



2020 OCTOBER FEDERAL PRE-BUDGET SUBMISSION

PREPARED FOR: AUSTRALIAN FEDERAL TREASURER

THE HON JOSH FRYDENBERG MP

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Summary of Priorities

Manufacturing, Regional Jobs, & Road Safety

- 1) The RV Rebate Scheme
- 2) RVSA Education Program

Regional Jobs Recovery & Tourism Industry Resilience

- 3) Caravan Park Investment Scheme
- 4) Increase Funding of Tourism Australia for a Dedicated Caravan Park Campaign
- 5) Funding Certainty for Tourism Research Australia & Tourism Australia
- 6) Industry Market Ready Program for Australian Caravan Parks

About Caravan Industry Association of Australia

Caravan Industry Association of Australia operates as a member-funded, non-for-profit industry association with a vision 'to lead and champion a robust, compliant and sustainable caravanning & camping industry'. Caravan Industry Association of Australia represents more than 6000 businesses across the supply chain of the caravan industry from manufacturing & supply side enterprises, to tourism delivery businesses including caravan parks and RV rental companies.

The Association welcomes the opportunity to provide a submission to the Federal Government highlighting the key priorities for the Caravan Industry across the sectors of tourism and manufacturing for consideration and inclusion within the 2020-21 Federal Budget.

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Why Support of the Caravan Industry should be a Core Economic Stimulus Priority

The tourism industry is the hardest hit industry in Australia's COVID-19 recession. Job Keeper has so far disguised most of the full extent of the devastation of employment in this industry. As a labour-intensive sector and with resulting employment a much higher share of jobs in regional areas – the decline of tourism is the major economic problem facing regional Australia. Without a tourism recovery, many regional areas of Australia face inevitable ongoing economic depression.

Supporting tourism recovery as a core aspect of Australian Government stimulus strategies is also a key to restoring the hardest hit sectors of the labour market of youth and female employment, which large infrastructure/construction projects will little affect.

Yet, continued international border closures, risks that State borders will stay closed longer and that further outbreaks will closedown major cities all mean that there are few strong policy responses that boost fast track regional tourism employment recovery. This is despite many Australians being desperate to get away from their home and reconnect with nature.

The caravan and camping sector should be the first part of the tourism industry to bounce back if it receives supportive Government policies. Caravanning and camping provided 31 per cent of total domestic holiday visitor nights outside Australia's capital cities in 2019.

The Australian caravan and camping industry is a \$23 billion industry that directly employs 53,000 people, manufactures 25,000 vehicles per annum, services over 740,000 vehicles on the road, generates 12 million trips and creates 60 million visitor nights across the country. It is an industry that is uniquely positioned to springboard economic activity when the COVID crisis eases, depending on the decisions which are made in the October Budget.

Caravan Industry Association of Australia is calling on the government to adopt a future facing budget that prioritises projects that will fast-track the recovery of regional economies and play a part in the long-term sustainable growth of Australian Tourism. With the core elements of economic growth over the past decade linked to strong population growth due to immigration and the housing boom, and both these elements unlikely to fuel growth in the coming year; this budget is the greatest opportunity for Australia to adopt bold strategies that will fuel innovation, stimulate growth and create jobs around the country.

The caravan industry is one of Australia's brightest hopes to be a catalyst for recovery in regional Australia. With regional tourism devastated by drought, fire, and COVID-19, the caravan industry is poised to nevertheless lead domestic tourism and hence economic recovery in regional Australia.

With 9.9 million trips taken overseas in 2019 by Australians, the caravan industry is stepping up to the task of converting 990,000 (10%) of these trips to domestic caravan and camping. However, it is imprudent to assume that in the absence of policy changes Australians will have the means to travel in a COVID-19 world and through 2021 while confronting low consumer confidence, health concerns, economic stagnation and wage uncertainty.

A particular problem for the recovery of the caravan industry and domestic holiday tourism more generally is the heavy reliance on travel by Australians over 55-year-olds. This age group has seen the largest annual income falls of any age group in Australia, particularly among self-funded retirees who are the highest spending members of this age group. Their incomes have been pillaged by reduced interest rates; dividends and rents. They are also the age group most seeking reassurance that travel



is 'COVID safe'. Of total domestic holiday visitor nights in 2019, 42 per cent were by visitors over 55 years old. Of total domestic holiday visitor nights in commercial caravan parks and camping grounds in 2019, 53 per cent were by over 55-year-olds (TRA, 2020).

Thus, a mix of demand driving activities and investment incentives are required to re-engage the Australian consumer with travel to kick-start a domestic tourism bounce back. The caravan industry is ready to contribute to this with two priorities that are intrinsically connected to getting Australians travelling regionally and contributing to job creation in tourism, manufacturing and construction:

These pillars entail a total of six proposals that will stimulate the Australian economy sustainably over the medium-long term as well as providing a major short-term stimulation.

1) Manufacturing and Regional Jobs, & Road Safety

- a. **The RV Rebate Scheme:** Supports compliant manufacturing, and the extensive supply chains of RV production in Australia while encouraging the purchase of safety compliant recreational vehicles and reducing the cost barriers to purchase that many older Australians will experience in purchasing an RV.
- b. **RVSA Education Program:** A program delivered to both consumers and industry about the changes to the Road Vehicle Standards Act that will be introduced in the coming 12 months.

2) Regional Jobs Recovery and Tourism Industry Resilience

- a. **Caravan Park Investment & Upgrade Scheme.** This will assist caravan parks in upgrading facilities to attract new consumers. This will stimulate immediate job creation in the regions and have flow on benefits for visitation in years to come.
- b. **Caravan Park Marketing Campaign for Tourism Australia:** Increased allocation of \$20 million funding in 2020/21 and 2021/22 to Tourism Australia to foster increased interest in domestic travel to regional areas using caravan park infrastructure. To get previously outbound focussed travellers often unfamiliar with caravan parks to take this option will require a campaign directed to raising awareness and conversion.
- c. **Funding certainty for Tourism Research Australia and Tourism Australia:** The support of Australia's peak tourism research and marketing bodies is sorely needed in times of crises and boom; with the demand for timely, relevant and accurate data paramount to business planning at a sector level and an individual business level. An extra \$1 million per annum is requested for TRA, recognising the increased need to monitor the economic health of the regional tourism industry.
- d. **International Market Ready Program for Australian Caravan Parks.** This will provide a pathway program and a demand generating opportunity for Australian caravan parks and RV rental companies to stimulate the return of international tourism to Australia. International travellers that caravan and camping travel widely, disperse further and stay longer than other international travellers, and will be amongst the first segment to return.

These proposals strongly support the Government's goal for economic recovery in coming years especially in regard to supporting Australian job creation in vast areas of regional Australia and for youth and women. The following section highlights how around half of Australia's regions will remain in economic depression without a tourism recovery.



Tourism as a job's mainstay of Australia's regional economies

Job Creation Opportunities

Regions outside Australia's capital cities had 458,000 jobs due to the total impact of visitor spending in 2017/18, or 49 per cent of total Australian jobs due to visitor spending.

Of the 68 regions outside Australia's capital cities more than half had more than 10 per cent of regional jobs due to the total impact of visitor spending in 2017/18, as shown in Table 1 below. As a share of total regional employment due to total impacts of visitor spending:

- 12 of the 68 regions had more than 20 per cent tourism jobs reliance; and
- 25 of the 68 regions had between 10 and 20 per cent tourism jobs reliance.

Total impacts are made up of direct impacts (normally around three quarters of the total impacts) and indirect (or second round) impacts of this spending. In the current environment, where tourism has come to an almost dead stop, the total impact of tourist spending is being lost.

Table 1: Regions with a share of total regional jobs due to the total impact of tourism spending of more than 10% and the contrast with capital city regions in 2017/18.

Region	% of jobs due to total impact of tourism spending	Region	% of jobs due to total impact of tourism spending
East Coast (Tas)	67%	Blue Mountains	14%
Kangaroo Island	47%	Alice Springs	14%
Spa Country (Vic)	43%	North Coast NSW	14%
Whitsundays	36%	Fraser Coast	14%
Phillip Island	35%	North West (Tas)	13%
Lasseter (NT)	32%	Barkly	12%
Snowy Mountains	32%	Launceston & the North	12%
Coral Coast (WA)	28%	Flinders Ranges/Outback	11%
High Country (Vic)	26%	Golden Outback	11%
West Coast (Tas)	23%	Riverland	11%
East Gippsland (Lakes)	21%	Clare Valley	11%
Tropical North Qld	21%	Gladstone	10%
Litchfield/Kakadu/Arnhem	19%	Outback NSW	10%
South West (WA)	19%	South Coast NSW	10%
Upper Yarra	18%	Capital Cities	
Great Ocean Road	17%	Sydney	5.3%
Fleurieu Peninsula	17%	Melbourne	5.7%
Katherine and Daly	16%	Brisbane	5.4%
Yorke Peninsula	15%	Adelaide	5.2%
Gold Coast	15%	Perth	5.7%
Central Murray	15%	Hobart & the South	12.5%
Sunshine Coast	14%	Darwin	7.0%
Central Highlands	14%	Canberra	8.1%

Source: Tourism Research Australia (2019), Regional Tourism Satellite Account.



The Role of the Caravan and Camping Sector in Regional Economies

A significant proportion of regions most reliant on visitor spending as shown in Table 1 have a heavy reliance on caravan and camping tourism specifically to generate the night in these regions. For example, the East Coast (Tas) has 67% of jobs due to tourism spending; with a quarter of total tourism (nights) coming from caravan and camping. All of the regions with a 25 per cent or higher share of holiday visitor nights due to caravan and camping in 2019 are highlighted in Table 2.

Table 2: The market share of caravan and camping nights in Tourism Regions shown in table 1.

Region	% of holiday nights from caravan & camping	Region	% of holiday nights from caravan & camping
East Coast (Tas)	25%	Blue Mountains	26%
Kangaroo Island	35%	Alice Springs	43%
Spa Country (Vic)	13%	North Coast NSW	35%
Whitsundays	42%	Fraser Coast	39%
Phillip Island	16%	North West (Tas)	36%
Lasseter (NT)	48%	Barkly	38%
Snowy Mountains	26%	Launceston & the North	18%
Coral Coast (WA)	50%	Flinders Ranges/Outback	52%
High Country (Vic)	30%	Golden Outback	45%
West Coast (Tas)	28%	Riverland	61%
East Gippsland (Lakes)	51%	Clare Valley	38%
Tropical North Qld	22%	Gladstone	37%
Litchfield/Kakadu/Arnhem	62%	Outback NSW	46%
South West (WA)	27%	South Coast NSW	34%
Upper Yarra	59%	Capital Cities	
Great Ocean Road	28%	Sydney	6.2%
Fleurieu Peninsula	20%	Melbourne	2.8%
Katherine and Daly	66%	Brisbane	16.7%
Yorke Peninsula	37%	Adelaide	11.4%
Gold Coast	6%	Perth	13.6%
Central Murray	50%	Hobart & the South	13%
Sunshine Coast	16%	Darwin	17.1%
Central Highlands	49%	Canberra	10.7%

Source: Tourism Research Australia (2019), National Visitor Survey.

This demonstrates the incredible reach across regional Australia's areas facing an extended tourism led depression of policies supporting the caravan industry.



Policy Changes are Necessary to support Substitution of Outbound Trips into Domestic Travel

Some commentators from outside the tourism industry have speculated that closed international borders will lead to strong growth in domestic tourism, without Government policy support.

This is, unfortunately, a nonsensical argument. It is only possible if one does not understand the key motivations behind outbound travel, and heavily discounts the impact of a deep recession, on travel as the most discretionary of consumer spending.

Indeed, acceptance of this argument risks committing most of regional Australia to a prolonged economic depression.

Any inspection of the key forms of outbound tourism reinforces that there are good reasons for thinking that even with international borders closed, it will be impossible to get a majority of the previously outbound travellers to travel domestically instead without major policy changes.

This reflects the dominance in outbound travel of the three major outbound markets which all have low prospects of conversion to domestic travel of:

1. Previous gap years for young people (15 -29 years old) going outbound to normally seek employment overseas. This was a 22 per cent share of total outbound visitor nights in 2019 without including travel by this age group to destinations considered as fly and flop markets (see point 2.). This market has very low prospects for transfer to domestic travel due to disastrous domestic employment opportunities for young people;
2. Previous “fly and flop” travel to South East Asia and the Pacific Islands (not including Singapore and New Zealand). This was a 21 per cent share of total outbound visitor nights summed across all age groups in 2019. This market has only moderate prospects for transfer to domestic travel as domestic airfares have increased dramatically and Australian resorts are much higher cost per day and don’t have the necessary room capacity; and
3. 55-year-old and older outbound travellers’ trips. This was a 27 per cent share of total outbound visitor nights in 2019, without including this age groups travel to destinations considered as fly and flop markets (see point 2.). This market has only moderate prospects for transfer to domestic travel as this group are more sensitive to COVID-19 infection risks, have much reduced incomes and often favour cruise and rail travel which are not well-developed domestic markets.

Together these three outbound market segments with only moderate or low opportunities to transfer to domestic travel represented 70 per cent of total outbound visitor nights in 2019.

To get more of the previously outbound travel spend redirected to domestic tourism will take major Government programs that encompass both demand and supply stimulation. For reasons, outlined in this report, the caravan and RV sector is a most promising area for productive and low cost stimulation of domestic travel, particularly to support the recovery of lost jobs in regional Australia.

This document will now highlight the vital role that specific proposals for promoting manufacturing, and enhanced road safety can play in Australia’s recovery from the COVID induced recession; and the long-term opportunities that a revitalised RV manufacturing sector can play through 2021 and beyond.

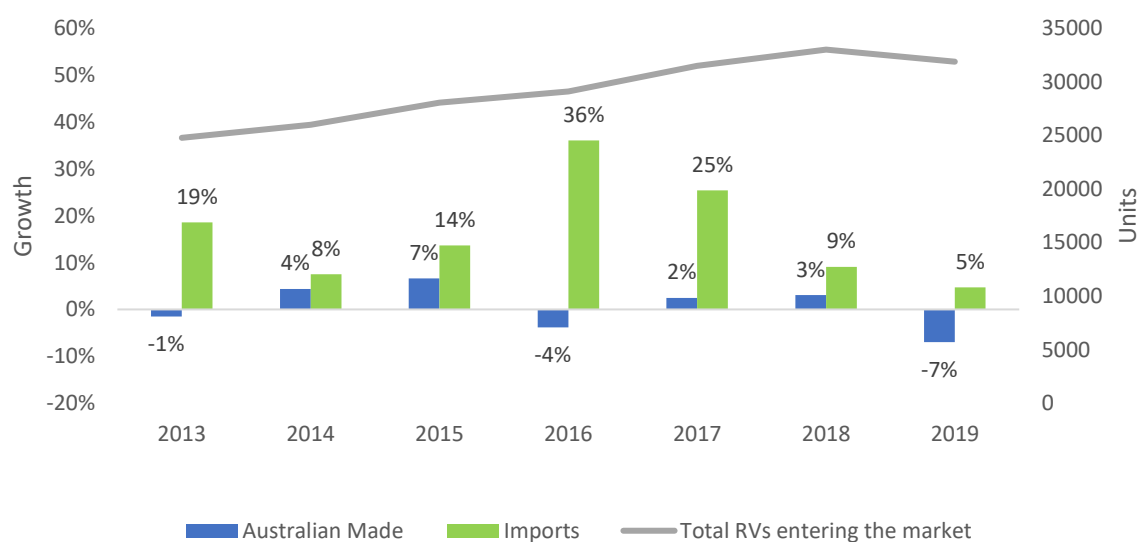


Priority One: Manufacturing, Regional Jobs & Road Safety

Australia's manufacturing sector has an opportunity to drive Australia's economic recovery out of the COVID crisis and, with an increasing global focus on manufacturing sovereignty, the RV manufacturing sector with supportive policies can play its part in the COVID recovery. However, this will require a kick-start from government in the wake of COVID shutdowns in Victoria and other negative impacts on demand. In addition, in the next year there are major worries about a rush of imported non-safety compliant RVs in advance of a much-tightened safety regulatory framework beginning 1 July 2021.

In 2019, for the tenth consecutive year, there were more than 20,000 recreational vehicles manufactured in Australia. During this period, the industry has gone largely under the radar of governments; not once requesting financial support from the government, which is a stark contrast to the other now departed automotive industries. The sector continues to employ tens of thousands of Australians and is committed to keeping Australian manufacturing processes onshore and to grow.

Chart 1: New Recreational Vehicles Produced & Source of Growth



Source: NEM Australasia 2020 & Australian Bureau of Statistics, International Merchandise Trade, 2020.

In recent years increased numbers of imported recreational vehicles have entered Australia, and while this has contributed to the overall market growing in terms of recreational vehicles; there has been minimal benefit for Australian manufacturers.

The RV rebate proposal and the RVSA educational proposal will work together to ensure that manufacturers that adapt their processes to suit the new regulatory environment (brought on by imminent Road Vehicles Standards Act (2019) (RVSA) implementation) are rewarded; while those businesses including some local manufacturers as well as most imports that continually put unsafe product (as outlined by Australian Design Rules) onto Australia's roads are not rewarded with the ability to offer a rebate to consumers.



Proposal One: Australian Recreational Vehicles Manufacturing Rebate Scheme

Rationale

Modelling done by the Caravan Industry Association of Australia indicates that over its 17 year lifetime; an Australian-made RV (whether it be a caravan or campervan) will generate \$335,000 in total spending benefit to Australia – through the manufacturing process, ongoing servicing, insurance and supply needs as well as the tourism expenditure that van-ownership stimulates around Australia.

The benefits to keeping RV manufacturing onshore is obvious when it is estimated that locally made recreational vehicles contribute more than four times the spending impact in Australia compared to imported recreational vehicles in their first year. This amounts to an additional \$76,582 per vehicle in spending being injected into the Australian economy.

The RV manufacturing sector is facing an unprecedented threat, with demand forecast to fall through 2021 for locally manufactured product and increasing numbers of imports of often unsafe and non-regulatory compliant products entering the Australian market. This is coupled with the major changes to legislation with the Road Vehicles Standards Act (2019) that is being rolled out currently, with implementation due on 1 July 2021. While this legislation will eventually prevent manufacturers and importers from selling non-compliant product (by Australian Design Rules) in the short term there is the requirement for an incentive to produce safe product, and for consumers to be aware of the manufacturers that are making these overdue safety changes. A rush of non-regulatory compliant imported caravans and RV's before the 1 July 2021 deadline needs to be strongly discouraged in the interests of public safety, as these vehicles will be on the road for an expected average of 17 years.

Chart 2: RVs Manufactured in Australia Year to Date (June 2020)



Source: NEM Australasia 2020.

Data suggests 2020 has already seen a 19.3% decline in the number of recreational vehicles built in Australia (for the 6 months to June), which highlights the urgent need for support of the sector. This data also was released prior to the impacts of the Victorian Stage 4 lockdown in Melbourne; which resulted in the closure of 80% of Australia's RV manufacturing facilities; and the subsequent extension of State and Territory border closures.

Explanation

The proposed Australian Recreational Vehicle Manufacturing Rebate would provide a rebate equal to 10% of the purchase price of an RV. This, on average would be a \$5,740 investment from the government which would return spending of \$335,000 to the Australian economy over the following



seventeen years (the average lifespan of an Australian RV) with the vast majority of this occurring through tourism spend in Australia's regions that need it most.

The RV manufacturing sector supports a workforce of more than 30,000 Australians from production companies, part suppliers, dealers, repairers and service providers. The sector also support visitation to around 2,500 caravan parks around Australia, which employ an additional 15,000 Australians as well as external contractors and local businesses that contribute to the running of the caravan park.

Table 3: Estimated Economic Benefit of Australian-Made RVs

	Australian Made	Imported Product
Manufacturing / retailing cost ¹	\$43,736	\$5,467
Manufacturing input multiplier x2 (Estimated)	\$43,736	\$5,467
Insurance \$650 avg per year	\$650	\$650
Tourism spend per vehicle Year 1	\$7,011	\$7,011
Tourism multiplier x1.92	\$6,450	\$6,450
Total economic value per unit Year 1	\$101,583	\$25,045
Additional economic value of each Australian Manufactured RV product (Year 1)		\$76,538

Demand is forecast to fall heavily through 2021 for Australian manufactured caravans and RVs for three reasons. The first is that the major market for new vehicles is retirees and particularly self-funded retirees, as younger people and first-time buyers tend to buy second-hand vehicles. This older age group is facing an unprecedented fall in their annual incomes, forcing many on to part pensions. Declining interest rates, dividends and rents has often halved weekly incomes, while declining asset values has further significantly discouraged major asset purchases like an RV.

The second reason for falling demand, is that rental fleets are facing large falls in their business as they are heavily reliant on international visitors and longer duration domestic trips across State borders. These fleets are often being rationalised, with many vehicles beginning to be sold on the second-hand market, and this trickle is set to become a flood the longer State borders stay closed. The third reason is that the much stronger A\$ (up around 25 per cent from its low point in 2020) and the economic recession and impending tougher safety regulatory framework is encouraging strong growth in imports of often unsafe and non-regulation compliant vehicles. Imports are also growing strongly as they take advantage of the current stage 4 lockdown restrictions in Melbourne, which has closed 80% of Australia's RV manufacturing facilities. Hence; while wait times for locally made RVs is growing; this is artificial, and is not forecast to extend into 2021 as the larger factories reopen and supply chains are re-formed.

Proposed Eligibility Criteria

The following must be met in order for a rebate to be issued. This oversight would be managed by Caravan Industry Association of Australia in partnership with the relevant departments.

- I. The product must be Australian manufactured (consistent with the criteria set out by Australian Made Campaign Limited and subject to the substantial transformation test under section 255 (2) of the Australian Consumer Law);
- II. The product must be a 2020 or beyond plated RV product that meets a range of key regulatory safety requirements;

¹ Caravancampingsales.com.au



- III. The product must be purchased new i.e. not second hand;
- IV. The product must be purchased from a business with an ABN i.e. not a private sale;
- V. The person making the claim must be a natural person or persons i.e. not a company or business – so rental fleet businesses would not be eligible;
- VI. The person should not have made a previous claim under the rebate; and
- VII. The 10% rebate would be capped at \$15,000 per transaction.
- VIII. The rebate would be limited to the first 30,000 claimants per financial year beginning from budget night 2020, to ensure the maximum cost to Government is not open ended.

Economic Benefit

This proposal has multiple cross-sector benefits that will strengthen Australia's economy. In the coming year(s), with economic uncertainty and the COVID pandemic being an ongoing phenomenon, there is no guarantee that Australians without a more supportive policy environment will want to travel domestically.

Thus, this proposal aims to bring in a new market to RV travel with a 10% rebate encouraging this. Further to this, consumer research indicates that this rebate after purchase would not be saved; but rather injected into the pockets of tourism businesses that need it most; namely regional operators that, recently have suffered from one or more of fire, drought and COVID-19 travel restrictions.

One other way of thinking of this rebate, is as a far less generous approach than the depreciation allowance for businesses for a capital asset. Most other capital assets are bought by businesses, who can depreciate or fully write off the cost of the asset from their taxes payable. For a business with less than \$500 million in turnover, currently 100% of the capital cost of assets up to \$150,000 can be fully deducted. An implication of this generous depreciation concession is to bias the decision against RV ownership in favour of normally less frequent RV rental. The proposed rebate will slightly reduce this current tax system induced bias.

Table 4. outlines how spending benefits flow from a domestically manufactured RV.

Table 4: Estimated Increased Spending Benefit in Australia of Australian-Made RVs

	Per unit	Federal Government Investment	Return to Australia (over the 17-year lifetime of RV)
Australian RV Manufacturing Rebate	Avg rebate	\$5,467	
Administration costs	5% of rebate	\$273	
Average lifetime of RV	17 years		
Days used per year (avg)	41 nights		
Tourism expenditure per day	\$171		
Total tourism expenditure per vehicle (lifetime)	\$119,187		
Tourism multiplier	x1.92		\$228,839
Service	\$500 per year		\$8,500
Insurance	\$650 avg per year		\$11,050
Manufacturing / retailing cost	80% (Est. of retail)		\$43,736
Manufacturing input multiplier	x2		\$43,736
Target – 30,000 annual Australian manufactured RV units		\$172.2M	\$10.07 billion
Total (per Australian manufactured unit)		\$5,740	\$335,861
ROI in incremental spending (per \$1 rebate invested by Federal government)			\$58.51



Amount

The goal of this program is to create an additional 5,000 units manufactured in Australia each year compared to a normal year, taking this figure to 30,000.

In reality this rebate will be critically important to maintaining manufacturing businesses in Australia in the next three years as sales are otherwise expected to considerably undershoot normal levels. The investment of \$172.2M per year from the government is expected to yield more than \$10B in spending in Australia; a return of \$58.51 in associated spending for every \$1 invested by the Government in the rebate.

This increase in spending will be felt in Australia's regions where a significant number of jobs rely on a revitalised visitor economy; and many of these regions can expect to see more than 25% of their holiday nights come from caravan and camping travellers.





Proposal Two: Support an education program for the RV industry regarding changes to the Roads Vehicle Standards Act

Rationale

Improving the road safety of high mass vehicles is a policy priority in Australia. This extends to caravans and RVs. Implementation is scheduled for July 1, 2021 for the newly passed legislation (Road Vehicles Standards Act, 2019) which will ensure that safer product makes its way onto Australia's roads; whether this be locally manufactured or imported product.

Road Vehicle Standards Act (RVSA) was passed in December 2018 to upgrade the regulations regarding the manufacturing and importation of RVs in Australia. This is vital to ensure that only new vehicles which comply with Australian safety standards make their way on to Australian roads. The new legislation will positively impact the RV industry in the longer term but requires major and expensive reforms in many local company's designs and manufacturing processes.

The timing of the introduction of this change in standards has been made much more challenging for the industry with its coincidence with the impact of the COVID recession on sales. However, the industry remains committed to the July 1 2021 deadline.

The Caravan Industry Association of Australia works closely with Vehicle Safety Standards (VSS) as part of the Department of infrastructure to educate our industry as to their obligations. However, in the coming 12 months, much more promotional effort will be required as the commencement date for the RVSA approaches at a time when the industry is much more focused on commercial survival.

Explanation

Currently, the Association sits on six committees with VSS and two committees chaired by Standards Australia. The Association is also involved in rewriting the current Vehicle Standards Bulletin following changes to the legislation. To effectively manage these changes, an education campaign needs to be presented to the industry. The education program will ensure Australian businesses are equipped with knowledge for a smooth transition to working under the new legislation.

Due to the uncertainty regarding COVID, and the national scope of these changes, the vast majority of this campaign will need to take place online; however, when the time is right, this needs to be combined with face to face workshops and seminars to assist Australian manufacturers in meeting their new obligations.

Amount

- \$650,000 (+10% administration costs) over two years

Table 5: Proposed Education Program for RVSA

Item	Cost
2x Engineers to facilitate the program	\$360,000
Development of Online Resources	\$50,000
Educational Road Show (1 per state each year) including travel costs	\$140,000
Development of Marketing campaign to consumers	\$100,000
Administration Costs (10%)	\$65,000
Total (Over two years)	\$715,000

The effectiveness of the education campaign with the industry and purchasers will be assisted by the introduction of the rebate program promoting the sale of safer vehicles.



Priority Two: Regional Jobs Recovery and Tourism

Industry Resilience

The impacts of the devastating 2019/20 bushfire season brought many areas of regional Australia to its knees, with other regions also recently suffering from drought. Regional economic recovery will be strongly tied to the recovery of the domestic tourism industry and, with appropriate support, the caravan and camping sector can lead Australia's regional tourism industry out of crisis.

On the back of drought, bushfires and COVID, the Australian caravan industry is one of the best prospects for reviving regional tourism. With 92% of all trips in the RV industry undertaken in regional and rural Australia, much of the \$228,839 visitor spending generated from the tourism spend of every individual RV product over its lifetime will specifically benefit regional communities.

Caravan holiday parks are already an important source of local employment. For every 5,000 new RVs entering into the system, it is estimated that 3.2 million additional tourism nights will be undertaken in regional and rural Australia over the lifetime of these RVs, leading to the creation of regional tourism and hospitality employment opportunities.

Many Australian travellers can also be drawn to caravan parks with targeted investment in capital expenditure projects in regional accommodations. In 2020 it is the quality of social media reporting of visits to caravan parks that is a key driver of future visitation. The quality of amenities is often a vital dimension of this commentary, so that investment in these facilities becomes critical to business growth.

Currently, there are hundreds of shovel ready projects in caravan parks that have been put on hold due to COVID-19 and subsequent restrictions. Re-stimulating this will be vital in the effort to convert a share of the 9.9M overseas trips that Australians took in 2019 to domestic holiday experiences. These travellers will often look for roofed accommodation such as cabins when embarking on an Australian road trip, and it is important that caravan parks are able to cater for this expected new source of demand. Further to this, and linking in with the RV Rebate proposal, the extra demand for recreational vehicle travel will require investment by caravan parks to supply appropriate facilities and space particularly in peak seasons when available sites are regularly fully occupied.

Supporting these caravan park improvements there is a strong opportunity with a new Tourism Australia campaign to actively promote to Australians who would normally travel overseas the opportunity to travel domestically using caravan park infrastructure. Many overseas travelling Australians will not have previously stayed in a caravan park and there is a need to raise awareness and promote conversion. This campaign should encourage hiring vehicles as well as the opportunities to stay in self-contained cabins. This campaign is also expected to directly encourage existing caravan and RV owners to bring forward further their domestic touring plans.

Tourism Research Australia will play a vital part in measuring Australian tourism's recovery from COVID-19 and is sorely in need of greater funding to increase the timeliness and scope of the data that they provide, particularly in regional Australia. Tourism Australia, as the nation's lead in terms of destination marketing, needs appropriate resources to establish a mid-term domestic marketing strategy that aims to get Australian's travelling around Australia.

As well as brick and mortar upgrades, 2021 is an ideal time to activate an International Ready program for Australia's caravan parks and RV rental operators. This will be a two-tiered process of driving demand through creating a co-operative marketing group of industry leaders to combine resources



and stimulate demand in market, when appropriate. There will also be a pathway to joining this collective through an educational program that highlights how operators can effectively engage in existing travel distribution methods and the instruments that need to be in place for this to happen. At some point in the future, Australia's borders will once again open to international travellers; with segments most likely to return quickly being Working Holiday Makers and Free Independent Traveller segments. The caravan park sector is well placed to generate demand from these segments and needs to be activated and have a better understanding and link to global distribution systems to drive this travel to regional areas.





Proposal Three: Caravan Park Investment Scheme

Overview

Caravan Industry Association of Australia is proposing the provision of matched capital expenditure grants to support facility upgrades and investment in regional accommodations around Australia. These grants will facilitate infrastructure upgrades and improve a destination's value add through capacity development and improved product offerings as well as giving the opportunity for businesses to become more 'COVID Safe'. This in turn, will support employment in tourism and construction, along with economic linkages in regional Australia.

The proposal epitomises the concept of high value-low risk economic activity that will stimulate regional economies in the short term through construction and trade jobs while providing lasting benefit through regional product development in the medium to long term.

With domestic tourism the focus for the coming 24 months, there is an urgent need for product in regional Australia to be upgraded, especially as many businesses come out of at least a 6-month period of little revenue. This is vital to capitalise on the once in a generation opportunity for regional Australia to become the focus of Australian tourism, with the caravan park sector leading the way. Visitor spend has been decimated in the first three quarters of 2020. Even March quarter data (the very beginning of the downturn) had a 16% downturn in holiday nights to Australia's regions (TRA, 2020) and the situation has become much worse in the following two quarters. Action to lift regional tourism is urgent.

2020/21 and potentially 2021/22 also provides an opportunity to convert to domestic travel Australian travellers who previously would have taken overseas trips, a market of 9.9M trips in 2019 (TRA, 2020). These consumers tend to have higher expectations of accommodations and tourist product, hence the standards and facilities in commercial accommodations need to be improved to generate visitation and improve length of stay.

The goal of this project would be to convert 10% of international trips in 2019 to caravan park experiences, generating an additional \$950M in domestic tourism expenditure in Australia, 90% in the regions.

For purposes of comparison, in 2019, there were 7.2 million total trips by Australian adults that involved stays of an average of five nights in commercial caravan parks or camping grounds. This proposal therefore seeks to boost the number of trips by around 15 per cent of the annual demand in a normal year. This proposal anticipates that trips diverted from outbound are likely to have a longer than average duration and more commonly, than trips by the established market, involve more expensive options of hiring a caravan or RV or staying in cabins. For these reasons the average anticipated trip spend is assumed to be around \$1,000 per adult.

Rationale

Targeting investment support to caravan parks is highly stimulatory as caravan parks catered to more holiday nights in regional Australia in 2019 than any other commercial accommodation types. The success of this program could provide a benchmark for other accommodation types to be involved in future years.

In regional Australia for the year ending March 2020 caravan parks made up more than 37% of holiday nights spent in commercial accommodation, with hotels/motels comprising 35% and rented houses/apartments making up 22%. As the number one provider of regional accommodation; caravan

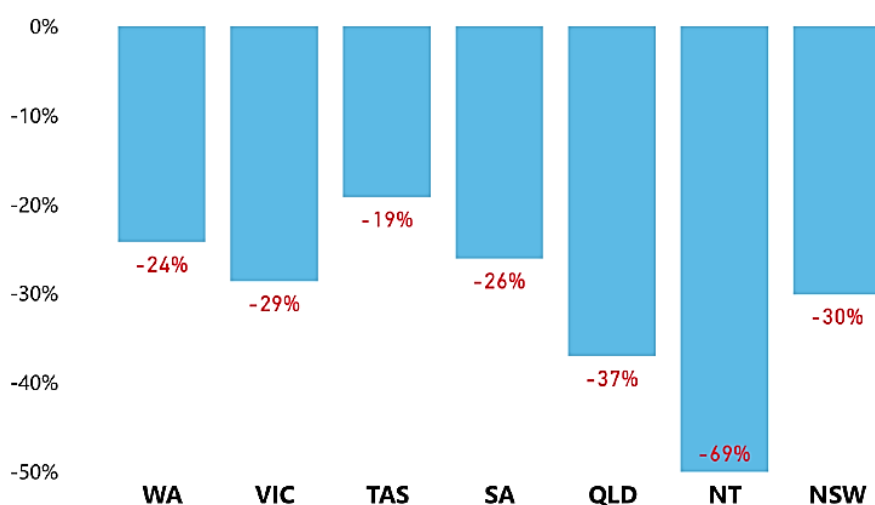


parks usually invest heavily in developing their product through capital investment. This activity supports a multitude of services such as construction companies and tradespeople, the majority of which are in regional Australia.

However, in the past five months and, in some cases, since December, the COVID-19 crisis coupled with the bushfires have resulted in limited income for caravan parks. This has had a significant and detrimental flow-on impact to the associated services and supply chains and put many previously planned caravan park investments on hold. The first half of 2020 saw a reduction in caravan park income of approximately \$400M Australia wide; with monthly occupancies declining by upwards of 90% in some states during April. This has contributed to a lack of investment in regional product due to plummeting revenue from travel restrictions and health concerns. In 'normal' times, caravan parks invest approximately 12% of their annual income into capital expenditure projects (BDO, 2020).

For the 2020 year to July caravan park revenue across all states has significantly declined. This is by as much as 69% in Northern Territory to the end of July. The below chart highlights this impact, with this chart too early to reflect the majority of the Stage 4 restrictions in Melbourne, and Stage 3 in other parts of the state, and extended closure of State borders which will further impact on revenue. This chart also suggests that few caravan parks will be profitable in 2019/20 or 2020/21 and as a result not well placed to take advantage of generous tax concessions for investment without additional support.

Chart 3: Caravan Park Revenue, year to July 2020 (% change from same period in 2019)



Source: BDO, RMS & Newbook. Data from 346 caravan parks, reported monthly.

This proposal would reinvigorate investment spend by caravan parks and greatly increase the number of jobs in regional areas, as the building of a cabin for example, not only supports the initial construction, but subsequent maintenance and cleaning personnel, having an extensive economic flow-on benefit to the wider local community. It also provides increased capacity and destination attractiveness for visitation linking to increased sales at local food and beverage, fuel, retail and visitor attractions.



With an opportunity to revive domestic travel, it is imperative that regional destinations can offer increased capacity and improved product offerings to maximise the economic opportunities that will present in the coming months. Funding is urgently required to support business capital investment to ensure they provide more attractive options to bring consumer demand to regional Australia.

Some examples of Capital Expenditure Projects that would be eligible would include:

- Upgrading amenity blocks;
- Purchasing a new cabin for caravan parks (not including labour cost);

One goal of these projects is to convert 10% of travellers who were previously travelling overseas to stay in Australian caravan parks by improving the standards and facilities in caravan parks and, as a result, attract increased visitation. This targeted source of an additional 990,000 trips in 2021 will help to mitigate falls in visitation to caravan parks and ignite a recovery in regional tourism.

Explanation

The proposed \$15M limit on investment from the Federal Government would need to be matched by industry businesses. This proposal involves grants of up to \$200,000 that would be matched 1:1 by the business for a capital expenditure project (i.e. a depreciated item – not installation labour).

Key details of this proposal are:

- The Fund to reimburse up to 50% of expenses of a capital expenditure projects in regional accommodation (i.e. a depreciated item – not installation labour), to a maximum grant of \$200,000 per business.
- Designed strictly for ‘Shovel Ready’ projects that will finish before the end of June 2021.
- Managed by the department on a first in basis where over-subscription occurs.
 - Alternatively could be managed by the Caravan Industry Association of Australia under strict guidelines similar to the arrangement with Department of Health [Defibs subsidy scheme](#).

Table 6: Proposed Project Budget and increased spending returns from the Caravan Park Investment Scheme

Item	Amount	Return
Project Cost (Federal Investment)	\$15,000,000	\$41,800,000
Project Cost (Industry Contribution)	\$15,000,000	
Economic Multiplier	1.38	
Additional Tourism Expenditure generated (Goal)	Converting 10% of 2019's international trips (additional 990,000 trips)	\$950,561,487
Administration Costs (If managed by Caravan Industry Association of Australia)	5%	
Total	\$15,750,000	\$992,361,487
Potential Return in spending from Government Investment	\$1	\$63



Proposal Four: Increase funding to Tourism Australia by \$20 million in 2020/21 to run a campaign with domestic travellers to encourage them to travel and stay in caravan parks

Overview

A key economic priority for the Australian Government is to as quickly as possible get domestic tourists again visiting regional Australian destinations. State border closures have meant that the 2020/21 year has started disastrously for most caravan park businesses and their host economies.

Regional tourism must be kick-started if more than half of Australia's regional economies, as shown in Table 1, are not to be in economic depression for the next three years.

Job Keeper has to date heavily disguised the implosion of employment due to the precipitous fall in visitor spending in 2020. One million jobs are at high risk of not returning, with half in regional Australia.

Other economic stimulus opportunities for the Australian Government such as major infrastructure projects are unlikely to produce high levels of new jobs and be more focussed in capital city than regional areas. In addition, infrastructure spending will not re-employ the youth and female employees most commonly unemployed from the regional tourism industry due to the COVID recession.

A new campaign from Tourism Australia aimed at encouraging caravan park visitation can powerfully influence potential domestic travellers who are not familiar with the experiences available. This campaign is also expected to encourage existing users of caravan parks to increase their regional travel planning.

Visitation to other forms of commercial accommodation in Australia are often less COVID safe than staying in a commercial caravan park or camping ground. This is most obviously the case for visitors staying in their own or a hired van or RV. Caravan parks tend to be away from the major population centres and provide low density accommodation compared to an inner-city hotel.

Tourism Australia should be tasked to kick start the recovery of regional travel staying at caravan parks using a combination of:

- Social media promotion;
- Visiting journalist programs; and
- Advertising on streaming services and TV.

This investment in awareness raising supports: manufacturing; further investment in caravan parks; and increased tourism spend; as well supporting job creation in Australia's regions, and clearly links to and is supportive of the RV Rebate proposal and other associated marketing & awareness campaigns.



Proposal Five: Restore funding certainty for Tourism Australia and Tourism Research Australia

Overview

In times of crisis, access to data is vital so industry can react with confidence knowing that the insights they receive are accurate. With more and less robust data sources available to industry; it is vital that Tourism Research Australia remains the source of truth for the industry and is funded to maintain its ability to collect and distil insights that operators and the broader industry can act on.

Rationale

Tourism Research Australia (TRA) provides a vital service for the Australian tourism industry through their National Visitor Survey (NVS) and International Visitor Survey (IVS). TRA requires an increase in funding to improve the scope of both surveys so data can be increasingly trusted at a regional and SA2 level.

An increase in funding for TRA also facilitates the exploration into new methodologies that can potentially capture richer data that benefits the industry and government. In particular, in monitoring the hoped-for recovery of Australian tourism, TRA should be funded to provide monthly statistics. This will improve the timeliness of critical feedback to the Government, regional administrations and the tourism industry.

Some city-based tourism commentators are unfamiliar with the critical role of TRA data in regional tourism analysis. Alternative possible data sources are problematic outside the major cities due to small sample sizes (such as the replacement to the ABS Survey of Tourist Accommodation) or rely on measures that are influenced by changing consumer behaviour such as the switch from cash to credit card payments with the virus. In any case these alternative measures can't provide the range of data necessary for sound investment and marketing decision making in regional Australia.

Tourism Australia (TA) should also receive increased resources for marketing to expand their services including an ongoing domestic marketing campaigns. Caravan Industry Association of Australia supports the ongoing expansion of Tourism Australia's mandate to include domestic tourism as the industry rebuilds. This ongoing funding for domestic campaigning is in addition to the funding sought under proposal 4.

Amount

- An increase in funding for TRA of \$4M over the next four years to allow additional research and improved data collection including monthly reporting.
- Tourism Australia to be funded appropriately to commit to ongoing domestic marketing over the next four years.



Proposal Six: International Ready Program for Australian Caravan Park & RV Rental Industry

Rationale

There remains a need for capacity development through the Caravan and Camping Market Ready program. Engaging with the distribution system that brings international visitors to Australia requires a range of training and investment by Australian business in order to deliver increased awareness and conversion of awareness to sales once international borders re-open.

This proposal provides a path for the caravan park and RV rental industry to better promote the offer of a memorable experience and grow Australia's international caravan and camping visitation to 500,000 visits within 5 years of international borders being opened for international travel to Australia. This promises to generate an additional \$480M in annual visitor spend, which is equivalent to the 2019 level of international tourism visitor expenditure on caravan park experiences (TRA, 2019).

Caravan Industry Association of Australia and the broader caravan industry can play a strong role in rejuvenating international demand, especially from European markets who are largely backpackers (working holiday makers) and free independent travellers. These segments are likely to be the first to return as the more intrepid explorers.

However, there is a gap in the education and market readiness of caravan parks to engage with international markets, as well as with some domestic travellers who are used to booking holidays through traditional means such as travel agents.

Aware of the challenges, Caravan Industry Association of Australia seeks to support the caravan park industry to the changing market opportunities and make the industry more relevant to international visitors.

The proposed project is across two areas: driving demand & building capacity.

Driving Demand

- Caravan industry businesses to buy in with \$150,000/year to join an Industry Collective that would target increased awareness to international consumers for a caravan & camping experience in Australia.
- This would be supported by Government seed-funding of \$450,000 in the first year
- The industry Collective would be entirely self-sustaining within three years.
 - There will be membership criteria to join to ensure 'market ready' products & experiences.

Building Capacity

- Creating a pathway for caravan parks wanting to join the Industry Collective and engage deeply with the international market by building their capacity to cater for international visitors and market through new channels to the domestic market.
- Market readiness program to be run in conjunction with Australian Tourism Export Council (ATEC) which has a strong record of developing sectors to becoming export market ready.

Estimated Timeline

- 2021: Capacity Building program established to educate caravan parks and prepare for international travel to resume.
- Year T: International travel resumes to Germany (source market for 20% of caravan and camping nights)



- Caravan Industry Collective formed with seed funding from government, industry and Caravan Industry Association of Australia.
- Year T + 3
 - Industry Collective to be self-sustaining & continue to conduct demand driving exercises in international markets.
- Year T + 5:
 - 500,000 international visitors to go caravan and camping in Australia to exceed the 400,000 in 2019.
 - This would generate an estimated economic benefit of \$230M to Australia; and bring international visitation back to where it was in terms of caravan and camping.

Total Amount Requested

Driving Demand: \$450,000 from government

Building Capacity: \$550,000 from government over three years

Total: \$1,000,000 over three years

Item & Source	Amount	Return
Educational Program for (Federal Government)	\$550,000 over 3 years	
Collective Seed Funding (Federal Government)	\$450,000 in first year	
Industry Contribution	\$450,000	
International Tourism Expenditure (Goal)	Five years after German borders open for travel to Australia	\$500,000,000
Total Federal Investment	\$1,000,000	\$500,000,000
Potential Return in increased visitor spending from each \$1 Investment	\$1	\$500



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