



Trade &
Investment

**NSW Trade & Investment Submission to the
Productivity Commission Research Paper
*Australia's International Tourism Industry***

28 November 2014

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Summary

The NSW Government acknowledges the uniqueness and significance of the visitor economy and the benefits it provides to the economic prosperity of individual businesses and the wider community across the state and nationally. This submission considers the appropriate role for government involvement in the sector, and highlights the current responsibilities and activities undertaken by the NSW Government, as well as those initiatives the NSW Government considers should be actively pursued by the Commonwealth Government for the benefit and continued growth of the industry.

Following the Final Report of the NSW Visitor Economy Taskforce in August 2012 and the release of the NSW Government's response to the Final Report, the *NSW Visitor Economy Industry Action Plan*, the Productivity Commission's research project provides an opportunity to revisit important areas of reform to further enhance the performance of the international visitor economy in NSW and Australia.

Specific policy areas considered in this submission include aviation, labour and skills, cruise, taxation, natural heritage, and data, research and statistics. The positions taken by the NSW Government on these matters have, for the most part, previously been articulated via Commonwealth, state and territory forums and direct ministerial correspondence. The NSW Government supports consideration of these matters by the Commonwealth as part of the Productivity Commission project.

1. Background

The NSW Government has adopted the term 'visitor economy' to best describe the tourism and events sector and encourages the Productivity Commission to consider adopting the use and definition of this term in its research paper.

*The visitor economy takes into account broader economic activity than that which has historically been defined as 'tourism and events'. It includes the direct and indirect impacts resulting from a visitor travelling outside their usual environment for a holiday, leisure, events, business, conventions and exhibitions, retail, education, to visit friends and relatives or for short-term employment in NSW. It includes intrastate, interstate and international visitors.*¹

The NSW Government has a demonstrated commitment to growing the visitor economy, most notably by incorporating a target in *NSW 2021 A Plan to Make NSW Number One*. This ambitious target is to double overnight visitor expenditure by 2020, which is projected to result in an additional \$18 billion contribution to the State's economy. The NSW target aligns with the Commonwealth's *Tourism 2020* strategy and the *Tourism 2020 Industry Potential*, which is to double overnight visitor expenditure to Australia between \$115 billion and \$140 billion.

The NSW Government established the industry-led Visitor Economy Taskforce to develop a plan to achieve the 2020 target. The taskforce had broad terms of reference covering both supply and

¹ Final Report of the Visitor Economy Taskforce, August 2012, Page 6

demand, and undertook extensive government and industry consultation to inform the development of their Final Report, which was released in August 2012. The NSW Government considered the Taskforce's Final Report and released its response in the form of the NSW Visitor Economy Industry Action Plan (VEIAP) in December 2012.

The VEIAP is a whole-of-government plan that contains 48 recommendations and 167 actions to be delivered between 2012 and 2020 in partnership with industry, with the aim of meeting the 2020 target. The VEIAP is one of six NSW Industry Action Plans developed to position key sectors of the economy for growth.

The NSW Government also established Destination NSW in 2011 to lead the State's tourism and events agenda and has committed \$125 million a year to Destination NSW for the first four years of its operation.

2. Role of Government

2.1 Introduction

The visitor economy includes a range of activities undertaken by visitors to a particular area. These activities can be economic, while others involve various interactions with communities and environments. The visitor economy is multi-faceted, involving a range of small, medium or large businesses along with public amenities such as roads, parks, beaches and reserves.

Governments around the world recognise the importance of the visitor economy as a driver of economic benefit and jobs. In NSW, tourism is worth \$28 billion to the state economy, with international visitors delivering almost \$7 billion in the year ended June 2014.² The tourism industry in NSW directly supports 158,000³ jobs in more than 95,000 businesses.⁴

The NSW Government contends that there are ample reasons for government involvement in the visitor economy. Information provision allows tourism firms to make more informed business decisions.⁵ A comprehensive understanding of the economic issues associated with tourism can, for example, improve the decisions made by tourism operators and destination managers and result in economic efficiencies and more sustainable industry development. While governments are often well placed to gather and compile this information, it may be appropriate to source partnership funding from industry.

Government Tourism Organisations (GTOs), such as Destination NSW, deliver marketing, information provision and other activities in a way that cannot be replicated by a single private sector organisation. The majority of private sector organisations that undertake similar activities do so to

² Tourism Research Australia, International Visitor Survey year ended June 2014.

³ NSW Tourism Satellite Accounts, 2012-13.

⁴ Tourism Research Australia, Tourism Businesses in Australia, 2010-12

⁵ Blake, A and Sinclair, T. 'The Economic Rationale for Government Intervention in Tourism'.

(http://www.academia.edu/398842/The_Economic_Rationale_for_Government_Intervention_in_Tourism)

promote their specific product, with just a few delivering campaigns that promote a wider destination and include a larger number of attractions.

A destination management approach is undertaken in the functional areas of: destination development; industry development; acquisition, creation and development of events; and marketing partnerships.

GTOs also play a key role in digital marketing, social media, public relations support and research that benefits the industry as a whole and the economy and which, as previously stated, cannot be replicated by a single private sector organisation. Many of these activities are coordinated across all states and territories in partnership with Tourism Australia and Austrade.

2.2 Destination development

Destination development includes providing advice on the development of Destination Management Plans (DMPs), which are business plans for building and managing the visitor economy at specific destinations. DMPs are required in NSW for accessing the Regional Visitor Economy Fund, which supports marketing and product development projects in regional NSW.

2.3 Industry development

In the 2013/14 financial year, Destination NSW provided general business and product development advice as well as introductions to key programs and opportunities to 858 tourism businesses, NSW Government agencies and industry associations. This included the provision of the Tourism Business Toolkit, which is an introductory guide for new tourism operators. This initiative is aimed at ensuring that new and current tourism firms are not disadvantaged by incorrect or scarce information.

Over the past two years, Destination NSW has delivered a series of capacity building workshops through the NSW First Workshop Program. In 2013, the program of workshops was offered in 16 locations across NSW and was tailored to the specific needs and interests of the tourism industry in each location. A total of 446 tourism operators attended the workshops to learn new skills and increase their tourism knowledge to enable them to work more effectively and increase the profitability of their businesses.

2.4 Acquisition, creation and development of events

Destination NSW's mission in the events sector is to identify, attract and nurture events in Sydney and regional NSW. Each year hundreds of events are held that express the diversity and dynamism of the State and showcase the facilities, expertise and creativity of our events industry.⁶ Events can bring a broad range of economic, promotional and community benefits to a destination.

2.5 Marketing partnerships

Destination NSW works with a range of partners to deliver advertising and promotional activities around destinations and events to consumers in Australia and overseas. Working on a co-operative

⁶ <http://www.destinationnsw.com.au/events>

basis, Destination NSW matches the investment of its industry partners to deliver advertising campaigns and other initiatives that are targeted towards achieving the NSW 2020 target.

A recent example of a marketing partnership is the campaign undertaken by Destination NSW to promote the Vivid Sydney Festival in 2014, which attracted 20,000 international visitors - an increase of 74 per cent on the previous year. Based on the average international visitor spend of \$2,172, these visitors added more than \$43 million to the NSW economy.

Destination NSW also participates in coordinated activities such as *Restaurant Australia*, a marketing platform developed by Tourism Australia to promote Australia's food and wine experiences.

2.6 Role in digital marketing

Consumer websites that provide destination, product and events information that can be accessed by visitors anywhere in the world are vital to ensuring the global visibility of Australia as a destination and Australian tourism providers.

The need to market a comprehensive range of tourism products across the whole of Australia was realised through the establishment of the Australian Tourism Data Warehouse (ATDW), which is a digital content and distribution platform. The ATDW also seeks to build industry capacity through the development and delivery of the Tourism e-kit.

NSW worked with other states and the ATDW as a member of the Digital Distribution Working Group (DDWG), which was established as part of the Commonwealth's Tourism 2020 Strategy. The policy objective of this group was to encourage more small and medium size tourism enterprises to accelerate the online distribution of their tourism products to increase the global visibility of Australian tourism providers. The DDWG's work included projects to increase industry visibility and build industry capacity.

2.7 Social Media

Social media is used to create advocacy and promote key campaign messages and major events. Destination NSW works closely with campaign partners and event owners to ensure that destinations and events are promoted. For key international source markets, social media stories are customised, and translated where required. Initiatives undertaken through these channels adopt a holistic approach by promoting whole of state, or whole of Australia.

2.8 Research

The collation and publication of research specific to the tourism industry is a vital role delivered by government through the Australian Bureau of Statistics (ABS) and Tourism Research Australia (TRA). The measurement of tourism as a single 'industry' is only achievable through the creation and funding by Australian, state and territory governments of the "Tourism Satellite Accounts". Tourism industry stakeholders' ability to access accurate data provides insight into markets, visitor types and other factors that affect Australia's competitive advantage as a tourism destination and helps inform investment decisions. Government managed research is essential to ensure that Australia wide information is collected in a cohesive way.

2.9 Public Relations Support

Publicity and communications activities that are linked to marketing campaigns and align with Destination NSW's corporate goals and objectives are undertaken to target priority international markets. These activities include the delivery of a visiting media familiarisation program, the purpose of which is to generate editorial features as well as broadcast and online content.

In the 2013/14 financial year these activities generated more than 19,000 editorial features, with an equivalent advertising value of almost \$184 million. Again, the comprehensive nature of these activities which generate publicity for Sydney and regional NSW is unlike anything that is delivered by the private sector.

All of these activities are delivered by GTOs to increase awareness of Australia and its states and territories as places to visit to benefit the Australian tourism industry. The maintenance of such activities is vital to ensuring that Australia continues to enjoy the economic and social benefits derived from international tourism.

2.10 Case Study: Colorado Tourism Board

An example of the potential negative economic effects when government stops funding tourism marketing, is the case of the Colorado Tourism Board.⁷ A study found that when the Colorado State Government stopped funding tourism marketing, the local tourism industry attempts to raise funding and coordinate the range of firms under a single marketing umbrella were not successful and tourism in the state was significantly impacted. There was a significant free rider problem and also a lack of dedication to the common good as firm managers only wanted to market their segment of the tourism industry.

2.11 Industry views

The tourism industry in Australia is a strong advocator for government to continue to have a role in supporting and growing the visitor economy. Some of these views are reflected in recent publications of key tourism industry associations, including:-

- Tourism & Transport Forum "Australian Tourism: Backing our Strengths – a National Agenda for the Australian Government" (July 2013).⁸
- Australian Tourism Export Council "Future-proofing the tourism industry through research and development" (December 2013).⁹
- Tourism Accommodation Australia "Estimates of the Return on Marketing Investment for Australian Inbound Tourism" (July 2014).¹⁰

⁷ http://www.longwoods-intl.com/wpcontent/uploads/2010/11/The_Rise_and_Fall_of_Colorado_Tourism.pdf

⁸ <http://www.ttf.org.au/Content/agenda.aspx>

⁹ http://www.atec.net.au/files/ATEC_R_amp_DReport_131129_LR.pdf

¹⁰ http://www.tourismaccommodation.com.au/wp-content/uploads/2012/08/RETURN-ON-MARKETING-INVESTMENT-FOR-AUSTRALIAN-TOURISM-vrp2-16_7_14.pdf

3. Industry Challenges

This section outlines some issues identified by the tourism industry and NSW Government that are impeding tourism development in NSW and Australia, and should be addressed by the Commonwealth Government:

3.1 Aviation

Sydney Airport

Ensuring that Australia's major visitor gateway is operating at world's best practice is critical to the growth of the visitor economy in both NSW and Australia. Increasing the efficiency of Sydney Airport will produce economic benefits at both a state and national level and provide a short to medium term solution to the imminent tourism bottleneck.

In the NSW VEIAP, the NSW Government advocated for improvements to aviation capacity at Sydney airport.¹¹ Specifically, the NSW Government supports increasing the hourly movement cap from 80 movements to 85 movements during peak periods, consistent with the *Sydney Airport Demand Management Act 1997*, and increasing movements in the curfew shoulder to the level allowed by the *Sydney Airport Curfew Act 1995*. This position is consistent with the recommendations made by the Joint Study on aviation capacity for the Sydney region.¹² The NSW Government does not support removal of the curfew or changes to protections for existing regional flights.

Independent analysis by KPMG commissioned as part of the VEIAP process shows that increasing the existing movement cap in the peak periods (weekdays from 6am to 10am and 3pm to 8pm):

- to 85 movements per peak period hour, would increase overnight visitor expenditure by \$300 million per year; or
- to 90 movements per peak period hour, would increase overnight visitor expenditure by \$600 million per year.

The analysis by KPMG also found that increasing the number of international landing slots available during the morning shoulder period by 11 slots per week would result in:

- an additional \$228 million in overnight visitor expenditure per year with the current aircraft mix; or
- an additional \$325 million in overnight visitor expenditure per year with the likely future aircraft mix.

Increasing the efficiency of aircraft movements at Sydney Airport has the potential to bring substantial economic benefits to both NSW and Australia, and should be actively considered by the Commonwealth Government.

¹¹ http://www.business.nsw.gov.au/__data/assets/pdf_file/0006/26349/121218_VEIAP-Full-version_FINALv2.pdf

¹² http://www.infrastructure.gov.au/infrastructure/western_sydney/sydney_av_cap/index.aspx

Regional Airline Access to Sydney Airport

The VEIAP process found very few regional slots remain available at Sydney Airport on some days during peak periods.¹³ Addressing the regulations related to the hourly movement cap during peak periods and increasing aircraft movements within the morning shoulder curfew would have the potential to open up more landing slots for regional carriers.

At present, only a very small percentage of all passenger movements at NSW airports occur outside Sydney Airport.¹⁴ Destination NSW considers that a decision by the Commonwealth to exempt regional flights from the aircraft movements per hour cap would have the potential to remove the artificial constraints on capacity at Sydney Airport without unduly affecting safety.¹⁵ It would create opportunities for route development and improved services, provide international visitors with more travel options, increase visitor dispersal to regional areas, and stimulate the NSW economy.

Destination NSW also considers that the Commonwealth should continue to fund mandatory security upgrades at regional airports due to the relatively low number of passengers using the complex and costly security installations. This would further underpin the ongoing financial viability of regional airports.

Air Service Agreements

While air services arrangements fall within the responsibility of the Commonwealth, the NSW Government works with the aviation industry to increase air access to Sydney via Destination NSW's airline partnership marketing agreements. Cooperative partnership activities are focused on the key target markets identified in the VEIAP.

In April 2014 the NSW Government made formal representations to the Commonwealth on aviation matters. The then Deputy Premier, the Hon. Andrew Stoner MP, wrote to the Hon. Warren Truss MP, advocating for a variation on the limits on weekly services between Qatar and Australia, maintained under a bilateral agreement, to increase air access.

Sydney Airport Corporation Limited and Destination NSW continue to work together through their Visitor Development Partnership Agreement to boost tourism, attract new airlines and increase airline services to Sydney.

In relation to air service agreements, the NSW Government agrees with the views of Sydney Airport Corporation Limited, which advocates for the Commonwealth to proactively negotiate air service agreements ahead of demand.

¹³ Airport Co-ordination Australia, 2011

¹⁴ Final Report of the Visitor Economy Taskforce, June 2012, p. 60

¹⁵ NSW Government submission to the NSW Parliamentary Inquiry into Regional Aviation Services page 29 - [http://www.parliament.nsw.gov.au/Prod/Parliament/committee.nsf/0/83685d90cfbdc9ca257cbb00009824/\\$FILE/0062%20NSW%20Government%20.pdf](http://www.parliament.nsw.gov.au/Prod/Parliament/committee.nsf/0/83685d90cfbdc9ca257cbb00009824/$FILE/0062%20NSW%20Government%20.pdf)

3.2 Common Air Border

As at year ending June 2014, New Zealand was the second largest source market of international visitors to NSW.¹⁶ The Commonwealth, through the Tourism Access Working Group, established as part of the national Tourism 2020 initiative, investigated a common air border with New Zealand in its Trans-Tasman Project.¹⁷

The NSW Government recognises the benefits of streamlining the travel experience between Australia and New Zealand and strongly supports the establishment of a common air border between Australia and New Zealand by the Commonwealth.

The Tourism & Transport Forum has also supported the establishment of a common border between Australia and New Zealand in its “Bringing our neighbour closer” report released in August 2014.¹⁸ The Tourism & Transport Forum advocates for areas of reform to border and immigration procedures to boost the number of visitors from New Zealand. The four areas of reform are:-

1. Boost demand by cutting travel times at our major airports.
2. Induce more travel from New Zealand by halving the Passenger Movement Charge.
3. Open up more regional airports to trans-Tasman flights to provide access to more Australian destinations.
4. Introduce common visas to encourage more Asian visitors to combine both countries in one trip.

In addition, the Tourism & Transport Forum advocates for opportunities to examine the outcomes of the current Australia-New Zealand joint visitor visa processing approach for the 2015 Cricket World Cup, to assess opportunities for further joint visitor visa initiatives in the future¹⁹ through their *Visitor Visa Reform: Reducing the Barriers for Travel to Australia*²⁰ report published in October 2014.

3.3 Labour and skills

The VEIAP identifies that an adequate supply of skilled labour is an ongoing issue for the tourism industry. The Plan has a number of actions relating to the provision of adequate supply of skills and labour, both international (in terms of migration) and local, in order to deliver quality hospitality and other services to visitors.

While some labour and skills issues can be resolved at a local or state level, such as through the development and implementation of Tourism Employment Plans, the Commonwealth plays a significant role in creating an environment that assists in meeting the labour and skills needs of the visitor economy.

¹⁶ International Visitor Survey, Year End June 2014, Tourism Research Australia - <http://www.tra.gov.au/publications/international-International-Visitors-in-Australia-June-2014-quarterly-results-of-the-International-Visitor-Survey.html>

¹⁷ http://www.tourism.australia.com/documents/Statistics/Statistics_Aviation_TRANSTASMAN_June2012.pdf

¹⁸ <http://www.ttf.org.au/Content/transtasman140814.aspx>

¹⁹ <http://ttf.org.au/Content/visitorvisareform.aspx>

²⁰ <http://ttf.org.au/Content/visitorvisareform.aspx>

The NSW Government continues to actively promote the connection between tourism, skilled labour and migration through both migration and tourism intergovernmental forums.

Electronic visa processing for major tourist markets

The NSW Government supports the extension of online visa applications to major tourist markets to ensure Australia remains competitive with other international markets, such as the United States, Canada and United Kingdom. NSW has supported this through the Tourism Ministers forums as well as Commonwealth and state/territory migration forums.

The NSW Government supports multiple entry visas for Chinese Free Independent Travellers. This issue was specifically highlighted by a representative from a Chinese air carrier at the NSW Trade & Investment-hosted Chinese Investor Dialogue on 3 September 2014. The complexity of manual processes to apply for a tourist visa into Australia is considered to be a disincentive to visit, particularly for independent travellers visiting family and friends. Improvements by the Commonwealth to electronic visa processing for Chinese visitors would make it easier for this highly valuable visitor market to travel to Australia, further supporting the National Tourism 2020 target.

This matter has been identified as a key reform priority being developed under the national Tourism 2020 Implementation Plan (2015-2020), and is further supported by the Tourism and Transport Forum through their *Visitor Visa Reform: Reducing the Barriers for Travel to Australia* report.

Working Holiday Maker reforms

In the VEIAP, the NSW Government supports the expansion of the:

- Working Holiday Maker (WHM) Program by allowing working holiday makers to work more than six months in tourism and hospitality employment in order to qualify for a 12-month extension to their existing WHM visa;
- number of countries with which Australia has WHM visa arrangements; and
- WHM visa program to people up to 35 years of age.

The tourism industry has been a strong advocate for the expansion of the WHM program for the benefit of the visitor economy. The Australian Tourism Export Council released a position paper in February 2012²¹ that outlined the importance of the Working Holiday visa as well as five recommendations for Commonwealth Government consideration.

The NSW Government has also made a number of written representations to the Commonwealth outlining its support of these actions, and further supports the Commonwealth's consideration of these actions as part of the Productivity Commission's research project.

International student visa processing and post study work rights

The NSW Government supports the extension of streamlined visa processing and post-study work rights to the entire vocational education and training sector. The NSW Government recently commissioned the Centre of International Economics (CIE) to research the extension of streamlined

²¹ https://www.atec.net.au/files/0595_WHV_PositionPaper_LowRes_23Feb12.pdf

visa processing and post-study work rights and the findings showed that this would lead to an increase in exports and growth in both the population and workforce.²²

The CIE estimates the economic impact of implementing streamlined visa processing and post study work rights for the entire vocational education and training (VET) sector would result in:

- NSW economic activity (real Gross State Product) being 0.58% higher than otherwise over the 2015–2019 period;
- 34,100 more international VET students in Australia over the 5 year (inclusive) period between 2015 and 2019;
- each student spending (on average) nearly AU\$37,000 per year on their tuition fees, living expenses and tourism type activities; and
- the NSW labour force increasing by around 124,000 people over 2015–19.

The NSW Government supports the Commonwealth's consideration of these initiatives due to the economic benefits they have the potential to generate for both the State and Australia.

Regional Migration

The tourism and events sector is vital to the NSW economy, contributing billions in revenue and supporting tens of thousands of jobs throughout the State – many of them in regional NSW. Domestic and international visitors to NSW destinations outside Sydney generated 75.2 million nights of accommodation in regional areas and \$13.5 billion in tourist expenditure in 2013-14.²³

The visitor economy is often the lifeblood of regional and rural destinations in NSW and labour and skills shortages issues experienced by the tourism industry are often amplified in these destinations. The NSW Government, through its NSW strategy for business migration and attracting international students,²⁴ supports the development of measures to attract skilled and business migrants to regional NSW as one means of addressing the labour and skills needs of the visitor economy.

It is understood that the Department of Immigration and Border Protection has been working on regional migration. The Working Party on Regional and State/Territory Migration (which includes Commonwealth and state/territories representatives) has also met several times since it was formed in October 2013. It appears, however, that little progress has been made in developing focused measures to increase skilled and business migration to the regions.

The NSW Government considers that a further commitment by the Commonwealth in regard to boosting regional migration is required to reinvigorate this process.

²² http://www.trade.nsw.gov.au/__data/assets/pdf_file/0003/63264/CIE-Final-Report.pdf

²³ Source: National and International Visitor Surveys, YE June 2014, TRA

²⁴ http://www.business.nsw.gov.au/__data/assets/pdf_file/0012/30054/NSW-Strategy-for-Business-Migration-and-attracting-international-students.pdf

3.4 Cruise Ships

Garden Island

NSW's submission²⁵ to the March 2012 'Hawke Review of Enhanced Cruise Ship Access to Garden Island'²⁶ noted the economic significance of the cruise industry to NSW, as well as the economic value of the Garden Island Defence operations.

In its submission to the Hawke Review in 2012, the NSW Government acknowledged its role in needing to enhance the efficiency of its existing port facilities, to reduce the need for access to Garden Island. The NSW Government is delivering on this through implementation of its Cruise Infrastructure Program, which has seen the opening of the \$57 million White Bay Cruise Passenger Terminal and commencement of the \$49 million upgrade of Sydney's Overseas Passenger Terminal.

The NSW Government, through Destination NSW, is currently developing a 10-year Cruise Development Plan to ensure NSW captures a larger share of the economic benefits of the cruise sector. The Plan will consider the long term planning needs for NSW's cruise sector, including capacity and infrastructure requirements to respond to a forecast growth in cruise ships and passengers.

The NSW Government strongly supports ongoing Defence operations in Sydney and NSW and also supports any initiatives which increase the utilisation of assets and the sustainability of Defence facilities. The NSW Government therefore supports, in principle, greater cruise ship access to Garden Island, where that use co-exists with ongoing Navy operations.

NSW is the highest performing cruise ship market in Australia, with 989,410 total passenger days in 2012-13 – delivering significant benefits to the NSW economy. Growing demand suggests that greater cruise ship access to Garden Island would be beneficial, in addition to the NSW Government's significant investment in upgrading of existing facilities and building of additional port infrastructure.

The KPMG report²⁷ commissioned by the Commonwealth estimated the economic value of the Garden Island Defence Precinct's as:

- directly/ indirectly supporting 6,784 jobs in Sydney;
- contributing \$473 million annually in value added in Sydney's economy;
- generating \$812.3 million in turnover per annum; and
- generating additional expenditure of \$11.8 million from visiting vessels.

The previous Commonwealth Government announced that it would consider the Hawke Review findings in the context of its Defence White Paper. Its 2013 White Paper stated that the

²⁵ http://www.defence.gov.au/Publications/Reviews/CruiseShipAccess/submissions/NSW_Trade_and_Investment.pdf

²⁶ <http://www.defence.gov.au/Publications/Reviews/CruiseShipAccess/hawke.asp>

²⁷ http://www.defence.gov.au/id/_Master/docs/economic/Economic%20Contribution%20of%20the%20Naval%20Bases%20in%20Sydney%20Executive%20Report.pdf

recommendations of this Review remained under consideration. The Commonwealth Government has announced that it intends to release a Defence White Paper in early 2015 and the NSW Government supports consideration by the Commonwealth of cruise ship access to Garden Island in this paper.

Three berthing opportunities were offered by Defence and accepted by the cruise industry during the 2012-13 and the 2013-14 cruise seasons. It is understood that Defence is currently reviewing berthing requests for 2014-15.

Expedition Cruise Ships

The Commonwealth is undertaking a review of the *Coastal Trading (Revitalisation of Australian Shipping) Act 2012*. The tourism industry is advocating for the review to confirm the existing licensing requirement exemption for large cruise ships and extend that exemption to smaller expedition cruise ships due to the high-yield nature of the luxury cruise segment and the economic benefits it provides to regional ports.

The NSW Government has advised that it will address this issue in its 10-Year Cruise Development Plan by identifying opportunities to grow expedition cruising to regional ports and remote areas. However, the NSW Government also supports the Commonwealth giving consideration to this issue.

3.5 Taxation

Passenger Movement Charge

The Passenger Movement Charge (PMC) was introduced in July 1995 to replace the Departure Tax. It is imposed in respect of the departure of a person from Australia to another country, whether or not the person intends to return to Australia. To compensate for the most recent rate increase in 2012 from \$47 to \$55, the Commonwealth allocated portions of the additional revenue raised to the Asia Marketing Fund and the now ceased Tourism Industry Regional Development Fund.

The tourism industry, particularly the Tourism & Transport Forum, has been a strong advocator against increases in the PMC and against the PMC in general, as it is seen as direct tax on tourism that hampers the competitiveness of the industry.²⁸ In October 2013, at a meeting of Tourism Ministers, the Hon. Andrew Robb MP, announced that the PMC on travellers would be frozen for the full term of the current Parliament. This announcement was welcomed by state and territory Tourism Ministers.

The Australian Tourism Export Council (ATEC) has requested that the Federal Government honour its commitment to a freeze on the PMC and rule out any increase in fees under the Joint Review of Border Fees, Charges and Taxes currently being undertaken by the Commonwealth. The ATEC is of the view that what the Government gains in revenue from the PMC will be taken away from the growth of Australia's tourism industry. The ATEC references a case study of when the United

²⁸ TTF "Passenger Movement Charge Explained" (March 2013) <http://www.ttf.org.au/Content/pmexplained100413.aspx>.

Kingdom introduced the Air Passenger Duty (APD). The APD had a noticeable detrimental impact and ultimately the UK had to wind it back after losing around £4 billion in tourism business.

The NSW Government supports the Commonwealth Government's Joint Fees Review taking into account views expressed by the tourism industry and giving specific consideration to the possibility that the PMC is an unnecessary restriction on the market.

Tourism Refund Scheme

As detailed in the VEIAP, the NSW Government calls on the Commonwealth to amend the Tourist Refund Scheme to allow competition by private refund operators and reimbursement to visitors whilst they are still in Australia. The NSW Government supports these amendments as they have the potential to increase competition among domestic operators, make Australia more competitive with other countries operating a similar Tourist Refund Scheme, grow Australia's share of international visitor expenditure and assist in meeting the national and NSW 2020 targets to double overnight visitor expenditure.

In July 2014, Tourism Ministers discussed the Tourist Refund Scheme and noted that Commonwealth, State and Territory Governments are working together to review the scheme.²⁹ The NSW Government welcomes this review and supports action by the Commonwealth to implement changes to the Tourist Refund Scheme.

Depreciation on tourism assets

The tourism industry, most recently through the Tourism & Transport Forum's "Backing Our Strengths – a National Agenda for the Australian Government", has stated that reforms to Australia's taxation regime are needed to encourage private sector investment in visitor accommodation. TTF has called for reforms to the current capital works and depreciation regimes to ensure that the tax treatment of investment in visitor accommodation reflects the operational life of these investments.

The NSW Government is currently supporting investment in visitor accommodation through the development of the NSW Visitor Accommodation Supply Plan and delivery of the 'Sandstone Buildings' project, which will see the adaptive re-use of two iconic Sydney CBD buildings for tourism purposes.

The NSW Government supports the Commonwealth's consideration of creating an environment that supports investment in visitor accommodation. It is important to ensure that the taxation regime is not unduly impeding the development of visitor accommodation.

3.6 Data, Research and Statistics

Small Scale Accommodation Survey (SSAS)

TRA commissioned STR Global Limited to develop a survey for small-scale accommodation establishments (SSAS). The purpose of this survey was to help fill the data void created by the ABS no longer collecting data on the performance of hotels, motels and serviced apartments with fewer

²⁹ <http://www.austrade.gov.au/Tourism/Policies/National-long-term-strategy/Tourism-Ministers>

than 15 rooms and caravan parks and visitor hostels. Funding was provided to STR for two years from July 2012.

In September 2013, the Tourism Research Advisory Board recommended the SSAS be terminated as lack of industry engagement with the project meant that insufficient data was collected by the SSAS for the overall results to be reliable.

At their October 2013 meeting, Tourism Ministers agreed to terminate the SSAS contract and to use the remaining funds to explore opportunities to extract data from reservation management systems, removing the need for operators to submit data.

Following closure of the SSAS, TRA undertook an evaluation of the survey³⁰ and recommended that:

- the Australian Bureau of Statistics (ABS) collect the data and enforces the compulsory participation of operators in the survey; and
- data collection within the operators' reservation management systems or similar be automated to limit the need for regular and consistent operator interaction with the data collection system. Challenges to implementing this recommendation involve linking TRA and the operator systems, and confidentiality issues.

The NSW Government supports continued investigation by the Commonwealth to measure and provide meaningful information to the small scale accommodation sector.

ABS Survey of Tourist Accommodation

The ABS's decision in July 2013 to reduce the collection frequency of the Survey of Tourist Accommodation from quarterly to annually, followed by its decision in July 2014 to discontinue funding of the survey completely, is of significant concern to the NSW Government and tourism industry, and should be re-considered by the Commonwealth.

Austrade has provided \$288,000 to allow for the 2013-14 Survey of Tourist Accommodation to be delivered in December 2014 and, as part of an ongoing investment, has also committed \$200,000 per annum toward the collection of tourist accommodation data. However, funding beyond 2014 is uncertain. The importance of the survey to support the national tourism landscape warrants its funding to be sourced at a national level on a continued and permanent basis.

The ABS' decision to discontinue the Survey is likely to have a detrimental effect on growth of the visitor economy in Australia. Collection of the data, especially on a quarterly basis, ensures the currency and usefulness of the information produced and enables industry and potential investors to track trends and develop a time series. Having access to quarterly information allows decision makers the ability to detect seasonal variations and to respond to market changes more quickly.

³⁰ http://tra.gov.au/documents/Small-Scale_Accommodation_Survey_-_Evaluation_Summary_FINAL_%28090114%29.pdf

A core strategic imperative of the VEIAP, reflecting a similar imperative in Tourism 2020, is to grow the physical capacity of NSW infrastructure to enable the required growth in visitor numbers to be achieved. Accommodation is one of the key priority capacity challenges needing to be addressed.

The NSW Government has addressed this challenge through the provision of an investment and regulatory environment which supports and encourages private investment in accommodation facilities, and through the development of a NSW Visitor Accommodation Supply Plan. To be successful, both strategies rely on the availability and quality of data that the Survey of Tourist Accommodation provides on a quarterly basis.

The Survey of Tourist Accommodation is used extensively by State and Territory Tourism Organisations and various stakeholders, including industry, investors and government, as a reliable source of data to inform decisions about developing new, or enhancing existing, accommodation stock. Although other sources of information for the commercial accommodation sector exist, none provide the same level and quality of information as the survey.

Given the significance of the collection of tourism accommodation data, especially on a quarterly basis, to increasing investment and to supporting government decision making, the Survey of Tourist Accommodation is a national public good, the cost of which should continue to be met from ABS funds or from another appropriate national funding source on a continued and permanent basis. Government involvement is a requirement to ensure that market participants are compelled to provide the required information and to allow the information to be freely available.

The NSW Government has already made written representations to the Commonwealth, seeking its consideration of these factors and revision of its decisions related to the survey.

3.7 Nature and Heritage

In NSW, there are more than 880 national parks and reserves, covering over nine per cent of the State. In managing NSW's parks and reserves, it is critical to engage with the Commonwealth, state and regional tourism organisations, local councils, other significant landholders and natural resource managers.

In its Final Report released in August 2012, the Visitor Economy Taskforce identified that despite its known competitive strengths, NSW is yet to fully capitalise on the visitor potential of its nature and heritage assets. There is a need for improved co-ordination to deliver nature and heritage experiences to properly capitalise on NSW's plethora of mainly publically owned heritage tourism experiences. Currently, various NSW and Commonwealth Government agencies (Defence and Sydney Harbour Federation Trust) administer NSW's nature and heritage assets, in conjunction with Local Government and community groups, such as historical societies and the National Trust and it is in the best interests of the community that these public assets are sustainably managed.

Immersive nature-based and cultural tourism experiences are vital for NSW and Australia to be a desirable, competitive tourism destination. Tourism operators and destinations require support to develop new nature-based and cultural tourism products. In the past there have been

Commonwealth grants to support tourism operators to develop new products and systems, but these are no longer available. It is suggested that increased funding be considered for:

- Tourism Australia to support destination and experience development programs via the STOs and RTOs, focussed on nature-based and cultural tourism;
- Tourism Australia to support (operator) innovation and partnership programs – new tourism products and new ways of consuming the same; and
- Tourism Research Australia to focus on matching (identified) potential markets to desired immersive experiences to inform targeted destination and experience development initiatives, especially for the Asian markets.