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Dixon Seeto  
President, Fiji Hotel and  
Tourism Association

## INTERVIEW

# KEEPING TOURISM ALIVE



JYOTI PRATIBHA  
SUVA

**O**ur tourism sector brings in around 40 per cent of our revenue, employs 130,000 Fi-

jians either directly or indirectly, assists in keeping rural Fijians employed, thus reducing rural to urban migration and earns around \$2 billion in foreign earnings every year.

The Fiji Hotel and Tourism Association outlines here what they hope to see in the 2019-2020 National Budget.

Association president Dixon Seeto, on behalf of the Association and

other board members, reveals what they think should be the best way forward for tourism industry in Fiji.

Feedback: jyoti@fijisun.com.fj

**1** What policies can Government implement which would provide incentives to long haul travellers, meaning tourists from China, India, USA?

**R**eview the departure tax that is currently built into the airline tickets. At \$200 per ticket, this is the highest departure tax for our part of the world. We have recommended creating a two-tiered departure tax system by reducing the amount of departure tax paid in the off-peak/low season to reduce its impact on the overall cost of travel in this season.

We should also consider reviewing our current Airline Service Agreements (ASAs) for direct flights to China and other airlines being allowed to fly in - but not "open skies". We believe Qantas coming back in is a positive start.

Long haul flights have a lot of "through-traffic" and we have been advised that this is above 40 per cent of the total passenger loads. This means that people are travelling from the US to Australia or NZ through Fiji (and vice versa) so the planes are full but not full of people who are actually disembarking in Fiji. The effect is twofold - (1) we don't get the tourism benefits of visitors landing and staying in Fiji and (2) long haul travel is often booked months in advance as opposed to short haul travel. So, if potential travellers from Australia tried to book within a few weeks of travel, many of the seats have been already booked by the long-haul traveller (at a cheaper rate, hence the popularity of these flights) with only the higher cost seats left for purchase.

**2** What is the biggest challenge the tourism is facing right now?

- ✦ Prohibitive taxes applied only to the tourism industry
- ✦ Rising costs of business in Fiji
- ✦ Removal of incentives for existing hotels
- ✦ Lack of inter-agency collaboration to use the tourism platform to drive development in rural and maritime areas

- ✦ Stifled new investment and business development because of increasing compliance and bureaucracy

- ✦ Regular changes to tax and compliance requirements

That the tourism industry pays the highest taxes. At 25 per cent no other industry pays STT & ECAL so Fiji has become an expensive destination.

- ✦ Add the 15 per cent per year consistent tax to alcohol over the last 3 years and Food & Beverage costs in Fiji has simply skyrocketed. We see the declining Australian visitor arrivals as a direct consequence of Fiji losing out to cheaper South East Asian countries that have far lower costs than Fiji does.

**3** How can Government assist in overcoming this challenge?

What we have outlined as Tourism's key opportunities:

- ✦ Expansion of existing investments and attraction of new investment given the right investment environment;

- ✦ Bolstering the agricultural sector and cutting down on imports within a framework of support for agri-tourism and market creation;

- ✦ Remaining a competitive, successful tourist destination;

- ✦ Continuing to support communities by providing employment and driving investment in infrastructure, health and education; and

- ✦ Leading the charge on environmental sustainability by pioneering closed waste management systems and promoting environmental programmes.

We are not against paying taxes and un-

derstand these are needed, but believe the taxes can be lowered and applied more equitably. So based on the size of your business, if your turnover is low, the applied formula should mean you pay reasonable taxes, if your turnover is higher, you pay higher taxes and we have made recommendations on this formula<sup>3</sup>.

We also believe that as the major industry that has been concerned about the environment because the industry is based on having a beautiful country today and into the future; we have been unfairly targeted with the Environment & Climate Adaptation Levy (ECAL) which is 10 per cent. Our members do their own protection programmes, recycling, replanting and reusing. We are asking for some fairness here as well. Reduce the levy and spread the application of the levy to other industries that impact the environment. These

**4** What would the Association want to see in the budget?

**W**e have provided our submission noting many areas we see as opportunities for further sustainable development that will ensure tourism growth is managed and its benefits spread further around Fiji. We believe the Government should reintroduce hotel incentives or concessions in some shape or form as was afforded in the past, that has helped the industry grow, that will encourage far more local & foreign investment. In light of the national airline's expansion programme that equates to more seat capacity, we believe this needs a corresponding tourism development policy that is holistic and synchronised for Fiji.

### Final comments:

We have not seen enough tourism development in Fiji in the last 5 to 10 years with only 2 properties coming on line with over 50 rooms. Investment in this area appears to have slowed with new investors yet to make the required steps to commence actual development. This is a concern that the ease of doing business in Fiji appears to be eroding while our cost of doing business is going in the other direction.

50 per cent of hotels are now locally owned. Of the top 10 hotels by size, 6.5 of them are locally owned hotels. (This does not include the local and foreign shared ownerships or the strata titled apartments that are leased as hotel rooms), therefore more and more of the tourist dollar is staying in Fiji. With increasing local ownership in Fiji tourism businesses and with FINFF being the largest hotel owner in the country, returns for members are increased with improved tourism growth and profitability.

include transport, manufacturing and industrial businesses. Done correctly the lower rate but wider net would mean higher revenue is collected by Government.

### What we have recommended:

Create a tiered STT (Service Turnover Tax) and ECAL tax structure

Implement a tiered (i.e. progressive) STT and ECAL tax structure so that companies pay a larger percentage of tax as they grow in size.

Implement this by way of a tax rebate for either the first \$1.25M per year of the first \$100,000 of revenue per month.

Clawback lost STT and ECAL revenue by widening the ECAL scope to more industries. Treat the STT and ECAL taxes similar to VAT with an 'STT in / STT out' and an 'ECAL in / ECAL out' calculations added to the VMS.