



**Productivity Commission
research paper:
Australia International Tourism Industry
A submission from Crown Resorts Limited**

INTRODUCTION

Crown Resorts (Crown) welcomes the opportunity to contribute to the Productivity Commission's research project examining Australia's international tourism industry.

Like many other sectors of the Australian economy, the tourism industry is increasingly becoming reliant on growth from Asia. This submission provides an overview of the opportunities that lie in targeting a greater share of outbound tourism from Asia, and China in particular. This submission also outlines a number of key areas of reform that will better position Australia to capture the economic benefits of the growth in Asian tourism.

BACKGROUND ON CROWN RESORTS

Crown is Australia's largest Integrated Resort operator with a global luxury business that includes properties and investments in Melbourne, Perth, Macau, Manila and London. Crown's resorts are renowned globally, particularly in Asia, for their focus on luxury accommodation, quality dining, shopping experiences and world-class entertainment facilities. Crown Resorts is one of Australia's largest tourism operators with over 28 million visitors per annum and more than one third of Crown's revenue is generated from international visitors.

Crown is now Australia's largest tourism revenue generator, excluding the airlines. Our resorts in Melbourne and Perth are the benchmark for our competitors, consistently recognised by industry and Australian governments as best-in-class. In 2014, Crown Melbourne was awarded 'International Integrated Resort of the Year'.

CROWN MELBOURNE

Crown Melbourne is Australia's largest Integrated Resort. It is a significant driver of tourism within Australia, particularly in Victoria, attracting over 19 million visits a year.

The Crown Melbourne precinct includes three hotels being Crown Towers, Crown Metropal and Crown Promenade. There are approximately 1,600 guest rooms across the three hotels, ranging from six-star luxury to premium five-star and quality four-star accommodation. Crown Melbourne has a wide variety of retail, entertainment and food and beverage offerings. There are two luxury day spas, more than 40 retail outlets and around 70 restaurants and bars which provide a large and diverse entertainment offering to cater for a significant number of visitors.

Crown Melbourne includes visitor infrastructure for entertainment and events that include a 900 seat showroom as well as the 1,500 seat Palladium Ballroom. In recent years, Crown Melbourne hosted the TV Week Logie Awards, the Cricket Australia Allan Border Medal, the AFL Brownlow Medal and the Australian Masters Golf Gala Dinner.

Crown Melbourne continues to enhance the property to ensure it remains competitive with the best in the world. Over ten years from financial year 2008 to 2017 Crown is investing \$1.7 billion to achieve this.

CROWN PERTH

Crown Perth is one of Western Australia's largest tourist destinations, attracting more than 9 million interstate and international visits per year. The precinct includes 33 restaurants and bars, a nightclub, casino, a 2,300 seat theatre and a world-class convention centre.

Crown is currently investing \$645 million in the resort to construct Perth's first six-star hotel, Crown Towers Perth. When complete, it will be the largest hotel in Perth and will increase hotel room capacity at Crown Perth to nearly 1,200 rooms. Crown Towers Perth is expected to open at the end of 2016 and will have approximately 500 luxury rooms and include VIP gaming salons, restaurants, bars, resort and convention facilities.

CONTRIBUTION TO AUSTRALIA

Economic and Employment contribution

This year Crown engaged ACIL Allen Consulting to conduct an independent assessment of the economic contribution made by Crown. In its report, ACIL Allen Consulting estimated the direct economic impact to Australian real GDP of Crown's Australian resorts is up to \$4.5 billion with Crown Melbourne contributing up to \$3.1 billion and Crown Perth contributing up to \$1.4 billion.

And while around 15,000 people work at Crown's Australian resorts, ACIL estimates that the direct and indirect full time employment impact associated with these resorts is estimated to be up to 26,000 people. In 2013 Crown Melbourne was awarded both 'Australian Employer of the Year' and 'Victorian Employer of the Year'. Crown has previously won both awards as recently as 2010. Significantly, Crown is one of the largest taxpayers in the country, contributing around two-thirds of its pre-tax profits, or approximately \$590 million, to State, Federal and local governments.

Training contribution

Crown invests heavily in hospitality and tourism training. Crown has built a \$10 million dedicated training facility in Melbourne 'Crown College' and also opened a 'Crown College' in Perth. Crown has graduated approximately 7,200 apprentices and trainees with nationally accredited qualifications. In 2014 Crown provided over 400,000 hours of training for employees across its Perth and Melbourne resorts.

Investing in new tourism infrastructure

Crown is actively investing in its assets to maintain its position as a leading integrated resort operator in the region. Over the ten years from 2008 to 2017 Crown's investment will have exceeded \$3.3 billion in Melbourne and Perth. As outlined earlier, Crown is currently investing \$645 million to construct Crown Towers Perth, a new world-class six-star hotel. Crown is also proposing to build Sydney's first six-star hotel and Integrated Resort at Barangaroo on Sydney Harbour.

KEY TREND: THE GROWTH OF ASIA AND THE CHINESE VISITOR MARKET

The most significant trend in the Australian international tourism industry has been the growth in visitor numbers from Asia, and China in particular. Over the last decade visitors from China have more than tripled with 709,000 travelling to Australia in 2013. Significantly, Chinese visitors now make up 10.2 per cent of the total Australian tourism export market.

While the number of visitors or volume is important, the yield or overnight expenditure generated by tourism is a better measure of the Australian visitor economy performance. According to the World Tourism Organisation (WTO) visitors from China are the largest spenders globally, with a total USD\$129 billion in 2013. In Australia, we capture a fraction (3.7%) of this, with Chinese visitors generating \$4.8 billion in total expenditure in 2013.

The Tourism 2020 Strategy, agreed to by the Commonwealth, State and Territory Governments estimates that China has the potential to grow to between \$7.4 billion and \$9.0 billion in total expenditure by 2020. While Australia can try to compete at an international level to increase mass tourism numbers from Asia, the most effective strategy is to compete for a greater share of high end luxury tourism.

KEY TREND: GREATER COMPETITION FOR CHINESE VISITOR MARKET

Like Australia, competitor destinations such as the United States, the UK and Singapore have recognised the potential of outbound tourism from the Asian region and those competitors are working hard to increase their market share, particularly among Chinese outbound tourists.

As a result of greater competition, Australia has been losing market share. The pace of growth in mainland Chinese visitor arrivals to Australia has nearly halved over the last year as other destinations compete for this source market (growth in visitors from China has fallen from 19.3% to 10.5%).¹ At the same time, destinations such as the United States are increasing their Chinese visitor growth rates. Chinese visitors to the USA increased by 23 per cent and Canada by 30 per cent during the same period.

The loss of market share can be partly attributed to increased attention from international competitor destinations for Chinese tourists. In 2013, Brand USA increased its marketing focus and presence in China and Canada also continues to run a consumer campaign in China to raise awareness and intent to travel.

Marketing is not the only key driver for visitation. New product development to drive interest and intention to travel is critical. Crown understands the value of investing in its products to ensure they meet customer expectations and compete with the best in the world.

One of the main factors in determining Australia's competitiveness in capturing a greater share of the Chinese visitor market is our tourism visa policy. Australia will need to seriously address visa reform if we are to remain a competitive and easy destination for visitors from the Asian region. Later in this submission we will draw specific attention to the role of visas in improving Australia's competitiveness.

¹ Australian Bureau of Statistics, Overseas Arrival Data, September 2014

KEY TREND: DEMAND FOR LUXURY TRAVEL EXPERIENCES

Asia's rising middle class have a preference for luxury goods and services. A 2011 McKinsey study into the consumption habits of China's middle class found that the rapid increases in wealth, and the shifting social conventions that sanction the display of that wealth, are driving a growing infatuation for luxury goods.

The Chairman and Chief Researcher of the Annual 2012 Hurun Wealth Report, which studies the number of wealthy Chinese, is quoted as saying:

*"As China is set to become the world's biggest market for luxury, it is critical to understand the Chinese luxury consumer."*²

A recent report on the global luxury industry completed by Bain and Company found that *"Chinese consumers represent the top and fastest growing nationality for luxury, spending abroad more than three times what they spend locally"*.³

The preference of the Chinese wealthy and middle class for a luxury experience explains why most Chinese tourists prefer spending time in major cities, where they can enjoy luxury products and experiences. In fact, Chinese tourists in Australia spend approximately 80% of their nights in Sydney, Melbourne, Brisbane and Adelaide when they travel within Australia.⁴

The desire for a luxury experience also explains why so many Chinese tourists are attracted to luxury hotel resorts.

² GroupM Knowledge and Hurun Report, 'GroupM Knowledge and Hurun Release Wealth Report' (31 July 2012)

³ Bain & Company, Global Luxury Goods Worldwide Market Study, Fall 2014 Update

⁴ Tourism Research Australia, 'China—Inbound and Outbound Travel, Snapshot 2011' (June 2011)

The Allen Consulting Group Report (August 2012) noted the following:

“Given the importance of luxury goods and services to China’s rising middle class, it is easy to understand why they are attracted to luxury integrated resorts which have unparalleled accommodation, world-class restaurants and high-end retail.”⁵

The Commonwealth Government’s 2012 ‘Australia in the Asian Century White Paper’ suggested that the Australian tourism industry needed to develop greater luxury experiences to attract Asian tourists, and singled out Crown’s tourism offering as an example of what is required to succeed:

“Importantly, the tourism industry needs to develop culturally relevant products to capitalise on growing Asian interest in Australia as a tourist destination. This will mean developing sophisticated luxury urban tourism opportunities, such as those offered by Crown [Resorts] Limited, as well as showcasing Australia’s outstanding natural beauty.”

The Boston Consulting Group’s submission to the Commonwealth’s ‘Australia in the Asian Century White Paper’, identified and profiled 13 successful Australian export companies, one of which was Crown. Of these companies the report said:

“They are part of a vanguard of companies leading the way based on observable competitive advantages, understandable patterns of Asian needs and constant innovation of their customer propositions and business models.”⁶

Chinese travellers are also attracted to resorts with gaming facilities. Dr Marc Faber, a well-known US investment analyst found that “80% of Chinese travelling outside the country for the first time head for a casino and 90% of Chinese who travel to the US visit Las Vegas.”⁷

This all explains why governments globally and in particular Asia, are now considering and supporting luxury hotels, which incorporate gaming, in their push to increase tourism from China.

The availability of VIP gaming experiences also plays a critical factor in attracting high-net-worth visitors from the Asian region. There are an estimated 30 million Chinese customers in the premium gambling market. A growing number of Chinese citizens are travelling to visit premium Integrated Resorts in Asia. Integrated Resorts such as Crown play a crucial role in attracting luxury travellers with the flow on benefits contributing to the broader Australian tourism industry and economy.

Australian integrated resorts present an excellent tourism opportunity to capture growing international demand for luxury travel, as they cater to the desire of the Asian middle class.

⁵ Allen Consulting Group, ‘Crown Sydney Proposal—An Economic Benefit Assessment’ (August 2012)

⁶ Boston Consulting Group, ‘Imagining Australia in the Asian Century’ (September 2012)

⁷ Dr Marc Faber, ‘The Chinese Tourists like Casinos’ (22 December 2011)

CASE STUDY: SINGAPORE AND INTEGRATED RESORT TOURISM

In 2004, the Singapore government announced its decision to put out to tender the construction and operation of two large multi-billion dollar integrated resorts on the island state. The driver behind this decision was to dramatically boost tourism to Singapore. The Prime Minister of Singapore recognised the importance of Integrated Resorts to Singapore's tourism agenda. He believed that the integrated resorts would "...make Singapore a centre for tourism, business and conventions and attract hundreds of thousands more tourists each year." And he recognised that "there will be spin offs to the rest of the economy."

Supported by significant marketing campaigns and sector-wide tourism initiatives by their government, the Integrated Resorts of Singapore offer the highest level of luxury accommodation, gaming and entertainment of any facilities in the world. In turn, their share of the international tourism market has increased exponentially and so too have the direct and indirect benefits to their broader economies.

In the first year of the Integrated Resorts' operation, Singapore's GDP increased by 14.5 per cent and tourism revenue increased 49 per cent to S\$18.8 billion dollars in 2010. In this same period hotel revenue increased 21.8 per cent year-on-year to S\$1.9 billion.

Singapore's visitor numbers have increased from 8.3 million visitors per year in 2004 to 15.5 million visitors per year in 2013. With the current rate of growth Singapore is on track to achieve their target of 17.0 million visitors by 2015.

Government support has been an element critical to the success of the two resorts. Singapore's Government has provided significant infrastructure, marketing and incentivised support to ensure the challenges posed by significantly increased international visitor numbers are met.

Support has come in the form of: incentives to organisers of business events, meetings, conferences and exhibitions to hold their events in Singapore; the Singapore Tourism Board (STB) has a specific unit dedicated to promote and support the resorts; images of the two new integrated resorts are presented in all key brochures, television commercials and web-based advertisements generated by the STB; and, they facilitate 'fast tracking' through airport customs and immigration of VIP visitors to the integrated resorts. As well, the Government has provided infrastructure capable to accommodate increased flow of tourists.

FACTORS THAT INFLUENCE AUSTRALIA'S COMPETITIVENESS AS A TOURISM DESTINATION:

While there are a number of issues which affect our competitiveness as a tourism destination, the following factors are critical to our ability to hold or increase our market share of visitors from the Asian region:

Improved visa processing

In recognition of the economic benefits of tourism, there has been a global shift to enhancing visitor visa processes to make them faster and less expensive. As recent as 1996 Australia could boast one of the most advanced visa processing systems. However, Australia has not kept pace with the global trend of faster and less expensive tourism visas and is being outperformed by other tourism destinations.

A key challenge lies in the lack of reform of visa processing to reflect the shift in our best performing tourism source markets. Australian visa application processes still favour traditional source markets and are not structured to capture the benefits of the ever growing Asian tourism market. Visitors to Australia from United States, Britain or Hong Kong can complete an online form and receive an electronic visa immediately for AUD20. In contrast, a visitor from China

faces a fee of AUD130, has to produce considerable evidence to complete a 15 page paper based application in English, and wait up to 15 days for processing. Application forms also must be posted or made in person at one of only three Visa Application Centres (VAC's) located in Beijing, Shanghai or Guangzhou. A single separate application needs to be made for each family member travelling to Australia.

A comparison of visitor visa processes completed by the Tourism & Transport Forum (TTF)⁸ found that current processes lagged behind a number of countries, including the UK, United States, and Canada who have introduced online application processing that may be completed in less time than Australia.

The following table provides a summary of some recent changes to visa processing among a number of competitor destinations that are seeking to capture a greater share of the Chinese tourist market.

United States of America	Has made significant investments in reducing the processing time, now 1-2 days, to obtain a visitor visa. Chinese visitors can also apply for visas online and collect their visa from more than 900 locations across China. More recently the United States and China have reached to an arrangement that will allow multiple-entry visas for up to 10 years for business and tourist travel, replacing the need to reapply annually.
United Kingdom	Has streamlined the visa application process for Chinese, allowing visitors to apply for a Schengen and UK visa at the same time. They have also introduced an online application form which has been simplified with fewer questions. The UK also offers Chinese a 24 hour Super-Priority Visa as part of a new premium visitor service targeted at high-net-worth visitors and business travellers to the United Kingdom. In September, UK Chancellor George Osborne also announced plans to refund the cost of up to 25,000 visas for Chinese tourists to attract more visitors.
Singapore	Allows visa applications to be completed online. Visitor visas for Singapore can be processed in one working day.
South Korea	Waived visa requirements for Chinese visitors to Jeju Island – a resort island destination. This has helped make South Korea one of China's most popular outbound destinations. Chinese visitors now account for more than 40% of inbound visitors to South Korea, up from 22% two years ago.
Spain	Chinese visitors will be able to gain a tourist visa within 48 hours.
Indonesia	Waived the USD35 fee for Chinese visitor visas from 2015 as part of a broader plan to lift tourist numbers by 500,000 a year.
Thailand	Has waived the application fee for Chinese visitor visas.

⁸ Visitor Visa Reform: Reducing the barriers for travel to Australia, Tourism & Transport Forum, 2014

Premium visitor processing at Australian airports

Premium tourists are courted by countries around the world because they spend significant amounts of money in the economy during their visit and they also have the potential to deliver great investment and trade opportunities in the future.

Business travellers and premium tourists are increasingly being given priority customs and immigration service on their arrival in many foreign countries. Unfortunately this is not the case when they arrive in Australia. The Australian VIP tourist arrival experience is not world-class or in line with the expectations of the luxury tourism market.

If Australia is to be competitive in attracting these premium tourists to Australia, we need to offer a higher level of service upon arrival. A dedicated path for high net worth tourists that is separate from the mass tourism market and expedites arrival and departure processing is necessary. Such a service can be delivered on a fee for service basis to ensure the incremental cost to Government from providing additional immigration or customs resources are recovered. Full compliance with all existing immigration and customs requirements would still be maintained.

Enhanced Asian language skills and cultural awareness

An understanding of Asian culture, particularly the Chinese culture, together with staff who speak Mandarin and other Asian languages will be essential if the tourism industry is to provide the level of service that Asian visitors will expect on arrival. However, the number of Australian school age students studying Asian languages has declined.

A report completed by the Asia Education Foundation at the University of Melbourne in 2010 showed that there had been a decline in the number of students studying a number of Asian languages – Korean, Indonesian, Japanese and Chinese dropped

from 24 per cent in 2000 to 18 per cent in 2008. The report found that at Year 12 fewer than 6 per cent study one of the four languages and that 50 per cent of these were Asian “background” or heritage speakers. While a revised report has not been produced by the Foundation, there is little evidence to demonstrate that this trend has changed for the better.

Currently the industry has great difficulty in recruiting staff who speak Mandarin. To cope with the expected influx of Asian tourists, Australia must take significant steps to meet cultural requirements for food, signage for key tourist destination and airports, media and entertainment in Asian languages. Where possible, front line Government services for tourists such as Customs should seek to recruit employees with proficiency in major tourist languages. At the very least, these agencies should have training to assist them with cultural awareness and sensitivities to provide a better visitor experience.

Crown currently delivers a number of Cultural Awareness Training programs with a focus on appreciating people’s differences, cultural diversity, avoiding stereotyping and communication. The Boston Consulting Group’s submission to the ‘Australia in the Asian Century White Paper’ had the following to say about Crown’s record in this area:

“Crown has a relentless focus on customer experience. Through its training facilities and hiring practices Crown aims to ensure its Australian staff members are Asia-literate. Multi-lingual staff members assist customers with their needs and casino services are offered with the Asian customer in mind.”⁹

In January 2015 Crown will roll out a new Online Asian Service Training Program which covers knowledge and understanding Asian cultures. All Crown frontline employees will be required to complete the foundation skills training program to help build cultural awareness and understanding.

⁹ Source: The Boston Consulting Group, ‘Imagining Australia in the Asian Century’ (September 2012)

SUGGESTED REFORMS TO HELP IMPROVE OUR COMPETITIVENESS

As mentioned earlier in the submission, the growth rate of visitors from China to Australia has halved in the last year while other competing destinations such as the USA are experiencing year-on-year increases in visitor numbers from China. Without action from government, Australia risks missing out on the significant economic benefits of mass tourism from China and the greater Asian region.

Crown believes the following reforms will help make Australia's tourism industry more competitive with other competitor nations:

- **Prioritise the implementation of online visitor visa processing for key markets, making China a priority:** While Crown recognises that the process of implementing online visa processing is underway; implementing a system for Chinese visitors should be a priority.
- **Continue to review and simplify documentation requirements of visitor visa applications, including the roll out of online forms in other languages than English:** The current application documentation can be a significant barrier, especially for non-English speakers. Applications should be able to be completed in languages other than English.
- **Extend multiple-year multiple entry visas to leisure visitors and other countries:** Australia should match the USA and remove the requirement to re-apply for a tourist visa in order to encourage repeat visits.
- **Reduce visa application fees to make Australia the most cost competitive destination:** Australia should significantly reduce the cost of visa applications to remain competitive with other destinations that have reduced or eliminated application fees all together.
- **Premium visitor processing option on arrival at Australian airports:** Australian Customs should provide a dedicated path for VIP tourists for on-terminal arrival and departure at major international airports on a cost-recovery basis.



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