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Tourism Research Project
Productivity Commission
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Tourism NT welcomes the opportunity to make a submission to the Productivity Commission for its research project examining Australia's international tourism industry.

Value of tourism to the Northern Territory

Our interest in making this submission stems from the fact that tourism is a key driver of the Northern Territory economy and positively contributes to many other industry sectors. Tourism is worth \$1.7 billion annually to the local economy in Gross Value Added and provides 16,000 jobs or 13% of the Territory workforce.

The Northern Territory has a higher share reliance on tourism than any other state or territory, further demonstrating the importance of tourism to the Territory's economy. Our total tourism Gross Value Added is considerably higher than for Australia overall (8.6% compared to 5.6% nationally).

International holiday visitors comprised 34 per cent of our total holiday visitors in 2013-14, a larger proportion than other any other state or territory.

Focus of our submission

As part of this project it is understood that Tourism Australia (TA) is providing substantial information on trends in Australia's international tourism industry, including factors that affect demand for Australian tourism services and the sensitivity of demand for Australian inbound tourism. Rather than duplicate TA's effort, I draw your attention to specific information on tourism trends in the Northern Territory available via our website:

<http://www.tourismnt.com.au/en/research>

A key part of our submission draws attention to aviation policy barriers to the growth of international tourism in the Northern Territory:

- Passenger movement charge
- Airport security
- Facilities for newer generation aircraft
- Regional airports package policy.

Global Representation
Asia, Europe, Japan
United Kingdom
United States of America

ABN 17 435 764 236

Our comments in these areas are based on the Northern Territory Government's response to the Green Paper on Developing Northern Australia (August 2014), to which Tourism NT contributed.

Although this research project has a specific focus on inbound tourism, it is the view of Tourism NT that international tourism should not be looked at in isolation to domestic tourism.

Role of government, including the rationale for government involvement in the tourism industry

Research conducted by Tourism Research Australia¹ into Australia's tourism businesses by employment size highlights two factors that demonstrate the need for government support for tourism. One is that the NT has a higher proportion of SMEs than any other state or territory; the second is that there are as many micro businesses – 265 – as there are small businesses. With micro businesses employing only one to four people, what this points to – even if businesses were to cluster – is that they lack the capacity to have real marketing clout. As such government has a clearly defined role in delivering this on their behalf.

A recent report by Tourism Accommodation Australia² indicated that every incremental \$1 million spent on international tourism marketing generates up to \$16 million in spend by foreign tourists and 89 additional jobs. The Northern Territory Government has recognised its role in ensuring growth in the Territory tourism industry, evidenced by its significant investment of an additional \$16 million in tourism marketing over the past two years.

Effect of policy and regulation on inbound tourism

Passenger movement charge

National aviation regulatory requirements have a disproportionate impact on the Northern Territory compared to other jurisdictions. For example, the Passenger Movement Charge of \$55 per person applies to all passenger departures on international flights from Australia and more revenue is raised than the cost of services provided. As the majority of international departures from Darwin International Airport are short-haul South East Asian flights, the charge constitutes a much higher percentage of the airfare (generally more than 13 per cent) compared to flights departing other Australian capitals.

Airport security

Australian Government security requirements impose a disproportionate cost burden on low passenger volume airports and it is Tourism NT's view that this inhibits inbound tourism and economic growth across northern Australia.

Fixed security costs dictate the cost-recovery charge and are markedly higher in the Northern Territory than other major Australian airports. Security requirements impact on the cost of air travel, which can deter would-be visitors. They also act as inhibitor for the use of larger aircraft that could service the Territory's regional and remote areas, and decrease the attractiveness of the Territory's airports to airlines, particularly low cost airlines and airlines operating marginal routes.

¹ *Tourism Businesses in Australia June 2010 to June 2012*, October 2013, Tourism Research Australia.

² *Estimates of the Return on Marketing Investment for Australian Inbound Tourism*, July 2014, produced by Webber Quantitative Consulting for Tourism Accommodation Australia.

A 2010 Access Economics study undertaken for the Northern Territory Government found that having the Australian Government fully fund airport security at Alice Springs and Darwin would generate \$110.3 million in real output (real GSP) and \$33.1 million in real household consumption (a proxy for economic welfare) for the Northern Territory. Benefits would be considerably larger if the policy change induced additional capacity.

Facilities for newer generation aircraft

The Australian Government should consider implementing changes to the way it operates assets to facilitate the development of northern Australia by enabling aviation access.

RAAF Base Tindal (Katherine) is currently nominated as the standard alternate airport for Darwin International Airport, with Aerodrome Rescue and Fire Fighting Services (ARFFS) provided by RAAF personnel. Other alternate airports are too far from Darwin to be commercially viable. In 2013, Malaysia Airlines commenced Boeing 737-800 operations from Kuala Lumpur to Darwin. A number of airlines, including SilkAir, are opting to operate newer generation aircraft such as the B737-800. These aircraft are larger, and require higher category ARFFS facilities to be implemented at alternate destinations to remain engaged in the local market. The Northern Territory Government is seeking engagement and investment from the Australian Government to implement the necessary changes that will secure opportunity in the long-term.

Regional airports package policy

While successive Australian Governments have exempted foreign carriers from capacity restrictions by way of the Regional Package and Enhanced Regional Package, these policies have had very limited impact on the Northern Territory. The effect of the ownership clause in the *Air Navigation Act* is to restrict international flights from Australia to airlines with a majority Australian shareholding. Tourism NT's view is this package requires a complete overhaul to meet its stated intent of supporting Darwin and Cairns in attracting foreign carriers.

Effect of land management policy and regulation

Unlike other jurisdictions, the Northern Territory is subject to two types of Indigenous land tenures under two separate pieces of Federal legislation:

- Aboriginal freehold under the *Aboriginal Land Rights Act (Northern Territory) 1976* which applies only to the Northern Territory and covers approximately 50 per cent of the Northern Territory's land mass and 85 per cent of its coastline
- over 40 per cent of the Northern Territory is pastoral and therefore land subject to native title under the *Native Title Act*.

Indigenous land tenure arrangements in the Northern Territory are largely subject to Federal legislation. From both governments' perspective, a priority is modifying, where appropriate, existing land tenure arrangements to a form that better allows for sorely needed socioeconomic development in remote regions whilst maintaining security of title for land owners. Existing arrangements, however well-intentioned, have demonstrably been a barrier to development. If the issue of land tenure is not dealt with, important tourism infrastructure developments will ultimately be delayed.

By passing amendments to the *Pastoral Land Act* the Northern Territory Government is supporting pastoral lease holders by providing opportunities to diversify and develop new income streams. The amendments to the Act provide pastoralists with a scheme to diversify economic opportunities on land held under pastoral tenure. The amendments provide the certainty required to develop non-pastoral operations such as tourism, horticulture, extensive agricultural developments and forestry on portions of pastoral leases.

I trust this information is of use to the Productivity Commission in undertaking this research. Should you require any additional information, then please contact Valerie Smith, Director Policy and Planning on valerie.smith@nt.gov.au or telephone 08 8999 3939.

Yours sincerely



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