



Tourism Industry
Council Tasmania

Submission to the

Premier's Economic and Social Recovery Advisory Council
Department of Treasury and Finance

10 June 2020

Tourism Industry Council Tasmania (TICT) appreciates the opportunity to contribute to the deliberations of the Premier's Economic and Social Recovery Advisory Council.

About TICT

TICT is the peak body that represents and acts for the Tasmanian tourism industry. The Council is a not-for-profit and non-partisan organisation that promotes the value of tourism in the Tasmanian community. We provide a strategic direction and united voice for the sustainable development and growth of the Tasmanian tourism industry and in advocating policy on behalf of the industry.

We have a large, representative based board, bringing together various industry sectors. This includes representatives of accommodation and hospitality operators; visitor attractions, experiences, and tour operators; transport operators, ports, Regional Tourism Organisations, and tourism-related industry associations.

TICT partners with the Tasmanian Government on the dual industry-government strategies guiding the growth of tourism and the visitor economy in Tasmania.

- T21 – The Tasmanian Visitor Economy Strategy 2015-20
- Parks 21: Joint Action Plan for Tourism in Protected Areas in Tasmania 2015-20

T21

In shaping the Tasmanian visitor economy's recovery and rebuild from COVID, TICT is determined to continue working in collaboration with our Tasmanian Government stakeholders, through the T21 framework. 'T21' is a genuine partnership approach between government and industry in managing the visitor economy in Tasmania that has been a foundation of our industry's extraordinary growth and success over the past twenty-years. This collaborative approach between the key stakeholders in the private and public sectors of Tasmania's visitor economy is now more important than ever.

Since the crisis first began in March, the T21 framework has served as an effective model for co-operation between industry and government in responding to immediate industry needs, and is now also serving as the basis in forming our shared government and industry priorities for the recovery.

In the second half of 2019, consultations were held across Tasmania with key industry, community, and government stakeholders in forming a long-term vision for Tasmanian tourism towards 2030. This ten-year 'T30' Joint Industry-Government Destination Management Plan was expected to be launched around May 2020, until COVID hit. Instead, we are progressing a two-year 'T30 Recovery Plan', that will take the values and vision for our industry over the next decade but applied over a very practical and outcome-focussed two-year plan to restore the value of Tasmania's Visitor Economy to pre-COVID levels by the end of 2022.

In this context, this submission should largely echo the priorities identified in the contribution provided to the Advisory Council by Tourism Tasmania and the Department of State Growth.

The Council should expect our tourism industry, represented through TICT, and the relevant government agencies to be speaking with a common voice on both the immediate needs of the tourism sector and visitor economy in recovering from the crisis, along with our priorities for the rebuild over coming months and years.

In terms of the specific areas of inquiry, we offer the following contribution:

What impacts are currently being seen by your sector or members (including clients / households / individuals as relevant in your context) and what impacts are anticipated in the coming weeks and months?

The rapid and systematic shut-down of our visitor economy in March has had a profound impact on nearly every Tasmanian participating in our \$2.5 billion visitor economy.

Almost all tourism and hospitality operators in the State experienced an immediate and severe reduction in business activity, loss of future bookings, and reduced productivity. In most cases, accommodation, tour, and attraction operators lost all forward bookings, and refunded cancellations, severely impacting cash-reserves, and putting many businesses under severe financial stress.

Compounding this was the complete lack of certainty, or expectations, for when any sense of business normality might resume, meaning operators were literally flying blind making decisions about their businesses, financial position and staff under a cloud of immense stress and uncertainty.

The pressure-valve was released significantly through three significant initiatives by State and Federal Governments, and the Banks, announced over the proceeding weeks following the shut-down:

- The Australian Government's Job Keeper Program – enabling operators to plan around maintaining their staff structure through the shut-down, supporting business cashflow, and, critically, for some businesses, holding back the expense of redundancy and entitlement payouts that may have forced some into insolvency.
- The Bank's decision to defer interest payments and loan servicing for 6-months
- The Tasmanian Government's suite of business hardship grants and zero interest loans for tourism operators needing immediate cash flow assistance, along with the deferral of non-essential business payments (payroll tax, license, and lease repayments for example).

There is no doubt these assistance packages have been critical in enabling most tourism operators to 'hang on' for the shut-down period and prevented what may have otherwise resulted in a mass of Tasmanian tourism and hospitality businesses foreclosing over the past two-months.

At the start of the shut-down TICT engaged leading Hobart-based accounting and business advisory service, Collins SBA, to provide preliminary advice and financial counselling to tourism operators. We also asked Collins SBA to effectively triage businesses in-risk of collapse for priority assistance. Encouragingly, once Job Keeper was introduced the number of businesses in the tourism space being red flagged as at high risk of collapse reduced significantly.

The Tasmanian Hospitality Association engaged Collins SBA to offer a complimentary service to hospitality businesses. We believe the level of risk of business collapse has been much higher in the restaurant and hospitality sector, then in the accommodation, tour, and attraction sectors. This would reflect the scale and size of comparable businesses, and the highly seasonal nature of tourism operations predominantly dependent upon interstate and international visitation. Our saving grace is the crisis coincided with our cooler, quieter months. Not the peak visitor season.

Nevertheless, the impact on our sector has been profound. In April, TICT undertook our regular twice-yearly industry sentiment survey which found nearly all the 450 operators who responded to the survey had within two-weeks of the shut-down already reduced their staffing levels:

- 43% had stood down or let go all their staff
- 34% more than half
- 8% less than half
- Just 14% planned to keep all our staff on through the crisis

Critically, 58% of respondents said they had intended to access the Australian Government's 'Job Keeper' allowance for all or some of their staff. Many of these businesses would be self-employed owner-operators, meaning Job Keeper has likely become the sole business and household income.

We are scheduled to survey the industry again in early July, and then again in October, and it will be insightful to see how the employee levels have changed as businesses begin to rehire their staff. We will make these survey results available to the Advisory Council.

The critical issue now is the completely artificial economic model underpinning the industry, with so many businesses now reliant upon Job Keeper payments and the deferral of loan payments to remain viable concerns. The ticking timebomb of September when Job Keeper payments are scheduled to expire, and the banks are likely to resume loan servicing arrangements is a profound risk to our sector and the State.

The Australian Government has indicated it is likely to extend Job Keeper – or some other form of industry assistance – to sectors most impacted by COVID, including tourism. Clearly with some Australian visitor destinations in Northern Australia going into their traditional down-season in the Wet Season towards the end of the year, the tourism industry nationally will need some ongoing assistance.

The risk to Tasmania is what shape this assistance takes (whether it is simply an extension of Job Keeper or some other form of industry assistance), and what businesses are eligible for additional support?

In such a tourism-centric economy and community as Tasmania, the impact of reduced visitor activity extends well beyond just the tourism and hospitality sectors. Retailers, the creative industries, specialist manufacturing, and the many professional services that leverage off our visitor economy have all been impacted severely by the loss of visitor activity. The longer the crisis extends, the deeper the impact through the Tasmanian economy with other major sectors like construction and agriculture, particularly vulnerable to a prolonged visitor downturn.

The State cannot simply rely upon an extension of Job Keeper to prevent further economic fall-out later in the year, and into 2021.

We must focus on re-starting interstate visitation as soon as possible, with practical initiatives to stimulate short-term demand to kick-start our visitor economy as strongly as possible, as quickly as possible.

What mitigation measures are currently in place that aim to address these impacts?

As outlined above the most significant measures for the visitor economy has been the combination of State and Federal Government business assistance packages, particularly Job Keeper, and the critical decision by the Banks to suspend loan-servicing arrangements.

In effectively holding everyone over until Spring when we hope to initiate a strong-domestic led visitor recovery over summer and into 2021, the State Government has probably reached the limit of

its capacity to support businesses directly. The hardship grants and zero-interest loans have been critical to support cashflow, but it is beyond the capacity of the Tasmanian Government to continue to support individual businesses directly financially.

The State Government has also been responsive to the glaring omission of foreign workers from the Australian Government's Job Keeper program. We had approximately 400 foreign workers in the tourism and hospitality sectors located across the State at the time of the shut-down with little realistic capacity to return home, no income support, and limited local support beyond their employer. Some of these workers are young working holiday markers, others long-term Australian taxpayers. The deliberate exclusion of these particularly vulnerable but highly valued workers from income assistance programs has been a shameful chapter of the COVID response.

In making a small but important allocation of funding directly to support these workers until they can resume work, or air services have returned to enable them to return home, the State Government has intervened where really the Federal Government has a moral responsibility to support these vulnerable workers.

The State Government has provided our organisation with some financial assistance to offer industry positive business development and non-accredited training initiatives over the winter months, including a peer-to-peer business mentoring initiative, and an online training program, to enable operators to invest in their own tourism and business skills over the shut-down period and into the winter months.

We have also collaborated with the State Government and other industry partners in a highly effective communications plan to engage industry through the crisis. This has included frequent EDMs to industry, fortnightly Podcast conversations, and online industry 'Zoom' conferences. Our shared approach to engaging our operators through the crisis has been one of the most positive responses to the crisis.

With local restrictions easing, the investment into an intrastate marketing activity by the State Government and industry is critical in activating some local market activity over coming weeks, and especially the July School Holidays. It is clear there is some pent-up demand from Tasmanians to travel the State and support local tourism and hospitality businesses over the next few weeks. But we need to be realistic about the scale of this market, particularly at a time of economic uncertainty.

The intrastate market activity is likely to be most concentrated around the late June period, and the July School Holidays. We expect it will fall-away rapidly in late July and into August. It is also not of a scale to support our larger hotel and attraction operators, meaning their recovery can only begin when border restrictions are lifted and interstate activity resumes.

Finally, in terms of our workforce challenges, we bring to the Advisory Council's attention an outstanding arrangement the industry has entered with the University of Tasmania.

The University is offering full scholarships (no fees) for tourism and hospitality professionals to undertake a Graduate Certificate course in Business Studies, or Tourism. These courses are very much geared towards industry professionals who have either been stood-down or reduced hours and wish to use the shut-down and recovery period constructively. To date over 500 applications have been lodged for these courses and 400 students accepted, making it the single largest training initiative in the history of our tourism industry.

This is a very generous and humbling response by the University towards our sector in our time of need, and we would suggest is an outstanding example of cross-sector collaboration in Tasmania in response to the crisis.

What impacts are not being mitigated or for which there is no plan in place to mitigate?

As outlined, we believe there is a profound risk to the State presented by the mooted expiration of Job Keeper in September, compounded by Banks lifting the suspension on loan servicing.

While we anticipate domestic borders will have re-opened by September and visitor activity resumed, clearly, the artificial economic model currently in place for businesses with government support will not be maintained in its current form.

We do not believe the State can bank on Job Keeper simply being extended, given the sheer depth of economic activity reliant upon visitation. It seems improbable any extension of Job Keeper will include a criterion that extends to the arts and creative industries, retail, artisan manufacturing, and other sectors of the economy, so heavily reliant upon tourism and visitation. We suggest the State is not planning around a second economic disruption later in the year.

Modelling released in May by Deloitte indicate women and young people have been disproportionately impacted by the shut-down. Women make up 60% of the tourism and hospitality workforce and are highly represented in the arts, retail and events sectors that have been most impacted by the COVID shutdown. We know young people are usually disproportionately represented in employment reductions during any economic downturn and in this case, make-up a larger proportion of the workforce in the most impacted sectors in the downturn, hospitality, retail, and the arts.

Governments stimulate economies through construction and investment in infrastructure. The Tasmanian Government has already announced a major capital infrastructure program in response to the economic crisis. The reality is the jobs created in construction are not going to go directly to the Tasmanians most impacted by COVID. Clearly the Government needs to plan for the risks around particularly young tourism and hospitality professionals, and also women, most impacted by the job losses in our sector, and likely the most at risk population groups in terms of the long term economic and social disadvantage of prolonged unemployment.

Since the shut-down we have responded to a series of significant decisions from local government cutting back on its tourism services and investments in their local visitor economy.

Closing regional visitor centres, reducing support for major events, and a general withdrawal of investment for tourism services. The general role of local government in tourism and the visitor economy was a discussion needed prior to COVID, and the crisis has now exposed long-term risks for councils and industry around their level of investment in tourism.

This issue has already been identified as an immediate priority of the T30 Tourism Recovery Plan and is likely to be a significant and meaningful area of policy and economic reform in our sector in direct response to COVID. We suggest the Advisory Council acknowledge and consider the critical risks posed to several sectors of the Tasmanian economy from a financially stressed Local Government sector.

What responses, both within the sector and more broadly, are front-of-mind and over what timeframes - what should be stopped, what should continue and what should be started?

We note the Council is not seeking 'Ideas' for the recovery and rebuild period until later in its deliberations over coming weeks and months.

Nevertheless, we do bring to its attention now a series of initiatives we have prioritised for our industry's recovery, to ensure as restrictions continue to be lifted, we are best placed to stimulate visitor activity and reduce our reliance on government support.

In May, the TICT board endorsed a series of immediate priorities – a Blueprint for recovery – that considers both the immediate short-term needs of industry, along with priorities for government and industry investment to restore and industry confidence.

We anticipate this Blueprint will continue to drive our policy agenda around the rebuild of the visitor economy, and priorities for Tasmanian Government investment, as represented in our pending T30 Recovery Plan. We attach the Blueprint summary for your reference.

What would help create or build business/consumer/community confidence?

We offer some important context around industry confidence:

TICT tracks industry confidence through our twice-yearly industry sentiment survey, where we ask operators to record their own personal outlook for the Tasmanian tourism industry for the next-12 months and five-years.

Using this measure, our industry confidence levels have been sky-high since about early 2013, when visitor numbers grew substantially for the first time since the GFC. Our industry confidence index score of between 0-100 has remained consistently in the 90s and above over the past 6-years. This has been a critical measure as we know business confidence in the tourism outlook is a critical factor influencing private investment in the sector, and growth in employment levels.

Our April Sentiment Survey revealed the following outlook for the next 12-months:

- 47% of respondents have a very negative outlook for the industry over the next 12-months. 26% somewhat negative. Just 11% have a positive outlook.
- Our Tasmanian Tourism Industry Business Confidence Index, which is a standard widely used index to measure industry confidence, gives a score between 0-100 (above 50 means a Positive Outlook, below 50 negative). Ours has remained above 90 since 2014, peaking at 113 in 2017, and was 93 in October 2019.
- The April 2020 index score was Negative (minus) 4.

However, the same survey also revealed the industry maintains a very positive outlook for the medium to long-term future of Tasmanian tourism. When asked to look beyond the immediate crisis and to share their outlook for the Tasmanian tourism industry over the next five years, the numbers were completely inverted:

- 30% have a Very Positive Outlook for the Industry, 42% Somewhat Positive. Just 12% had a negative outlook, and only 1% very negative.
- Remarkably, these numbers went UP significantly on the response from the last couple of surveys taken pre-COVID.

This tells us Tasmania's tourism operators remain hopeful and highly optimistic about the recovery, have confidence in our brand, and are clearly separating the short-term disruption of the COVID crisis from the general industry outlook.

These numbers will alter substantially over coming months, but it indicated our tourism industry, by and large, does not at this stage have a major business confidence risk in the long-term.

The issue is the short-term and managing business expectations coming off the shut-down and into the recovery period. Clearly, many businesses' outlook for the future will be shaped not so much by the short-term crisis, but rather what we achieve in the short- and medium-term recovery in re-establishing strong market conditions.

To this end, our immediate priorities for securing industry sentiment and confidence:

- Certainty around when border restrictions will be eased and when we can welcome back interstate visitation.
- A clear plan to restore aviation access to the State with a sufficient level of capacity within the short-term from key domestic markets
- Highly visual and effective destination marketing activity to ensure we can compete alongside other domestic destinations
- Activating the full potential of our Spirit of Tasmania ships, including potential to stimulate demand through dynamic pricing and demand stimulating initiatives such as our proposal to extend the Bass Strait Passenger Vehicle Equalisation Scheme
- Support for major events to proceed as scheduled and within social distancing measures, along with key demand driving attractions to operate as soon as possible in regional areas
- Re-commit to strategic demand driving infrastructure priorities already earmarked across the State as priority regional economic infrastructure projects.

We also draw attention to research we have commissioned from EMRS on Tasmanian's Sentiment towards tourism and other industry sectors. We test this community sentiment towards tourism on a regular basis, most recently in May 2018.

The survey consistently finds Tasmanians rate tourism as the industry making the greatest economic contribution to the State, and, critically, the industry with the greatest potential to contribute more over the next five years.

In 2018, 59% of Tasmanians survey named tourism, unprompted, as the industry that had contributed most to the State over the previous five-years. This has consistently grown every two years we have surveyed this question from 40% in 2009. Agriculture was the next response with 26%, Fisheries the third highest response with 11%

We raise this survey in the context that Tasmanians recognise and value the role of tourism to the economy, perhaps a little too much, in terms of other sectors of the economy. We need to recognise a strong visitor economy recovery will very much underpin general business and community confidence over coming months.

What would help your sector/members re-employ where there have been reductions in jobs, or grow employment levels?

Focus on growing visitor demand as fast as we can, as strongly as we can, and enable the market to respond through businesses re-employing as quickly as they are able.

As an industry and State, we will set a clear two-year recovery target to restore the value of our visitor economy to pre-COVID levels, at around \$2.5 billion in annual visitor spending. This will need to be supported with an aggressive access recovery strategy, and a proactive response by government in strategically investing in activities that stimulate tourism visitation, including events, new products and infrastructure and strategic destination marketing.

For further information and comment:

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Blueprint for Rebuilding our Tourism Industry – May 2020

Priority	Actions
Secure our Industry through the shut-down	<ul style="list-style-type: none"> All levels of government should continue to prioritise all immediate support and funding to businesses surviving the shut-down, including cash grants, income support, and deferral of non-essential payments. Acknowledging some businesses will need longer to scale up operations than others, it is expected some assistance packages, such as Job Keeper, may need to be maintained beyond their current mooted expiration dates. Government must be clear about parameters and timeframes for lifting each stage of restrictions to enable businesses to plan-ahead with confidence and certainty. Activate the Premier’s Visitor Economy Advisory Council and T21 Steering Committee as the leadership structure for government and industry collaboration in shaping the rebuild of the Tasmanian visitor economy.,
Restore visitor demand	<ul style="list-style-type: none"> To immediate stimulate visitor demand into Regional Tasmania once restrictions are lifted, the Australian Government should extend the existing ‘Bass Strait Passenger Vehicle Equalisation Scheme’ (BSPVES), by \$90 each-way to effectively bring the cost of taking vehicles across Bass Strait to \$0. To support our critical events sector to return as soon as possible, funding should be prioritised into supporting our current program of events scheduled over the summer months and into 2021, along with additional capacity for Events Tasmania to secure new major events to the State, and support strategic events into regional Tasmania with capacity to stimulate local visitation and economic activity. To ensure our lucrative Business Events sector can recover as quickly as possible, additional funding should be directed into Business Events Tasmania to enable it to compete with the larger Convention Bureaux and facilities competing for domestic business events in 2021 season.
Rebuild our aviation network	<ul style="list-style-type: none"> Prioritise Tourism Tasmania resources and strategy on measures to rebuild demand and capacity on domestic aviation services to Tasmania, with a clear target to restore aviation capacity to Tasmania to pre-Covid levels within 24-months Pursue the establishment of a direct Hobart - New Zealand aviation service, in the event of interim Trans-Tasmantravel arrangements being introduced by the Australian – New Zealand Governments.
Build confidence in the future	<ul style="list-style-type: none"> Fasttrack finalisation of plans to realise full vision for the Cradle Mountain Master Plan, including the sustainable transport solution, as the priority demand-driving visitor infrastructure project for Regional Tasmania. Finalise contracts and sign-off on the build for the first of the new generation Spirit of Tasmania ships to arrive in Tasmania in-time for the 2022/23 summer. Continue priority visitor infrastructure projects of State Importance including the Freycinet National Park Master Plan, the Tyndall Range Walk, and the refurbishment of Launceston’s Albert Hall Outline a vision an strategic blueprint for the activation of the Hobart waterfront precinct including Castray Esplanade and Macquarie Point. Prioritise any additional public infrastructure for economic stimulus on our National Parks and Reserves, and public visitor infrastructure Restore investment confidence and facilitate private investment opportunities in tourism by reforming major projects facilitation, and backing strategic and appropriate private investment, including in our protected areas.
Support our Workforce	<ul style="list-style-type: none"> Job Keeper payments and support should be extended to all <u>our</u> workforce, including foreign workers Support and investment in the industry-led not for profit Tourism & Hospitality Training Organisation Foster collaboration between the University of Tasmania and the Tasmanian tourism and hospitality industry to address the long-term workforce and skills needs of the visitor economy.
Lay the foundation for our long-term future.	<ul style="list-style-type: none"> Finalise and launch the new T30 Tasmanian Visitor Economy Strategy by the end of 2020, including short term recovery measures, and a long-term framework for industry growth over the next decade, including alignment of marketing effort and forward visitor projections. Before allowing any large cruise ships to return to Tasmania, the Tasmanian Government should commission an independent market review of the cruise sector post COVID, including any risks to our tourism brand and community attitudes. A whole of industry and State commitment to rebuild our visitor economy as a carbon neutral one, with a clear goal and measurable target for Tasmanian to become one of the world’s first carbon neutral visitor destinations. Commission a comprehensive root and branch review of State and Local Government services and investment in tourism and the visitor economy to maximise efficiencies, structures and resources for the recovery and post-Covid phase.