

Submission to the Productivity
Commission

In response to the

Business Regulation

*Benchmarking – Role of Local
Government.*

Prepared by:
Queensland Tourism Industry Council

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INTRODUCTION

The Queensland Tourism Industry Council (QTIC) welcomes the opportunity to provide feedback to the Productivity Commission's *Business Regulation Benchmarking – Role of Local Government Issues Paper 2011*.

QTIC coordinates the interests of industry operators, regional tourism organisations and peak associations by providing advice and advocating for public policy that delivers on the needs of the tourism industry at local, state and national level.

The tourism industry is suffering from skills and labour shortage, a lack of investment in new infrastructure and a lagging regulatory framework that supports industry development. Regulatory reform comprising of concentrated packages to assist the tourism industry will generate significant national benefits and assist to address the key competitive challenges facing Australian tourism businesses.

The regulatory footprint on tourism is heavy and broad, relative to other sectors and countries.¹ QTIC supports regulatory reforms that provide industry with certainty in planning and regulation, are conducive to investment attraction and support product development.

The tourism sector is made up of a number of industry sectors; including accommodation, hospitality, transport, retail, business and major events, recreation, and educational and cultural services² (see Appendix 1), employing over 220,000 people, or 9.9% of all people employed in Queensland.³ The tourism industry employs substantially more than the mining sector (43,800 direct jobs) or even agriculture, forestry and fishing combined (81,900 direct jobs)⁴.

Tourism is a key economic driver in many Queensland regions, supporting regional employment and community growth. The tourism industry in Queensland contributed \$17 billion to Queensland's Gross State Product (GSP), representing 7.7% of total GSP and generated \$3.8 billion in exports in 2010, making it the second largest export earner behind coal⁵.

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 industry such as mining (\$1.667), retail trade (\$1.80) and education and training (\$1.38).⁶

Tourism should remain consistently referenced as an economic driver in regional development strategies and planning, including in its role as a community 'builder' and promoter of environmental objectives.

QUEENSLAND TOURISM INDUSTRY COUNCIL

QTIC is the State peak body for tourism in Queensland. The voice of tourism, QTIC represents the interests of the tourism industry, including business operators, Regional Tourism Organisations (RTOs) and sector associations.

All of Queensland's 14 RTOs (Appendix 2) are members of QTIC as are 20 of the industry sector associations (Appendix 3) and in excess of 3,000 regional members, operating in all sectors of the tourism industry. Due to the nature of the tourism industry, QTIC is well placed to work with governments to coordinate and facilitate industry input into reform agenda areas. QTIC works in partnership with government at a local, state and national level, to strengthen the voice of tourism in all relevant policy forums.

The feedback and recommendations in this submission can be considered a united Queensland tourism industry response.

QTIC is already committed to working with government and industry through the following national and state strategies:

- Australian Government, *National Long-Term Tourism Strategy*
- Tourism Australia, *2020 Tourism Industry Potential*
- Queensland Government, *Queensland Tourism Strategy*
- Queensland Government, *Towards Q2: Tomorrows Queensland*

NATIONAL LONG-TERM TOURISM STRATEGY

In December 2009, the Australian Government delivered the *National Long Term Tourism Strategy (NLTS)*, a national strategy for unlocking the future benefits of sustainable tourism for the Australian economy.

The Tourism Ministers' Meeting was established to guide the strategic deliverables of the National Long Term Tourism Strategy.

On 14 October 2011 the Tourism Ministers' Meeting announced the completion of a number of research reports by the Investment and Regulatory Reform Working Group, on Investment and Regulatory Reform.¹

The Tourism Ministers agreed to six priority reform areas arising from the reports (subject to jurisdictions' consideration) and suggested those that have cross-jurisdictional implications should progress through COAG. QTIC provided support for the recommendation to be progressed through COAG in a submission to the Business Regulation Working Group, on the 'Future Regulatory Reform Agenda, Stakeholder consultation.

QTIC supports the six priority reform areas for inclusion on the COAG Future Regulatory Reform Agenda:

- Review of land-use definitions and zoning.
- Merit-based process to manage and escalate consideration of state or regionally significant tourism developments.
- Establishment of tourism investment facilitation function in each jurisdiction.
- Policy and regulatory changes to support floor space ratio concessions for accommodation in high density areas².
- Review of the introduction of accessible room requirements for new buildings under classes 2 and 3 of the Building Code of Australia (BCA).
- Review of the development approval process for tourism development in National Parks and other high natural amenity areas.

¹ L.E.K Consulting, Tourism Investment and Regulation Review, Final Report August 2011; The Allen Consulting Group, Framework guide to facilitate tourism investment: companion report, June 2011.

RESPONSE

Governments not only determine the supply of public tourism services and infrastructure, they also influence the price and availability of all inputs into the private sector's production of products and services. Industrial laws affect labour costs; immigration policies regulate labour supply; education policies influence skill levels; taxes and charges impact on the cost of capital; planning provisions determine availability of land; business regulations set parameters for entrepreneurship; consumer protection laws set quality standards.

To remain competitive in a global market, the tourism industry relies heavily on government policies and business laws and regulation to provide conditions that foster new investment, encourage product renewal and allow for the profitable operations of existing businesses.

Notwithstanding a range of adverse, external impacts on the tourism industry over the last decade, the evidence suggests that Queensland does not currently enjoy the benefits of optimal policy and business conditions for the tourism sector. Despite a growing global tourism market, Queensland has lost market share over the last decade. There is frequent commentary, including from government agencies, that new investment is needed and that quality standards need to be improved. Businesses, on the other hand, draw attention to an increasingly complex and costly regulatory environment, threatening the viability of existing operations and deterring further investment.

QTIC focused on 4 core questions, falling under the following headings:

ADMINISTRATION AND OPERATIONAL COSTS

- *Which local government regulatory areas impose the greatest unnecessary regulatory burden on businesses? In what ways are these approaches unnecessarily costly, such as too complex, prescriptive or unclear? For example: planning and land use, building and construction, environmental issues, community health services, public safety, regulations which address natural disasters such as flood and fire, food safety, native title, infrastructure, hospitality, tourism, communication, roads and transport.*

Tourism businesses operate in a very wide range of sectors: transport, education, accommodation, hospitality, attractions, tours, marine, environmental, conservation, events, consulting, entertainment, agriculture, development, health etc. As a consequence, there are multiple legislative and regulatory provisions that affect individual businesses and the industry as a whole. The secondary impacts of regulatory changes tend to spread widely in the tourism industry due to the interdependencies of services providers.

It is critical that government makes comprehensive, tourism-focused assessments of the impacts of current and proposed business regulations, across all relevant portfolios. There have been numerous attempts to 'cut red tape' and some initiatives have been successful in reducing some business burdens, however, as regulation is reduced in one area, new and more onerous and more costly business hurdles are created elsewhere. Of particular concern for tourism operators are the areas of land use and planning and building and construction.

Modern regulation, including for tourism, must be assessed on the principles of simplicity, efficiency and effectiveness. In addition, enforcement of regulation must deliver cost-effective compliance incentives and should focus on businesses with high risk of non-compliance.

LAND USE PLANNING

- *Do the local government regulatory requirements and processes vary unnecessarily between jurisdictions or between businesses operating within a jurisdiction? Which areas could local governments harmonise activities to reduce costs of compliance within and across jurisdictions?*

The capacity of Queensland to attract new investment in tourism is dependent on the current commercial operating environment and on the regulatory and planning provisions for such investment. Lack of certainty, lengthy approval processes, multiple agency responsibilities and disproportionate taxes and charges are powerful deterrents for capital attraction.

Tourism is currently not well integrated into state and regional land use planning and also often not fully considered in local government regulation implementation. Greater certainty and a focus on tourism opportunities would support and encourage investment. Similarly, re-investment or refurbishment of existing product could be stimulated through incentive-based tax relief and land-zoning provisions that would allow for product improvement. Particularly in relation to tax provisions, including depreciation rates, the state government has the opportunity to seek better outcomes from the federal government.

Experience shows that all major tourism investments face significant administrative and regulatory hurdles, often over many years, and require considerable determination of developers to have any chance of success. Many have failed in the process.

General public amenities support private sector investment in most tourism destinations and provide benefits not just for local residents but often act as catalysts for tourism-related economic and community benefits. Prominent examples are the swimming lagoons at Airlie Beach and Cairns, the Townsville Strand development, Brisbane's Southbank and numerous convention centres and sporting facilities around the state.

Strong and more consistent coordination between state and local destination development and tourism investment plans would ensure continued success of such public investment and would also capture greater regional development opportunities through tourism.

Harmonisation of planning provisions across local government areas and with state government planning tools would be a highly valuable objective of reform.

BUSINESS OPERATING COSTS

- *Are there cases where the regulatory functions of local governments have resulted in businesses altering their production technologies/processes or using a less preferred technology?*

Local government implementation and enforcement of building regulations affects particularly providers of short term accommodation such as motels, hostels and cabins in caravan parks. Different councils provide different guidelines and enforce different standards of some of these regulatory instruments, thereby causing confusion and uncertainty for operators who often work in different council areas.

There are moves underway in some Queensland council areas to increase the minimum floor space required per guest in multi-use accommodation, ie. backpacker hostels etc. This has serious implications for the viability of several properties and has the potential to lead to a further lack of consistency.

LOST BUSINESS OPPORTUNITIES

- *Are there cases where the regulatory functions of local governments have resulted in missed business opportunities to produce goods or services, for example, arising from regulatory constraints that prevent businesses from taking advantage of emerging opportunities such as technological change and new markets?*

Current business and investment trends for tourism in Queensland are in sharp contrast to the expectations for growth articulated in Tourism Australia's *Tourism Potential 2020*³. To achieve the proposed aspirational goals and economic benefits from tourism over the next decade, and for Queensland to share in it, massive private sector investment in accommodation, aviation and other products will be required and labour and skill demands will need to be met on a scale that is far removed from current trends.

Without dramatic improvements to the current product supply trends, the *Tourism Potential 2020* has very little prospect of being achieved.

State and local governments have an opportunity to shape a significantly more efficient and growth-supportive business environment for tourism.

Of particular concern to investors and business operators is the capacity and resources of local governments to respond in a timely and effective way to planning issues and development applications.

Tourism opportunities for Queensland and Australia have been identified particularly in areas of nature-based tourism. This will require innovative, new product development for accommodation, attractions and tours. Under current land use and development provisions, at both state and local government level, such opportunities have only a very limited chance of being realised. Tourism as a land use or zoning category is rarely identified in planning instruments and does not readily fit into current planning frameworks.

³ Tourism Australia, 2020 Tourism Industry Potential: a scenario for growth.

APPENDIX 1: TOURISM INDUSTRY

Industry	Tourism relevance
Hospitality (Accommodation & Food Services)	By definition Accommodation Services are provided to tourism ie. They are spending a night away from their usual place of residence. Food Services are provided to both tourism and local residents.
Retail Trade	Tourists go shopping, includes motor vehicle retail eg. Petrol, motor vehicle servicing etc for self-drive market
Transport	Except for self-drive market, tourists use transport (airlines, train, bus, taxi etc)
Cultural & Recreations Services	Tourists visit museums, art galleries, theatre, go to the movies or sports events play golf etc
Personal & Other Services	Tourists have hair-cuts, massages, beauty therapy. Spa tourism market
Manufacturing	Manufacturers selling product and tours to tourists eg; Buderim Ginger, Bundaberg Rum, Wineries, Cheese Factories. Food and Wine tourism market
Education	Tourism doing education/training courses, emerging education tourism market
Wholesale Trade	Distribution channel – the wholesalers sell holidays in Australia to Travel Retailers
Health & Community Services	Tourists requiring ambulance, medical services using child care services. Emerging health tourism market eg; people having elective surgery in a cheaper country
Agriculture, Forestry & Fishing	Farm stay tourism
Property & Business Services	Motor vehicle hiring, property operator eg; time share, tourism renting houses/apartments through real estate agents
Communications	Tourist using phone and internet
Government & Defence	Local government services eg; visitor information centres, beach inspectors parking attendants
Finance & Insurance	Tourists taking out travel insurance and using bank services

APPENDIX 2: QUEENSLAND REGIONAL TOURISM ORGANISATIONS

Queensland Regional Tourism Organisations are responsible for the tourism marketing and development of their tourism region. The RTO work with the Local Tourism Organisations and Local Government, these partnerships are paramount for the development of regional tourism.

Tourism Region	Regional Tourism Organisation
Townsville	Townsville Enterprises Limited*
Tropical North Queensland	Tourism Tropical North Queensland
Mackay	Mackay Tourism Limited
Whitsundays	Tourism Whitsundays
Outback	Outback Queensland Tourism Association Inc
Sunshine Coast	Sunshine Coast Destination Limited
Fraser Coast	Tourism Fraser Coast
Central Queensland	Capricorn Tourism and Economic Development Organisation Ltd*
Gladstone	Gladstone Area Promotion and Development Limited*
Bundaberg	Bundaberg North Burnett Tourism
Gold Coast	Gold Coast Tourism
Southern Downs	Southern Downs and Granite Belt Regional Tourism
Brisbane	Brisbane Marketing*
Toowoomba Golden West	Toowoomba Golden West Tourism and South Burnett Tourism

*Denotes RTOs that are responsible for the economic development and marketing of a region.

APPENDIX 3: INDUSTRY ASSOCIATIONS

Industry Associations
Association of Marine Park Operators
Australian Federation of Travel Agents
Australian Timeshare and Holiday Ownership Council
Backpacking Queensland
Caravanning Queensland
Clubs Queensland
Far North Queensland Tour Operators Association
Accommodation Association Australia
Australian Resident Accommodation Managers' Association
Queensland Bus Industry Council
Queensland Hotels Association
Queensland Information Centres Association
Queensland Wine Industry Association
Restaurant and Catering Queensland
Surf Lifesaving Queensland
Taxi Council of Queensland
Whitsunday Charter Boat Industry Association

APPENDIX 4: INDUSTRY CONSULTATION

Riverlife	John Sharpe
Kingfisher Bay Resort	Gary Smith
Hotels and motel Association Australia	Grey Holmes
Caravan and Camping Association	Ron Chapman
EC3 Global	Mark Olsen

ENDNOTES

¹ Tourism Investment and Regulation Review, Final Report, August 2011

² Service Skills Australia, Tourism, Hospitality and Events Environmental Scan 2011

³ Tourism Research Australia, Tourism Key Economic Facts December 2010

⁴ *ibid*

⁵ Tourism Queensland, Tourism Economic Key Fact December 2010

⁶ *ibid*