AFTA Submission to the Commonwealth Treasury

2020-21 Pre-Budget Submission

AUGUST 2020

ATAS travel accredited

afta AUSTRALIAN FEDERATION OF TRAVEL AGENTS

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Executive Summary

AFTA wishes to thank the Australian Government for inviting submissions for the 2020-21 Budget. AFTA and the wider travel and tourism sector look forward to working with the Commonwealth Government over this financial year and beyond.

Travel agents are in the pandemic frontline, supporting consumers through the challenging, time-consuming and complex process of managing cancellations and credits, securing refunds and at times rebookings. An estimated $4 billion worth of bookings are still to be processed on consumers' behalf.

Unravelling each booking can take weeks, with refunds from providers often taking several months. It is work that travel agents are performing mostly for zero income. Without the tailored support and business relief that is outlined in this submission, business closures will follow, given many agents have experienced at least a 90% drop in revenue since the introduction of border closures in March. Quite apart from the fact that these travel agents were healthy, sustainable businesses prior to COVID-19, widespread agency closures would also leave a significant number of consumers with just one place to turn for support – Government.

Given this predicament and given the essential role travel agents play in the Tourism sector as well as in their local communities, AFTA recommends the announcement of a **Travel Agent Support Package of $125 million**.

AFTA would welcome an opportunity to meet to expand and explain specific recommendations to assist the Government in their budget deliberations.

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COVID-19 impact on the travel agent industry

In 2018-19, Australians spent over $46 billion on international travel, representing the largest import sector of the Australian economy and maintaining this position for over 10 years[1]. In fact, the Australian travel sector experienced year on year growth of 11%, and has maintained growth of 7.2% over the past five years.

Australians have always had a insatiable appetite for travel and AFTA members have, since 1957, provided expert guidance and knowledge to help Australian travellers visit the world. 70% of all Australian travel is still booked with a travel agent.

On 18 March 2020, the Australian Government advice level for all overseas travel was raised to the highest level – four. An official ban on all overseas travel came into force on 24 March, with limited government exemptions available. State and Territory Governments subsequently implemented border closures and domestic travel restrictions preventing any interstate or even instrastate leisure travel,which has effectively placed the Australian Travel Industry in a government directed trade embargo.

As quarantine restrictions and border closures spread across the globe, travel agents were instrumental in ensuring Australians overseas were repatriated to Australia in as timely and cost effective manner as the conditions allowed. Many travel agents worked tirelessly making alternative travel bookings for client return whilst also cancelling unusable bookings. This service provided by travel agents undoubtably reduced the demands on Australia's consular capacity around the globe.

Uncertainty about the extent and duration of restrictions has severely limited consumer confidence in booking travel, not only in the near term but also in the coming year or years. As a result, travel agent revenues have fallen to close to zero over the past three months. In fact, in May 2020, AFTA conducted a survey which showed 98% of travel agent members had experienced decline in revenue of over 90% as a result of the COVID-19 pandemic.

As a result of the COVID-19 pandemic and the connected ongoing travel restrictions, the Australian travel industry remains critical and faces a high risk of economic breakdown both in terms of its cash flow requirements and its ability to maintain operations even in a hibernated model.

The travel industry has always stood on its own feet without government support even when managing other crises including SARS, the GFC, 9/11 and the Ansett collapse. Historically, the travel industry has been impacted by these and natural disastures but nothing compares to the magnitude of COVID-19.

Travel agents' work and service across our country is significant, employing over 40,000 Australians in small regional towns to large capital cities. Travel agents are interwoven in the fabric of their local communities and are dedicated tax-paying,mostly small businesses, contributing over $28 billion annually to the Australian economy.

[1] Australia's Trade in Goods and Services 2019 https://www.dfat.gov.au/sites/default/files/australias-goods-services-by-top-25-imports-2018-19.pdf

Staff wages comprise the largest proportion of travel business costs

The COVID-19 crisis has severely impacted a number of industries, however none more so than the travel sector. Even when national restrictions are lifted, non-existent international travel will continue to impact turnover and the viability of travel businesses.

The extension of JobKeeper has been a lifeline for travel businesses, and AFTA and its members thank the Commonwealth for this essential support to maintain employment.

Most businesses were simply not prepared for the extent of the shock that has led to a significant and sudden impact to revenue. In the travel industry, the hit to revenue is close to 100% on a year-on-year comparative basis and for many, this is likely to continue well into 2021 as long as international borders are closed.

Travel agencies provide a valuable consumer experience with experienced staff providing professional, personalised advice and services to customers, with wages making up more than 50%[2] of overheads. For smaller mobile travel agents that operate with lower overheads, wages can account for over 80% of all operating costs.

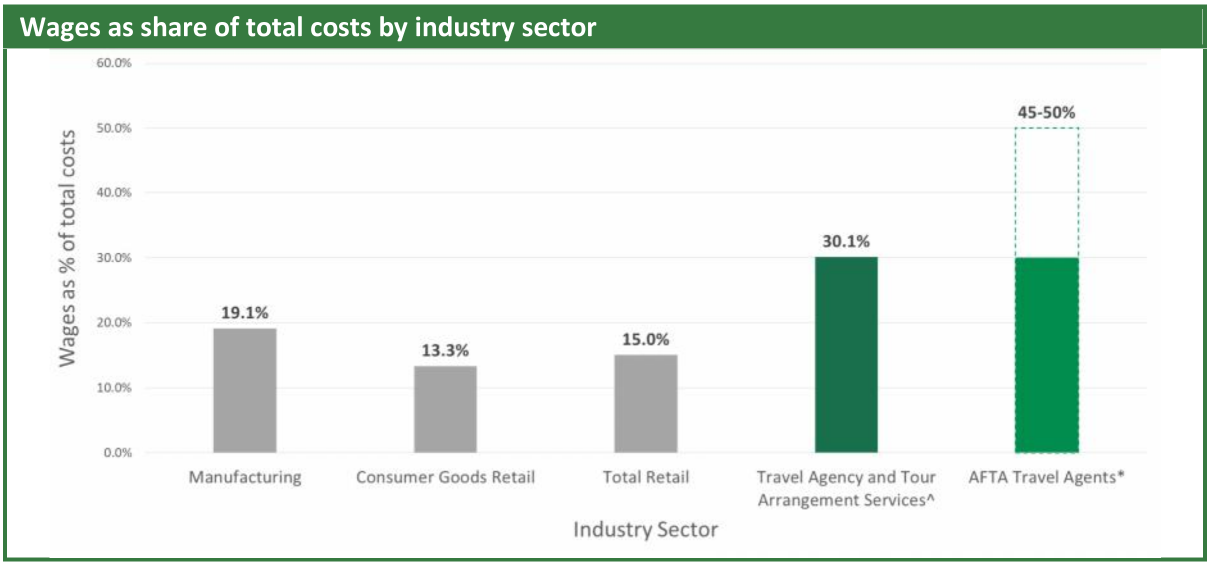
As *Figure 1* shows, travel agent wages as a share of costs are more than double the same measure for the Australian manufacturing, consumer goods retailing and total retail sectors. Travel agents have worked hard to reduce ongoing costs during the crisis.

Commercial rents in shopping centres and popular shopping strips have risen over the past five years, as the retail landscape has become increasingly competitive. Larger businesses have already announced the closure of underperforming shop fronts in response to COVID-19. Smaller businesses that rely more heavily on fewer outlets may face greater challenges in reducing rent costs through rent negotiations and closures.

The average weekly wages of staff at larger travel businesses is approximately $1,500.[3] This is twice the original *JobKeeper* payment of $1,500 per fortnight. With little to no revenues coming in, travel agents have restructured their staff resourcing in response to COVID-19 through temporary remuneration reductions, stand downs and redundancies.

[2] Flight Centre, 2019 Annual Report, August 2019 and HelloWorld, 2019 Annual Report, August 2019.
[3] Ibid.

Figure 1. Wages as share of total costs by industry sector



Source: IBISWorld 2020 and industry estimates
*Includes OTAs, Consolidators and Intermediaries
^Industry estimates based on publicly available information

It is imperative, however, that a level of staff be retained to continue to service existing bookings, cancellations and refunds and to ensure businesses can successfully emerge from hibernation as the travel environment recovers and new bookings commence.

Unique delayed payment cycle for travel agents

Payment terms in the travel industry vary. Only a minority of contracts will allow the travel agent to retain full earnings at source, when payment is made by the consumer at the point-of-sale. More commonly, travel agents' margins are split between:

1. Initial travel agents' earnings component: an initial earnings component, made through a complex distribution system comprising many different and layered entities, which may be domestic or overseas. This margin is retained when the customer makes the full payment for their travel; and
2. *Final delayed additional travel agents' earnings:* An additional earning directly from the supplier, generally paid on a quarterly or 6-monthly cycle, often after the consumer has travelled.

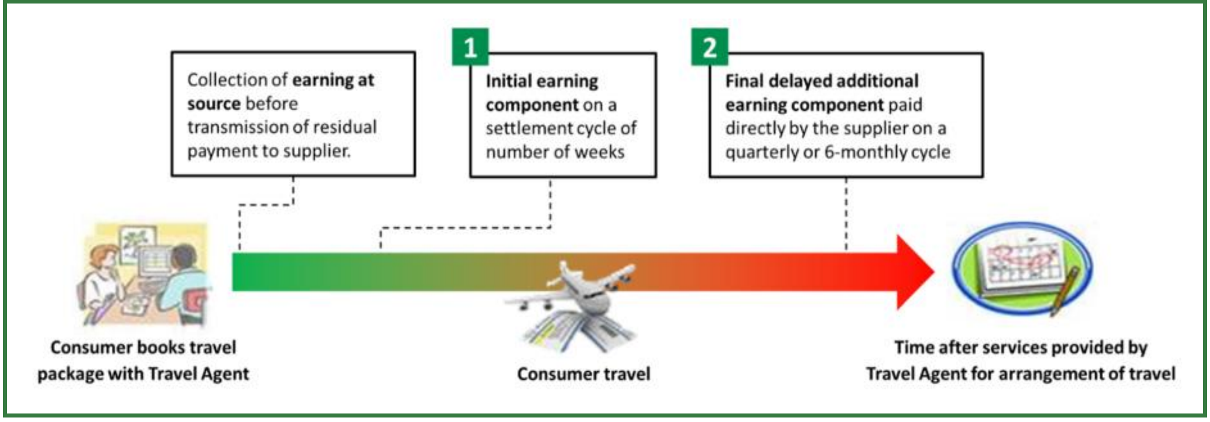
The initial travel agents' earnings operate at a variable margin that may be discounted by the travel agent in the total cost offered to the consumer. Zero rating of these margins and direct offerings from suppliers that are not made available to travel agents have led to substantial downward pressure on these earnings over time. Consequently, travel agents have become increasingly reliant on the delayed additional earnings to sustain revenue and cover operating expenses.

As payment on these contracts occurs periodically, delayed earnings for bookings made early in the cycle can take up to 6 months to be recovered. For example, the final delayed additional component for a particular contracted airline may not be received until October 2020 for the "flown traveller revenue" which occurred in the six-month period from January to June 2020. Travel agents have effectively been receiving delayed additional payments in the first six months of 2020, based on flown revenue which occurred in the six-month period from July to December 2019.

Figure 2, below, illustrates the different travel agents margin types and payment timing.

Figure 2. Different margin types and timing

Different margin types and payment timing



Clearly, the lack of air and cruise travel in the COVID affected period, means that "travel revenue" has been dramatically reduced for the first half of 2020. This means that, in addition to ongoing cancellation activities, and very low "initial earnings" in the coming months, there will be very little final delayed additional payments received from September 2020 through to March 2021.

This delayed payment period is far longer than normal payment terms occurring in other industries, and results in travel agents retaining higher than average trade receivable default risk.

The COVID-19 pandemic has further impacted the already delayed settlements of these additional payments. Some airline suppliers have sought to distribute payments (already due in full) on a monthly instalment basis, due to their own liquidity challenges. Furthermore, many contracts for additional earnings expired at the end of June 2020 without new agreements in place for the beginning of FY2021. On 1 July 2020, many travel agents did not have contractual agreements in place for the payment terms for bookings made with a wide range of suppliers for travel in FY21.

The industry is working towards implementing a more sustainable remuneration structure, including a transparent fee for service offering. This transition will be accelerated by the impact of the current crisis, but requires significant changes to both business and distribution processes at a global level, and acceptance by the consumer. AFTA continues to work with IATA, suppliers and other travel industry participants to advance meaningful business practice reforms in this area.

At the current time, the necessary reliance on additional delayed earnings will extend the pandemic's impact on business cashflows for up to 6 months after bookings with travel agents recover to a material volume. This is not expected to occur until the first quarter of 2021 at the earliest, which creates a significant cash flow problem until at least August 2021.

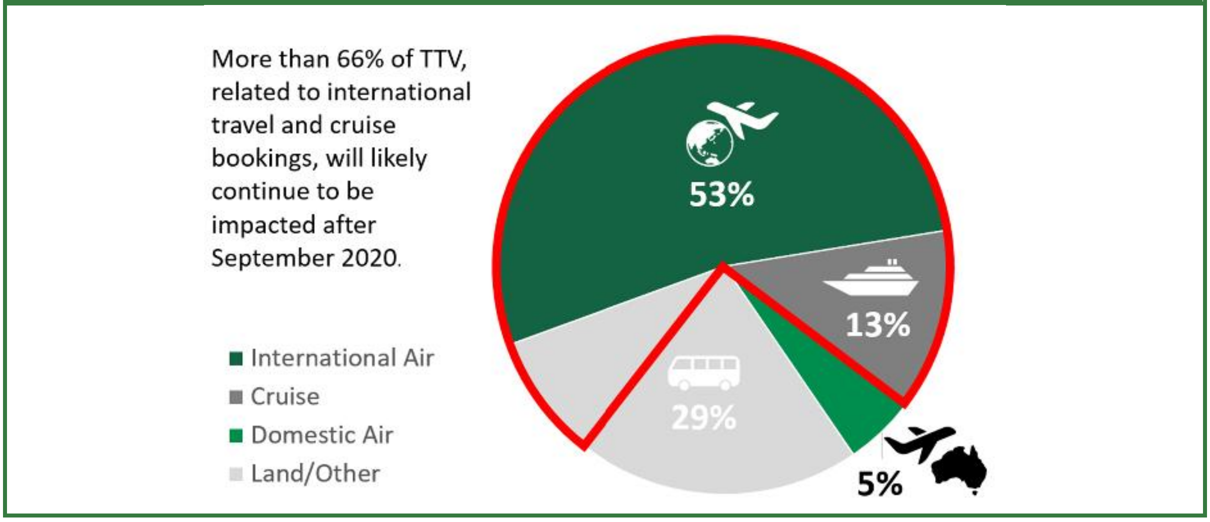
Revenue will remain impaired until the resumption of global travel

As intra-state travel restrictions ease, revenues for travel agents are expected to lift slightly. However, they will remain minimal due to continuing border closures and restrictions, persistent consumer uncertainty on both restrictions and changes to the nature of travel in the future, as well as the lower proportion of domestic travel booked through travel agents.

At the end of March 2020, 53% of travel agent forward leisure bookings by value were for international air travel and together international air and cruise categories make up two-thirds of travel agent TTV. See *Figure 3* below.

Figure 3. Travel Agent TTV share by international air, domestic, cruise and land/other, March 2020

Travel Agent TTV share by international air, domestic, cruise and land/other, March 2020



Source: Industry data

A significant proportion of land and other forward leisure bookings also relate to international travel. The low share of domestic air travel (5%) reflects the common practice of Australian consumers to book domestic travel directly with suppliers. This is unremarkable considering the absence of language and customary barriers and lower level of complexity compared to international travel bookings. This practice is expected to continue, limiting the potential for travel agents to benefit materially from increases in domestic tourism travel and expenditure during the recovery period.

Some segments of the industry will benefit from the return of limited domestic corporate travel. Cost cutting measures by business, continuing health and safety concerns surrounding air travel, and capacity constraints mean the benefit to the travel agent industry as a whole will be marginal.

AFTA fully supports the development of travel "bubbles" with countries that have been successful in controlling the virus spread. An Australia-New Zealand "bubble" would provide opportunities for travel agents to provide relevant services to the Australian traveller.

A trans-Tasman "bubble" will, however, not be enough to offset the crisis' impact on travel agents. According to the Tourism Research Australia (TRA) National Visitor Survey (NVS) results for the year ending September 2019, New Zealand was the destination of only 13% of outbound visitors from

Australia, and accounted for only 6.8% of total trip expenditure.[4] This would obviously grow if New Zealand was the only international travel option available to Australian travellers. It is nevertheless subject to real capacity constraints.

Sufficient revenues are unlikely to return to the sector until the opening of the higher value US and European markets (16.1% and 29.7% of total trip expenditure respectively). Even then, IATA estimates that passenger traffic won't rebound to pre-crisis levels until at least 2024.

Without tailored support, further job losses and widespread business closures are imminent and inevitable.

[4] Tourism Research Australia, 2020, *Estimates For The Year Ending December 2019 From The National Visitor Survey*, Table 18, available at https://www.tra.gov.au/Domestic/domestic-tourism-results.

About the Australian Federation of Travel Agents

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

- Establish professional standards for travel agents
- Stimulate and promote travel both domestically and internationally
- Bring together those acting as intermediaries in the distribution of travel-related services to enhance service standards and improve business operations
- Build strong working relationships with suppliers and consumers of travel-related services

As the peak travel industry body in Australia, AFTA represents the majority of travel agencies who service both leisure and corporate travellers and who transact in a retail or online model. AFTA represents the interests of its members on many local and international associations, committees and boards, to promote the benefits of inbound and outbound travel.

AFTA's members represent approximately 80% of the number of travel intermediaries (including online travel agents (OTAs)) and comprise approximately 96% of the Total Transaction Value (TTV)[5] paid through travel intermediaries.

AFTA administers Australia's only accreditation scheme for travel agents and travel wholesalers, known as the AFTA Travel Accreditation Scheme (ATAS). ATAS has been operating since July 2014 and has been endorsed by all state and territory jurisdiction 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 businesses must comply with a set of strict criteria outlined in the ATAS Charter and abide by the Code of Conduct which has been modelled on the ACCC voluntary code of conduct benchmark.

AFTA members 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.

In addition to the vital contribution that travel agents make to supporting domestic tourism, research indicates 70% of all international departures are booked through a travel agent. Of those who book through a travel agent, 82% will choose an ATAS accredited travel agent over a non-accredited travel agent.

In 2020, ATAS had over 2,700 accredited locations throughout Australia, representing close to 1,400 Australian businesses. There are more travel agencies across the country than Australia Post offices.

[5] The TTV is the amount of travel-related expenditure by Australian consumers paid on domestic and international outbound travel.

Recognition of Australian Government support

The Australian Federation of Travel Agents recognises and thanks the Australian Government for its strong and effective economic response to the coronavirus pandemic.

COVID-19 has presented a fast evolving and significant challenge to global health systems and economies, and the support measures that have been delivered by government including cash flow and employment supports is assisting businesses and supporting their employees.

Indeed, JobKeeper has been instrumental in keeping businesses going and retaining connection between employees and employers. It has helped many travel businesses like other businesses remain afloat.

> _"JobKeeper really is the difference between survival or not. I'm very grateful for JobKeeper as the true value of my business is in my staff. JobKeeper lets me keep my people so when we emerge, we come out fired up and ready to go. It also means reassurance for clients that our agency is financially secure and so are their bookings. Government support is important because travel and tourism industry contributes a great deal to the travel economy. Travel agencies are majority small and medium business owners who employ a lot of people. Our industry will come out of this and we will rebound."_
> ATAS travel agent

> _"JobKeeper helps us to stay in business, keeping people employed and able to support their families. It also means we can continue supporting clients with travel plans they're currently making – Australia needs agents to manage the multitude of rebookings. We're sitting on half a million worth of credits across various clients that needs to be managed."_
> ATAS travel agent

As the COVID-19 pandemic continues, some industries have begun to see signs of recovery, others continue to decline. Until international borders restrictions are lifted, the movement of people resumes and travel products can be sold, the travel industry will continue to be severely impacted. AFTA notes the prediction from the International Air Transport Association (IATA) that flights will not return to pre-pandemic level before 2024.

Across all industries, support for financial hardship has been provided by the Australian Government attached to firms suffering a 30% reduction in turnover. However, travel agents operating at 90% + downturn with minimal cash flow, unable to trade due to Government restrictions, are in a significantly greater degree of hardship. We seek the Government's understanding and matching action to help travel agents.

Without additional targeted business support, these travel agent businesses will not survive.

Travel Agent Support Package

Australian businesses in the distribution segment of the travel industry are facing severe and ongoing hardship, none more so than travel agents, travel wholesalers (most of whom wholesale international products) and inbound tour operators (ITOs).

The Australian Government has provided specific assistance to a range of industries including builders via the Homebuilder scheme ($688 million), the arts and entertainment industry ($250 million), the film and television industry ($400 million), and the aviation industry ($1.1 billion). Now, AFTA asks for specific support for the travel distribution industry in Australia.

Travel agencies, which employ over 40,000 people nationally, have seen their businesses decimated and revenues fall between 90% to 100%. These businesses have seen all new bookings cease, resulting in nil income since March, however have been performing the onerous task of managing an estimated **$10 billion worth of cancellations and refunds** on behalf of an estimated **four million Australians**.

These agencies have all accepted this task and confronted it head on, but right now the distribution industry is triaging billions of dollars' worth of past and forward bookings on behalf of customers. Most significantly the industry has been and continues to manage this process for no revenue at all and is complying with the consumer law and the guidance from the ACCC that refunds back to customers have to be made in full less any agreed cancellation fees at the time of the booking.

> *"One that comes to mind is our oldest 90-year-old client, who needed to be repatriated from a South American cruise. She doesn't have an email or mobile phone number, and we had to keep her family up to date. She was calling us from her cruise ship every day and we were able to get her home safely. We do go that extra mile for clients but for us it's just doing our job. Looking after our clients as we always have and always will."*
> ATAS travel agent

Many travel agents face the unparalleled predicament whereby they are compelled to refund the total purchase price including commissions for work they have done over the previous 12-18 months for travel intended to take place between March 2020 and well into 2021. However, they have provided this service for their clients and incurred all of the fixed costs and overheads associated with providing this.

The travel industry supply chain was not designed to handle a massive volume of cancellations, and because of this, suppliers have had to alter their operations to do so. It has taken a great deal longer to get money back from suppliers and it has also taken a lot of time to placate customers and explain to them why they are still waiting on a refund. Prior to COVID-19 a cancellation would normally take four to eight weeks to unravel and is now taking four to twelve months to achieve a refund result.

Travel agencies have zero revenue coming in, an enormous amount of refunds still to process and have no end in sight on the continued closure of domestic and international borders. Right now, the primary priority of our members is doing everything they can to obtain the maximum refund for their customers.

The continued professional management of this process is vital. The monies returned will, and are already, stimulating the Australian economy. The billions of dollars still outstanding will continue to deliver a very positive economic outcome for the nation as they are returned. But the process of managing that return is complex and lengthy.

Travel Agents are working through the complicated process of refunds and credits under COVID-19 conditions (resources and systems stretched beyond capacity) repatriating outstanding funds of approximately $10 billion, which will be reinvested in Australian businesses, including tourism in Australia. These funds represent an enormous stimulus for the Australian economy, which require the expertise of travel agents to ensure the maximum value is returned to our customers.

AFTA is firmly of the view that the survival of those employed in the thousands of small to medium sized businesses, currently providing a valuable service to an estimated 4 million Australians warrants special consideration and the allocation of a specific industry grant.

AFTA proposes a comprehensive package of measures to bridge the financial impact of the travel sector by assisting both AFTA accredited agents and non-AFTA members and their customers through the direct impacts of the COVID-19 pandemic on their businesses and travel plans, and back to profitability from late 2021.

The package comprises three elements:

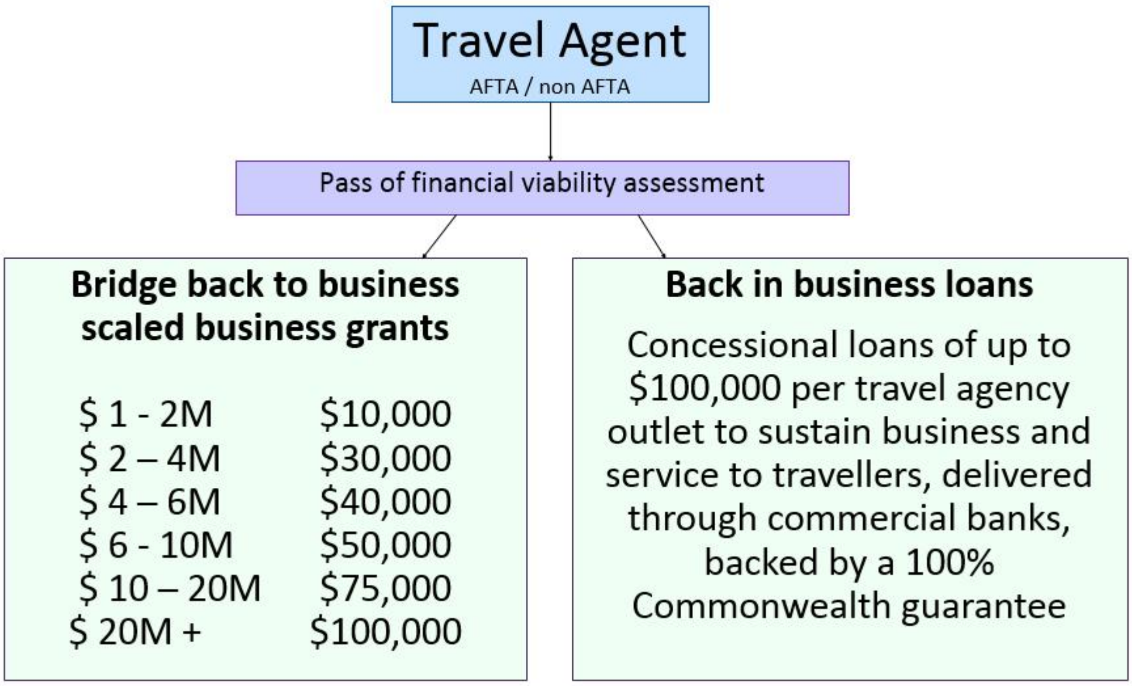
i. **Financial Assessments** - AFTA will administer a process whereby a travel agent business undergoes a financial assessment and can seek expert arms-length advice regarding their ongoing viability.
    a. The assessment will provide guidance on whether a business can continue to operate through a likely uncertain climate in 2021, or whether the business should look at the option of hibernation and / or winding up.
    b. AFTA will administer this process, engage an external panel of financial advisers with travel sector experience, and provide assistance to AFTA and non-AFTA members;
    c. AFTA seeks the support of government to provide vouchers of up to $5,000 per agency ABN to undertake the assessment;
    d. It is estimated that approximately 80% of the 3,500 travel agency businesses in Australia will avail themselves of this financial assessment.

ii. **Bridge *Back to Business* grants** – AFTA proposes scaled grants to all travel agencies and travel wholesalers based on their total transaction value in FY19, to assist them to stay in business, cover some of their operational costs, continue the work of both returning refunds to customers and provide assistance to travellers in 2021 and beyond.
    a. An average grant of $40,000 per agency (ABN) would cover most fixed costs: rent (in addition to continued rent relief), utilities, telecommunications, would enable agencies to manage refunds to customers, help build a domestic leisure travel market in 2021, build a viable outbound leisure market from mid-to-late 2021, and have a vibrant inbound tour operator industry in place to serve the demand from international tourists, students and their families who visit Australia.
    b. The proposed six (6) tier Total Transaction Value (TTV) scale would be available to those who are committed to maintain commercial business operations for not less than twelve months, and funds would be provided for business related purposes only.
    c. TTV is the annual amount of cash that passes through the business; this is not the reportable income of the business. The majority of this cash is received on behalf of

the third-party supplier as an agent on behalf of the consumer. For a travel agency with a TTV of $8 million, the reportable income, taken as an average of the net profit before interest and tax, would be approximately $150,000.

Total Transaction Value (TTV)	Proposed Grant Allocation (per ABN)
$1m - $2m	$10,000
$2m - $4m	$30,000
$4m - $6m	$40,000
$6m - $10m	$50,000
$10m - $20m	$75,000
$20m +	$100,000

iii. ***Back in Business*** **loans** – AFTA proposes concessional loans of up to $100,000 per agency outlet to sustain business and service to travellers, delivered through commercial banks, backed up by a three-year Commonwealth guarantee. These loans will enable viable businesses to endure the COVID-19 related downturn and slow return to profitability.



In the event a travel agent is deemed to not be eligible for a *Back to Business* grant or *Back in Business* loan, AFTA will assist member agents with the option to wind-up, by transferring their customers business to other ATAS-accredited AFTA members so as to give customers certainty of care and ongoing management of their bookings and payments.

AFTA proposes the following criteria to be eligible for the Bridge *Back to Business* grants.

- Pass the relevant checks and financial ratios (TBC) administered by a third party (TBC) to determine the going concern of the travel agency;

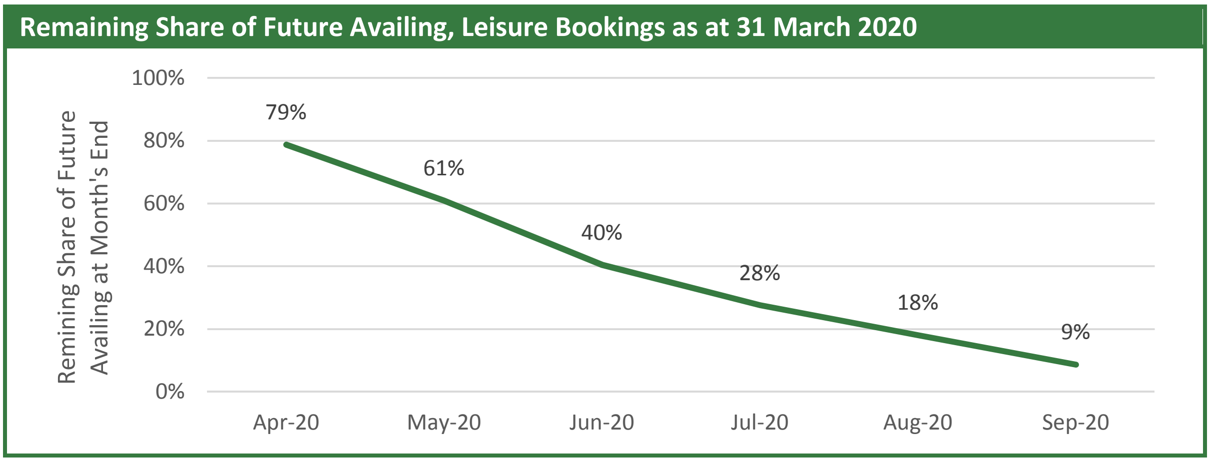
- Application and distribution of grant to be delivered through a hosted grants management application (e.g. Smartygrants);
- Application Applicant must have an ABN;
- Grant applications will be assessed based on a minimum hardship shown of 50% downtown in revenue or more;
- Applicant will be required to provide their independently certified 2019 Year End financials;
- Applicant will be required to provide a budget for fixed costs and overheads for the 2021 financial year; and
- Allocation of grant funds will be set in tiers and based on Total Transaction Value (as above).

Keeping AFTA's member alive helps Australian consumers directly. The reality, unfortunately, is that consumers are only going to become more exposed and require more assistance given the inevitable and already-foreshadowed collapse of global suppliers including airlines. Our members have always supported consumers, especially through times of challenge from natural disasters through to strikes and terrorist attacks.

Now, more than ever, travel agents are proving their value to their customers and the increasing number of non-customers who have turned to them for support. As at March 2020, an estimated $6.5 billion has been paid in forward booking travel-related expenditure by Australian consumers via a travel agent for domestic and international outbound travel. Based on the forward booking profile, around $4 billion of these bookings are still outstanding. See *Figure 4* below.

Without travel agents, the burden for supporting consumers through this will fall to the ACCC and to Fair Trading and Consumer Affairs Departments in each State and Territory.

Figure 4. Remaining Share of Future Availing, Leisure Bookings as at 31 March 2020



Source: KPMG 2020 from Industry data

AFTA estimates 80% of the current workforce is working full time on refunds, cancellations and credits, in an effort to help consumers. And to this, the specialised expertise required to navigate the individual Terms and Conditions that each supplier has and the complexity becomes obvious. This is not a role that is easily absorbed by Government even with personnel resources available.

This fund will assist these businesses to meet their operating costs so they can continue with the valuable service of returning the billions owed to consumers from suppliers around the world and in doing so assist in the business survival process until the industry recovers. Australia has always had a viable outbound travel market and this must be maintained. Without a thriving and profitable outbound market, there cannot be a thriving inbound tourism economy. Healthy and economically viable international and domestic travel is a two-way proposition and travel agents will be poised to assist with this task once it is safe to do so.

When domestic borders reopen, there is a genuine opportunity to re-establish the historically strong partnership between travel and tourism. Travel agencies provide tourism access to a highly skilled, passionate and creative sales force with existing and valuable client databases, comprising more than 70% of all Australian travellers. Travel agents are experts at packaging holidays and are able to provide an essential distribution channel.

The Australian Federation of Travel Agents proposes the announcement of a Travel Agent Support Package of $125 million.

AFTA's supplementary recommendations

1 Boosting Cash Flow via Loss Carry Back

Taxation law has long provided for entities to carry forward tax losses and utilise these against taxable income generated in future years (where loss integrity measures are met). Broadly speaking, a tax loss is generated where allowable deductions exceed assessable income. Before they were repealed in 2014, the loss carry-back rules provided for corporate tax entities to carry-back all or part of a tax loss generated in an income year against income tax liabilities for either of the two years preceding that income year. The effect of this regime resulted in a refundable tax offset (immediate cash flow boost), as an alternative to the tax losses only being available to be utilised against future taxable income.

If the loss carry-back rules were reinstated, it would provide immediate tax relief and an increase in cash flow for those small travel agencies that are corporate tax entities.

The reinstatement of loss-carry back provisions would allow for current year losses (FY21) to be carried back to FY19 and/or FY20. The administrative requirements for the Commonwealth to re-enact this regime would not be overly burdensome. This is on the basis that the loss carry-back rules were previously legislated within the *Income Tax Assessment Act 1997* (formerly Division 160), with a framework existing to form the basis of any new loss carry-back provisions. Only minor amendments to the previously drafted Division 160 would likely be required. Some other relevant features of the loss carry-back rules relevant to note include:

- Limited to revenue losses (that is, capital losses continue to be taxed under the Capital Gains Tax regime); and
- Two-year limitation on carry-back.

The Australian Federation of Travel Agents recommends the reinstatement of previous loss carry-back provisions to allow current year losses to be carried back to FY19 and FY20.

2 Guarantee Corporate Debt Covenants

Similar to the Global Finance Crisis (GFC), in relation to citizen deposits guarantee, AFTA recommends the Federal Government provide a guarantee to the banks in relation to corporate debt covenants in the travel sector.

The guarantee would be designed to support liquidity among larger entities, helping them to bridge coronavirus disruption to their cash flows through the purchase of short-term debt in the form of commercial paper.

AFTA notes that the COVID-19 impacts to its larger members have been significant and are well documented through ASX filings. A scheme mirroring the UK COVID Corporate Finance Facility (CCFF) would be well received by industry (https://www.bankofengland.co.uk/markets/covid-corporate-financing-facility).

AFTA recommends the Commonwealth Government immediately guarantee corporate debt covenants, until 30 June 2021.

3 Extension of the National Code of Conduct for commercial tenancies

On 7 April 2020, the National Cabinet announced a Mandatory Code of Conduct (the code) to apply to small and medium sized commercial tenancies impacted by the COVID-19 pandemic.

While AFTA acknowledges that any extension of the Code and its operation past 24 October is a matter for state Governments, AFTA urges the Commonwealth Government to encourage states to continue rental support arrangements for small businesses.

For many in the travel industry to maintain their shop front premises, an extension of the code for commercial leasing arrangements is critical. A dedicated and uniform tenancy relief scheme is required to address the situation of travel agents and other commercial tenancies for whom reasonable levels of revenue will not resume until 2022.

AFTA urgently recommends the Australian government encourage states and territories to extend the code until 31 March 2021, in alignment with the duration of the JobKeeper extension and ongoing Australian Government restrictions in relation to travel.

AFTA recommends the Australian government encourage the states and territories to extend the Mandatory Code of Conduct for commercial tenancies to 31 March 2021.

Travel Bubbles

1. Domestic Travel

Domestic tourism campaigns by Tourism Australia and State Tourism bodies launched in June 2020 are welcome but Governments, and particularly health authorities, need to do everything possible to reassure the public that it is safe to travel. Recent surveys have shown that the desire of Australians to travel within Australia does exist, but they are very reliant on the advice of health authorities.

As state borders open and interstate travel resumes, an easy but powerful step Government can take is to encourage Australians to book their domestic travel through their local travel agency.

ATAS accredited travel agencies are located all over the country and the agents themselves are interwoven in the fabric of their local community, employing over 40,000 Australians. These agencies play a critical role in the recovery of the Australian economy and tourism sector, contributing over $28 billion annually to the Australian economy.

This small but influential action from the Government will ensure Australian tax payer money used for the purchase of travel is distributed through Australian owned businesses, rather than to internationally domiciled entities.

2. International Travel

Travel businesses reliant on international travel are being asked to keep their businesses alive and plan for the future based on media speculation and non-committal statements by Government as to when international travel will recommence. It is not sustainable.

Travel is focused on advanced bookings and long lead times between planning and the dates of travel. AFTA urges Government to allow for lead time and greater certainty where possible by providing transparent decision-making framework for when and under what conditions international travel would be allowed.

AFTA supports the medically led lifting of international travel restrictions that will ensure a balance between the health of people and the health of the economy is achieved.