



National Tourism Alliance

SUBMISSION TO
PRODUCTIVITY COMMISSION RESEARCH PROJECT
Australia's International Tourism Industry

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A. INTRODUCTION

1. Tourism is a super growth industry

Tourism and hospitality make a huge contribution to Australia's economy, and all levels of government have an important role to play in the regulation, development, marketing and growth of this sector. Achieving an increase in inbound tourism expenditure is in the interests of both the States' and the national economies.

Manufacturing is declining. The mining investment boom is waning. Against the backdrop of an economy in transition, tourism continues to emerge as one of the foundations of Australia's future prosperity. Thirteen per cent of businesses in Australia are linked to tourism.¹ Australian tourism offers high-employment opportunities, a rapidly expanding base of potential customers and a strong competitive advantage. Tourism is already Australia's largest service export, employing almost twice as many people as the mining industry, and generating expenditure of over \$100 billion every year - more than all our primary industries combined.

The Government's *Industry Innovation and Competitiveness Agenda* identifies tourism as an 'industry with promise' and a future growth sector that is cited in four major reports referenced in the Agenda: Deloitte Access Economics' *Positioning for Prosperity 2014*; PwC's *Industry Sectors: Analysis and forecasting 2013*; Outlook Economics' *AUS-M 2014*; and McKinsey Australia's *Compete to Prosper: How Australia can gain a global edge, 2014*. Achieving the growth potential is contingent on sound government policy in a number of areas.

The Australian government, with all the states and territories, has endorsed an aggressive tourism target as part of the Tourism 2020 strategy. Very strong growth in Asian visitor spending, the fastest growing segment of Australia's visitor economy, underpins the target of doubling nominal overnight visitor spending from \$70 billion in 2009 to \$115-140 billion by 2020. But at the moment even the lower end of the range seems out of reach.

Critical to delivering the upper bracket of the growth target is to deliver an accessible, welcoming and high-quality experience for visitors – be they in Australia for a holiday, for business or to study. With global competitors for visitors matching their marketing campaigns with government-wide efforts to cut red tape on business, streamline visa processes, and improve the airport welcome experience, it is clear all levels of government need to be involved in tourism if Australia is simply to maintain its market share, let alone grow market share and reach the Tourism 2020 targets.

¹ Tourism Research Australia, *Tourism Businesses in Australia, June 2010-June 2012*, October 2013, p.vi

2. Economic Snapshot

The visitor economy is critical to the Australian economy

- **\$110 billion:** Tourism consumption in Australia totalled \$110 billion in 2012-13
- **\$90.7 billion:** Tourism's contribution to Australian gross domestic product (GDP), a 5.3% share of the Australian economy
- **929,000:** Jobs supported by visitor expenditure, either directly or in related industries. This represents one in every 12 jobs across the country
- **\$10.6 billion:** Total tax revenue generated by visitor expenditure for federal, state and local governments
- **\$270 million:** Visitor spending per day: international and domestic tourists and business travelers

It is axiomatic that with an industry of this size and economic importance, and its diversity of interests as a sector, it's plain that government has an important role to play in the regulation, development, marketing and growth of tourism and hospitality.

3. NTA Response to the Productivity Commission's tourism study

The National Tourism Alliance (NTA) represents industry associations with an interest in Australia's tourism and hospitality industry. Membership comprises national and state industry associations who together represent the interests of an industry with 280,000 businesses in Australia; around 90 per of these are small business, and about half are in regional areas.

The terms of reference for this study cover:

- Factors affecting demand for tourism;
- Aviation policy;
- The role of government in tourism ;
- Effects of land management policy and regulation.

The NTA is aware that significant work is being done by major players in the first two areas. In this context, and for the purpose of this study, the NTA is therefore best placed to comment on the second two areas, and will draw together salient references where research has demonstrated how governments at all levels play important roles in the growth of tourism and hospitality in Australia through:

- International marketing, and national marketing coordination;
- Cross portfolio policy coordination ;
- Investment facilitation;
- Reducing the cost of doing business:
 - o Workplace regulation
 - o Cost of Compliance
 - o Impact of taxes and charges
- Disaster coordination and response.

The NTA will also address the effect of land management policy and regulation in a similar manner, covering:

- Government ownership/regulation of tourism assets means they are key stakeholders;
- The importance of tourism/environment/heritage and cultural relationships and dependencies, and how best to manage this;
- Streamlining policy and activity between the three levels of government;
- The importance of destination management planning (DMP) and the government's role in encouraging DMP.

B. THE ROLE OF GOVERNMENT, INCLUDING THE RATIONALE FOR GOVERNMENT INVOLVEMENT IN THE TOURISM INDUSTRY

1. International marketing, and national marketing coordination

Government funding for Tourism Australia is paramount if Australia is to remain competitive. Tourism Australia plays a vital role in coordinated, cooperative marketing and campaign partnership with the State and Territory Governments, driving a consistent and coherent 'one voice' message internationally about Australia as a destination.

National marketing is essential for engaging and harnessing the potential growth of tourism and hospitality arising from, in particular, the growing Asian visitor market, and maintaining and building on opportunities in Australia's 'traditional' markets of USA, UK, Europe and Japan.

Maintaining a competitive position globally requires a concentrated effort in positioning Australia as a high value, niche destination, as well as increasing its share of global receipts and visitation.

Many studies over the years have shown that the marketing investment made by Tourism Australia has a positive effect on international tourism demand². More particularly, given the recent focus on the potential for growth from the Asian visitor market, a dollar of additional marketing to Asia may be expected to generate greater visitor expenditure than a dollar of marketing into traditional tourism source countries. The return per dollar invested in Asia is 17:1. This means that tourism receipts generated from Asia are potentially \$17 million per \$1 million spent on tourism promotion.³

It is important to capitalise on Australia's natural advantages through advertising. In a busy and crowded marketplace, with traditional marketing and distribution channels competing not only with new online and mobile channels, but new destinations also increasing the options available for travellers and visitors, it is essential for a clear, coherent marketing message for Australia to be transmitted. The importance of national marketing in the current globalised market is evident in the recent initiative in the USA to create, for the first time, 'Brand USA', a public/private partnership with the mission to promote international travel to the USA.

It is important to have a coherent national voice in international markets. 92 per cent of Australian tourism and hospitality businesses employ fewer than 20 people. While Australian tourism and hospitality businesses employ nearly 1 million people, these businesses, as SMEs, are less able to compete internationally without the Federal and State Governments' investment in national marketing domestically and overseas. Tourism Australia, together with the States and Territories, supports small and medium-sized tourism enterprises to secure opportunities in Asia through industry missions, trade events and digital promotion, and connecting to the Australian Tourism Data Warehouse (ATDW). Importantly, with Government investment, product and destination information in the ATDW has been translated into Chinese (Mandarin). This initiative would be beyond the means of the majority of individual SME operators.

² Crouch, Schultz and Valerio (1992) and Access Economics (1997; 2002)

³ Measuring the return from Australian tourism marketing investment in Asia / Nada Kulendran, Larry Dwyer, STCRC, 2008

The power and impact of national marketing can be seen, for example, in Tourism Australia's 'Best Jobs in the World' campaign in conjunction with States and Territories. Tourism Australia has over 5 million Facebook fans, which would be virtually impossible for an individual small business to attain.

In 2012/13, Tourism Australia worked with more than 250 partners and achieved partnership revenue (both direct and indirect) of approximately \$50m. Partnership funding leverages existing Tourism Australia funding in markets to amplify Australia's marketing message. Whilst important, such partnerships are not a substitute for the core funding that Tourism Australia is able to allocate to both 'traditional' and new markets such as China and India. It is vital that the agency's funding be at least maintained in real terms.

The tourism marketplace is crowded and highly competitive, and a strong national marketing agency helps Australian businesses to compete. The improvements in recent years in tourism infrastructure in the Asian region have increased the competitive pressure on Australian businesses for the global tourism spend. As of late 2011, there were 140 destinations around the world that signed the bilateral tourism agreement with China, called the Approved Destination Status Scheme (ADS). There are 100 active national tourism marketing bodies in China, and, in one of Australia's strongest performing 'traditional' markets, the UK, there are 25 national marketing bodies operating. In particular, the USA is marketing directly into China with an initial budget of \$30 million, more than other national marketing agencies.

There remains the need for such a high level coordination and communication role between industry, State and Territory tourism marketing organisations and Tourism Australia, on domestic campaigns. In the past Tourism Australia has undertaken this function, and industry believes there is still scope for them to continue to do so without compromising their focus on international marketing.

2. Cross portfolio coordination

A more effective cross-portfolio, whole-of-government coordination on tourism policy is necessary in setting the best framework to drive growth. A whole-of-Government approach – working in partnership with industry and other key stakeholders – is crucial in ensuring that Australian tourism and hospitality remains competitive and viable, and better placed to achieve the Tourism 2020 goals.

Tourism represents Australia's largest services export industry and touches upon many areas of economic activity including travel, shopping, accommodation, events and education. The wide scope of the sector means that no single government agency has full regulatory ownership of the industry or policy control to influence future industry development. Since 2010, the Tourism Directions Conference has been an important means of bringing the research effort to the attention of industry and all levels and portfolios of Government.

The visitor economy is not a single sector, and is driven by the end consumer. This requires a much broader base to deliver on key objectives and the needs of industry and travellers alike. Government plays a key role in connecting industry and travellers, with the government owning or controlling many of the services and infrastructure that are essential to the success of the tourism industry.

A key to ensuring that tourism and hospitality remain competitive and viable and can continue to deliver strong economic outcomes is a whole-of-Government approach, working in partnership with industry and other key stakeholders (including international governments).

A silo approach to tourism, and without a clear whole-of-Government commitment, runs the risk of a lack of consistency in policy and processes, unnecessary red tape and wasted resources in terms of duplication in some areas, or missed opportunities in others. This has inhibited innovation, investment and growth in the sector. For example, the regulatory complexity surrounding investment and development approval has severely restricted the ability of industry to respond to the growing need for more hotel accommodation in Australia.

Better outcomes-driven coordination is required across and between Governments, and utilising the Tourism Ministers Meeting involving all States and Territories, to oversee coordination at both the strategic and tactical levels, to ensure that enhanced coordination leads to better outcomes for the industry and for domestic and international visitors to Australia, in areas such as visa processing, collaborative marketing and passenger facilitation and processing.

Recent strategic reviews of the travel and tourism industry in Australia have also recognised the need for a greater level of whole-of-Government policy and program coordination.

2a. New South Wales

The New South Wales Government's Report of the Visitor Economy Taskforce in August 2012 recognised the need for greater policy coordination across the NSW Government, stating that *"The absence of a whole-of-Government approach is partially responsible for some of the inertia, particularly in the area of investment for the visitor economy."*⁴ The Report made several key recommendations to enhance whole-of-government coordination across the visitor economy, including:

- *Adopt a proactive whole-of-Government approach to improve consistency in policy and processes and cut red tape to drive innovation, investment and growth.*
- *Establish a sub-committee of Cabinet to oversee the progress of visitor economy priorities across Government.*
- *That a sub-committee of the Board of Destination NSW meeting with Government-nominated industry representatives, at least twice yearly, under the chairmanship of the Chairman of Destination NSW, to jointly assess the overall implementation of the Plan and report to Government, including recommending any necessary adjustments to the Plan.*⁵

2b. Queensland

In 2012, the Newman Government in Queensland established a Tourism Cabinet Committee to discuss, prioritise, resolve and action, if appropriate, state-wide and cross-portfolio issues relevant to tourism.

All relevant stakeholders and decision makers with policy responsibility that affect tourism are brought together to assess tourism issues through cross-agency and cross-jurisdiction coordination.

The Queensland Tourism Cabinet Committee has to date proven to be an invaluable addition to policy and process outcomes. In its first year, it has enabled a range of initiatives at Local, State, Federal levels to be progressed in a more efficient and timely manner. This illustrates the benefit of a whole-of-government approach in improving consistency in policy and processes, cutting red tape, and encouraging innovation, investment and growth across the industry (refer also section C2b).

2c. Victoria

A report by the Victorian Auditor General 'Tourism Strategies' (2013) highlights the strengthening of partnerships between government and industry as a priority area of focus, particularly:

⁴ NSW Visitor Economy Taskforce Final Report, 'Strategic Imperative 7: Change of Mindset', NSW Department of Trade and Investment, August 2012, p. 125.

⁵ *ibid*, p. 126.

- Promoting better decision-making – establish a Victorian Tourism and Events Advisory Council and a Tourism and Events Strategy and Policy Unit
- Coordination and policy advocacy – integrate actions across government and the private sector in Victoria and advocate for the industry at a commonwealth level
- Communication – develop a communications strategy highlighting the importance of the tourism and events industry as a significant contributor to the economy.⁶

The Audit looked into the relationship between government and other agencies related to tourism strategies. One of the recommended actions to address the challenges facing the industry included ‘improving the government’s effectiveness by raising awareness across government about tourism’s importance to the state, better coordinating its actions and making it easier for the industry to access and deal with government’.⁷

The review also found that ‘current administrative structures do not allow for systematic and coordinated input by tourism and events stakeholders into broader Government policy and budget, as has been observed in the best practice example of New Zealand’, which uses the Ministry of Tourism as a single, one-stop shop for coordinating government’s actions’.⁸

Importantly, the Victorian Government accepted the review’s findings that the 2006 strategy needed to be implemented in a way that effectively involved all government agencies with a role in delivering its intended outcomes. The recommendation was ‘that Tourism Victoria develops and documents plans that provide an effective platform for the whole-of-government implementation, evaluation and reporting of Victoria’s 2020 Tourism Strategy’.⁹

2d. International Example

The USA is strategically targeting key tourism markets in the Asia-Pacific region in direct competition with Australia. Central to the USA’s push for a greater proportion of Asia-Pacific visitors is enhanced policy coordination, which recognised the need to build a more unified approach across Government to enhance the tourism industry.

In January 2012, the White House announced a Presidential Policy Directive calling for better promotion of United States tourism and increased visa-processing capacity for visitors from China and Brazil (an increase of 40 per cent over a 12-month period).¹⁰ The US committed to a whole-of-Government approach and called for an interagency process to coordinate the implementation of regulatory improvements to enhance travel to the United States.

⁶ Victorian Auditor-General’s Office summary of *10 Year Tourism and Events Industry Strategy*, 2006.

⁷ *ibid*, p. 11

⁸ *ibid*, p. 11

⁹ *ibid*, p. 15

¹⁰ The White House, Office of the Press Secretary, *Executive Order – Establishing Visa and Foreign Visitor Processing Goals and the Task Force on Travel and Competitiveness*, 19 January 2012, Washington DC.

The Presidential Directive established a cross-Government Taskforce on Travel and Competitiveness comprising members from a spectrum of portfolios including the Departments of Treasury, Agriculture, Labor, Transportation, Homeland Security, Army Corps of Engineers and the Export-Import Bank.

The Presidential Directive charged the Taskforce with developing a National Travel and Tourism Strategy to deliver new policies and initiatives promoting domestic and international travel. The Taskforce's goal was to increase the United States' market share of worldwide travel. The final strategy, released by the Taskforce in May 2012, presents a robust Government-wide plan to foster greater cooperation and integration in delivering tourism outcomes.

The Office of Travel and Tourism Industries, within the US Department of Commerce, was charged with enhancing the international competitiveness of the US travel industry and increasing exports. The Office serves as a central cross-Government agency that is responsible for the management of tourism statistical systems, administration of export expansion activities, the development of tourism policy and advocacy, and the provision of technical assistance for expanding international tourism.¹¹

The Office also represents US interests in intergovernmental organisations (including APEC, the United Nations World Tourism Organization and the OECD Tourism Committee) and promotes US tourism through bilateral agreements with countries of strategic importance. The office has coordinated a Memorandum of Understanding with China on group leisure travel.

Further supporting an integrated, whole-of-government approach is The United States Travel and Tourism Advisory Board. The board acts as a liaison between government and the travel industry and provides a forum for stakeholders on current and emerging issues in tourism. The board advises the Secretary of the Department of Commerce on policies affecting US tourism and recommends strategies to ensure that the USA remains a pre-eminent international destination.

The US Department of Commerce reports that since this strategy was introduced just over a year ago, more than a dozen partner agencies have coordinated to enhance tourism promotion efforts, improve the visa application and entry experiences, and collaborate with the private sector – including BrandUSA – and state and local destinations in various ways. The Department of State in 2012 reported an increase of 59% in visas issued to Brazilians (year on year increase) and a 46% increase in visas issued to Chinese visitors. Under this strategy, US Customs is reducing screening and entry processing times for both domestic and international passengers, and increasing the number of airports where Global Entry kiosks and Pre Check systems are available, which streamline and improve the passenger experience without compromising security.

Australia needs to improve tourism coordination across Government to avoid losing market share to competitors such as the USA, whose strategy is built on a sustained high level of close Government coordination and commitment.

¹¹ US Department of Commerce, Office of Travel and Tourism Industries, 'About OTTI', sourced 5 October 2012 at <http://tinet.ita.doc.gov/about/index.html>

2e. A snapshot of policy impacts across portfolios:

i. Visas

Tourism has long championed the need for reform in visa policy and passenger facilitation. It is critical that we position ourselves to be internationally competitive, visionary, accessible and efficient. The industry associations recently presented a combined submission to the Federal Government's Review of Border Fees, Taxes and Charges. The agencies responsible for assessing the potential changes to the system are the Department of Immigration and Border Protection, the Australian Customs and Border Protection Service and the Department of Agriculture, none of which are responsible for tourism and hospitality, but whose decisions will directly impact the sector.

ii. Tourist Refund Scheme

Australia's retail offering is a key attraction for international visitors, particularly those from the growing Asian visitor markets. It is also a key part of achieving the yield targets associated with growing overnight visitor expenditure. To increase competitiveness in this area, Australia needs to reform its Tourist Refund Scheme (TRS). The TRS is the program under which departing travellers can claim back either the Goods and Services Tax (GST) or the Wine Equalisation Tax (WET) on purchases.

However, the current system, administered by the Australian Customs and Border Protection Service can be cumbersome and time consuming. It also costs the Australian taxpayer some \$14 million per year to administer, funded from the Customs budget.

Economic modelling, undertaken by KPMG on behalf of the Tourism Shopping Reform Group, estimates that by 2017 this reform could attract an extra 18,000 international visitors to Australia. The reform could increase international visitor shopping spend by \$226 million. However, even though opening up the Australian TRS to private refund providers would deliver even greater economic benefits as well as administrative savings for the Federal Government, the decision relies on the Federal Government reaching agreement with all the States and Territories. This is an ongoing process and has highlighted the need for tourism policy coordination both across portfolios, as well as between different levels of government.

iii. Skills and business development

The Federal Government has recently announced its \$484m Entrepreneurs' Infrastructure Programme (EIP) to provide support and services to Australian businesses, and its \$476m Industry Skills Fund for training and training support for Australian businesses. These services are developed, funded and administered by the Federal Department of Industry. The NTA made submissions to the initial discussion papers published, outlining the rationale for including tourism and hospitality businesses in the eligibility criteria for these programs. The ultimate result has demonstrated again the difficulty of ensuring a coherent cross-portfolio approach; in spite of the economic significance of the tourism and hospitality sector and the need to be included in these business development programs, the sector has not been included in the final eligibility lists. If Government support is to be allocated towards jobs, it should be targeted at industries with jobs growth potential, and who will be potentially hiring displaced job seekers from industries that are contracting. The Department of Employment in its *Employment Outlook to 2017* estimated that employment in the restaurant sector will grow over 8% to 2017 (43,000 people), and will grow in the accommodation sector in the same period up to 10% (11,300 people).

3. Investment facilitation

Tourism infrastructure has not kept pace with changing demand. Domestic and international aviation capacity will have to grow. Port infrastructure needs to be upgraded to cater for the growing cruise liners. More accommodation is needed; there are currently too few rooms to meet demand. More hotels and attractions are needed. A more seamless travel experience is needed.

Tourist Research Australia's *State of the Industry Report 2014* states that "the current outlook for Australian room supply is promising. However, further growth depends on how many projects progress through the pipeline to completion", if it is to be sufficient to reach the Tourism 2020 strategy targets for accommodation. The Government-commissioned L.E.K. Consulting Report of August 2011 (which has been provided to the Productivity Commission separately) identified several reasons why Australia's tourism industry suffers from a lack of investment in new short term accommodation supply as well as limited refurbishment of existing stock. L.E.K. Consulting believes 'that when the industry structure is overlaid with a disproportionate regulatory burden, negatively impacting investment, the case for regulatory reform is very strong'.¹²

There needs to be coordinated, integrated strategies to remove impediments to infrastructure development and investment facilitation. This requires a cross-Government (both between portfolios at a federal level and across State, Federal and Local governments) integrated approach, giving priority to planning policy for public and private tourism infrastructure.

As an industry dominated by small/medium businesses and fragmented market structure means that tourism relies on public support for industry development. The need for national supply side research and data means that the industry relies on government agencies such as Tourism Research Australia and the Australian Bureau of Statistics for data that can inform public and private investment decisions. The recent announcement by that ABS that it is ceasing to collect and publish a quarterly or even annual Survey of Tourist Accommodation creates a major gap in key industry data. The data is also utilized by a wide range of sectors, in their decision making, such as banks, airlines and investment firms, as well as all levels of government and industry bodies, and is not limited to use by the accommodation sector.

Priority destinations should also be identified for the development of high level plans with a whole-of-Government approach, for such areas as national landscapes, significant existing destinations and developing and emerging destinations.

Australian tourism requires Government cooperation and consideration to maintain and build on current tourism infrastructure to continue to meet visitation demands, and to attract new visitation. Governments at all levels are also owners of tourism infrastructure in Australia.

The needs in relation to infrastructure are two-fold: public infrastructure priorities should be informed by tourism needs; and investment in specific tourism product 'infrastructure' needs to be encouraged. Tourism requires urgent and extensive investment in its infrastructure to maintain competitiveness against international destinations. However, it is well documented that the industry experiences

¹² L.E.K. Consulting Report, *Tourism Investment and Regulation Review*, August 2011, p. 1

difficulties attracting private investment. Tourism development is not seen to offer investors the short term profits needed to substantiate their investment.¹³

Investment in infrastructure is particularly needed in the following areas:

- Investment in both Australia's natural and built tourist attractions, and in visitor facilities at these sites;
- Investment to increase the amount of accommodation available in major cities, with further investment required in conference facilities, convention centres, and infrastructure which can be used for business, sporting and cultural events;
- Ongoing investment to refresh and renew existing products and services. In particular, the current marketing focus on the strength and impact of Australia's food and wine offerings through Tourism Australia's "Restaurant Australia" campaign in off-shore markets will only be able to deliver if there is concurrent investment in building both tourism and hospitality capacity.
- The investment case for hotels in metropolitan areas is challenged as land is scarce and residential and commercial properties offer higher returns. Residential properties built under the Class 2 provisions of the Building Code are also able to enter the short term accommodation market with lower build requirements, and are subject to different tax treatments. Construction costs for hotels are therefore significantly higher than serviced apartments.

Government intervention is needed to implement the recommendations as laid out in the L.E.K. Report as a means of overcoming barriers to investment for tourism accommodation, including:

- 50 per cent capital works deduction bonus, with the remaining 50 per cent spread over 12.5 years at 4 per cent to stimulate investment in new developments as well as refurbishments for short term accommodation operators.
- Reforms to the Building Code where tourist developments are disadvantaged:
 - The results of the independent review of the accessibility standards under Class 2 and Class 3 for new buildings to inform the scheduled review of accessible accommodation requirement in 2015. Once the accessible room standards are reviewed, new apartments that are to be used for short term accommodation and hotels should be treated consistently in respect of building requirements.

3a. Trade Missions

After the 2013 election, the Prime Minister gave responsibility for tourism to the Minister for Trade and Investment, and the tourism bureaucracy was moved into Austrade within the Department of Foreign Affairs and Trade.

¹³ Tourism Research Australia, *Through the looking glass: The future of domestic tourism in Australia*, February 2008, p. 9

Since taking on this responsibility, the Minister has been able to cultivate an increased role and profile for facilitating tourism investment in Australian trade missions, particularly to China and India. The Minister has appointed a senior tourism investment advisor and has reported that tourism has been represented at over 40 international investment roundtables. This facet of government policy has been a positive one for tourism investment, with the government reporting it has attracted over \$2 billion in tourism investment in this way. The government has also committed funds to continuing the 2014 Australia Week in China initiative in 2016, as well as including tourism as a priority industry for the Australia Business Week in India in 2015.

4. Research and Development

Research and development is an essential part of business innovation and economic growth, and in Australia in general it is funded by Commonwealth and State/Territory governments, businesses, higher education institutions and private not-for-profit organisations. All industry sectors in Australia in 2010/11 attracted \$30.8bn in research and development spend from a combination of these sources.

In most recent analysis available (2006/7), the lion's share of public sector R&D funding (from governments and higher education) is directed to health (26%), environment (13%) and agriculture (11%). In this analysis tourism was found to receive 0.25% of public sector R&D funding. It is salient to note the higher share of R&D funding directed to agriculture, which has a similar contribution as tourism to Australia's GDP of around 3%¹⁴. Agriculture employed just over 300,000 people in 2010/11; tourism and hospitality employ almost one million people.

In Australia, tourism research and development in the main is currently undertaken by Tourism Research Australia, a well-established and respected agency engaged in research, analysis, and outreach for the industry. Other agencies commissioning research include Tourism Australia, the ABS, State Tourism Organisations, commercial business analysts and researchers, and industry organisations and associations.

Since 2010, the Tourism Directions Conference has also been an important means of bringing the research effort to the attention of industry and all levels and portfolios of Government.

The justification for continued levels of government funding for R&D in tourism and hospitality is that:

- a) As an industry dominated by small/medium businesses and fragmented market structure means that tourism relies on public support for industry development. The need for national supply side research and data means that the industry relies on government agencies such as Tourism Research Australia and the Australian Bureau of Statistics for data that can inform public and private investment decisions.
- b) There are many positive downstream effects that accrue from publicly supported tourism R&D; TRA reported in 2011 that "for every dollar of value added generated by activity in the tourism industry, a total of \$1.91 of value added is created, placing tourism ahead of major industries such as mining (\$1.67), retail trade (\$1.80) and education and training (\$1.38). Further, tourism has a significant multiplier effect for employment with a one per cent increase of tourism direct consumption generating output outside tourism of \$0.7 billion (in nominal terms) and an increase in employment outside tourism of 2,800 persons"¹⁵.
- c) There are significant regional benefits derived from tourism and hospitality; over half of the \$50 billion that Australians spend in overnight domestic travel is spent in regional areas (\$25.6 billion) and over 220,000 people are employed in tourism in regional areas.

¹⁴ The Future of Tourism Research in Australia, STCRC, 2010

¹⁵ State of the Industry, 2011, Tourism Research Australia

- d) R&D funding for tourism and hospitality addresses important national priorities such as strengthening the social and economic fabric of the nation; sustainable use of resources; fostering people-to people links between countries; and fostering an innovation culture and sustainable economic growth.
- e) As KPMG reported in 2009, there is sufficient evidence that the benefits of tourism research exceed the costs, but that the private market has “under-provisioned” research into the tourism industry, which constitutes market failure. The characteristics of tourism and hospitality provide a strong argument for government to fund research in this instance, because it is highly likely to lead to industry wide benefits, and the concomitant flow-on benefits as outlined above.

The opportunity exists to derive research funding for tourism via existing tourism related taxes without adding a further levy to the industry’s significant tax contribution. Even 1% of the current passenger movement tax revenue would provide a worthwhile funding pool for research and development.

5. Role of government in reducing cost of doing business

The tourism industry in Australia primarily comprises small and medium enterprises (SMEs), who operate on modest turnovers. Over 93 per cent of businesses within the sector are small and medium enterprises. More than 100,000 Australians own tourism businesses. The overwhelming majority of businesses are labour-intensive small businesses, run by owner-operators.

These businesses are highly exposed to the volatile global economy and shifts in the Australian economy; as a result, they bear much of the brunt if demand falls for travel domestically and within mature international markets. Small businesses are also disproportionately impacted by red tape.

5a. Workplace regulation

Tourism is by nature a highly labour intensive, 24/7 service industry. Reforms to workplace regulation is needed to improve the industry's ability to provide high quality service in the 24/7 economy. Australia's tourism sector needs to be able to achieve productivity improvements through flexibility in the workplace, to ensure that it remains competitive in a highly dynamic environment.

The current provisions of the Fair Work Act and Modern Awards impose artificial constraints on tourism businesses. These constraints limit businesses' ability to provide services to customers in the 24/7 business environment as it restricts their ability to hire employees at the time they are needed. The onerous administrative and compliance burden of the Fair Work Act is a further constraint on small and medium businesses particularly, affecting productivity and profitability, and therefore their ability to grow and employ more people.

The Fair Work Act lacks appropriate recognition of small and medium enterprises, and lacks focus on productivity, particularly in relation to Modern Awards and Individual Flexibility Agreements. By counting part-time and casual staff as the equivalent of full-time permanent staff, the definition of "small business" in the Act is misleading. Many small tourism enterprises have much less capacity than larger businesses to meet obligations that are imposed on those larger businesses by the Act.

5b. Cost of Compliance

Tourism and hospitality are diverse and fragmented, covering many sectors and areas of economic activity. This has meant that there has been no uniform regulatory treatment across the tourism sector. Inconsistent regulatory treatment has the potential to distort genuine economic activity and can result in uneven patterns of investment. Although tourism is extremely valuable to the Australian economy, it also bears a significant tax and regulatory burden.

Australia's tourism industry faces more regulatory barriers relative to other sectors and countries which is augmented by the sector's market structure. Regulatory barriers include labour regulations; planning; environmental regulation; and business regulations such as liquor licensing and occupational health, spanning across a range of areas and levels of government.

Excessive regulation coupled with significant tax regulations disadvantage the tourism sector, resulting in ‘a disproportionate burden of regulation on tourism developments compared with other sectors of the economy’.¹⁶

Government benefits from an industry that is freed from excessive regulation and is able to increase its commercial activities, through higher revenues from taxes on profits, income, land and payroll, and downstream effects of higher tourism spending: modeling indicates \$76m in additional accommodation expenditure adds \$297m in tourism revenue – a factor of almost 4¹⁷. Lower costs for tourism businesses also encourages higher overall spend by visitors, who have more disposable spending money. All visitors spend an average of \$91/day in Australia; business visitors are high yielding and average \$167/day. Tourism’s output multiplier is valued at 1.92, which means for every dollar tourism earns directly in the Australian economy, it value adds an additional 92 cents to other parts of the economy. At 1.92, tourism’s multiplier is larger than mining (1.66), retail trade (1.81) and education and training (1.38)¹⁸.

Within the excessive regulations, lies an additional burden of uneven regulation. Uneven regulation creates an uneven playing field and stifles business growth. Regulations (including planning and building) are complex. Likewise regulations governing labour supply and taxation. For a diverse sector like tourism, complex regulations affect the scope and role of tourism development often resulting in complications, higher costs and ultimately placing the industry at a disadvantage. Inconsistent regulatory treatment has the potential to distort genuine economic activity and can result in uneven patterns of investment. ‘Given the disproportionate regulatory burden on the tourism industry in Australia, coupled with the sector’s economics and structure, it is clear that regulatory reform is warranted in order to mitigate the negative regulatory impact on the industry’.¹⁹

5c. Disproportionate burden on small businesses

It is well established and acknowledged by governments and regulatory bodies that compliance costs have a more significant impact on small businesses than on larger businesses. The Board of Taxation report states “[compliance costs] are regressive, with a given cost imposing a proportionately higher impost, the smaller the business.”²⁰ All State governments have instituted varying levels of red tape reduction initiatives, such as the Red Tape Commissioner in Victoria, in an acknowledgement that action is needed to encourage growth, innovation and diversity in small businesses where the compliance burden is felt disproportionately heavier.

It is important for regulators and institutions to act on this knowledge, especially as the costs to small businesses are often non-financial in that it can causes stress and related ill-health, and also affect the personal life of the small business people, which can have just as much of an impact on their ability to carry on business. This feature of the tax compliance burden can have a significant role in preventing small business people from pursuing commercial goals.

¹⁶ L.E.K. Consulting Report, *Tourism Investment and Regulation Review*, August 2011, p.15

¹⁷ *ibid*

¹⁸ Tourism Research Australia

¹⁹ L.E.K. Consulting Report, *Tourism Investment and Regulation Review*, August 2011, p.17

²⁰ Scoping study of small business tax compliance costs, Board of Taxation, 2007

5d. Compound effect of other compliance burdens

Whilst surveys demonstrate that the ATO in particular is seen by small business as imposing a significant compliance burden which restricts their growth potential, it is important to note that the impact of other areas of compliance can weigh just as heavily on small businesses. Taken in aggregate, the majority of businesses are finding that year on year the time and cost of all compliance activities is increasing. The surveys regularly find that at least half the respondents state that the compliance burden was restricting the growth or expansion of the business.

One development that is concerning is that the second most complex and time consuming area where businesses are finding it difficult to understand and comply with the requirements are the employment-related²¹ regulations of workplace health and safety, conditions of employment, and employing workers. This is not to say that businesses are trying to avoid their obligations; the issue is that the complexity in finding information, understanding what is required, and preparing the information is imposing the most cost on the business, and therefore constraining their ability to grow.

The cost and complexity of employing staff, apart from their actual wages, is a constraint to growth as many businesses may choose to remain below certain thresholds to avoid the regulatory burden. In recent surveys, employment-related compliance time and cost is starting to overtake that of the ATO. In the service-oriented tourism and hospitality sector, the compliance burden that acts as a disincentive to employ staff is a serious constraint to growth, as well as to quality of service.

5e. Impact of Government Taxes and Charges on Tourism

Tourism is highly exposed to global economic factors, including shifts in the exchange rate and the impact of financial turbulence in the global economy. Tourism exports are particularly affected by narrow-based taxes and charges such as the Passenger Movement Charge (PMC) and a range of Visa Fees.

Although tourism is extremely valuable to the Australian economy, it also bears a significant tax burden, with net tourism taxation in 2003/04 of \$6,922 million (equating to 19.6 per cent of tourism gross domestic product).²²

With one price elasticity estimate of -0.8^{23} , tourism is extremely sensitive to taxes and regulatory burdens. Fundamental to the ongoing success of the tourism sector is the need to remove unnecessary barriers arising from taxation and regulatory regimes.

Tourism is subject to a range of taxes, fees and charges, which combine to reduce Australia's competitiveness as an international destination. Border fees and charges increase the cost of coming to Australia and act as a demand dampener at the decision-making phase of a trip. The most obvious of these in the Australian context is the Passenger Movement Charge (PMC), a \$55 tax on all international travellers over 12 years of age. Tourism is also the only export industry subject to the Goods and Services Tax (GST).

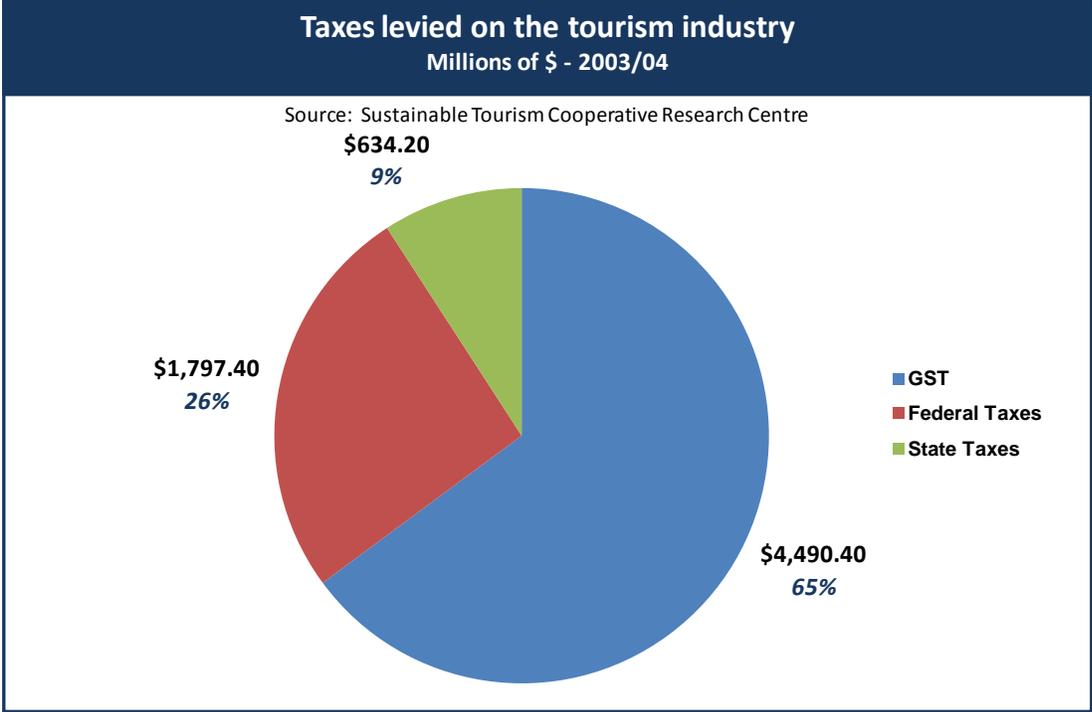
²¹ ACCI Red Tape Survey 2012

²² Sustainable Tourism Cooperative Research Centre, *State and Federal Taxes on Tourism in Australia – estimate for 2003/04*

²³ Geoff Carmody & Associates, *Australian Tourism: How Deep the Recession*, March 2009, pg 58-59

For a large proportion of inbound visitors, there is also a visa application fee in addition to the PMC. The impact of visa application fees and processes on decision to travel is also high. A 2013 report for the United Nations World Tourism Organization and the World Travel & Tourism Council found that if the cost of obtaining a visa (including both the fee and associated costs) exceeds a threshold, potential travellers are simply deterred from making a particular journey or choose an alternative destination with less hassle. This threshold is also relative, meaning Australia can gain a competitive advantage by making it easier and cheaper to visit than rival destinations.

The impact of these charges cannot be underestimated. Air travel is price-sensitive and the cost of an airline ticket is the first trigger in the decision process that leads to travel. In fact, the price sensitivity of air transport has increased in recent years due to online competition, low-cost carriers and corporate travel agreements. This has led to greater transparency of airfares and a greater expectation of ever-cheaper ticket prices. Several studies demonstrate that leisure travellers are the most price-sensitive and that demand is reduced by the introduction of any new tax on airline tickets that pushes up the price. This in turn makes government-funded promotion of Australia as a destination harder and will lead to a reduction in the potential growth of the industry.



The Passenger Movement Charge (PMC) is a Commonwealth tax introduced in the 1995 budget levied on passengers departing Australia, replacing the departure tax. The Labor government at the time initially introduced the tax to recoup the full accrual costs of Customs, Immigration and Quarantine (CIQ) processing for international passengers and the cost of issuing short-stay visitor visas. However, collection from the PMC now exceeds these costs, and it is the amount of over-collection that represents a disproportionate tax burden on the tourism industry.

Narrow-based taxes such as the PMC can particularly affect key tourism services, with production and consumption being highly mobile and subject to consumer preference. A significant part of tourism is dependent on a price-sensitive market and additional costs imposed on tourists have a significant impact on the competitiveness of Australian tourism in the global marketplace. The PMC collects approximately 60 per cent more funds than required to cover the costs of its stated purpose, making it a general taxation measure rather than simply a cost recovery measure.

The Federal Government has the ability to effect game-changing reform in the tourism industry through a new, fairer regime that is responsive to price sensitivity and open to new product innovation.

6. Disaster coordination and response

It is self-evident that governments at all levels can and do play major immediate coordination and emergency response roles when an event occurs due to causes such as war, terrorism, disease outbreak or natural disaster. The initiatives outlined below demonstrate the importance of industry and government working together on a more sophisticated approach that also deals with the ongoing monitoring, management and remedying of the events in the medium to longer term.

6a. COAG National Disaster Resilience Statement (2009)

In its 2009 statement, COAG states that:

Given the increasing regularity and severity of natural disasters, Australian Governments have recognised that a national, coordinated and cooperative effort is required to enhance Australia's capacity to withstand and recover from emergencies and disasters. A disaster resilient community is one that works together to understand and manage the risks that it confronts. Disaster resilience is the collective responsibility of all sectors of society, including all levels of government, business, the non-government sector and individuals. If all these sectors work together with a united focus and a shared sense of responsibility to improve disaster resilience, they will be far more effective than the individual efforts of any one sector.

Role of government

Governments, at all levels, have a significant role in strengthening the nation's resilience to disasters by:

- developing and implementing effective, risk-based land management and planning arrangements and other mitigation activities;
- having effective arrangements in place to inform people about how to assess risks and reduce their exposure and vulnerability to hazards;
- having clear and effective education systems so people understand what options are available and what the best course of action is in responding to a hazard as it approaches;
- supporting individuals and communities to prepare for extreme events;
- ensuring the most effective, well-coordinated response from our emergency services and volunteers when disaster hits; and
- working in a swift, compassionate and pragmatic way to help communities recover from devastation and to learn, innovate and adapt in the aftermath of disastrous events.

6b. National Tourism Incident Communication Plan (2013)

In the tourism context, monitoring, management and remedying the event are vital to minimising the immediate negative effects and to ensuring a speedy recovery for a significant sector of the economy.

The objective of the National Tourism Incident Communication Plan (NTICP) is to apply the Council of Australian Government's National Strategy for Disaster Resilience to the tourism industry by providing a risk management framework for addressing market shock. This framework is designed to:

- Communicate accurate and timely information to various groups including:
 - Australian, state and territory governments and tourism organisations;
 - the Australian and international tourism industry; and
 - the domestic and international travelling public.
- Coordinate and disseminate information relating to impacts of incidents on the tourism industry.

The scope of the NTICP at both a national and jurisdictional level is to respond to tourism market shock caused by incidents such as acts of terrorism or war, disease outbreaks, natural disasters and other events. The NTICP provides a framework for communication activities that can be applied to any incident that has the capacity to impact the tourism industry and that requires management at a national or jurisdictional level.

6c. Integration of Emergency Management and Tourism

In a 2011 article in the Australian Journal of Emergency Management, David Beirman of the University of Technology Sydney outlined that while there is high level of informal cooperation between tourism industry businesses and government tourism authorities and emergency services, there is a need for a more formalised, structured and consultative level of cooperation between emergency service agencies and providers and the government and private sectors of the tourism industry.

He proposes that “the process of developing an integrative approach to tourism and emergency services starts with a bilateral assessment of how emergency management services can assist the tourism industry and how tourism businesses can assist and enhance emergency management capability.

Capabilities and Services Tourism Businesses are able to provide Emergency Management Services and Agencies:

- emergency accommodation and shelter and hotels, resorts, caravan parks and other tourism
- accommodation facilities
- evacuation and emergency transport uplift and capacity on commercial air sea and land transport
- registration and identification of tourists on transport services, accommodation or tours
- register of working or damaged tourism infrastructure within a given jurisdiction
- assistance with emergency communication
- first aid equipment, facilities and trained staff to assist professional emergency management agencies
- guides with expertise of a destination region
- trained security personnel.

Capabilities the Tourism Industry requires from Emergency Management Agencies:

- policing and security

- medical and ambulance services
- rescue services
- fire fighting training and services
- flood mitigation services
- emergency evacuation services, procedures and escape corridors
- building and health regulation standards and governance.”

He goes on to say that “Although both lists are indicative only, these examples demonstrate that the integration of tourism and emergency services is genuinely bilateral. The tourism industry and emergency service agencies have the capabilities to enter into a mutually productive alliance in many jurisdictions with a high density of tourists and a substantial tourism infrastructure. The overall planning of emergency services infrastructure and staffing should consider the number of tourists and the extent of tourism infrastructure as integral to the planning process.”

This paper clearly highlights the government’s role, and provides a model for enhancing the capabilities of both the government and the industry through a cooperative alliance when responding to emergencies.

6d. NSW Example: Cross Agency Coordination

The NSW Business Chamber’s Tourism Division is currently developing a bushfire survival plan to link various strands of state government into one co-ordinated process to guide operators with a set of specific instructions to help them keep customers safe and provide better customer service as a result. The core principle at play here, as outlined in the documents above, is that it is vital that governments play a role in ensuring cross agency coordination to support both preventative and pre-emptive measures in the event of disaster events occurring, as well as providing coordination, support and assistance in the aftermath of the event.

C. THE EFFECT OF LAND MANAGEMENT POLICY AND REGULATION, including the role of government in managing the use of environmental, heritage or cultural assets and the approaches that can be used to help manage use of such sites.

1. Need for reform of land management policy and regulation

The L.E.K. Tourism Investment and Regulation report commissioned by the Federal Government in 2011, provides extensive evidence of the key regulatory barriers to tourism investment. The effect of land management policy and regulation is high on the list of the 'five core barriers' to investment identified in the report.

The report states that "Planning schemes are particularly challenging for the industry because generally they do not recognise the scope and role of tourism development and tourism is not well understood, resulting in complications at the approval stage along with higher cost. Unintentionally, tourism is disadvantaged by regulations which also, in many cases, were designed before tourism became a significant economic activity."

Another core barrier is that "Process requirements can add costs and delays to investment proposals within a complex approvals regime where many councils lack the resources or experience to deal effectively with tourism developments."

The report identifies that reforms in these areas below related to land management and regulation (amongst other areas) will increase investment, improve processes and reduce costs:

- Nine related planning framework and development approval framework reforms, to facilitate investment, reduce costs and create a more efficient and effective regulatory framework.
- Shift to a partnership model for the supply of tourism in high natural amenity areas: setting management objectives for administrators; schemes for tourism developments in national parks, review of development approval processes and increasing default lease and license durations.
- Federal and State collaboration on agreed tourism investment priorities, the regulatory reform agenda and a tourism investment knowledge bank, with dedicated tourism economic modelling capacity.

L.E.K.'s analysis showed that there would be a positive net economic impact of these reforms.

The report "Unlocking Victorian Tourism", by the Victorian Competition and Efficiency Commission in 2011 stated that its survey of participants and recent government reports identified regulatory and other potential obstacles to the development of a more flexible, dynamic and competitive tourism sector, including:

- land-use zoning provisions that restrict the development and diversification of restaurants, accommodation and recreational activities in regional areas and Melbourne's Green Wedge areas
- barriers to private investment in accommodation and related tourism facilities that are compatible with the environmental, heritage and other values of public land.

Similarly, the NSW Report of the Visitor Economy Task Force identified that there is “now a compelling need for [amongst other things] a regulatory and planning environment that encourages innovation and entrepreneurship and attracts investment.”

2. Role of government in managing the use of environmental, heritage or cultural assets and the approaches that can be used to help manage use of such sites

2a. Unlocking Victorian Tourism, Victorian Competition and Efficiency Commission (VCEC), 2011:

The introductory statement is generally illustrative of the national experience:

State and local governments can influence the costs of starting, expanding and operating tourism-related businesses via how they design and administer regulation. The State Government also manages assets that are important attractions for visitors, such as Victoria’s national parks, visitor centres, sports grounds, galleries, commercial precincts such as Docklands, and cultural facilities. Unnecessarily burdensome regulations or poorly managed state assets can impede the development of Victoria’s tourism industry by imposing unnecessary costs on businesses.

The VCEC report recommended the Victorian Government introduce a streamlined approval process for investment opportunities on public land which:

- progressively reduces uncertainty about the overall outcome, and sharpens the focus on key issues of uncertainty
- separates responsibility for developing policy and administrative processes
- provides more certain timeframes for assessment, such as binding or negotiated time limits, and public reporting against these limits, and
- provides a more integrated decision making process.

It also makes recommendations specific to public land, that the Victorian Government:

- allow appropriate private investment opportunities in Victoria’s national parks, provided they complement environmental, Aboriginal and historic cultural heritage and other values, and generate a net public benefit
- make appropriate lease terms available for tourism investment opportunities in national parks.

The report recommends that the Department of Sustainability and Environment (DSE) release guidelines that identify and clarify:

- the steps involved in the proposal approval process
- the relevant contacts at each stage of the approval process
- criteria for assessing proposals.

The Victorian government accepted the above recommendations and in its response stated that it will: *“propose sensible and sensitive developments in national parks provided they complement environmental, heritage and other values and generate a net public benefit.”*

Subsequently, the Victorian government released “Guidelines for Tourism Investment Opportunities of Significance in National Parks” in 2013, which laid out a set of principles for the consideration of investment proposals and a clear process for prospective investors and other parties.

2b. Destination Q

During 2013, the Queensland Government worked with tourism operators and industry representatives to develop a shared long-term vision for Queensland tourism. The overall approach is outlined below.

A master plan has been developed which outlines what will be done to achieve the 20-year vision for Queensland tourism. The plan supports *Destination success: A 20-year plan for Queensland tourism* by outlining the actions to be undertaken over the next 18 months to implement the 20 strategic directions.

A ‘20-year plan for tourism’ identifies what needs to happen for the tourism industry in Queensland to be competitive and successful in the long term, and has been developed with extensive industry consultation. A partnership agreement has been signed by the Queensland Government and Queensland Tourism Industry Council (QTIC) that government will help deliver the change required for the tourism industry to succeed.

A Tourism Cabinet Committee is established to focus on achieving cross-agency coordination and delivering tourism growth. It meets jointly with the QTIC board twice a year.

An annual ‘state of the industry’ report is monitored by the DestinationQ Post-Forum Working Group which includes industry representatives and government officials.

Annual action plans outline what partners will do over a shorter period (1–2 years) to implement the strategic directions in the 20-year plan. The actions may be statewide or implemented through destination tourism plans. New action plans are developed every 18 months.

The 20-year plan is underpinned by 6 themes. One of these themes is ‘preserve our nature and culture’, which recognises :

- Natural assets will continue to be the heart of the Queensland experience—able to be enjoyed by visitors and locals alike, and preserved for future generations.
- Our unique, authentic character and cultural heritage will be preserved and enhanced, and will always be at the heart of the Queensland experience.

The annual action plans for this theme includes actions for both government agencies and industry partners. In this ‘theme’, the three headline directions are:

1. Maximise the tourism opportunities of heritage, arts, culture, nature and Indigenous tourism experiences.
2. Enable access to our national parks through appropriate infrastructure.
3. Use events to activate and showcase our iconic natural experiences.

The actions involve all stakeholders: including State Government departments, transport authorities, local government authorities, national parks and wildlife services, Indigenous cultural and ecotourism organisations, tourism businesses, regional tourism organisations, and major events organisations, working towards the agreed outcomes in the action plan.

3. Importance of destination management planning

Destination Management Planning (DMP) is an important foundation for the establishment of effective experience destinations, and all three levels of government have an important role to play. The plan aligns businesses, Local, State and Commonwealth Governments and other stakeholders in a destination, particularly in respect to funding and investment in visitor-related development and programs. A successful DMP system sees the development and implementation of a common approach that engages with and has the support of Industry, the community and Government at all levels. DMPs provide certainty for investors regarding the nature and future use of key destinations and their assets and ensures the sustainability of those destinations and assets.

Destination Management Planning is an approach that involves co-ordinating industry, the community and all three levels of Government to ensure that they are involved in the planning, development and marketing of destinations. DMP can increase the competitiveness and sustainability of the visitor experiences available at the destination and to position it to benefit from the visitor economy on an ongoing basis, through increased visitation and expenditure.

3a. Case Study : INLAND NSW

Inland NSW Tourism is the regional tourism organisation covering more than 25% of NSW. It was created from the amalgamation of the former New England North West Tourism, Outback Tourism, seven Councils from the Central Tourism region and Capital Country Tourism, and represents Local Government Areas, tourism associations and individual operators. It provides members with professional development tools, research, advice and support to expand tourism.

Following is an extract from a speech in November 2014 by Inland NSW CEO Graham Perry outlining the success of the organisation's government/industry collaborative approach to destination management planning.

The Inland NSW footprint represents over 40% of the state's geography and a population of some 440,000.

Just 3 and a half years ago the region was represented by 4 small traditional RTOs comprising 36 LGAs. **Parochialism** was rife and the sole focus was on tourism.

Today the region is led by Inland NSW which is in reality more a destination management organisation than a traditional RTO. We are championing 8 holistic regions and collaborating with industries across the broader visitor economy that extends far beyond tourism. Today the silos between towns within our region are being torn down through collaboration.

So what is driving this change and what is the new model?

When Inland NSW launched three years ago we recognised the opportunity to do things differently and better.

We took the time to decide not only what we would do but importantly what we wouldn't.

We drew a line in the sand and literally turned the strategic approach to regional tourism on its head. The essential ingredients of our new model are:

- A strong partnership with DNSW
- A commitment to the 2020 vision and the outcomes of the Visitor Economy Taskforce (VET) (which we use as our guiding light)
- Embracing the whole visitor economy not just tourism
- Looking to the needs of consumers rather than just the needs of the region
- A commitment to collaboration

We take an outside looking in consumer perspective to guide all decision making.

This is not just something we do, it's literally everything we do.

This relentless focus on the consumer led to us commissioning what is the single largest piece of consumer research ever undertaken for regional tourism. This gives us the imprimatur of evidence.

This consumer insight provided the foundation for our significant ongoing investment in Destination Management. The DM process causes regions to move away from a sole focus on marketing and on tourism to the holistic management of all aspects of the region's destination and visitor economy.

At the outset we used the insights from our consumer research and a collaborative process to engage stakeholders right across the Inland region to inspire them to work together to prepare a holistic and detailed Destination Plan for the broader region.

This led to the publishing of 4 DMP's including 8 community Roadmaps. The DMPs illustrate how the 8 communities are differentiated from each other and what they need to do to grow visitation – but not only from a marketing perspective but from the perspective of visitor services and ensuring that the region's products, services and infrastructure are aligned to the needs of those consumers with the greatest propensity to visit their destination.

This work has led to the formation of 8 community working groups led by Inland NSW and responsible for overseeing progress and implementing the DMP actions and recommendations.

So is this new model working?

The answer is a definitive yes!

When reviewing an aggregate of our results over the last 3 years since inception Inland NSW is one of the only regions of Australia on course to achieve the 2020 vision of doubling overnight visitation expenditure.

- Overnight visitor expenditure across the Inland NSW region has grown 21% to \$5.5B representing over 44 million visitor nights – an increase of 11%
- Total domestic visitation has grown by 8% to 14 million visitors

[...]

For example all stakeholders must commit to this new model and:

- That there is more to destination management than marketing
- There is more to the visitor economy than tourism
- The need for ongoing consumer research to monitor changes in consumer expectations
- **The need for an unbreakable partnership between state government, local government, RTOs and industry**
- The need for RTOs – or rather those that commit to the new model (I shall refer to these as new RTOs) – to facilitate the collaboration needed between stakeholders. We represent the essential glue that can connect the state government to local government and both to industry including to new industry partnerships.

This new model needs to be supported through an active partnership between State Government, Local Government, the ‘new’ RTO and industry.

New RTOs committed to the new model can provide the linkage between the partners. We facilitate the collaboration and linkage.

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