



28 November 2014

Dr Warren Mundy

Commissioner

Australia's International Tourism Industry

Productivity Commission

tourism@pc.gov.au

Dear Dr Mundy,

RE: Australia's International Tourism Industry

Service Skills Australia welcomes the Productivity Commission's research project into Australia's international tourism industry. We believe this to be a very timely contribution that will assist in developing the evidence-based policy required to create a more resilient industry.

As the Industry Skills Council for the service industries, including tourism, Service Skills Australia is tasked with the development and maintenance of national training products in consultation with industry. Part of this process involves collecting and collating industry intelligence regarding emerging trends in the sector. This information is used to assess the impacts on industry skill needs and the labour market more generally. As such, we would like to share recent industry intelligence obtained for our upcoming 2015 Environmental Scan, which relates to trends in Australia's tourism industry, including drivers and barriers to growth. The 2015 Environmental Scan is due for release February 2015.

As the Commission would be aware, international tourism has been identified by Deloitte as one of the **'fantastic five' sectors that can enable Australia to build** a stronger economy.ⁱ It represents an area of significant global growth in which Australia also possesses a comparative advantage. Given that Tourism Research Australia has estimated a multiplier effect of 1.92—which is much larger than many other significant industries such as mining and education and training—every dollar earned by the tourism industry also creates an additional 92 cents in other parts of the economy.ⁱⁱ

However, the **key message for consideration for the Commission's research project** is that the access to adequately skilled labour is a substantial **barrier to the industry's growth, which subsequently requires** continued, if not increasing, support from governments in the skills and labour domain. This barrier of scarce skills was also noted by Deloitte. **Additionally, if Australia's export tourism industry is to succeed in attracting** greater numbers of international visitors, we need to significantly lift the skills of the current workforce in order

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to meet the increasing expectations of these visitors. As noted by the latest *State of the Industry* report by Tourism Research Australia, improved visitor satisfaction is a key component to increasing our share of global tourism.ⁱⁱⁱ

Industry stakeholders frequently note the significant global competition for international visitors, with many destinations offering more price-competitive options, superior service levels and shorter travel times for visitors from some nations. As a result, industry stakeholders believe that raising service standards to those comparable with the best-performing nations is critical to Australia's continued success as an international tourism destination.

Additionally, it is well documented that Asian nations, such as China, India, Indonesia and Malaysia, are increasingly important source markets for the Australian tourism industry, in addition to the traditional source markets of the United States and Europe. These shifts, however, have created a need in what is known as 'Asia-readiness' skills. This is generally considered to encompass basic language skills, culturally-aware service skills and business development skills, which enable businesses to identify and adapt to the preferences of emerging source markets.

In addition to skill gaps, a major barrier for the industry is the access to sufficient numbers of workers in key occupations. In particular, there is a severe and persistent shortage of skilled chefs and cooks, as well as hospitality managers and supervisors.

This is clearly evident from the Department of Employment's skill shortage research, which has found chefs to be in shortage consistently for over a decade, with almost 40 per cent of vacancies remaining unfilled four weeks after advertising. This is also the case at a time when Tourism Australia's 'Restaurant Australia' campaign aims to increase visitor numbers through the promotion of Australia as a food and wine destination. The success of the campaign will be dependent on having the requisite highly skilled workforce that can provide the world-class experience international visitors have come to expect.

While perhaps not as acute as the case for chefs, the industry notes severe recruitment difficulties for managers and supervisors in food and beverage, and accommodation businesses. In particular, within the holiday parks sector, the Caravan Industry Association of Australia's recently commissioned research indicated that 59 per cent of caravan holiday park managers were aged 50 years or over in 2011, which has increased from 50 per cent in 2001 and is almost twice that of the total workforce.^{iv} As such, it is anticipated that in the medium to long term, a large number of caravan holiday park managers will be retiring, creating a significant skill shortage. The caravan sector is particularly important to the significant source markets of Europe, New

Zealand and the United States, with international visitors that stay in caravan parks likely to spend 15 days on average in this form of accommodation.^v Additionally, within the restaurant sector, recent research from Restaurant and Catering Australia has indicated that restaurant managers were the second-most difficult occupation to fill behind chefs, which is reflective of the feedback received from extensive industry consultation.^{vi}

To meet these significant skill and labour shortages, the industry requires a strengthened vocational education and training system with government support to assist businesses to upskill their workers, as well facilitate greater numbers of individuals to train in these areas of need. Given the immediacy of these skill needs and the time lag in training staff, the industry would also benefit from greater access to skilled international tourism workers in the occupations of chef, cook, hospitality manager, and supervisor. An area identified by industry that could assist this is a review of the current international English language testing system (IELTS) requirements to obtain visas.

Finally, there are three trends in tourism that have been identified as specific areas of growth: indigenous, wellness and sustainable/eco-tourism. While some of these trends have existed for some time, the industry reports that it is in many cases, still grappling with access to the skills required to succeed in these niche areas.

Indigenous tourism is a critical asset for the international tourism market, but one that relies on a genuine and authentic experience. Given the valued experiences, such as storytelling and bush tucker, are often unique to the local **indigenous community, this creates particular difficulties in creating a sustainable 'tourism product'** and requires significant investment in education and training. Success in this area can be seen in the **Western Australia Indigenous Tour Operators Council's (WAITOC)** recent initiative in which they facilitated 119 Aboriginal **tourism businesses to participate in Service Skills Australia's Workforce Futures program. The connection with** meaningful Aboriginal cultural experiences is a unique selling point for Australia and significant skills development is required to assist in meeting the increased demand for these experiences.

Another predicted growth area is that of 'wellness tourism' stemming from consumer desire for experiences that have a positive benefit to their health and wellbeing. Wellness tourism is predicted to grow by 9.1% annually through 2017, a growth rate that is almost 50% higher than that of overall global tourism. Wellness tourists are high yield tourists, spending 130% more than the average tourist and there are crossovers with other niche tourism sectors such as culinary tourism, adventure tourism, agri-tourism, sports tourism and cultural tourism. Again, successful tourism ventures that cater to this emerging market require a unique blend of skills, often in more regional parts of the country.



Finally, eco-tourism or nature tourism is continuing to increase in popularity, yet many operators report needing to develop greater skills in this area. The OECD has also noted that 'Customer demand for sustainable and eco-friendly tourism products is expected to grow.'^{vii}

Across these emerging areas, and to address these skill and labour shortages, it is critical that there is significant continued investment in our national vocational education system and continued government support to assist small and micro businesses to provide training opportunities to their staff. This is particularly the case for regional and remote areas, where so many of our stellar destinations are located.

An appropriately skilled workforce is the very foundation of Australia's international tourism industry and the lack of it presents a substantial barrier to achieving growth. Yet, if the Australian export tourism can be supported, it will substantially contribute to the strength of the Australian economy overall.

Yours sincerely,

Yasmin King

CEO

Service Skills Australia

ⁱ Deloitte (2013), *Positioning for Prosperity? Catching the Next Wave*, available at <http://www2.deloitte.com/au/en/pages/building-lucky-country/articles/positioning-for-prosperity.html>

ⁱⁱ Tourism Research Australia (2012), *Tourism's Contribution to the Australian Economy, 1997-98 to 2010-11*, Tourism Research Australia, Canberra, available at <http://www.tra.gov.au/publications/publications-list-Tourisms-Contribution-to-the-Australian-Economy-1997%E2%80%9398-to-2010%E2%80%9311.html>

ⁱⁱⁱ Tourism Research Australia (2014), *State of the Industry 2014*, Canberra, available at http://www.tra.gov.au/documents/State-of-the-industry/TRA_State_of_the_Industry_2014_FINAL.pdf

^{iv} KPMG, (2013), *Impact of demographic change on the future of the caravan, camping and manufactured housing / manufactured home village industry*, prepared for the Caravan Industry Association of Australia.

^v Ibid.

^{vi} Restaurant & Catering Australia (2014), *Benchmarking Report 2014*

^{vii} OECD (2014), *OECD Tourism Trends and Policies 2014*, OECD Publishing, available at <http://dx.doi.org/10.1787/tour-2014-en>