE IN DOMESTIC (OVERNIGHT) TOURISM SPEND
6.7m p/month from January 2021 AVERAGE MONTHLY DECREASE IN DOMESTIC (OVER NIGHT) VISITATION	**506k as of January 2021** ESTIMATED TOTAL DIRECT TOURISM JOB LOSSES	**$20.3b** (2021) ESTIMATED LOST WAGES & SALARIES FROM DIRECT TOURISM JOB LOSSES	**$6.1b p/a** (2021) ESTIMATED LOST PAYG TAX CONTRIBUTIONS FROM DIRECT TOURISM JOB LOSSES

Conclusion

The tourism, transport and hospitality sector has been further impacted in late 2020 by a combination of factors which will make a sectoral recovery in 2021 far more challenging than previously envisaged. These include:

- the impact of lockdowns and border closures due to new virus clusters occurring and the curtailing of domestic travel for all purposes by state and territory governments.
- the risks now seen from the virus's ability to not only mutate but to what appears as versions which can spread far faster and are harder to contain.
- the continuing challenges from returning Australians arriving back with COVID infections and the challenges of protecting quarantine – front line workers from catching the virus as well.
- the lack of what appears to be a nationally consistent policy of when border closures should occur and when they should be removed.
- the inability to secure a Trans-Tasman travel bubble with New Zealand in 2021 as earlier predicted.
- the timeframe likely to inoculate the bulk of the Australian population with the virus vaccines which may result in some hesitation in some states and territories wishing to open up to domestic travellers outside of COVID hotspots let alone any international visitation being allowed.
- although several regional areas are benefiting from the lack of international travel and are getting far stronger domestic visitation, especially for leisure-based purposes, cities have yet to see an uplift occurring.
- regional locations within a 3-hour drive radius of major cities are seeing far stronger visitation whilst more remote regions are generally seeing only far more modest visitation uplifts.
- the lack of business travel generally as many are now comfortable with online meeting arrangements than face-to-face, so this is continuing to have a major impact on business travel, meetings and conferences; and
- the heavily restricted attendances allowed for major sporting and cultural events due to COVID; and
- the growth in domestic drive markets at the expense of air travel and other forms of public transport.

The above factors continue to add considerable risk to the tourism, transport, and hospitality sectors ability to effectively generate visitor uplift and improved visitor spend to support business growth and business retention during 2021.

Anecdotal feedback is showing that for a number of tourism, transport and hospitality-based businesses of all sizes, the inability to be able to see a consistent visitor growth pattern going forward and associated improved yield, will likely reach a threshold point in 2021 (possibly aligning with the removal of the JobKeeper scheme in late March), where a number of businesses decide that the operating environment is too unpredictable and difficult to warrant operating.

There is therefore a very real risk that not only will a number of tourism-based businesses cease to operate in 2021, but there may not be many, if any new businesses being established to replace them. The lack of inbound visitor markets and inconsistent and highly variable domestic visitation growth trends, which are impacting many sub sectors of the visitor economy and in different regional and city-based locations, will continue to weigh on the ability of the sector to recover in many areas across Australia.

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