



2016 Budget: Key announcements for Tourism and the Visitor Economy

Promotion and Development of Australian Tourism Product

Tourism Australia Funding – In a tough fiscal environment it is positive to see base Government funding for Tourism Australia at \$140.3 million. Total net funding for Tourism Australia is expected to be \$176.3 million compared to \$175.7 million in 2015-16. A decrease of \$4 million in funds from Government is expected to be made up by funds from industry sources.

Austrade – Austrade includes Tourism and Tourism Research Australia, Austrade's overall budget will be impacted by the efficiency dividend put in place by the Government, this will result in a reduction in funding. It is not clear yet whether this will have an impact on tourism and tourism research resources clearly it would be a concern if it did. Staffing levels are not expected to change significantly.

Tourism Demand Driver Infrastructure Program – Continuing as expected for the next financial year.

Export Market Development Grants remain at \$137.9 million for the coming year

\$50 million to promote wine tourism - The Government will reduce the WET rebate cap from \$500,000 to \$350,000 on 1 July 2017 and to \$290,000 on 1 July 2018 and introduce tightened eligibility criteria which will apply from 1 July 2019. This measure is aimed at better targeting assistance and reduce distortions in the wine industry and follows inquiries into misuse of the rebate scheme. From the revenue saved the Government will provide \$50.0 million over four years to the Australian Grape and Wine Authority to promote wine tourism within Australia and Australian wine overseas to benefit regional wine producing communities.

Taxes and Charges

Backpacker Tax – in the 2015-16 budget the Government removed the tax free threshold from visitors on Working Holiday Maker visas, the measure is due to come into force on 1 July 2016. Despite forming a working group to look into a compromise on this issue the budget did not include a modification to this policy. This is a disappointing outcome and is likely to lead to a reduction in the number of working holiday makers available for hospitality, tourism and agricultural businesses particularly in regional areas.

Passenger Movement Charge – the Government has kept its commitment to freeze the PMC at \$55 per head for the term of this Government. The Passenger Movement charge was introduced as a cost recovery

mechanism, in 2016-17 revenue from the PMC will be \$984.6 million up from \$957.4million – this is around four times more than the cost it was introduced to cover.

Visa Fees and Charges – following increases in Visa fees and charges in previous budgets it is good to see no new increases to fees in the 2016-17 budget. The Government will earn more than \$2 billion from visa fees in 2016-17.

Passport Fees - The Government will raise \$172.9 million over four years from 2016-17 by increasing passport fees. From 1 January 2017, the cost of each new passport will increase by \$20 for adults and \$10 for children and seniors, and the fee for priority processing of passport applications will increase by \$54. Revenue raised from this measure will be used by the Government to help offset the increased cost of providing consular services and fund policy priorities.

Immigration and Border Protection

Immigration and border force – the budget has flagged further visa reform including budget savings through greater online processing. Greater online processing is welcome and it is quite reasonable to expect it would result in savings without impacting services in the longer term. Budget allocated expenses for border operations appear to be relatively stable although the public sector overall will be impacted by a further 2.5% efficiency dividend and it would be a real concern if this resulted in any impact on border staffing.

The Tourist Refund Scheme – unfortunately no action has been taken on reform of the TRS

Premium Border Clearance Service (VIP processing) – a positive initiative in this budget has been the announcement of premium border clearance service. This is a service advocated by the sector and in the Australian Chamber's budget submission, it is a new user paid service that will help to attract more high-spending visitors to Australia.

Northern Australia Initiatives – the budget indicates that plans to roll out a trial of 2nd year extensions for working holiday maker visa holders working in tourism in Northern Australia will continue.

Infrastructure

The budget has included ongoing commitments to some significant infrastructure projects including previously announced commitments to Sydney's Metro project and planning for the new Western Sydney airport (including \$26.2 million for planning rail services). The budget includes allocated but unannounced funding for unspecified purposes, it is likely some of that will be announced over coming weeks.

The budget detailed **\$2.9 billion** in infrastructure including:

Victoria:

- \$1.5 billion for new projects in Victoria to be funded on a matching basis with the Victorian Government, including \$350.0 million for the Western Ring Road, \$220.0 million for the Murray Basin freight rail upgrade, \$500.0 million on the Monash Freeway, \$345.0 million for rural and

regional highways, \$75.0 million for urban congestion and \$10.0 million to progress the business case for the Melbourne Metro;

Perth:

- \$260.8 million for the tunnel section of Stage 2 of the Perth Freight Link, bringing the total Government commitment to the project to \$1.2 billion;

Queensland:

- \$200.0 million for the Ipswich Motorway in Queensland to be funded on a matching basis with the Queensland Government;

Programs:

- \$920.0 million in annual funding from 2019-20 to successful infrastructure sub-programs, including \$400.0 million to increase and extend the Roads to Recovery program, \$60.0 million for the Black Spots program, \$40.0 million for the Heavy Vehicle Safety and Productivity program, \$60.0 million for the Bridges Renewal program, \$350.0 million for National Network Maintenance and \$10.0 million for Research and Evaluation.

Labour and Skills

Training to work - Based on the Australian Chamber's training to work proposal, under the Youth JobsPATH initiative 120,000 vulnerable young job seekers will be provided job readiness training and placed in businesses for work experience internships for 4-12 weeks, receiving an extra \$200 per fortnight payment. Host employers will be provided \$1,000 and will then be eligible for up to \$10,000 support paid over six months if they hire the job seeker

Industry Skill Fund – funding has been cut by \$247.2 million over five years leaving \$207 million over five years still available.

Vocational Education and Training - \$10.0 million over two years from 2015-16 for a national campaign to provide information to prospective students and employers about the Vocational Education and Training (VET) sector and the redesign of VET FEE-HELP.

Apprenticeships - No major announcements on apprenticeships, however, the Portfolio Budget Statements for the Department of Education and Training are forecasting an increased spend on employer incentives from \$371m in 15/16 to 392m in 16/17 and carried forward at that amount across the forward estimates. The same with expenses for the Apprenticeships Support Network, 15/16 actual spend was \$150m, spending increases to \$189m per year across the forward estimates. These increases do not reflect any announced spending, but must be a forecast of increased numbers of apprentices.

This summary information has been prepared by the Australian Chamber of Commerce and Industry (ACCI) though the collaboration with QTIC and other members of its tourism committee.