

Executive Summary

The Australian tourism industry is significant. In 2012-13:

- Tourism directly contributed \$42 billion to national GDP, and indirectly contributed a further \$48 billion.
- Tourism exports (international visitor consumption) increased 5.7 per cent to \$27 billion, (8.9 per cent of total Australian exports).
- The tourism industry directly provided approximately 543,600 jobs - this is 4.7 per cent of total employment. It indirectly contributed a further 385,000 jobs through other supporting industries.

Inbound visitor arrivals are expected to reach 9.6 million by 2022-23. More than half of this growth is expected to come from China, New Zealand, the United Kingdom, the United States and Singapore. To ensure that the Australian economy can capitalise on this growth, governments at all levels are working together, through *Tourism 2020*, to address barriers to industry growth, to help the industry reach the *Tourism 2020* Potential – to double overnight visitor expenditure to between \$115 and \$140 billion by 2020.

The Australian Government is focussed on:

- research (through the provision of tourism-related information, data collection, and analysis);
- pursuing policy reform to reduce barriers to growth, increase industry competitiveness; and facilitate and attract productive foreign direct investment to increase the range and quality of Australian tourism product; and
- promotion of Australia as an international tourism destination (through Tourism Australia).

The Australian Government also takes responsibility for ensuring a strategic, coordinated approach to tourism policy through the ongoing implementation of *Tourism 2020*.

Tourism provides the people-to-people links necessary to promote a deeper knowledge and appreciation of Australia as a world-class holiday, study and business destination, leading to increased levels of trade and investment and higher economic growth. For this reason, tourism is key to the Government's economic diplomacy agenda, which is built around Australia's prosperity and global prosperity.

Notwithstanding these efforts, the Australian tourism industry is currently tracking below the lower end of the Tourism Potential. Following extensive consultation with over 160 industry stakeholders, industry peak body leaders presented a set of game-changing themes to Tourism Ministers at their July 2014 meeting. Austrade is working with industry and states and territories to develop actions to pursue growth against the following game-changing themes:

1. Cross portfolio commitment within all levels of Australian governments;
2. Improved visa arrangements;
3. Improved airports experience and aviation capacity; and

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4. The integration of national and state tourism plans into regional development and local government planning (a responsibility of the states and territories).

The attached submission details Austrade and the Department of Foreign Affairs and Trade's roles in developing policy, managing programs and providing research to strengthen Australia's tourism industry and to grow Australia's tourism market share.

1. Introduction

Tourism is a significant part of Australia's economy. Directly and indirectly it contributes \$91 billion to our gross domestic product. It is a major source of employment, providing jobs for almost 930,000 people. Its contribution to economic development in regional Australia cannot be overlooked, with 44 cents of every tourism dollar spent in regional Australia. Tourism earns 8.9 per cent of total exports, making it Australia's largest service export industry. The people-to-people links creates an environment that makes Australia an attractive place to holiday, study, do business and invest.

Australia has many natural attractions that provide a comparative advantage. Deloitte Consulting has recognised tourism as one of five industries that has the potential to drive Australia's prosperity into the future. The private sector is the main driving force for economic activity. Government acts as an enabler, ensuring the policy settings on immigration, aviation, transport, employment and the business environment support tourism businesses to prosper and grow. If Australia is to fully capitalise on growth opportunities, governments need to be forward-looking, market focussed and address barriers to growth.

This submission focuses on:

- the importance of tourism to the Australian economy;
- trends in international tourism;
- the partnership between governments and industry to realise the industry's potential – *Tourism 2020*;
- Achieving the *Tourism 2020 Potential*;
- the Australian Government's role in addressing barriers through:
 - a programme of focussed research;
 - encouraging high quality tourism experiences including indigenous tourism;
 - limiting the tax, red tape and other regulatory burdens;
 - working with industry to enable the development of tourism infrastructure that drives demand;
 - negotiating trade agreements to seek better market access conditions for Australian tourism services suppliers into overseas markets; and
 - reinforcing tourism's role in the broader economic diplomacy agenda.

Attachment A provides a summary of the responsibilities of each level of government, as it relates to the tourism industry.

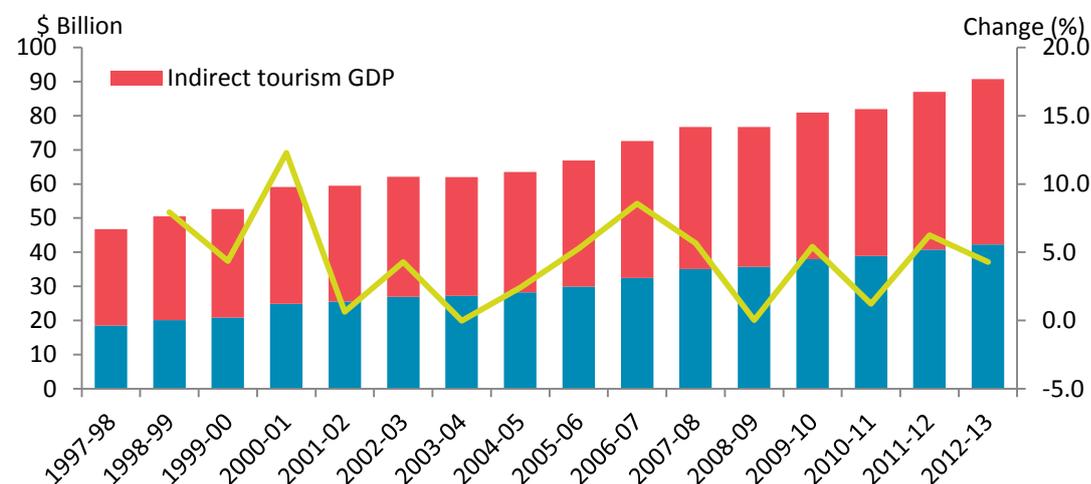
2. The importance of tourism to the Australian economy

Tourism is internationally recognised and measured as people traveling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes¹. It is a construct of 14 separate industries and must be considered in the broader context of affiliated industries which it impacts and interrelates with. For this reason Austrade considers the industry in terms of a broader concept - the visitor economy – to help it to understand the structure of the industry, its contribution to the economy, and where best to direct policy reform. The visitor economy has two key components: the direct economic contribution of tourism; and the indirect contribution from other sectors that rely on or support tourism along the supply chain.

The Australian tourism industry is a significant industry in terms of its contribution to national income, exports and employment. The downstream effect of tourism extends well past those industries directly linked to visitors – for every dollar directly earned by tourism, another 87 cents is generated in other parts of the Australian economy. This is larger than Retail Trade (77 cents), Mining (70 cents) and Education and Training (41 cents)².

In 2012–13, tourism *directly* contributed \$42 billion to national GDP (up 3.7 per cent or \$1.5 billion), and *indirectly* contributed \$48 billion (up 4.8 per cent, or \$2.2 billion). This provided a visitor-economy estimate of \$91 billion, or 6.0 per cent of Australia’s GDP.³

FIGURE 1: TOURISM GDP - DIRECT, INDIRECT AND TOTAL, 1997-98 TO 2012-13



Source: TRA, Tourism’s Contribution to the Australian Economy, 1997-98 to 2012-13

¹ United Nations World Tourism Organization

² See TRA’s Tourism’s Contribution to the Australian Economy, 1997–98 to 2012–13 for further information on tourism multipliers.

³ *Tourism’s Contribution to the Australian Economy 1997-98 to 2012-13*, Tourism Research Australia. Canberra.

Employment

The tourism industry *directly* provided approximately 543,600 jobs in 2012-13, up by 2.1 per cent (11,400 jobs) from the previous year or 4.7 per cent of total employment. The tourism industry *indirectly* contributed 385,000 jobs through other supporting industries (with 60 per cent in manufacturing; professional, scientific and technological; and agriculture, forestry).⁴

Exports

In 2012-13, tourism exports (international visitor consumption) increased 5.7 per cent to \$27 billion, representing around 8.9 per cent of total Australian exports⁵. Importantly, tourism is Australia's largest services export industry.

Tourism Businesses

As at June 2013, there were approximately 267,000 tourism businesses in Australia, representing 13 per cent of the total 2.1 million businesses in Australia⁶. Approximately 95 per cent of tourism businesses were non-employing, micro or small businesses. Medium and large tourism businesses contributed 68 per cent of total tourism revenue in Australia.

Almost two thirds (65 per cent) of tourism businesses were located in capital cities and one-third in regional areas. Although tourism businesses are concentrated more in the capital cities in most states and territories of Australia, it is important to note that 44 cents in every visitor dollar is spent in regional areas⁷.

Tourism Productivity

During the period 2007-08 to 2012-13, Tourism Research Australia (TRA) estimates that labour productivity increased at an average annual rate of 0.7 per cent. This is important for tourism, as labour costs account for around 60 per cent of the industry's cost base.

Consistent with all industry sectors (combined), capital productivity has declined for tourism due to stronger growth in capital inputs than tourism outputs. This is making tourism more capital intensive. Between 2007-08 to 2012-13, tourism capital productivity decreased at an average annual rate of 1.9 per cent, which is less than the average across all industry sectors (3.1 per cent).

Tourism multifactor productivity (which combines labour and capital productivity) decreased on average by 0.3 per cent per annum during the period 2007-08 to 2012-13. This decline is likely due to the effects of the Mining Boom and the Global Financial Crisis.

⁴ Tourism Research Australia (TRA), *ibid.*

⁵ State of the Industry, 2014. Tourism Research Australia. Canberra.

⁶ Source: TRA, *Tourism Businesses in Australia, June 2010 to 2013*

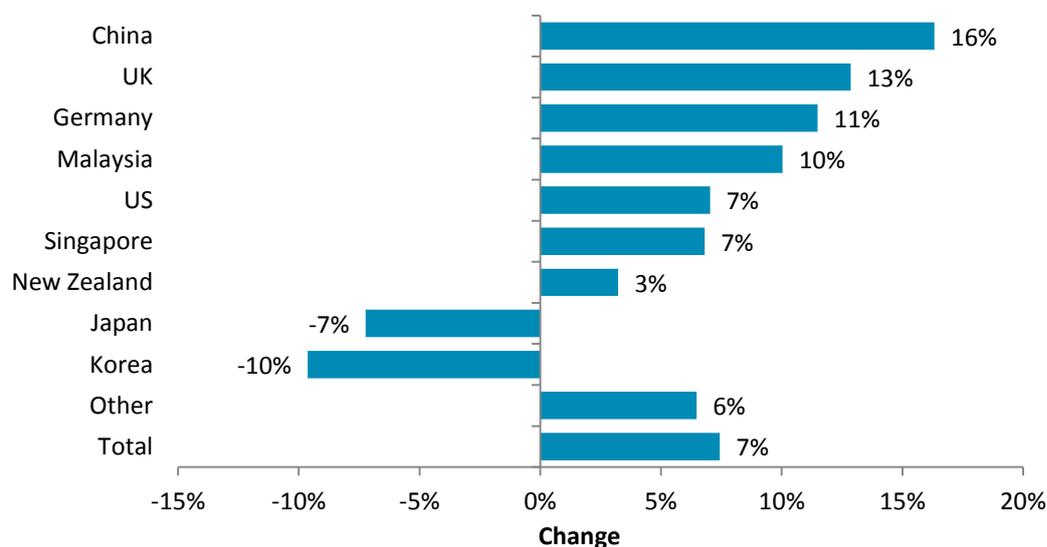
⁷ State of the Industry 2014. Tourism Research Australia. Canberra.

International tourism data

In 2013-14, international visitor arrivals increased 7.6 per cent to 6.1 million⁸, with international visitor nights also increasing by 0.6 per cent to 216 million. Over the same period, total international visitor expenditure rose 7.4 per cent (or \$2.1 billion) to \$30.1 billion.

Last financial year saw a return to arrivals growth from most traditional markets while expenditure was very strong from most western European markets and the United States (US). Asian markets continued to be the largest contributor to Australia's international tourism growth, accounting for 47 per cent of international visitor expenditure in 2013-14 (or \$14.1 billion). Thailand, China and Hong Kong (up 17.1 per cent, 16.3 per cent and 14.2 per cent, respectively) drove strong growth across Asia as a whole (up 7.4 per cent).

FIGURE 2: GROWTH IN TOTAL INTERNATIONAL VISITOR EXPENDITURE BY MARKET, 2013-14



Source: TRA, International Visitor Survey.

Purpose of travel

The leisure sector (holiday visitors and those visiting friends and relatives - VFR) had expenditure increase of 13.2 per cent to \$17 billion. In 2013-14 VFR visitor growth far outstripped any other purpose of visit (up 15.0 per cent, to 1.7 million visitors), due to strong increases across all markets.

In 2013-14, total expenditure by international business visitors increased marginally (up 1.9 per cent, to \$3.4 billion). The US remains Australia's most valuable business travel market, accounting for about 20 per cent of total inbound business visitor expenditure.

Growth in the higher yielding education sector was mixed in 2013-14. Total education expenditure grew 2.5 per cent to \$6.5 billion. This growth was driven by solid growth in average education trip

⁸ Estimates are taken from TRA's International Visitor Survey of international visitors aged 15 years or older.

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expenditure (up 4.6 per cent to \$17,895 per visitor). Education visitors from China showed the strongest improvement, with 7.2 per cent increase in average trip expenditure.

The community benefits of tourism

As well as the direct and indirect economic benefits, it is also important to consider the community and social benefits that tourism can bring to a region.

With 44 per cent of all visitor expenditure occurring in regional Australia, tourism can be an industry that diversifies a region's economy. In the case of international tourism, this is 22 cents in every dollar. Tourism can provide job opportunities outside of traditional industries such as agriculture and mining and deliver improved amenity and facilities to a region.

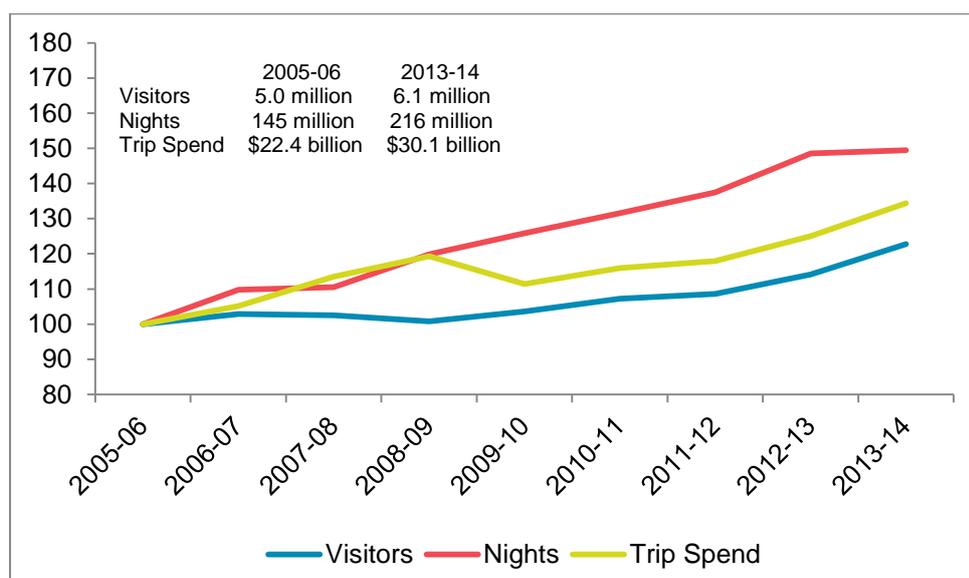
Many regions across Australia rely on tourism as part of their economic base. TRA's *Economic Importance of Tourism to Regions* (2011) emphasises that tourism is a vital part of many regional economy. This includes, Central Northern Territory, where tourism makes up 25 per cent of their economy; the Whitsundays (18 per cent), the Tasmanian West (16 per cent) and East (15 per cent) Coasts and Tropical North Queensland (10 per cent).

3. Trends in international tourism

TRA reports a number of trends in data from its *International Visitor Survey*. Since 2005-06, key trends include:

- International travel has outperformed domestic travel. As a result, international travel’s share of total nights and overnight trip spend increased from 34 to 42 per cent and 34 to 36 per cent respectively.
- Asia has increased its share of international visitor spend from 40 per cent to 47 per cent. Japan has gone against this trend with arrivals and spend declining. It is now the fifth (previously second) most valuable inbound tourism market for Australia.
- While VFR, education and employment have performed well the current growth is in leisure travel.
- Capital cities have out-performed regional areas in attracting international visitors. Visitors travelling for the purpose of VFR and education and those from Asia tend to favour visits to capital cities.

FIGURE 3: INDEXED INTERNATIONAL VISITORS, VISITOR NIGHTS AND TOTAL TRIP EXPENDITURE, 2005-06 TO 2013-14.



Source: TRA, International Visitor Survey

The outlook for international tourism

It is estimated that Asian markets will drive strong growth in 2014-15, particularly China, India and Singapore. Total leisure travel will further boost inbound arrivals in 2014-15 (up 5.9 per cent to 5.2 million).

Average annual growth for inbound arrivals is forecast at 4.5 per cent over the next ten years (or 9.6 million by 2022-23). Similar average annual increases are expected for holiday (5.1 per cent),

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VFR (4.5 per cent) and education/employment (4.3 per cent) while growth is forecast to be less for business (2.6 per cent).

Australia's top five inbound markets (New Zealand, China, the UK, the US and Singapore) are expected to provide 56 per cent of arrivals over this period. China is expected to contribute nearly one-quarter (24 per cent) of the increase in inbound arrivals over the forecast period to 2022-23.

These trends provide challenges and opportunities for the Australian tourism industry. Growth in Chinese visitation is likely to drive progress towards the *Tourism 2020 Potential*. However, challenges remain in encouraging Chinese visitors to disperse more widely. This, combined with the competition outbound destinations pose to domestic holiday travel is likely to have an effect on visitation and tourism spending in regional Australia.

In the following sections, Austrade will explore how governments are working together to address barriers to the growth of the industry. This is important to strengthen prospects for the lucrative, (but moderately performing) holiday and first-time international visitor segments as destination options expand.

4. Tourism 2020

In 2011 the Australian Government, in partnership with state and territory tourism organisations, introduced *Tourism 2020* (an update to the National Long-Term Tourism Strategy). Through *Tourism 2020* the Australian Government and the states and territories are working to remove barriers to the growth of Australia's tourism industry.

Tourism 2020 addresses six strategic areas:

- Grow demand from Asia
- Build competitive digital capability
- Encourage investment and implement regulatory reform
- Ensure tourism transport environment supports growth
- Increase supply of labour, skills and Indigenous participation
- Build industry resilience, productivity and quality.

At the heart of *Tourism 2020* are two principles: the first is that supply and demand side considerations must to be addressed together if the industry is to reach the Tourism 2020 Potential, and the second is that this work is a partnership between all levels of government and industry.

For the *Tourism 2020 Potential* to be reached, a number of changes need to occur to supply-side settings. This includes, competitive visa policy settings, aviation agreements with capacity for market growth (an additional 3 million seats), more visitor accommodation (between 6,000 and 20,000 new rooms), a supply of workers – (additional 56,000), and high quality tourism products and services that meet visitor needs.

Tourism 2020 implementation has three phases:

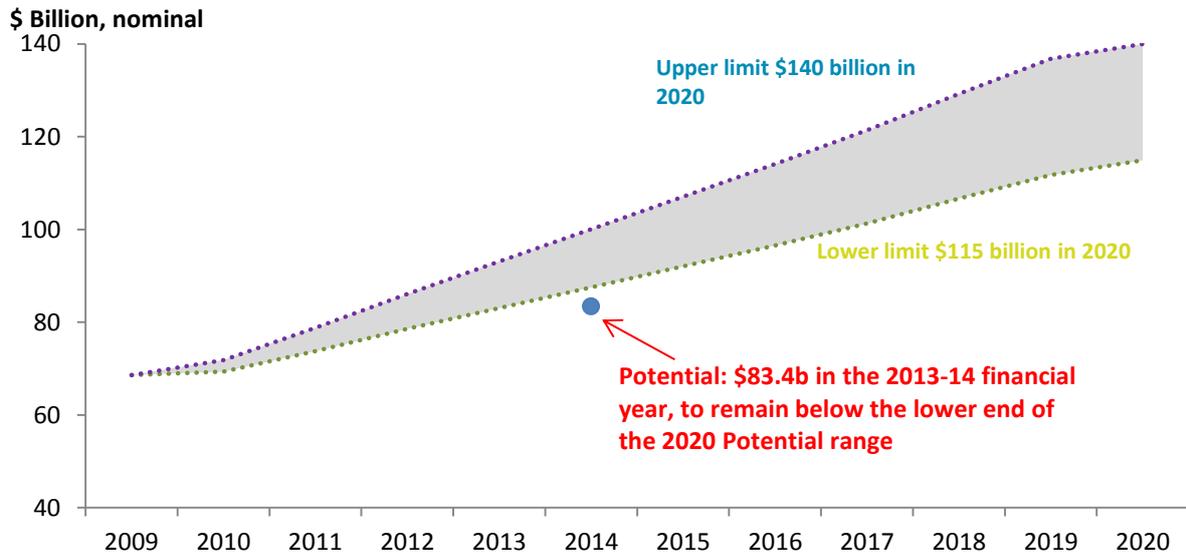
- 2012 to 2014 – setting the foundations
- 2015 to 2017 – seeing the results
- 2018 to 2020 – achieving the potential.

The focus of the first phase was to increase investment, ensure adequate levels of skilled labour, and work with aviation partners to ensure sufficient capacity on relevant routes. For demand, it includes identifying and targeting markets and developing the correct mix of tourism products and services. Further detail on important *Tourism 2020* achievements is at **Attachment B**.

TRA recently released its fifth *State of the Industry* publication, which tracks progress towards the *Tourism 2020 Potential*. The report shows that while tourism expenditure has increased for international and domestic travel, it is still tracking below the lower end of the Potential.

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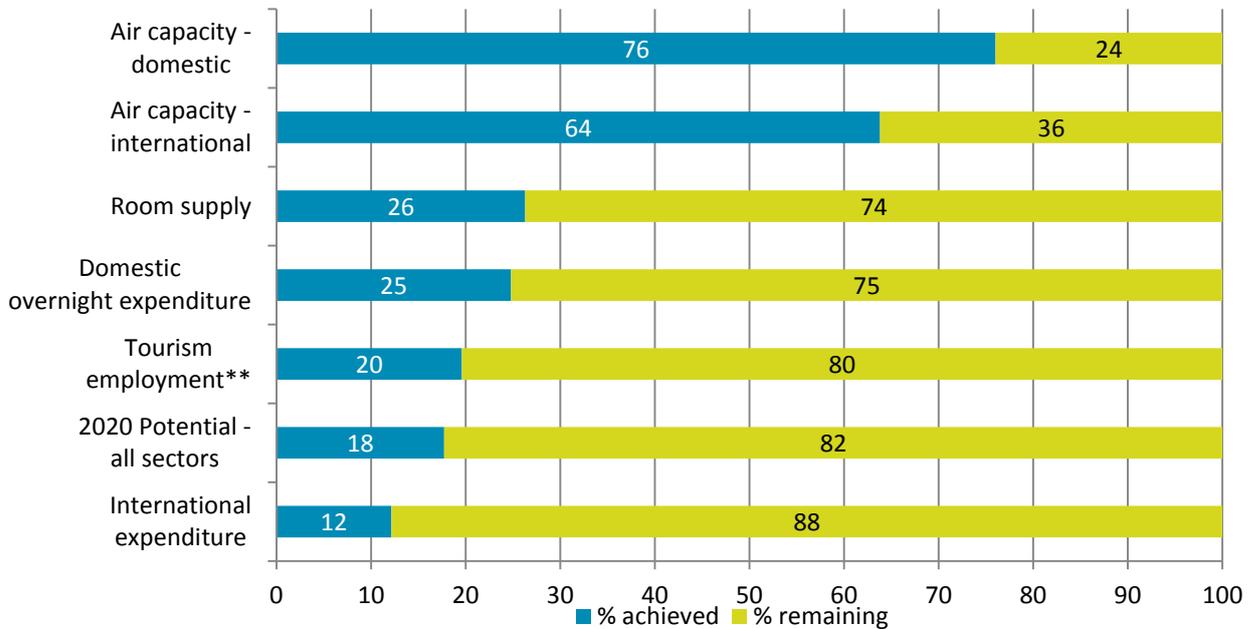
FIGURE 4: TRACKING THE 2020 TOURISM INDUSTRY POTENTIAL, 2009 TO 2020



Source: TRA, International Visitor Survey and National Visitor Survey

TRA also reports growth in the core supply areas of the Potential which are aviation, accommodation, and employment. Aviation growth remains strong, led by the domestic sector. While growth in international air capacity is tracking well against the Potential, capacity in key agreements for foreign carriers (such as China, Hong Kong, Malaysia and Qatar) is constrained.

FIGURE 5: TOURISM 2020 - TRACKING PROGRESS OF AGGREGATE COMPONENTS, 2013-14



** Tourism employment shows progress to 2012-13 only. Source: TRA calculations; DRET, Tourism 2020; TA, 2020 Tourism Industry Potential

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It is TRA's view that these results indicate that the Australian tourism industry is beginning to take advantage of opportunities as it moves out of the 'Setting the foundations' phase and into the 'Seeing the results' phase of *Tourism 2020*. However, to realise the upper end of the Potential, significantly more work needs to be done.

5. Tourism 2020 – achieving the Potential

The 2015 to 2020 Implementation Plan and game-changing reforms

The Australian tourism industry is currently tracking below the lower end of the Potential. If this trend continues the Potential will not be realised. Following extensive consultation with over 160 industry leaders, a set of game-changing reforms were identified. Industry presented the game-changing themes to Tourism Ministers in mid-2014. In addition, Industry argued that additional funding for marketing is required to drive further demand. Austrade is working with industry and states and territories to develop actions against the following themes:

- Cross portfolio commitment within all levels of Australian governments;
- Improved visa arrangements;
- Improved airports experience and aviation capacity; and
- The integration of national and state tourism plans into regional development and local government planning (a responsibility of the states and territories).

Themes one to three are within the ambit of the Australian Government and are addressed in detail later in this submission. As well as ultimately having responsibility for product development and quality, the tourism industry also committed to exploring avenues to increase public/private partnerships to improve efficiency and leverage existing tourism funding to drive demand. Industry would also note the need for reform to the industrial relations framework, noting that the current penalty rate system impacts adversely on the affordability of staff during weekends and public holidays.

Austrade continues to build on this collaborative approach across all levels of government and industry.

Implementing reforms that improve visa arrangements and make temporary visa schemes more accessible will facilitate growth in investment and therefore drive growth in overnight visitor expenditure, create employment opportunities and increase indirect economic benefits.

Reforms geared towards improving airport experiences and aviation capacity will reduce aviation capacity constraints, create better first and last impressions of Australia (through improved customer service), reduce wait times for border control processing and allow Australian gateways to better compete internationally.

6. The role of the Australian Government

The global tourism industry is entering a period of sustained above-average growth. The UNWTO notes that international tourist arrivals are expected to increase by 3.3 per cent a year from 2010 to 2030 – reaching 1.8 billion by 2030⁹.

Tourism Australia, Austrade, the Department of Foreign Affairs and Trade (DFAT), state and territory governments and industry work together through *Tourism 2020* to ensure that the supply and demand sides of the industry focus on delivering the experiences, products and services that the international visitor is seeking. This arrangement is formally set out in the Tourism Collaboration Intergovernmental Agreement, which also details the role of the Tourism Ministers' Meeting and the Australian Standing Committee on Tourism.

The Australian Government has carriage of:

- research (through the provision of tourism-related information, data collection, and analysis);
- pursuing policy reform to reduce barriers to growth, increase industry competitiveness; and facilitate and attract productive foreign direct investment to increase the range and quality of Australian tourism product; and
- promotion of Australia as an international tourism destination (through Tourism Australia, who will provide a separate submission to the Productivity Commission).

The Australian Government also takes responsibility for ensuring a strategic, coordinated approach to removing barriers to tourism growth through the ongoing implementation of *Tourism 2020*.

In terms of tourism governance, Australian and state and territory government tourism ministers meet twice a year to drive the strategic implementation of *Tourism 2020* and respond to tourism policy matters of mutual interest. Chairs from the Tourism Transport Forum (TTF), National Tourism Alliance (NTA), Australian Regional Tourism Network (ARTN) and the Australian Tourism Export Council (ATEC) participate in Tourism Minister's Meeting

The Tourism Ministers are supported by the Australian Standing Committee on Tourism (ASCOT). ASCOT is a meeting of officials at the CEO level from the state and territory tourism organisations and state tourism departments (New South Wales and Queensland). ASCOT oversees the implementation of *Tourism 2020*, provides advice and makes recommendations to Tourism Ministers.

6.1 Research

Accurate and timely data and research are important tools for measuring the performance of tourism and its contribution to the Australian economy, monitoring tourism trends and informing decision-making by governments and industry. Research provides the evidence base to support policy, investment, planning and marketing. It also enables industry to respond to changing market and economic conditions and address structural barriers.

⁹ United Nations World Tourism Organization, *Tourism Highlights 2014*. Madrid, Spain.

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TRA and the Australian Bureau of Statistics (ABS) focus their efforts on public good data collection and research activities of national importance that an industry as diverse as tourism would have great difficulty in undertaking itself. This is supplemented by research conducted by the states and territories related to their jurisdictions, academia, the tourism industry and businesses.

The foundation for tracking international and domestic tourism is TRA's International Visitor Survey and National Visitor Survey. These collections are vital research enablers as they include coverage of key areas including visitor expenditure (to measure tourism's value to the economy), regional tourism data including expenditure and key travel behaviours. These are important to developing evidence based policy and marketing strategies.

To maximise the cost-effectiveness of these data collections they are jointly funded by the Australian and the states and territory governments and conducted by a contracted market research provider.

Data is collected in accordance with internationally accepted definitions and standards but modified for local circumstances. This ensures tourism data is consistently measured at the national, state and regional levels and enables comparison of Australia's tourism performance with that of other countries. Results from the International Visitor Survey and National Visitor Survey also underpin:

- Production of the ABS National *Tourism Satellite Account* (TSA) (funded by Austrade).
- Much of TRA's analytical work program including preparation of State Tourism Satellite Accounts, tourism forecasts and modelled regional tourism expenditure estimates.

Through its national surveys and analytical research program, TRA is regarded as Australia's leading tourism research provider delivering independent high quality data and analysis on both international and domestic tourism. TRA provides all levels of government and industry with information to strengthen marketing and business decisions, and helps to underpin government tourism policy decisions.

TRA works closely with the states and territories, through the Tourism Research Committee. The Tourism Research Advisory Board (with representatives from government, academia industry and industry associations) also guides TRA's work programme. Further detail on this work programme is at **Attachment C**.

The ABS provides a range of data on key economic indicators at a broad level that assist all levels of government and the tourism industry to understand the contribution the industry makes to the Australian economy. For instance:

- The ABS produces estimates of the direct contribution of the tourism industry to the Australian economy through the TSA. Linked to the Australian System of National Accounts, the TSA provides valuable information on the contribution of tourism to major economic aggregates, such as Gross Domestic Product.
- The Survey of Tourist Accommodation (STA) is a census of supply and levels of utilisation of selected tourism accommodation. It is used to track room occupancy rates and availability of rooms, types of rooms and establishments, and growth in room availability.

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- The monthly *Overseas Arrivals and Departures* (OAD) publication provides information and analysis of short-term movements (i.e. less than one year), in particular those for short-term visitor and resident arrivals. As well as providing regular visitor movement data, the OAD also provides a benchmark point for TRA's International Visitor Survey.

6.2 Policy reform

Austrade is the central co-ordination point across Government for progressing tourism policy and regulatory reform, including identifying regulatory burdens which inhibit growth in investment. Austrade works across the Australian Government and with the states and territories to identify policy reforms and implement changes to increase the industry's competitiveness and growth.

Austrade's work is focussed on three of the Tourism Ministers' four priorities for driving tourism growth:

- encourage high-quality tourism experiences, including indigenous tourism;
- limit the tax, red tape and other regulatory burdens the industry faces; and
- work with industry to support the development of tourism infrastructure that can drive demand.

The fourth priority – ensuring marketing campaigns are effective and targeted – is the responsibility of Tourism Australia in collaboration with the state and territory tourism organisations.

The Department of Foreign Affairs and Trade pursues policy reform through trade negotiations aimed at removing barriers to Australian exports in overseas markets.

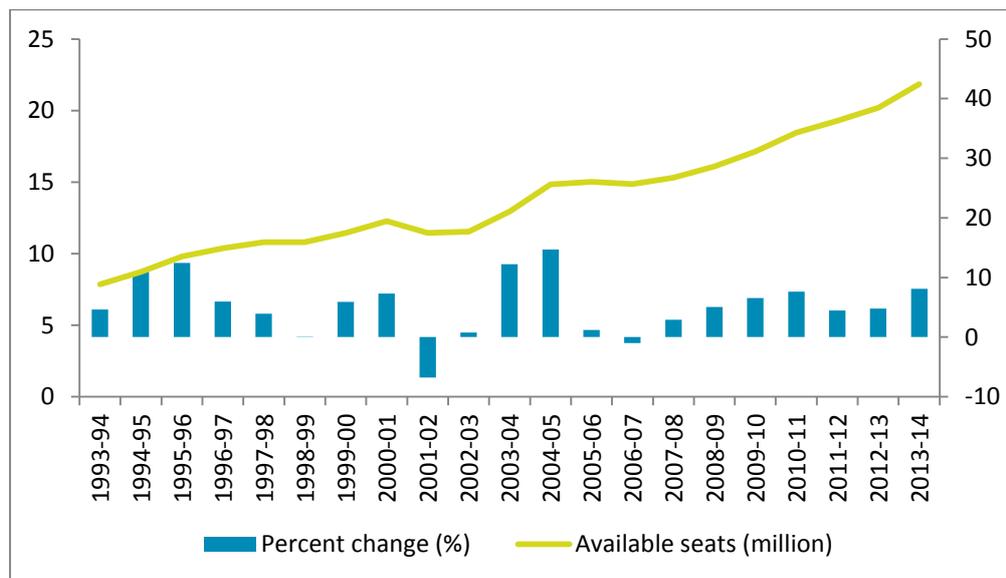
6.2.1 Encouraging high quality tourism experiences.

While responsibility for product development and quality sits with the tourism industry, Austrade identifies barriers to growth and influences policies that affect the quality of the tourist experience.

- *Improving aviation access and the passenger experience*

International aviation access is managed by government-to-government bilateral treaties, or Air Services Arrangements (ASAs). These arrangements, amongst other things, contain provisions on destinations, capacity, ownership and control, tariffs, safety and security. Australia has arrangements in place with 90 countries. Austrade is a representative on Australia's air service negotiating delegation, seeking to ensure tourism concerns and interests are appropriately considered during the negotiations. Austrade's inclusion is to encourage a framework that will deliver sustainable aviation competition with benefits to the consumer, inbound tourism, trade and the economy more broadly.

Figure 6: International inbound available seats and year on year change, 1993-94 to 2013-14



Source: BITRE, International Airline Activity

Regulatory impediments imposed by this system, such as restricted weekly access to Australia’s gateway airports or restricted traffic rights, can slow the rate at which airlines develop and grow existing services and expand their networks. For example, the capacity constraint in the existing arrangement with Hong Kong is not only impeding Cathay Pacific’s opportunity to grow its presence in the Australian market but is also preventing new entrant Hong Kong Airlines from applying for a capacity allocation that would permit it to commence services to gateway airports

Negotiating sufficient capacity in agreements ahead of demand is vitally important for the tourism industry. This is due to the importance of air access to Australia – with more than 99 per cent of our international arrivals coming by air - and the significance of the ticket price in a tourist’s purchasing decisions.

In framing its international air services policy settings, the Government aims to:

- improve opportunities for Australian carriers to access international markets;
- increase competition and choice for Australian and foreign travellers on international routes to and from Australia; and
- improve trade and tourism opportunities for Australian industry.

To meet *Tourism 2020* Potential an additional 3 million operated inbound seats are required to accommodate forecast international visitor demand. It is unlikely that this growth will come from Australian carriers. Recent trends have been for Australian carriers to rationalise their own-operated international networks as their cost base is not competitive and they are becoming more reliant on partnerships and alliances to grow their international presence through “virtual” networks or code-share access. As such, future aviation capacity growth is likely to be driven by foreign carriers.

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Foreign carriers have utilised their capacity entitlements in a number of ASAs. Current tourism priority markets to renegotiate access arrangements with are China, Hong Kong, Malaysia and Qatar. These markets are particularly important as Australian carriers are either underutilising their capacity entitlements (and they have not indicated that additional services will be introduced in the short term) or they are not operating services to and from these markets (and have not indicated a desire to commence services to new markets in the short term). Bilateral access restrictions result in less competition and consumer choice on restricted routes, and potentially lead to more expensive airfares. Austrade supports continued aviation access liberalisation and a commitment to negotiate 'Open Skies' arrangements for key inbound visitor markets where appropriate. This would provide international airlines with the commercial flexibility to add services to any Australian destination if warranted by strong passenger demand and grow Australia's inbound capacity without artificial constraints to reach the Tourism 2020 potential.

In preparing for bilateral air services negotiations, the Deputy Prime Minister provides a negotiating mandate intended to maximise the national interest. The Department of Infrastructure and Regional Development seeks input from a variety of Commonwealth departments, state and territory Governments, industry bodies, airlines, airport operators and exporters and importers, to ensure that the full range of national interests are taken into account. This broad consultative process provides a mechanism that ensures tourism, trade, foreign policy, airline, consumer and state and territory interests are considered when developing the negotiating position. Tourism industry stakeholders have in the past expressed their desire for greater transparency from the Government in relation to the development of Australia's negotiating mandate, information on how the national interest was derived and the actual dialogue that occurred during negotiations. This is particularly the case in instances where talks have not yielded a result, or the negotiated outcome does not align with industry needs and/or the Government's commitment to negotiating aviation capacity ahead of demand.

In a globally competitive environment, an efficient international passenger facilitation and welcoming reputation is gaining prevalence. Australia's automated border processing technology, SmartGate, is improving the passenger experience by providing the traveller with a fast self-processing option. Eligibility has been extended to eight countries, with permanent access for e-Passport holders from Australia, New Zealand, the UK, the US and Singapore, and trials for Swiss, Canadian and Irish nationals underway. In 2015, trials are expected to commence for e-Passport holders from China, the Hong Kong Special Administrative Region, Japan and India. The Australian Government has also announced that next generation automated departures eGates will be rolled out at each of Australia's eight major international airports from mid-2015.

- *Ensuring that the tourism industry has access to an appropriately skilled workforce*

Labour and skills shortages have long been identified as a barrier to growth for the tourism industry. Tourism is a labour intensive, seven-day-a-week industry, which depends on an adequately supplied and skilled workforce to service its customer. Research by Deloitte Access Economics found that by 2015 the industry will be faced with a shortage of 56,000 workers (including 26,000 skilled workers)

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to fill projected vacancies¹⁰. The research found that recruitment (57 per cent), skills (50 per cent) and retention (46 per cent) difficulties impact labour force pressures facing the industry.

A priority for *Tourism 2020* is to increase the supply of labour, skills and Indigenous participation. Tourism Employment Plans (TEPs) are being rolled out across eight 'hot spot' regions experiencing acute labour and skills pressures. TEPs aim to address specific regional employment issues and deliver practical workforce solutions to improve the competitiveness of tourism businesses. To date, TEPs have delivered 120 targeted strategies working with 1,200 stakeholders to support regional workforce planning. TEPs have been recognised by the OECD as best practice learning models to support quality jobs in tourism.

Austrade has also developed *A Guide to Developing Tourism Employment Plan* and a TEP Advisory Service to support regions with regional workforce planning. Other tools have been developed to support businesses, including a *Workforce Planning Guide* and TEP Tools which include resources to support tourism and hospitality businesses with recruitment, retention and skills needs. So far over 900 tourism businesses have benefitted from this advice.

Access to international labour is also important for the tourism industry, when local labour cannot be sourced. Under *Tourism 2020*, Tourism Ministers have identified reforms to WHM visas as an important source of labour to ease seasonal vacancies which are difficult to fill from the local labour market. WHM visas allow businesses to manage seasonal peak labour demand with short term low skilled labour from overseas. A strong evidence base for policy reform has been developed by the Australian Tourism Export Council, the National Tourism Alliance and TTF, supported by Austrade through the findings of the eight TEPs. The Australian Government is also currently negotiating new WHM agreements with over 20 countries which will support the industry's employment needs. The Government has also negotiated a new Work and Holiday Maker arrangement with China and since 1 July 2014, chefs have been included on the Skilled Occupation List (SOL).

In regions experiencing significant labour shortages, the Government has established Designated Area Migration Agreements (DAMA). DAMAs seek to improve employers' access to specialised skilled and semi-skilled overseas workers more seamlessly including for tourism and hospitality. The Government is working with industry to develop a range of Template Labour Agreements (TLAs) for the tourism and hospitality industry. TLAs will allow businesses to improve access and reduce the red tape to accessing labour.

In addition, accommodation businesses have access to the Seasonal Worker Program on a trial basis. This allows workers from the Pacific and Timor Leste to work for an accommodation business for as little as 14 weeks to six months in Western Australia, Northern Territory and parts of Queensland and South Australia to meet seasonal shortages where local labour is difficult to source. The trial is due to be completed for the accommodation sector in June 2015. The trial has support from the tourism industry and Austrade would welcome the accommodation industry's continued involvement in the Programme.

¹⁰ *Australian Tourism Labour Force Report*, 2011, Deloitte Access Economics

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- ***Ensuring that Australia's visitor visa systems meet visitor needs and expectations***

Australia's visa system comes under constant scrutiny from the industry. Industry has raised concerns about the length of application forms, the need for online visas for key inbound tourism markets such as China and India, the need for increased validity periods/multiple entry visas and completion of visa applications in other languages.

Austrade recognises the need to strike a balance between maintaining border integrity and facilitating entry for genuine travellers. We note that a key objective of the game-changing actions under *Tourism 2020* is to improve visa arrangements and Austrade works closely with the Department of Immigration and Border Protection. Importantly, improved visa facilitation makes it easier for visitors to obtain a visa and make repeat visits for leisure, VFR and business purposes. It is an area where Australia could excel against competitors by minimising barriers to travel.

In 2011, Canada introduced multiple entry visas to be valid for the length of an approved visitor's passport (up to 10 years) and the US has recently announced a similar proposal for China. Australia requires applicants from many countries applying for a visitor visa to complete a 16 page application form. In comparison, Singapore's application form is three pages while Canada's is four pages. Reducing the length and complexity of Australia's visitor visa application would reduce the burden of applying for a visa and close the gap on some of our competitors.

In addition, language guidance material and in-language application forms would also simplify the application process for non-English speaking visitors. A significant number of markets already have access to electronic lodgement. Two priority markets that do not have full coverage are China and India. Expansion to these markets would assist operators maximise the benefits of these markets in the longer term.

- ***Maintaining the integrity of the Approved Destination Status (ADS) scheme***

The ADS scheme is a bilateral tourism arrangement between the Chinese Government and a destination that allows Chinese leisure tourists to travel in groups to that destination. The scheme allows Australia to host leisure group tours from China and permits the Australian Government, through TA to promote Australia as a leisure travel destination in China. Austrade's role is to ensure that inbound operators deliver the product they promised the traveller.

The Chinese Government views Australia's ADS scheme as best-practice. Maintaining this relationship is important because of the significant value of Chinese inbound tourism to Australia. Since 1999 Australia has hosted over one million ADS tourists and currently 35 per cent of leisure tourists from China are ADS tourists. For the year ending June 2014, TRA data shows Chinese arrivals increased by 11 per cent to a record 708,000.

A revised ADS Code of Business Standards and Ethics, which sets out the responsibilities of inbound tour operators and tour guides has been developed, following the change to legislation in China. The revised Code will improve quality and transparency through:

- simplifying the Code to facilitate compliance activity;

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- the inclusion of tour guides to ensure they are qualified and deliver a quality experience to ADS tourists; and
- the introduction of a demerit points system to encourage best practice rather than simply punish operators for transgressions.

The new Code also aids in the reduction of red tape by:

- removing the requirement to apply annually for an ADS license. ADS operators will now be granted perpetual licenses subject to compliance with the Code;
 - devolving ministerial responsibility over the ADS scheme to Austrade officers, streamlining administration and improving processing times; and
 - streamlining of the sanctions structure to focus on quality tourism outcomes rather than adherence to administrative process.
- *Strengthening the tourism industry's export capabilities*

The tourism industry is able to take advantage of a number of Austrade services, to strengthen their export capabilities. This includes the attraction of business events and export advice and promotion assistance. Supported by a body of evidence that food and wine are strong drivers for international travel, Tourism Australia recently launched its *Restaurant Australia* campaign, which showcases Australia's food and beverage industries to overseas investors and importers. Tourism Australia has been collaborating with Austrade's overseas Posts to deliver a number of events and initiatives.

The Minister for Trade and Investment recently launched *Attracting Business Events to Australia* to help Australia to attract more international business events. The initiative sets out how Austrade and Tourism Australia can support event organisers through the event bidding and delivery process.

Austrade has provided a total of 121 trade assistance services to 88 organisations in the tourism and hospitality industries in the 2013–14 financial year. Examples of these services include:

- advice on doing business in particular markets
- advice on international market selection
- advice or assistance with market entry/expansion
- introductions to networks of key decision makers, customers and contacts.

Austrade administers the Export Market Development Grant (EMDG) scheme. EMDG reimburses the eligible marketing expenses of current and aspiring exporters. The scheme supports a wide range of industry sectors and products. In the 2013–14 financial year the tourism industry was awarded 222 grants totalling more than \$7.5 million

6.2.2 Limiting the tax, red tape and other regulatory burdens the industry faces

Under the *Tourism 2020* strategy, all levels of government committed to pursue regulatory reform.

In Jones Lang LaSalle's May 2013 survey of tourism industry developers, owners and operators, participants identified restrictive planning regulations as a major impediment to new hotel supply, along with the high cost of construction, better returns offered by alternate land use and high

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operating costs.¹¹ Impediments for new builds in Australia were considered greater than competing investment destinations in the region. While Australia ranked better than other destinations for investment advice; it ranked considerably worse for assessment timeframes, consistency between government departments, advice from local government and town planning processes across governments.

Significant progress has been made by states and territories and the Australian Government in identifying and removing regulatory barriers to tourism business growth. While Austrade works with other agencies to improve the overall business environment by limiting the tax, red tape and other regulatory burdens faced by businesses, it also reviews tourism –specific regulation to ensure the best operating conditions for the tourism industry.

Research conducted by the Investment and Regulatory Reform Working Group under *Tourism 2020* has led all levels of government committing to streamlining environmental assessment processes. The aim is to remove duplication of regulation while maintaining high environmental standards. Similarly, governments have taken measures to streamline and simplify their planning systems to make approval processes faster and more predictable.

In conjunction with industry, a *National Planning Guide* was developed to overcome challenges faced by planning authorities in understanding and engaging with the tourism industry. The Guide sets out uniform tourism definitions for planning schemes and provides practical advice to assist planners in their consideration of tourism development proposals.

Austrade has commissioned a study to map the regulatory process for the development of short term accommodation in each Australian capital city, along with two regional locations in Queensland and Victoria. This research will compare each jurisdiction's regulatory regime and provide evidence of the cost of compliance on the hotel sector. The final report is due to be released early in 2015 and will identify areas of potential improvement to streamline and remove uncertainty in the planning processes. With the exception of some significant sites, such as those close to the Great Barrier Reef (that trigger Commonwealth involvement under the *Environment Protection and Biodiversity Conservation Act 1999* (Cth)), control of planning, zoning and development decisions do not sit with the Australian Government. Local governments are responsible for the majority of development applications, unless state legislation allows for a development to be considered under 'call in' powers for matters of state significance.

Many of the taxation and regulatory issues that impact on tourism investment are at the local and state level as well, including local infrastructure charges, payroll tax, and liquor licensing. Taxes can distort the returns on tourism investments relative to alternative uses, such as residential and commercial. For example negative gearing increases the value of residential development relative to tourism development and it has led to a high proportion of strata style tourism accommodation in Australia when compared to similar tourism markets. Strata style developments in Australia are often financed by 'mum and dad' investors seeking negative gearing investments. This can impact negatively on the quality of tourist accommodation in Australia as it can be difficult to get owners' agreement to upgrade facilities and the facilities may be less professionally managed.

¹¹ Jones Lang LaSalle. (2013). *Greenfield Study into Short Term Accommodation Development in Australia*.

6.2.3 Working with industry to support development of tourism infrastructure

Tourism infrastructure is one of Austrade's five investment priorities (the other four being agribusiness and food, resources and energy, advanced manufacturing, services and technology and major infrastructure). Austrade is responsible for the promotion, attraction and facilitation of productive foreign direct investment into Australia. Austrade helps international companies understand how to do business in Australia.

The Minister for Trade and Investment uses all of his visits abroad as opportunities to promote Australia to major investors. In the past year he has conducted 44 major investment roundtables in 17 countries. Investment in tourism infrastructure is always raised as an investment opportunity.

Austrade works to address barriers facing tourism infrastructure investors by advocating for change within and across all levels of government. Australia continues to be a high cost destination for tourism investment, partly due to labour and construction costs, regulations and approval timeframes. Tourism developments also compete against other land uses such as residential, retail and office space, which generally produce a higher rate of return and are considered to be lower risk than tourism developments.

The May 2013 Jones Lang LaSalle study¹² also concluded that the top five investment drivers for tourism accommodation investment are: investment returns; growth potential; transparency of the real estate market; availability of information to base decisions; and stable political environment. Australia was rated highly by investors, who nominated Australia's low risk profile, capital growth potential and political environment as the key strengths. Australia's biggest impediments to new investment were the high cost of construction, better returns offered by alternative use, high operating costs and restrictive planning regulations.

The *Australian Tourism Investment Attraction Partnership* (ATIAP) is a five year agreement between Austrade and Tourism Australia, which works with the states and territories to set out a whole-of-government approach for attracting foreign investment to the tourism industry by showcasing tourism investment opportunities to potential investors through Austrade Posts and onshore. Austrade also supports the industry through its *Tourism Major Project Facilitation Service* to assist proponents of major tourism projects obtain government approvals. The states and territories also provide tourism investment facilitation services. Through the Tourism Major Project Facilitation Service, Austrade also provided assistance to five major tourism projects to progress over \$2 billion of development that will support 12,000 jobs.

The ATIAP partnership has attracted and facilitated 11 projects valued at \$2.1 billion since May 2012. These include an investment by the Dalian Wanda Group on the Gold Coast through a joint venture with China's Ridong Group. The \$1 billion Jewel project will commence construction in 2015, and is expected to open in 2018. Austrade attracted Dalian Wanda's interest in Australia via a tourism investment roundtable as part of Australia Week in China and provided ongoing support to assist the company navigate through the different levels of government and the processes required to develop a site in Queensland.

¹² Jones Lang La Salle, op cit.

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Other investments include the 204 room Ritz Carlton Hotel set to open in Perth in 2015, the office to apartment hotel conversion of 80 Albert Street in Brisbane which will offer 240 new rooms and the residential and heritage hotel development by Greenland Group in Sydney, which will provide an additional 200 hotel rooms, set to open in 2017.

In Australian capital cities, land supply for new development is scarce and can be a major factor in limiting the development of new accommodation stock and other tourism-related infrastructure. Release of government owned properties for tourism uses plays an important role in the supply of tourism product, especially if culturally and historically-significant sites can be utilised.

A recent example of this is the NSW Government's decision to mandate tourism use in expressions of interest for the redevelopment of the Education and former Lands Department buildings on Bridge Street in Sydney. The decision to mandate tourism use followed investor feedback that hotel developers would be unlikely to submit expressions of interest on the buildings unless hotel development was incentivised, via a hotel mandate or other methods, relative to other development uses such as commercial or residential. The registration of interest process, has attracted the interest of 35 Australian and international investors. The NSW Government noted that a tourism use for the building would retain public access to historically important buildings, and contribute to the supply of high quality tourism accommodation in Sydney.

Development sites for hotels in Sydney's central business district (CBD) are very constrained, due to the natural constraints on land availability within the harbour precinct as well as the high value of competing uses, particularly residential. Foreign investors have a strong preference for Sydney CBD as the entry point to Australia for tourism investment. Sydney is typically seen as a flagship location from which investors would then seek to broaden hotel investment across Australia. A lack of available hotel sites in the Sydney CBD therefore not only risks Sydney's ability to achieve new hotel investment, but it also impacts on the rest of Australia.

In contrast, Melbourne has added the majority of Australia's new hotel rooms in the last ten years and provides an example that new hotel rooms can assist in stimulating tourist numbers and not simply result in a substitution of income from old rooms to new. Over the past ten years Melbourne has received an annual increase in supply of 4 per cent while still maintaining an occupancy level close to 80 per cent¹³. Jones Lang LaSalle attributes this to 'a long history of investment in tourism and transport infrastructure, as well as major events... as well as an availability of sites and a pro-development attitude.'¹³

Similar benefits can be realised by the release of public land in protected areas for tourism use. Austrade has been encouraging states and territories to support mechanisms to allow appropriate development in national parks. Most jurisdictions now have legislation and policies that support appropriate tourism development in national parks. An example is the Queensland Eco and Sustainable Tourism (QuEST) initiative which provides investors with improved certainty and less regulation for activities conducted in Queensland's national parks and other protected areas. The Tasmania Government has also invited expressions of interest for tourism investments in the state's Wilderness World Heritage areas, national parks and reserves. While this is an important and necessary first step to encouraging tourism investment in areas of high natural amenity there are a

¹³ Jones Lang LaSalle, May 2013, op cit

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number of other barriers to investment that need to be addressed. These include infrastructure (roads, utilities and access to an international airport), streamlining of ongoing environmental reporting and monitoring requirements, length of leases and high construction costs in remote areas.

The Tourism Demand-Driver Infrastructure (TDDI) Programme

To stimulate investment in tourism product around Australia that drives demand, \$43.1 million was provided in the May 2014 budget for a new TDDI Programme. TDDI Programme will be provided to the states and territories, on at least a dollar-for-dollar basis, over four years. The TDDI Programme will fund projects that will either augment the range of attractions, products and services that contribute to a tourism destination's attractiveness, or to create something that allows a place to become seen as a tourist destination. Projects should stimulate demand along the tourism supply chain, meaning that the benefits of each project should accrue to more than one business.

Public Private Partnership models can also provide an effective method for developing demand driving infrastructure such as convention centres and cruise ship terminals. Melbourne Convention and Exhibition Centre in Victoria is an example. The total project cost was \$1.4 billion, with \$370 million provided by the State of Victoria, with the remaining commercial development financed privately. The new Centre has provided a 5,541 seat plenary hall and 32 meeting spaces that have contributed significantly to Melbourne's ability to attract meeting and convention visitation.

Sport tourism is a fast-growing sector of the global travel industry, estimated at around \$600 billion annually. Developments such as grandstands and stadiums can have tourism demand driving impacts and are also able to be funded via public private partnerships models. Strategic planning for these types of developments improves investor certainty and supports effective public private partnerships. One example is the NSW Stadia Strategy which provides clear direction on the future development of major sporting facilities. The weather-proofing and upgrade of ANZ stadium is being managed in line with this strategy and will assist with attracting more demanding driving sporting and entertainment events to Sydney.

Globally, museums are among the world's most visited attractions and can have a strong demand driving impact. The Museum of Old and New Art in Hobart is a recent Australian example. Admission fees at most represent 60 per cent of earned revenue, with private endowments and government funding typically essential to viability. Public Private Partnerships and planning incentives may be methods that could be explored to increase these types of developments in Australia.

Economic diplomacy and international tourism engagement

Tourism provides the people-to-people linkages necessary to promote a deeper knowledge and appreciation of Australia as a world-class holiday, study and business destination, leading to increased levels of trade and investment and higher economic growth.

Tourism is key to the Government's economic diplomacy agenda, which is built around Australia's prosperity and global prosperity. Economic diplomacy is a collaborative process - bringing together the efforts of the Australian Government, with the international efforts of Australian business, Australian state and territory governments, and the Australian community.

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The economic diplomacy agenda focuses on four key pillars: trade, growth, investment and business. The multi-faceted nature of the tourism industry means that it reaches across all four pillars of economic diplomacy, through:

- tourism, trade and the international agreements that support the movement of tourists, including Free Trade Agreements;
- the economic benefits that tourism can bring to developing countries;
- promoting investment into Australia's tourism infrastructure, including hotels and airports; and
- promoting Australian tourism overseas.

DFAT's focus is on strengthening bilateral tourism relationships with major source countries and engaging in key multilateral tourism forums, such as the Asia-Pacific Economic Cooperation (APEC) Tourism Working Group (TWG) and the Organisation for Economic Co-operation and Development (OECD) Tourism Committee. The Australian Government is refocussing Australia's multilateral international tourism engagement to assist Australia to achieve its *Tourism 2020* policy priorities and economic diplomacy objectives.

In November 2014, Prime Ministers Abbott and Modi witnessed the signing of the Australia-India Memorandum of Understanding (MOU) in the field of tourism. This MOU is an opportunity to shape Australia's bilateral engagement with this emerging visitor market. The MOU assists in putting in place a framework under which supply-side activity under *Tourism 2020* can be matched with Tourism Australia's demand-side activity under its *India 2020 Strategic Plan* to facilitate growth in visitor numbers and yield.

Now Australia's 15th most valuable inbound tourism market, India contributed \$752 million to the Australian economy in 2013-14, at an average of \$4,349 per visitor. By 2020, this market has the potential to contribute between \$1.9 and \$2.3 billion annually. India was Australia's tenth largest inbound market by arrivals in 2013-14, with 184,818 Indian visitors to Australia, an increase of 15.2 per cent on the previous year.

In 2011, Australia and China's commitment to strengthening tourism cooperation was reinforced through the signing of a five-year MOU between the Australian Government and the China National Tourism Administration. The MOU is aimed at increasing tourism flows and strengthening people-to-people links between the two countries. The MOU continues the ADS scheme whilst promoting cooperation in emerging travel segments such as individual, education and company paid incentive travel. The MOU also acknowledges other areas of cooperation including industry supply-side development and supporting the safety of Chinese tourists in Australia.

China is Australia's second largest inbound market by arrivals and largest by tourism expenditure. In 2013-14 there were 759,691 arrivals from China (up 11.9 per cent on 2012-13) and Chinese visitors to Australia spent \$5.2 billion in 2013-14 (at an average of around \$7,400 per visitor), up 16.3 per cent on the previous year. TRA forecasts that by 2022-23, arrivals from China to Australia are expected to reach 1.5 million, with expenditure expected of \$10.2 billion. Under *Tourism 2020*, it is estimated that China has the potential to grow to \$13 billion in total expenditure by 2020. Multilaterally, APEC and OECD provide useful vehicles to drive Australia's tourism policy priorities and to seek evidence to inform tourism policy development, including in the areas of visa processing,

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labour and skills development mobility, passenger facilitation and marketing. Engaging in these forums enables Australia to gain important market intelligence which will assist our industry to increase Australia's global competitiveness and maximise the value of existing and emerging tourism markets to the Australian economy. Further information on these two forums can be found at **Attachment D**.

6.2.4 Trade policy and tourism

Free Trade Agreements (FTAs) remove barriers to trade and facilitate stronger trade and commercial ties, contributing to increased economic integration between participating countries. FTAs can improve market access across all areas of trade — goods, services and investment — and help to maintain and stimulate the competitiveness of Australian firms. Australia has seven FTAs currently in force with New Zealand, Singapore, Thailand, US, Chile, the Association of South East Asian Nations (ASEAN) (with New Zealand) and Malaysia. Australia signed an FTA with Korea in April 2014 and an economic partnership agreement (EPA) with Japan in July 2014. As KAFTA and JAEPA deepen Australia's business and trade links with Korea and Japan, business and trade-related travel is also set to grow strongly. Australia concluded FTA negotiations with China in November 2014. These agreements will enter into force when domestic processes have been completed.

Services are increasingly featuring in FTA negotiations. For example, the China-Australia Free Trade Agreement (ChAFTA) will benefit and strengthen the Australian tourism industry. ChAFTA will support increased Chinese investment in Australia's tourism industry through higher screening thresholds for private Chinese investment. Innovative new Investment Facilitation Arrangements will also encourage investment in tourism infrastructure. This will help meet the demands of the 1.5 million Chinese who are expected to visit Australia by 2022-23 and who are projected to spend more than \$10.2 billion in our economy.

As ChAFTA deepens business and education links with China, business and study-related travel is also set to grow strongly. A Work and Holiday Arrangement finalised alongside ChAFTA will allow 5,000 Chinese Work and Holiday Makers into Australia annually, increasing demand for tourism services and supporting the development of the sector — particularly in rural Australia where Chinese tourism is substantially growing.

The **Australian Trade Commission's** (Austrade) role is to advance Australia's international trade, investment, education and tourism interests by providing information, advice and services. In relation to the tourism sector, Austrade's role is to develop policy, manage programmes and provide research to strengthen Australia's tourism industry and to grow Australia's tourism market share. Austrade, in partnership with Tourism Australia, is also promoting, attracting and facilitating foreign investment into tourism infrastructure investment. At the Australian Government level, Tourism Australia and the Department of Foreign Affairs and Trade also have a role in working with the Australian tourism industry.

Tourism Australia is the Australian Government agency responsible for attracting international visitors to Australia, both for leisure and business events. Its purpose is to increase the economic benefits to Australia of tourism. Its objectives are to: influence people travelling to Australia to also travel throughout Australia; help foster a sustainable tourism industry in Australia; and help increase the economic benefits to Australia from tourism.

Tourism Australia plays a strategic leadership role in partnership with state and territory tourism organisation and industry in marketing and promoting Australia to international visitors. Tourism Australia will also be providing a submission to the Productivity Commission.

The **Department of Foreign Affairs and Trade** leads the international tourism engagement function on tourism policy relations with governments of other countries, international organisations and forums, and leads on trade negotiations to address barriers facing Australian tourism service providers in overseas markets.

In partnership with states and territories, through *Tourism 2020*, these three Australian Government agencies work together to ensure that tourism policy, promotion and research support growth in the industry. A number of other Australian Government agencies' policies affect the way the tourism industry operates.

The state and territory and local governments have a more direct relationship with the tourism industry and the products and services it delivers.

Each state and territory in Australia has its own government tourism agency supporting the development and marketing of destinations and experiences within the jurisdiction, to increase awareness and attract visitors. These activities are generally focussed on both domestic and international visitors. States and territories are users of TRA data (and are co-contributors to the National and International Visitors Surveys), and also conduct their own research. Some jurisdictions have policy agencies that address reform and barriers to tourism industry growth within that jurisdiction.

As the name suggests, regional tourism organisations help to establish and promote tourism experiences that help to ensure a region maximises its tourism potential. Local tourism organisations work closely with tourism businesses to develop and strengthen the industry at a local level. They work closely with regional and state/territory tourism organisations and often provide visitor information services at a destination.

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**Attachment B:
Tourism 2020 achievements**

At an Australian Government level, significant progress has been made in reforming policy and removing obstacles to the growth of the Australian tourism industry. Examples of these reforms are detailed in the table below. Further information on *Tourism 2020* is provided on the Austrade website.

Grow demand from Asia	<ul style="list-style-type: none"> • Implementation of the 2020 China (complemented by state-based plans) and 2020 India Strategic Plans. • Translation of the Australian Tourism Data Warehouse content into Chinese languages, and the hosting of a Tourism Australia website in China (Australia.cn) • Delivery of the Welcoming Chinese Visitors and Servicing Chinese Visitors projects. • Establishing the Asian Marketing Fund to grow demand from Asia.
Build competitive digital capability	<ul style="list-style-type: none"> • Implementation of the National Online Strategy for Tourism – including industry education initiatives and facilitating industry uptake of technology. • Development and ongoing updates to the Tourism e-Kit. • Delivery of an online booking “widget” that enables businesses to set up real time online booking and payment facilities.
Encourage investment and implement regulatory reform	<ul style="list-style-type: none"> • Investment Attraction Partnership between Austrade, Tourism Australia and the states and territories, including the production of a Tourism Industry Investment Guide and the Tourism Investment Monitor. • In 2013 alone, Austrade facilitated 11 introductions and nine site visits which have resulted in six companies investing nearly \$450 million in Australian tourism product. • Establishing a Tourism Major Project Facilitation (TMPF) service, promoted through states and territories and industry. To date the TMPF has attracted a number of enquiries from proponents of major tourism projects, five of which have been granted TMPF status. These five projects are worth over \$2 billion and will support over 12,000 jobs.
Ensure tourism transport environment supports growth	<ul style="list-style-type: none"> • Mapping Australia’s Aviation Priorities produced – providing an in-depth analysis of the future aviation environment and which visitor markets may assist industry reach its growth potential. • Since 2009, there has been a 32 per cent increase in international operated aviation capacity and a 21 per cent increase in domestic operated aviation capacity.
Increase supply of labour, skills and Indigenous participation	<ul style="list-style-type: none"> • Delivery of eight Tourism Employment Plans across Australia providing practical solutions to industry labour force challenges. • Accommodation trial under the Seasonal Worker Program - designed to address seasonal vacancies in the accommodation sector. • Tourism Employment Plan Advisory Service • Chefs on the skilled occupation List
Build industry resilience, productivity and quality	<ul style="list-style-type: none"> • Development of an Industry Resilience Toolkit. • Development of a Destination Management Planning Tool in conjunction with industry.
Provision of high-quality tourism research	<ul style="list-style-type: none"> • Tourism Investment Monitor • State of the Industry • Research component of the Asia Marketing Fund.

TRA's work programme

National Surveys - the *International Visitor Survey* and the *National Visitor Survey* are the most comprehensive source of information on the characteristics and travel patterns of Australia's inbound, domestic and outbound markets and inform not only governments, but the nation's tourism industry. Data from these surveys are key inputs to the ABS Tourism Satellite Accounts, as part of its National Accounts, and to TRA's Tourism Forecasts. These two surveys are amongst the most comprehensive in the world, with TRA recognised as a leader in its field. The collections are critical as they cover key areas of research that would otherwise see market failure including data on visitor expenditure, state and regional visitation and expenditure and key travel behaviours.

The *International Visitor Survey* has run continuously since the 1980s. It is administered through Computer Assisted Personal Interviewing with 40,000 interviews conducted each year in the departure lounges of each of Australia's international airports. This includes approximately 6,500 foreign language interviews (in Mandarin, Japanese and Korean) to improve survey quality and coverage. Key data items collected include: trip expenditure, locations visited including state and region-level data, transport and accommodation, length of trip and visit to locations, purpose of trip visit to locations and use of transport and, accommodation, activities undertaken, booking and planning behaviours, use of mobile devices and social media first/repeat visitation, group and package tour travel - and key demographics.

The *National Visitor Survey* commenced in 1998. It is administered through Computer Assisted Telephone Interviewing with 120,000 Australian residents aged 15 years or more interviewed each year. Between 1998 and 2013, all interviews were undertaken with respondents on residential fixed line telephones. This year, mobile phone interviewing has been introduced for 50 per cent of interviews to provide better coverage of the Australian population and improve estimates of their domestic (day and overnight) and outbound travel patterns.

Strategic and Economic Research – delivers measures of the structure and performance of the Australian tourism industry. It also delivers tourism business and employment data, economic impact and regional expenditure data. This research supports policy making, marketing and industry development. Key publications include:

- The *State of the Industry* – an annual publication that analyses the performance of the Australian tourism industry against the *Tourism 2020 Potential*, the challenges ahead, and how the industry needs to respond.
- The *Tourism Investment Monitor*, which provides an estimate of the total value of large-scale tourism projects.
- Tourism Forecasts, providing ten-year forecasts for Australia's inbound, domestic and outbound tourism sectors.
- Annual *Regional Tourism Profiles*, providing comprehensive tourism demand and supply data for 77 of Australia's tourism regions and all states and territories.
- Analyses of the economic contribution of tourism, including tourism's total contribution to GDP, exports, employment, businesses and productivity, at the state and national levels.

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- *Strategic Regional Research* projects.

TRA's engagement with stakeholders is managed to ensure they have a comprehensive knowledge of TRA's outputs and how to use them to support their business. Considerable focus is also placed on ensuring TRA research and statistics are highly accessible, timely, relevant and easy to interpret.

Most TRA research and a broad range of statistics collected from the International Visitor Survey and National Visitor Survey are freely available on its website. However, TRA also generates some revenue from customised data requests and subscriptions to TRA Online – a database product containing time series data from the International Visitor Survey and National Visitor Survey.

APEC Tourism Working Group

APEC is a key vehicle for deepening Australia's economic engagement and integration with the Asia-Pacific region. The APEC TWG was formed in 1991 when it was recognised that the tourism industry was of growing importance in promoting economic growth and social development in the Asia-Pacific region.

The APEC Tourism Charter, endorsed at the 1st Tourism Ministers' Meeting in Korea in 2000, constitutes the basis for APEC tourism cooperation. It establishes four key policy goals and an agreed process for realising them. These goals are:

- Remove impediments to tourism business and investment
- Increase mobility of visitors and demand for tourism goods and services
- Sustainable management of tourism outcomes and impacts
- Enhance recognition and understanding of tourism as a vehicle for economic and social development.

In September 2014, at the 8th APEC Tourism Ministers' Meeting, Ministers endorsed the APEC Tourism Strategic Plan 2015-2019. Under the Plan, the APEC TWG will undertake work in four pillars:

- Promote better understanding and recognition of tourism as an engine for economic growth and prosperity in the APEC region;
- Ensure sustainable and inclusive growth in the travel and tourism sector, by encouraging socially, culturally and responsible tourism;
- Promote labour, skills development and certification through increased cooperation, in order to develop the tourism workforce of the region; and
- Promote competitiveness and regional economic integration through policy alignment and structural reform.

Australia is working to lead tourism labour and skills development and to drive TWG support for a project on labour and skills development in the APEC region. At the APEC TWG meeting, which preceded the Tourism Ministers Meeting, Australia successfully negotiated to include labour and skills development and mobility as a new priority under the 2015-2020 APEC Tourism Strategic Plan. To align with our goals under *Tourism 2020*, in the APEC TWG Australia is looking to pursue:

- Facilitating worker retraining, skills upgrading, and career path direction to promote labour mobility in the travel and tourism industry.
- Continuing to develop occupational skills standards, certification programs, and capacity building for the tourism workforce.

OECD Tourism Committee

The OECD has a long-standing expertise in tourism. The Tourism Committee, created in 1948, acts as the OECD forum for exchange, and for monitoring policies and structural changes affecting the development of domestic and international tourism. It actively promotes the sustainable economic growth of tourism. Addressing the major challenges faced by the tourism industry, and maximising

Austrade submission to the Productivity Commission's research into Australia's international tourism industry: trends, drivers and barriers to growth

tourism's full economic potential, requires an integrated and multi-faceted approach to tourism policy development across many government levels and departments.

In this environment, OECD members see considerable benefit in co-operating to address economic, sustainability and employment issues, and promote tourism policy performance and evaluation, innovation and liberalisation of tourism. A closer co-operation with major emerging economies is also seen as being critical to achieving a strong impact with this work.

Australia is increasing our engagement with the OECD Tourism Committee to pursue economic diplomacy initiatives through international tourism, and to seek alignment with Australia's *Tourism 2020* goals. Australia will work to focus the OECD tourism on policy framework and best practice for investment in tourism and regulatory reform. For example, streamlining regulations and removing regulation/s that impose disproportionate cost/burden on the tourism industry relative to other sectors of the economy.

Australia began this process at the 94th Session of the OECD Tourism Committee in Warsaw (October 2014), by highlighting the importance of investment and regulatory reform to the development of tourism industry and suggested this as a focus for future work. Australia's tourism policy was highlighted a number of times as an example of good practice, including in relation to growth-focused tourism strategies and in response to skills and labour issues.
