



National Tourism Alliance

**SUBMISSION TO
PRODUCTIVITY COMMISSION STUDY
INTO
Barriers to Growth in Australian Services Exports**

May 2015

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A. INTRODUCTION

1. Tourism could be a super growth industry

Tourism and hospitality make a huge contribution to Australia's economy, and all levels of government have an important role to play in the regulation, development, marketing and growth of this sector. Achieving an increase in inbound tourism expenditure is in the interests of both the States' and the national economies.

Manufacturing is declining. The mining investment boom is waning. Against the backdrop of an economy in transition, tourism continues to emerge as one of the foundations of Australia's future prosperity. Thirteen per cent of businesses in Australia are linked to tourism.¹ Australian tourism offers high-employment opportunities, a rapidly expanding base of potential customers and a strong competitive advantage. Tourism is already Australia's largest service export, employing almost twice as many people as the mining industry, and generating expenditure of over \$100 billion every year - more than all our primary industries combined.

The significant potential of Australia's tourism industry was highlighted in the recent Deloitte Access Economics report *Positioning for Prosperity*. The report identified tourism as one of Australia's five super growth industries capable of collectively delivering an additional \$250 billion to the national economy over the next 20 years². This potential is contingent on good government policy.

The Australian government, with all the states and territories, has endorsed an aggressive tourism target as part of the Tourism 2020 strategy. Very strong growth in Asian visitor spending, the fastest growing segment of Australia's visitor economy, underpins the target of doubling nominal overnight visitor spending from \$70 billion in 2009 to \$115-140 billion by 2020. But at the moment even the lower end of the range seems out of reach.

Critical to delivering the upper bracket of the growth target is to deliver an accessible, welcoming and high-quality experience for visitors – be they in Australia for a holiday, for business or to study. With global competitors for visitors matching their marketing campaigns with government-wide efforts to cut red tape on business, streamline visa processes, and improve the airport welcome experience, it is clear all levels of government need to be involved in tourism if Australia is simply to maintain its market share, let alone grow market share and reach the Tourism 2020 targets.

¹ Tourism Research Australia, *Tourism Businesses in Australia, June 2010-June 2012*, October 2013, p.vi

² Tourism Research Australia, *Tourism Businesses in Australia, June 2010-June 2012*, October 2013, p.vi

2. Economic Snapshot

The visitor economy is critical to the Australian economy

- **\$113.3 billion:** Tourism consumption in Australia totaled \$113.3 billion in 2013-14.
- **\$43.4 billion:** Tourism's contribution to Australian gross domestic product (GDP), a 2.7% share of the Australian economy
- **929,000:** Jobs supported by visitor expenditure, either directly or in related industries. This represents one in every 12 jobs across the country
- **\$27.2 billion:** Tourism exports; consumption by international visitors in Australia, 8.2% of total national exports
- **\$102.1 billion:** Visitor spending per day: international and domestic tourists and business travelers

It is axiomatic that with an industry of this size and economic importance, and its diversity of interests as a sector, it is plain that government has an important role to play in the regulation, development, marketing and growth of tourism and hospitality.

3. The Research Project

The Productivity Commission notes that while service industries account for approximately 70 per cent of the Australian economy, they represent only 20 per cent of Australia's total exports, indicating that there is scope for significant growth. As Australia's largest export services sector, the tourism industry welcomes this study into the barriers to growth in Australian services exports, particularly the focus by the Commission on tourism, alongside five other sectors.

Tourism is the country's largest export services sector; the total consumption of tourism goods and services in Australia is \$113.3 billion.

The Productivity Commission's research project is timely. There are currently a number of reviews and discussion papers relevant to the tourism industry. The National Tourism Alliance (NTA) has made detailed submissions to the following reviews:

- Review of the skilled migration and 400 series visa programmes
- Joint Review of Border Fees, Charges and Taxes
- Productivity Commission research project into Australia's International Tourism Industry
- Review of the Export Market Development Grants Scheme
- Productivity Commission inquiry into the Workplace Relations Framework

4. NTA Response to the Productivity Commission's services exports study

The National Tourism Alliance (NTA) represents industry associations with an interest in Australia's tourism and hospitality industry. Membership comprises national and state industry associations who together represent the interests of an industry with 280,000 businesses in Australia; around 90 per cent of these are small business, and about half are in regional areas.

The terms of reference for this study cover:

- Consideration of recent trends in services exports by Australian suppliers;
- Examination of domestic barriers to growth in Australian services exports;
- Examination of barriers to growth in Australian services exports in economies with which Australia does not have free trade agreements/economic partnership agreements;
- Assessment of the economic benefits of removing or reducing the barriers to Australian services exports in these markets; and
- Examination of, where relevant, the experience of other international economies in developing policy approaches in this area.

The NTA is aware that significant work is being done by major players in these areas. We also note the overlap between tourism exports and exports from other services sectors. We will draw together salient references where research has demonstrated how governments at all levels play important roles in the growth of tourism and hospitality in Australia through:

- Passenger facilitation:
- Investment facilitation:
- Reducing the cost of doing business:
- Cross government and cross portfolio policy coordination;
- International marketing, and national marketing coordination;
- Research and Development.

This submission will also address the areas where there is overlap between tourism exports and exports from other services sectors. For example, expenditure in Australia by international students may be considered a tourism export and an education export.

The NTA supports submissions to this study from Australian Tourism Export Council (ATEC), Queensland Tourism Industry Council (QTIC) and Victoria Tourism Industry Council (VTIC), as they provide additional detail on specific issues.

Australia is a strong international brand. Tourism Australia's research shows that Australia is a highly aspirational destination for many key markets such as China, India and the USA. Australia is already opening its doors to a new generation of inbound visitors whose numbers, and ability to spend, are growing. While the outlook is positive, challenges remain. These challenges can be alleviated by Government through a range of policy mechanisms that would create a better environment for tourism and hospitality to contribute to economic growth.

While tourism is Australia's largest services export sector, and around 8 per cent of all exports, tourism businesses are nevertheless particularly impacted by the long-standing difficulty in attracting funds to develop their businesses. The L.E.K Consulting Report noted the global significance of Australia's tourism industry, 'with export earnings ranked eighth in the world despite having no land borders and being distant from many of our key source markets'. In addition, the report noted the 'benefits from Australia's strategic positioning for fast expansion in exports with the rapid growth of the Asian middle classes'.³

With global forecasts for overseas travellers on the rise, and inbound forecasts for Australia on a growth trajectory, with reduced barriers to investment, red tape reduction and incentives for international visitors, the tourism industry can be ready to capitalise on inbound visitors and increase export earnings for Australia.

B. IMPROVED PASSENGER FACILITATION TO GROW AUSTRALIA'S EXPORT SERVICES

As the Australian tourism industry looks increasingly to Asian markets to realise its ambitions of achieving \$140 billion in overnight visitor expenditure by the end of the decade, the disparity between the requirements of our traditional source markets and visitors from some of these key Asian markets requires close review.

1. VISA COSTS

Visitors from many high-yield markets such as India and China (not on the Electronic Travel Authority (ETA) eligible countries list) generally arrive on a tourist visa – subclass 676. Applying for such a visa can be complex and costly. Existing visa requirements mean a Chinese independent traveller faces a fee of \$130, has to produce considerable evidence, complete a 15-page paper-based application and

³ L.E.K. Consulting Report, *Tourism Investment and Regulation Review*, August 2011, p.7

wait up to 15 days for processing. Similar barriers impact potential visitors from India, Indonesia and Vietnam.

For visitors from eligible countries on the ETA list, a \$20 processing fee is still payable for Australia. It is of interest that many countries in the region (for example, Singapore and Hong Kong) that compete for Asia-Pacific visitor spend do not impose such a fee for visitors from eligible countries.

The industry has welcomed the online visa processing trials that the Government has announced for the Chinese and Indian visitors. This is the type of reform that will assist Australia to remain competitive in these two important growth markets, where Australia already has a demonstrated attraction.

Looking specifically at visas applicable to tourists, the cost to government this year will be \$147.5 million to process visitor and working holidaymaker visas⁴. Student visas add a further \$86 million in expenses to the federal government. Many of these visas are issued free of charge (for European short-stay visitors), or for a nominal administration charge (for Electronic Travel Authorities). However, other nationalities bear disproportionate burden.

For example, Australia granted nearly 500,000 visitor visas to Chinese citizens in 2012-13, some 13.3 per cent of the total⁵. Visa application fees for Chinese visitors are usually \$130, with a \$30 visa application centre service fee. This represents \$80 million in fees from mainland China alone.

The federal government is progressively increasing the visa application charges (VACs), which are being indexed to the rate of inflation using the Consumer Price Index. The previous federal government embarked on a “user-pays” approach to visas, to ensure that “taxpayers no longer subsidise visa applicants”⁶. These changes largely applied to the least price-sensitive visa classes such as skilled migrants, partners of existing residents and family members.

The increase of the WHM visa fees by 28 per cent has had a negative impact on backpackers as it will increase the cost of coming to Australia even further. The effect was immediate: the total number of first working holiday visa (subclass 417) applications fell from 139,090 in the second half of 2012 to 116,632 in the first six months of 2013⁷. In the following six months, there was a 6.9 per cent reduction in working holiday scheme applications compared to the same period in 2012-13. This was particular marked in Taiwan and South Korea, where applications fell by around one quarter⁸.

⁴ Commonwealth of Australia, “Portfolio Budget statements 2014-15. Budget Related paper No 1.11 – Immigration and Border Protection Portfolio”, Canberra, 2014

⁵ Department of Immigration and Border Protection, “Visitor Policy Statistics – TVAG 7 March 2014”, Canberra, 2014

⁶ Minister for Immigration and Citizenship, “Media release: User-pays system under new pricing model”, Canberra, 2014

⁷ Department of Immigration and Border Protection, “Working Holiday Maker visa program report – December 2013”, “Department of Immigration and Border Protection, Canberra, 2013 (online) <http://www.immi.gov.au/media/statistics/pdf/working-holiday-report-dec13.pdf>

⁸ Department of Immigration and Border Protection, “Working Holiday Maker visa program report – December 2013”, “Department of Immigration and Border Protection, Canberra, 2013 (online) <http://www.immi.gov.au/media/statistics/pdf/working-holiday-report-dec13.pdf>

In Euros, the visa is now 2.51 times as expensive it was in 2005, in Japanese yen it is 2.65 times as expensive, in US dollars some 2.73 times as expensive and in pounds Sterling it is 2.92 times as expensive. The fee for British backpackers wishing to work and travel in Australia has risen from £77 in 2005 to £225 today.

Had the fee been indexed to inflation (which has averaged 2.8 per cent) the fee would today be \$226. This repeated increase is counterproductive when set against Tourism 2020 goals. Working holiday makers are particularly valuable as visitors, since the visa stipulates a minimum savings level, which is invariably spent in Australia, together with any earnings from work over the course of the stay. The Australian Tourism Export Council found in 2012 that the gains in gross domestic product from the working holidaymaker schemes are conservatively estimated at \$85 million or up to \$700 million over 10 years⁹. The cost to government this year will be \$147.5 million to process visitor and working holiday maker visas¹⁰.

The tourism industry is concerned that visa fees should be set at levels that represent a cost-recovery fee only, and that do not result in an over-collection (as is currently the case) compared with processing costs.

Visa fees *should not* exceed the cost of providing essential border protection and immigration services to international visitors and Australian residents. Visa fees (or portions of visa fee revenue) that are levied for the purpose of general revenue collections constitute an unreasonable tax on tourism.

The NTA recommends a detailed analysis of Australia's Visa Fee regime, to adequately weight the costs and benefits associated with the Visa application process. Additionally, this analysis should model the price sensitivity of Visa Fee rates and constitute a regular review process to prevent future over-collections.

The Need to Stay Competitive

Once a visa pioneer, Australia is now falling behind comparable countries when it comes to visa policy. Our competitive set is beginning to make changes to their visa application processes and charges. The consideration of the tourism industries in these countries has been at the forefront of these reforms. For example, in 2012 the United States agreed to loosen the stringent visa restrictions imposed on Brazilian citizens in the decade since September 2001. Lobbying from the tourism industry backed up intense diplomatic efforts from Brazil. The tourism industry contrasted the situation in Europe, where visa fees were waived and the application process was swift with the US situation of a US\$160 per person visa fee coupled with an interview and electronic vetting.

⁹ Australian Tourism Export Council, 'The Importance of the Working Holiday Visa (subclass 417)', Sydney, 2012

¹⁰ Australian Tourism Export Council, 'The Importance of the Working Holiday Visa (subclass 417)', Sydney, 2012

With evidence mounting around the world on the economic benefits of eliminating visa restrictions, governments are examining ways in which to reduce or remove the barriers¹¹. For example, South Korea spotted an opportunity, in 2008; to break away from the pack of developed countries and offer visa free travel for Chinese nationals, first to its resort island Jeju, then more widely across the whole country. The result of the visa waiver scheme was immediate and impressive: In 2009 Chinese arrivals to South Korea grew 64.5 per cent above 2005 levels. By 2011 South Korea had become China's most popular overseas destination with more than two million Mainland Chinese visitors¹².

Elsewhere, too, other countries are remodelling their visa regimes in light of this growing evidence of the damage such policies do to inbound tourism flows. The cost of data profiling has dropped exponentially, making the cost recovery exercise in collecting and analysing data on foreign nationals a less compelling reason to retain high fees and charges than in the last century. Underscoring this point, India announced in February that it is to replace traditional visa applications with Australian-style electronic travel authorities to citizens of almost every country, thanks chiefly to the roll-out of its new passenger data profiling tool¹³. The result, in the first six months was impressive, with a 28.9 per cent increase in the number of visitor visas issued in September 2014 compared to September 2013¹⁴.

As the Korean example has demonstrated, the concept of visa-free travel or visa-on-arrival is gaining traction in a number of countries as they seek to differentiate themselves in the competitive global tourism market. Indonesia and India have recently commenced this process, and other countries such as Malaysia, Thailand and Singapore already have this in place. Recently, under the World Cup arrangements, New Zealand will grant a three-month visa on arrival to visitors holding an eligible Australian visa during the event period. This has meant that visitors have only had to apply for an Australian visa, and both countries have still maintained relevant health and security requirements. The industry welcomed the flexibility and innovation of this arrangement, and it provides a model for a new holistic approach that maintains the integrity of the system.

The NTA recommends that Australia's ETA visitor visa be used as a model for other pre-travel visa waiver schemes, and prioritise it for key tourist markets currently requiring paper visas. Extending the scheme would be a low-cost, low-risk option for the Australian government to rapidly grow visitation from key Asian nations.

¹¹ Eric Neumayer, "Visa Restrictions and Bilateral Travel", *The Professional Geographer*, vol. 62, no. 2, 2010

¹² World Tourism Organization and World Travel & Tourism Council, "The Impact of Visa Facilitation on Job Creation in the G20 Economies", Madrid, 2012

¹³ BBC News India. (2014, February) BBC News India.(online) <http://www.bbc.com/news/world-asia-india-26062351>

¹⁴ UN Sushma, "28.9% increase in issuance of visa on arrival", *The Times of India*, October 2014. (online) <http://timesofindia.indiatimes.com/business/india-business/28-9-increase-in-issuance-of-visa-on-arrival/articleshow/44869964.cms>

2. IMPROVED VISA PROCESSING ARRANGEMENTS AND NEW PRODUCTS

The Federal Government has a direct service provision role in a number of areas that facilitate travel and tourism, including passports, visa processing and passenger facilitation.

The NTA recognises the importance of maintaining border security and of maintaining confidence in our border security system. Passenger facilitation, however, also plays an important role for the tourism sector, as the first and last experiences of Australia enjoyed by incoming visitors. The physical capacity of airports and the capacity of border agencies for passenger facilitation to meet forecast arrivals will have a crucial impact on tourist outcomes.

i. Funding the Future Traveller Environment

The industry has welcomed the ACBPS initiative, the “Future Traveller Environment” and its goal of “Redesigning our approach to the management of the border is key to coping with the expected increase in traveller numbers through seaports and airports and the ever changing nature of the threats to Australia. Our approach must support industry goals of increasing Australia’s share of tourism from growth markets [...]”

It will be important for the agency and the Government to continue its process of engaging with the industry to develop joint strategies to attract greater numbers of legitimate travellers to Australia. The Government needs to ensure that funding is provided to enable the agency to tap into the latest technology, such as eGates and mobile processing systems, that soon pay for themselves through increased efficiency, and reduced waste and red tape. It is estimated that \$50 million in additional funding is required in 2015/16 to implement the next generation of eGates for inbound processing. These have increased capacity for identification, and will lead to lasting efficiencies across the board.

Even a seemingly simple reform such as removing the need for paper-based arrival and departure forms helps to create a seamless traveller experience.

The NTA recommends ensuring additional funding of \$50 million is available to implement the next generation of eGates for inbound passenger processing.

ii. Maintaining Services during the Transition

Whilst the Future Traveller Environment initiatives are being rolled out to 2018, it is important for the agency to maintain its capacity to resource the non-eGate inbound processing, especially during peak periods. Whilst further expansion to further passport holders from those currently eligible for Smartgate is planned, this is not due until mid 2015 or later.

Similarly, as all passengers must be processed manually when leaving Australia, it is just as important for sufficient resources to be allocated to outbound processing. A trial of eGates for outbound passengers is to commence in Sydney in mid 2015 but this will be limited to a small number of nationalities, and will not include the high growth markets that Australia is targeting.

With the creation of Australian Border Force, it will be vital for seamless passenger facilitation to remain a priority, and to ensure that staff placement at airports is done with maximum mobility and flexibility. The industry understands that with the combination of ACBPS and Immigration staff this will greatly increase capacity for accessing and placing staff at airports.

It is often the case that while the primary inbound line operates efficiently, there can be delays at the quarantine section. It is important that resources are allocated to automate the targeting and risk assessment in the quarantine line, along with educating passengers as to the requirements and the physical design of the airport channels.

iii. No Further Tax or Cost Recovery Measures on Tourism

In 2012, the Government at that time announced that it would partially recover the costs of aviation security services that are provided by the Australian Federal Police (AFP) at Australia's major international airports. The charging relates to the cost of the AFP's community policing role which supports commercial enterprises at major airports. The charging arrangement if implemented would apply to operators of the 10 airports to which the AFP provides a community policing function (Adelaide, Brisbane, Cairns, Canberra, Darwin, Gold Coast, Hobart, Melbourne, Perth and Sydney) and is estimated to raise over \$118 million over four years.

The industry strenuously opposed this at the time, and continues to do so. The effect of this measure would be another cost passed through to travellers, including inbound visitors. This will simply increase the cost of visiting Australia, and will negatively affect Australia's competitiveness in a highly price sensitive and increasingly competitive market. The industry is also opposed in principle to any 'cost recovery' measure that covers services generally provided by Government that are already funded as essential services out of consolidated revenue.

iv. Tourist Refund Scheme (TRS) Reform

Reform to the Tourist Refund Scheme has the potential both to save the cost to the Government, and provide a high quality shopping experience for visitors. This improvement to Federal Government productivity and efficiency could be achieved through the outsourcing of certain functions currently being undertaken by the Commonwealth.

Australia's TRS is currently administered by the Australian Customs and Border Protection Service (Customs) on the behalf of the Australian Taxation Office (ATO). As such, Government meets 100 per cent of the administrative costs associated with providing this service to departing international travellers. This is an antiquated practice by international standards. In other countries, governments predominantly outsource TRS administration to experienced private sector operators, with travellers meeting the cost of the scheme through a commission levied on the GST refund amount.

Rationale for TRS Reform

TRS reform has been on the Federal Government's agenda for more than five years. The NTA supports the Tourism Shopping Reform Group (TSRG) in its calls to implement key enhancements to tourism shopping arrangements in Australia.

The TRS should be opened up to private operators, as is the case in 42 other countries, allowing for a more cost effective and efficient refund processing scheme. Australia currently lags behind many other countries around the world, where private providers operate a more efficient TRS. Australia is one of four countries that still operate a Government-run TRS, along with Thailand, Indonesia and Taiwan.

A private provider platform will enable innovations that can enhance Australia as a tourism shopping destination, helping to increase the yield by international visitors whilst in Australia. Private refund providers in tourism destinations are fundamental in the promotion of shopping as a key aspect of the tourism experience for international travellers. Australia would be better placed to compete with our Asia-Pacific neighbours who already reap the benefits of private refund providers, who actively market the destination's shopping opportunities directly to prospective international travellers within their home countries. The current government-run scheme is unable to do this.

Industry is not calling for any structural changes to TRS entitlements (such as an adjustment to the minimum claim threshold). Enhancements to the current arrangements would allow private providers' entry to the TRS. Unlike the current scheme administered by Customs, private refund providers will have the incentive to actively market the TRS as a service offered to international travellers. As such, private providers will affiliate with Australian retailers and promote retail shopping directly to international travellers through their existing marketing channels throughout the world.

These activities will drive tourist shopping and product development to international visitors and allow reimbursement while visitors are still in Australia. Economic modelling commissioned by the TSRG demonstrates that a doubling of the current TRS take up rate of 3.6 per cent of all departing international travellers to 7 per cent will result in considerable additional activity in the visitor economy. The modelling demonstrates that this small enhancement has the ability to generate an additional \$226 million of visitor economy expenditure, and attract an addition 18,000 international visitors to Australia per year.

Furthermore, changes to the operation model for Australia's TRS will reduce administrative costs to Federal and State taxpayers, and enhance the tourism shopping experience in Australia.

A digital TRS system, as was recently introduced in Singapore, will improve customer service, enhance fraud protection and provide savings for the Australian Customs and Border Protection Service (Customs). The potential cost savings derived from outsourcing the TRS to private operators warrants closer examination.

Reforming the TRS by allowing private providers into the market meets with the Government's National Commission of Audit aim to 'identify areas or programs where Commonwealth involvement is inappropriate or no longer needed' and to 'improve the overall efficiency and effectiveness with which government services are delivered'.

TRS reform will enable the 'adoption of new technologies in service delivery and within government' and 'rationalising the service delivery footprint to ensure better, more productive and efficient service for stakeholders'.

The proposed TRS reform also meets the Commission of Audit's remit to 'identify options for continuous assessment of programs, agencies and performance'. Furthermore, it is an area that falls within the Commission's goal to 'identify where there remains a compelling case for the activity to continue to be undertaken; and if so, whether there is a strong case for continued direct involvement of government, or whether the activity could be undertaken more efficiently by the private sector, the not-for-profit sector, the States or local government'. Importantly, this reform will enable Australia to 'catch up' with other countries around the world that have long-realised the benefits of industry providing this service rather than government. Whilst government will retain responsibility for export verification functions, industry is far better placed to efficiently provide refunds to the traveller.

3. CREATE NEW PRODUCTS

By using a new holistic model that takes into account a number of charges and services, these new products listed below could provide sources of revenue that would offset reductions in the PMC. Each can also make a difference in improving the customer satisfaction perceptions of visitors to Australia as they enter or leave our country.

The Australian Customs and Border Protection Service already perform well by international standards when measured for customer satisfaction. The percentage of passengers processed within 30 minutes of joining the inwards queue reached 93.7 per cent so far this year, compared with a global benchmark of 85 per cent.

However, border agencies in Asia and the Middle East in particular are redefining the passenger experience at government checkpoints. Automation is making formalities less intrusive while simultaneously more secure for governments.

To ensure that any new fees and charges regime complies with international conventions and Australian guidelines on cost recovery, any new regime should be reviewed to ensure compliance. The model for this is the US series of departure and arrival charges, which are charged under the Airport and Airway Trust Fund revenue model to ensure the funds generated do not flow back to the general treasury¹⁵.

The existing border fees model does not allow for innovation in product delivery. There are several new initiatives the tourism industry believes our border agencies should be prioritising:

As illustrated in the case of the UK's Super Priority Visas or in premium processing options available in Europe and the US, there is a clear market for new border processing product. Yet the government is ill equipped to charge for these new products through the existing Passenger Movement Charge, passport application and visa fee structure.

Instead, a new model need to be developed that allows government to charge a commercial rate for premium products at a market-defined rate. The launch of such products would enhance the customer experience of those high net worth travellers who would avail themselves of premium services. We would expect this new revenue source would allow for a reduction in the rate of the PMC for price-sensitive short-haul routes and visitor visa application fees for ordinary travellers from Asia.

¹⁵ US Department of State, "Taxes" and Fees Associated with Air Travel", Washington DC, 2009 (online) <http://www.state.gov/ofm/resource/imp/tax/20129.htm>

i. Premium Processing

There is a market for premium border processing, just as there is a market for differentiated premium product for every other stage of the travel supply chain from business class airlines and five star hotels to chauffeur-driven limousines and concierge services.

Border processing is one part of the overall travel experience that Australia is selling to the world. Different airports, airlines and third party providers will propose different models of premium processing. Features common to this kind of service elsewhere in the world are a high level of human touch, a separate arrivals lounge and dedicated passport controls.

Today's high-end travellers increasingly expect excellence in customer services. This is especially true of those originating from, or accustomed to, the service quality of the Arabian Peninsula or Asia. In these regions, border facilitation is seen as an integral part of the airport experience, which is in itself an integral part of the travel experience.

A cost recovery model would set parameters through which private operators could judge the profitability of their options for VIP processing. At present there exists no cost recovery model for border agency staff providing service above-and-beyond standard service.

Any enhanced passenger processing options that go beyond standard service should be priced at the level of cost recovery to government. The private companies marketing the service will build this into their offering, which will also include personnel and facility costs.

For example, At London's Heathrow airport a full concierge service through the UK border is offered to guests of five-star hotels, celebrities, sports teams and captains of industry. The Heathrow-by-Invitation services are charged to the traveller directly.

Elsewhere in the world these services are paid for by airlines on behalf of their top status flyers. The German airline Lufthansa has a first class terminal where its highest-ranking passengers can undertake all check-in, security and border formalities at no extra charge to them.

Another good model is to be found at Singapore, where a private provider, Jetquay, provides a door-to-door service from hotel via limousine to the airport and private immigration clearance and entry into a premium lounge. The service is sold through travel agencies and to airlines directly.

This kind of product innovation is critical if Australia is to attract the high net worth individual essential to achieving the aim of doubling expenditure under the Tourism 2020 targets.

ii. Off-Terminal Clearance

Another potential market is in fixed-base operations, or business jet terminals. At present off-terminal border processing is inconsistent, with agents usually available at Sydney and Brisbane's jet bases, but not at those in Melbourne, Perth or Darwin. Business jet customers expect to complete border formalities in FBOs, as is customary elsewhere in the world.

Elsewhere, such as at the PrivatAir terminal in Geneva, baggage porters collect bags on behalf of travellers and process through Customs inspection. Thus the level of infrastructure required will depend on what service airlines, airports or third parties think will be market sustainable in the Australian context.

The tourism industry has advocated for enhanced passenger facilitation for all travellers to and from Australia. It is important to note, therefore, that whatever model be adopted has provisions to ensure no diminution of current service be permitted to allow for premium processing.

Principally this applies to roster period of existing staff. Any premium processing staff should be rostered in addition to existing staff and be returned to the standard line when not involved in premium or off-terminal processing, thus creating a bonus pool of occasional staff for the primary and secondary lines.

iii. Automated Departures Control

Australia is unusual in having emigration controls in addition to immigration controls¹⁶. The human check on persons exiting against an alert list has developed over time, but was always chiefly a law enforcement function delegation to Customs by state and federal agencies.

The use of Customs officers to perform the function of checking passengers' right to fly is inefficient in the digital age; Technology has allowed more offenders to be intercepted onshore. Officers no longer stamp passports on exit and there is a strong case to be made for the full amount of departure controls at major airports.

Replacing humans with electronic barriers using facial biometric technology (eGates) for face-to-passport verification will allow border agents to focus their attention on travellers who pose a risk at the border, while legitimate travellers can travel more efficiently with less manual intervention.

¹⁶ Christiane Harzig, Dirk Hoerder, and Donna R Gabaccia, *What is Migration History?* Cambridge: John Wiley & Sons, 2013 (online) <http://books.google.com/books?id=TrHg14RXb7sC>

An added benefit of the installation of departure eGates is the reduction in physical footprint of the emigration control checkpoint area. This provides a commercial opportunity for airport operators if the area vacated is returned into the lease portfolio. In this scenario, were further enhancements required, airports could work collaboratively with border control agents to develop co-funding models.

iv. Digitise Departure and Arrival Cards

In the next stage of electronic gates, the security function could also be integrated, further reducing the inconvenience to passengers. Key to this move will be the digitisation of outgoing and inbound passenger cards. For travellers between Australia and those countries also requiring both outbound and inbound forms, the same information has to be written out four times. For a family group, this can be especially onerous.

Nor is it necessary in the age of international-standard digital passenger name records. The passenger data required by border agencies can be transferred by the airline and matched against either visa or electronic travel authority (ETA) data. The questionnaire required to collect tourism statistics can be built into check-in kiosks and online procedures. While the sample rate would drop as a result of a delinking with compulsory biographical data on the card, the sample size would still be adequate.

In the US, the replacement in 2008 of its famous I-94w green arrivals form with digital data transfer has proved very successful. The move has resulted in a decrease in service times for front line service personnel of 25 to 30 seconds including finger printing per traveller¹⁷.

v. Priority Visa Application

Introducing a user-pays premium visitor visa processing model into the Australian visa application process would provide a faster option for passengers willing to pay for this service. A number of competitor destinations are introducing this service responding to shifts in trip planning behaviour and visitor demand. Australia already has priority visa application product for Skilled Migration class of visas. This could provide the model for a new product in the visitor visa space.

The best global example is the United Kingdom. Responding to growing demand from China, already their largest visa market, the UK government recently announced that 24-hour Super Priority Visas would be available to potential visitors in Beijing, Shanghai and Guangzhou¹⁸. The fee for this service

¹⁷ UN Sushma, "28.9% increase in issuance of visa on arrival", *The Times of India*, October 2014 (online) <http://timesofindia.indiatimes.com/business/india-business/28-9-increase-in-issuance-of-visa-on-arrival/articleshow/44869964.cms>

¹⁸ Home Office, "Immigration Minister announces new improvements to the visa system in China", Borders and immigration, Home Office, London, 2014 (online) <https://www.gov.uk/government/news/immigration-minister-announces-new-improvements-to-the-visa-system-in-china>

is £600 (\$1090) and is in addition to the 3-day Priority Visa application process costing £ 150 (\$271), thus creating a three-tier visa product that responds to consumer demand.

The UK government consulted with the tourism industry and airlines before launching its new user-pays fee structure for its immigration products. A large majority (80 per cent) of respondents to a survey by the UK's immigration and security ministry, the Home Office, felt that visitors should be able to choose either individual premium services or a complete premium package depending on their needs¹⁹.

The New Zealand government is aiming to introduce three-hour visa processing for high net worth individuals by the end of 2015, starting in China²⁰.

The US government allows expedited visa application appointments under certain conditions²¹. These differ depending on country of application but cover emergencies and humanitarian reasons. Currently the US government does not charge extra for these expedited appointments.

The development and ongoing administration of a premium service should be designed to not impact on resourcing for other visitor visa processing.

vi. Small, Flexible Border Processing Teams

There is also an opportunity for the federal government to develop a lightweight border processing model for regional airports that leverages off the technological advances in border processing to deliver secure borders with fewer personnel.

Work towards this goal is already well progressed. Using a risk-based approach, the border agencies handling passengers from New Zealand at Sunshine Coast Airport were able to significantly scale back their presence between the 2012 and 2013 seasons from an average of 20 to eight. This was achieved through delegation of responsibilities and greater use of technology to risk profile passengers.

Any new model would be in line with the vision set out in the Customs Blueprint for Reform 2013-2018, which envisages border force officers deployed regionally by locale or function, using mobile technology to communicate back to larger bases in times of unusual operational needs²².

¹⁹ Home Office, "Immigration fees and charging Consultation 2013 – responses", London, 2014 (online)

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/276026/ImmigrationFeesChargingResponse.pdf

²⁰ Nigel Buckle, "What are government agencies doing to enable Tourism 2025", in *Tourism Industry Association New Zealand Summit 2014*, Wellington

²¹ US Government, "Expedite Appointment Process", Embassy of the United States in Beijing, China, Beijing, 2014 (online) <http://beijing.usembassy-china.org.cn/expedite-process-for-niv.html>

²² Australian Customs and Border Protection Service, "Blueprint for Reform, 2013-2018", Department of Immigration and Citizenship, Australian Customs and Border Protection Service, Canberra, Strategic plan 2013

Without designation as a full international airport, any regional airport wishing to trial international services or offer seasonal flights is liable to pay an additional levy to fund the border agencies required to process the flights. Yet without proving the viability of a service through a series of trials, airport operators would be loath to embark on the lengthy and costly process of obtaining full international status. Any new lightweight model would need to be available to regional airports as a clearly defined product, with a clear nominal cost attached to allow airports to plan. There is currently very little transparency around how much airports will be charged and little influence over the quality of service provision.

vii. Passport Cards

There has been innovation in passport issuance elsewhere in the world. Throughout the European Union, government-issued identity cards can be used for crossing land borders, even into the United Kingdom, which is not a signatory to the border-free Schengen Area²³.

However, in recognition that the passport application process and fee acted as a disincentive to international travel, the United States introduced a new product into the market in 2009 in the form of the People Access Security Service Card (PASS Card), an identity card valid as a travel document for land crossings between the United States and Canada or Mexico and sea travel to several Caribbean islands and Bermuda²⁴.

Now re-branded as the US Passport Card, the card application fee stands at US\$55 as opposed to \$110 for a conventional passport book, and almost eight million US citizens hold the card either in place or in addition to conventional passport books.

The Passport Cards cannot accept stamped visas and are currently not valid for international air travel. However, it has allowed many US citizens who would have deferred or declined international holidays to take a cheaper and easier way. Such innovation would be possible in the Australian context for travel to those countries that do not require visas from Australian leisure travellers, chiefly New Zealand, the European Union and Singapore.

²³ European Union, "Travel documents for EU nationals", Your Europe, Brussels, 2014. (online) http://europea.eu/youreurope/citizens/travel/entry-exit/eu-citizen/index_en.htm

²⁴ US Passport Services Directorate, "US Passport Card", US Department of State, Bureau of Consular Affairs, Washington, DC, 2014 (online) <http://travel.state.gov/content/passports/english/passports/information/card.html>

C. INVESTMENT FACILITATION TO SUPPORT TOURISM EXPORTS FROM AUSTRALIA

Tourism infrastructure has not kept pace with changing demand. Domestic and international aviation capacity will have to grow. Port infrastructure needs to be upgraded to cater for the growing cruise liners. More accommodation is needed; there are currently too few rooms to meet demand. More hotels and attractions are needed. A more seamless travel experience is needed.

Background: Barriers to Investment

The building of new stock and refurbishment of existing stock is key to tourism growth and is one of the main casualties of these burdens. The L.E.K Consulting Report of 2011 identified five broad areas for reform from planning, development approvals and other regulation such as local development controls through to national collaboration.

Central to the reforms necessary to address the current stock shortages is the need for Building Code reforms to alleviate the current disadvantages to tourist developments, for example, the inconsistency in accessible room standards and requirements. In addition, a 50 per cent capital works deduction bonus, with the remaining 50 per cent spread over 12.5 years at 4 per cent would stimulate investment in new developments, as well as refurbishments for short term accommodation providers.

Tourism requires urgent and extensive investment in its infrastructure to maintain competitiveness against international destinations and these initiatives will increase accommodation stock and help to address the current shortages.

i. Reduce the current regulatory burdens to stimulate investment

Australian tourism requires Government cooperation and consideration to maintain and build on current tourism infrastructure to continue to meet visitation demands, and to attract new visitation. Governments at all levels are also owners of tourism infrastructure in Australia. The current regulatory burdens make new and existing tourism property development less attractive.

The needs in relation to infrastructure are two-fold: public infrastructure priorities should be informed by tourism needs; and investment in specific tourism product 'infrastructure' needs to be encouraged. Tourism requires urgent and extensive investment in its infrastructure to maintain competitiveness against international destinations. However, it is well documented that the industry experiences

difficulties attracting private investment. Tourism development is not seen to offer investors the short term profits needed to substantiate their investment.²⁵

Investment in infrastructure is particularly needed in the following areas:

- Investment in both Australia's natural and built tourist attractions, and in visitor facilities at these sites;
- Investment to increase the amount of accommodation available in major cities, with further investment required in conference facilities, convention centres, and infrastructure which can be used for business, sporting and cultural events;
- Ongoing investment to refresh and renew existing products and services.

ii. The role of Government in removing barriers to investment

There needs to be coordinated, integrated strategies to remove impediments to infrastructure development and investment facilitation. This requires a cross-Government (both between portfolios at a federal level and across State, Federal and Local governments) integrated approach, giving priority to planning policy for public and private tourism infrastructure.

Priority destinations should also be identified for the development of high level plans with a whole-of-Government approach, for such areas as national landscapes, significant existing destinations and developing and emerging destinations.

The Government-commissioned L.E.K Consulting Report of August 2011 identified several barriers to investment in new short term accommodation supply as well as limited refurbishment of existing stock.

Amongst many factors, they identify that the investment case for hotels in metropolitan areas is challenged as land is scarce and residential and commercial properties offer higher returns. Residential properties built under the Class 2 provisions of the Building Code are also able to enter the short term accommodation market with lower build requirements, and are subject to different tax treatments. Construction costs for hotels are therefore significantly higher than serviced apartments, and often the necessary R.O.I. is not achieved in the short term.

The *Tourism Investment Monitor 2015* published by Tourism Research Australia for the 2013/14 period found that supply of accommodation establishments was down year on year by almost 1 per cent, with the majority of this decline in regional areas.

²⁵ Tourism Research Australia, *Through the looking glass: The future of domestic tourism in Australia*, February 2008, p. 9

Government intervention is needed to implement the recommendations as laid out in the L.E.K. Report as a means of overcoming barriers to investment for tourism accommodation, including:

- 50 per cent capital works deduction bonus, with the remaining 50 per cent spread over 12.5 years at 4 per cent to stimulate investment in new developments as well as refurbishments for short term accommodation operators.
- Reforms to the Building Code where tourist developments are disadvantaged:
 - The results of the independent review of the accessibility standards under Class 2 and Class 3 for new buildings to inform the scheduled review of accessible accommodation requirement in 2015. Once the accessible room standards are reviewed, new apartments that are to be used for short term accommodation and hotels should be treated consistently in respect of building requirements.

The Importance of Trade Missions

After the 2013 election, the Prime Minister gave responsibility for tourism to the Minister for Trade and Investment, and the tourism bureaucracy was moved into Austrade within the Department of Foreign Affairs and Trade.

Since taking on this responsibility, the Minister has been able to cultivate an increased role and profile for facilitating tourism investment in Australian trade missions, particularly to China and India. The Minister has appointed a senior tourism investment advisor and has reported that tourism has been represented at over 40 international investment roundtables. This facet of government policy has been a positive one for tourism investment, with the government reporting it has attracted over \$2 billion in tourism investment in this way. The government has also committed funds to continuing the 2014 Australia Week in China initiative in 2016, as well as including tourism as a priority industry for the Australia Business Week in India in 2015.

1. REFORM OF LAND MANAGEMENT POLICY AND REGULATION

The L.E.K. Tourism Investment and Regulation report commissioned by the Federal Government in 2011, provides extensive evidence of the key regulatory barriers to tourism investment. The effect of land management policy and regulation is high on the list of the ‘five core barriers’ to investment identified in the report.

The report states that “Planning schemes are particularly challenging for the industry because generally they do not recognise the scope and role of tourism development and tourism is not well understood, resulting in complications at the approval stage along with higher cost. Unintentionally, tourism is

disadvantaged by regulations which also, in many cases, were designed before tourism became a significant economic activity.”

Another core barrier is that “Process requirements can add costs and delays to investment proposals within a complex approvals regime where many councils lack the resources or experience to deal effectively with tourism developments.”

The report identifies that reforms in these areas below related to land management and regulation (amongst other areas) will increase investment, improve processes and reduce costs:

- Nine related planning framework and development approval framework reforms, to facilitate investment, reduce costs and create a more efficient and effective regulatory framework.
- Shift to a partnership model for the supply of tourism in high natural amenity areas: setting management objectives for administrators; schemes for tourism developments in national parks, review of development approval processes and increasing default lease and license durations.
- Federal and State collaboration on agreed tourism investment priorities, the regulatory reform agenda and a tourism investment knowledge bank, with dedicated tourism economic modelling capacity.

L.E.K.’s analysis showed that there would be a positive net economic impact of these reforms.

The report “Unlocking Victorian Tourism”, by the Victorian Competition and Efficiency Commission in 2011 stated that its survey of participants and recent government reports identified regulatory and other potential obstacles to the development of a more flexible, dynamic and competitive tourism sector, including:

- land-use zoning provisions that restrict the development and diversification of restaurants, accommodation and recreational activities in regional areas and Melbourne’s Green Wedge areas
- barriers to private investment in accommodation and related tourism facilities that are compatible with the environmental, heritage and other values of public land.

Similarly, the NSW Report of the Visitor Economy Task Force identified that there is “now a compelling need for [amongst other things] a regulatory and planning environment that encourages innovation and entrepreneurship and attracts investment.”

a) Unlocking Victorian Tourism, Victorian Competition & Efficiency Commission (VCEC), 2011:

The introductory statement is generally illustrative of the national experience:

State and local governments can influence the costs of starting, expanding and operating tourism-related businesses via how they design and administer regulation. The State Government also manages assets that are important attractions for visitors, such as Victoria's national parks, visitor centres, sports grounds, galleries, commercial precincts such as Docklands, and cultural facilities. Unnecessarily burdensome regulations or poorly managed state assets can impede the development of Victoria's tourism industry by imposing unnecessary costs on businesses.

The VCEC report recommended the Victorian Government introduce a streamlined approval process for investment opportunities on public land which:

- progressively reduces uncertainty about the overall outcome, and sharpens the focus on key issues of uncertainty
- separates responsibility for developing policy and administrative processes
- provides more certain timeframes for assessment, such as binding or negotiated time limits, and public reporting against these limits, and
- provides a more integrated decision making process.

It also makes recommendations specific to public land, that the Victorian Government:

- allow appropriate private investment opportunities in Victoria's national parks, provided they complement environmental, Aboriginal and historic cultural heritage and other values, and generate a net public benefit
- make appropriate lease terms available for tourism investment opportunities in national parks.

The report recommends that the Department of Sustainability and Environment (DSE) release guidelines that identify and clarify:

- the steps involved in the proposal approval process
- the relevant contacts at each stage of the approval process
- criteria for assessing proposals.

The Victorian government accepted the above recommendations and in its response stated that it will: *"propose sensible and sensitive developments in national parks provided they complement environmental, heritage and other values and generate a net public benefit."*

Subsequently, the Victorian government released "Guidelines for Tourism Investment Opportunities of Significance in National Parks" in 2013, which laid out a set of principles for the consideration of investment proposals and a clear process for prospective investors and other parties.

b) Destination Q

During 2013, the Queensland Government worked with tourism operators and industry representatives to develop a shared long-term vision for Queensland tourism. The overall approach is outlined below.

A master plan has been developed which outlines what will be done to achieve the 20-year vision for Queensland tourism. The plan supports *Destination success: A 20-year plan for Queensland tourism* by outlining the actions to be undertaken over the next 18 months to implement the 20 strategic directions.

A '20-year plan for tourism' identifies what needs to happen for the tourism industry in Queensland to be competitive and successful in the long term, and has been developed with extensive industry consultation. A partnership agreement has been signed by the Queensland Government and Queensland Tourism Industry Council (QTIC) that government will help deliver the change required for the tourism industry to succeed.

A Tourism Cabinet Committee is established to focus on achieving cross-agency coordination and delivering tourism growth. It meets jointly with the QTIC board twice a year. An annual 'state of the industry' report is monitored by the DestinationQ Post-Forum Working Group which includes industry representatives and government officials.

Annual action plans outline what partners will do over a shorter period (1–2 years) to implement the strategic directions in the 20-year plan. The actions may be statewide or implemented through destination tourism plans. New action plans are developed every 18 months.

The 20-year plan is underpinned by 6 themes. One of these themes is 'preserve our nature and culture', which recognises :

- Natural assets will continue to be the heart of the Queensland experience—able to be enjoyed by visitors and locals alike, and preserved for future generations.
- Our unique, authentic character and cultural heritage will be preserved and enhanced, and will always be at the heart of the Queensland experience.

The annual action plans for this theme includes actions for both government agencies and industry partners. In this 'theme', the three headline directions are:

1. Maximise the tourism opportunities of heritage, arts, culture, nature and Indigenous tourism experiences.
2. Enable access to our national parks through appropriate infrastructure.
3. Use events to activate and showcase our iconic natural experiences.

The actions involve all stakeholders: including State Government departments, transport authorities, local government authorities, national parks and wildlife services, Indigenous cultural and ecotourism organisations, tourism businesses, regional tourism organisations, and major events organisations, working towards the agreed outcomes in the action plan.

Importance of destination management planning

Destination Management Planning (DMP) is an important foundation for the establishment of effective experience destinations, and all three levels of government have an important role to play. The plan aligns businesses, Local, State and Commonwealth Governments and other stakeholders in a destination, particularly in respect to funding and investment in visitor-related development and programs. A successful DMP system sees the development and implementation of a common approach that engages with and has the support of Industry, the community and Government at all levels. DMPs provide certainty for investors regarding the nature and future use of key destinations and their assets and ensures the sustainability of those destinations and assets.

Destination Management Planning is an approach that involves co-ordinating industry, the community and all three levels of Government to ensure that they are involved in the planning, development and marketing of destinations. DMP can increase the competitiveness and sustainability of the visitor experiences available at the destination and to position it to benefit from the visitor economy on an ongoing basis, through increased visitation and expenditure.

a) Case Study: INLAND NSW

Inland NSW Tourism is the regional tourism organisation covering more than 25% of NSW. It was created from the amalgamation of the former New England North West Tourism, Outback Tourism, seven Councils from the Central Tourism region and Capital Country Tourism, and represents Local Government Areas, tourism associations and individual operators. It provides members with professional development tools, research, advice and support to expand tourism.

Following is an extract from a speech in November 2014 by Inland NSW CEO Graham Perry outlining the success of the organisation's government/industry collaborative approach to destination management planning:

The Inland NSW footprint represents over 40% of the state's geography and a population of some 440,000.

Just 3 and a half years ago the region was represented by 4 small traditional RTOs comprising 36 LGAs. **Parochialism** was rife and the sole focus was on tourism.

Today the region is led by Inland NSW which is in reality more a destination management organisation than a traditional RTO. We are championing 8 holistic regions and collaborating with industries across the broader visitor economy that extends far beyond tourism. Today the silos between towns within our region are being torn down through collaboration.

So what is driving this change and what is the new model?

When Inland NSW launched three years ago we recognised the opportunity to do things differently and better.

We took the time to decide not only what we would do but importantly what we wouldn't.

We drew a line in the sand and literally turned the strategic approach to regional tourism on its head. The essential ingredients of our new model are:

- A strong partnership with DNSW
- A commitment to the 2020 vision and the outcomes of the Visitor Economy Taskforce (VET) (which we use as our guiding light)
- Embracing the whole visitor economy not just tourism
- Looking to the needs of consumers rather than just the needs of the region
- A commitment to collaboration

We take an outside looking in consumer perspective to guide all decision making.

This is not just something we do, it's literally everything we do.

This relentless focus on the consumer led to us commissioning what is the single largest piece of consumer research ever undertaken for regional tourism. This gives us the imprimatur of evidence.

This consumer insight provided the foundation for our significant ongoing investment in Destination Management. The DM process causes regions to move away from a sole focus on marketing and on tourism to the holistic management of all aspects of the region's destination and visitor economy.

At the outset we used the insights from our consumer research and a collaborative process to engage stakeholders right across the Inland region to inspire them to work together to prepare a holistic and detailed Destination Plan for the broader region.

This led to the publishing of 4 DMP's including 8 community Roadmaps. The DMPs illustrate how the 8 communities are differentiated from each other and what they need to do to grow visitation – but not only from a marketing perspective but from the perspective of visitor services and ensuring that the region's products, services and infrastructure are aligned to the needs of those consumers with the greatest propensity to visit their destination.

This work has led to the formation of 8 community working groups led by Inland NSW and responsible for overseeing progress and implementing the DMP actions and recommendations.

So is this new model working?

The answer is a definitive yes! When reviewing an aggregate of our results over the last 3 years since inception Inland NSW is one of the only regions of Australia on course to achieve the 2020 vision of doubling overnight visitation expenditure.

- Overnight visitor expenditure across the Inland NSW region has grown 21% to \$5.5B representing over 44 million visitor nights – an increase of 11%
- Total domestic visitation has grown by 8% to 14 million visitors

For example all stakeholders must commit to this new model and:

- That there is more to destination management than marketing
- There is more to the visitor economy than tourism
- The need for ongoing consumer research to monitor changes in consumer expectations
- The need for an unbreakable partnership between state government, local government, RTOs and industry
- The need for RTOs – or rather those that commit to the new model (I shall refer to these as new RTOs) – to facilitate the collaboration needed between stakeholders. We represent the essential glue that can connect the state government to local government and both to industry including to new industry partnerships.

This new model needs to be supported through an active partnership between State Government, Local Government, the ‘new’ RTO and industry.

New RTOs committed to the new model can provide the linkage between the partners. We facilitate the collaboration and linkage.

1. INDUSTRY DEVELOPMENT & EXPORT ASSISTANCE SCHEMES

Deloitte Access Economics found that tourism is expected to be the country’s second fastest growing industry over the next 20 years, with 4.08 per cent annual growth in output eclipsed only by the gas industry.²⁶ In light of this forecast, continued funding for discretionary grants for the tourism industry is important. The industry’s current and potential contribution to the national economy will assist the Government in its aim to improve productivity and pay down debt.

Tourism is a good investment. Tourism Research Australia’s report *Tourism’s Contribution to the Australian Economy, 1997–98 to 2010–11*, states that ‘tourism’s total output multiplier was valued at 1.92. This means that for every dollar tourism earns directly in the Australian economy, it value adds an

²⁶ Deloitte Access Economics, *Positioning for Prosperity? Catching the next wave*, November 2013

additional 92 cents to other parts of the economy. At 1.92, tourism's total multiplier is larger than other important industries such as *Mining* (1.67), *Retail trade* (1.81) and *Education and training* (1.38).²⁷ A high value of this multiplier indicates that a higher indirect value is created in the economy.

Government development funds are an essential source of funding for businesses within the Australian visitor economy that seek to innovate and enhance their product offering to domestic and international visitors. Governments at all levels provide grants and assistance to help Australian businesses of all sizes to improve their productivity and competitiveness, and create jobs.

Australian tourism also requires Government cooperation and consideration to maintain and build on current tourism infrastructure to continue to meet visitation demands, and to attract new visitation.

Governments at all levels are also owners of tourism infrastructure in Australia. The needs in relation to infrastructure are therefore two-fold: public infrastructure priorities should be informed by tourism needs; and specific tourism product "infrastructure" needs to be encouraged. Tourism requires ongoing investment in its infrastructure to maintain competitiveness against international destinations.

The Coalition's Tourism Policy's stated aim is to 'maximise the benefits from any government investment in tourism', with an intention to 'refocus funding for existing tourism grant programs on demand-driver infrastructure to ensure that the benefits of any government investment can be multiplied across the tourism sector, including accommodation, aviation and hospitality'.

Therefore, at the Tourism Ministers' Meeting in October 2013, Ministers agreed that from 2014-15, funding from the Tourism Industry Regional Development Fund would be allocated directly to state and territory jurisdictions on a pro-rata basis. At the July 2014 Tourism Ministers' Meeting, Ministers endorsed a set of overarching principles and a funding mechanism for the new Tourism Demand-Driver Infrastructure (TDDI) Program. The Commonwealth will provide \$43.1 million over four years to the states and territories²⁸ to implement the DDI program, with the aim that projects will align strategically with relevant state, regional and destination plans.

With this change of responsibility for the implementation process now placed with the states and territories, there is now no avenue for national programs to seek development funding (refer Case Study below).

The NTA recommends that the DDI program is updated so that national programs are eligible to seek funding.

²⁷ Tourism Research Australia, *Tourism's Contribution to the Australian Economy, 1997-1998 to 2010-2011*, April 2012

²⁸ Austrade, *Tourism Demand Driver Infrastructure Program* (online) <http://www.austrade.gov.au/Tourism/Tourism-and-business/tddi>

i. The need for ongoing development funding

Increasing the quantum of tourism development funds is fundamental to the continued growth and competitiveness for the industry. In the context of refocusing tourism grants to drive demand for tourism services, NTA members advocate:

- A commitment from Government to increase or at the very least, to maintain the real value of the grants program, to ensure that the quantum of funds committed is responsive to inflationary pressures;
- Updating the program to allow national programs eligibility to apply for grants;
- Introduction of an industry role in prioritising where funding is directed, such as an industry advisory council
- The funding should be increased by at least C.P.I each year.

Case Study – National Landscapes

In 2006 Tourism Australia and Parks Australia formed a partnership between tourism and conservation to identify Australia's iconic landscapes, which capture and promote areas of outstanding natural beauty and cultural significance. Since then, sixteen National Landscapes have been created, building a unique system where new high quality nature-based tourism product has been developed and marketed to the world. The individual National Landscapes have brought together tourism operators, protected area managers and State and Regional tourism organisations to create a strong network of committed tourism people working (mostly) on a voluntary basis with great results.

In 2014 Tourism Australia and Parks Australia announced the program had entered its "Seeing the Results" phase where the federal government agencies withdrew from the administration of the program. Ecotourism Australia, a not-for-profit membership financed organisation, volunteered to provide the administrative support for the program and to develop a sustainable business model for the future of the program.

Following discussions with the Minister for the Environment, Hon. Greg Hunt, Ecotourism Australia has secured financial support from Parks Australia and is continuing to seek Tourism Australia's support. This is essential to the successful handover of the project: there is an expectation of a high level of management and services, although the funding secured is less than 4% of the previous funding.

The National Landscapes program would be an ideal recipient of a Tourism Demand-Driver Infrastructure (TDDI) grant, but unfortunately, as a 'national' program, is not eligible.

ii. Export Market Development Grants

The EMDG scheme is the only Government support program of which we are aware that philosophically suits SMEs in the export services sector. It recognises that businesses need to be flexible in their expenditures and even with the most careful management, some ideas take many years to develop.

Since the last review of EMDG, (September 2008), there have been a number of significant changes in the Australian tourism export market. Industry welcomed the comments presented in *“Winning in World Markets”*, the Commonwealth’s last commissioned research paper into the EMDG scheme, including the effectiveness indicators and the notion that the scheme has a positive net benefit. As the paper states, each dollar of EMDG generates some \$13.50-\$27.00 of exports.

The EMDG scheme is fundamental to the realisation of tourism’s full potential. The recent Free Trade Agreements and other trade negotiations underway will serve to improve Australia’s terms of trade and global competitiveness. EMDG is a critical component that will continue to contribute to the growth from the working that governments have already undertaken.

3. LABOUR AND SKILLS

The tourism and hospitality industry provides great socio-economic benefit to the Australian community as one of its largest employers and a significant contributor to GDP. Tourism’s contribution to the economy is only set to increase, with tourism consumption forecast to grow at an average annual rate of 1.8 per cent per annum over the 2007-2017 period. Hospitality is expected to grow by 2.5 per cent per annum.²⁹

By reviewing some of the current mechanisms and reforming and removing existing barriers, the potential for the ‘super-growth’ sector of tourism can be unlocked.

The current policy settings have restricted the tourism and hospitality industry’s access to a variety of skilled staff at different skill levels. The Australian immigration system and the domestic training systems are calibrated to the same kinds of occupations and skills at a high level, which means there is an increasing shortage in the availability of unskilled or lower skilled employees. Better trained staff is critical to ensuring we have a tourism workforce capable of giving visitors a world-class experience. In order to optimise the travel experience for our visitors, a skilled, professional and ‘Asia ready’ workforce is essential.

²⁹ Australian Bureau of Statistics

Increasing the supply of labour, skills and participation is central to improving quality and productivity. Current labour and skills shortages limit the productive capacity of Australian tourism, hampering efforts to compete successfully with overseas destinations.

The Deloitte Access Economics *Australian Tourism Labour Force Report 2011* highlights the sector has severe shortages of skilled labour. The visitor economy has a vacancy rate of approximately 9 per cent, equivalent to 35,800 jobs. The number of vacant jobs in the sector is expected to increase to 56,000 in 2015 if no market intervention occurs. Of the 56,000 shortfall in jobs, it is estimated that 46 per cent of these jobs will be skilled positions (25,760 workers), while the remaining 54 per cent of job shortages (30,748 workers) will be for unskilled labour³⁰.

Employment growth projections and current skills shortages identified in this submission will not be met by the local labour force alone. Skilled migration is, and will continue to be, one of the core mechanisms of sourcing labour within the sector now and into the future.

i. Tourism and Hospitality Industry Skill Strategy

The Government's Industry Innovation and Competitiveness Agenda identifies tourism as an 'industry with promise' and a future growth sector that is cited in four major reports referenced in the Agenda: Deloitte Access Economics' Positioning for Prosperity 2014; PwC's Industry Sectors: Analysis and forecasting 2013; Outlook Economics' AUS-M 2014; and McKinsey Australia's Compete to Prosper: How Australia can gain a global edge, 2014.

The Australian government, with all the states and territories, has also endorsed an aggressive tourism target as part of the Tourism 2020 strategy. Very strong growth in Asian visitor spending, the fastest growing segment of Australia's visitor economy, underpins the target of doubling nominal overnight visitor spending from \$70 billion in 2009 to \$115-140 billion by 2020.

Therefore, to enable the industry to fulfil its growth potential, creating jobs and driving Australia's economic growth, a Tourism and Hospitality Industry Skills Strategy should be developed by industry and Government. The Strategy would:

- encourage industry to invest in training and workforce development for future demand;
- help the industry meet the labour and skills needs of a growing sector;
- address labour and skills shortages, which is identified as a game changer in the Government's Tourism 2020 strategy
- identify priority areas for action that will strengthen the industry and better position it to take advantage of the continued and growing demand for its products and services.

³⁰ Deloitte Access Economics (2011) *Australian Tourism Labour Force Report – Labour Force Profile (Part 1)*, p. iv, vii and xi

The Strategy should cover the following :

1. Establish an Industry/Government Taskforce to develop and oversee the strategy and plan for future demand, with representation from the industry, the Tourism and Hospitality Careers Council, Austrade, and the Department of Education and Training.
2. Research and data: such as, an annual audit of labour and skills shortages and estimates of magnitude and composition; continue the work of the Australian Tourism Labour Force Report; research into demographics, workforce trends and emerging skills needs; identification of key occupational areas of concern.
3. Tourism Employment Plans: funding the expansion of the TEPs to more national hot spots; linking to destination management plans and labour force mapping; leveraging the TEPs work in workforce planning and local business engagement.
4. Identify actions to address shortages:
 - a) Access to government funding programs, such as Industry Skills Fund and Entrepreneurs Infrastructure Program;
 - b) Support the work of the Tourism and Hospitality Careers Council in long term career promotion and development to attract and retain skilled people;
 - c) Implement short term solutions, such as
 - Temporary and permanent skilled migration
 - Occupations in demand to be placed on the SOL
 - d) Implement long term solutions, such as
 - support the development, implementation and continuous improvement of high quality training and workforce development products and services, including training packages;
 - facilitate education and training particularly in small to medium businesses;
 - encourage private sector and small business uptake of training, including for owner/operators.
 - e) Identify solutions to address the needs of seasonal, regional, and remote areas, and the needs of Indigenous peoples.
 - f) Encouraging quality:
 - Cultivating high quality workplaces, building capacity in SMEs
 - Quality in delivery and assessment of training
 - Recognizing quality training providers
5. Monitoring and evaluation of the Strategy.

ii. Provide access to incentives for training and workforce development

The availability of appropriately skilled staff is critical to the growth and productivity of the tourism sector. Service Skills Australia's *Tourism, Travel and Hospitality Environmental Scan 2014* highlights that strong domestic demand and a growing tourism base is expected to lead to phenomenal employment growth in the visitor economy over the next five years, particularly in the café, restaurant and takeaway food sector³¹.

Employment growth in this sector will exceed any other in the Australian economy, with expected growth of 42,700 workers, or an increase of 8.1%³². These forecasts are further supported by projections released by the Department of Employment that indicate the accommodation and food services sector alone has a projected five-year employment growth rate of 7.1 per cent, requiring an additional 55,200 workers by November 2018³³.

It is essential that tourism and hospitality are included in future skills, training and labour market programs, taking into account the significant evidence of skilled labour supply shortages within the labour market. Tourism can provide entry level job roles, for people who can then move onto more skilled roles through training and on the job experience. In addition to long term career options, tourism offers low skilled and temporary jobs, which assists with workforce participation, and is an important employer of young people, particularly for those entering the workforce for the first time.

For the tourism and hospitality industries, given the withdrawal of incentives and the reality that the cost of Certificate IIs is not being met by most State and Territory Governments, the cost of providing training and up-skilling their workforce falls on the employer, 90 per cent of whom are small businesses and who find it difficult to fund such programs. The tourism industry in Australia primarily comprises small and medium enterprises (SMEs), who operate on modest turnovers.

Case in Point: Industry Skills Fund

In 2014, the Federal Government announced its \$476m Industry Skills Fund for training and training support for Australian businesses. This service is developed, funded and administered by the Federal Department of industry. The tourism and hospitality sector has not been included in the final eligibility lists, in spite of the economic significance of the sector and the need to be included in such development programs. This eligibility exclusion seems to run counter to the Coalition's Tourism Policy.

³¹ Service Skills Australia (2013) *Tourism, Travel and Hospitality Environmental Scan 2014 – DRAFT*, p. 21

³² DEEWR (2012) *Employment Outlook to 2017*, p. 3-4

³³ Department of Employment (2014) *2014 Employment Projections, Industry projections to November 2018*

If Government support is to be allocated towards jobs, it should be targeted at industries with jobs growth potential, and who will be potentially hiring displaced job seekers from industries that are contracting. The Department of Employment in its Employment Outlook to 2017 estimated that employment in the restaurant sector will grow over 8% to 2017 (43,000 people), and will grow in the accommodation sector in the same period up to 10% (11,300 people).

The tourism and hospitality industry sees \$100 billion dollars spent in Australia each year, employs close to 1 million people, and is 3% of GDP and 8% of Australia's exports. The visitor economy is a significant contributor to Australia's economy, particularly in regional areas.

Tourism is a sound investment for the whole economy. The tourism industry consists of almost 280,000 enterprises that support the visitor economy from accommodation and cafes, casinos, tour companies, travel agents, transport companies, and parts of the retail and education sector. The industry is supported by a supply chain that generates significant economic multipliers. Tourism Research Australia has found that for every dollar tourism earns directly in the Australian economy, it value adds an additional 92 cents to other parts of the economy. Government support for tourism and hospitality has a positive flow on effect throughout the national economy.

Tourism and hospitality at this time face significant employment vacancies, equivalent to some 38,500 jobs throughout Australia. Without action, this is forecast to increase to a shortage of 56,000 workers in tourism in 2015. The labour shortage in hospitality is forecast to increase to 80,000 workers in this period. The ability to train more new and existing staff will assist the industry to address these staff shortages, which are inhibiting the businesses' ability to grow in a period where record numbers of international visitors are entering Australia³⁴.

By ensuring that tourism and hospitality businesses are able to access the Industry Skills Fund, the Government will ensure that the program achieves its objectives of promoting national competitiveness and productivity. The Government has identified tourism as one of Australia's key economic strengths also listing it among five National Investment Priorities. Tourism and hospitality can and should be a key part of an economic growth strategy for Australia.

Eligibility

There are 280,000 businesses in Australia who are dependent upon or connected to tourism and hospitality; around 90 per cent of these are small businesses. They need to be able to access the ISF as 'owner/operator', not just as 'employees'. The Federal Government's Tourism 2020 strategy, a cross-government approach to double the size of the industry's overnight expenditure to between \$115 billion and \$140 billion by 2020, is underway. All states and territories have also aligned their tourism objectives with the Tourism 2020 targets. Amongst other strategies, this includes business growth and workforce capability issues to enable the industry to meet these targets. Including tourism and hospitality in the Industry Skills Fund would provide a boost to the industry's capacity to meet these objectives.

³⁴ International Visitor Survey, July 2014

Background: Temporary Migration Framework

The guiding principles at the outset of recent NTA submissions urge government to consider temporary skilled migration ‘in totality’ with other policy settings, as this will ensure our migration system is indeed designed for the long term.

One of the key ambitions of the National Industry Innovation and Competitiveness Agenda is to create a lower cost, business-friendly environment with less regulation, lower taxes and more competitive markets. The Joint Review of Border Fees, Charges & Taxes that runs concurrently to this review aims to identify opportunities to deregulate and minimise, where possible, the administrative burden for industry and government. The Department of Immigration and Border Protection has also indicated its desire to focus efforts on designing a migration system that addresses tomorrow’s migration needs not just today’s. All these activities signal to industry that temporary skilled migration must be considered in a broader macro policy context, where the main goal is global competitiveness: reducing the unnecessary regulatory costs of doing business in the national and global economy.

Viewing policy and regulatory change in totality enables the sector to align the recommendations of this submission with those being developed in response to the review of border fees and charges, so that Australia’s tourism industry continues to grow and be productive. Whilst both reviews focus on particular terms of reference, combined industry submissions to each review will be informed by looking at visa and border processing concurrently, and identifying opportunities to improve the efficiency of both systems. This includes ensuring that visas of any sort are fairly and competitively priced; that they are easy to access and can be applied for in multiple languages; that technology is used to improve access, reduce processing times, and reduce costs; that innovation is applied and differentiated services are offered to meet demand; and that the notion of visa-free travel from approved countries is investigated. Only once these issues have been canvassed and addressed will we truly have a competitive and productive migration system designed to meet the future needs of Australia’s global growth sectors.

i. Tourism & Short-Term Migration

The ongoing labour and skills shortage for tourism and hospitality³⁵ indicates that businesses will still require access to short term sources of workers. In conjunction with increased investment in skills, training and labour market programs, migration programs are an important part of the mix for achieving a skilled and flexible labour force for the tourism sector.

The tourism and hospitality industry is one of the largest users of the 400 series visa program, in particular the Subclass 457 Temporary Migrant visa, with many hospitality occupations representing the

³⁵ *Environmental Scan 2015: Tourism, Travel and Hospitality*, Service Skills Australia

largest number of primary applications granted over the 2013-14 period³⁶. In 2013-2014, Cooks and Restaurant Managers represented the top two primary applications granted nation-wide with 5,840 visas granted. In addition, Cooks, Chefs and Restaurant Managers ranked in the top five occupations for skilled migrants to the Australian Capital Territory, New South Wales, South Australia, Tasmania, Victoria and Western Australia, with Cooks and Restaurant Managers representing the top two occupations most in demand in Queensland³⁷.

Australia's temporary migration system is a critical component in meeting current labour shortages faced by the Australian tourism industry. However the use of the system by tourism operators is not without its challenges. Use of the Subclass 457 visa is difficult to navigate, time consuming, and expensive. Most tourism businesses seeking skilled workers do not have access to, or can afford, migration agents to complete their application. Furthermore, the cessation of the Department's Outreach Officer program has removed a valuable resource for tourism businesses in navigating and understanding their requirements under the 457 visa program.

In addition, the structure of the temporary skilled migration program is such that no distinction is made in visa requirements for different levels of skilled occupations, meaning the system is not conducive to processing many low-skilled workers required by the tourism sector. English language requirements are too high, labour market testing is burdensome, and the Temporary Skilled Migration Income Threshold (TSMIT) does not accurately reflect minimum wage levels for skilled Australians in the same positions. A one-size-fits-all approach to Australia's temporary skilled migration has left tourism at a disadvantage. The *Independent Review of the Integrity into the Integrity in the Subclass 457 Program* made many recommendations regarding the above issues.

The tourism industry believes Australia's temporary migration system should be:

<i>Simple</i>	the visitor economy requires a temporary skilled migration system that is easy to navigate and simple to use.
<i>Responsive</i>	the temporary skilled migration system must be responsive to current skill shortages, yet flexible enough to address skill shortages that may emerge in the future.
<i>Revenue Neutral</i>	the cost of applying for a visa should remain affordable to applicants and sponsor businesses, with fees and charges to cover only the cost of processing the visa, rather than act as a source of revenue for the Government.

³⁶ Department of Immigration & Border Protection, *Subclass 457 quarterly report quarter ending at 30 June 2014*, p. 13

³⁷ Department of Immigration & Border Protection, *Subclass 457 quarterly report quarter ending at 30 June 2014*

<i>Viewed in totality</i>	visa fees and charges must be viewed in conjunction with all other border processing costs, including the Passenger Movement Charge, so as not to reduce the competitiveness of the visitor economy, nor discourage travel or temporary migration.
<i>Tailored</i>	a one-size-fits-all migration system is not working, particularly for many low-skilled positions required by the tourism and hospitality sector. Consideration should also be given to a user pays system for those that require their visa fast tracked or for premium processing.

ii. Skilled Migrants / 457 Visas

In recent years, there has been a marked change in the focus and structure of the skilled migration framework. The shift from focusing on unskilled, semi-skilled and highly skilled occupations in demand, to a position of emphasising highly skilled occupations, has had a drastic impact on the capacity of the tourism and hospitality industry to source labour. The switch from the *capacity for* independent migration to the *need for* sponsored migration requires employers to submit to a cumbersome sponsorship process. For an industry largely comprised of small businesses, this change has placed significant burdens on the capacity of such businesses to access labour, as it is unlikely that such businesses will be able to bring in an overseas worker.

The industry welcomed the placement of ‘chefs’ on the skilled occupation list, and there are more reforms needed to improve business access to skilled and semi-skilled migrants.

Other barriers to employers accessing overseas labour through sponsorship programs include the English Language Level requirement, and the need to demonstrate a ‘commitment to training’. The introduction of the labour market testing requirement provides another onerous barrier to effective use of short term labour from overseas.

English Language Proficiency

English language testing continues to be one of the biggest issues affecting the use of the 457 program by tourism and hospitality operators. The industry contends that language requirements across different occupations and skill levels are not the same, and should therefore be determined on a case-by-case basis.

The industry believes that the level of language proficiency should reflect the level of skill required by the occupation. This is of particular relevance to many low-skilled positions in the tourism and hospitality industry that require minimal levels of customer service interaction. For example, many Cooks and Chefs

only require a basic understanding of English as the language spoken in the kitchen is often the language of the cuisine. While English proficiency is used to determine an applicant's ability to participate in Australian life as well as adhere to OH&S requirements, industry believes this can be demonstrated by means other than English competency.

Furthermore, there is evidence to suggest internationally the same weight is not given to English proficiency. For example, in Canada only a basic level of proficiency is required. Applicants are awarded points based on their ability to listen, speak, read and write. In this case, basic proficiency is defined as 'can communicate' in a very limited way.

In New Zealand, in order to gain residency under the Skilled Migrant Category (albeit not temporary entry such as a 457 visa) a minimum standard of English is required. If the applicant is able to demonstrate they are in current ongoing employment, they are provided with an exemption.

In Australia, IELTS Level 4 is equivalent to 'basic competence' where an applicant's English ability is limited to familiar situations and the applicant may have frequent problems in understanding and expression. The tourism industry believes an IELTS Level 4 would better reflect the level of English proficiency required to do many of the jobs required by the sector.

The NTA welcomes the indication given in the N.I.I.C. Agenda that the Government will consider reforms to the IELTS scores. In addition, the industry welcomed the recommendations of the Independent Review into 457 Visas, and urges the Government to implement these initiatives.

Temporary Skilled Migration Income Threshold

The Temporary Skilled Migration Income Threshold (TSMIT) is an area of serious contention for many tourism and hospitality operators. The TSMIT is often higher than the minimum wage set out in the Industry Award for Australian workers in the same position. This is particularly true for lower-skilled hospitality positions such as Cooks where the average salary is around \$48,000³⁸.

The TSMIT means Australians receive less than a 457 worker who performs the same duties and functions at the same classification level. In some instances, it has resulted in Australian workers attempting to re- negotiate greater rates of pay to match the salary paid to their overseas colleagues under the TSMIT, despite employers meeting their obligations under the Award for that position. The differential also increases the cost to business owners in sponsoring a worker to complete the same work and tasks as an Australian worker.

Furthermore, many tourism operators are unaware they can meet the requirements of the TSMIT through a mix of hours across the operating hours of the business. This could be better communicated

³⁸ Payscale, Cook, Restaurant Salary, Australia (online) http://www.payscale.com/research/AU/Job=Cook,_Restaurant/Salary

to applicants, particularly those who do not engage in the program due to the belief they cannot provide guaranteed earnings.

Skilled Occupation List

Policy settings surrounding the Skilled Occupation List (SOL) have significant impact on the tourism and hospitality industry's access to skilled labour. The tourism and hospitality industry requires a wide range of employees at all skill levels. Yet the current migration system and SOL is calibrated to occupations at a higher skill level (Skill Levels 1-3). This is despite clear evidence to suggest that the same level of employment demand exists at Skill Levels 3 and 4 with fewer local job seekers prepared to work at these levels³⁹.

Changes to the SOL significantly influence the use of the 400 series visa system by the tourism and hospitality sector, as evident by the removal of Chefs and Cooks from the SOL in 2010. During this time, the sector saw a significant spike in labour shortages in these occupations, as businesses found the 457 visa process too prohibitive and costly to source labour. The process of reinstating important tourism occupations on the SOL has been slow and archaic, making it a somewhat unresponsive tool to the needs of sector in addressing labour shortages.

While the industry welcomed the addition of Chefs to the SOL in June 2014, there is still a need to reinstate other important occupations on this list in order to accurately reflect those positions in greatest need by the sector. The industry has welcomed DIBP's consideration of a low/semi-skilled visa option as a stream under 457.

The NTA recommends:

- ***Develop and implement a Tourism and Hospitality Industry Skills Strategy in conjunction with industry.***
- ***Ensure that tourism and hospitality businesses are able to access the Industry Skills Fund.***
- ***The Government to implement recommendations in the Independent Review of 457 visas, with regards to the TSMIT including:***
 - ***Concessions to the TSMIT be afforded under Labour Agreements, Enterprise Migration Agreements and Designated Area Migration Agreements, as appropriate;***
 - ***That the TSMIT does not undergo any further increases until it is reviewed within two years;***
 - ***That consideration be given to accepting the eligibility threshold as up to 10 per cent lower than the TSMIT; and***
 - ***That the government gives further consideration to a regional concession to the TSMIT.***
- ***Provide greater flexibility for industries or businesses to seek concessions to the English language requirement for 457 visas for certain occupations on a case-by-case basis.***

³⁹ Department of Employment (2014), *Skill Level projections to November 2018*

iii. Working Holiday Maker Visas

Visitors on WHM visas make an important contribution to Australia; not only as tourists, but also as a key source of labour for the tourism and hospitality industry, especially in rural and regional Australia.

The tourism industry believes an examination of the Working Holiday Maker (WHM) program should be considered as part of the evaluation of the 400 visa series. The tourism industry has a disproportionate reliance on WHMs as an available source of labour, which account for 7 per cent of tourism employees compared to 1.7 per cent of employees across the rest of the economy. The policy settings surrounding the WHM program impact the demand for other temporary skilled visas under the 400 series, namely the 457 Temporary Work visa.

The NTA supports the Australian Tourism Export Council's (ATEC) Position Paper: *The Importance of the Working Holiday Visa* published in February 2012. This paper articulates the importance of the Working Holiday Program to Australia and makes the following key recommendations to improve the flexibility and attractiveness of the program:

- Employment for 88 days in 'tourism and hospitality' in regional Australia be included as part of the 12 month extension program for the Second WHM 417;
- The costs and financial requirements of applying for WHM program visas be held constant or reduced;
- The qualifying age range be increased from 18-30 up to 35 years in line with other countries;
- Multiple visa applications be permitted, one between 18-25 years of age and a second one from 26-30/35 years;
- Better engagement with the tourism and hospitality industry as the Government looks to expand the WHM program to new source countries.

It is likely that many WHM travellers are likely to have skills suited to tourism and hospitality and would be attracted to the regional areas that experience seasonal labour issues. The L.E.K Consulting Report highlights 'the labour supply issue applies disproportionately to tourism because while tourism does have elevated labour needs (for example, peak demand for seasonal/casual labour, regional labour shortages, specialised skills), the industry does not benefit from specific treatment in immigration regulation like other industries with similar needs (for example, agriculture has access to 'fruit picking visas' where a second extension is available to working holiday makers who have worked for a minimum of three months in regional areas). As a consequence of agriculture's specific treatment in immigration regulation, it is one of the biggest users of the scheme. Therefore, if tourism received specific treatment in immigration regulation there would likely be a significant uptake in demand for this labour source'⁴⁰.

⁴⁰ L.E.K. Consulting Report, *Tourism Investment and Regulation Review*, August 2011, p. 68

The NTA recommends that WHMs can continue to make a valuable contribution to the visitor economy, provided the program is reformed to provide greater flexibility to tourism operators who use the system. Key areas of reform for this visa class include:

- i. Freeze any further increases in visa fees and charges associated with this visa class;***
- ii. Granting a second year extension to WHM who spend three months or more working in regional tourism and hospitality businesses;***
- iii. Remove the qualifying age cap to bring in line with other countries or at the very least increase to 35 years of age;***
- iv. Remove the 6-month cap on employment allowing WHM to spend a greater amount of time with one employer;***
- v. Allow multiple visa applications – this could include one between 18-25 years of age and a second from 26 years and older; and***
- vi. Expand the program to include key international growth markets including China, India, Vietnam and the Philippines and remove the need for the program to be reciprocal***

iv. International Students

Ibisworld business analysts state that one of the top 5 new exports set to drive Australia's economy into the future is education services and related travel services. This is significant for the growth of tourism and hospitality as a 2010⁴¹ study found that most international students travel while studying in Australia (84.9 percent) and over half intended to travel in Australia during their next extended break. International students also generate a large market in visiting friends and relatives. On average, over 70 percent expected at least two or more friends and two or more family members to visit them in Australia and over half indicated that they have already had a friends and/or family visit them while studying in Australia.

Education is both a source of visitors, as well as being one of Australia's main services exports, with many synergies across these two sectors. International students drive a large portion of the visiting friends and relatives market into Australia. The National Industry Innovation and Competitiveness Agenda identified and forecast growth in the international education sector, to increase to export value of more than \$19 billion to the Australian economy by 2020⁴². Earlier research shows much of this growth will come from attracting students from China and India⁴³.

⁴¹ Sustainable Tourism CRC, 2010, *International Education Visitation – Tourism Opportunities*

⁴² Department of Industry, "Industry Innovation and Competitiveness Agenda", Canberra 2014

⁴³ International Education Advisory Council, "Australia – Education Globally", Canberra 2013

Deloitte Access Economics noted in its report *Positioning for prosperity? Catching the next wave*, that 'the calibre of our educational sector encourages foreign students to become 'education tourists' who in turn encourage friends and family to visit.

In this highly competitive market, where Australia competes with the prestigious education providers of North America and Europe, the cost of processing and supplying a student visa needs to be reviewed and reduced to a cost recovery basis, from its current high level of \$535. The downstream benefits of international students are seen in two ways: international students are travellers in Australia, with 82% taking at least one overnight trip, and day-trips and short breaks with friends. Visiting friends and relatives are a much higher proportion of international visitors than believed prior to a Sustainable Tourism Cooperative Research Centre study done in 2010: 78% of students hosted visitors from their home country while studying in Australia⁴⁴.

For year ending September 2013, education accounted for 6 per cent of all inbound arrivals. The average trip expenditure per education tourist was \$16,489, a total of approximately \$5.8 billion. These visitors spent a total of 52 million nights in Australia, representing 24 per cent of all international visitor nights. International students are also a valuable source of short term labour for tourism and hospitality.

From this strong position, a number of events has negatively affected Australia's international education sector. One is the increase in the Australian dollar's value, making education here less affordable (though the dollar is now decreasing) and the cost of competitive education destinations such as the US more attractive. In addition, the Government's changes to the skilled migration and student visa program have had the effect of reducing student numbers.

Through the Tourism Ministers Meeting, it would also be beneficial to encourage State Governments to improve their State's appeal to international students by extending similar benefits to them that are available to domestic students, such as public transport travel concessions. NSW has recently rolled out a limited trial of extending concession benefits to international students, and the Victorian Government has recently undertaken a similar trial in extending concession travel entitlements to international students.

International students not only contribute to the economy through cultural exchange and tourist expenditure from visiting friends and relatives, but can act as a valuable source of labour for the visitor economy. This is particularly true for many front-of-house hospitality positions where tourism businesses currently lack the language skills to meaningfully engage with our largest source markets.

⁴⁴ Michael Davidson et al., "International Education Visitation – Tourism Opportunities", Canberra, 2010 (online) http://crctourism.com.au/WMS/Upload/Resources/120013_Davidson_IntEdVis_SUM%20SHEET.pdf

Trade Skills Training Visa (Subclass 471)

In September 2007 the Trade Skills Training visa (Subclass 471) was repealed. This visa allowed overseas students to undertake traditional trade apprenticeships in regional Australia on a full fee paying basis, and upon completion of their course, the student could apply for migration under one of the regional migration visa categories. The objective of the Trade Skills Training visa was to address critical trade apprenticeship shortages in regional Australia, while ensuring skills were retained in regional areas in the medium to long term⁴⁵.

The tourism industry sees value in reinstating Subclass 471, providing an additional avenue to address growing skills shortages in regional Australia. Indeed, there is the potential to benefit from the language and cultural skills of students from Australia's largest visitor source markets by providing these students with flexibility should they wish to work and study in Australia. This is particularly true for Mandarin-speaking tour guides where the re-instatement of the Subclass 471 visa would help address critical shortages, while improve Australia's ability to service the Chinese visitor market.

Temporary Graduate Visa (Subclass 485)

Enabling international student graduates from approved private higher education and Vocational Education and Training (VET) institutions access to temporary graduate visas would assist in addressing labour shortages in the short term across a range of occupations that are currently not featured on the SOL. At present, only university graduates are able to apply for positions of their choosing under this visa class. However non-university students (i.e. graduates from higher education and VET institutions) are restricted to positions featured on the SOL. The discrepancy creates an unnecessary barrier to graduates entering the tourism labour market. The industry advocates that student graduates from approved private education and VET institutions should be able to access the Temporary Graduate Visa (485) for tourism and hospitality positions not featured on the SOL.

The NTA recommends in relation to international students:

- ii. increase the cap on the number of hours visa holders can work;***
- iii. enable international student graduates from approved private higher education and VET institutions to access temporary work visas, similar to 457 visas, for occupations in demand;***
- iv. reinstate the Trade Skills Training visa (Subclass 471) allowing overseas students to undertake traditional trade apprenticeships; and***
- v. reform the Temporary Graduate visa (Subclass 485) to allow student graduates approved private education and VET institutions the ability to work in tourism and hospitality positions not featured on the SOL.***

⁴⁵ Australian Government CommLaw, *Regional Impact Statement: Trade Skills Training visa proposal* (online) <http://www.comlaw.gov.au/Details/F2005L03190/f00357dc-4000-40f4-abb5-c748e89df618>

D. REDUCE THE COST OF DOING BUSINESS

The tourism industry in Australia primarily comprises small and medium enterprises (SMEs), who operate on modest turnovers. Over 93 per cent of businesses within the sector are small and medium enterprises. More than 100,000 Australians own tourism businesses. The overwhelming majority of businesses are labour-intensive small businesses, run by owner-operators.

These businesses are highly exposed to the volatile global economy and shifts in the Australian economy; as a result, they bear much of the brunt if demand falls for travel domestically and within mature international markets. Small businesses are also disproportionately impacted by red tape.

i. Reform workplace regulation

Tourism is by nature a highly labour intensive, 24/7 service industry. Reforms to workplace regulation is needed to improve the industry's ability to provide high quality service in the 24/7 economy. Australia's tourism sector needs to be able to achieve productivity improvements through flexibility in the workplace, to ensure that it remains competitive in a highly dynamic environment.

The current provisions of the Fair Work Act and Modern Awards impose artificial constraints on tourism businesses. These constraints limit businesses' ability to provide services to customers in the 24/7 business environment as it restricts their ability to hire employees at the time they are needed. The onerous administrative and compliance burden of the Fair Work Act is a further constraint on small and medium businesses particularly, affecting productivity and profitability, and therefore their ability to grow and employ more people.

The Fair Work Act lacks appropriate recognition of small and medium enterprises, and lacks focus on productivity, particularly in relation to Modern Awards and Individual Flexibility Agreements. By counting part-time and casual staff as the equivalent of full-time permanent staff, the definition of "small business" in the Act is misleading. Many small tourism enterprises have much less capacity than larger businesses to meet obligations that are imposed on those larger businesses by the Act.

ii. Reform Penalty Rates System to Recognise the 24/7 Industry

As a sector which serves visitors and travellers, both Australian and international, tourism is by nature a highly labour intensive 24/7 service industry. Australia's tourism sector needs to be able to achieve productivity improvements through flexibility in the workplace, to ensure that it remains competitive in a highly dynamic international trading environment. In the context of maintaining international competitiveness, it is imperative for Australian tourism that the national workplace relations regime

promotes flexibility and workplace level bargaining to ensure the best outcomes for businesses and to promote increased employment for workers in the sector.

The NTA has concerns regarding the current operation of the Fair Work Act in a number of areas, particularly with the lack of appropriate recognition of small and medium enterprises, and the lack of focus on productivity, particularly in relation to Modern Awards and Individual Flexibility Agreements.

As a result, it is the view of the NTA that the operation of certain provisions result in the risk that the Fair Work Act is not fulfilling its objectives in relation to the tourism sector: “promote productivity and economic growth for Australia’s future economic prosperity”, “achieving productivity and fairness through an emphasis on enterprise-level collective bargaining underpinned by simple good faith bargaining obligations and clear rules governing industrial action” and “acknowledging the special circumstances of small and medium-sized businesses.”

Over 93 per cent of businesses within the sector are small and medium enterprises. More than 100,000 Australians own tourism businesses. As a sector in which the overwhelming majority of businesses are labour-intensive small businesses, often managed by owner-operators, the impact of the definition of size is significant.

By counting part-time and casual staff as the equivalent of full-time permanent staff, the definition of “small business” in the Act is misleading. Many small tourism enterprises have much less capacity than larger businesses to meet obligations that are imposed on those larger businesses by the Act. In particular, this definition potentially captures small tourism enterprises in an unfair dismissals regime in which they do not have the capacity to respond effectively to potentially vexatious claims. A broader definition of small business employer should be established, defined as an employer employing fewer than 25 equivalent full time (EFT) staff.

Provisions in the Fair Work Act relating to enterprise agreements and individual flexibility agreements do not provide adequate flexibility. In particular, the replacement of the previous no-disadvantage test with a Better Off Overall test has resulted in reduced flexibility at the enterprise level in a highly heterogeneous industry. This loss of flexibility limits the capacity of businesses to trade and meet the needs of tourism consumers. Consequently, it may result in a loss of tourism appeal at a destination level, leading to a negative flow on effect to other businesses in the tourism supply chain.

The 2012 report of the NSW Visitor Economy Taskforce (June 2012) found that in the area of ‘Awards and Conditions’, “inflexibility and labour costs under the current Fair Work Act 2009 substantially reduce economic viability, competitiveness and the quality of the visitor experience. In order to maximise visitor economy returns and to enhance the visitor experience, it is important that a range of businesses are financially able to trade on weekends and public holidays.”

iii. Cost of Compliance

Tourism and hospitality are diverse and fragmented, covering many sectors and areas of economic activity. This has meant that there has been no uniform regulatory treatment across the tourism sector. Inconsistent regulatory treatment has the potential to distort genuine economic activity and can result in uneven patterns of investment. Although tourism is extremely valuable to the Australian economy, it also bears a significant tax and regulatory burden.

Australia's tourism industry faces more regulatory barriers relative to other sectors and countries which is augmented by the sector's market structure. Regulatory barriers include labour regulations; planning; environmental regulation; and business regulations such as liquor licensing and occupational health, spanning across a range of areas and levels of government.

Excessive regulation coupled with significant tax regulations disadvantage the tourism sector, resulting in 'a disproportionate burden of regulation on tourism developments compared with other sectors of the economy'.⁴⁶

Government benefits from an industry that is freed from excessive regulation and is able to increase its commercial activities, through higher revenues from taxes on profits, income, land and payroll, and downstream effects of higher tourism spending: modeling indicates \$76m in additional accommodation expenditure adds \$297m in tourism revenue – a factor of almost 4⁴⁷. Lower costs for tourism businesses also encourages higher overall spend by visitors, who have more disposable spending money. All visitors spend an average of \$91/day in Australia; business visitors are high yielding and average \$167/day. Tourism's output multiplier is valued at 1.92, which means for every dollar tourism earns directly in the Australian economy, it value adds an additional 92 cents to other parts of the economy. At 1.92, tourism's multiplier is larger than mining (1.66), retail trade (1.81) and education and training (1.38)⁴⁸.

Within the excessive regulations, lies an additional burden of uneven regulation. Uneven regulation creates an uneven playing field and stifles business growth. Regulations (including planning and building) are complex. Likewise regulations governing labour supply and taxation. For a diverse sector like tourism, complex regulations affect the scope and role of tourism development often resulting in complications, higher costs and ultimately placing the industry at a disadvantage. Inconsistent regulatory treatment has the potential to distort genuine economic activity and can result in uneven patterns of investment. 'Given the disproportionate regulatory burden on the tourism industry in Australia, coupled with the sector's economics and structure, it is clear that regulatory reform is warranted in order to mitigate the negative regulatory impact on the industry'.⁴⁹

⁴⁶ L.E.K. Consulting Report, *Tourism Investment and Regulation Review*, August 2011, p.15

⁴⁷ L.E.K. Consulting Report, *Tourism Investment and Regulation Review*

⁴⁸ Tourism Research Australia

⁴⁹ L.E.K. Consulting Report, *Tourism Investment and Regulation Review*, August 2011, p.17

iv. Disproportionate burden on small businesses

It is well established and acknowledged by governments and regulatory bodies that compliance costs have a more significant impact on small businesses than on larger businesses. The Board of Taxation report states “[compliance costs] are regressive, with a given cost imposing a proportionately higher impost, the smaller the business.”⁵⁰ All State governments have instituted varying levels of red tape reduction initiatives, such as the Red Tape Commissioner in Victoria, in an acknowledgement that action is needed to encourage growth, innovation and diversity in small businesses where the compliance burden is felt disproportionately heavier.

It is important for regulators and institutions to act on this knowledge, especially as the costs to small businesses are often non-financial in that it can cause stress and related ill-health, and also affect the personal life of the small business people, which can have just as much of an impact on their ability to carry on business. This feature of the tax compliance burden can have a significant role in preventing small business people from pursuing commercial goals.

v. Compound effect of other compliance burdens

Whilst surveys demonstrate that the ATO in particular is seen by small business as imposing a significant compliance burden which restricts their growth potential, it is important to note that the impact of other areas of compliance can weigh just as heavily on small businesses. Taken in aggregate, the majority of businesses are finding that year on year the time and cost of all compliance activities is increasing. The surveys regularly find that at least half the respondents state that the compliance burden was restricting the growth or expansion of the business.

One development that is concerning is that the second most complex and time consuming area where businesses are finding it difficult to understand and comply with the requirements are the employment-related⁵¹ regulations of workplace health and safety, conditions of employment, and employing workers. This is not to say that businesses are trying to avoid their obligations; the issue is that the complexity in finding information, understanding what is required, and preparing the information is imposing the most cost on the business, and therefore constraining their ability to grow.

The cost and complexity of employing staff, apart from their actual wages, is a constraint to growth as many businesses may choose to remain below certain thresholds to avoid the regulatory burden. In recent surveys, employment-related compliance time and cost is starting to overtake that of the ATO. In the service-oriented tourism and hospitality sector, the compliance burden that acts as a disincentive to employ staff is a serious constraint to growth, as well as to quality of service.

⁵⁰ Scoping study of small business tax compliance costs, Board of Taxation, 2007

⁵¹ ACCI Red Tape Survey 2012

vi. Impact of Government Taxes and Charges on Tourism

Tourism is highly exposed to global economic factors, including shifts in the exchange rate and the impact of financial turbulence in the global economy. Tourism exports are particularly affected by narrow-based taxes and charges such as the Passenger Movement Charge (PMC) and a range of Visa Fees.

Although tourism is extremely valuable to the Australian economy, it also bears a significant tax burden, with net tourism taxation in 2003/04 of \$6,922 million (equating to 19.6 per cent of tourism gross domestic product).⁵²

With one price elasticity estimate of -0.8⁵³, tourism is extremely sensitive to taxes and regulatory burdens. Fundamental to the ongoing success of the tourism sector is the need to remove unnecessary barriers arising from taxation and regulatory regimes.

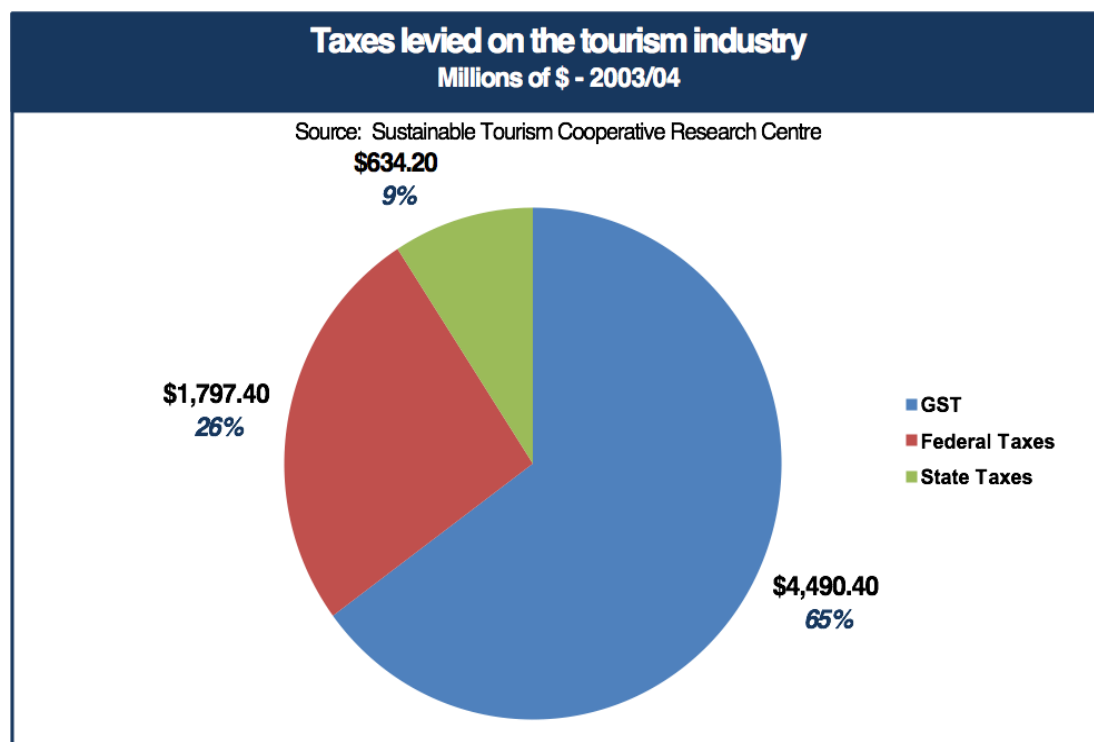
Tourism is subject to a range of taxes, fees and charges, which combine to reduce Australia's competitiveness as an international destination. Border fees and charges increase the cost of coming to Australia and act as a demand dampener at the decision-making phase of a trip. The most obvious of these in the Australian context is the Passenger Movement Charge (PMC), a \$55 tax on all international travellers over 12 years of age. Tourism is also the only export industry subject to the Goods and Services Tax (GST).

For a large proportion of inbound visitors, there is also a visa application fee in addition to the PMC. The impact of visa application fees and processes on decision to travel is also high. A 2013 report for the United Nations World Tourism Organization and the World Travel & Tourism Council found that if the cost of obtaining a visa (including both the fee and associated costs) exceeds a threshold, potential travellers are simply deterred from making a particular journey or choose an alternative destination with less hassle. This threshold is also relative, meaning Australia can gain a competitive advantage by making it easier and cheaper to visit than rival destinations.

The impact of these charges cannot be underestimated. Air travel is price-sensitive and the cost of an airline ticket is the first trigger in the decision process that leads to travel. In fact, the price sensitivity of air transport has increased in recent years due to online competition, low-cost carriers and corporate travel agreements. This has led to greater transparency of airfares and a greater expectation of ever-cheaper ticket prices. Several studies demonstrate that leisure travellers are the most price-sensitive and that demand is reduced by the introduction of any new tax on airline tickets that pushes up the price. This in turn makes government-funded promotion of Australia as a destination harder and will lead to a reduction in the potential growth of the industry.

⁵² Sustainable Tourism Cooperative Research Centre, *State and Federal Taxes on Tourism in Australia – estimate for 2003/04*

⁵³ Geoff Carmody & Associates, *Australian Tourism: How Deep the Recession*, March 2009, pg 58-59



The Passenger Movement Charge (PMC) is a Commonwealth tax introduced in the 1995 budget levied on passengers departing Australia, replacing the departure tax. The Labor government at the time initially introduced the tax to recoup the full accrual costs of Customs, Immigration and Quarantine (CIQ) processing for international passengers and the cost of issuing short-stay visitor visas. However, collection from the PMC now exceeds these costs, and it is the amount of over-collection that represents a disproportionate tax burden on the tourism industry.

Narrow-based taxes such as the PMC can particularly affect key tourism services, with production and consumption being highly mobile and subject to consumer preference. A significant part of tourism is dependent on a price-sensitive market and additional costs imposed on tourists have a significant impact on the competitiveness of Australian tourism in the global marketplace. The PMC collects approximately 60 per cent more funds than required to cover the costs of its stated purpose, making it a general taxation measure rather than simply a cost recovery measure.

The Federal Government has the ability to effect game-changing reform in the tourism industry through a new, fairer regime that is responsive to price sensitivity and open to new product innovation.

E. CROSS GOVERNMENT AND CROSS PORTFOLIO COORDINATION

Tourism represents Australia's largest services export industry and touches upon many areas of economic activity including travel, shopping, accommodation, events and education. The wide scope of the sector means that no single agency has full regulatory ownership of the industry or policy control to influence future industry design factors. By understanding the regulatory complementarities within tourism, Government can better coordinate its approach to meeting the challenges of growing competition from overseas destinations and better identify new opportunities for tourism growth.

The visitor economy is not a single sector, and is driven by the end consumer. This requires a much broader base to deliver on key objectives and the needs of industry and travellers alike. Government plays a key role in connecting industry and travellers, with the government owning or controlling many of the services and infrastructure that are essential to the success of the tourism industry.

A key to ensuring that tourism and hospitality remain competitive and viable and can continue to deliver strong economic outcomes is a whole-of-Government approach, working in partnership with industry and other key stakeholders (including international governments).

A silo approach to tourism, and without a clear whole-of-Government commitment, runs the risk of a lack of consistency in policy and processes, unnecessary red tape and wasted resources in terms of duplication in some areas, or missed opportunities in others. This has inhibited innovation, investment and growth in the sector. For example, the regulatory complexity surrounding investment and development approval has severely restricted the ability of industry to respond to the growing need for more hotel accommodation in Australia.

Better outcomes-driven coordination is required across and between Governments, and utilising the Tourism Ministers Meeting involving all States and Territories, to oversee coordination at both the strategic and tactical levels, to ensure that enhanced coordination leads to better outcomes for the industry and for domestic and international visitors to Australia, in areas such as visa processing, collaborative marketing and passenger facilitation and processing.

Recent strategic reviews of the travel and tourism industry in Australia have also recognised the need for a greater level of whole-of-Government policy and program coordination.

i. New South Wales

The New South Wales Government's Report of the Visitor Economy Taskforce in August 2012 recognised the need for greater policy coordination across the NSW Government, stating that *"The absence of a whole-of-Government approach is partially responsible for some of the inertia, particularly in the area of investment for the visitor economy."*⁵⁴ The Report made several key recommendations to enhance whole-of-government coordination across the visitor economy, including:

- *Adopt a proactive whole-of-Government approach to improve consistency in policy and processes and cut red tape to drive innovation, investment and growth.*
- *Establish a sub-committee of Cabinet to oversee the progress of visitor economy priorities across Government.*
- *That a sub-committee of the Board of Destination NSW meeting with Government-nominated industry representatives, at least twice yearly, under the chairmanship of the Chairman of Destination NSW, to jointly assess the overall implementation of the Plan and report to Government, including recommending any necessary adjustments to the Plan.*⁵⁵

ii. Queensland

In 2012, the Newman Government in Queensland established a Tourism Cabinet Committee to discuss, prioritise, resolve and action, if appropriate, state-wide and cross-portfolio issues relevant to tourism.

All relevant stakeholders and decision makers with policy responsibility that affect tourism are brought together to assess tourism issues through cross-agency and cross-jurisdiction coordination.

The Queensland Tourism Cabinet Committee proved to be an invaluable addition to policy and process outcomes. In its first year, it has enabled a range of initiatives at Local, State, Federal levels to be progressed in a more efficient and timely manner. This illustrates the benefit of a whole-of-government approach in improving consistency in policy and processes, cutting red tape, and encouraging innovation, investment and growth across the industry.

iii. Victoria

A report by the Victorian Auditor General 'Tourism Strategies' (2013) highlights the strengthening of partnerships between government and industry as a priority area of focus, particularly:

- Promoting better decision-making – establish a Victorian Tourism and Events Advisory Council and a Tourism and Events Strategy and Policy Unit
- Coordination and policy advocacy – integrate actions across government and the private sector in Victoria and advocate for the industry at a commonwealth level
- Communication – develop a communications strategy highlighting the importance of the tourism and events industry as a significant contributor to the economy.⁵⁶

⁵⁴ NSW Visitor Economy Taskforce Final Report, 'Strategic Imperative 7: Change of Mindset', NSW Department of Trade and Investment, August 2012, p. 125.

⁵⁵ *ibid*, p. 126.

⁵⁶ Victorian Auditor-General's Office summary of *10 Year Tourism and Events Industry Strategy*, 2006.

The Audit looked into the relationship between government and other agencies related to tourism strategies. One of the recommended actions to address the challenges facing the industry included 'improving the government's effectiveness by raising awareness across government about tourism's importance to the state, better coordinating its actions and making it easier for the industry to access and deal with government'.⁵⁷

The review also found that 'current administrative structures do not allow for systematic and coordinated input by tourism and events stakeholders into broader Government policy and budget, as has been observed in the best practice example of New Zealand', which uses the Ministry of Tourism as a single, one-stop shop for coordinating government's actions'.⁵⁸

Importantly, the Victorian Government accepted the review's findings that the 2006 strategy needed to be implemented in a way that effectively involved all government agencies with a role in delivering its intended outcomes. The recommendation was 'that Tourism Victoria develops and documents plans that provide an effective platform for the whole-of-government implementation, evaluation and reporting of Victoria's 2020 Tourism Strategy'.⁵⁹

iv. International Example

The USA is strategically targeting key tourism markets in the Asia-Pacific region in direct competition with Australia. Central to the USA's push for a greater proportion of Asia-Pacific visitors is enhanced policy coordination, which recognised the need to build a more unified approach across Government to enhance the tourism industry.

In January 2012, the White House announced a Presidential Policy Directive calling for better promotion of United States tourism and increased visa-processing capacity for visitors from China and Brazil (an increase of 40 per cent over a 12-month period).⁶⁰ The US committed to a whole-of-Government approach and called for an interagency process to coordinate the implementation of regulatory improvements to enhance travel to the United States.

The Presidential Directive established a cross-Government Taskforce on Travel and Competitiveness comprising members from a spectrum of portfolios including the Departments of Treasury, Agriculture, Labor, Transportation, Homeland Security, Army Corps of Engineers and the Export-Import Bank.

⁵⁷ Victorian Auditor-General's Office summary of *10 Year Tourism and Events Industry Strategy*, 2006, p. 11

⁵⁸ Victorian Auditor-General's Office summary of *10 Year Tourism and Events Industry Strategy*, 2006, p. 11

⁵⁹ Victorian Auditor-General's Office summary of *10 Year Tourism and Events Industry Strategy*, 2006, p. 15

⁶⁰ The White House, Office of the Press Secretary, Executive Order – *Establishing Visa and Foreign Visitor Processing Goals and the Task Force on Travel and Competitiveness*, 19 January 2012, Washington DC.

The Presidential Directive charged the Taskforce with developing a National Travel and Tourism Strategy to deliver new policies and initiatives promoting domestic and international travel. The Taskforce's goal was to increase the United States' market share of worldwide travel. The final strategy, released by the Taskforce in May 2012, presents a robust Government-wide plan to foster greater cooperation and integration in delivering tourism outcomes.

The Office of Travel and Tourism Industries ("the Office"), within the US Department of Commerce, was charged with enhancing the international competitiveness of the US travel industry and increasing exports. The Office serves as a central cross-Government agency that is responsible for the management of tourism statistical systems, administration of export expansion activities, the development of tourism policy and advocacy, and the provision of technical assistance for expanding international tourism.⁶¹

The Office also represents US interests in intergovernmental organisations (including APEC, the United Nations World Tourism Organization and the OECD Tourism Committee) and promotes US tourism through bilateral agreements with countries of strategic importance. The office has coordinated a Memorandum of Understanding with China on group leisure travel.

Further supporting an integrated, whole-of-government approach is The United States Travel and Tourism Advisory Board. The board acts as a liaison between government and the travel industry and provides a forum for stakeholders on current and emerging issues in tourism. The board advises the Secretary of the Department of Commerce on policies affecting US tourism and recommends strategies to ensure that the USA remains a pre-eminent international destination.

The US Department of Commerce reports that since this strategy was introduced just over a year ago, more than a dozen partner agencies have coordinated to enhance tourism promotion efforts, improve the visa application and entry experiences, and collaborate with the private sector – including BrandUSA – and state and local destinations in various ways. The Department of State in 2012 reported an increase of 59% in visas issued to Brazilians (year on year increase) and a 46% increase in visas issued to Chinese visitors. Under this strategy, US Customs is reducing screening and entry processing times for both domestic and international passengers, and increasing the number of airports where Global Entry kiosks and Pre Check systems are available, which streamline and improve the passenger experience without compromising security.

Australia needs to improve tourism coordination across Government to avoid losing market share to competitors such as the USA, whose strategy is built on a sustained high level of close Government coordination and commitment.

⁶¹ US Department of Commerce, Office of Travel and Tourism Industries, 'About OTTI', sourced 5 October 2012 at <http://tinet.ita.doc.gov/about/index.html>

1. A SNAPSHOT OF POLICY IMPACTS ACROSS PORTFOLIOS:

i. Visas

Tourism has long championed the need for reform in visa policy and passenger facilitation. It is critical that we position ourselves to be internationally competitive, visionary, accessible and efficient. The industry associations recently presented a combined submission to the Federal Government's Review of Border Fees, Taxes and Charges. The agencies responsible for assessing the potential changes to the system are the Department of Immigration and Border Protection, the Australian Customs and Border Protection Service and the Department of Agriculture, none of which are responsible for tourism and hospitality, but whose decisions will directly impact the sector.

ii. Tourist Refund Scheme

Australia's retail offering is a key attraction for international visitors, particularly those from the growing Asian visitor markets. It is also a key part of achieving the yield targets associated with growing overnight visitor expenditure. To increase competitiveness in this area, Australia needs to reform its Tourist Refund Scheme (TRS). The TRS is the program under which departing travellers can claim back either the Goods and Services Tax (GST) or the Wine Equalisation Tax (WET) on purchases.

However, the current system, administered by the Australian Customs and Border Protection Service can be cumbersome and time consuming. It also costs the Australian taxpayer some \$14 million per year to administer, funded from the Customs budget.

Economic modelling, undertaken by KPMG on behalf of the Tourism Shopping Reform Group, estimates that by 2017 this reform could attract an extra 18,000 international visitors to Australia. The reform could increase international visitor shopping spend by \$226 million. However, even though opening up the Australian TRS to private refund providers would deliver even greater economic benefits as well as administrative savings for the Federal Government, the decision relies on the Federal Government reaching agreement with all the States and Territories. This is an ongoing process and has highlighted the need for tourism policy coordination both across portfolios, as well as between different levels of government.

iii. Skills and business development

The Federal Government has recently announced its \$484m Entrepreneurs' Infrastructure Programme (EIP) to provide support and services to Australian businesses, and its \$476m Industry Skills Fund for training and training support for Australian businesses. These services are developed, funded and administered by the Federal Department of Industry. The NTA made submissions to the initial discussion

papers published, outlining the rationale for including tourism and hospitality businesses in the eligibility criteria for these programs. The ultimate result has demonstrated again the difficulty of ensuring a coherent cross-portfolio approach; in spite of the economic significance of the tourism and hospitality sector and the need to be included in these business development programs, the sector has not been included in the final eligibility lists.

F. MARKETING AUSTRALIA: MAINTAINING A COMPETITIVE POSITION GLOBALLY

Government funding for Tourism Australia is essential if Australia is to remain competitive. Tourism Australia plays a vital role in coordinated, cooperative marketing and campaign partnership with the State and Territory Governments, driving a consistent and coherent message with ‘one voice’ internationally about Australia as a destination. In the absence of publicly-funded promotion of Australia, the private sector would undersupply this service, as individual tourism businesses can’t justify an optimal level of investment in promoting Australia, leaving tourism assets underutilised.

Tourism Australia has had in effect a real decrease in its appropriation since 2004. In 2004, the agency received \$138.4 million; to have kept pace in real terms it should have received \$181 million in 2014. However, its 2014 budget allocation was \$143 million.

The marketing investment by Tourism Australia is fundamental to instilling a desire to travel to and within Australia, which can then be converted to actual visitation by further advertising partnerships, product promotion and strong distribution networks. Without a strong ongoing marketing investment by governments and industry it is unlikely that the Tourism 2020 goals will be achieved. Attracting visitors does not happen by accident – it is the result of careful and well-researched processes of planning and executing marketing campaigns, using the latest technologies and methods to engage with potential visitors to Australia, and with strong governance.

The promotion of Australia by Tourism Australia generates tourism expenditure (the Return On Marketing Investment, or ROMI) in a ratio of 15:1. This converts into a benefit:cost ratio of 6:1, which is an important contribution to Australians’ living standards and proof that government can perform this role effectively⁶². Other studies over the years have also shown that the marketing investment made by Tourism Australia has a positive effect on international tourism demand⁶³. More particularly, given the recent focus on the potential for growth from the Asian visitor market, a dollar of additional marketing

⁶² Tourism Australia’s submission to Productivity Commission study into Australian Tourism, 2014

⁶³ Crouch, Schultz and Valerio (1992) and Access Economics (1997; 2002)

to Asia may be expected to generate greater visitor expenditure than a dollar of marketing into traditional tourism source countries. The return per dollar invested in Asia is 17:1. This means that tourism receipts generated from Asia are potentially \$17 million per \$1 million spent on tourism promotion.⁶⁴

The power and impact of national marketing can be seen, for example, in Tourism Australia's 'Restaurant Australia' campaign in conjunction with States and Territories. The coordination of this campaign benefits Australian domestic travel as well as international travel. Tourism Australia has over 5 million Facebook fans, which would be almost impossible for an individual small business to attain.

The funding received by Tourism Australia is leveraged with over \$50m in industry, partner and other funding, so that \$143m of government funding leads to \$194m in marketing and industry development activities. However, whilst important, such partnerships are not a substitute for the core funding that Tourism Australia is able to allocate to both 'traditional' and new markets such as China and India. It is vital that the agency's funding be increased in real terms if Australia is to maintain a competitive position globally, or increase its share of global receipts and visitation.

It is important to have a coherent national voice in international markets. 92 per cent of Australian tourism and hospitality businesses employ fewer than 20 people. While Australian tourism and hospitality businesses employ nearly 1 million people, these businesses, as SMEs, are less able to compete internationally without the Federal and State Governments' investment in national marketing domestically and overseas. Tourism Australia, together with the States and Territories, supports small and medium-sized tourism enterprises to secure opportunities in Asia through industry missions, trade events and digital promotion, and connecting to the Australian Tourism Data Warehouse (ATDW). Importantly, with Government investment, product and destination information in the ATDW has been translated into Chinese (Mandarin). This initiative would be beyond the means of the majority of individual SME operators.

The tourism marketplace is crowded and highly competitive, and a strong national marketing agency helps Australian businesses to compete. The improvements in recent years in tourism infrastructure in the Asian region have increased the competitive pressure on Australian businesses for the global tourism spend. As of 2013, there were 146 destinations around the world with the bilateral tourism agreement with China, called the Approved Destination Status Scheme (ADS). There are 100 active national tourism marketing bodies in China, and, in one of Australia's strongest performing 'traditional' markets, the UK, there are 25 national marketing bodies operating. In particular, the USA is marketing directly into China with an initial budget of \$30 million, more than other national marketing agencies.

To differentiate in this competitive market, it is important to capitalise on Australia's natural advantages through advertising. In a busy and crowded marketplace, with traditional marketing and distribution channels competing not only with new online and mobile channels, but new destinations also increasing

⁶⁴ Measuring the return from Australian tourism marketing investment in Asia, Nada Kulendran, Larry Dwyer, STCRC, 2008

the options available for travellers and visitors, it is essential for a clear, coherent marketing message for Australia to be transmitted. The importance of national marketing in the current globalised market is evident in the recent initiative in the USA to create, for the first time, 'Brand USA', a public/private partnership with the mission to promote international travel to the USA.

i. Domestic Marketing Coordination

Tourism Australia ensures that Australia remains competitive in the international marketplace through coordinating cooperative marketing and campaign partnerships with a variety of organisations. Another important role that is reflected in its Portfolio Budget Statement is to work with Austrade and other State Government agencies on providing insights into the investment and development required to meet the needs of target customers. By using its national positioning to coordinate States' product development activities, and to identify gaps that need to be addressed, Tourism Australia fulfils an important coordinating function.

In 2014, the Government divested Tourism Australia of its domestic marketing function. However, the industry sees a need for retaining a high level coordination and communication role between industry, State and Territory tourism marketing organisations and Tourism Australia, on domestic campaigns. In the past Tourism Australia has undertaken this function, and industry believes there is still scope for them to continue to do so without compromising their focus on international marketing.

To this end, the NTA proposes that Tourism Australia's high-level national domestic coordinating role is reinforced and forms part of its 'Industry Development' deliverables, with an industry advisory channel built into the process. A domestic industry advisory committee has worked well and demonstrated its value in the past, and most recently proved to be an essential element in putting together the current 'Restaurant Australia' initiative.

Another aspect of Tourism Australia's domestic function which is being greatly missed is its participation and investment in the annual 'Domesticate' research carried out by TNS. This deep qualitative research has been carried out for the past six years and has provided significant marketing insights for the domestic market, along with investment by STOs and other industry partners. Tourism Australia's withdrawal has placed the research at some risk of being discontinued, which would be a loss to the domestic industry. This research provides the backbone for marketing the idea of holidays in Australia to Australians, rather than a State by State competition.

Without the Domesticate research, and without a national agency marketing the concept of Australian travel to Australians, there is a significant gap in the promotion of domestic travel, which cannot be addressed simply through STOs marketing their separate destinations. This tends to be a competition for existing market share, and does not contribute to increasing the number of Australians who choose a domestic trip over an overseas trip. Tourism is both an engine of economic and jobs growth and an

earner of foreign exchange. Conversely, if domestic travelers replace an overseas trip with a domestic trip, it reduces the imbalance in the tourism terms of trade that exists in Australia. Australia's tourism trade balance for the year ending June 2014 was -\$5.2bn⁶⁵. Improving the coordination of domestic marketing can provide the means to address this imbalance.

Tourism Research Australia's figures at September 2014 show that domestic holidays were down on all measures (number of trips, number of nights, and spend) while the number of Australians taking overseas holidays continues to increase with departures up 6% to 5.5 million during the year to that date. TRA also noted that domestic holiday trips for travellers under the age of 45 years have not experienced growth since 2009, and these travellers are also spending an increasing share of their time (nights) on holidays abroad.

The NTA recommends to restore the real value of Tourism Australia funding in the forward estimates (\$181 million in current dollar terms) and increased in further years to keep pace with the market and Australia's competitors. Tourism Australia's coordination and communication role for domestic marketing should also be restored.

G. RESEARCH AND DEVELOPMENT

Research and development is an essential part of business innovation and economic growth, and in Australia in general it is funded by Commonwealth and State/Territory governments, businesses, higher education institutions and private not-for-profit organisations. All industry sectors in Australia in 2010/11 attracted \$30.8bn in research and development spend from a combination of these sources.

In most recent analysis available (2006/7), the lion's share of public sector R&D funding (from governments and higher education) is directed to health (26%), environment (13%) and agriculture (11%). In this analysis tourism was found to receive 0.25% of public sector R&D funding. It is salient to note the higher share of R&D funding directed to agriculture, which has a similar contribution as tourism to Australia's GDP of around 3%⁶⁶. Agriculture employed just over 300,000 people in 2010/11; tourism and hospitality employ almost one million people.

In Australia, tourism research and development in the main is currently undertaken by Tourism Research Australia, a well-established and respected agency engaged in research, analysis, and outreach for the industry. Other agencies commissioning research include Tourism Australia, the ABS, State Tourism Organisations, commercial business analysts and researchers, and industry organisations and associations.

⁶⁵ Tourism Research Australia Ready Reckoner, October 2014

⁶⁶ The Future of Tourism Research in Australia, STCRC, 2010

The justification for continued levels of government funding for R&D in tourism and hospitality is that:

- There is a large number of SMEs in the industry that could not gain an economic return from their individual investment in R&D.
- There are many positive downstream effects that accrue from publicly supported tourism R&D; TRA reported in 2011 that “for every dollar of value added generated by activity in the tourism industry, a total of \$1.91 of value added is created, placing tourism ahead of major industries such as mining (\$1.67), retail trade (\$1.80) and education and training (\$1.38). Further, tourism has a significant multiplier effect for employment with a one per cent increase of tourism direct consumption generating output outside tourism of \$0.7 billion (in nominal terms) and an increase in employment outside tourism of 2,800 persons”⁶⁷.
- There are significant regional benefits derived from tourism and hospitality; over half of the \$50 billion that Australians spend in overnight domestic travel is spent in regional areas (\$25.6 billion) and over 220,000 people are employed in tourism in regional areas.
- R&D funding for tourism and hospitality addresses important national priorities such as strengthening the social and economic fabric of the nation; sustainable use of resources; fostering people-to people links between countries; and fostering an innovation culture and sustainable economic growth.
- As KPMG reported in 2009, there is sufficient evidence that the benefits of tourism research exceed the costs, but that the private market has “under-provisioned” research into the tourism industry, which constitutes market failure. The characteristics of tourism and hospitality provide a strong argument for government to fund research in this instance, because it is highly likely to lead to industry wide benefits, and the concomitant flow-on benefits as outlined above.

The opportunity exists to derive research funding for tourism via existing tourism related taxes without adding a further levy to the industry’s significant tax contribution. Even 1% of the current passenger movement tax revenue would provide a worthwhile funding pool for research and development.

i. The importance of the ABS datasets and surveys for tourism

The Australian Bureau of Statistics collects and publishes data over decades, providing government and industry with invaluable data sets. This data is fundamental to evidence-based policy and key investment and business decisions, providing a snapshot of where we’ve been, where we’re going and how fast we’re moving. Demographer Bernard Salt says the work of the Australian Bureau of Statistics is unrivalled anywhere in the world⁶⁸, and it is this quality information that not only supports investment, but maintains Australia’s competitive advantage.

⁶⁷ State of the Industry, 2011, Tourism Research Australia

⁶⁸ ABS News Radio PM, Bernard Salt, *Budget cuts to ABS bad for investment says tourism industry*, (online) <http://www.abc.net.au/pm/content/2014/s4019628.htm>

The Survey of Tourist Accommodation (STA) provides information on supply (eg room nights available) and demand (eg room nights sold) for the accommodation sector of the tourism industry⁶⁹ Tourism relies on this data as a key input to the investment decisions on hotel and tourism infrastructure that will help to attract new and return visitors to Australia.

The STA data also provides one of the main mechanisms by which to measure the 2020 goal set by the Federal Government to double tourism overnight expenditure.

The STA data was originally collected on a quarterly instalment. In July 2013, this was modified to an annual instalment. On 5 June 2014, the ABS announced that it will discontinue the Survey of Tourist Accommodation (STA) from 1 July 2014.

The government acknowledges the concerns of the industry about the impacts this could have on future investment decisions, particularly foreign investment. The government has provided funding for another year, however, this provides only a temporary reprieve.

The recent announcement by that ABS that it is ceasing to collect and publish a quarterly or even annual Survey of Tourist Accommodation creates a major gap in key industry data. The data is also utilised by a wide range of sectors, in their decision making, such as banks, airlines and investment firms, as well as all levels of government and industry bodies, and is not limited to use by the accommodation sector.

Tourism comprises almost 3% of Australia's GDP, and represents over 8% of Australia's exports. The NTA questions the basis on which the decision to discontinue the STA was taken, given the economic significance of tourism and hospitality to the Australian economy and the public benefits that are derived.

Tourism and hospitality are currently working with the Federal Government on a plan to double overnight visitor expenditure by 2020, and the STA provides data that are a key part of the investment, operational and policy decisions in this context:

Tourism contributes \$43.4 billion, or 2.7 per cent of Australia's GDP; tourism generates \$27.2 billion in export earnings – representing 8.2 per cent of total national exports. Visitors spend over \$102 billion a year in Australia and tourism and hospitality employ nearly 1 million people.

As an industry dominated by small/medium businesses and fragmented market structure means that tourism relies on public support for industry development. The need for national supply side research and data means that the industry relies on government agencies such as Tourism Research Australia and the Australian Bureau of Statistics for data that can inform public and private investment decisions.

⁶⁹ Australian Bureau of Statistics (online) <http://www.abs.gov.au/Ausstats/abs@.nsf/0/BC1B784B4AD8EE89CA257751001B8B4B?OpenDocument>

1. TOURISM RESEARCH AUSTRALIA (TRA)

Tourism Research Australia (TRA) is the source of key research, intelligence and insight on which the industry relies to strengthen their marketing and business decisions. The relevance of the organisation is further heightened by the absence of any alternative provider of the essential services provided by TRA. TRA provides unique and highly valued research for investment and growth across the industry, providing research and data in a form that the industry can use to make decisions about their products, destinations and marketing.

It is important that the status and funding of TRA is protected, particularly as there is no longer a dedicated budget line for TRA and its activities in Austrade's portfolio budget statements. In this context and in light of the ABS announcements about cutbacks to essential industry surveys, such as the Survey of Tourist Accommodation, the industry seeks the Government's reassurance as to the ongoing status and funding of TRA.

TRA's outreach function is essential to the industry, in an environment where the market itself has under-provisioned research into tourism and where the investment in dissemination of research can lead to significant downstream and industry-wide benefits.

An industry-directed research program for TRA to inform research priorities would be welcomed by industry. TRA could then work with appropriate industry associations to provide distribution channels for practical research outputs and tools and ensure business operators can use the opportunities and insight that the research provides. Current industry research priorities include:

- 1. Ensure the existing core research program is maintained and supported by adequate staffing levels.** This includes the key research activities of the IVS, NVS, State Tourism Satellite Accounts and forecasting.
- 2. Industry economics**
 - a) Update the analysis done in 2003/04 on the net revenues from tourism taxation;
 - b) The dynamics and impacts of events;
 - c) Drivers of productivity for the industry as a whole and for individual sectors;
 - d) Benchmarking or international comparisons of industry and sectors;
 - e) Changes in distribution - the impacts and strategies needed to ensure optimum advantage for Australian tourism.
- 3. Demand**
 - a) Analysis of the demand-side contribution of industry and governments, and modelling the effects of more and less spend.
 - b) Industry/marketing funding models (best practice models) in competing destinations.

4. Supply

- a) Investment drivers
- b) Funding the Survey of Tourist Accommodation 15+ rooms.
- c) Reinstate the Small Accommodation Survey, including what was previously referred to as the 'Extended Scope Survey' of properties with under 15 rooms, with the Census Act underpinning data collection.
- d) Ensure ongoing funding of the ABS funded component of Culture, Sport and Recreation statistics. Cultural statistics in particular provide vital information on visitation, participation and employment across the arts and culture industries, which are vital segments within tourism.

5. Sectors/Regions

- a) Destination Visitor Survey (DVS): This program is fundamental to getting more detailed research on tourism in regional Australia, essentially filling the gap from IVS & NVS (survey data is limited at the regional destination level) and provide insights to help develop and grow regional tourism.
- b) A bottom-up "economic impact study" for the regions which reports on direct and in-direct spend, direct and in-direct jobs created. This was done in the Hunter Valley for the Tourism & Wine Industry specifically and drew up a range of data including cap ex which was calculated through an economic modelling calculation using some 20+ industry classifications (non tourism specific e.g. agriculture – covering wine industry, etc).
- c) Visitation, length of stay & spend for Nature based tourism
- d) New/high yielding niches - e.g. medical tourism, education and knowledge tourism, etc.
- e) Tourism dispersal to regional Australia.

2. ESTABLISH A NATIONAL CENTRE FOR TOURISM RESEARCH

It is proposed that the Commonwealth Government fund and establish an independent **NATIONAL CENTRE FOR TOURISM RESEARCH** to inform policy and practice across the industry, based on these principles⁷⁰:

- a) Independence: through a governance structure that provides independent research while assuring accountability in use of public funds, and partnership funds.
- b) Industry integration and industry driven, built on networks of industry, government and academic representatives. Industry associations to inform and lead the research to ensure distribution channels for research outputs and tools.

⁷⁰ The Future of Tourism Research in Australia, STCRC, 2010

- c) Strategic focus through a rolling research program and annual plans, allowing for short terms issues that may arise.
- d) Practical research focus – operators can use to take up opportunities in the market and innovate in their businesses.
- e) Engagement across Commonwealth, State and Territory governments.
- f) Tactical and partnership research to be leveraged.

Structure:	A company limited by shares
Ownership:	Commonwealth and State Ministers for Tourism
Board:	Appointed by the Commonwealth, drawn from industry with a strong focus on skills and experience.
Oversight:	Annual AGM at Tourism Ministers' Meeting, standing item on TMM agenda

Research parameters

- Data collection
- Economic research, analysis and modeling
- Product development
- Improved business practices
- Market research/competitor information
- Outreach and interpretation (industry role in disseminating this)
- Policy development

Funding

The opportunity exists to derive research funding for tourism via existing tourism related taxes without adding a further levy to the industry's significant tax contribution.

Tourism Research Australia is a well-established and respected agency engaged in research, analysis, and outreach for the industry. It is proposed that the National Centre for Tourism Research be built on this strong base, with a base fund of \$15 million annually to carry out vital research and development function for the industry.

The NTA recommends:

- 1. The Government to continue to fund the Survey of Tourist Accommodation (currently estimated by the ABS at a cost of \$1 million a year) as this also ensures its reliability and impartiality.***
- 2. Commitment to the ongoing funding and status of Tourism Research Australia, with an industry-directed research program.***
- 3. Establish an independent National Centre for Tourism Research.***

CONTACT

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NATIONAL TOURISM ALLIANCE

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