AFTA's 2017 Foreign Policy White Paper Submission

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AUSTRALIAN FEDERATION OF TRAVEL AGENTS

About AFTA

The Australian Federation of Travel Agents Ltd (AFTA) was founded in 1957 to:

- establish professional standards for travel agents;
- stimulate and promote travel;
- bring together those acting as intermediaries in the distribution of travel-related services;
- build strong working relationships with suppliers and consumers of travel-related services.

As the peak industry body in Australia, AFTA represents the majority of retail travel agents including all of the major travel agency groups. Approximately 80% of Australia's travel intermediaries who control more than 96% of travel intermediary turnover are AFTA members. AFTA also has a substantial base of associate members, representing non-intermediary sectors of the travel-related services industry. Members are bound by AFTA's Code of Ethics and are accredited under the national industry scheme known as the AFTA Travel Accreditation Scheme (ATAS).

AFTA represents the interests of its members on many local and international associations and boards, including peak bodies of other national associations. AFTA also contributes significantly to the Australian domestic tourism industry by taking leadership on many challenges and engaging with like-minded industry representative bodies.

AFTA administers Australia's only accreditation scheme for travel agents known as ATAS. ATAS has been endorsed by all state and territory jurisdictions consumer affairs and fair trading departments, following the deregulation of the eight separate legislative regimes governing travel agents from state and territory jurisdiction.

ATAS accredited travel agents are committed to maintaining Australia's world class travel industry. In particular, ATAS accredited travel agents strongly believe in a thriving domestic tourism industry, where more and more Australians enjoy holidaying at home.

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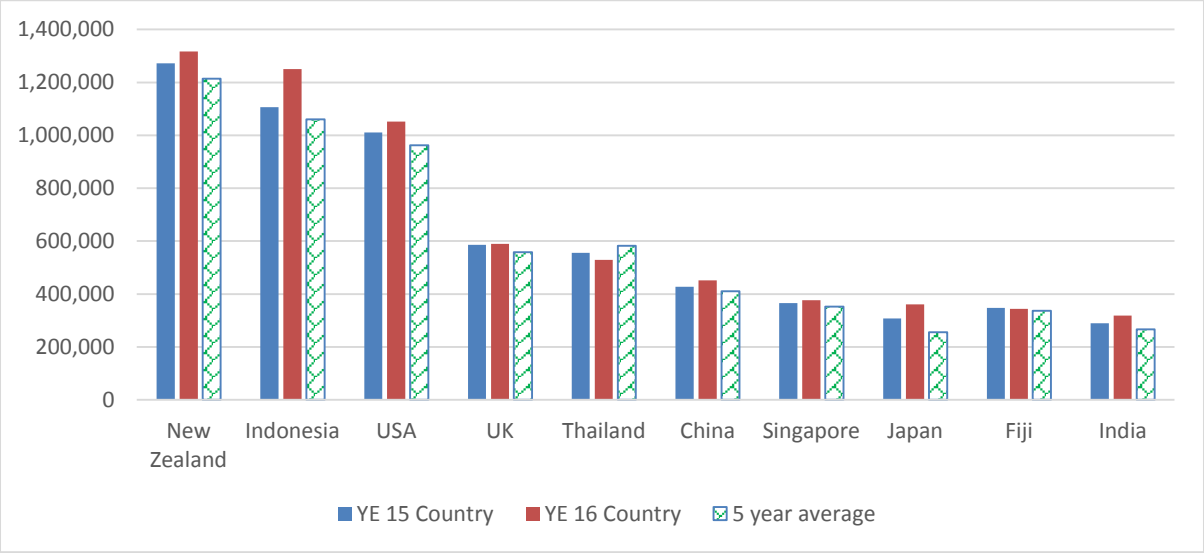
International Travel by Australians

In 2016, more than 9.8 million[1] Australians undertook international travel for business, leisure or to visit family and friends, with a global economic impact of more than $51 billion[2]. Travel ranks as Australia's number 1 import and it is imperative that Government recognises this and its contribution to regional stability [3].

International travel by Australians represents Australia's largest contribution to the economic development in the Indo-Pacific Region. The Region receives about 50%[4] of the total visitors and $16 billion of visitor spend[5]. This is significant because tourism is the main economic contributor to developing countries in the Indo-Pacific. Travel and tourism creates sustainable employment and limits the need for the citizens of each country to migrate to gain employment.

In creating local jobs and limiting the large migration of people; travel and tourism supports the Government's agenda for Economic Diplomacy to assist in regional stability.

Table 1 – International travel by Australians in 2016



According to the Year-end December 2016 Arrival and Departure figures, international outbound travel grew at rate of 4.4%. This is a strong result however the

[1] Australian Bureau of Statistics, 2016 December OAD, seasonally adjusted
[2] 2016 Tourism Research Australia, National Visitor Survey, June 2016
[3] DFAT Australia's Top 10 Goods & Services Exports and Imports http://dfat.gov.au/trade/resources/trade-at-a-glance/Pages/top-goods-services.aspx
[4] 2016, Tourism Research Australia, National Visitor Survey, June 2016
[5] Modelled impact of market share and average costs of travel

primary concern is that the outbound growth is not matching important inbound markets. This is emphasised when analysing China. China is a critical inbound market for Australia, but was not a top five outbound market in 2016, tracking slightly higher than the five-year average off a low base. This is concerning because aviation supply is tracked on a bilateral basis and without government intervention to balance these terms of trade, continued reliance on China's rapid growth risks derailing the overall growth of tourism in Australia.[6]

Table 2 - 2016 International spend by Australians

Trip Expenditure ($M)	Year Ending June 2015	Year Ending June 2016	Share Of Market	2015 Change
Holiday	$33, 260	$35, 279	67.2%	6.1%
Visiting friends and relatives	$8, 668	$9, 082	17.3%	4.8%
Business	$6, 295	$6, 890	13.1%	9.4%
Other purpose	$1, 368	$1, 229	2.3%	-10.2%
Total	**49 590**	**52 479**	**100%**	**5.8**

Other concerning markets for the Australian travel industry are Thailand and Fiji which are both seeing declining Australian visitation. Thailand appears to be experiencing a decrease in travel due to in-country issues, including the death of the King of Thailand and the 2014 military coup. Fiji's limited growth has resulted from Government policies to restrict aviation access through the management of the Air Services Agreement. Conversely, Australia's Air Services Agreements with destinations such as the USA, NZ and India have recently had expanded capacity which has led to growth in overall visitation numbers. AFTA is proposing using regional forums such as the APEC Tourism Working Group to address these issues.

Air access is a primary determinant of a country's ability to attract the holiday traveller which is where Australia's greatest economic impact occurs. Table 2 displays the economic contribution across the three main segments and demonstrates the importance of having a strong and viable tourism economy which values both inbound and outbound international travel.

Continuation of the new Colombo Plan

[6] What does good route development look like Route Planning? Aviation Economic 2014

"More than 8700 students have been supported to study and intern in the Indo-Pacific since 2015". Australians have always had a tendency to travel to traditional destinations within Europe, however this program is leading to greater and deeper cultural ties to the Indo Pacific.

International travel by Australians through formal programs such as the new Colombo Plan provide the framework for greater understanding and international cooperation. Creating a formal and structured exchange program recognised by business and education institutions leads to cultural skill development which increases the effectiveness of the Australian workforce.

A secondary impact is the enhancement of Australia's reputation in host communities through their positive experiences with the Australian students. To date, there has been no real demonstrable research conducted into the inbound tourism benefits of this program. However, previous industry results indicate these programs have a net positive impact for the Australian tourism industry. AFTA encourages DFAT to continue the planned expansion of the new Colombo Plan to enable deeper cultural ties between Australia and the Indo-pacific.

Consular Services and Smartraveller

"Consular Services provided assistance to more than 60,000 Australians that required Government support in 2015/16[7]." Smartraveller and associated services are crucial for the continued growth of the travel and tourism industries.

AFTA is a strong supporter of the continued investment in these programs as they are a trusted and verified source of information for travel agents and travellers alike. It is critical that these services are identified in the Foreign Affairs White Paper as fundamental services provided to Australians by DFAT. AFTA is an active partner with DFAT in setting the objectives for these programs and will continue to be so as the Co-Chair of the Commonwealth Smartraveller Consultative Group. AFTA believes Consular Services including Smartraveller provide a world leading service to Australian travellers when overseas and at their most vulnerable.

The travel alerts now branded as Smartraveller have always been and continue to be a critical risk management tool for businesses to identify potential hazards for

[7] 2016 DFAT Annual Report, p. 160.

employees. Since the rebranding and improvement of the Smartraveller upload process, usage has grown markedly[8]. This was also demonstrated in the 2016 AFTA Member Survey which rated Smartraveller as "*important to very important*" for holiday destination decisions in the visiting friends and relatives (VFR) segment.

DFAT and AFTA signed a partnership to produce twice weekly alerts to highlight the changes on the alert status. These include location maps to ensure travel agents can accurately and easily access this information and advise travellers. To date, 2,215 businesses have signed up to this free service. AFTA believes that evolving industry partnerships such as these have assisted the Consular Services Division achieve its KPI's since 2013. The regular improvements by DFAT to the Consular Services is focused on maintaining a consistent service delivery, but improving the overall efficiency of the programs. AFTA was pleased that a review of protocol took place following the 2016 Paris attacks to identify potential process improvements. This resulted in DFAT's initiative to create the 24-hour Watch Office to improve departmental coordination and outcomes for Australians when they are impacted by terrorism events.

The Smartraveller program also assists Australians to become more aware of the risks and opportunities of travelling, decreasing their reliance on DFAT. AFTA notes in DFAT's 2016 Annual Report this trend is already occurring. The Emergency Loan program which supports Australians in genuine need is not experiencing a growth of requests. Importantly, where a loan has been issued, a re-payment rate of almost 70% was achieved in 2016, a record high rate for the program[9]. The ability of DFAT to recover costs is important to ensure the program is sustainable. However, it is imperative that these services do not become a fee for service which has been flagged as a potential option in the past. AFTA is of the belief that further enhancements and learnings could be gained through formal interactions with other governments through either APEC or ASEAN. The Government should seek to include consular services and traveller support reviews as part of these government dialogues.

[8] 2016 DFAT Annual Report p.163.
[9] 2016 DFAT Annual Report p. 163

Using International Regional structures and dialogues to enhance Australia's interest

Successful trade is only possible if there is a balance of import and export volumes and near equal economic and social benefits are achieved. For travel and tourism, there has been significant focus on exporting tourism, without identifying the need to ensure there is a return benefit to source markets.

This is because, at a domestic level, it is politically difficult to discuss 'importing' tourism as local tourism businesses view this as the government sending visitors internationally. It is important to note that there are some 30,000 Australians directly employed in the "outbound" travel industry. This number applies only to the distributors of travel products not the supply side which all have employees on the ground in Australia contributing to the economy and the workforce of Australia.

Without this two-way trade, much of the economic benefit provided by international travel would not be realised.

One of the focus areas of this White Paper consultation is using international Regional structures to enhance the interests of Australia. As has been detailed in the first section of this submission; the ability of Australia to maintain strong growth rates of inbound tourism is linked to Australia's ability to balance the terms of trade in tourism.

China is Australia's most valuable market in terms of exports for tourism, but until this year there has been little development by either the Australian or Chinese Governments to build demand for Australian visitation to China. China's announcement that 2017 is the year of China Australian Tourism is fundamentally about rebalancing the terms of trade and increasing China's share of Australia's outbound market.[10]

While this one-off focus is welcomed by Australia's travel industry, there is a need to use diplomatic forums such as APEC to coordinate market initiatives. Central to this

[10] 2017 China Australia Year of Tourism http://www.cayot.com.au/about-us/

process is examining the relative importance of Australia's inbound market to that of the outbound market.

It is therefore critical that in the next five years the tourism trade imbalance is addressed. Failure to do so puts at risk the long term growth from China that is underpinning the strength of the Australian tourism industry. The last major spike in Asian tourism to Australia occurred during the 1990's with Japan becoming the top source market for Australian tourism. This growth was assisted by Japanese outbound travel to all destinations increasing, with total movements out of Japan increasing by 41% between 1992 and 1996 to 16.7 m.

Suppliers responded to this by increasing the number of air services but the lack of Australian return travel meant that, once the rapid growth ceased, so did the majority of air services. Table 3 shows that Japan and Australia were close to balancing inbound and outbound tourism trade in 2017.

They are of near equal importance to both markets and suppliers such as Qantas are re-investing in the route. While not all factors are identical, it is critical that some learnings from this example are implemented to limit the risk of similar drop in inbound tourism from China.

Table 3 – Major Australian travel trading countries.

Destination	Total number of international visitors to Australia in 2016[11]	Total number of International trips by Australians in 2016[12]	Australia's ranking for source markets[13]	Australia's source market ranking[14]
New Zealand	1,340,700	1,316,800	1	1
China	1,210,600	451,500	2	17
UK	709,200	589,300	3	8
USA	713,200	1,052,000	4	9
Singapore	441,800	377,100	5	4
Japan	412,200	360,900	6	7
Malaysia	386,000	256,900	7	11
South Korea	284,900	68,900	8	20
India	260,000	318,800	9	8
Hong Kong	246,000	216,400	10	8
Indonesia	166,900	1,250,500	12	4
Thailand	90,700	528,600	17	13
Fiji	35,600	344,200	30	1
National Total	**8,241,200**	**9,869,900**	N/A	N/A

To facilitate a formal government to government dialogue, AFTA proposes Australia move that the APEC Tourism Working Group seek solutions to remove barriers to balancing the terms of trade in tourism between members' states.

While traditionally the APEC Tourism Working Group has been focused on environmental sustainability and visa facilitation; Australia should move to advocate to update the terms of reference to include balancing the terms of trade in tourism. A key area of inquiry could include establishing two-way visitation targets.

The establishment of international targets to facilitate sustainable travel and tourism will greatly enhance the recognition of bi-lateral travel. Such targets could be based on two factors; spend or total visitation. In table 3, AFTA has used total visitation to

[11] 2016 Year End December OAD, seasonally adjusted figures – Inbound to Australia
[12] 2016 Year End December OAD, seasonally adjusted figures – Outbound from Australia
[13] 2016 Year End December OAD, seasonally adjusted figures – Ranking
[14] Ranking data provided by the most current country tourism authority research data

analyse where there is an imbalance in trade. While simple in its approach, it does identify which markets are reliant on selected destinations for tourism growth and which may require government intervention to close the trade imbalance. If spend was chosen to show the comparative between countries, it could form a basis for government to government dialogue to update the Air Services Agreement, jointly bid to secure international business events or to promote country co-investment in infrastructure. These discussions could also take place in a renewed APEC Tourism Working Group to allow for more effective government investment in tourism.

Conclusion

Travel and tourism have a vital role in Australia achieving our desired foreign policy objectives. The White Paper process is a once in a generation opportunity to ensure bi-lateral trade for tourism is centrally considered as part of Australia's engagement with the region. As noted throughout this paper, this is not a simple process due to local political pressures but not addressing trade imbalances leads to greater economic uncertainty for Australia and our region.

AFTA wishes to thank DFAT for allowing public submissions and looks forward to engaging with DFAT further through this process.