

VISITOR VISAS FOR ASIAN MARKETS:

COMPARISON
BETWEEN AUSTRALIA
AND KEY
COMPETITORS

Key Findings of Research
Paper by Griffith Institute
for Tourism, commissioned
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Australia

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EXECUTIVE SUMMARY

Australia competes in a highly competitive industry for visitors from a number of Asian markets. A key consideration in Australia's overall competitiveness is the cost of visa fees and supplementary charges, along with visa processing times.

Research undertaken by Griffith University (on behalf of Tourism Accommodation Australia (TAA), which compares visa charges and processing times in a select number of Asian markets, has highlighted that across many visa classes Australia has competitive processing times, but in terms of visa fees, when passenger movement charges and other fees are added, Australia is amongst the three countries that have the most expensive visa costs for Asian markets, after the UK and the USA.

This situation is likely to worsen as visa charges become linked to Consumer Price Index (CPI) increases (2017-18 Budget).

This position paper offers recommendations to improve Australia's overall competitiveness through an evidence-based approach, based on research undertaken across a select number of high growth and valuable inbound generating Asian markets.

A separate research study by Griffith University is also referenced, to illustrate that the China visitor market has high price elasticity (i.e. strong price sensitivity). Any increase in costs and charges, including from visa fees and additional costs, could significantly diminish the momentum of visitor growth from China.

INTRODUCTION

Through the online availability of Electronic Traveller Authority (ETA) visas (subclass 601) and eVisitor visas (subclass 651) to many source markets, Australia is cost and process competitive with other destinations such as New Zealand, the UK, the USA, Canada and Schengen countries.

However, despite accounting for more than 20% of visitors, tourists from China, India, Indonesia, Thailand and Vietnam do not have access to either of the 601 or 651 visas. These visitors only have access to the Visitor visa (subclass 600) which involves, a minimum application charge of \$AUD140 and potentially lengthy processing times. Processing times can be up to 54 days, depending on the visa stream, but 75% of applicants are only 16 days.

In terms of pricing, the Government's indexation of visa application charges to the CPI, is likely to impact our competitiveness in the future.

This position paper (prepared by Stafford Strategy), is a synthesis of the research undertaken for TAA by Griffith University, to help assess the competitiveness of Australian visa schemes for six specific Asian markets - China, India, Indonesia, Thailand, Vietnam and Taiwan against the visa costs and process of New Zealand, the UK, the USA, Canada and the Schengen countries.

AUSTRALIA'S COMPETITIVENESS

There is a wide variance in individual visa schemes across the destinations so, for comparative purposes, visa schemes are classified into four broad visitor visa types as follows:

- approved destination status (ADS) visitor visa;
- standard visitor visa;
- transit visa; and
- working holiday visa

The Taiwanese Government has already reached visa waiver agreements with most destination countries covered in the research so Taiwanese visitors enjoy the easiest processing of their visa applications and, to some extent, can travel without visas.

The application process for visitors from China, India and Indonesia are more difficult in terms of processing times (ranging from 2-30 days) but, in many cases, potential visitors are not required to submit biometrics.

Visitors from Thailand and Vietnam, however, have a more difficult visa processing procedure and are subject to higher costs, due to strict biometric requirements put in place by all the comparative destinations examined, except for NZ. In addition, the processing time is much longer (up to 87 days for Vietnam visitor visas and 107 days for those coming from Thailand).

Overall, whilst not being the best, Australia is amongst the most competitive destinations from a processing perspective. In particular, Australia ranks:

- first for ADS visitor visas (together with New Zealand);
- second for Standard visitor visas (together with Canada, both behind New Zealand);
- second for transit visas (behind the Schengen).

Apart from the explicit visa fees, the real costs of visas include other fees such as biometric fees, Visa Application Centre (VAC) fees, courier fees for paper-based applications and Passenger Movement Charges (PMC) – a substitute for departure taxes. These are often overlooked. On the basis of the visa fee alone, Australia is not one of the most expensive countries. However, when taking into account all fees, including the PMC, Australia is amongst three countries that have the most expensive visa costs, namely the UK, the USA and Australia.



KEY OUTCOME 1:

From a processing perspective, Australia is relatively competitive amongst all destinations. From a cost perspective, Australia has an average visa fee compared to the others. However, when all fees are added, Australia is actually amongst the three countries that have the most expensive total visa costs, along with the UK and the USA.

AUSTRALIA'S KEY STRENGTHS & WEAKNESSES

Australia's key strengths as noted in the research are:

- the working holiday maker program (417) is the most comprehensive program amongst the destinations assessed; and
- the Australian Standard Visa program is comparable to NZ, but the ADS is more expensive. However, the ADS visa program allows Chinese visitors to submit applications in their own language.

Australia's key weaknesses as noted in the research are:

- the Standard Visitor Visa has the longest waiting times across all source markets assessed;
- the priority service fee (\$AUD1,000) is high and far too expensive for most travellers from the source markets compared;
- the Working Holiday Maker program is efficient in terms of processing time, but expensive compared with NZ and Canada; and
- Australia is the third most expensive country globally for a departure tax (in the form of a PMC), which puts Australia in the group of the three countries having the most expensive total visa costs globally, along with the UK and the USA.

RECOMMENDATIONS

With the risk of higher visa fees due to CPI indexing from the 2017-18 budget, it is important to ensure Australia remains competitive with respect to visa programs. Consideration needs to be given to:

- reducing visitor visa fees generally and replacing paper-based processing with online digital applications where ever possible;
- revising and reducing the PMC which is a surrogate departure tax and which makes Australia less competitive;
- extending visa validity periods to encourage higher visitor length of stay and related visitor spend levels;
- committing to a fixed global standard processing time or a fixed country specific processing time to provide greater certainty to visitors planning to travel;
- increasing the inclusion of more countries under visa waiver agreements and transit visa exemptions;
- increasing the number of locations where applicants can submit biometrics; and
- allowing Taiwanese passport holders to apply for ETA visas online instead of a paper-based option.

In addition, specific visa category recommendations are to:

- provide online 48-hour approvals for the ADS visa to facilitate more Chinese visitors;
- upgrade from single to multiple entry ADS visas and extend to three years and offer a package deal for groups to reduce the per head fee below \$AUD140 for Chinese visitors;
- extend the Standard Visitor visa from one to five years, with multiple entries to capture visitors also travelling to NZ;
- provide an online processing system for transit visas and extend the length to 5 days;
- shorten the processing time for working holiday maker visas and consider increasing the quota numbers as these are always filled;

VISA CATEGORY COMPARATIVE ASSESSMENT

The following points are made in support of the conclusions and recommendations based on the research paper by Griffith University.

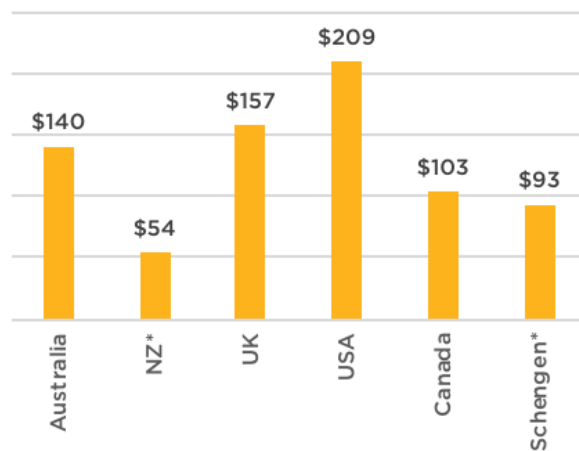
APPROVED DESTINATION STATUS (ADS) VISITOR VISA

KEY OUTCOME 2:

Australia's ADS visa fees are amongst the three most expensive (along with the UK and the USA) relative to the comparative destinations.

Australia's ADS processing time however is amongst the most competitive, together with NZ, as it is significantly less than comparative destinations.

FIGURE 1:
ADS VISITOR VISA MAXIMUM FEES (\$AUD)



* Excludes VAC service fee

The ADS visas are special agreements between destination countries and China to guarantee a safe, reliable and easier travelling experience for Chinese groups.

The NZ ADS visa fee is the lowest amongst the destination countries assessed at \$AUD54, closer to a third of Australians’ fee per applicant. When additional fees are added, including the VAC fee, the effective ADS visa cost to NZ increases to \$AUD101 which is higher than the fee charged by the Schengen countries but still lower than Australia’s ADS visa fee of \$AUD140.

With respect to the processing time for the ADS visa fees, Australia is 4-5 working days, New Zealand is within 4 working days, the UK is within 15 working days, the USA is a total of 3-10 working days, Canada is 19 working days, and the Schengen countries are 2-15 business days.

Australia and NZ offer Chinese tour groups the most efficient ADS visa process across the destinations. In addition, whilst the USA is amongst the most difficult countries to grant visa entry to Chinese visitors, the USA ADS visa scheme is the only country which offers multiple entry visas for up to 10 years. To improve its competitiveness, Australia should consider multiple entry visas covering a greater length of time.

The Australian generic visitor visa is \$AUD140 which is more expensive than the fees from both the Schengen countries and Canada for all markets. Additional fees are also applied to Thai and Vietnamese visitors for biometric collection. For priority services of 48-hour processing, the visa fee also goes up to \$AUD1,000.

FIGURE 3:
STANDARD VISITOR VISA MAXIMUM FEES (\$AUD)

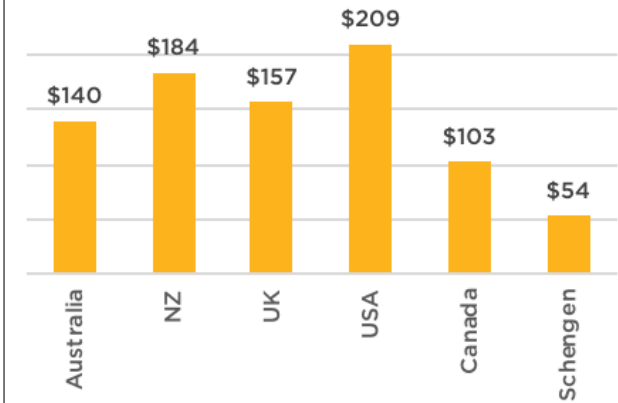
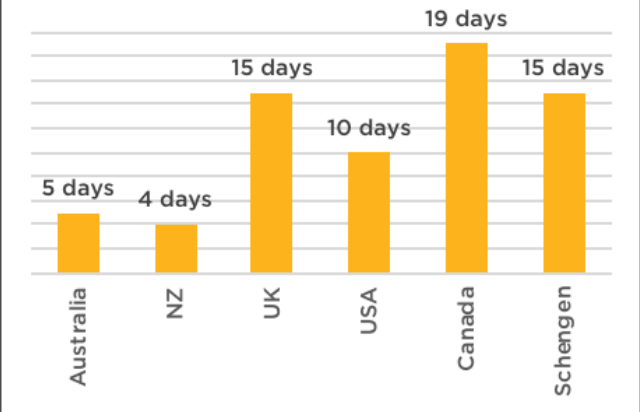


FIGURE 2:
ADS VISITOR VISA MAXIMUM PROCESSING TIMES



With regards to processing times, this varies considerably in Australia with an average of 16 days for 75% of visa applicants, and up to 29 days for 90% of applicants. New Zealand has a straightforward Standard Visitor Visa process without any requirements for biometrics or an interview. This alleviates the difficulty for applicants in terms of extra time and costs involved for preparation and submission to local Visa Application Centres. As such New Zealand is the most efficient country amongst all destinations even though its processing time is not the shortest. At the other extreme, the UK, the US and the Schengen countries require all visitors to their countries to provide biometrics in person.

The US also requires applicants to attend an interview. The process is rather onerous for the applicants. Australia and Canada are broadly the same in terms of the requirement for biometrics only from Vietnam and Thailand visitors. However Canada on average takes longer to approve visas for most markets. Thus, from a processing perspective, Australia is arguably one of the most competitive destinations.

STANDARD VISITOR VISA

KEY OUTCOME 3:
Australia’s standard visitor visa fees are average amongst all destinations but become uncompetitive when all fees are added. The standard processing time is relatively competitive as biometrics and an interview are not required for most markets.

The standard visitor visa is the mainstream visa available to all tourists from selected Asian markets. Its benefit is that it covers those coming not only for holiday but also visiting friends and relatives and business purposes. In Australia, this standard visitor visa is noted as subclass 600 while the ETA is subclass 601.

TRANSIT VISAS

KEY OUTCOME 4:
Australia does not charge a transit visa fee, similar to Canada and Schengen countries. Other comparative destinations – UK, NZ, USA – charge a reasonably high transit fee that compares to standard visa fees. The transit visa processing time for Australia is the most competitive out of the comparative destinations. Australia should look to extend the transit visa validity period to encourage greater visitor dispersal and spend for short stay transit visitors.

Transit visa schemes deal with visitors passing through a country for a short time only. Australia offers free transit visas (subclass 771) valid for 3 days and accessed via a paper-based application process taking 4-6 days.

WORKING HOLIDAY VISA OR WORK AND HOLIDAY VISA

KEY OUTCOME 5:

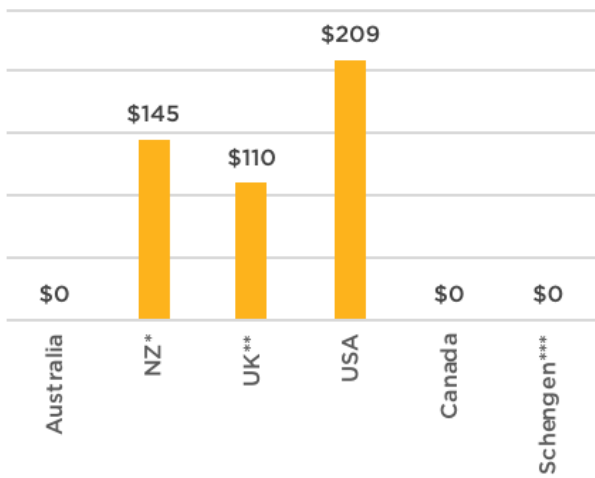
Australia's working holiday visa fees are amongst the least competitive, together with the UK and Schengen fees. The processing times are also relatively uncompetitive, below Canada yet lengthier than the other comparative destinations. Considering the high economic importance placed on working holiday visa makers, as they provide seasonal labour in many sectors (such as agriculture and hospitality) and in many regions where local labour is unavailable, Australia needs to be far more competitive to encourage and grow this important short-term labour supply.

Australia offers a Work and Holiday visa (subclass 462) and a Working Holiday visa (subclass 417) aimed at encouraging younger travellers (usually between 18-30) to have extended holidays with short term employment within Australia. The two visa categories are not dissimilar with the 471 appearing to have higher priority according to the research.

Canada, the UK and Schengen countries only take working holiday makers from Taiwan. Canada offers the most competitive visa fee at \$AUD155 followed by NZ at \$AUD190. The UK and Australia are similar at \$AUD418 and \$AUD440 respectively. In addition, Thai and Vietnamese passport holders are required to submit biometrics, which takes the total cost to \$AUD474 for Thai visitors and \$AUD466 for Vietnamese visitors.

NZ has the most competitive visa processing, at 20 days for all markets with no biometric requirement. India and Indonesia are ineligible for the NZ working holiday visa, but the other countries can apply online for a visa up to 12 months. Numbers are restricted to 1k from China, 600 from Taiwan and 100 each from Thailand and Vietnam.

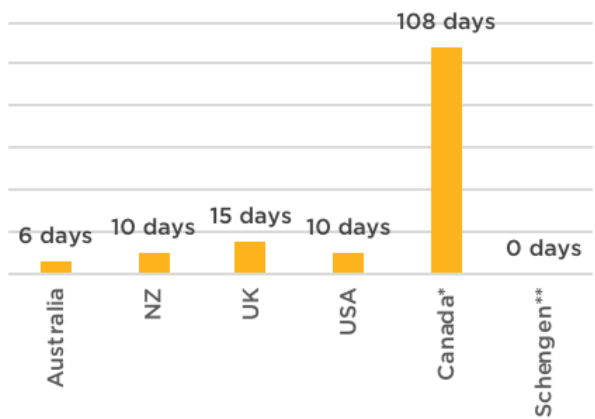
FIGURE 4: TRANSIT VISA MAXIMUM FEES (\$AUD)



* Excludes VAC service fee of between \$21-\$46 ** Visitor in Transit Visa *** \$93 fee for India residents only

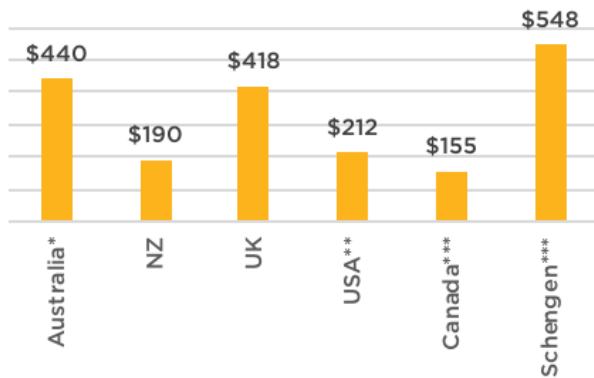
An online process would offer greater convenience and also increase the visa to a 5 day stay to encourage transit visa holders to visit one or more locations in Australia.

FIGURE 5: TRANSIT VISA MAXIMUM PROCESSING TIMES



* Thailand residents only. Other countries vary from 6 to 87 days. ** No transit visa required with the exception of India (max 15 days)

FIGURE 6: WORKING HOLIDAY VISA MAXIMUM FEES (\$AUD)



* Excludes biometric fee of \$34 (for Thailand & Vietnam residents). ** Excludes SEVIS fee of \$239 *** Applicable to Taiwan residents only



Thailand and Vietnam are eligible for a 462 Work and Holiday visa. The processing time averages 24-49 days.

The Australian quota is much higher than other destinations with up to 5k from China and 1k from Indonesia, with no biometric requirement. Thai and Vietnamese must submit biometrics and have smaller quotas of 500 and 200 respectively.

Comparatively, Australia is prepared to take in up to 6.7k first time working holiday visa applicants from China, Indonesia, Thailand and Vietnam and an unlimited number from Taiwan. The 6.7k is greater than the 5.29k combined totals of NZ, Canada, UK and the Schengen countries.

The visa fees charged are higher and the processing time is longer than competitor destinations, with the 462 visas being the second slowest processing, after Canada.

In this visa category, Australia is uncompetitive, on a comparative basis, even though Australia has the most comprehensive programme.

DEPARTURE TAXES

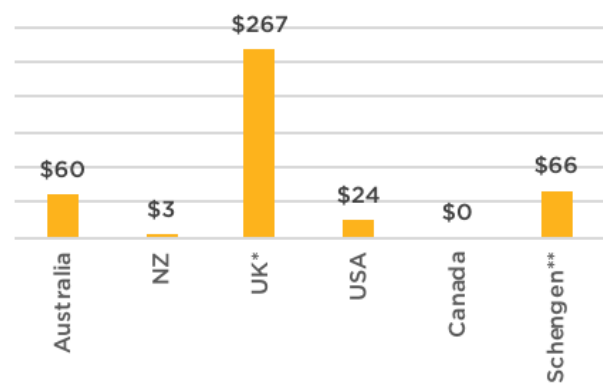
Australia replaced the departure tax with a Passenger Movement Charge (PMC) in 1995 with a current fee of \$AUD60. This is the third highest departure tax in the world for long haul flights. Having no distance tier, the PMC is effectively the most expensive international tax for short-haul flights.

By comparison, Canada has no departure tax and NZ only introduced a Border Clearance Levy in 2016 of between \$AUD3 to \$AUD3.25 for departures.

The addition of this PMC, on top of the various base visa fees and add-ons charged, makes Australia less competitive than many of the other competing destinations when all fees and charges are included.

Furthermore, movements in exchange rates for many of the Asian countries assessed, further challenges Australia's ability to remain price and value competitive, when trying to attract a range of visitors from these select markets.

**FIGURE 7:
DEPARTURE TAXES MAXIMUM FEES (\$AUD)**



* Tiered departure tax, ranging from short haul economy \$AUD 23 to Long Haul A\$267 for business class travellers. ** Ranges from short haul cost of \$6.75 in France, to long haul maximum of \$66 in Germany

ELASTICITY IN THE CHINESE MARKET

INTRODUCTION

A separate research paper was jointly prepared in 2017¹ lead by researchers at Griffith Institute for Tourism from Griffith University in Queensland.

The highlights of the research are:

- Chinese visitors are highly price sensitive and have high-income elasticity;
- Chinese economic growth has been a primary driver of inbound tourism demand;
- Chinese are increasingly interested in overseas travelling with a burgeoning middle class; and
- any potential increase in travel costs (including visa and related charges) could have a highly negative impact on Chinese visitor growth trends and related visitor spend patterns to Australia.

KEY FINDINGS FROM THE RESEARCH

The following highlights the major findings from the research into Chinese market elasticity (not in priority order).

- The extent to which Chinese visitors are sensitive to price changes is a crucial factor which needs to be informing tourism policies in Australia and tests whether Chinese visitors are indeed price inelastic.
- The hypothesis offered is that if Chinese visitors are price sensitive (price elasticity), any increase in prices could result in a significant loss of tourism revenue from Chinese tourists to Australia.
- A variety of macro-economic conditions have assisted tourism growth in Australia, particularly: the depreciation of the Australian dollar; the release of greater employment after the downturn in the resource sector (mining boom); and reduced demand for internal airline seats due to a reduction in fly-in fly-out workers, resulting in less domestic seat competition.
- Despite the rapid growth in Chinese arrivals since 2000, Australia was not among the top ten destinations for Chinese outbound tourists in 2014.²
- For China, income is noted as the predominant driver and a fundamental concept of demand. The purchasing power of individuals is, therefore, an important influence on the decision to travel to Australia from China. An increase in real disposable income provides consumers with greater spending power.
- The researchers have adopted what is termed "a bundle" approach, to determine a more realistic way of determining the level of elasticity of Chinese visitors to Australia. This lumps together the airfare and the accommodation cost while in Australia. This makes a trip's affordability as the key determinant for travel from China to Australia.
- Of the two components, the international airfare component (which is noted as particularly high because of the long-haul nature of travel), is estimated to account for nearly 70%, with the balance of 30% relating to the cost of living for

Chinese visitors in Australia.

- Interestingly, exchange rate variances were found to be statistically insignificant, compared to other determinants, during the model testing.
- The research also looked at the impact of major global events such as SARS, the global financial crisis as well as the mining boom induced supply constraints in Australia, which are all statistically significant. The research noted the ability to quickly pick up growth to Australia from the Chinese outbound market, after major events had occurred.
- Australia is already seen as a high-priced destination, ranked 138 out of 141 countries.³ Any increase in the cost to travel to Australia is therefore at risk of potentially weakening the momentum of visitor growth from China to Australia.

CONCLUDING POINTS ON CHINA MARKET ELASTICITY

The paper points out that there are a number of factors which will impact on Australia's ability to maintain the level of visitor growth from China to Australia.

- High price elasticity associated with airfares and cost of living within Australia, as a bundle of elements which Chinese visitors and their intermediaries (wholesalers and travel agents) contend with.
- Income elasticity, noting the significant growth of the middle class in China and the positive impact that higher disposable income has on the propensity to travel.
- For most major externalities, such as SARS, the GFC etc., any short-term downturn in visitation has been able to be speedily rectified once conditions have stabilised.

Additional factors which need to be considered over and above those identified within the research, include:

- The growth in free independent travellers from China, with a propensity to explore in small groups and which Australia has potential to capture in greater numbers, as well as maintaining growth in structured tour groups. These travellers may be less price sensitive.
- The long-haul nature of travel from China to Australia will continue to make the airfare component more expensive than other outbound destinations more easily accessed by Chinese tourists and, therefore, the bundle of costs, including airfares to Australia and cost of living (food and beverage, accommodation, other ground transport elements) within Australia, are important to keep low, to retain competitiveness, especially for first time travellers.

In conclusion, given a high value of income elasticity (the level of disposable income able to be applied to travel), travelling to Australia is increasingly becoming a trend for Chinese visitors. Growth in this market, however, should be seen as price sensitive. The impact, therefore, of any ongoing increases in visa charges needs to be considered as an impediment to future visitor growth from China.

1 Pham, T. D., Nghiem, S., & Dwyer, L. (2017). The determinants of Chinese visitors to Australia: A dynamic demand analysis. *Tourism Management*, 63, 268-276. doi:10.1016/j.tourman.2017.06.015

2 United Nations World Tourism Organisation 2016

3 World Economic Forum (2016)



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