



National Tourism Alliance

Federal Election 2010

Important Issues for Tourism

Context for Tourism Policy

Tourism plays a vital role in our national economy:

- \$40.6 billion or 3.6 per cent of GDP in direct contribution, generating \$88 billion in consumption
- Australia's largest services export - \$23.6 billion or over 10% of total exports
- Creating wealth and jobs for Australians – with almost half a million people directly employed or 4.7% of the workforce.
- Disperses economic activity widely across the country.
- provides a vehicle for cultural and environmental preservation, and to earn valuable foreign exchange.

In 2008, the members of the National Tourism Alliance issued an industry plan for tourism with a strong and highly relevant vision:

*'Our vision is for Australia to be an **inspiring, authentic and diverse destination** attracting both international visitors and Australians alike – and for this to be achieved by a focus on innovation, sustainability and industry working in partnership with the community and government.'* (Tourism in Australia – Future Directions 2009-2014)

In the lead up to the Federal election, members of the NTA seek a commitment from each political party to support tourism. This will be evidenced by the release of a strong, positive tourism policy issued prior to polling date. This policy should commit the Federal Government to work in partnership with industry towards this vision.

2009 was a tough year for Australian tourism with the Tourism Forecasting Committee estimating that total tourist consumption contracted 3.5 per cent in real terms to \$89 billion. This contraction is noted as being due primarily to the significant decrease in domestic tourism, a slight downturn in international visitors, and the strong performance of Australian outbound travel. This sharp decline, on the back of the GFC and a contracting world economy, is the largest since the fall of 3.9 per cent in 2003 (when industry was impacted by SARS and the US invasion of Iraq). Operators have adopted drastic measures to trade through the economic downturn, with many making significant, and costly, cuts to profits margins to enable them to continue to employ staff and operate.

Tourism requires a significant investment from Government to reverse this trend and continue to increase capacity and productivity. Attention must also be given to the long term viability of tourism, so that the significant benefits it provides to the Australian economy can be experienced by future generations. The NTA has also addressed some of the long-term

supply-side issues that need rectification for the industry to maintain international competitiveness, and highlights the opportunities available to the Federal Government to deliver economic, social and environment outcomes in tourism of benefit to Australia.

Ten Policy Proposals to Support Tourism

1. Complete Implementation of NLTS and support a goal oriented approach

In the past eight years, two major reviews of tourism policy have been undertaken, first with the White Paper, and then through the Jackson Report and National Long Term Tourism Strategy (NLTS). The industry does not support any further review into tourism, rather the focus has to be on implementation. In line with the Industry's own plan "*Future Directions in Tourism*", we fully support a goal oriented approach that identifies through effective research and market analysis where tourists are likely to come from (both domestically and internationally), how many there "should" be, what they will spend and what their needs will be. These goals are essential to the supply side policy work that is being undertaken now as part of the NLTS, and will assist in linking the work being done in the separate working groups together.

The development of goals supports the development of a strong business case for greater industry and Government investment in tourism across all portfolios relevant to tourism growth and sustainability. The return on this investment should not just be measured economically, as tourism benefits lend themselves to a true triple-bottom-line approach, as both social and environmental outcomes will also flow from a strong investment in tourism.

Sound progress has been made in the NLTS process to a whole of Government approach to tourism. In particular, there has been stronger Federal/State cooperation and commitment to a common agenda which addresses supply side issues (many of which are the responsibility of State and Local Government). However, there urgently needs to be more industry involvement in the implementation of the NLTS agenda via the working groups to ensure industry ownership of the initiatives.

The profound importance of the industry/government partnership driven by realistic but aspirational goals for the future of tourism is a critical context for the remaining policy positions.

2. Funding to promote tourism

No Federal tourism policy is credible without a strong commitment to adequately fund Tourism Australia. Tourism requires a substantial marketing budget to be able to deliver tourism outcomes for both the inbound and domestic market. Whilst the market failure that results from a largely small business dominated structure in tourism necessitates a significant role for Federal Government funding for Tourism Australia, success of cooperative funding approaches and campaigns that can be readily leveraged by industry illustrate how the investment can be strengthened through a better partnership. This approach, by necessity, requires that Tourism Australia remains consultative and responsive to industry views and needs.

Funding for Tourism Australia in the next election cycle should not only be no less than the current commitment, but most importantly, be informed by the goals set for future tourism

growth. The markets Australia needs to target, as well as the quality and quantity of that marketing effort in order to achieve the goals should dictate the quantum of funding. It is likely that the ROI business case will indicate an even greater investment than current levels. However, at the very least the tourism industry identifies the following areas as suffering from significant under-investment requiring an immediate injection of additional funds.

- \$8 million each year for the next two years for domestic tourism initiatives, as this part of the market has suffered the most under the GFC;
- Funding for new initiatives in Business Events of \$10 million per year over the next two years; and
- An investment of \$10 million for the next two years in education tourism (not necessarily to TA as other bodies are involved in education marketing), to rebuild image and strengthen long term future in key and new markets.

In addition to increased Tourism Australia funding and campaigns conducive to cooperative funding, another essential element in the Government/industry marketing partnership is via the Export Market Development Grant scheme. It is vital that there is a strong commitment to the continuation of funding to the EMDG scheme, as well as a medium to long term objective to raise the cap to ensure that all opportunities to promote Australia as a tourism destination are taken advantage of by industry.

3. Establish a Tourism (or Visitation) Research & Development Corporation

The Federal Government has appropriately placed a high priority on innovation, as demonstrated by the major review of mechanisms to promote innovation in Australia. However, the members of NTA are not convinced that there is an understanding of what innovation looks like and how it occurs in industries such as tourism.

Innovation in tourism is about developing new ways to take product to market; new tourism developments that play to our strengths; new ways of improving labour productivity in numbers of meals served; improved ways to transport visitors; or through a wide range of other activities. Tourism has now lost its only Cooperative Research Centre (“**CRC**”), and with the NLTS not delivering any new funding for research, development and innovation in tourism we cannot see how our industry has been embraced by this new innovation agenda.

To drive innovation in tourism, it is beneficial to examine the R&D model in use in agriculture. Tourism’s contribution to the economy is worthy of its own Research & Development Corporation that would embrace research and the programs that assist both industry development and product development. This TRDC would be based on the industry working in partnership with Government to achieve innovation objectives.

This would be achieved with funding of:

- \$25 million for core research and extension projects including the key research elements (currently covered by the Tourism CRC) and “whole of tourism” initiatives such as the accreditation framework;
- \$25 million to support product development and business innovation including what currently is covered by TQUAL grants; and
- \$10 million to provide a Joint Venture funding process similar to that used by Rural RDCs. Peak bodies would be able to apply for the JV funding to assist with

industry development and extension.

This investment is only about one-tenth of what is spent in agriculture, which although has similar structural characteristics to tourism (largely small business and geographically spread), is smaller in economic contribution and significantly less in employment.

The funds will provide much needed support for training of small business owners in tourism, research extension workshops linked to and complementary to the proposed tourism ABARE-style annual conference.

4. Deliver a sufficient supply of skills and labour to service tourists

Skills shortages in vocations such as chefs are endemic and recent changes to immigration regulations have exacerbated the problems. However, tourism's needs are not just limited to the supply of skilled staff, but just as important is the need for semi skilled and unskilled workers. The labour intensive and competitive nature of the tourism industry makes competing in the broader labour market very difficult. Not only will high profile sectors such as mining put pressure on this labour market, but also growth in health & aged care (where personal services and catering staff are also in high demand) will exacerbate staff shortages.

In addition, the tourism related industries have the lowest levels of post school qualification. As a result, the need for upskilling current staff is acute. With such a labour intensive industry, the economy-wide benefits of the increase in productivity that would result will be significant.

The NTA supports the work of the NLTS working group on labour and expects a full commitment to implementing recommendations of benefit to tourism. The holistic cross-industry cross-Government approach that is being taken is essential to implementation of workforce development solutions. Also, the finalisation of the goals for tourism will result in an assessment of workforce needs, and appropriate policies and proportional access to funded programs will be required to meet that demand.

5. Ensure the workplace relations environment meets the needs of labour intensive tourism small businesses

As most businesses serving tourists are small and labour intensive, any increase in labour costs has a profound impact of profitability and sustainability.

There have been significant issues of concern arising from the **award modernisation** process. The goal of simplification attached to award modernisation is a worthy one, but it has come at a price. In many sectors and regions, small businesses in tourism are now captured by awards and conditions not suited to their tourism operations, and at a much higher cost in wages than previously. The award modernisation phase-in helps, but it is not sufficient to alleviate the cost impact. For example, many businesses have seen an increase in penalty rates previously applying, and in a 24-7 industry, this change is significant and magnifies any increases granted in the minimum wage. Within the new workplace relations framework there is a greater need for negotiation of individual terms and conditions.

Most recently, the announcement in the Federal Budget that there is to be an increase in the **statutory contribution to superannuation** paid by the employers is of significant concern. The phased increase in the Superannuation Guarantee Levy from 9% to 12% will be a major

cost to tourism businesses as it is not matched by productivity improvements, and inequitably burdens labour intensive businesses, reducing the competitiveness of their products and services as against other consumer offerings such as imported goods.

Increases in superannuation should instead be achieved by incentivising employees to contribute. This will have the added benefit of encouraging Australians to take a stronger interest in their superannuation which will improve the efficiency of the system.

6. Reduce Passenger Movement Charge Burden

The NTA submits that no further increase in the PMC is justified on economic or any other grounds, and not only should both parties commit to not increasing it at any stage in the next term, but they should go further and commit to eliminating the charge in accordance with the recommendation of the Henry Tax Review. Alternatively, at the very least, the Federal Government should ensure that border control agencies have adequate resources, at least to the extent of hypothecating PMC revenue, to meet the demands of any future increases in international services and the development of such services to additional non-gateway airports. This would serve to promote and enhance Australia's reputation as a prime international tourist destination.

The current over collection for the benefit of consolidated revenue is inequitable and counterproductive. Encouraging tourism will lead directly to taxation revenue increases through greater spend and more tourists.

7. Support initiatives to enhance the quality tourism experience

The NTA welcomes the recent Federal Budget allocation of funding to the TQUAL Accreditation Framework of \$5.5 million over four years. Although this will be sufficient to cover the secretariat and assessment costs, there need for more marketing funding should be constantly assessed. The end goal is visitor satisfaction from quality visitor experiences – this needs an integrated cooperative marketing strategy between Government and industry.

In a broader quality context, the Accreditation Framework should be seen as one of a number of key initiatives that have been and should be utilized to improve the tourism experience. On a wider scale, there needs to be a commitment from Government and industry to a holistic approach to quality control in tourism. This would include:

- training and benchmarking delivered both through the TRDC and other industry mechanisms;
- Industry Awards, such as the tourism awards and other award processes overseen by members of NTA, which reward best practice; and
- the role of the distribution channels which for commercial reasons select and constantly evaluate the quality of the businesses aggregated into travel itineraries.

The coordination of these initiatives should be brought within the TRDC, of which the Total Quality Council of Australia (currently managing the roll out of the Accreditation Framework) should be a part.

8. Increase funding for Business Events

The business events market has enormous untapped potential. It is imperative that Australia continues to support and attract this market through increasing funding to Business Events Australia, the specialist unit within Tourism Australia. The Government must also allocate additional resources to support Australia in attracting international events and conferences.

The NTA calls on Government to provide national leadership and adequate funding to help Australia win international business events that drive innovation and boost skill development, and maximise the attendances at these events. There are currently insufficient resources to do so effectively. As mentioned above, we seek \$10m pa for two years.

9. Introduce Incentives for Employers to Train

The NTA supports the policy approach of ACCI in seeking the allocation of Government funding to education & training outcomes that provide incentives for employees to participate, maximise opportunities for participants and enhances efficiencies within the system.

Complementary to this, there are two imperatives which can be addressed by the one solution:

- a. Improving productivity is one of the most important goals of the Australian Government – by its own admission to do otherwise will have enormous economic consequences due to the aging of the population. Productivity will only increase if the skills learnt via training investment are utilised in workplaces.
- b. Across Australia, particularly in regional Australia, there are underutilised assets in hospitality and corporate meeting venues which can be used for corporate training. The drop off in corporate training has led to the exacerbation of this underutilisation.

Australia needs a training incentive for employers to skill their staff which will deliver real productivity benefits and a very direct ROI from the investment of training dollars by Government. Effective implementation of this type of incentive should see a stronger investment by business and therefore the opportunity for Government to save in other areas of its training budget. By limiting the incentive to Australian-based training, the scheme would support training delivered locally, and also generate activity in the hard hit business venue market, thus ensuring that underutilised capacity in venues is taken up

The funding for this incentive should be considered within the overall context of investment in education and training. The incentive itself could take the form of a rebate, or a voucher, or a payment similar to what is paid to the employers now when taking on apprenticeships.

10. Promote and Enhance the Tourism Retail Experience

One of the most important areas of tourism expenditure is retail. There has been success in recent years in linking food & wine experiences to the purchase of “local or regional” produce and these should be encouraged.

Internationally, Australia needs to be a competitive shopping destination and the Tourism Refund Scheme needs to be well publicised and a private operator introduced to maximise

the awareness of and participation in the Scheme.

There has been significant criticism of the Tourist Refund Scheme, regarding both the level of marketing advising international tourists of its availability and also of the ease of accessing refunds. Tourism has robustly advocated changes to this scheme to allow private operators to claim refunds on behalf of tourists. International visitors experience significant difficulty in accessing funds, largely due to the low profile nature of the scheme.

A private provider would bring Australia in line with equivalent retail tourism refund schemes across the world, enabling Australia to remain competitive in the global tourism marketplace. The NTA submits that the Federal Government increase access to the TRS through obtaining the States' agreement to enable a private provider to operate the TRS as well as increased funds to market the availability of this scheme.

Members of NTA:

The NTA is ideally positioned to provide a holistic perspective of the industry's short term needs, as well as the assistance needed for long term prosperity. The NTA includes the following significant associations as its members:

- Australian Tourism Export Council
- Australian Federation of Travel Agents
- Victorian Employers Chamber of Commerce & Industry
- Restaurant & Catering Australia
- Hotel, Motel & Accommodation Association
- Caravan, RV & Accommodation Industry of Australia
- Australasian Casino Association
- Board of Airline Representatives
- Business Events Council of Australia
- Winemakers' Federation of Australia
- Australian Airports Association
- Australian Regional Tourism Network
- Queensland Tourism Industry Council
- South Australian Tourism Industry Council
- Tourism Council Australian Capital Territory
- Tourism Industry Council Tasmania
- Tourism Industry Council Western Australia
- Tourism Industry Council New South Wales
- Victorian Tourism Industry Council