



Tourism **INDUSTRY
TOURISM
RESOURCES**
COMPETITIVE AUSTRALIA

THE 10 YEAR PLAN FOR TOURISM

A DISCUSSION PAPER

SUBMISSIONS CLOSE 28 JUNE 2002



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Message from the Minister for Small Business and Tourism, the Hon Joe Hockey MP

The Prime Minister, the Hon John Howard MP, has asked me to work with the tourism industry, key stakeholders, other Ministers and government departments to develop a 10 YEAR PLAN for the future prosperity of the tourism industry.

Australian tourism is faced with a new set of challenges, especially as a result of the events of September 11 in the United States last year and the collapse of Ansett.

For the medium to longer term, tourism offers tremendous opportunities for sustainable growth, which can benefit all Australians. After all, Australia is one of the best tourism destinations in the world—a 'platinum' destination for both international visitors and domestic tourists.

To fully realise the opportunities for Australia from tourism requires a strategic commitment by those associated with the industry.

Over the next several months, I will be working closely with key industry people and other stakeholders to develop a 10 YEAR PLAN for Australian tourism, which will be considered by the Government at the end of this year. This discussion paper is the first stage in that process.

Such a significant plan will require a great deal of input from Australia's tourism industry and the broader community. To assist in this process, this discussion paper details major issues affecting the development of tourism. I would welcome feedback on issues contained in this paper and any other issues you might consider relevant to the development of the 10 YEAR PLAN.

Tourism is a significant part of the Australian economy and impacts on environmentally sustainable development and the social and cultural well being of Australians. As an important contributor to tourism, I look forward to your involvement in shaping the industry's future.



A handwritten signature in blue ink, which appears to read 'Joe Hockey'. The signature is fluid and cursive, with a long horizontal stroke at the end.

Hon Joe Hockey MP
Minister for Small Business and Tourism

PROCESS OF DEVELOPING

THE 10 YEAR PLAN FOR TOURISM

Discussion paper

Paper circulated to stimulate debate and submissions to the Commonwealth Government



Industry and stakeholder consultations

Extensive consultation undertaken with industry and interested stakeholders based on discussion paper



Draft 10 YEAR PLAN

Outcomes of submissions and consultations incorporated in Green Paper—Draft 10 YEAR PLAN



Further industry consultations

Consultations based on Green Paper



Final 10 YEAR PLAN for Tourism

Development of White Paper—Final 10 YEAR PLAN with timetable for implementation for consideration by the Commonwealth Government

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COMMONWEALTH DEPARTMENTS AND AGENCIES CONSULTED IN THE PREPARATION OF THIS DISCUSSION PAPER

COMMONWEALTH DEPARTMENTS

Attorney-General's Department
Department of Agriculture, Fisheries and Forestry
Department of Communication, Information Technology and the Arts
Department of Defence
Department of Education, Science and Training
Department of Employment and Workplace Relations
Department of Environment and Heritage
Department of Family and Community Services
Department of Finance and Administration
Department of Foreign Affairs and Trade
Department of Health and Ageing
Department of Immigration and Multicultural and Indigenous Affairs
Department of Industry, Tourism and Resources
Department of the Prime Minister and Cabinet
Department of the Treasury
Department of Transport and Regional Services

COMMONWEALTH AGENCIES

Aboriginal and Torres Strait Islander Commission
Austrade
Australian Customs Service
Australian Taxation Office
Australian Tourist Commission
Great Barrier Reef Marine Park Authority

1. Introduction

1.1 Background

The next decade is expected to be a challenging one for Australian tourism. The Tourism Forecasting Council expects around 10.4 million visitors per year to be coming to Australia by 2012.

This represents a doubling of the current annual number of international visitors. Domestic tourism is expected to grow by 20 per cent over the same period.

At the same time, the events of 11 September 2001 in the United States, the collapse of Ansett, the global downturn in the aviation industry, and rising public liability insurance premiums will also have an impact on the shape and success of tourism.

The tourism industry makes a vital contribution to both the economy and the social well being of Australia. It is a complex industry, composed of many different players and influenced by many factors, both domestically and internationally. Hence the need for an integrated plan, based on input from industry participants, and identifying clear goals to drive the growth of the industry while protecting and conserving Australia's unique environment and biodiversity.

On 11 February 2002, the Commonwealth Minister for Small Business and Tourism, the Hon Joe Hockey MP, announced that a 10 YEAR PLAN for the tourism industry was to be developed for submission to Government by the end of the year. With Government approval, this plan will underpin the development of tourism in Australia for the next ten years.

This chapter describes the aims of the 10 YEAR PLAN and the consultative process that will inform it and provides background information on the Australian tourism industry.

1.1.1 Aims

In the context of many challenges and opportunities, the 10 YEAR PLAN is intended to provide a framework to assist the tourism industry, in partnership with government, to achieve specific outcomes that are economically, culturally and environmentally rewarding and sustainable. It is intended that the framework will also be consistent with the goals and priorities for developing Australia's regions over the next decade that have been set by the Commonwealth Government in its *Stronger Regions, a Stronger Australia* Statement of 2001.

The aims of the 10 YEAR PLAN are to:

- develop, in consultation with industry and other key stakeholders, options for achieving sustainable growth in the tourism industry in general and regional tourism in particular,
- identify and address regulatory and financial impediments to growth,

THE TOURISM FORECASTING COUNCIL expects around 10.4 million visitors per year to be coming to Australia by 2012. This represents a doubling of the current annual number of international visitors.

THE DEVELOPMENT OF AN INCLUSIVE 10 YEAR PLAN

has the potential to provide broad benefits to and beyond the industry itself.

- identify and address the social, cultural and environmental issues necessary to achieve sustainable outcomes,
- identify significant overlaps and synergies in organisational structures and activities (in both the private and public sectors) and seek to harmonise these in order to reduce duplication and to leverage outcomes, and
- provide a timeframe and process for implementation of the plan by all stakeholders.

The development of an inclusive 10 YEAR PLAN has the potential to provide broad benefits to and beyond the industry itself. The promotion of visitation for both domestic and international travellers beyond the main metropolitan centres can bring benefits to regional communities and businesses as well as to the tourism industry as a whole. Promotion of the varied tourism opportunities in regional Australia has been occurring through the variety of events and activities that are being staged across Australia as part of the Year of the Outback 2002. Encouraging visitors to explore regional Australia can contribute to bridging the divide between metropolitan and regional Australia.

It is expected that the development of the tourism plan will inform the development of a Regional Business Development Analysis. This is an initiative announced as part of the *Stronger Regions, a Stronger Australia* Statement that is intended to more broadly identify impediments to growth and the effectiveness of current Commonwealth Government assistance to regional businesses. A Regional Business Development Analysis action plan will be developed by an independent panel and delivered to the Government in early 2003.

1.1.2 Consultation

The timetable for developing the plan involves three stages, as set out below, designed to maximise opportunities for input and consultation.

Stage 1—Discussion paper

The main focus of Stage 1 is inviting all stakeholders to respond to this discussion paper, which sets out many of the current issues and forecasts for the Australian tourism industry, and seeks stakeholders' comments on these and any related matters. This paper is freely available to the public online at www.tourism.gov.au

'Stakeholders' include participants in the tourism, transport, construction, finance and other tourism-related industries, the education and research sector, Commonwealth, State, Territory and Local government agencies and members of the general community.

Consultations with industry representatives and other interested parties will also be conducted.

Responses

All stakeholders are encouraged to respond to the discussion paper by making written submissions.

It is preferred that submissions be sent electronically to **tourismplan@industry.gov.au** or via the Department of Industry, Tourism and Resources website at **www.tourism.gov.au**. Submissions should be Word 97 compatible. Submissions can also be sent on a disc to:

Mr David Mazitelli
Head
Tourism Strategy Group
Department of Industry, Tourism and Resources
GPO Box 9839
CANBERRA ACT 2601

Submissions received *electronically* will be posted on the Department's website unless otherwise requested by the provider. Submissions received in hardcopy only will also be accepted, but there is no guarantee they will be posted on the website in their entirety.

Any enquiries can be made by phoning the Tourism Strategy Group on: **(02) 6213 7021**.

Submissions must be lodged by 28 June 2002.

Stage 2—Green Paper—Draft Plan

The information gathered through Stage 1 submissions and consultations will be used as the basis for a draft 10 YEAR PLAN, to be released in the second half of 2002. Formal consultations, seeking feedback on the draft, will be conducted around Australia. As part of the development of the 10 YEAR PLAN, a regional tourism round-table is planned to gather together regional industry, businesses, community and government to focus on the regional component of the plan.

Stage 3—White Paper—Final plan

The final 10 YEAR PLAN for consideration by Government will be prepared taking into consideration views expressed by interested parties and the outcomes of the regional tourism round-table.

1.2 The nature of tourism

Unlike many industry sectors, tourism is unable to be defined simply as a group of businesses that produce particular, similar products. Rather, the 'tourism industry' embraces a diverse range of providers and users of a variety of goods and services, and overlaps with other sectors of the economy.

THE 'TOURISM INDUSTRY'
embraces a diverse range of providers and users of a variety of goods and services, and overlaps with other sectors of the economy.

However, the elements of tourism may be described in the conventional terms of 'supply' and 'demand'. 'Supply' involves the companies which deliver tourism products and services, including tour operators and travel agents, and companies for which tourism is not the main focus of business, but a component, such as accommodation, restaurants and cafes. The performance of the supply side of tourism can be measured in terms of a variety of indicators, including employment, profitability, investment and company formation growth rates.

Tourism 'demand' is usually measured in terms of the number of tourists, the number of nights they stay in hotels or other types of accommodation and the money they spend. Tourism demand can be divided into groups by purpose of visit, such as people taking holidays, people on business travel, and people visiting friends and relatives.

Tourism is becoming an important part of many regional communities as traditional industries decline. The development of tourism opportunities is important not only in the increased spending patterns in regional areas, but the flow on effects such as the development and maintenance of transport, communications and training infrastructure.

Tourism is not defined separately as an industry in the Australian and New Zealand Standard Industrial Classification (ANZSIC). To overcome this, the Australian Bureau of Statistics has developed a concept of 'tourism related' industries. Tourism-related industries produce products that are strongly associated with tourism and are classified into 'tourism characteristic' industries (more than 25 per cent of output is purchased by visitors) and 'tourism connected' industries (less than 25 per cent but a significant proportion of output is consumed by visitors).

Tourism-characteristic industries are: travel agency and tour operator services, taxi transport, air and water transport, motor vehicle hiring, accommodation, and cafes, restaurant and takeaway food outlets. Tourism connected industries include clubs and pubs, food manufacturing, automotive fuel retailing, casinos and other gambling services, libraries, museums and arts, and education. A number of significant tourism sectors such as attractions and meetings and incentives, conventions and exhibitions do not neatly fall into the above definitions but consume products from a number of tourism related industries.

Many other businesses may derive a smaller, but nonetheless significant, component of their returns from visitors or visitor activities. All of those businesses also form part of the wider 'tourism industry' for the purposes of this discussion paper.

1.3 Australia and world tourism

Around the world, tourism has expanded dramatically over the past 30 years, and it looks set to continue growing.

The services industry, of which tourism is an important part, is currently the main driver for growth among countries in the Organisation for Economic Cooperation and Development (OECD). International trade in services is currently around 20 per cent of total OECD trade. Tourism represents 30 per cent of that international trade in services in OECD member countries. In terms of revenue, OECD countries generate about 70 per cent of world tourism activity.

Tourism is an increasingly competitive industry internationally, with a number of nations, including New Zealand and the United Kingdom, actively pursuing tourism industry development strategies. In addition, the downturn in the international market resulting from the events of September 11 last year has prompted the main tourism destination nations, for example, Canada, to increase their international tourism marketing efforts and to focus on visitor safety.

1.3.1 International indicators

The World Tourism Organisation (WTO) is a well regarded international body that monitors trends and identifies areas for growth in international tourism (see Chapter 5 for more discussion). The data in this section comes from World Tourism Organisation research.

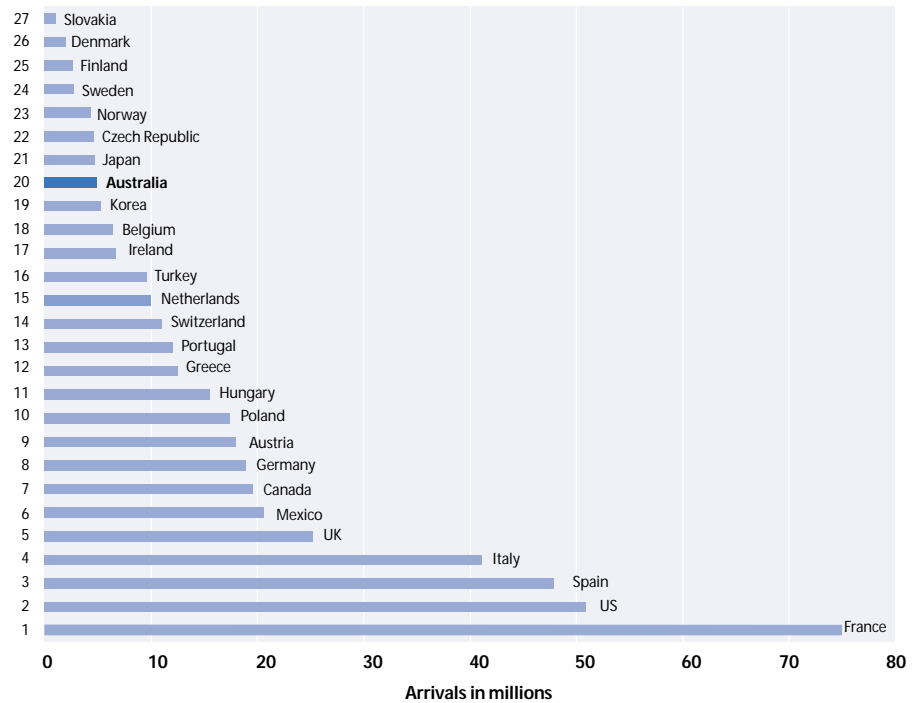
Number of international visitors

European countries receive the largest number of international visitors, for example, France currently receives around 75 million visitors per year (see Figure 1.1). In this respect, Australia ranks twentieth out of OECD countries. The higher ranking countries all have access to short haul markets that do not rely on air transport, while Australia relies on air transport from both its long and short haul markets, such as the United States, Malaysia and New Zealand.

TOURISM IS BECOMING an important part of many regional communities, as many more traditional industries have declined. The development of tourism opportunities is important not only in the increased spending patterns in regional areas, but the flow on effects such as the development and maintenance of transport, communications and training infrastructure.

IN TERMS OF REVENUE, OECD countries generate about 70 per cent of world tourism activity.

FIGURE 1.1 INTERNATIONAL ARRIVALS BY DESTINATION FOR OECD COUNTRIES—2000



Source: World Tourism Organisation 2000.

Note: There is no data available for Iceland or Luxembourg.

AUSTRALIA RELIES ON AIR TRANSPORT from both its long and short haul markets, such as the United States, Malaysia and New Zealand.

The World Tourism Organisation defines long haul travel as all travel except intraregional travel. Regions are Africa, Americas, East Asia/Pacific, Europe, Middle East, and South Asia. Short haul travel, therefore, is intraregional travel. For example, Thailand or Japan would be regarded as short haul markets for Australia according to this definition. Clearly, Australia does not fit easily into this definition, as trips from many Asian countries require a considerable number of hours in the air, which is likely to affect traveller choice in destination. Tokyo-Sydney, for instance, takes around 10 hours, whereas Tokyo-Seoul takes around an hour.

Growth rate in international visits

International visitor numbers to East Asia have the highest growth rate, (14.3 per cent in 1999–2000), with Malaysia, China and Vietnam the strongest performers.¹ This is in part due to an overall economic recovery in this region following the Asian economic crisis of 1997. This also partly reflects improved accessibility by air, with more flights serving more destinations and more airports increasing their capacities.²

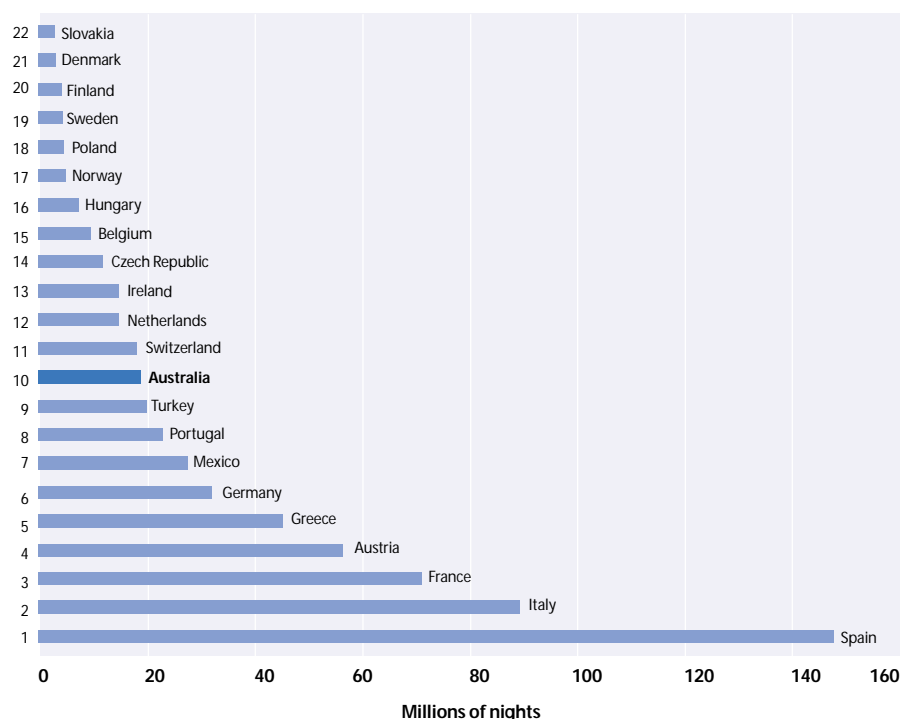
Proportion of international visitors

Australia is a long haul destination for traditional source markets including the United States, Canada, the UK, Germany and Europe. Australia's capacity to attract long haul traffic is reflected in its market share, which currently sits at around 0.7 per cent of total global international arrivals. The expected 10.4 million visitors by 2012 will increase Australia's market share to over 0.9 per cent.³ This is primarily because the forecast growth rate in Australian international arrivals is higher, at an average of 7.3 per cent annually over the next ten years, than the world growth rate forecast of 4.2 per cent over a similar period.⁴

Longer average lengths of stay in Australia are recorded from Continental Europe and Canada, whereas shorter average lengths of stay are recorded from Japan, New Zealand and Singapore. China records a longer average length of stay for a number of market segments, including students. Generally, the further a market is away from Australia, the greater the visitor expenditure, over a longer period of time, yielding a higher average expenditure per person.⁵ This partly accounts for Australia's capacity to capture a higher proportion of world tourism revenue of between one and two per cent.⁶

AUSTRALIA'S CAPACITY TO ATTRACT long haul traffic is reflected in its market share, which currently sits at around 0.7 per cent of total global international arrivals.

FIGURE 1.2 OVERNIGHT STAYS IN HOTELS OR SIMILAR ESTABLISHMENTS—1999



Source: World Tourism Organisation, *Compendium of Tourism Statistics, 2001 edition*.

AUSTRALIA'S RANKING RISES TO TENTH among OECD countries in terms of the number of overnight stays in hotels and similar accommodation.

THE TOURISM SECTOR directly contributed 4.7 per cent—or \$31.8 billion—to gross domestic product...

Number of overnight visitors

Figure 1.2 shows that Australia's ranking rises to tenth among OECD countries in terms of the number of overnight stays in hotels and similar accommodation (note that comparable data is not available for the United States, UK, Canada, Japan or Korea). The higher ranking reflects the propensity of visitors to Australia to stay longer.

1.4 Impact of tourism on the Australian economy

While Australia attracts a small proportion of the total number of tourists worldwide, the industry's importance to the Australian economy is significant. Inbound and domestic tourism combine to become a major contributor to Australia's national and regional economies.

1.4.1 Australian Tourism Satellite Account

Until recently, hard data on tourism's economic performance was difficult to find. While good data is available on the supply of, and demand for, various tourism related goods and services, the National Accounts—which provide the official measure of industries' contributions to the Australian economy—do not include a measure of tourism's contribution. This is because tourism does not fit the usual supply oriented definition of an 'industry': that is, a group of businesses that produce similar products. Rather, tourism can be defined only by reference to the demand for tourism products and services.

To address this problem, the Australian Bureau of Statistics launched *the Australian Tourism Satellite Account* in October 2000. The first Account analysed data from 1997–98. Updates of the main results were released in April 2002. The data in this section comes from the April 2002 release.

1.4.2 Industry indicators

National indicators of tourism's performance in Australia include:

Gross domestic product

The Satellite Account figures for the year 2000–2001 show that the tourism sector directly contributed 4.7 per cent—or \$31.8 billion—to gross domestic product (GDP).

Export earnings

In 2000–01, the tourism sector contributed 11.2 per cent of Australia's total export earnings, making it the fourth largest contributor—after mining, manufacturing and agriculture—and the largest export earner within the services sector.

Total consumption

Total tourism consumption in the year 2000–01 was \$71.2 billion, an increase of \$13 billion from 1997–98. Of that, 76 per cent (\$54.1 billion) was consumed by domestic visitors and 24 per cent (\$17.1 billion) by international visitors.

People employed

During 2000–01, the sector directly employed 551 000 people, or 6 per cent of all people employed in Australia. This is an increase of 35 000 people from 1997–98. Furthermore, according to Bureau of Tourism Research estimates, the sector indirectly employed an additional 340 600 people (in 1997–98), or another 4 per cent of those employed.⁷

Business formation rates

The tourism industry predominantly consists of small businesses. Over 88 per cent of businesses in the accommodation, cafes and restaurants sector and over 96 per cent of businesses in the cultural and recreational services industry are small businesses, employing less than 20 employees. In addition, there is a large number of non-employing, owner-operated businesses in the accommodation, cafes and restaurants sector.

Business formation and exit rates can be an indicator of growth and demonstrate changes in the structure of the industry. The availability of this information, particularly for business formation, is scant and for the tourism industry the problem is exacerbated by the difficulties in defining what businesses should be included in tourism data collections. Existing data shows that business exits for small business across all industries are significantly higher than for other businesses:

- business cessations are at a rate of 6.1 per cent for small business compared to 3.0 per cent for other businesses,
- in the first year of operation, 7.5 per cent of small business will have ceased operations compared to 3.8 per cent of other businesses, and
- after 10 years of operation, this figure increases to 43 per cent of small businesses compared with only 27 per cent of other businesses.⁸

While the tourism industry faces many similar problems to other small business based industries, data for the period 1994–95 to 1998–99 shows the change (including formation and exits) in the number of businesses operating in the accommodation, cafes and restaurants sector and cultural and recreational services sector has been more volatile than for all industries over the same period.⁹ The accommodation, cafes and restaurants sector also faces the second highest exit rate for businesses, behind retail trade.¹⁰

SECTOR DIRECTLY EMPLOYED over 551 000 people, or 6 per cent of all people employed in Australia.

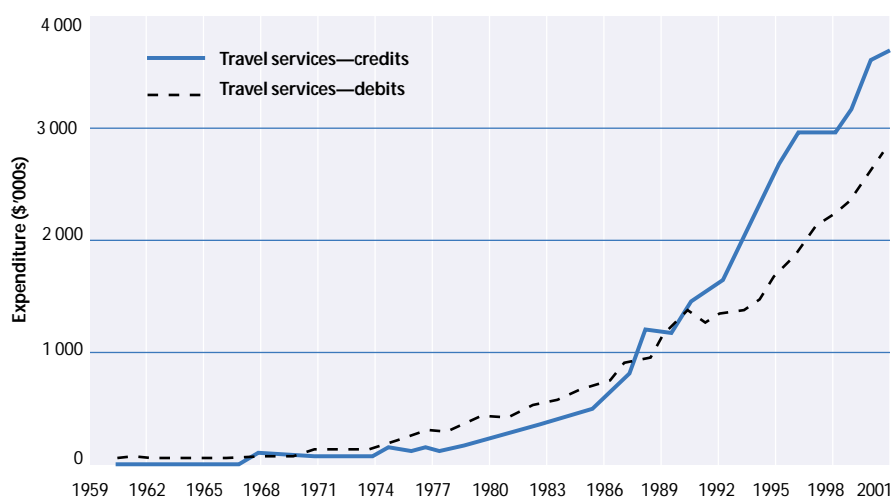
THE TOURISM INDUSTRY predominantly consists of small businesses.

Balance of Payments

In total, inbound visitors tend to spend more money in Australia than Australians spend in overseas destinations. Figure 1.3 shows that, up to the late 1980s, Australians spent more money overseas than international visitors spent in Australia. In the late 1980s and very early 1990s, credit and debit payments were fairly level with an occasional crossover. With the recession of the early 1990s, Australian expenditure overseas levelled out, while inbound arrivals' expenditure continued to rise. Since then, inbound visitors have continued to spend more money in Australia than Australians have spent overseas.

IN TOTAL, inbound visitors tend to spend more money in Australia than Australians spend in overseas destinations.

FIGURE 1.3 BALANCE OF PAYMENTS FOR TRAVEL SERVICES—1959 TO 2001



Source: Australian Bureau of Statistics, Catalogue 5302.0

IN ENVIRONMENTALLY sensitive areas, tourism can also help neutralise land and resource use conflict by offering sustainable alternatives.

1.5 Challenges for tourism

Australian tourism is facing constant challenges, especially following the events of September 11 last year and the collapse of Ansett in the domestic airline industry. While some areas of tourism are still experiencing difficulties in the marketplace, the industry can look forward to strong opportunities for growth over the medium to longer term, stimulating new investments and creating new job opportunities, especially in regional Australia. In environmentally sensitive areas, tourism can also help neutralise land and resource use conflict by offering sustainable alternatives.

To fully realise tourism's potential, as a driver of economic growth and as an environmentally sustainable industry, requires a strategic plan—both to capture opportunities and to deal with challenges. This is particularly so in light of the expected doubling of international visitor numbers, along with a significant increase in domestic tourism, over the next decade.

Many overseas tourism destinations cope with far higher tourist flows than Australia. However, the impact of an additional five million visitors per annum to Australia, together with the growth in domestic tourism, will affect the whole tourism industry as well as regional communities dependent on tourism. It will also expose pressure points, in terms of both the adequacy of tourism infrastructure and the ability of particular destinations to sustainably cope with extra visitors and still offer a high quality tourism experience.

This discussion paper is the first stage in the development of a 10 YEAR PLAN for the Australian tourism industry. It seeks the views of stakeholders regarding a future vision for the industry and strategies that could be employed by industry and government together to build the conditions necessary to achieve that vision. The paper identifies many issues confronting the industry to stimulate discussion.

These include:

Forecasts and Targets

A key issue is what level and type of growth is appropriate. One approach could be to use the Tourism Forecasting Council's forecasts of tourism activities to develop targets for the tourism plan. This raises the question of whether targets should meet, exceed or be lower than the official forecasts. Targets which exceed forecasts of tourism activities are likely to maximise revenue but lower growth may be necessary to minimise social and environmental impacts. Tourism yield—or the benefit Australia gets from tourism activity—is another important consideration. This paper asks the question of what emphasis should be placed on maximising yield, rather than tourist numbers, in developing the tourism plan.

Investment and Infrastructure

Investment

Debate about tourism has traditionally focused on demand. However, tourism growth will not occur unless Australia makes the necessary investments in tourism product and related infrastructure to meet demand. The tourism industry's ability to attract new investment has been hampered by perceptions of low profitability in the sector and the cyclical nature of the industry. This paper raises the question as to whether the existing and proposed new infrastructure is adequate to meet the expected demand and, if not, how investment in tourism infrastructure and product can be boosted. How to enhance the image of the tourism industry with investors is another key area for consideration.

Air transport

Almost all visitors to Australia arrive by air. This raises issues about the adequacy of airline capacity and airport infrastructure. One suggestion is the establishment of a 'northern hub' in Cairns for international services. This could help to disperse international visitors and provide wider international access to existing and

HOWEVER, THE IMPACT of an additional five million visitors per annum to Australia, together with the growth in domestic tourism, will affect the whole tourism industry as well as regional communities dependent on tourism.

THIS PAPER ASKS THE QUESTION of what emphasis should be placed on maximising yield, rather than tourist numbers, in developing the tourism plan.

ALMOST ALL VISITORS to Australia arrive by air.

THIS PAPER RAISES the issue of developing a system of grading for tourism infrastructure, which may assist in setting priorities for infrastructure investment.

DOMESTIC TOURISM constitutes more than 75 per cent of visitor nights and visitor expenditure in Australia.

new tourism products in regional Australia. Similarly the capacity of immigration procedures to respond to an increased flow of visitors, while maintaining border integrity, will be important, particularly in an environment of heightened security procedures.

Road and rail policy

The adequacy of Australia's current transport modes to disperse tourists around the country is fundamental to the spreading of the potential economic benefits associated with tourism. This raises questions about the planning and funding of new rail routes and road infrastructure in both urban and regional Australia. With competing demands for scarce public resources, governments are increasingly moving towards developing partnerships with the private sector to fund and operate road and rail infrastructure. This paper raises the issue of developing a system of grading for tourism infrastructure, which may assist in setting priorities for infrastructure investment.

Skills base

The tourism industry needs skilled, innovative staff and managers. Some commentators believe that there are already shortages in skilled personnel in certain categories. Unless these are addressed, the standard of tourism products being offered may not satisfy customers and potential tourism growth may be impeded. Additional visitor numbers will also have implications for the capacity of tourism training institutions to deliver suitably qualified people into the tourism industry workforce.

Domestic Tourism

Domestic tourism constitutes more than 75 per cent of visitor nights and visitor expenditure in Australia. A small increase in domestic tourism can, therefore, significantly boost revenue for tourism operators. Domestic tourism is growing at a slower rate than the economy as a whole and at a significantly slower rate than inbound tourism. This raises questions concerning appropriate drivers of demand for domestic tourism and how these can be influenced. Impacts on the natural environment and in communities also need to be considered.

International Tourism

Recent global events have had a significant impact on tourism. Australia is vying for international tourists in an increasingly competitive global market. This raises questions about access to inbound markets, pricing and distribution strategies, and the availability and the quality of tourism products. The image of Australia in international markets is also important. This raises the question of the appropriate level and source of funding for international tourism promotion and marketing and the type of markets Australia should be targeting. A related issue is the scope for better coordinating the promotional and marketing activities of various government agencies.

Tourism Product Development

Increasingly, consumers want new and innovative products and services that are tailored to meet their needs. The Australian demographic is also changing, for example, with the population growing older. Competition between industries for the consumer dollar is vigorous. The emergence and growth of a number of specialised niche tourism markets, however, offers new opportunities for tourism operators around Australia. Adapting to changes in consumer tastes and capturing market share presents a significant challenge.

Sustainable Development

The impact of increasing visitor numbers on Australia's natural, social, cultural and economic environments needs to be carefully considered, especially in environmentally sensitive areas. The provision of tourism access to Australia's unique natural attractions will need to be sustainable over the long term. Careful planning and innovative strategies will be needed to ensure that tourism can grow sustainably within the environmental and population carrying capacity of tourism destinations.

Risk Management

Strengthening the capacity for businesses to manage risk in a whole range of areas will be important if the industry is to develop the capacity to successfully adapt to changing circumstances. The events of September 11 last year has heightened awareness of security issues and contributed to the current difficulties with public liability insurance.

Implementation

A long-term tourism plan will only be as effective as the commitment to it by the stakeholders concerned. These include the many sectors and firms in the industry, governments at all levels, and the research and academic communities. There will need to be a significant degree of cooperation within and between these groups both in the formulation of the plan and in its implementation.

THE IMPACT OF INCREASING visitor numbers on Australia's natural, social, cultural and economic environments needs to be carefully considered, especially in environmentally sensitive areas.

THE PROVISION of tourism access to Australia's unique natural attractions will need to be sustainable over the long term.

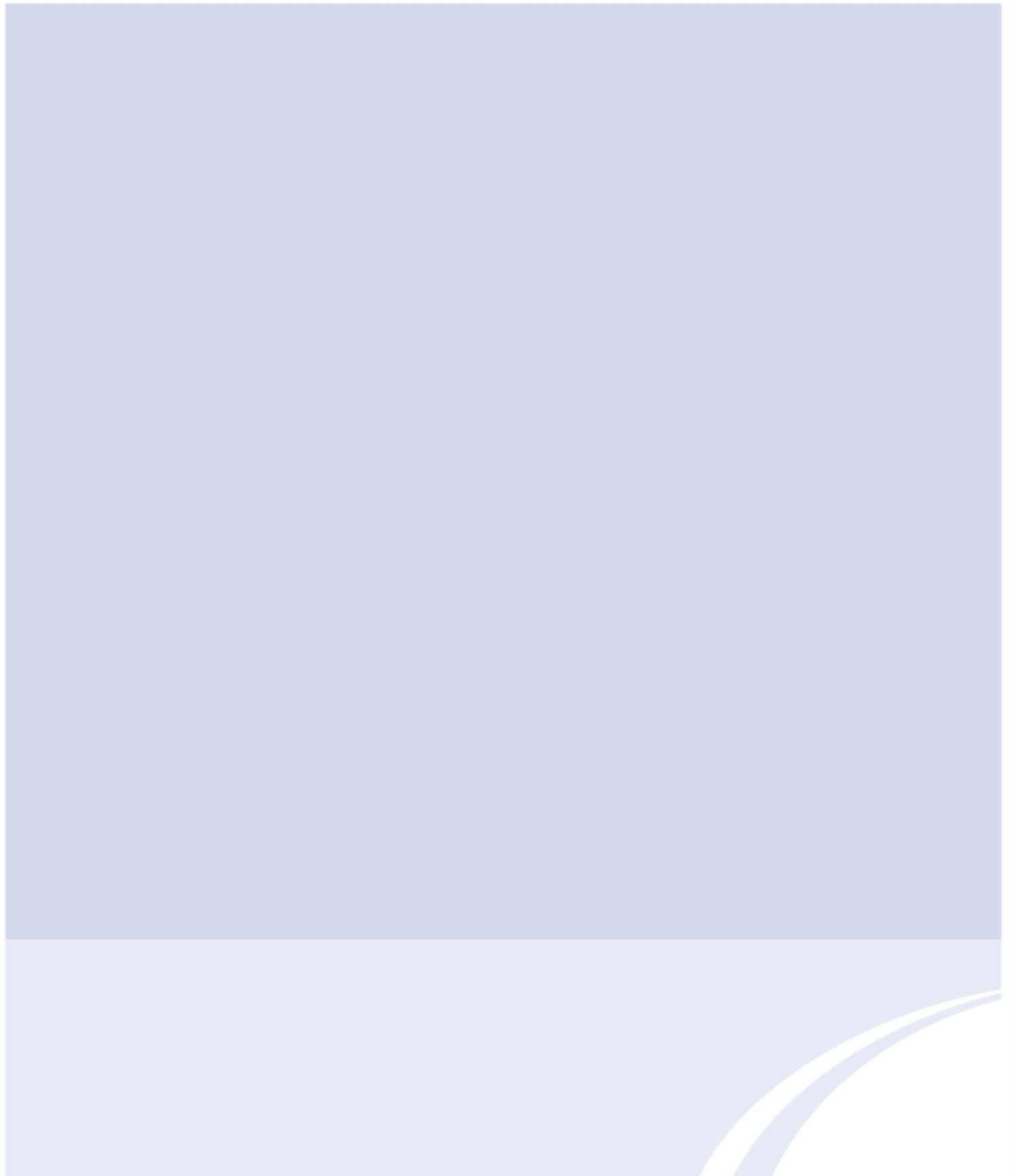
Guide to the discussion paper

Most sections of this discussion paper are accompanied by questions, to prompt further discussion. For ready reference, the questions are consolidated into one list at Appendix 1.

Not all questions need to be addressed—only those and any others that are relevant.

Priority should be given to matters that stakeholders see as important to achieving the best possible outcomes for tourism during the next ten years.

A glossary of specialist terms is provided at Appendix 2.



2. Forecasts and Targets

This chapter begins with the latest work of the Tourism Forecasting Council, a joint industry—government body that provides authoritative forecasts on medium to long term inbound, domestic and outbound tourism activity. The Council's membership comprises a wide range of expertise from within the tourism, research, banking and property sectors. Council forecasts are usually updated twice yearly, and are available at www.tourism.gov.au.

The Council is widely regarded as providing the most authoritative available forecasts of Australian tourism activity. Current forecasts by the Tourism Forecasting Council are for the period 2001–2012. These forecasts are used in this Chapter, unless otherwise indicated.

Forecasts are available for both visitor arrivals and visitor nights by major inbound markets and of domestic visitor nights. The Council also provides forecasts for room nights in hotels, motels and guesthouses, and for outbound tourism by Australians. The Council's forecasts do not extend to regional assessments, tourism related industry assessments, or specific areas, such as airline capacity.

The Council's forecasts are based firstly on quantitative factors that influence demand for travel, such as levels of economic growth, levels of disposable income and relative prices and subsequently, qualitative factors—such as marketing and global and regional security—are also considered in developing forecasts.

Some of these factors, such as economic growth in inbound source markets, are outside the direct influence of Australia. Governments and industry, however, still have influence over many important factors, such as prices for tourism goods and services in Australia and tourism marketing.

World outlook

The World Travel and Tourism Council forecasts that, in ten years, the contribution tourism makes to world GDP will be around 11.6 per cent.¹¹ This represents an increase of around US\$3 300 billion above the current contribution. The World Travel and Tourism Council estimates that capital investment will increase from 9 per cent of total investment in 2001 to 9.3 per cent—or around US\$1 400 billion—of total investment for 2011.

The events of September 11 in the United States last year had a significant short term impact on confidence in the global tourism market. During that month, the number of passengers on international flights fell by 17 per cent, but the market has since been recovering and is expected to return to pre-September levels during the course of 2002. However, travellers are likely to remain concerned about their security for a much longer period and this will influence future transport and destination choices.

THE WORLD TRAVEL AND TOURISM COUNCIL forecasts that, in ten years, the contribution tourism makes to world GDP will be around 11.6 per cent.

VISITOR NIGHTS FOR BUSINESS TRAVEL

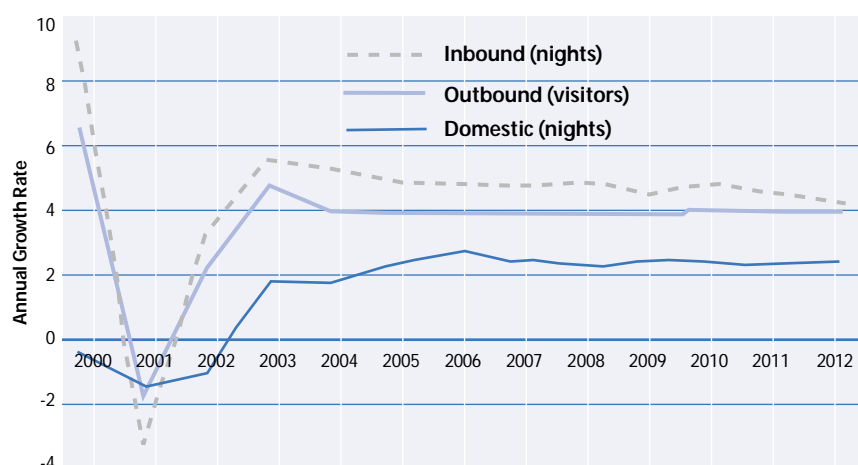
are expected to grow at much faster rate ... than either holiday travel ... or visiting friends and relatives.

Australian outlook

As shown in Figure 2.1, following a decline in tourism activity since September 2001, the Tourism Forecasting Council expects fairly steady growth in tourism over the period 2003–12.

The latest Satellite Account figures, based on 2000–01 data, show that inbound tourism contributes around \$17.1 billion to the Australian economy. The Tourism Forecasting Council predicts that this contribution will be over \$34 billion in 2012, with 10.4 million visitors expected.

FIGURE 2.1 INBOUND, OUTBOUND AND DOMESTIC FORECASTS—2001 TO 2012



Source: Tourism Forecasting Council, April 2002.

WHILE DOMESTIC TOURISM

is expected to grow more slowly than outbound and inbound tourism, it contributes around 76 per cent to total tourism expenditure.

2.1 Domestic forecasts

The Tourism Forecasting Council expects the total number of domestic visitor nights to grow by an average annual rate of 1.9 per cent during the period 2001 to 2012 (see Figure 2.1). Domestic visitor nights spent in hotels, motels and guesthouses, however, are expected to grow at a higher rate of 2.7 per cent per annum.

Visitor nights for business travel are expected to grow at much faster rate (3.8 per cent per annum) than either holiday travel (1.6 per cent) or visiting friends and relatives (1.6 per cent).

The Council expects the Ansett collapse to have a negative impact on domestic travel in the short term, due to the likelihood of higher fares and capacity shortages on some regional routes. However, the Council expects the events of 11 September 2001 in the United States, the 'See Australia' domestic promotion campaign, the continuing strong economy and the continuing low Australian dollar to have a positive impact on domestic travel in the short to medium term.

While domestic tourism is expected to grow more slowly than outbound and inbound tourism, it contributes around 76 per cent to total tourism expenditure, so a small increase in the growth rate of domestic tourism can have a significant impact on industry revenues.

2.2 Outbound forecasts

Resident short-term departures (outbound tourism) are expected to grow at an average annual rate of 3.8 per cent, from 3.4 million in 2000 to 5.2 million in 2012 (see Figure 2.1).

The expectation of solid growth in outbound tourism is predicated on airfares being low due to airline competition on international routes, steady domestic economic growth, Australians' continued desire for overseas tourism experiences, and strong cultural and family ties between Australians and communities overseas.

Holidays are currently the main purpose of overseas travel by Australians, followed by visiting friends and relatives and business travel. Nearly two million Australians are forecast to spend their holidays overseas in 2010—a significant increase on the 2002 figure of 1.6 million.

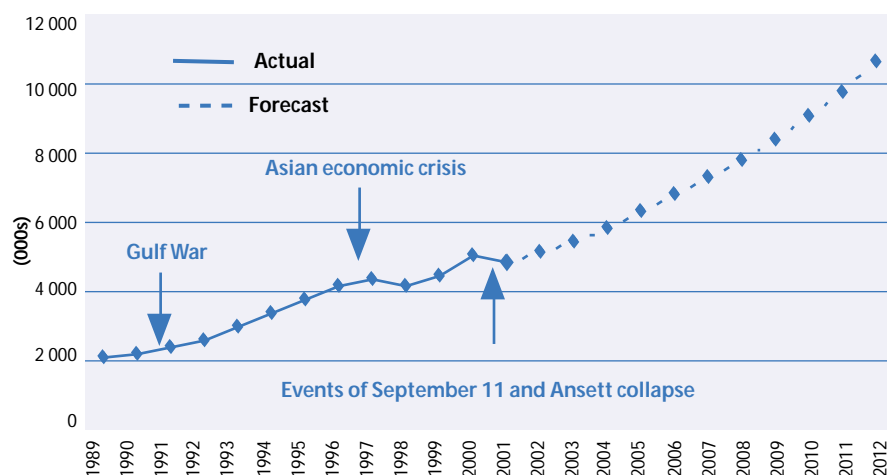
The Tourism Forecasting Council expects outbound business travel to grow by 6.2 per cent a year to 2010, while forecast growth rates for visiting friends and relatives and outbound holiday travel are 5.1 per cent and 2.6 per cent respectively.

THE EXPECTATION of solid growth in outbound tourism is predicated on airfares being low due to airline competition on international routes,...

2.3 Inbound forecasts

Figure 2.2 shows the forecasts for international visitor arrivals until 2012. The growth rate for numbers of international visitors is expected to be 7.3 per cent annually until 2012. This is higher than the forecasts for world tourism growth of around 4.2 per cent over a similar period. However, the growth rate for international visitor nights is expected to be only 4.5 per cent annually over the same period. The main reasons for the forecast lower growth rate in visitor nights are a change in travellers' preference, from long breaks to short breaks, and relatively strong growth in the number of business and holiday visitors (who generally spend fewer nights than those visiting friends and relatives, or educational visitors).

FIGURE 2.2 INTERNATIONAL ARRIVALS, ACTUAL AND FORECAST—1989 TO 2012



Source: Tourism Forecasting Council, April 2002

It is also worth noting that an international visitor nights spent in hotels, motels and guesthouses are expected to grow at an even lower rate: 2.7 per cent per annum on average to the year 2012.

The repercussions of the events of 11 September 2001, compounded by the collapse of Ansett, are expected to have a continuing adverse impact on inbound tourism for the first half of this year. However, the Tourism Forecasting Council expects a return to more normal growth rates by the end of 2002.

The expected recovery is based on renewed confidence in flying long haul routes from source markets, destination switching to Australia away from the United States and European destinations, a strengthening global economy, and more competitive international airfares emerging as a result of airline restructures.

Europe and North America

Arrivals from Europe are expected to maintain steady growth levels, averaging 6.8 per cent per annum to 2012. Arrivals from North America are forecast to average 6 per cent over the forecast period, just above the 5.9 per cent growth rate forecast prior to the events of 11 September 2001. This represents in total around 3.5 million visitors in from Europe and North America 2012.

Asia

Asian markets, other than Japan, are expected to be less affected by the events of 11 September 2001 than European and North American markets will be. As a result, visitor arrivals from South Korea are forecast to grow at 13.0 percent per year, on average until 2012, Singapore at 6.1 per cent, China at 20.8 per cent and other Asian countries combined at 9.9 per cent. This represents, in total, around 4.6 million visitors from Asia, excluding Japan, in 2012.

Japan

Growth in visitor arrivals from Japan (currently Australia's second largest inbound market) is expected to be negative over the forecast period with an average annual growth rate of -0.1 per cent, mainly because of the expected continued weakness of the Japanese economy impacting negatively on visitor numbers in the short term. The impact of economic conditions on outbound travel to Australia is expected to be offset to some degree by the new Australian Tourist Commission marketing campaign in Japan, featuring Ian Thorpe. Forecast visitor arrivals from Japan are expected to total 673 000 in 2012.

New Zealand

The rate of arrivals from New Zealand, Australia's largest source of inbound tourism, is forecast to grow at 2.5 per cent per annum on average to 2012. Holidaying is expected to remain the most popular reason for New Zealanders' travelling to Australia, accounting for 43 per cent of inbound travellers in 2012. Forecast visitor arrivals from New Zealand are expected to total 955 000 in 2012.

Questions

- 1 What are the implications of visitor nights growing more slowly than visitor arrivals?
- 2 Should emphasis be placed on achieving a higher, or lower, growth rate than is currently forecast?

2.4 The role of targets

One option for the 10 YEAR PLAN is to establish growth targets and a timeframe for achieving them. Having clear, practical targets can assist governments and industry to focus on what can be achieved and to identify the resources needed to achieve it. Tourism is a complex sector, involving numerous and disparate players. While this may make targets harder to identify, it might also make commonly agreed, shared targets all the more valuable.

The alternative, of not having targets and accepting that many of the drivers of tourism growth are difficult to influence through a sectoral strategy alone, requires the adoption of a more market driven approach to tourism development. This approach might not deliver an optimum outcome if markets are imperfect.

An approach based on targets would need suitable measures of performance. It seems likely that the measures that are currently referred to—such as visitor numbers or dollars spent per visit—would not be adequate to cover all the aims of an integrated plan. The last part of this section asks whether the concept of ‘yield’ might be adapted to provide the sort of feedback that a coordinated 10 YEAR PLAN requires.

2.4.1 Targets

If targets are to be developed, the question is: what are the appropriate targets?

Targets may be quantitative or qualitative. For example, inbound tourism might adopt a numerical target—‘to double inbound visitor numbers over the next decade’—or a broader target, such as ‘to maximise the benefits from inbound tourism growth’ or ‘to manage for sustainable tourism and minimise impacts’.

Within the quantitative category, targets might be based on achieving identified levels of activity, or on achieving identified returns for certain activities. Setting targets for visitor numbers, for example, would make it relatively easy to compare Australia’s tourism performance with that of other tourism destinations. A measure of visitor expenditure, however, might be a better indicator of the industry’s viability and of the financial benefits that Australia derives from tourism, but would allow fewer international comparisons because of the lack of such information for many competitor nations.

HAVING CLEAR, practical targets can assist governments and industry to focus on what can be achieved and to identify the resources needed to achieve it.

The Tourism Forecasting Council's forecasts might provide a useful starting point for targets. The fact that those forecasts refer only to demand might be problematic, though, in terms of achieving the optimal interplay between supply and demand in the market. However, estimates could be made of how forecasts of demand translate to, for example, requirements for airline seats and hotel rooms.

The Council's forecasts are not broken down by regional destinations or by industry sectors. While there would be obvious advantages in having regional forecasts and targets, it might not be possible to obtain enough accurate data to develop them.

ANOTHER IMPORTANT
consideration is whether targets
should just meet forecasts
of tourism activity, exceed them
or be lower than them.

Another important consideration is whether targets should just meet forecasts of tourism activity, exceed them or be lower than them. It is worth noting that the Tourism Forecasting Council forecasts assume that the supply side of the industry will be able to cater for the projected growth, for example, that provision of private and public infrastructure will be adequate and timely enough to meet the projected growth. Australia's past experience of the doubling of inbound tourism arrivals every ten years suggests that this assumption may be reasonably valid.

However, as the previous growth arose from a much smaller base and in a different international climate, it cannot be considered a reliable predictor of how industry will respond in the next ten years. Before deciding whether to set targets at or above the level of the demand forecasts, it will be necessary to identify what factors reliably predict how industry will perform, and how to measure those factors. Also, the impact of tourism growth on communities and the environment is an important consideration.

Questions

- 3 **Are the current forecasting arrangements adequate for the future?**
- 4 **How influential are forecasts in planning for investment?**
- 5 **How useful is it to set tourism growth targets?**
- 6 **What sectors of the tourism industry would benefit most from growth targets?**
- 7 **What are the advantages and disadvantages of using tourism forecasts as growth targets?**
- 8 **What relative emphasis should be placed on tourism expenditure and tourism numbers?**
- 9 **How practical or desirable would it be to extend the range of forecasts to derive demand for regional or sectoral targets? What are the advantages of setting separate growth rates for regional tourism?**
- 10 **Would supply side forecasts be useful? If so, what activities could be forecast?**
- 11 **What research is necessary to improve Australia's forecasting capability?**

2.4.2 Yield

It is generally accepted that growth in visitor numbers alone is an inadequate measure of tourism performance and that a measure of tourism 'yield' would be a better indicator of the benefits of tourism.

However, yield is a difficult concept to apply to tourism. This is because yield has both revenue and cost components and—at the national level, in particular—costs and benefits of tourism activity are difficult to identify and measure. To fully measure the national costs and benefits of tourism would require an assessment of not only the economic impacts of tourism growth, but also the environmental and social impacts.

For Australia to optimise yield from inbound tourism, it is important to understand the yield potential of different source markets and segments within these markets, as well as the extent to which different industry sectors and operators rely on different markets and market segments to increase yields. For example, prior to the Asian economic crisis, Asia, (in particular, Japan) was in general high yield markets for airlines but low yield for accommodation providers. This situation changed as airline competition increased and accommodation providers raised their rates. These changes primarily reflect commercial decisions by operators.

At a sectoral level, matters such as pricing to improve yield and the provision of goods and services to attract higher yield visitors will continue to be commercially determined by operators. At a national level, however, decisions by government agencies relating to the allocation of marketing funds to different markets can affect yield outcomes. This raises the issue as to what is the appropriate mix of source markets which best fits the needs of the various sectors, but also optimises the yield across all markets.

One way to define tourism yield, at a national level, might be in terms of gross receipts from tourism activity. At an individual firm level, tourism yield could be defined in terms of gross revenue minus the costs incurred in generating the revenue. Such an approach would also require managing and minimising any adverse impacts of tourism growth.

There are added complexities with the concept of yield, as different tourists have differing patterns of expenditure and impact and there are inherent differences in the ways in which enterprises maximise their profits. Airlines, for example, use yield maximisation systems based on a hierarchy of fares, which determine the number of seats that need to be sold at each particular fare to maximise yield from each flight. 'Turnstile' industries, such as most attraction operators, concentrate on attracting a maximum number of visitors at a more or less standard price.

While straightforward profit is the primary driver of the way in which private operators manage yield, governments are required to take account of a wide range of costs and benefits from tourism growth. As a result, governments are often required to take

FOR AUSTRALIA TO OPTIMISE yield from inbound tourism, it is important to understand the yield potential of different source markets and segments within these markets and the extent to which different industry sectors and operators rely on different markets and market segments to increase yields.

action that might limit the level of tourism activity in order to reduce the potential adverse social and environmental impacts of tourism growth. Examples include curfews to limit the impact of aircraft noise on local communities and the issuance of permits to restrict access to environmentally sensitive areas. Such restrictions impact on the potential yield to private operators.

WHILE SOME TOURISTS
might be high spenders,
they might also be costly
to cater for and reach.

Another complication is that high net yield does not necessarily equate to high spending. While some tourists might be high spenders, they might also be costly to cater for and reach. Hence the margin for these tourists might be much less than for another group that spends less but is also relatively cheap to cater for and reach.

As the margins achieved by certain sectors vary, what could be a high yield tourist for one sector might not be for another sector. For example, group tourism might not be a high yield area for airlines and accommodation providers but might be for the retail sector.

TO ENABLE TOURISM YIELD
to be effectively used in
developing the 10 YEAR PLAN,
an appropriate definition
of yield needs to be formulated,

In addition, the impact of tourism activity can vary between different types of tourists. Certain types of tourists—such as backpackers—are more likely to travel outside major gateways than other travellers. From a broader perspective there are likely to be significant benefits in pursuing segments with a propensity to disperse so as to spread benefits and relieve highly congested areas. On the other hand, pursuing high spending tourists, such as those attending meetings, conventions and exhibitions in capital cities, could be beneficial to maximising gross receipts from tourism.

To enable tourism yield to be effectively used in developing the 10 YEAR PLAN, an appropriate definition of yield needs to be formulated, taking account of both private and public aspects of yield. This would assist in identifying high yielding market segments and in developing strategies to optimise the benefits of them.

Questions

- 12 **What is an appropriate definition of 'yield' that could apply nationally for the 10 YEAR PLAN?**
- 13 **What, if any, is the appropriate mix of markets that should be targeted by international tourism promotion to optimise yield across all markets and for various sectors?**
- 14 **What emphasis should be placed on yield in developing the 10 YEAR PLAN?**
- 15 **How can yield be optimised?**
- 16 **What research is necessary to assist in the maximisation of yield?**

3. Investment and Infrastructure

This chapter examines investment and infrastructure in Australian tourism, including where it comes from and how it performs, then asks: what are the impediments to improving investment and infrastructure, and how might they be overcome?

3.1 General investment climate

The general investment climate is fashioned by a variety of factors, including investor sentiment, global and domestic economic activity, interest and inflation rates, and profitability. It also depends on appropriate economic management by governments, including the provision of a supportive regulatory environment.

The outlook for world economic growth was adversely affected by the events of 11 September 2001 in the United States. The world economy is now expected to have grown by around 2.5 per cent in 2001—the lowest rate since the early 1990s, and down sharply from the 4.7 per cent growth recorded in 2000. There are signs of economic recovery in the United States and world growth is expected to gather momentum over the course of 2002.

The Australian economy is growing more quickly than the world economy with the latest National Accounts data showing that the economy grew by 4.1 per cent during 2001. The December 2001 National Accounts showed strong growth in private new business investment—5.7 per cent in the December quarter—following a period of subdued investment spending. In addition, the Australian Bureau of Statistics survey of capital expenditure intentions for 2002–03 implies expectations of continued strong growth in investment.

The latest Treasury forecasts of economic health could lead to the prediction that Australian interest and inflation rates are likely to remain stable at a relatively low rate—which suggests an environment supportive of investment—during the year ahead. The latest business surveys point to a strong rebound in business confidence in the Australian economy, following a sharp deterioration in sentiment associated with the events of September 11 last year. The latest global economic outlook has become considerably more settled in recent months although there are some tensions associated with the potential for upward pressure on the price of oil. This may adversely affect business confidence, but so long as Australia continues down a path of non-inflationary growth, with appropriate economic settings, Australia's industries will attract and retain capital investment.

3.2 Tourism investment climate

There are a number of factors that influence the level of investment in tourism. These include the overall health of the economy, the investment performance of the tourism industry, including the profitability of tourism related enterprises, government regulations, access to sources of financing, (such as superannuation funds), and the availability of tourism information and data needed to make investment decisions.

Account also needs to be taken of the fact that increasing knowledge of Australia's environment and biodiversity may lead to changes in environmental management arrangements, including formation of new natural reserves and new tourism opportunities, which in turn creates new costs to manage land for different values.

ACCOUNT ALSO NEEDS to be taken of the fact that increasing knowledge of Australia's environment and biodiversity may lead to changes in environmental management arrangements, ... which in turn creates new costs to manage land for different values.

3.2.1 Investment rates

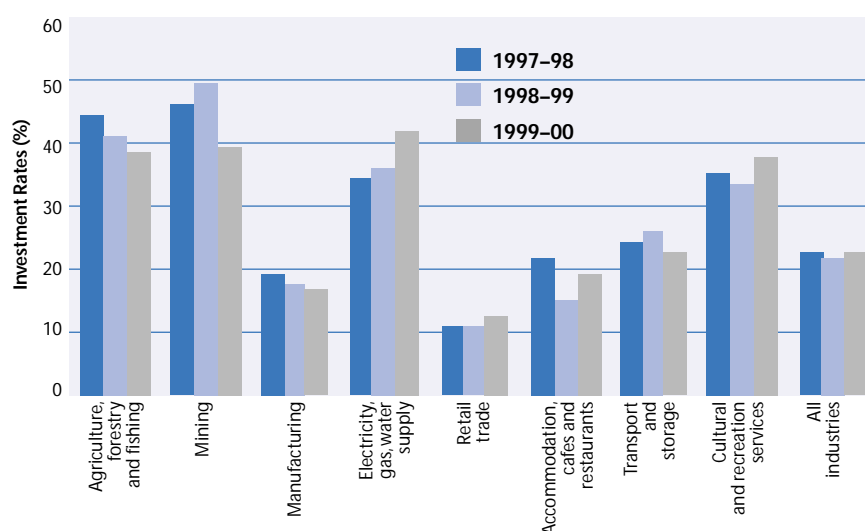
As tourism is not identified as a single industry in official statistics, as previously noted, data on tourism investment rates is not readily available. However, the Australian Bureau of Statistics publishes investment data for tourism-related industries, which enables some comparisons to be made between tourism and non-tourism investment.

'Investment rates' are generally recognised as a good indicator of investment trends. Investment rates are defined in terms of capital expenditure as a percentage of industry value added. Capital expenditure includes acquisitions of fixed tangible assets (such as plant and machinery) and intangible assets (such as patents and licences).

In Figure 3.1 the tourism related industries are 'accommodation, cafes and restaurants' (36 per cent of gross value added due to tourism), 'transport and storage' (18 per cent), 'cultural and recreational services' (12 per cent) and 'retail trade' (11 per cent).

WHILE THE INVESTMENT rates for individual tourism related industries varied significantly, the four tourism related industries combined had a lower investment rate than the rate for the whole economy (by about 3 percentage points).

FIGURE 3.1 INDUSTRY INVESTMENT RATES—1997–98 TO 1999–2000



Source: Australian Bureau of Statistics Cat. No. 8142.0—Business Operations and Industry Performance, 1999–2000

The figure shows that the investment rate for tourism related industries tended to increase in 1999–2000. This trend roughly reflects the overall trend of investment rates for all industries.

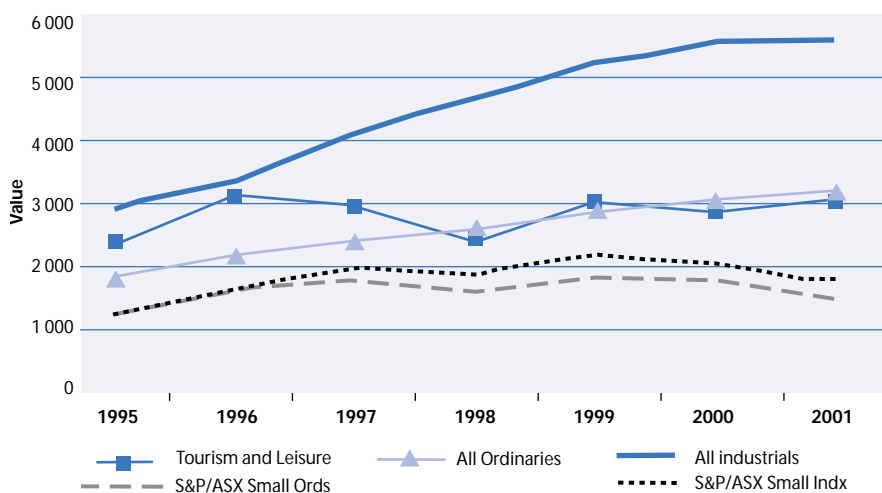
While the investment rates for individual tourism related industries varied significantly, the four tourism related industries combined had a lower investment rate than the rate for the whole economy (by about 3 percentage points).

This may, to some extent, reflect that fact that some industries, such as mining, are more capital intensive than service industries such as accommodation, cafes and restaurants. In addition, the above average investment rate for cultural and recreational services could be due in part to significant public funding of the sector.

3.2.2 Share performance

Over the period 1995–2001, the performance of the tourism and leisure index on the Australian stock exchange has been mixed (see Figure 3.2). The index increased in value between 1998–2001, following a downturn 1996–1998. Investors in tourism and leisure stocks fared only slightly worse than the average investor over the six year period to the end of 2001, but much worse than investors in industrial stocks. However during 2001, the tourism and leisure index outperformed other indices. An identifiable characteristic of the tourism and leisure index appears to be its volatility.

FIGURE 3.2 COMPARISON OF SHARE INDICES—1995 TO 2001



Source: Australian Stock Exchange

IN 1997–98 TOURISM

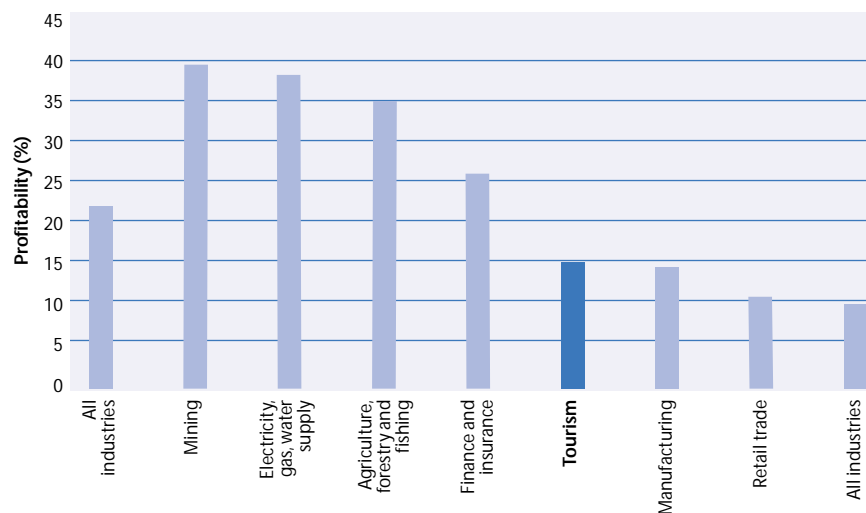
had a significantly lower operating profit margin (15.2 per cent) than the average for all industries (22 per cent).

3.2.3 Profitability and returns

Like investment, profitability in the tourism industry is difficult to measure. However, the latest available data (see Figure 3.3) shows that in 1997–98 tourism had a significantly lower operating profit margin (15.2 per cent) than the average for all industries (22 per cent). The data also shows that tourism, which mainly comprises service industries, showed comparable profitability with some service industries, for example, retail trade, but significantly lower than that for the finance and insurance sectors. Profitability in tourism was higher than that for manufacturing, but lower than that for other non-service industries.

PROFITABILITY in tourism was higher than that for manufacturing, but lower than that for other non-service industries.

FIGURE 3.3 PROFITABILITY OF TOURISM AND OTHER INDUSTRIES—1997–98

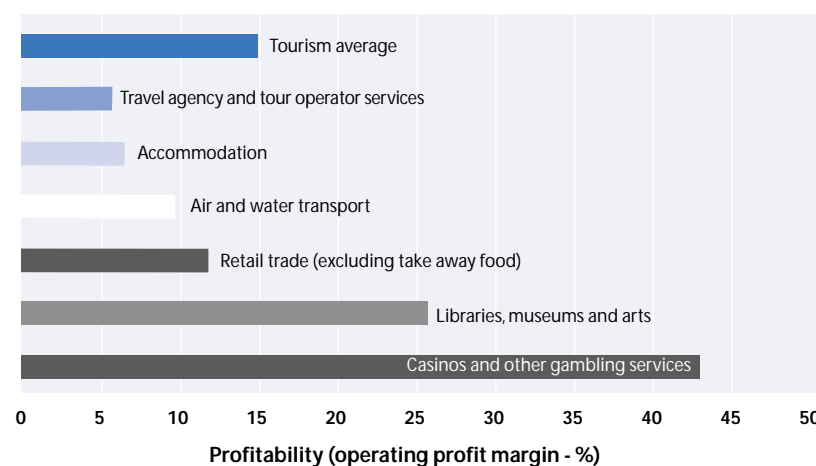


Source: Australian Bureau of Statistics, Catalogue 5249.0

Note: The figures for tourism are not mutually exclusive of the figures for the other listed industries, as tourism activity is spread across many of those industries.

Profitability within the tourism sector appears to have varied considerably between its component industries (see Figure 3.4). ‘Casinos and other gambling services’ had the greatest operating profit margin (42.7 per cent), while the ‘travel agency and tour operator services’ industry (5.6 per cent) and the ‘accommodation’ industry (6.4 per cent) had the lowest margins.

FIGURE 3.4 PROFITABILITY OF TOURISM BY COMPONENT INDUSTRIES—1997–98



Source: Australian Bureau of Statistics, Tourism Satellite Account 1997–98, Catalogue 5249.0.

Note: The 2000–01 Tourism Satellite Account figures do not update these 1997–98 figures

Questions

- 17** Is the current rate of investment in tourism adequate, especially in regional areas and, if not, why not?

- 18 **What are some of the implications for tourism investment of achieving significant growth targets?**
- 19 **What can be done to enhance investment in tourism, especially in regional communities?**
- 20 **What accounts for the relative profitability levels of components of the tourism industry?**
- 21 **What research is necessary to help optimise tourism investment?**
- 22 **Does the tourism industry experience lower levels of profitability in regional areas compared with the major cities?**

3.2.4 Sources of financing

There are two main sources of private sector financing of tourism infrastructure: financial institutions and retail investors.

Institutional investors, such as life insurance companies and superannuation funds, are the largest and the most important sources of domestic equity capital. In its 1995 study, *Perspectives on Tourism Investment*, the Macquarie Bank found that institutions controlled funds to the value of \$270 billion as at June 1995, with less than 1 per cent of that amount invested directly in tourism assets. The level of funds held by institutions has more than doubled since 1995, but the listed tourism assets held by these institutions remain at less than 1 per cent of all funds under management.

Retail or individual and family investments in tourism are particularly important for small and medium sized businesses, which constitute a large part of the tourism sector. Key areas for this type of investment are owner-operator establishments and strata-title units. While time share has generally been one of the fastest growing sources of retail funding for tourist accommodation during the past decade, particularly in the United States, this form of investment has not grown as quickly in Australia.

INSTITUTIONAL

INVESTORS, such as life insurance companies and superannuation funds, are the largest and the most important sources of domestic equity capital.

Questions

- 23 **What are the impediments to increasing institutional and retail investment in tourism?**
- 24 **What are the impediments to increasing institutional and retail investment in regional tourism?**
- 25 **How could the existing funding structures for tourism be improved?**
- 26 **What alternatives to the current structures might be considered?**
- 27 **What role could the tourism industry play in facilitating public infrastructure development—for example, in national parks and heritage protected areas?**
- 28 **How can research assist in enhancing tourism investment flows?**
- 29 **Can targets be set for infrastructure investment, and, if so, what would they be?**

3.3 Hard Infrastructure

'Hard' infrastructure includes transport, accommodation and attractions. This is as distinct from 'soft' infrastructure, which includes intangibles such as information, skills and uptake of technology.

It is the interaction of hard infrastructure with Australia's spectacular environment, including natural icons such as the Great Barrier Reef, Uluru and Sydney Harbour, and wilderness areas, which can offer a comparative advantage for Australian tourism.

Australia's relatively mild climate offers many locational possibilities for hard infrastructure which serve as attractions to both international and domestic visitors.

3.3.1 Transport

Australia's geographic isolation, vastness and wide dispersion of population centres present major challenges to Australia's economic development, including for the tourism sector. High quality, competitively priced transport infrastructure is vital to Australian tourism's competitiveness.

Continual improvement in the efficiency, reliability and accessibility of air, sea, road and rail services, competition within and between transport modes, and a supportive regulatory and investment climate will be important to facilitate growth over the longer term.

Air Transport

Aviation

Australia has adopted a more liberal and pro-competitive approach to its air services policy over the last decade. This has supported significant growth in international tourism. Australia is prepared to negotiate 'open skies' agreements when it is in the national interest and where that is not feasible seeks the most liberal arrangements possible.

However, the advent of regional 'open skies' agreements—involving open access for international airlines to some airports—has not delivered the expected benefits for regional airports. Indeed a number of overseas airlines have withdrawn or reduced services to regional ports. This appears to be related to commercial issues, such as airlines seeking more profitable routes, rather than to changes in regulatory policy.

In the wake of the Ansett collapse and the events of 11 September 2001, restoring sustainable domestic and international airline capacity and discount airfares remains a challenge. In the current environment, it can be expected that there will be renewed emphasis placed by airlines on cost cutting and structural adjustment through mergers, alliances or market exits.

Since the collapse of Ansett, Qantas has become the dominant player in the domestic aviation market. Competition from Virgin Blue and smaller regional airlines will assist the tourism industry on certain routes, while some destinations may continue to find sustaining their services a difficult challenge.

The collapse of Ansett is impacting not only on domestic travel, but also on inbound travel to Australia. While Ansett held a 40 per cent share of domestic air travel market, its share of the regional air market was much greater. Ansett also played an important role in the dispersal of international visitors within Australia, through its Star Alliance membership. The collapse of Ansett means that Star Alliance members, such as United Airlines and Singapore Airlines, will need to find alternative ways of getting their passengers to certain regional destinations. A recapitalised Virgin Blue airline may be able to fill some of the void left by Ansett's departure.

Many key Australian tourism destinations suffer from the inherent disadvantage of low airline returns—making it difficult to attract and sustain air services—due to seasonality of demand, low population (from which to draw outward traffic flows) and a lack of business traffic. One possible solution is for airlines to operate 'budget' type services to these areas. Qantas has announced plans to launch a budget type airline in the near future, while Virgin Blue already operates 'no frills' services to many tourism destinations. Irrespective of what type of services airlines operate, unless such services are profitable, airlines' ability to attract the new investment needed to meet forecast growth in tourism traffic is likely to be limited.

Questions

- 30 **What would be the impact on inbound tourism of securing of 'open skies' agreements with some of Australia's major tourism markets?**
- 31 **What strategies can be employed to arrest the decline in numbers of international flights to regional Australia?**
- 32 **What strategies can be employed to encourage sustainable competition in the domestic aviation market?**
- 33 **How important are regional aviation operators to the long term sustainability of tourism in regional communities?**
- 34 **What can be done to encourage domestic airlines to serve regional tourism routes?**
- 35 **What are the implications of the proposed no-frills services for regional routes?**
- 36 **What research would assist in the restoration of aviation capacity?**
- 37 **Can any useful targets be set?**

THE COLLAPSE OF ANSETT is impacting not only on domestic travel, but also on inbound travel to Australia.

ANSETT ALSO PLAYED an important role in the dispersal of international visitors within Australia, through its Star Alliance membership.

AIRPORTS AND THE SERVICES they provide...create first and last impressions of Australia and therefore have a powerful influence on Australia's image as a tourism destination.

Airports

Airports and the services they provide—both transport services and complementary services, such as shopping and entertainment—create first and last impressions of Australia and therefore have a powerful influence on Australia's image as a tourism destination.

Arguably the most critical issue is that airport infrastructure must be adequate to cope with expected increases in aircraft operations. Except for Sydney's Kingsford-Smith Airport, which the Government has announced it intends to sell during 2002, Australia's major airports are now owned privately.

There will also continue to be friction between community needs and industry needs in terms of airport development and expansion and curfews associated with noise abatement. In particular, the ability of Sydney Airport—which is Australia's leading tourism gateway, and handles over 40 per cent of all international flights to and from Australia—to cope with expected airline and passenger demand beyond the end of this decade will need careful consideration.

It will be important for the future that, in setting airport charges, an appropriate balance is struck between the needs of airport users, the interests of the tourism sector and the commercial imperatives of airport owners. Higher airport charges are ultimately passed on to travellers and, at the margin, may inhibit the decision to travel.

The needs of regional gateways are also important as the significant costs of maintaining such facilities are often passed on to passengers through ticket prices. The Government is currently considering the Productivity Commission's final report on the future regulatory framework for privatised airports.

In light of increasing pressure on Sydney Airport and the reduction of both direct international services to 'northern ports', such as Cairns, and domestic connecting services from these ports to major international gateways, there have been calls for the establishment of a 'northern hub' for international services.

The establishment of such a hub could assist in the dispersal of international visitors and provide ready access to existing and new tourism products in regional Australia. For this to happen, however, the issues relating to the commercial viability of services to regional airports, as discussed above, would need to be addressed.

The way in which travellers are processed at airports will be an important issue in the next decade. Growing international concern about security, against both dangerous or unauthorised people and exotic pests and diseases, will be reflected in the need for new technologies and increased infrastructure investment. The combination of heightened screening procedures and increased passenger volumes will in turn have major implications for effectively managing passenger flows at airports—a threshold issue, in terms of making a good impression on visitors.

The Australian Customs Service is currently evaluating a range of initiatives aimed at streamlining passenger processing while at the same time ensuring border integrity in an expanding passenger environment.

Questions

- 38 What are the impediments to establishing a northern hub for international air services into Australia?
- 39 Could such hubs be established in major regional centres that are not on the eastern seaboard? If not, why not?
- 40 Would rejuvenating Cairns airport into one of Australia's major international gateways facilitate improved yield for the tourism industry through greater access to more diverse product in regional Australia?
- 41 How can potential conflicts between aviation industry needs and the needs of the community, particularly in relation to Sydney Airport, be resolved?
- 42 Are there any aspects of the regulatory and taxation environment which are impeding airline and airport investment?
- 43 What more can be done by border agencies to minimise the impact on passenger processing of increased security and quarantine procedures?
- 44 What research can assist in better management of airports for tourism?
- 45 What useful targets could be set?

Land transport

Roads

Strategic road infrastructure development remains important for the tourism industry. A significant proportion of international tourists and the bulk of domestic tourists use private motor vehicles to travel. Addressing the impediments to a better road system has figured prominently among the transport infrastructure issues raised by people in regional Australia.

The Commonwealth Government funds the National Highway System and co-funds, with the States and Territories, other roads of national importance. State, Territory and local governments provide funding for State, metropolitan and local roads. To assist in the maintenance and development of roads in Australia, the Commonwealth allocated some \$1.6 billion over four years to the 'Roads to Recovery' programme, announced in the 2001–02 Budget. Of that, over \$850 million will be spent in rural and regional Australia. An additional \$400 million has been allocated for key routes in outer metropolitan areas under the National Highway Programme.

Changes in Australia's major urban road infrastructure have recently been characterised by a greater number of tollways facilitated by public/private sector partnerships.

STRATEGIC ROAD
infrastructure development
remains important for the
tourism industry.

Questions

- 46 To what extent is the level of construction and maintenance of roads a significant impediment to tourism industry growth?
- 47 Are there particular routes that require greater levels of funding to meet tourism needs? If so, which routes are these?
- 48 To what extent could private sector–public sector partnerships improve Australia’s road infrastructure?
- 49 What research is necessary to better inform road network development?

THERE IS ALSO a significant increase in high quality rail experiences.

Bus and rail

The bus and rail industries are also important to the tourism industry. They provide an important, affordable means of mass urban and intercity transport that supports certain tourism market segments. For many regional communities, bus and rail transport is the only means of transportation other than private vehicles and the development of regional tourism relies on the maintenance of effective and accessible transportation links. The efficiency of intermodal links—that is, the links between various modes of transport—and the advent of intelligent transport systems also has an important bearing on their operations.

There is also a significant increase in high quality rail experiences—such as the Great South Pacific Express travelling from Sydney to Cairns—attracting a high yield international and domestic market. The completion of the Alice Springs to Darwin Rail link will also generate tourism opportunities.

Questions

- 50 What are the implications for tourism of reductions in bus and rail services in regional areas?
- 51 What options exist to arrest further decline in bus and rail services and indeed to increase such services to open up the tourism potential of regional areas?
- 52 How can bus and rail infrastructure be improved to meet the needs of tourism?
- 53 What role should intermodal connections and intelligent transport systems play in assisting tourism transport?

Ships and ports

Australia offers cruise itineraries from November to March in the south and all year in the northern regions. The cruise industry predominantly consists of foreign-owned vessels, generally either rated three-star and based in Australia for all or part of the year, or rated four-star and above and offering around-the-world or regional cruises mainly for international customers. The wider marine tourism industry, including bare boat and charter operators, is mainly Australian owned and consists of a large number of small, locally based operators.

Businesses with an interest in cruising have established *Cruise Down Under* as the cooperative marketing brand for Australia's cruise destinations. Its membership comprises Australian ports, tourism agencies, shipping agents, and inbound tour operators.

The cruise industry works closely with ground tour operators to provide a variety of tours and experiences for cruise passengers in and around Australian ports. Shopping is often a key element in cruise passenger itineraries, as are gastronomic and nature based activities.

Port calls are an important focus of cruise activities and, therefore, the quality and price competitiveness of berthing facilities and access to ancillary services are key factors in attracting cruise operators to Australian ports. Over recent years, port authorities traditionally owned and operated by governments have become more competitive and commercially oriented, as the private sector has been playing a much greater role in the operation of Australian ports and the provision of ancillary services.

Steps to remove cabotage requirements from international operators in Australian waters have helped improve the competitiveness of Australia as a cruise destination. Also, the introduction of automated passenger information for cruise operators has assisted with the border processing of cruise passengers

Managing access to the Great Barrier Reef Marine Park provides a particular challenge for both the regulators and the marine tourism industry due to the park's world heritage status. This status requires that the natural values that ensured its world heritage listing, be maintained, managed and protected. Any activities that impact on those values need to be managed to protect those values, which themselves provide the natural capital underpinning the tourism industry and therefore have significant economic value to the industry.

Examples of management planning within the Marine Park are the plans of management within the popular marine park areas close to Cairns and the Whitsunday Islands, which provide a framework for sustainable tourism growth.

STEPS TO REMOVE

CABOTAGE requirements from international operators in Australian waters have helped improve the competitiveness of Australia as a cruise destination.

Questions

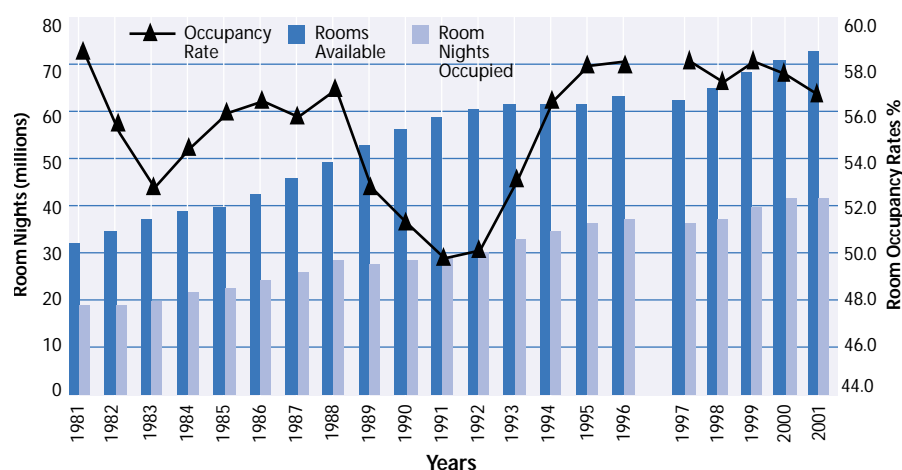
- 54 **What are the main impediments to the development of cruise shipping and other marine tourism activities in Australia and how should they be addressed?**
- 55 **How can the impacts of marine tourism on the environment and on regional communities be managed?**
- 56 **What research is necessary to assist in the development of marine tourism?**

3.3.2 Accommodation

The major focus of tourism in Australia remains in and around Australia's major cities and icon destinations such as the Gold Coast, Tropical North Queensland and Central Australia. Many towns and centres in regional and rural Australia also view tourism as an increasingly important area of economic opportunity.

As shown in Figure 3.5, following a period of significant excess supply of accommodation in the early 1990s, room occupancy rates have increased in the mid 1990s and remained relatively steady during most of the second half of the 1990s. This reflects steady tourism growth in Australia accompanied by continued investment in the accommodation sector to meet expected demand. Room occupancy rates peaked during 1999 despite new capacity coming on stream ahead of the Sydney 2000 Olympics and declined slightly during 2000 and 2001.

FIGURE 3.5 TOURIST ACCOMMODATION—OCCUPANCY RATES



Source: Australian Bureau of Statistics, *Tourist Accommodation 8635.0* (various issues)

Note: Data from 1981–1996 comprises hotels, motels, guesthouses and services apartments with 5 or more rooms or units. Data from 1997–2001 comprises hotels, motels, guest houses and services apartments with 15 more rooms or units.

The gap between 1996 and 1997 denotes a break in series.

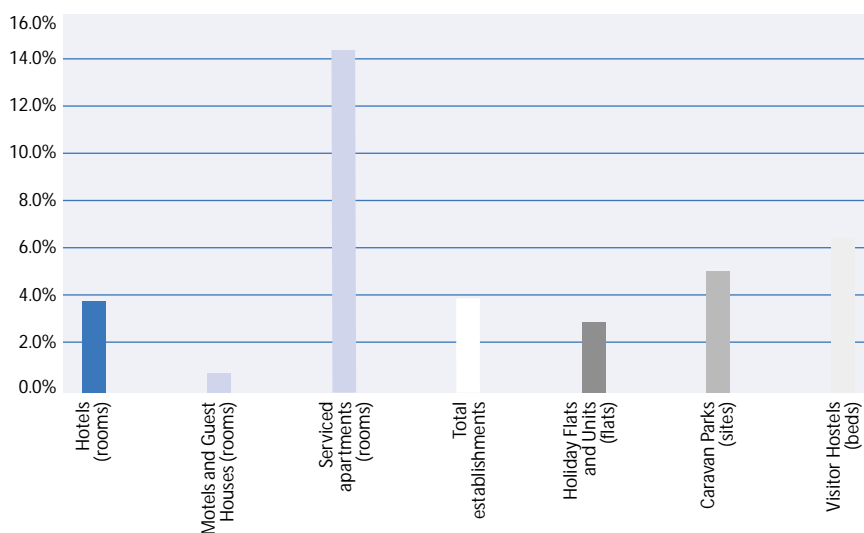
Australia's tourism accommodation infrastructure has changed significantly over the last decade. There has been an expansion in tourism resorts, especially in Queensland, some of which were granted exemption from foreign investment approval by the Foreign Investment Review Board. There has also been a significant expansion in hotel capacity, especially in Sydney, ahead of the 2000 Olympics.

More recently, excess hotel capacity combined with high inner city residential prices has led to a number of city hotels being renovated and converted to residential and serviced apartments. This has contributed significantly to a 15 per cent increase in serviced apartment capacity over the four years to September 2001 (See Figure 3.6).

There has also been a significant expansion in hostel style accommodation and more modest growth in capacity in other accommodation types. Consideration of future accommodation needs must go beyond hotel capacities if the potential of this industry in the context of tourism growth is to be realised. Access to information on alternative accommodation, for example, 5 star tents, will need to be improved to give visitors the opportunity to enrich their holiday experience.

AUSTRALIA'S TOURISM accommodation infrastructure has changed significantly over the last decade.

FIGURE 3.6 AVERAGE ANNUAL GROWTH IN CAPACITY BY ACCOMMODATION TYPE DECEMBER 1997 TO SEPTEMBER 2001



Source: Australian Bureau of Statistics, Survey of Tourist Accommodation Cat No 8635.0

As at April 2002, it is estimated that the five major Australian markets¹³, Sydney, Melbourne, Brisbane, the Gold Coast and Cairns, together had a total of 61,152 rooms. When completed, projects currently under construction in these markets represent a 2.5 per cent increase to supply by 2004 (see Table 3.1).

In addition, Jones Lang LaSalle Hotels¹⁴ anticipates 724 proposed rooms are likely to commence construction in the short to medium term. However, a total of 838 rooms are considered likely to be converted into residential accommodation and removed from supply. The net effect under these scenarios will be a decrease in room supply of 114 rooms or 0.2 per cent by 2004, (see Table 3.1).

THE NET EFFECT under these scenarios will be a decrease in room supply of 114 rooms or 0.2 per cent by 2004.

TABLE 3.1 NET TOURIST ACCOMMODATION SUPPLY

KEY AUSTRALIAN MARKETS AS AT APRIL 2002				
	UNDER CONSTRUCTION (ROOMS)	%INCREASE	LIKELY NET ADDITION IN ROOMS (CONSTRUCTION AND CONVERSION)	%INCREASE
SYDNEY	0	0.0%	-783	-3.8%
MELBOURNE	1,368	10.3%	182	1.2%
BRISBANE	140	2.0%	120	1.7%
GOLD COAST	0	0.0%	250	1.9%
CAIRNS	48	0.7%	117	1.6%
TOTAL	1,556	2.5%	-114	-0.2%

Source: Jones Lang LaSalle Hotels Digest 5th edition

Questions

- 57 What improvements in accommodation will be required to cater for increased tourism over the next decade?
- 58 What are the priority market segments and destinations for accommodation development?
- 59 Are there sufficient accommodation options, and information about these options, to meet the demand for different types of holiday experiences, particularly in regional communities?
- 60 What research is necessary to assist accommodation industry development?
- 61 Could any useful targets be set for accommodation?

3.3.3 Attractions

Attractions, such as theme parks (for example, Movie World, Sovereign Hill and Sea World), interpretive centres (for example, Sky Rail and the Western Plains Zoo), and Indigenous attractions (such as Tjapukai), offer tourists distinctive experiences. In certain cases, they also act as icons to which tourists are attracted and around which other tourism activities can be developed.

There are also instances where attractions are integrated with accommodation. This arrangement provides a client base for accommodation establishments and provides a greater choice in accommodation for tourists who visit the attractions.

The development and maintenance of attractions, particularly of the 'iconic' type, is capital intensive. Many of the issues affecting the availability of investment capital for attractions, and the approval processes for their development, are similar to those faced by developers of major infrastructure in other sectors.

Culture related infrastructure is important in attracting tourists. The Victorian Government is investing \$400 million for the development of Melbourne's Federation Square which will house the National Gallery of Victoria, the Australian Centre for the Moving Image and a 450-seat amphitheatre. The Queensland Government has also just announced that a new \$94.4 million Queensland Gallery of Modern Art will be completed by 2005 as part of its \$260 million Millennium Arts project designed to upgrade the State's arts facilities.

THERE HAVE BEEN SIGNIFICANT advances in institutional arrangements to deliver a range of complementary tourism research and statistics.

Questions

- 62 **In which market segments and destinations could attractions play a significant role in boosting tourism performance?**
- 63 **How can natural attractions be promoted as tourism destinations, while still protecting cultural and environment values?**
- 64 **What targets would be appropriate, if any, for attractions?**
- 65 **What research is necessary to better inform investment in, and operations of, the attractions industry?**

3.4 Soft infrastructure

A sound research and statistical base is critical to maintaining and improving the tourism sector's competitiveness and to making informed public policy decisions affecting tourism. The quality, timeliness and relevance of information on tourism activity is also important to investment decisions.

3.4.1 Research

There have been significant advances in institutional arrangements to deliver a range of complementary tourism research and statistics. The key tourism research and statistics organisations are the Bureau of Tourism Research, the Cooperative Research Centre for Sustainable Tourism, the Tourism Forecasting Council and the Australian Bureau of Statistics. These organisations produce tourism research primarily for government and industry use. Industry uses research to inform business decisions and governments use research for informing policy development, program development and marketing expenditures.

The Bureau of Tourism Research provides a range of useful tourism statistics that can aid investors in their decision making. The Bureau of Tourism Research is a joint Commonwealth, State and Territory body with funding of approximately \$4 million

per annum. The Bureau manages two major surveys for the tourism sector—the International Visitor Survey and the National Visitor Survey. Both have been considerably enhanced in recent years. The Bureau also undertakes a work program of tourism analytical research, determined by its funding bodies.

The establishment of a Cooperative Research Centre for Sustainable Tourism (to which the Commonwealth Government has committed \$14.7 million in funding over seven years) provides the means and mechanism to achieve best practice in tourism development. This contributes to sustainable growth in tourism, which is important in attracting new investment into the industry. The Centre will be competing for further funding in the 2002 selection round. The Centre receives significant private sector and academic support.

Accompanying the growing array of tourism and hospitality courses, there is a significant amount of tourism research conducted by students and graduates at Australian universities. This research base augments national tourism research activity undertaken by the Bureau of Tourism Research and the Cooperative Research Centre for Sustainable Tourism.

The Australian Bureau of Statistics provides a range of key economic data to assist planning and decision making by industries, including tourism. Data of importance to the tourism sector include the Australian Tourism Satellite Account, which provides authoritative data on the contribution of tourism to the economy, the monthly *Overseas Arrivals and Departures* series, the quarterly *Survey of Tourist Accommodation*, and various service industry surveys.

As mentioned in Chapter 1, the *Australian Tourism Satellite Account* was developed to provide data that would allow direct comparisons between the tourism sector and the industries listed in the National Accounts. The main tourism demand data underlying the Tourism Satellite Account are provided by the Bureau of Tourism Research surveys. Importantly, the Tourism Satellite Account allows investors some basis from which to compare tourism's profitability and operational efficiency with other sectors.

Minter Ellison's *Survey of Tourism Research*, released in February 2000 concluded that there is very little duplication in the tourism research effort in Australia. The Tourism Ministers' Council's Cooperative Research Strategy seeks to ensure a coordinated and collaborative approach to all Commonwealth, State and Territory tourism research efforts.

Commonwealth, State and Territory governments are currently the primary funding sources for key tourism research and statistics, distributing their funding largely through public agencies. Public funding of tourism research, like the funding of many other areas of industry and community research, has generally been justified on the grounds of market failure, because the burden of cost for individual operators is too great. Indeed, because the beneficiaries of such information are a diverse range

of businesses with differing interests, governments can play a useful facilitation role in helping to ensure adequate data is made available for future development.

Compared with most competitor nations, Australia is well provided with tourism research and data. A particular priority could be to make this information more accessible to industry and to assist industry in understanding how it may be used to increase efficiency and profitability.

Private sector support for tourism research tends to be focused on market research with a short to medium term timeframe. Examples include regular hotel and property market reports. Similarly, government tourism marketing campaigns such as 'See Australia' usually generate a range of supporting research on customers and products.

Private sector tourism research providers include various economic modellers and forecasters, as well as other consultancy and survey firms.

Questions

- 66 **What are desirable approaches to developing the tourism industry's research and information resources?**
- 67 **What, if any, significant gaps in tourism research and statistics exist and how can they be addressed?**
- 68 **Does the existing body of tourism research and statistics readily meet the needs of regional tourism bodies?**
- 69 **How can the operations of existing institutions be improved, including through increased funding from the non-government sector, to deliver more timely and effective research and statistics?**
- 70 **How can industry's access to, and utilisation of, research results be improved?**
- 71 **Is the available academic research relevant to industry needs?**
- 72 **How can tourism research become self-supporting by selling its results to the private sector?**
- 73 **What type of research is used in business planning and what are the main sources of this research?**

3.4.2 New technologies

The uptake and use of new technologies—particularly information and communications technologies—is generally regarded as being a major driver for industry growth. In this context, the Commonwealth Government has committed \$250 million over five years to the *Networking the Nation* Programme, which has enhanced telecommunications infrastructure and services, particularly in regional areas.

In 1999–2000, 76 per cent of all businesses used computers, 56 per cent had access to the Internet and 16 per cent had websites. The proportion of businesses using computers, accessing the Internet and/or using websites or homepages continued to be higher among large businesses.¹⁵

The majority of tourism businesses tend to be small businesses: that is, businesses which employ fewer than 20 people. Only 9 per cent of small businesses with fewer than five employees had websites or homepages.¹⁶ However, the growth in the use of these technologies was higher for small businesses.

Not all tourism businesses use online technologies to promote their products and services although the rate of uptake is increasing. It is important that effective online linkages and relationships are developed between tourism operators, businesses and tourist organisations to ensure information is easily accessible and comprehensive.

The Australian Bureau of Statistics estimates that the accommodation, cafes and restaurants industry, which is a significant component of the Australian tourism sector, is the second lowest user of the Internet amongst surveyed industries, with usage at 40 per cent. In addition, only 19 per cent of surveyed establishments in the sector had a website or homepage. Conversely, this sector had one of the highest percentages of Internet commerce active businesses, ranking just below wholesale trade.¹⁷

In the cultural and recreational services industry, 63 per cent of businesses have Internet access, with 26 per cent possessing websites or homepages. However, only 6 per cent of firms in this industry are active in Internet commerce activities.

Awareness of tourism product is a key factor in encouraging domestic tourism. Increasingly, tourists are using the Internet to find information about destinations. The Bureau of Tourism Research has found that Internet users account for 7 per cent of all overnight visitors, with the majority of their visitations being for holiday purposes.¹⁸ This group of visitors contributes around 15 per cent of all domestic tourism expenditure.

According to the National Office for the Information Economy, around 12 per cent of all online sales in Australia are for holiday bookings. The Bureau of Tourism Research has concluded that tourism operators should be taking advantage of online technologies to ensure that they do not exclude a substantial potential market—the increasing number of Australians who use the Internet to source information about holidays.

Australian Tourism Data Warehouse

The Australian Tourism Data Warehouse is a joint initiative of the government tourism organisations from all Australian States and Territories and the Australian Tourist

IT IS IMPORTANT THAT EFFECTIVE online linkages and relationships are developed between tourism operators, businesses and tourist organisations to ensure information is easily accessible and comprehensive.

Commission. The Australian Tourism Data Warehouse is intended to position Australia as a major competitor in the rapidly evolving global 'e-economy' by enabling those businesses which utilise online technologies to access the broader travel market through a central product data base. Because it is a central storage facility for tourism product and destination information from all Australian States and Territories, the information will be compiled in a nationally agreed format and electronically accessible by operators, wholesalers, retailers and distributors for inclusion in their web sites. It is accessible through www.atdw.com.au

THE TOURISM LABOUR

FORCE is characterised by a high proportion of females and higher than average proportion of part-time employees.

Questions

- 74 **What are the impediments to tourism businesses adopting online technologies?**
- 75 **Are regional tourism businesses faced with different impediments?**
- 76 **How can the benefits provided by programmes such as Networking the Nation be more effectively accessed by regional tourism businesses?**
- 77 **Should Commonwealth and/or State and Territory governments be involved in providing central sites to coordinate tourism knowledge?**
- 78 **What research is necessary to assist in the diffusion of online technology?**
- 79 **What targets could be identified to help understand the impact of new technologies in the tourism sector?**

3.5 Human resources

3.5.1 Workforce characteristics

Excellence in service provision is a major ingredient in ensuring satisfied customers and repeat visitation. The development of a skilled workforce capable of sustaining high levels of service is therefore critical to tourism growth and investment. Of equal importance is the need to effectively match the skills of that workforce to the particular environment in which they are working—for instance, requirements in metropolitan Sydney may be different to those in a small regional centre.

The tourism labour force is characterised by a high proportion of females and higher than average proportion of part-time employees. For example, around 70 and 60 per cent of employees are female in the travel agency and accommodation sectors respectively, while the economy wide average is around 44 per cent.¹⁹ Part-time workers represent, for example, around 70 per cent of all employees in the cafes and restaurants sector, while the economy wide average is around 26 per cent.

TABLE 3.2 TOURISM EMPLOYED PERSONS ^(a) BY INDUSTRY

	1997–98 '000	1998–99 '000	1999–00 '000	2000–01 '000
TOURISM CHARACTERISTIC AND CONNECTED INDUSTRIES ^(b)				
TRAVEL AGENCY AND TOUR OPERATOR SERVICES	24.9	25.5	24.0	23.7
ROAD TRANSPORT AND MOTOR VEHICLE HIRING	22.2	22.5	22.3	23.3
AIR AND WATER TRANSPORT	30.6	31.4	33.0	36.0
ACCOMMODATION	91.8	91.2	96.1	99.0
CAFES AND RESTAURANTS	43.9	44.8	47.2	50.9
CLUBS, PUBS, TAVERNS AND BARS	27.4	27.3	28.2	29.4
RAIL TRANSPORT	3.8	3.8	3.4	3.7
MANUFACTURING	38.2	37.2	38.3	38.8
RETAIL TRADE	135.8	140.1	142.9	143.6
CASINOS AND OTHER GAMBLING SERVICES	2.4	2.0	2.2	2.1
LIBRARIES, MUSEUMS AND ARTS	8.2	9.1	8.7	11.0
OTHER ENTERTAINMENT SERVICES	14.3	14.9	15.9	15.4
EDUCATION	17.8	18.2	18.4	18.8
<i>TOTAL CHARACTERISTIC AND CONNECTED INDUSTRIES</i>	<i>461.4</i>	<i>468.2</i>	<i>480.5</i>	<i>495.7</i>
ALL OTHER INDUSTRIES	51.5	52.3	54.1	55.3
TOTAL TOURISM EMPLOYED PERSONS	512.9	520.6	534.7	551.0
TOTAL EMPLOYED PERSONS	8 574.6	8 690.8	8 937.8	9 123.0
TOURISM SHARE OF TOTAL EMPLOYMENT (%)	6.0	6.0	6.0	6.0

Source: *Tourism Satellite Account 2000–01* 5249.0

Notes: (a) Tourism employed persons is derived by multiplying the number of employed persons in the industry by the proportion of total value added of the industry which is related to tourism.

(b) The industries shown in the employment tables are at a more aggregated level than that shown in the monetary tables.

Table 3.2 shows that over the three year period between 1997–98 and 2000–01, employment in tourism related occupations grew at an average of 2.4 per cent per annum to reach a total of 551 000 persons. Over this period, tourism maintained its share of total employment at 6 per cent.

3.5.2 Building skills

Australian tourism and hospitality education experienced a period of rapid growth during the 1990s and is now well advanced, with a number of Registered Training Organisations (Australian schools of tourism and hospitality) being well regarded internationally, attracting both Australian and international students. In 2000, an estimated 3 800 international students studied tourism and hospitality in Australian education institutions.

Developing countries in the Asia-Pacific region are also identifying opportunities to develop tourism, generating a demand for skills that cannot be met domestically. Many students from these countries come to Australia to acquire needed skills through courses offered by Australian institutions.

In addition to programmes offered by the vocational education and training (VET) sector, most Australian universities now either offer courses directly targeted at tourism or hospitality, or include individual tourism subjects or study units within wider arts or social science courses.

Courses offered by the VET sector range from short introductory programs and Level 1 Certificates to three-year diplomas and advanced diplomas at Levels 5 and 6. They cover all categories of vocational employment within tourism, hospitality and recreation. In 2001, tourism and hospitality accounted for around 10 per cent of all VET enrolments. Universities also offer courses in tourism and hospitality as well as in the areas of recreation, the environment and ecotourism and leisure studies.

Recent years have seen greater portability of educational qualifications, and increased emphasis on formal training in addition to on-the-job training with the introduction of the National Training packages in 1996. The National Training packages are regularly revised with industry by Tourism Training Australia.

Industry courses

Many businesses train their own personnel in specific work routines. New employees who already hold qualifications may nonetheless be required to undertake in-house training as it applies to a particular establishment. The range of formal training programs offered by private institutions is extensive and includes short programmes conducted in response to local demand. Professional organisations—for example, the Australian Hotels Association, Restaurant and Catering Australia and the Australian Federation of Travel Agents—also conduct training programmes.

Tourism businesses outside the metropolitan cities are likely to require different skill sets to those required by businesses in major centres. These differing skill sets can be met through the appropriate tailoring of registered training programmes using the flexible National Training Packages.

TOURISM BUSINESSES

outside the metropolitan cities are likely to require different skill sets to those required by businesses in major centres.

Accreditation for training courses

Tourism Training Australia, a joint industry, government and union national training body, coordinates the development of national training curricula for education and training institutions and develops competency standards across a range of industry sectors. Tourism Training Australia also advises the Australian National Training Authority on national training priorities for the tourism and hospitality industry.

ACCESS, an industry-owned skills recognition program, assesses an individual's skills and provides certification that counts towards a national qualification. The Australian Hospitality Review Panel and the Australian Tourism Training Review Panel are well-established industry recognition systems.

On-the-job training

Some businesses utilise government support for traineeships and new apprenticeships, or incorporate training and education incentives into enterprise or workplace agreements. Other businesses, especially small businesses, give greater priority to on-the-job rather than formal education and training mechanisms.

The advent of the New Apprenticeship Centres in 1998 began a significant uptake of new apprenticeships by businesses in the tourism industry. According to the National Centre for Vocational Education Research figures, over the five years to 2001, people taking up new apprenticeships in hospitality courses (in accommodation, cafes and restaurants and in clubs) increased by 300 per cent—an impressive result, especially when compared to the average increase for all courses of 150 per cent.

Take up of new apprenticeships in the industry may also be enhanced through group training arrangements. Group training is an employment and training arrangement whereby an organisation employs new apprentices under a training contract and places them with host employers.

Group Training Organisations have the capacity to rotate new apprentices through several host employers, for example, a cooking new apprentice may be rotated through a bistro, small café and large hotel during their new apprenticeship. This feature of group training enables the creation of additional new apprenticeship opportunities in the small to medium business sector with employers who would otherwise not be involved in structured training.

There are approximately 180 Group Training Organisations operating across Australia, with several specialising in the tourism and hospitality industry.

Working visas

In some key occupations where skill shortages have persisted, employers have been able to sponsor, on a temporary basis, overseas workers who are issued with visas which allow them to perform their specialist work in Australia. Many tourism small

businesses, including small businesses, also employ young people visiting Australia under the Working Holiday Maker Scheme.

The number of working holiday visas granted increased by over 20 000 in the period 1996–97 to 2000–01 (see Table 3.3).

TABLE 3.3 WORKING HOLIDAY VISAS

1996–97	1997–98	1998–99	1999–2000	2000–01
55 000	57 000	65 000	74 450	76 570

Source: Commonwealth Department of Immigration and Multicultural and Indigenous Affairs, Australian Immigration Fact Sheet—Working Holiday Maker Scheme

THE NUMBER of working holiday visas granted increased by over 20 000 in the period 1996–97 to 2000–01.

Working holiday makers have a positive effect on the Australian economy. It is estimated that they spend around \$1.3 billion annually. The Working Holiday Maker Scheme also assists Australian employers by ensuring that they have access to a large pool of seasonal workers.

Questions

- 80 How well is tourism meeting its needs for skilled labour?
- 81 What are the impediments to the tourism industry attracting skilled workers from within the Australian labour market?
- 82 Are the available programmes in tourism and hospitality adequate for the industry's present and long-term skills needs?
- 83 How well are the employment needs of regional tourism businesses being met, and what are the impediments for attracting and retaining a skilled workforce in regional areas?
- 84 How accessible are programmes in tourism and hospitality to people in rural, regional and remote communities?
- 85 Are the specific training needs of rural, regional and remote tourism businesses being met?
- 86 What improvements to the national training system are needed to meet the longer-term needs of businesses and employees?
- 87 Are there adequate strategies in place to address long term requirements for skilled employees?
- 88 What research is necessary to assist in lifting the tourism and hospitality skills base?
- 89 What targets would be useful in strengthening the tourism and hospitality skills base?

CHANGES in depreciation rates and infrastructure tax rebates can also affect the investment climate for tourism.

REGULATORY COMPLIANCE costs can be particularly onerous for small and medium sized businesses, which do not have the resources to cope with expensive regulatory requirements.

3.6 Impediments to investment

Sustainable tourism growth and investment will not occur unless the economic and regulatory environment is favourable. The Commonwealth Government has taken a number of steps aimed at creating a favourable economic and regulatory environment, through its budgetary policies, deregulation of various markets including the labour market, and the reform of Australia's taxation system.

Changes in depreciation rates and infrastructure tax rebates can also affect the investment climate for tourism. Recent changes include the replacement of accelerated rates of depreciation for assets with 'effective life' rates. Under the depreciation effective life system, special effective life can be justified based on a specific use of an asset (eg use of refrigerators in hotel rooms).

In the 1997 Commonwealth Government Budget, the Infrastructure Borrowings Taxation Concession was replaced with the Infrastructure Borrowings Rebate program under which up to \$75 million per annum was allocated to provide private sector investors in certain new public infrastructure with a tax rebate for interest which has been incurred. Of particular relevance to tourism is that investors who invested in roads and rail projects and related facilities could claim a rebate.

3.6.1 Regulations

Industry regulations are often aimed at achieving certain social and environmental goals while offering a degree of certainty to investors. In addition to broader economic regulations, government regulations which impact on tourism include planning, access to national parks, passenger processing and food safety regulations. Restrictions on certain types of foreign investment in the airline and accommodation sectors also impact on tourism.

Regulations can create compliance costs for operators. This is particularly so where regulations vary between different jurisdictions: for example, variations between States in relation to the regulation of coastal shipping can impact on the cruise shipping and charter boat sectors. Regulatory compliance costs can be particularly onerous for small and medium sized businesses, which do not have the resources to cope with expensive regulatory requirements. In addition, regulations such as planning legislation and integrated tourism resorts legislation can affect investment in tourism.

Regulations concerning visitor entry to Australia, such as visas, can both facilitate travel and act as an impediment to tourism growth, particularly if visa issuance is difficult, costly or time consuming. While in general the tourism industry has accepted the need for visas, some concerns have been expressed about the processing times and costs of visas in some markets.

International passengers must also undergo checks to ensure compliance with customs, security and quarantine regulations. Exotic organisms were identified

as a major threat to biodiversity in a State of the Environment Report in 1996, and remain so. 'Sleeper' weeds (species that have established, but are yet to become a widespread problem) are now recognised to be of major concern, as are exotic organisms that might find their way through Australia's quarantine barriers as a result of trade, tourism and other human activities.

Speedy approvals by the Foreign Investment Review Board are important to attracting foreign investment, and the Board has high standards for quick turnaround times. To minimise delays further, in August 1999 the Prime Minister announced that the threshold level at which investment proposals would trigger the Board's scrutiny would be lifted to \$50 million except in certain cases, including when the investment is in accommodation or in real estate. The Government also made changes to the treatment of strata-titled hotels, which will make it easier in certain cases for developers to sell rooms in these hotels to foreigners.

Questions

- 90 **What changes could be made to regulations affecting tourism operators in order to reduce compliance costs and facilitate investment?**
- 91 **What changes to the foreign investment approval process and guidelines would promote foreign investment in tourism?**

ANOTHER KEY ISSUE for the tourism sector in recent years has been the introduction of a number of 'user' type taxes, such as a noise levy, the Ansett ticket levy.

3.6.2 Taxes and charges

Tax reform has been a key economic strategy of the Government in recent years. The reform of the tax system has resulted in the introduction of the Goods and Services Tax, combined with reductions in personal income tax rates and indirect taxes. Company tax rates and Capital Gains Tax have also been reduced.

Nevertheless, industry has argued that discriminatory taxes and charges inhibit the growth of tourism and has sought the removal of a number of such charges and taxes. While such action could stimulate tourism demand, it could also lower governments' revenues and therefore restrict the ability of governments to deliver public services and industry funding.

There have been claims that the recent tax changes have created additional compliance and reporting requirements for many operators, including small tourism businesses. Many of these concerns have been addressed through the Australian Taxation Office's industry consultative committees. However, some tourism operators have identified a number of other tax issues—such as the Fringe Benefits Tax, the wine equalisation tax, entity taxation, stamp duties and provisions of the Tourism Refund Scheme—as continuing impediments to investment.

Another key issue for the tourism sector in recent years has been the introduction of a number of 'user' type taxes, such as a noise levy, the Ansett ticket levy, the Passenger

Movement Charge, and the environmental management charge applying to marine tourism in the Great Barrier Reef Marine Park. Some of these, such as the Ansett ticket levy, have a finite life, but others, such as the Passenger Movement Charge, are ongoing.

While the burden of these taxes falls predominantly on tourism, the tourism sector is also a major beneficiary of the services funded by these charges. For example, revenue from the Passenger Movement Charge is used to offset the costs of providing passenger processing services. In addition, the recent increase in the Passenger Movement Charge has helped to fund initiatives aimed at preventing the introduction into Australia of foot and mouth disease, an affliction that has been estimated as costing the UK tourism industry \$3 billion.²⁰ These initiatives are helping to promote Australia's image as a green and clean tourism destination.

Questions

- 92 **To what degree is reform and/or removal of taxes on the tourism industry justified?**
- 93 **How should any changes be funded?**

3.6.3 Environmental assessment

A supportive regulatory environment is critical to attracting investment. In particular, environmental approval processes for new projects need to be efficient and timely. The recent changes to environment protection legislation contained in the Commonwealth's *Environment Protection and Biodiversity Conservation Act 1999* mean that the Commonwealth's involvement in the environmental assessment and approval process is triggered only by matters of national environmental significance, rather than by indirect triggers, such as the need for Commonwealth licensing or foreign investment approval.

The new Act allows proponents to know in advance whether their project will trigger Commonwealth involvement in the environmental approval process, identifies the need for a Commonwealth environmental assessment at an earlier stage of the process, to minimise project delays and specifies statutory timeframes within which decisions must be taken.

Question

- 94 **How could the environmental assessment and approval process be enhanced to facilitate sustainable tourism investment?**

3.6.4 Investor sentiment

Tourism's ability to attract new investment depends in part on investor sentiment. This in turn is fashioned primarily by perceptions investors have about the tourism industry. While tourism has improved its image as a serious industry over the past decade, it continues to suffer from a perception of being a boom and bust industry. This is partly due to the seasonal nature of some tourism activities, high dependence on external factors, such as international developments, and the discretionary nature of tourism expenditure.

The past pattern of tourism investment is also a major contributing factor. Tourism investment has traditionally been cyclical, with the accommodation sector being an important indicator of investor sentiment. A building boom in the late 1980s associated with rapid growth of inbound tourism, especially from Japan, led to rising asset prices and considerable new capacity, particularly in four and five star hotels. It also led to the establishment of world class resorts, including island resorts, mainly in Queensland.

Clearance of excess accommodation stock and withdrawal of Japanese investors in the early 1990s resulted in property sales at below asset values and changes in ownership in favour of new investors, mainly from other Asian countries, in particular, Singapore. As a result of falling property prices and over capacity, investment in new accommodation, particularly in four and five star hotels, was subdued until the mid 1990s. Investment picked up again in the lead-up to the Sydney 2000 Games, with significant investment coming from Europe and the United States. Occupancy rates since 2000 have remained at relatively low levels across Australia inhibiting further new investment in 4 and 5 star accommodation.

Through the 1990s, investment in other types of tourism accommodation has generally followed trends in domestic demand with steady development and redevelopment of motels, apartments and guesthouses. Demand for backpacker accommodation, especially from international tourism, has contributed to growth in budget accommodation in major gateways and in major tourist destinations. There has also been a steady increase in investment in bed and breakfast and farmstay style accommodation appealing mainly to domestic tourists.

TOURISM INVESTMENT
has traditionally been cyclical,
with the accommodation sector
being an important indicator
of investor sentiment.

Question

95 What are the main factors affecting investor sentiment in tourism?

3.6.5 Relevant information and data

The quality, timeliness and relevance of information on tourism activity are also important for investment decisions. The main sources of national tourism data are the Bureau of Tourism Research, the Tourism Forecasting Council and the Australian

Bureau of Statistics. These organisations provide useful data on tourism demand but there is limited data available on tourism supply.

To assess the feasibility of new investments, potential investors need reliable indicators of future demand and supply as well as historical data on tourism activity. The Tourism Forecasting Council currently provides demand forecasts of tourism activity at a national level. The Council is working to expand its range of forecasts to provide better data for planning at the State and regional level. The provision of regional data would help to improve the information base for investors.

THE DEVELOPMENT of supply side forecasts of tourism activity particularly at an industry sector level, for example, accommodation and air transport sectors, would also assist investors.

The development of supply side forecasts of tourism activity, particularly at an industry sector level, (for example, accommodation and air transport sectors), would also assist investors. Since the private sector provides the bulk of tourism services and products, the development of accurate supply side forecasts would require the full involvement and cooperation of the private sector.

Questions

- 96 **How can industry research be improved to assist in industry investment decisions?**
- 97 **What is industry's role in this?**
- 98 **How can the current data set for entry and exit of businesses in tourism and of reasons for those entries and exits be built on?**

3.6.6 Skill shortages and gaps

Availability of skilled personnel is important to tourism growth. Some commentators believe the overall tourism employment growth masks shortages in skilled personnel in certain categories and that, unless addressed, this could impede tourism growth in the future. This could, in turn, affect tourism's ability to attract new investment.

Areas of potential skill shortages, identified by tourism training agencies and institutions, include:

- management and business skills for small and medium sized businesses,
- cross cultural and language skills,
- commercial cookery skills,
- information technology skills,
- skills to formulate safety plans,
- special interest tourism skills, such as skills in ecotourism and adventure tourism, and
- skills to train tourism operators.

Occupations may be in shortage in particular geographic areas and not in others.

One of the industries involved in the National Industry Skills Initiative, managed by the Department of Education, Science and Training, is Commercial Cookery, identified by industry, because of the continuing persistence of skill shortages. The Commercial Cookery Taskforce is looking at a range of activities beyond immigration to ensure a continuing supply of skilled employees.

Skill gaps occur where existing employees do not have the required qualifications, experience and/or specialised skills to meet the firm's skill needs for an occupation. Workers may not be adequately trained or qualified to perform tasks, or may not have up-skilled to emerging skill requirements.

The workplace reform program undertaken by the Government in recent years has added flexibility to workplace relations. This should assist operators in better planning their labour needs, including demand for skilled labour, while allowing employees to negotiate wages and conditions which might make it more attractive for them to stay in the industry.

Questions

- 99 **Are skill shortages in tourism hampering investment in the industry?**
- 100 **In what occupations are the skill shortages likely to be? Do these relate to skill gaps for existing workers?**
- 101 **What are other areas of potential skill shortages in addition to those identified above?**
- 102 **What is the best way to address the issue of skill shortages?**

IN MOST AREAS of the tourism industry, however, the labour market is competitive, involving both many employers and many job applicants.

3.6.7 Workplace relations

The tourism labour market is as diverse as the industry itself. It includes self-employment, such as that of owner-managers of small businesses, such as cafes and restaurants, contract managerial positions, for example in hotels or tourist resorts, and a wide range of shift work, part-time and casual employment in the industry. Some sectors, including transport, have highly unionised workforces while others, such as the travel agency sector, do not. Some positions are highly skilled while others are less so.

Labour productivity is an important factor for business and industry competitiveness. It depends on both the natural abilities of individuals and skills gained through education, training and work experience together with the application of appropriate technologies. Impediments to labour productivity can arise from constraints on the supply or mobility of labour, under-investment in skills development or lack of research and development activity. Some sectors report persistent skills shortages in key occupations.

PRIORITISING AND FUNDING infrastructure requirements for tourism will be a continuing challenge for both industry and government in the future.

Workplace organisation and workforce flexibility are also important factors underlying labour productivity. While union membership in the tourism industry overall tends to be relatively low compared with that in other industries, some key sectors report lack of flexibility in industrial awards and penalty rates as factors impeding business efficiency and competitiveness.

In most areas of the tourism industry, however, the labour market is competitive, involving both many employers and many job applicants. Exceptions to this can occur in local labour markets—for example, in regional areas where there are few employers or in specialised market segments which require local knowledge. In addition, labour retention is an issue for many businesses, especially because of the high investment required to achieve appropriate education and training of staff.

Question

103 What are the identifiable impediments to efficient workplace arrangements in tourism businesses and how might these be addressed?

3.7 Priorities

Meeting forecast figures for inbound tourism over the next decade will require adequate tourism infrastructure to service market needs. This will require both public and private investment in infrastructure.

Commonwealth, State, Territory and Local governments make significant investments in infrastructure. The Commonwealth recently invested in the construction of the National Museum of Australia, based in Canberra. State governments have made major investments in cultural infrastructure in galleries, performing arts venues and museums as part of their State development and tourism strategies. These facilities draw considerable numbers of visitors to Australian cities and towns (eg Federation Square in Melbourne and the Cultural Precinct in Brisbane). This type of investment in cultural infrastructure makes an important contribution to promoting tourism in Australia

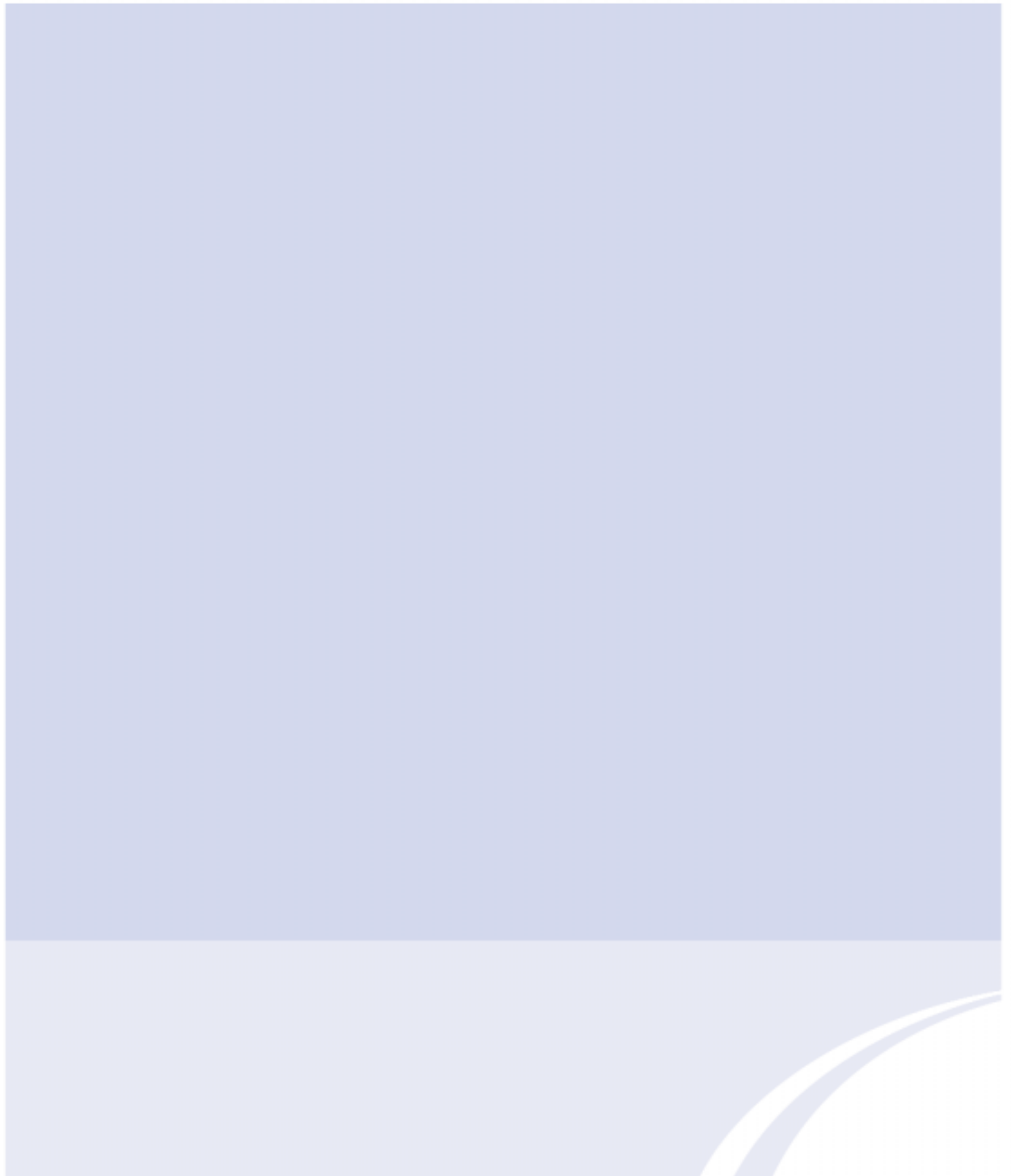
While the necessary investments would normally be expected to go forward as a result of market pressures, there may be factors such as inadequate information on tourism supply and demand or tight government budgets inhibiting the availability of funds for significant infrastructure investments. An option therefore might be to develop a system of 'grading' for tourism infrastructure, which may assist in setting priorities for using scarce public resources.

Increasingly, governments are less inclined to incur public debt to fund infrastructure development and are looking to the private sector to build, own and operate infrastructure, including public infrastructure in government owned parks and reserves which are important for tourism.

Prioritising and funding infrastructure requirements for tourism will be a continuing challenge for both industry and government in the future. The recent trend towards utilising public–private sector partnerships to facilitate private sector investment infrastructure is likely to continue.

Questions

- 104 **What will be the major tourism infrastructure needs in Australian cities, regional areas and major tourism destinations over the next ten years?**
- 105 **How could those needs best be prioritised and funded?**
- 106 **Is there scope for a system of grading for tourism infrastructure and how might it be designed?**
- 107 **What research is required to better inform infrastructure investment decision making?**



4. Domestic Tourism

Australians travelling within Australia are still the main drivers of the nation's tourism sector—domestic tourism accounts for nearly three quarters of all visitor nights and 76 per cent of total expenditure.

A small amount of growth in domestic tourism has a big impact on the economy, and on the tourism sector generally, particularly in regional areas, which are increasingly the main sources of new tourism product.

Governments are supportive of domestic tourism in a number of areas, including product development, promotions and business assistance. Urban planning also affects the tourism industry. The private sector supports domestic tourism through provision of product and services. Some of the largest companies in Australia are involved in tourism through the provision of accommodation and retail services.

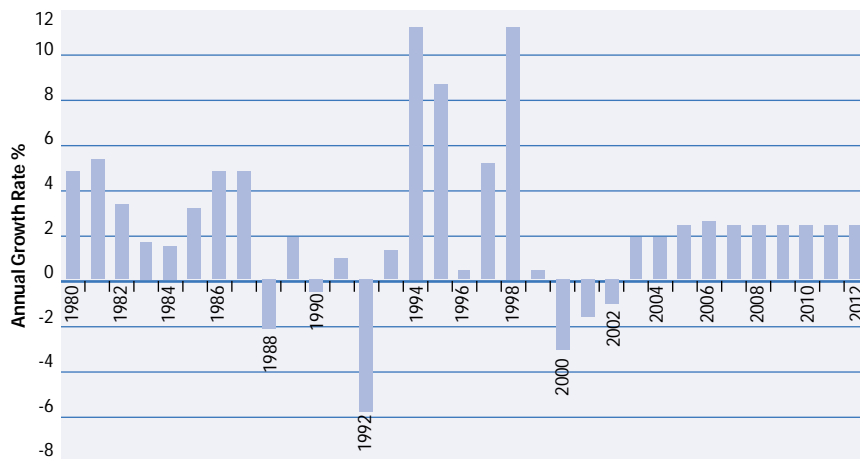
This chapter looks at how slowly domestic tourism has been growing relative to the economy overall, and asks some questions about how to pick up the pace.

4.1 Historical trends

The major focus of tourism in Australia remains in and around Australia's major cities and 'icon' destinations such as the Gold Coast, Tropical North Queensland and Central Australia. Many towns and centres in regional and rural Australia also view tourism as an important area of economic opportunity. However, over the past decade, the domestic tourism sector has grown at a much slower pace than the inbound or outbound sectors (see Figure 4.1).

Holidays are the reason behind 45 per cent of all trips, while around 20 per cent of tourism is related to business travel and the remainder to visiting friends and relatives.

FIGURE 4.1 DOMESTIC GROWTH RATE (NIGHTS)—ACTUAL NIGHTS UNTIL 2000 AND FORECASTS UNTIL 2012



Source: Tourism Forecasting Council, October 2001.

Note: Break in series at 1994 and 1998.

More frequent, shorter trips are now becoming more popular than long holidays. Australia's pace of growth in domestic tourism is comparable with that in other developed nations, such as Canada and Japan, but is slower than in the UK and Spain.²¹

SECTORS SUCH AS SPORT are important to the domestic market with national sporting competitions, junior sports and non-elite level competitions providing an impetus for domestic travel. This is particularly significant for regional areas.

4.2 Drivers of domestic growth

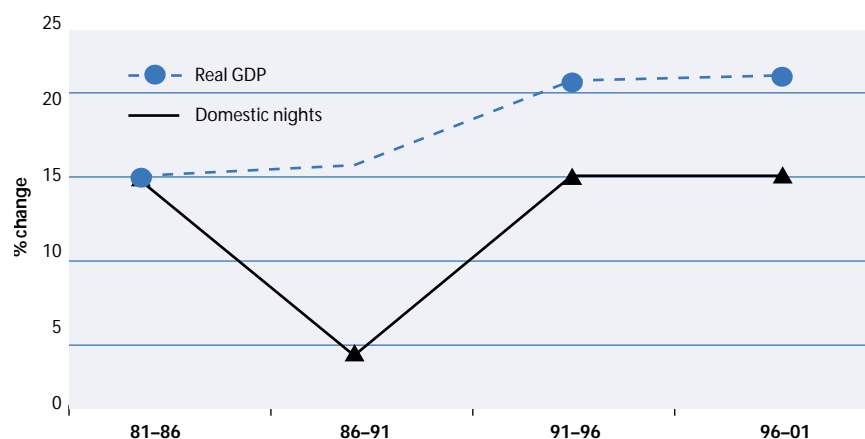
The strength of the Australian economy is the main influence on domestic tourism. Related to this are factors such as population, demographic change, incomes, employment and the cost of competing goods and services.

The Australian economy is expected to perform strongly during the next decade, with real household disposable income forecast to grow by 3.3 per cent annually, resulting in an expected increase in domestic visitor nights of over 65 million by 2012.²² It should be noted that with this year's Commonwealth Government Budget, Australia's first official Intergenerational Report will be released. Among a number of macroeconomic variables, the report will contain projections for real Gross Domestic Product and real Gross Domestic Product per capita growth over the next 40 years. This may change current forecasts for real household disposable income and will make an allowance for the impact of demographic change on activity.

Niche sectors such as sports tourism are important to the domestic market with national sporting competitions, junior sports and non-elite level competitions providing an impetus for domestic travel. This is particularly significant for regional areas.

However, the domestic tourism sector has not been keeping pace with general economic growth. The net growth over the last 20 years in the Australian economy (measured by real GDP) is around 95 per cent. Domestic visitor nights have increased during this same period, however, at a lower rate of 67 per cent (see Figure 4.2).

FIGURE 4.2 CHANGES IN DOMESTIC VISITOR NIGHTS AND REAL GDP—1981–86 TO 1996–2001



Source: Australian Bureau of Statistics, National Accounts and Bureau of Tourism Research, National Visitor Survey and predecessors (prior to 1998 and 1994 respectively). Note change in series at these years.

Questions

- 108 **What accounts for the reduction in the significance of domestic tourism as a proportion of the Australian economy?**
- 109 **How can the tourism industry profit from major initiatives, such as the Year of the Outback 2002, to ensure on-going growth and sustainability of the industry?**
- 110 **What targets could be set for increasing the growth rate of domestic tourism? Should these targets include regional components?**

4.3 Marketing

The Commonwealth Government provides financial support for domestic tourism promotion through a campaign called 'See Australia', which is based on a partnership arrangement with industry and State and Territory governments. Regional tourism organisations, which receive funding from both the private and public sectors, are also involved in domestic tourism promotion and marketing.

The 'See Australia' initiative is intended to encourage Australians to take a break and to enjoy domestic holiday experiences. The Government initially provided \$8 million towards the campaign, with this funding more than matched by the State and Territory governments and the private sector.

A further \$8 million has been committed over four years, with matching funding being sought from State and Territory governments, to help grow domestic tourism particularly in regional and rural Australia.

The potential for growing domestic tourism is considerable. While Australians spend around \$54 billion annually on domestic tourism, 30 per cent of working Australians do not currently take an annual holiday. Persuading even a relatively small proportion of those Australians who do not currently take a holiday to travel domestically would generate significant tourism activity that would benefit not only tourism operators, but also communities that benefit from tourism.

30 PER CENT of working Australians do not currently take an annual holiday.

Questions

- 111 **Are the current mechanisms for domestic and regional tourism promotions the most effective available?**
- 112 **How might they be improved?**
- 113 **What overlaps exist in the domestic marketing activities of Commonwealth, State and Territory agencies and is there scope for better coordination?**
- 114 **Are there synergies in combining international, domestic and regional promotional efforts?**

- 115 Does tourist promotion need to be better integrated with local destination management? If so, how?
- 116 How can the roles of the government and the private sector be strengthened in supporting domestic tourism?
- 117 To what extent should local government organisations become involved in the tourism industry, especially in regional areas?
- 118 What is the scope to gain wider dispersal of tourism expenditure beyond well-established destinations?
- 119 What actions need to be taken, at each level, to achieve this?
- 120 What research is required to better inform domestic tourism marketing decisions?

POLITICAL OR ECONOMIC INSTABILITY in overseas destinations can influence domestic tourism.

4.4 Impediments

Over the past decade, the domestic tourism sector has grown at a much slower pace than the outbound or inbound sectors. This can partly be attributed to a tendency for Australian residents to undertake overseas travel in place of domestic travel over the last decade. Other factors that affect domestic tourism include awareness of tourism product, access and pricing.

Political or economic instability in overseas destinations can influence domestic tourism. Since the events of 11 September 2001 and the collapse of Ansett, there have been differential effects on domestic destinations. Some destinations recorded increased numbers over the recent Christmas holiday season, including the Gold Coast and the South Coast of New South Wales. However, destinations which relied upon Ansett as the sole air service provider were not beneficiaries of these changes in travel patterns, highlighting the importance of transport to tourism.

Awareness of domestic product is also an important factor in encouraging domestic tourism. Increasingly, tourists are using the Internet to find information about destinations.

Questions

- 121 How can tourism providers better capture the spin-offs for domestic tourism resulting from offshore events?
- 122 Which drivers for domestic tourism growth should be targeted for attention by governments and industry?
- 123 What are the impediments to growth in domestic tourism?
- 124 How could those impediments be best addressed?

5. International Tourism

The predicted doubling of international visitor numbers by 2012 will increase the share of international tourism from around 20 to around 30 per cent of total tourism expenditure in Australia. This doubling reflects the trend of the last 20 years, whereby a doubling of visitors has occurred roughly each decade.

The number of Australians who choose to holiday overseas has implications for the demand for tourism products and services in Australia. Conversely Australia, as a holiday destination, competes with other countries for Australian tourists.

This chapter describes and reflects on the current impact of international tourism—both inbound and outbound—on Australia's industry and economy, and asks questions as to how the industry might meet, if not exceed, high expectations.

5.1 Outbound tourism

Currently, over three million Australians travel overseas each year—the most popular destinations are South East Asia and New Zealand. In the ten years to 1999, short-term outbound travel increased at an average annual rate of 4.9 per cent.

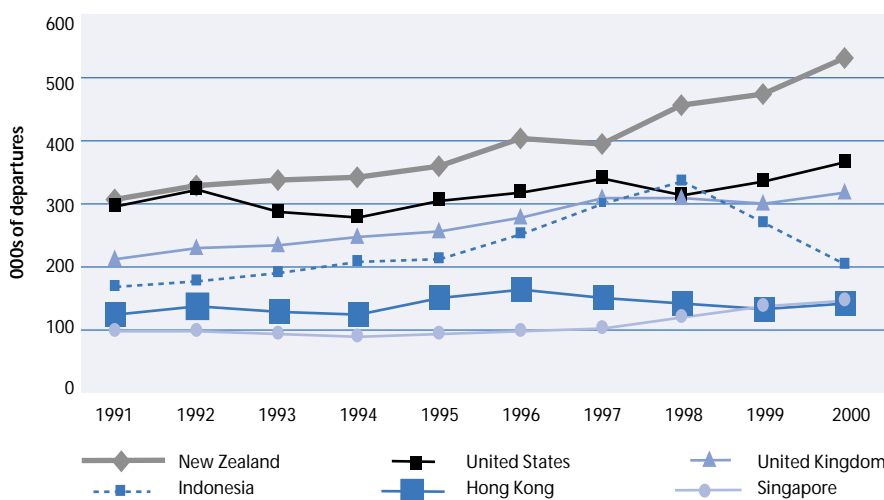
Collectively, Australians who travelled overseas in the year ending June 2000 spent \$13.93 billion on their trips, with an average individual trip expenditure of \$4,658, including some domestic components such as domestic airfares.

The outbound travel market comprises about 80 per cent of the travel agent sector's income. Department of Industry, Tourism and Resources estimates, based on the turnover of the larger travel agency businesses, suggest that outbound travel expenditure is worth around \$8 billion. Other beneficiaries of outbound tourism include transport services, such as rail, bus and taxi services, and the retail sector.

Figure 5.1 shows the trends for outbound travel by main destinations. The largest growth over the past decade has been to New Zealand.

CURRENTLY, OVER THREE MILLION AUSTRALIANS travel overseas each year—the most popular destinations are South East Asia and New Zealand.

FIGURE 5.1 NUMBERS OF OUTBOUND DEPARTURES FROM AUSTRALIA BY SELECTED COUNTRY



THE OUTBOUND TRAVEL market comprises about 80 per cent of the travel agent sector's income.

Source: Australian Bureau of Statistics, Overseas Arrivals and Departures

Questions

- 125 What are the advantages and/or disadvantages of outbound tourism, in particular the impact on industries within the tourism sector?
- 126 Is outbound tourism suitable for target setting, if so, what would they be?

AUSTRALIA'S LARGEST MARKET for inbound visitors is New Zealand, followed closely by Japan, the UK and the United States.

5.2 Inbound tourism

Factors affecting inbound tourism include: the exchange rate, traveller confidence, the global economic climate, and the uniqueness of Australian tourism product.

In the past ten years, the number of international visitors to Australia has almost doubled to 5 million visitors, which is around 0.7 per cent of the global inbound visitor market.

5.2.1 Markets for inbound visitors

Australia's largest market for inbound visitors in 2001 was New Zealand, followed closely by Japan, the UK and the United States.

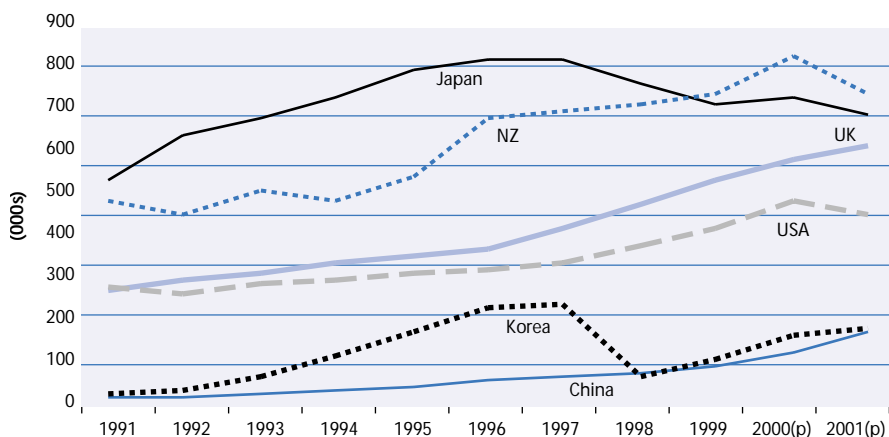
Although New Zealand was Australia's largest market, with preliminary figures of 730 000 visitors in 2001, it has been showing a decline since February 2001. Latest figures show a 25 per cent decrease during the first two months of 2002.

The Japanese market grew from a relatively low base in the early 1990s to become Australia's number one source market in 1997. The effects of the Asian economic crisis and internal economic slowdown in Japan have since seen numbers of Japanese visitors drop—from their peak of 814 000 in 1997 to 681 400 in 2001. As a result, Japan became our number two source market behind New Zealand.²³ During the last four to five years, there has been an increasing tendency for Japanese travellers to take shorter holidays to nearer and cheaper destinations, such as Korea.

The UK market has always been a strong market for Australia due to historical social and political ties. It continues to grow. The United States market grew steadily during the last decade, increasing from 272 000 visitors in 1991 to nearly 446 000 visitors in 2001.²⁴

As Figure 5.2 shows, strong growth has been recorded recently in numbers coming from South Korea, and China.

FIGURE 5.2 INTERNATIONAL TOURISM ARRIVALS—SELECTED INBOUND MARKETS



Source: Australian Bureau of Statistics, Overseas Arrivals and Departures 2001, Catalogue 3401.0.

Note: Figures for 2000 and 2001 are preliminary.

5.2.2 Competition for inbound visitors

World Tourism Organisation forecasts show that annual average growth rates for international arrivals for China, Vietnam, Hong Kong, Thailand and Indonesia are all predicted to be stronger than for Australia, which is below average for the region (see Figure 5.3), despite Australia having an economic growth rate higher than the world average.

This suggests that countries in the East-Asia Pacific region are extremely competitive in vying for international tourists. The fact that most other countries in the region have borders that can be accessed relatively easily by means other than air transport puts additional pressure on Australia's tourism industry to maintain and enhance its share of international visitors to the region.

WORLD TOURISM

ORGANISATION forecasts show that annual average growth rates for international arrivals for China, Vietnam, Hong Kong, Thailand and Indonesia are all predicted to be stronger than for Australia, which is below average for the region.

FIGURE 5.3 FORECAST AVERAGE ANNUAL GROWTH RATES IN INTERNATIONAL VISITORS TO SELECTED COUNTRIES IN THE EAST ASIA/PACIFIC REGION—2000 TO 2010



Source: World Tourism Organisation, Tourism 2020 Vision, 1999

Questions

- 127 What are the challenges for the tourism sector in maintaining and/or increasing the numbers of inbound tourists?
- 128 What different approaches could lift the yield of inbound tourism?
- 129 Should the Tourism Forecasting Council forecasts for inbound tourism become targets for the tourism industry and, if not, what would be more suitable targets?
- 130 What research is required to optimise net returns from international tourism?
- 131 Should Australia target specific inbound markets and, if so, how should these markets be selected?
- 132 Should specific customer segments (eg wealthy retirees, young females, nature seekers) be targeted and, if so, what are the priority segments?

5.2.3 Marketing

Australian Tourist Commission

Promotion is a key area of government funding for tourism. It is argued that, without government funding, tourism promotion would be significantly less than optimal. Commonwealth, State and Territory agencies involved in tourism marketing often leverage public funds through cooperative arrangements with private sector operators.

The Australian Tourist Commission, which is jointly funded by the Commonwealth Government and industry, is Australia's primary inbound tourism marketing agency. Its principle objectives under the *Australian Tourist Commission Act 1987* are to:

- increase the number of visitors to Australia from overseas,
- maximise the benefits to Australia from overseas visitors, and
- in meeting these objectives, work with other relevant agencies to promote the principles of ecologically sustainable development and raise awareness of the social and cultural impacts of international tourism in Australia.

Working with the private sector and State and Territory tourism authorities, the Australian Tourist Commission's activities include television, print and electronic advertising, public relations and information programs, and the coordination of Australian industry participation in international trade events.

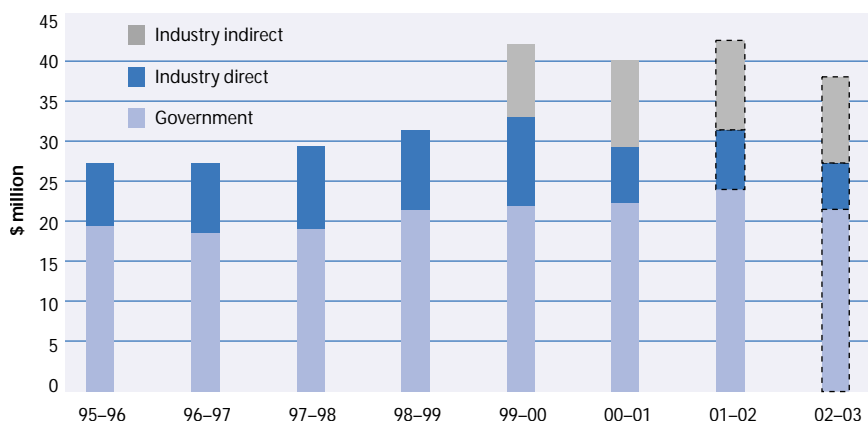
The Australian Tourist Commission also plays a role in product development and retail travel agent education programs as well as providing input into government and industry policies that affect tourism.

There is an ongoing debate about the appropriate level and the source of funding for the Australian Tourist Commission. While over the past four years the Australian Tourist Commission has received record levels of funding from the Commonwealth Government, there have been calls for even higher levels of funding for the agency.

Industry's direct contribution to the Australian Tourist Commission's funding has declined in recent years and currently represents less than one third of total funding (see Figure 5.4). The industry's indirect contribution for 2001–02 amounted to around \$42 million.²⁵ Total industry contribution appears to have declined since the pre-Olympic Games year, 1999–2000.

INDUSTRY'S DIRECT CONTRIBUTION to the Australian Tourist Commission's funding has declined in recent years and currently represents less than one third of total funding.

FIGURE 5.4 AUSTRALIAN TOURIST COMMISSION SOURCES OF FUNDING—1995 TO 2003



Source: Australian Tourist Commission Annual Reports and Corporate Plans.

Note: The total 2001–02 and 2002–03 industry contributions are estimates. 'Industry contributions' include State and Territory government contributions. Industry contributions reflect the actual value of industry support for the Commission's activities from cash revenue. Joint marketing programs are supplemented by indirect industry contributions and are not formally reported. Figures for indirect industry contributions are not available pre 1999–00. Indirect contributions for 01–02 and 02–03 are estimates based on the estimate for 2001. Figures for government sources for 2001–02 and 2002–03 include \$6 million as part of additional funding following the events of September 11.

Recently, some industry groups have argued that greater certainty could be achieved in Australian Tourist Commission funding by linking it directly to an existing charge, such as the Passenger Movement Charge or the Ansett ticket levy. There might also be scope for forming more partnerships with industry to perform some of the activities currently undertaken solely by the Australian Tourist Commission.

5.2.4 Other Commonwealth Government agencies

A number of other public agencies, such as Austrade and Invest Australia, are involved in promoting Australia. The Commonwealth Department of Foreign Affairs and Trade is the lead agency promoting Australia, with 83 overseas posts regularly engaging in promotional activities. Austrade, an agency within the Department

OVER THE PERIOD 1995–96 to 1999–2000 there has been an overall increase of 33 per cent in government funding for tourism promotion in the States and Territories.

of Foreign Affairs and Trade portfolio is working with individual tourism operators to promote its services in overseas markets and has recently appointed an industry specialist with the responsibility for the tourism sector who works closely with the industry in key export forums. The Department of Education, Science and Training coordinates international education activities with accompanying benefits for tourism.

The activities of these agencies are aimed primarily at enhancing Australia's international image. Success in these areas can influence not only perceptions of Australia as a tourism destination, particularly for business travellers, but also the attractiveness of Australia's tourism industry to foreign investors.

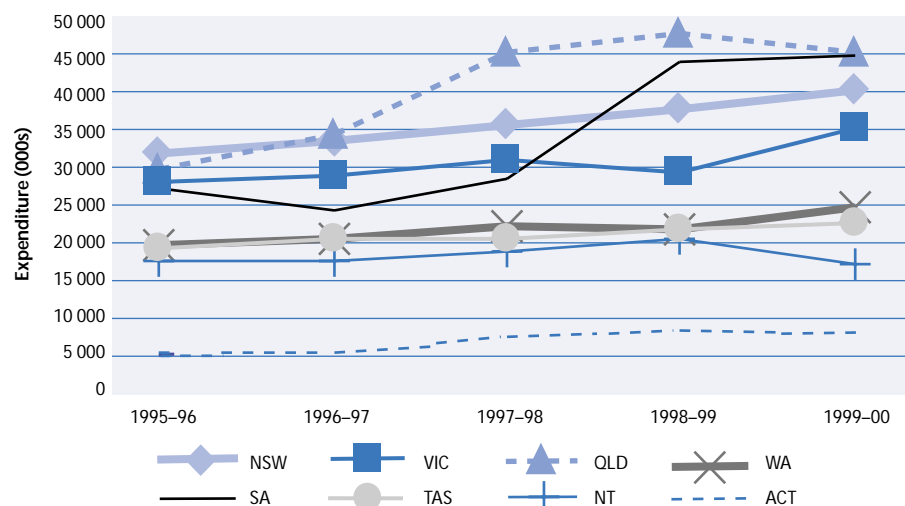
5.2.5 State and Territory agencies

The various State and Territory tourism organisations are also involved in marketing Australia's attractions overseas. Funding levels vary according to State and Territory priorities and the importance of tourism to their economies. In addition, tourism operators are involved in marketing Australia by promoting their own tourism products and services. State and Territory agency funding is sourced from direct government appropriation (see Figure 5.5) and other sources, including industry.

Over the period 1995–96 to 1999–2000 there has been an overall increase of 33 per cent in government funding for tourism promotion in the States and Territories. Over the same period other sources of funding have increased by 13 per cent. With the exception of Queensland, government funding in each State and Territory exceeds funding from other sources.

GREATER COOPERATION and coordination between Commonwealth, State and Territory programs could ensure that there is neither duplication nor gaps in the provision of services.

FIGURE 5.5 STATE AND TERRITORY GOVERNMENT FUNDING FOR TOURISM MARKETING



Source: State and Territory Tourism Commissions

International visitors may be of the perception that they have 'seen' Australia once they have visited its cities and major icon destinations. Improved promotion of regional destinations, such as the Kimberley, the West Coast of Tasmania, Kakadu, the Flinders Ranges, Broken Hill, Tropical North Queensland and the south west of Western Australia, has the potential to increase the length of visitor stays for both domestic and international visitors and encourage repeat visits.

Greater cooperation and coordination between Commonwealth, State and Territory programs could ensure that there is neither duplication nor gaps in the provision of services.

Questions

- 133 **How could international tourism marketing better deliver benefits to Australian tourism companies?**
- 134 **What changes to the operation and funding of the Australian Tourist Commission are necessary to protect and increase Australia's market share of international travel and to increase visitor numbers and expenditure to regional areas?**
- 135 **Is there scope for better coordinating the activities of various Commonwealth agencies involved in promoting Australia and, if so, how could that be achieved?**
- 136 **How can the promotion of regional tourism be improved to encourage repeat visitations and longer stays, particularly outside the metropolitan cities?**
- 137 **What overlaps exist in the international marketing activities of Commonwealth, State and Territory agencies and is there scope for better coordination?**
- 138 **What research is necessary to better inform marketing expenditures?**

INTERNATIONAL AIR SERVICE landing rights are a major market access issue.

5.2.6 Accessing markets

In seeking to develop international business—either through increasing the number of international visitors or in pursuing consultancy or service delivery opportunities in overseas markets—it is possible that Australian tourism businesses will encounter various market access issues.

For example, there may be overseas regulations or rules which limit foreign companies or individuals from setting up subsidiaries or branch offices in Australia. There may also be taxes or impediments on Australian promotional material or restrictions on advertising in individual markets. In addition there may be structural, information and communication, or industry distribution factors that might impede Australian tourism businesses from developing market share. International air service landing rights have been identified as a major market access issue.

At the multilateral level, Australian industry is being consulted on impediments that can be taken up within the World Trade Organisation General Agreement on Trade in Services negotiations over the next few years. Also at the regional level, the Government has worked closely with Asia-Pacific Economic Cooperation counterparts to develop action plans to remove impediments to the sustainable growth of tourism in its region. There are other significant international tourism organisations, such as the World Tourism Organisation, which engage in understanding tourism developments globally and promoting positive policy outcomes. Australia is not currently a member of the World Tourism Organisation although Australian representatives do participate in some its activities.

At the bilateral level, the Commonwealth Government has worked closely with Australian industry and the Chinese government and has become the first country outside East Asia to reach an Approved Destination Status arrangement, which enables Chinese tourists to more easily visit Australia. The Government is also currently working closely with industry in studying factors which may be restricting Australia's capacity to capture a larger share of the Japanese market.

Questions

- 139 **Are there particular market access issues which limit the expansion of tourism businesses offshore—either in growing the number of international visitors to Australia or in establishing consultancy or service delivery operations?**
- 140 **Should the Commonwealth Government be pursuing activity aimed at removing or limiting the impact of impediments to the sustainable growth of Australia's tourism sector?**
- 141 **On which markets or regions should the Government focus its market access activity?**
- 142 **Does the fact that Australia is not a member of the World Tourism Organisation restrict our capacity to participate in international debates on tourism industry development?**

6. Product Development

Australian tourism is already experiencing growth in a number of tourism markets and niches, but there is potential for more growth in these. This chapter discusses tourism products, emerging markets and issues associated with matching products to market needs.

6.1 Types of product

Leisure tourism has a wide range of tourism products aimed at meeting the needs of a diverse and sophisticated world travelling public. Inbound tourism operators put together package deals for international tourists visiting Australia and have well established business relationships with international cruise operators and duty free shopping operators, which utilise the 'closed bag' duty and tax-free system in parallel with the Tourist Refund Scheme.

The cruise shipping sector is a growing high yield sector which, during the peak Olympic year, saw around 90 cruise vessels visit Australia, collectively carrying 60 000 international visitors. Marine tourism, including bare boats and other charter vessels, is a substantial industry right around Australia, highlighted by tourism in the Great Barrier Reef Marine Park, which is estimated to generate \$844 million per annum.²⁶

Built tourism attractions include permanent outdoor attractions, such as major theme parks, amusement parks and animal or marine based parks, transportable attractions, such as shows, carnivals and circuses, and indoor attractions, such as arts, culture, leisure and entertainment centres.

Increasingly, tourists are attracted by Australia's diverse and rich natural environment, and ecotourism has emerged as a significant industry sector, founded on Australia being one of only 17 mega-diverse countries on Earth, with many plants, animals and microorganisms living in no other country. The figures can be large—the Great Barrier Reef supports around 2 000 fish species and 500 coral species. This uniqueness and diversity is the backbone for Australia's nature based and ecotourism products.

During the 1990s the ecotourism sector became highly specialised and it now offers tourists world class ecotourism experiences, incorporating a high standard of environmental and cultural interpretation. It works closely with park management agencies, some of which have community involvement in their management through boards and committees. Examples of joint management by Indigenous landowners and park services include the Kakadu Board of Management and Parks Australia, and the Uluru-Kata Tjuta Board of Management and Parks Australia.

There are opportunities for government agencies, such as Austrade, Invest Australia and the Australian Tourist Commission to become more active in promoting more target markets, such as business tourism.

INCREASINGLY, tourists are attracted by Australia's diverse and rich natural environment

Questions

- 143 What are the trends in tourism product development?
- 144 What are the impediments to the development of particular types of tourism product and how might they be overcome?
- 145 How can promotion of tourism products by government agencies, including the Australian Tourist Commission, Invest Australia and Austrade, be improved?
- 146 What are the links between types of tourism product, and is there scope for strengthening them?

THE GROWTH of the meetings industry has been explosive in Australia—140 international meetings were held here in 2000.

6.2 Market segments and niches

The last decade has seen the emergence and growth of a number of specialised niche tourism markets, which are offering new opportunities for tourism operators around Australia.

Business tourism

Business tourism expenditure, which includes visitors who may have a holiday in conjunction with a business trip, was around \$11.2 billion in 1999. Of this, international business tourism records an expenditure of around \$893 million.

The meetings, incentives, conferences and exhibitions sector is one of the tourism industry's highest yielding sectors, worth around \$6 billion a year. The growth of the meetings industry has been explosive in Australia—140 international meetings were held here in 2000. Sydney is in the top three cities internationally for meetings and events, having welcomed 44 000 participants in 1999, behind only Vienna's 46 000 and Berlin's 73 000.

SYDNEY IS IN THE TOP three cities internationally for meetings and events.

Other market segments and niches

While backpacking is a long established niche market, it grew particularly rapidly in size and significance during the last decade, to become a major market segment. The latest available figures indicate that in 1999–2000, around 423 000 international backpackers visited Australia, with an average length of stay of 69 nights (an increase of 58 per cent from 1996), and spent a total of \$1.9 billion.²⁷

Sports tourism is emerging as an important market segment, for both participants and spectators. Australia's premier sporting event of recent times, the Sydney 2000 Olympic Games, was estimated by the Tourism Forecasting Council to have yielded Australia an extra 1.6 million international visitors, generating an additional \$6.1 billion in tourism earnings. It should be noted that the bulk of these additional visitors were the result of Olympic Games publicity rather than direct tourism promotion.

Recent years have also seen the advent of the Masters Games and an increasing trend towards 'manufactured events', with tourism operators and sporting organisations working together to maximise the commercial benefits of sporting events. Examples include tourism packages for golfers and triathletes, and adventure tourism packages including whitewater rafting and bungee jumping. The many and various sporting venues across Australia also provide facilities for other tourism events, such as concerts.

Wine and food tourism has become popular in the many winegrowing regions of Australia, so much so that the Winemakers' Federation of Australia has identified wine tourism as a priority in its 30-year development strategy. A national wine tourism strategy, supported by industry and governments, has been developed and is being implemented. A review of wine tourism and wine exports will soon be under way with a view to identifying specific opportunities and impediments.

WINE AND FOOD tourism has become popular in the many winegrowing regions of Australia...

Further expansion of wine tourism offers the potential to create tourism hubs across many areas of regional Australia, for food and accommodation providers and other tourism related businesses. 'Farm stay' is also emerging as a growing market segment and is providing many of Australia's primary producers with opportunities to supplement farm income. Better alignment of this sector with other market segments (for example, backpackers) would help strengthen its emerging growth potential.

The importance of cultural tourism to tourism consumption is well documented.²⁸ For example, more than 40 per cent of international visitors to Australia purchased art and craft items, while spending on Aboriginal arts and craft products accounted for more than 50 per cent of all art and craft expenditure. In addition, in 1997, total international visitor expenditure on art and craft items was \$296 million of which \$155 million was on Aboriginal art and craft.²⁹

Australia's national cultural institutions are established attractions to both the national and international tourist markets. For example, over 2 million people (incorporating locals, interstate and overseas visitors) visited Canberra's cultural institutions in 2000–2001. Since its opening in March 2001, the National Museum of Australia has attracted almost 1 million people and the National Library of Australia's exhibition "Treasures of the World's Great Libraries" gained unprecedented popularity, attracting large numbers of visitors from interstate. Research and statistics compiled by the Bureau of Tourism Research have revealed that one in two international visitors seek at least one cultural experience during their stay. The impact of this on related tourism industries (transport, hospitality, and retail) is substantial.

Moreover, previous research³⁰ has highlighted the importance of networks in obtaining and marketing information on cultural events and attractions and that a principal challenge is to stimulate interest in and possible future visits to cultural attractions.

THERE ARE SIGNIFICANT
opportunities for tourism to play
a greater role in education
beyond traditional school
excursions and to offer
interpretation and broader
education for children, including
through vocational education
and training.

Increasingly, tourists seeking nature based experiences are looking for Indigenous interpretations of the surrounding country and landscape, even in capital cities, where there is also significant potential for the development of Aboriginal Arts and Culture Centres. Growing interest in Indigenous tourism among international tourists has been reinforced in very recent times by the publication of a *Lonely Planet* guide to Aboriginal Australia. The Tjapukai Indigenous theme park in Cairns is a world recognised interpretative facility. Indigenous arts and crafts constitute a major industry, with an estimated total market value of upwards of \$173.4m in 1996–97.³¹

While the nature and degree of the impacts of tourism on Indigenous communities are not well understood by the mainstream tourism industry, it is increasingly becoming recognised that tourism, appropriately managed, can have positive economic, social and environmental benefits. This recognition is reflected in the recent formation of a national leadership group, the Indigenous Tourism Leadership Group, composed of Indigenous and non-Indigenous business people and Commonwealth Government representatives, which is working to encourage the development of the Indigenous tourism sector and employment of Indigenous people in the wider tourism industry. This Group was a private sector initiative arising from a National Indigenous Tourism Forum held in June 2000.

There are also significant opportunities for tourism products aimed at particular groups in the community, for example, seniors tourism, tourism for people with disabilities, and tourism aimed at 'enthusiast' niche markets.

Other niche markets include educational tourism, arts and cultural tourism, defence and military tourism, health tourism and bare boats and other charter vessels.

There are significant opportunities for tourism to play a greater role in education beyond traditional school excursions and to offer interpretation and broader education for children, including through vocational education and training. These opportunities extend to adult education, particularly through the provision of arts and cultural experiences. Greater health consciousness in the wider community is opening up opportunities for health resorts and tourism products with a focus on healthy lifestyles.

**AUSTRALIA'S NATIONAL
CULTURAL INSTITUTIONS**
are established attractions to both
the national and international
tourist markets.

English language study tourism is an important niche market which has the potential to be a gateway to other areas of adult study tourism. A recent survey conducted by English Australia for Australian Education International shows there is capacity to at least double language study tourism in 2003. Language study tourism has a significant regional presence, particularly in Queensland, and has considerable potential for development in other regions.

According to the 1999 *Survey of International Students Finishing a Course of Study in Australia*, 52 per cent of students finishing a course of study had relatives or friends visit them from their home country while in Australia. An average of 4.5 people visited each of those students during their period of study. The average number

of visits across all students, including those who had no one visit them, was 2.4 visits per student.

Despite perceptions by some institutions engaged in the education export industry that a strong emphasis on tourism may interfere with perceptions of Australia as a serious study destination, other institutions promote lifestyle as part of the package as do some regions. Indeed, there are flow-on benefits to Australia's education export sector from expanding recognition of Australia as an attractive tourist destination.

Questions

- 147 **How can industry and government facilitate the development of business tourism?**
- 148 **What are the emerging niche markets and how might they best be tapped into?**
- 149 **How could tourism contribute more to education, arts and cultural development, and to public health and social well being?**
- 150 **How can tourism assist regional development and advancement for Indigenous Australians?**
- 151 **What research would assist the development of niche tourism markets?**
- 152 **What targets could usefully be set in this area?**
- 153 **Should governments target particular product segments for development and provide special incentives to encourage development of these product segments?**
- 154 **If particular product segments are to be encouraged, how would these be selected?**

THE INTERNATIONAL SUCCESSES of the Australian film, television and music industries, particularly in recent years, have also boosted Australia's exposure in world markets.

6.2.1 Special events and cultural exchanges

Collateral publicity from events, cultural exposure and educational or scientific exchange adds considerable value to Australia's international tourism marketing efforts and helps open up new opportunities for tourism growth from key markets. The more international successes that Australians can generate across a wide spectrum of endeavours, the more Australian tourism can build on its international marketing exposure and grow.

The 'best ever' Olympic Games in Sydney rewarded Australia with unprecedented positive publicity around the world, both as a sporting nation and as a desirable destination for international tourists. The Olympics were also promoted as the 'Green Games', which enabled Australian industry to showcase best practice in a range of technologies and services that reduced waste, saved energy, remediated contaminated land and provided habitat for endangered species.

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attractive tourist destination.

Australia derives similar market exposure by hosting other international sporting events, such as the Formula 1 Grand Prix, the Rugby World Cup and soccer, cricket and other sporting tours. The Sydney to Hobart yacht race is an example of an event which has a very high international profile and draws a significant number of tourists to both Sydney and Hobart.

Even Defence can generate inbound tourism through its high profile conferences, defence industry trade exhibitions and a steady stream of defence-related international visitors.

High profile arts and cultural events, such as the Sydney Gay and Lesbian Mardi Gras and the Adelaide Festival of the Arts, also attract publicity for Australia in world tourism markets. The international successes of the Australian film, television and music industries, particularly in recent years, have also boosted Australia's exposure in world markets. Australia's world-renowned educational and scientific facilities and unique natural environment combine to make Australia an attractive destination for travellers seeking research and education opportunities. Australia's festivals—the major festivals together with regional and community festivals—attract significant numbers of visitors to their locations every year, thereby constituting key contributors to the tourism industry. For instance, performing arts festivals alone generated income of \$103m in 1999–2000.³²

Funding of events

Governments at all levels contribute to projects or events that promote tourism. These investments are in addition to marketing funding allocated to the Australian Tourist Commission, and State and Territory Tourism Commissions. The Commonwealth tends to assist in funding of events that are of national significance. For example, the Sydney 2000 Olympic and Paralympic Games received a Commonwealth contribution of around \$660 million in a combination of direct funding, concessions and other costs absorbed by agencies. The NSW Government contributed over \$1.7 billion for Olympic related investments in areas such as infrastructure, transport and security.³³

State and Territory governments tend to fund events more generally, usually through the events area of Tourism Commissions or events bodies, to generate economic activity, including tourism. For example, the New South Wales Government spent over \$1 million on the hosting of the 2001 Masters Games with local government contributing around \$300 000. An additional \$1 million was raised through sponsorships and donations. In return for this investment, approximately \$20 million was expected to flow into the economy as a result of the games.³⁴

Commonwealth funding commitments to date for the upcoming Commonwealth Games to be held in Melbourne in 2006 amount to around \$90 million.

Total State and Territory events budgets are significant. The Western Australian Government, for example, committed around \$10 million through the West Australian Tourism Commission specifically for major events, including the Hopman Cup, during

2000–2001.³⁵ The Victorian Government announced in August 2000 that it would allocate up to \$40 million for events, such as the Grand Prix and the Rip Curl Offshore Festival.³⁶

(Note that these funding levels may not include additional support through other areas of government.)

Questions

- 155 **Should some market segments—for example, business travel—be targeted individually and, if so, which ones?**
- 156 **Should some niche markets, for example, sports tourism, be targeted and if so, which ones?**
- 157 **What research is necessary to assist targeting of special events and cultural exchange activities?**
- 158 **What targets could be developed in this area?**

6.3 Matching products to market needs

Adapting to changes in consumer tastes and capturing market share presents significant challenges for the tourism industry. Increasingly, consumers are confronted with new and innovative products and services that compete vigorously for their share of consumption spending. For example, the rapid growth in share of consumer spending on information and communications technology represents a challenge for all other industries, including tourism. In Australia, the last decade has seen changes in the structure of the workforce, characterised by greater numbers of self-employed individuals and temporary and part-time employees making up an increasing share of the labour force. Those in full-time employment are working longer hours with less time available for leisure, leading to ‘time poverty’. These trends are expected to continue over the next decade.

The challenge confronting the tourism industry will be to grow the tourism market, both internationally and domestically, and to develop new and innovative tourism products targeted to meet the needs of an increasingly time poor and discerning clientele. The ageing of Australia’s population also presents a challenge for the tourism industry, including ensuring tourism product is accessible.

Increasingly, tourism operators are tailoring product to meet individual needs, and are offering short stay holiday options to complement traditional peak period long holiday options. Tourism businesses are also increasingly utilising the Internet, as a means of communicating directly with customers, rather than relying on traditional forms of marketing and advertising.

THE RAPID growth in share of consumer spending on information and communications technology represents a challenge for all other industries, including tourism.

TO BE EFFECTIVE,
accreditation schemes need
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to be well respected.

International tourist expectations pose special challenges for the industry in understanding and meeting the needs of visitors with different languages and from different cultural backgrounds. Further developing the skill base of the industry in this area will be particularly important if Australia is to fully capitalise on inbound tourism opportunities, especially from other countries in the Asia–Pacific region.

Questions

- 159 **What are the major challenges confronting the industry in developing tourism product to meet changing market needs, and how can they be addressed?**
- 160 **Are there impediments to developing tourism products and skills necessary to meet the needs of inbound visitors?**
- 161 **What research is necessary to better identify market needs and develop appropriate products?**

6.4 Competitiveness

6.4.1 Quality and standards

Government and industry agree that national accreditation schemes are a key vehicle for informing and encouraging operators towards world's best practice. Accreditation also provides local and international visitors and travel wholesalers with greater confidence in product quality. To be effective, accreditation schemes need critical mass and credibility to be well respected.

The Australian Tourism Accreditation Association has developed a national accreditation framework for the tourism industry, to enhance quality in management, business systems and service. Largely designed by the industry itself, the framework establishes a practical benchmark for operators. A distinctive 'tick-on-a-star' logo, to be displayed by accredited operators, signifies compliance with the framework and assures consumers that they are dealing with a committed operator.

Accreditation systems are also in operation or are being developed in a range of industry sectors, including the inbound tourism sector and the ecotourism sector, and among tour guides, outdoor recreation leaders, and Indigenous tourism operators. While many of these systems are developing independently of each other, there is support from a variety of industry sectors to ensure that, over the longer

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term, business accreditation systems across the industry will be embedded within, or aligned with, the single national tourism accreditation framework.

While accreditation schemes can be utilised as a means of generating competitive advantage, it is important that the net cost of adopting accreditation not be excessive, as this would impede take-up or result in unnecessarily high prices for consumers. As markets become more sophisticated, it may be that commercial considerations become more important in influencing firms towards best practice.

Visitor safety is an essential element of the operations of any tourism business and features highly in State, Territory and local government regulations as well as in business accreditation systems.

Questions

- 162 **Are there priority areas for accreditation?**
- 163 **What accreditation system would best deliver enhanced quality in management, business systems and service?**
- 164 **Is there a need to distinguish between accreditation for international and domestic purposes?**
- 165 **How could tourism accreditation systems be made consistent and in line with customer expectations?**
- 166 **How could the regulatory environment governing visitor safety be improved?**
- 167 **Are there targets that could be identified for quality and standards and if so, what would they be?**

6.4.2 Innovation

Innovation, including research and development, is widely recognised as being a major driver of economic growth.

Significant Commonwealth assistance is provided in the form of tax concessions and grants for research and development. The Government has provided \$100 million, under its \$3 billion Innovation Action Plan, *Backing Australia's Ability*, to support a range of collaborative projects, including assisting Australian industry to access new technologies.

The tourism industry is only a minor beneficiary of these programs. This might be in part due to the service nature of tourism, which implies that little intellectual property in the form of patents is generated, or to a lack of knowledge about available government assistance.

The economic argument advanced for providing government assistance to research activity arises from its high risk and uncertain nature, although, in reality, research

IN REALITY, RESEARCH IN THE TOURISM sector is probably no more high risk than in any other sector.

UNPUBLISHED Australian Bureau of Statistics estimates indicate that investment in research and development by tourism businesses was about \$5 million in 1999–2000.

THERE ARE SIGNIFICANT opportunities for smaller tourism businesses in generating linkages with global supply chains ... the Internet has the potential to assist such smaller players to overcome what once were insurmountable obstacles.

in the tourism sector is probably no more high risk than in any other sector. The potentially large external benefits to the community, and the difficulty faced by investors in appropriating the full commercial return from research when others can benefit without paying—the ‘free rider’ problem—is also an issue.³⁷

Unpublished Australian Bureau of Statistics estimates indicate that investment in research and development by tourism businesses was about \$5 million in 1999–2000. There could be significant potential for tourism to increase its level of involvement in research and development—for example, through collaborative ventures in areas such as energy efficiency, waste disposal and construction.

There could also be opportunities for further commercialisation of tourism research products and services, especially for export markets. There are also opportunities for the tourism industry to participate in research partnerships which minimises risk to tourist, such as developing antivenom for the Irukandji jellyfish.

Questions

- 168 **What accounts for the relatively low levels of business research and development expenditure on tourism?**
- 169 **What are the impediments to the tourism industry's undertaking or participating in greater innovation and research and development activity?**
- 170 **What would be appropriate targets for increasing the level of tourism business investment in research and development?**

6.4.3 Distribution

Tourism's success is heavily dependent on its distribution channels, which link tour operators to travel agents, accommodation providers to transport operators, and so on. Traditional distribution systems are being exposed to new competition from the use of new technology, such as online booking suites, which potentially render some service providers redundant. This process of disintermediation (or removal of a link in a traditional supply chain) is having a significant impact on the structure of the industry, globally as well as in Australia, particularly for the travel agency sector.

Global supply chains link suppliers of goods and services which transcend country boundaries. Within the tourism industry, links to international global supply chains are strongest for the travel agency, large hotels, and aviation sectors. The use of the Internet to bypass traditional methods of sourcing supply is becoming increasingly popular among suppliers, who see its ability to help them reduce costs, remain competitive and maximise their access to potential customers.

There are significant opportunities for smaller tourism businesses in generating linkages with global supply chains, but also significant inhibitors, such as prohibitive

cost or lack of international profile. Overall, however, the Internet has the potential to assist such smaller players to overcome what once were insurmountable obstacles.

With rapid advances in technology, changing consumer preferences and pressures on industries to minimise cost, substantial changes in the travel distribution channels, over the next decade, are inevitable. Australia's ability to deal with these changes, including an appreciation of their implications, will have a significant bearing on the international competitiveness of the tourism industry.

Questions

- 171 How can small tourism business access to supply chains be improved?
- 172 How well is the industry prepared to deal with the challenges arising from the increased use of new technology in tourism supply chains?

6.4.4 Other funding

A range of Commonwealth Government assistance programs is available to the tourism industry. This includes various programs to assist the development of regional and rural Australia, such as the *Regional Assistance Programme*, and the *Regional Solutions Programme*, the *Regional Tourism Programme*, *Networking the Nation* (which aims to improve rural communications and Internet services) and the *Export Market Development Grants Scheme*.

The Commonwealth Government's \$115 million *Stronger Regions Programme*, including the *Sustainable Regions Programme*, is aimed at helping regional, rural and remote communities to build their capacities to identify and implement development opportunities. The Government has also committed \$163 million to improving rural and regional telecommunications and Internet services.

The Government's *Regional Tourism Programme* provides more targeted assistance to help businesses and other organisations to develop quality tourism products in regional Australia. An additional \$8 million has been committed to the programme over the next four years. The Government has also committed funding for a range of tourism projects across Australia involving expenditure of around \$14 million.

The Commonwealth Government has also committed \$15 million over four years to enhance the Bass Strait Passenger Vehicle Equalisation Scheme, and has extended the diesel fuel rebate scheme to include small retail/hospitality businesses that produce their own electricity from diesel, at a cost of around \$80 million over four years.

The *Export Market Development Grants Scheme* assists Australian companies to develop export markets. Around \$150 million is being provided under the scheme in 2001–02. On average tourism receives just under 20 per cent of all grant money, which exceeds its share of total exports. Recent enhancements to this scheme have

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significantly increased the program's benefit to the tourism sector. Eligible tourism providers can apply for a partial reimbursement on a broad range of expenditure, including overseas representatives and export consultants, market visits, free samples, trade fairs, seminars, in-store promotions, promotional literature and advertising, as well as bringing overseas buyers to Australia.

State, Territory and Local governments also provide business assistance through State, Territory and Regional Development Organisations.

CURRENTLY, there are no official measures of levels of tourism services expertise exports.

Questions

- 173 **How could industry access to government programs be improved?**
- 174 **Are the existing government programs appropriate to the needs of the tourism industry and, if not, what gaps exist?**
- 175 **Could existing funding be better directed and, if so, how?**

6.4.5 Exporting tourism services expertise

Tourism services expertise is a growing segment of the tourism industry. The Australian tourism industry demonstrates best practice, leadership, high level expertise and innovation in a range of tourism related services including tourism forecasting, research, accreditation and infrastructure development and management. For example, Australian businesses already export a number of tourism training products and services, including hotel management training. However, there are significant opportunities to increase exports in services expertise, particularly in the Asia-Pacific region, where many countries are seeking to develop their tourism sectors as engines for economic growth. Currently, there are no official measures of levels of tourism services expertise exports.

Questions

- 176 **What are the opportunities for increasing exports of tourism services expertise?**
- 177 **How can industry develop a strategic approach to exporting tourism services expertise?**

7. Sustainable Development

7.1 Role of sustainable development in tourism

During the past decade, around the world, increasing priority has been accorded to sustainable development. At the same time, greater awareness of social and environmental issues, combined with greater access to information, has enabled consumers to make more informed choices about the sustainability status of holiday destinations and providers.

The projected growth of tourism in Australia (both domestic and inbound) will place increasing demands on the existing tourism infrastructure and on energy and resource consumption. Adequate planning and innovative strategies will be needed to ensure tourism is able to grow sustainably, within the environmental and social carrying capacity of tourism destinations, and meet international expectations.

In particular, Australia's biodiversity offers aesthetic and recreational uses for humans, through flowers, birds, trees or whales, as well as natural or semi-natural landscapes such as the Great Barrier Reef and the wetlands of Kakadu National Park.

While the tourism industry is made up of a large number of enterprises that need to generate profits in order to remain viable or sustainable as businesses, it can nonetheless grow and develop in harmony with the environment, individual communities, and broader Australian society. This chapter looks at the factors that may shape their success.

THE PROJECTED GROWTH of tourism in Australia (both domestic and inbound) will place increasing demands on the existing tourism infrastructure and on energy and resource consumption.

Questions

- 178 **How can we ensure the long-term sustainability of existing tourism attractions and provide for the sustainable growth of new enterprises and attractions into the future?**
- 179 **Are targets appropriate for sustainable tourism development?**

7.2 Sustainability and the natural environment

Australia currently has 14 world heritage listed areas and it can be anticipated that other areas will be nominated for world heritage listing in the future. There are many other areas designated as national parks or as protected areas under State and Territory Government legislation.

Protection and sustainable use of these protected areas and the provision of appropriate infrastructure is very important to the tourism industry, both commercially and in terms of enabling the world heritage values associated with these areas to be presented to the visiting public, thereby helping to meet Australia's international obligations. Cultural heritage and native title values are also important and need to be recognised.

TOURISM ACTIVITIES along Australia's reefs are of growing importance and it is in the interests of both tourism and the environment that activities are managed in such a way as to conserve and protect both habitat and biodiversity.

Threats affecting Australia's coral reefs include the effects of sediments, agricultural chemicals and nutrients, the effects of fishing and tourism, the threats of oil spills, and negative changes in habitats as a result of greater climate variability and accelerated climate change. Specific threats include elevated nutrients in the inner Great Barrier Reef and outbreaks of the Crown-of-thorns Starfish. Tourism activities along Australia's reefs are of growing importance and it is in the interests of both tourism and the environment that activities are managed in such a way as to conserve and protect both habitat and biodiversity.

The *Environment Protection Biodiversity and Conservation Act 1999* requires businesses to make notifications about planned investments that may impact on 'biodiversity' conservation and 'other' environmental values. In such cases, environmental impact statements and the approval of the Commonwealth Environment Minister may be required before developments are allowed to proceed. State, Territory and Local governments also have environmental legislation or regulations.

Environmental regulations apply not only to tourism investments, but also to any development in a sensitive area, including developments that may not be attractive or compatible with tourism activity. In such cases, the importance of the tourism industry may need to be balanced against that of another industry in order to ensure the best development outcome for a particular region.

Also important to the protection of Australia's natural assets is ensuring adequate quarantine measures to guard against an incursion pathway associated with arriving international tourists and their baggage. Quarantine is vital not only to Australia's plant, animal and marine species, but also for human and environmental health more generally.

Questions

- 180 What considerations arise in relation to environmental, cultural heritage or native title legislation and how should they be taken into account?
- 181 How could tourism considerations be best taken into account when considering other industry development proposals that might adversely affect tourism?

7.3 Sustainability and environmental best practice

Increased awareness of environmental issues has been placing pressure on individual businesses to improve their environmental performance. This applies not only to the interaction of tourists with the natural environment, but also to the impact of tourism businesses themselves on the environment.

Over the past decade many tourism businesses have responded to these pressures by adopting 'environmental best practice' strategies aimed at minimising their impact on the environment. This has been particularly evident in the design and operation of tourist accommodation in close proximity to world heritage areas.

The ecotourism sector has developed an accreditation scheme which is recognised internationally as best practice in terms of presenting the natural environment in a sensitive and appropriate way, with detailed interpretation of ecological, environmental and cultural characteristics. That part of the tourism industry is particularly active this year, given that 2002 is the United Nations' designated International Year of Ecotourism.

Other sectors of the industry are also conscious of the environment and are taking steps toward best practice environmental behaviour, both in the presentation of their tourism products and in the operation of their own businesses. For example, the hotel sector has adopted greenhouse gas reduction strategies, which have not only benefited the environment but have resulted in energy savings and improved profitability for the participants.

Many tourism businesses also play an active role in environmental management by working closely with management agencies and providing information, concerning events or developments in protected areas, and actively assist in the achievement of conservation and biodiversity objectives. Continuing effective quarantine measures are also most important in this regard.

Questions

- 182 **How could environmental performance be improved in tourism businesses?**
- 183 **How could the tourism industry best contribute to conservation and biodiversity objectives?**

7.4 Sustainability and communities

Not all communities across Australia necessarily see tourism as being desirable for their communities or are fully aware of tourism's potential benefits. This can apply to communities that prefer to enjoy their natural and/or built environment without the inconvenience of an influx of visitors as well as to some Indigenous communities which prefer to retain their traditional culture and lifestyle.

By contrast, some other communities would like to realise the benefits of tourism but are yet to perform at the level they would like. In such circumstances, there can often be disagreements within communities about the role of tourism in economic and social development. In many rural and regional communities, tourism is seen as a way to diversify the local economy and to provide new job opportunities for young people. Not all regional communities share the benefits of easy access to capital cities or built or natural attractions, and look to create built attractions or generate events as a means of gaining competitive advantage.

In the case of Indigenous tourism, there can be disagreement within communities concerning the 'authenticity' of Indigenous product. There are also impediments to Indigenous tourism development regarding access to finance and becoming better

integrated into the mainstream tourism industry. In more remote areas of Australia, lack of access to enabling infrastructure, such as road access, transportation linkages and telecommunications facilities can be an impediment.

IN MORE REMOTE AREAS of Australia, lack of access to enabling infrastructure, such as road access, transportation linkages and telecommunications facilities can be an impediment.

In addition to the Indigenous leadership group mentioned early and organisations such as Aboriginal Tourism Australia, a number of government agencies play a role in helping to develop tourism among Indigenous communities. This includes helping to develop consultative mechanisms and protocols to ensure that tourism activities in traditional lands respect the customs and wishes of traditional landowners.

At the Commonwealth level, these agencies include the Aboriginal and Torres Strait Islander Commission, the Commonwealth Department of Employment and Workplace Relations and the Commonwealth Department of Education, Science and Training. State and Territory tourism, Indigenous affairs and economic development agencies also play a role in facilitating Indigenous communities' understanding of the opportunities associated with the development of Indigenous tourism.

Indigenous tourism is also defined by cultural laws and practices. Uluru was recently closed as a tourist attraction as part of a mourning period for the passing senior traditional elder of Uluru-Kata Tjuta National Park and the Mutitjulu Community. Growth of Indigenous tourism will be dependent on understanding sensitivities associated with traditional cultures.

INDIGENOUS TOURISM is also defined by cultural laws and practices.

Questions

- 184 **How could communities become better informed about the opportunities associated with tourism and best decide the appropriate role for tourism in their communities?**
- 185 **What needs to be done to achieve tourism growth in rural and regional Australia?**
- 186 **What approaches could be taken to determine an appropriate role for tourism in Indigenous economic and social development?**
- 187 **How can businesses in the tourism industry go beyond the traditional concepts of tourism to embrace emerging demand for alternative tourist experiences such as those offered by eco-tourism and cultural tourism?**
- 188 **What needs to be done to ensure that tourism activities respect the customs and wishes of indigenous people?**
- 189 **How can we ensure long term sustainability of existing tourism attractions and provide for sustainable growth of new enterprises and attractions into the future?**
- 190 **What research is necessary to assist attainment of sustainability objectives in Indigenous communities?**

GROWTH OF INDIGENOUS TOURISM will be dependent on understanding sensitivities associated with traditional cultures.

8. Risk Management

8.1 The need to manage risk

Consumers demand high quality goods and services at competitive prices. Investors expect performance and growth from their investments. The challenge for the tourism industry and its stakeholders, including governments, is to deliver positive outcomes in an increasingly globally competitive, ever changing, and technologically innovative marketplace.

Meeting this challenge will require a concerted approach to risk management. The organisations that manage risks effectively will be better placed to realise or exceed their objectives. They will be more able to identify and exploit opportunities, manage the risks that could affect achieving their objectives, make good decisions quickly, and respond and adapt to unexpected events. Successful organisations will also take calculated risks to achieve their objectives.

For the tourism industry as a whole, the more organisations that successfully manage risk, the more likely it is that the industry will perform in a way that will maximise the achievement of longer-term objectives or targets.

As discussed in this chapter, a rigorous approach to risk management involves accurately assessing the operating environment, identifying and assessing risks and opportunities, designing strategies for managing risk and implementing risk management strategies. Monitoring and reporting on outcomes is also important once a strategy has been implemented.

8.2 Risk environment

In recent times, the tourism industry has weathered a number of significant events that have impacted significantly on the operations and profitability of many businesses throughout the industry. These events include the external shock to the international market which followed the events of 11 September 2001, the impact on domestic tourism and many regional tourism destinations which followed the collapse of Ansett, the impact of bushfires on many tourism destinations and businesses in New South Wales during the Christmas holiday season, and the recent widespread increases in public liability insurance premiums.

These events highlight the fact that the industry operates in an international market, it has a high degree of interconnectedness, it is subject to seasonality, it has a close interaction with the natural environment and it runs all the kinds of commercial and legal risks facing any businesses supplying goods and services to an Australian and overseas consuming public. The recent shocks to the industry were mostly unforeseen but have been and are being absorbed and responded to as the industry adapts to changing market circumstances in Australia and internationally.

THE ORGANISATIONS
that manage risks effectively
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or exceed their objectives.

8.3 Strategies for managing risks

Categories of risks need to be identified before management strategies can be designed and implemented. Some examples of risk categories that could apply to tourism include: international market and currency risks, domestic market risks, infrastructure and transport risks, natural disaster and environmental risks, and business and commercial risks.

EVEN MORE EMPHASIS
on becoming integrated into international markets as a means of minimising the risks associated with any downturn in domestic demand.

8.3.1 International market and currency risks

Greater internationalisation of Australia's economy and tourism market will bring higher exposure for tourism to international developments. The impact of the Gulf War in the early 1990s and, more recently, the impact of the events of 11 September 2001, each highlighted the importance of stakeholders having in place mechanisms to manage such risks. In both cases, the inbound tourism sector, tourism marketing bodies and wider industry participants throughout the industry adjusted their marketing strategies and products on offer to respond to marked global downturns. The position of the Australian dollar against major currencies is also a key risk factor, with the devaluation which has taken place in recent times increasing the cost of marketing Australia overseas, but generally improving the competitiveness of Australia as a tourist destination.

8.3.2 Domestic market risks

While domestic tourism is forecast to continue to account for the bulk of tourism spending, international tourism is forecast to grow faster than domestic tourism. This has the potential to lead to a higher market share for international tourism in the Australian market. This will challenge the industry to become more responsive to international tourist needs and to place even more emphasis on becoming integrated into international markets as a means of minimising the risks associated with any downturn in domestic demand.

8.3.3 Infrastructure and transport risks

The events of 11 September 2001 and the collapse of Ansett had a significant impact on air services both to and within Australia. This had a particularly severe impact on a number of regional tourism destinations where Ansett was the predominant supplier of services. It also severely affected Ansett owned or franchised travel agents and many of Ansett's suppliers and customers.

Actions taken since by governments and the aviation industry have helped to restore air capacity, but the occurrence of these events has highlighted the need for continuing business and government risk management strategies to minimise the impact of such events in future.

Similar strategies are needed to minimise risks associated with the operation of other key tourism infrastructure and transport modes, including improving the flexibility of the industry to deploy and utilise other transport modes when needed.

8.3.4 Natural disaster and environment risks

Bushfires which occurred close to many tourism destinations in regional New South Wales at the peak of the recent tourist holiday season highlighted the vulnerability of tourism operators who work in or close to parks and forests. For example, tourism in the Shoalhaven region of New South Wales has traditionally received 30 per cent of its business in the month after Christmas, which coincides with the peak of the bushfire season.

The risks associated with incursions by serious exotic plant, animal or marine or human diseases have been highlighted in recent times in the UK and Europe by the impact of outbreaks of foot and mouth disease and bovine spongiform encephalitis (BSE). Knowledge of human health risks, especially in the more remote of tropical areas of Australia is also an important factor for tourism operators and an integral element of ensuring visitor safety.

Within the marine tourism sector, industry and governments recently cooperated to control an outbreak of crown-of-thorns starfish which, if left unchecked, could have resulted in serious damage to coral in areas important for tourism. In addition, seasonal population increases in jellyfish, including the irukandji and the box jellyfish found in northern Australian waters, can involve significant risk for travellers involved in marine activities in these regions. Marine tourism operators require preventive strategies to minimise risk. More generally, the tourism industry is heavily reliant on favourable weather conditions and needs to have contingency plans in place to cope with the unexpected.

Planners and parks managers have a shared interest in conserving and protecting Australia's natural resources. Having effective risk management strategies in place helps ensure the sustainability of both the resources and the businesses that depend on them.

8.3.5 Business and commercial risks

Planning, diversification and quality control

Adequately planning for business and commercial risks is as important for tourism businesses as it is for businesses generally. A prerequisite for good planning is having in place a realistic business plan embracing all the elements of good management. These relate to how the business approaches key strategic and operational issues—for example, product development, marketing, customer service, human and financial resource management, use of technology, and legal, safety and environmental management.

MARINE TOURISM

OPERATORS require preventive strategies to minimise risk.

THE TOURISM INDUSTRY

is heavily reliant on favourable weather conditions and needs to have contingency plans in place to cope with the unexpected.

Many businesses seek to minimise business and commercial risk by diversifying tourism product and forming strategic alliances with related parts of the industry in cases where there is high level of interdependence. The adoption of such strategies helps to minimise over-reliance on narrow or specialised segments of the market and ensures the capacity for businesses to adjust to changing circumstances among suppliers or complementary businesses.

More broadly, the tourism industry's move towards business accreditation, both for the industry as a whole and for individual key sectors, is a positive and practical example of how businesses are moving to minimise business and commercial risks.

MANY BUSINESSES SEEK TO MINIMISE business and commercial risk by diversifying tourism product and forming strategic alliances.

Regulatory environment

It is also important to recognise that the industry operates within a complex regulatory environment governed by Commonwealth, State, Territory and Local governments. It is therefore essential for businesses to keep abreast of the regulations influencing them and to identify those areas where regulatory changes might pose risks for their operations.

Insurance and travel compensation

Public liability insurance has become a major issue right across the tourism industry, including among airlines, rental car and other transport operators, hotels, restaurants and accommodation providers, tour operators, events organisers, horse riding schools, and adventure tourism operators.

PUBLIC LIABILITY insurance has become a major issue right across the tourism industry.

The recent rapid increase in public liability premiums and difficulties gaining access to cover are causing considerable concern for businesses—particularly small operators. There are claims that increased premiums are causing financial hardship to operators while some operators are unable to get any cover at all. Lack of insurance cover is placing both operators and consumers at risk and, in some cases, preventing businesses from operating.

While there is an ongoing debate about the causes of rising insurance premiums, few would disagree that the issue needs to be resolved as a matter of priority. Unless the issue can be resolved urgently, it has the potential to affect tourism's viability in the longer term as well as consumer confidence in the industry.

The Commonwealth, State and Territory governments are addressing a range of issues raised by industry and voluntary organisations to alleviate the impact of public liability premium increases on businesses and the community. Various possible measures have been put forward, including pooling arrangements to give small businesses greater bargaining power, caps or limitations on public liability claims, education and training for small businesses in risk management and ways to reduce the number of accidents.

The Travel Compensation Fund is both a tool for protecting consumers against financial failures of licensed travel agents, and an important element in the licensing of travel agents. Under State and Australian Capital Territory government legislation, travel agents are required to be members of the Travel Compensation Fund in order to obtain a licence. The collapse of Ansett and related companies last year has placed enormous financial pressure on Travel Compensation Fund's reserves. This in turn has significant implications for the travel agent sector, as travel agents are the primary contributors to the Fund.

Questions

- 191 **What are the main categories of risk for tourism and what strategies could industry and governments adopt to address them?**
- 192 **Are targets appropriate for risk management and, if so, what would they be?**
- 193 **What research is necessary to underpin better risk management?**
- 194 **What roles can the private sector and governments play in finding a sustainable solution to the problem of increases in public liability insurance premiums?**
- 195 **Following recent travel agency collapses, how can consumers' confidence in the travel agents sector be improved?**
- 196 **Is the Travel Compensation Fund an appropriate mechanism to deal with consumer issues associated with travel failures?**
- 197 **What reforms of the Travel Compensation Fund are necessary, if any, to help secure the viability of the travel agents sector and to enhance consumer protection?**

8.4 Implementing risk management strategies

Research by the Cooperative Research Centre for Sustainable Tourism emphasises that a good risk management strategy should identify areas of risk, understand the causes and consequences, take steps to prevent risks and deal with incidents when they occur.

Assessments of how the identified risks affect strategic objectives or targets can be made by considering the likelihood of risks occurring and the severity of their expected consequences.

Strategies for managing risk tend to fall into one of four broad categories, depending on the likely frequency of risks occurring and their severity of impact. Risk management strategies adopted by businesses generally include avoiding, transferring, mitigating or accepting risk.³⁸

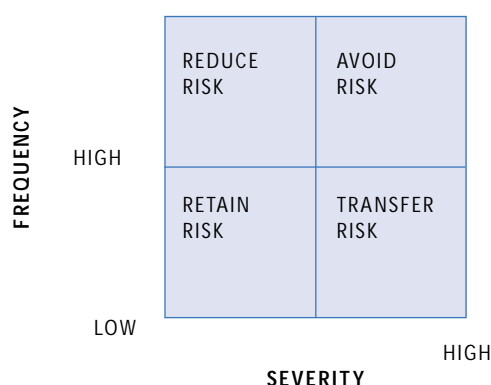
If the risk associated with an opportunity is too high relative to the potential reward, it may be appropriate to drop the activity. An example would be an underwater dive operator abandoning a dive because the weather conditions are judged to be too dangerous.

Alternatively, the risk of losses can be reduced by transferring risk to third parties, for example, through insuring, outsourcing or establishing strategic alliances. If the frequency of risk occurrence and likely severity is low, many organisations tend to simply accept the risk (see Figure 8.1). An example would be for a bushwalking tour guide to simply accept the risk of being sued for injury.

IF THE RISK ASSOCIATED WITH AN OPPORTUNITY

is too high relative to the potential reward, it may be appropriate to drop the activity.

FIGURE 8.1 RISK EVALUATION MATRIX



Source: Wilks, J. and Davis, R.J., *Risk management for scuba diving operators on Australia's Great Barrier Reef*, Cooperative Research Centre for Sustainable Tourism, 2000.

Given the recent difficulties occurring in access and cost of public liability insurance, many businesses are finding it now more important than ever to have written policies and procedures, staff training, signage, visitor and customer briefings, and monitoring of industry standards.

Questions

- 198 To what extent do tourism businesses adopt risk management strategies and how well do they work?
- 199 What practices does the tourism industry employ to hedge against risk?
- 200 Should there be a risk management strategy for the whole industry and, if so, what would it look like?
- 201 What role should governments play in assisting tourism to manage risk?

9. Implementation

The 10 YEAR PLAN for the tourism industry, with any accompanying targets, will only be as good as the commitment that both industry and governments make to it. This is true for both the plan's development, through responses to this discussion paper and participation in consultations, and implementation.

The tourism industry has a large number of representative bodies—some representing a range of industry sectors and others representing individual sectors—across a number of industry sectors, such as those of inbound tourism operators, travel agents, airlines, hotels, motels and accommodation providers, restaurants and caterers, ecotourism operators, and meetings and conventions organisers.

Input from these organisations and from other interested parties will be crucial in shaping desirable outcomes.

Governments too will need to be closely involved and make a commitment to the Plan. Within the Commonwealth Government, apart from the tourism portfolio itself, there are a large number of portfolios or policy areas that can contribute. Policy areas that can influence industry development include economic management, taxation, transport, labour market regulation, education and training, customs, immigration, international trade, foreign investment, cultural heritage, native title, and the environment.

State and Territory Governments have a significant stake in the development of the 10 YEAR PLAN, especially their respective Tourist Commissions. State, Territory and Local governments can also have a significant influence on industry development through influenced by infrastructure decisions and planning, transport issues, business taxes and charges, business and consumer law, and environmental policies and regulations.

Regional tourism associations will also need to ensure that they contribute and that their views are taken into account in the development and implementation of the plan.

Governments at all levels already play an active role in fostering the development of the tourism industry and use a range of consultative mechanisms, formal and informal, within and between governments in order to address issues influencing industry development.

Effective communication and consultation between industry, governments and the wider community will be needed to gain broad commitment to the plan. While many consultative mechanisms already exist, there is scope for new mechanisms to be developed.

STATE AND TERRITORY GOVERNMENTS have a significant stake in the development of a 10 YEAR PLAN.

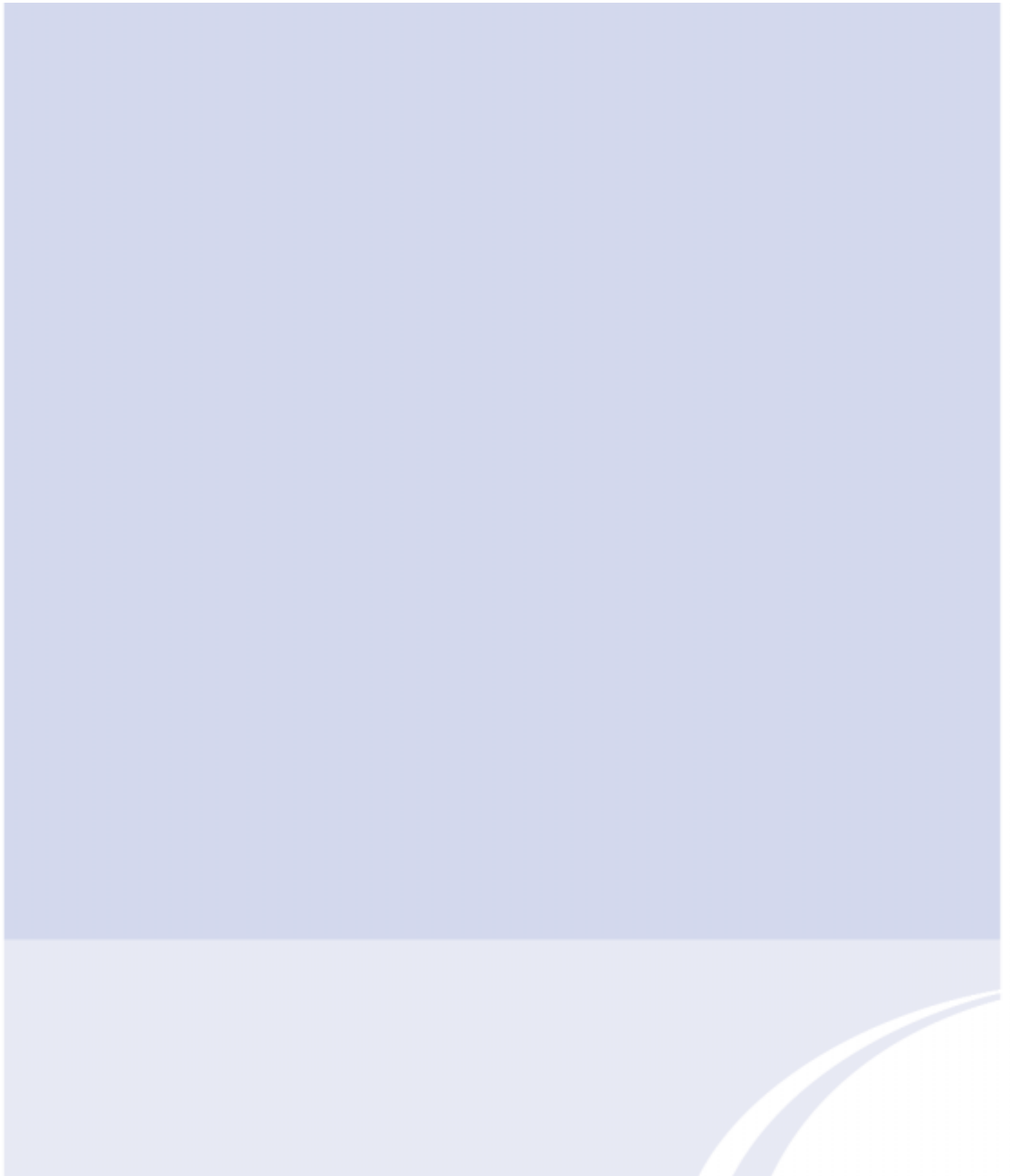
Question

202 **What consultative mechanisms are needed to enable governments to receive ongoing advice, representative of all tourism sectors, on tourism issues?**

End notes

- 1 World Tourism Organisation, press release, 29 January 2002.
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- 4 World Tourism Organisation (WTO), *Tourism 2020 Vision*, April 1999. Note that although the forecasts predate 11 September 2001, the WTO advises that the forecasts remain current.
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- ²⁵ Australian Tourist Commission, *Corporate Plan 2001/2–2005/6*.
- ²⁶ KPMG Consulting, *Economical and financial values of the Great Barrier Reef Marine Park*. Research Publication No. 63. Great Barrier Reef Marine Park Authority, Townsville, 2000.
- ²⁷ Bureau of Tourism Research, *International Visitors Survey for Australia*, June 2000.
- ²⁸ Department of Communications, Information Technology and the Arts, *Cultural Tourism in Australia: Visual Art and Craft Shopping by International Visitors*, 1998.
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- ³² Australian Bureau of Statistics for the Cultural Ministers Council Statistics Working Group, *Australia's Culture No. 11: Selected Cultural Industries 1999–2000*, 2001
- ³³ Sydney Organising Committee for the Olympic Games, *Sydney 2000 Post Games Report*, 2001.
- ³⁴ NSW Legislative Assembly Hansard, 17 October 2001.
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- ³⁶ Victorian Department of State and Regional Development, *2000–2001 Annual Report*.
- ³⁷ Hutchison, J. *Tourism: Getting It Right for the Millennium*, 1997.
- ³⁸ CPA2Biz Inc, *Analysing and Assessing Risks*, 2002
- ³⁹ Hinch, T.D. and Butler, R.W. *Indigenous tourism: A common ground for discussion*. In R.W. Butler and T.D. Hinch (Eds.). *Tourism and Indigenous Peoples*. London: International Thomson Business Press.



Appendix 1: List of questions

Forecasts and Targets

- 1 What are the implications of visitor nights growing more slowly than visitor arrivals?
- 2 Should emphasis be placed on achieving a higher, or lower, growth rate than is currently forecast?
- 3 Are the current forecasting arrangements adequate for the future?
- 4 How influential are forecasts in planning for investment?
- 5 How useful is it to set tourism growth targets?
- 6 What sectors of the tourism industry would benefit most from growth targets?
- 7 What are the advantages and disadvantages of using tourism forecasts as growth targets?
- 8 What relative emphasis should be placed on tourism expenditure and tourism numbers?
- 9 How practical or desirable would it be to extend the range of forecasts to derive demand for regional or sectoral targets? What are the advantages of setting separate growth rates for regional tourism?
- 10 Would supply side forecasts be useful? If so, what activities could be forecast?
- 11 What research is necessary to improve Australia's forecasting capability?
- 12 What is an appropriate definition of 'yield' that could apply nationally for the 10 YEAR PLAN?
- 13 What, if any, is the appropriate mix of markets that should be targeted by international tourism promotion to optimise yield across all markets and for various sectors?
- 14 What emphasis should be placed on yield in developing the 10 YEAR PLAN?
- 15 How can yield be optimised?
- 16 What research is necessary to assist in the maximisation of yield?

Investment and Infrastructure

- 17 Is the current rate of investment in tourism adequate, especially in regional areas and, if not, why not?
- 18 What are some of the implications for tourism investment of achieving significant growth targets?
- 19 What can be done to enhance investment in tourism, especially in regional communities?
- 20 What accounts for the relative profitability levels of components of the tourism industry?
- 21 What research is necessary to help optimise tourism investment?

- 22 Does the tourism industry experience lower levels of profitability in regional areas compared with the major cities?
- 23 What are the impediments to increasing institutional and retail investment in tourism?
- 24 What are the impediments to increasing institutional and retail investment in regional tourism?
- 25 How could the existing funding structures for tourism be improved?
- 26 What alternatives to the current structures might be considered?
- 27 What role could the tourism industry play in facilitating public infrastructure development—for example, in national parks and heritage-protected areas?
- 28 How can research assist in enhancing tourism investment flows?
- 29 Can targets be set for infrastructure investment, and, if so, what would they be?
- 30 What would be the impact on inbound tourism of securing of 'open skies' agreements with some of Australia's major tourism markets?
- 31 What strategies can be employed to arrest the decline in numbers of international flights to regional Australia?
- 32 What strategies can be employed to encourage sustainable competition in the domestic aviation market?
- 33 How important are regional aviation operators to the long-term sustainability of tourism in regional communities?
- 34 What can be done to encourage domestic airlines to serve regional tourism routes?
- 35 What are the implications of the proposed no-frills services for regional routes?
- 36 What research would assist in the restoration of aviation capacity?
- 37 Can any useful targets be set?
- 38 What are the impediments to establishing a northern hub for international air services into Australia?
- 39 Could such hubs be established in major regional centres that are not on the eastern seaboard? If not, why not?
- 40 Would rejuvenating Cairns airport into one of Australia's major international gateways facilitate improved yield for the tourism industry through greater access to more diverse product in regional Australia?
- 41 How can potential conflicts between aviation industry needs and the needs of the community, particularly in relation to Sydney Airport, be resolved?
- 42 Are there any aspects of the regulatory and taxation environment which are impeding airline and airport investment?
- 43 What more can be done by border agencies to minimise the impact on passenger processing of increased security and quarantine procedures?
- 44 What research can assist in better management of airports for tourism?

- 45 Can any useful targets be set?
- 46 To what extent is the level of construction and maintenance of roads a significant impediment to tourism industry growth?
- 47 Are there particular routes that require greater levels of funding to meet tourism needs? If so, which routes are these?
- 48 To what extent could private sector–public sector partnerships improve Australia's road infrastructure?
- 49 What research is necessary to better inform road network development?
- 50 What are the implications for tourism of reductions in bus and rail services in regional areas?
- 51 What options exist to arrest further decline in bus and rail services and indeed to increase such services to open up the tourism potential of regional areas?
- 52 How can bus and rail infrastructure be improved to meet the needs of tourism?
- 53 What role should intermodal connections and intelligent transport systems play in assisting tourism transport?
- 54 What are the main impediments to the development of cruise shipping and other marine tourism activities in Australia and how should they be addressed?
- 55 How can the impacts of marine tourism on the environment and on regional communities be managed?
- 56 What research is necessary to assist in the development of marine tourism?
- 57 What improvements in accommodation will be required to cater for increased tourism over the next decade?
- 58 What are the priority market segments and destinations for accommodation development?
- 59 Are there sufficient accommodation options, and information about these options, to meet the demand for different types of holiday experiences, particularly in regional communities?
- 60 What research is necessary to assist accommodation industry development?
- 61 Could any useful targets be set for accommodation?
- 62 In which market segments and destinations could attractions play a significant role in boosting tourism performance?
- 63 How can natural attractions be promoted as tourism destinations, while still protecting cultural and environment values?
- 64 What targets would be appropriate, if any, for attractions?
- 65 What research is necessary to better inform investment in and operations of, the attractions industry?
- 66 What are desirable approaches to developing the tourism industry's research and information resources?

- 67 What, if any, significant gaps in tourism research and statistics exist and how can they be addressed?
- 68 Does the existing body of tourism research and statistics readily meet the needs of regional tourism bodies?
- 69 How can the operations of existing institutions be improved, including through increased funding from the non-government sector, to deliver more timely and effective research and statistics?
- 70 How can industry's access to, and utilisation of, research results be improved?
- 71 Is the available academic research relevant to industry needs?
- 72 How can tourism research become self-supporting by selling its results to the private sector?
- 73 What type of research is used in business planning and what are the main sources of this research?
- 74 What are the impediments to tourism businesses adopting online technologies?
- 75 Are regional tourism businesses faced with different impediments?
- 76 How can the benefits provided by programmes such as Networking the Nation be more effectively accessed by regional tourism businesses?
- 77 Should Commonwealth and/or State and Territory governments be involved in providing central sites to coordinate tourism knowledge?
- 78 What research is necessary to assist in the diffusion of online technology?
- 79 What targets could be identified to help understand the impact of new technologies in the tourism sector?
- 80 How well is tourism meeting its needs for skilled labour?
- 81 What are the impediments to the tourism industry attracting skilled workers from within the Australian labour market?
- 82 Are the available programmes in tourism and hospitality adequate for the industry's present and long-term skills needs?
- 83 How well are the employment needs of regional tourism businesses being met, and what are the impediments for attracting and retaining a skilled workforce in regional areas?
- 84 How accessible are programmes in tourism and hospitality to people in rural, regional and remote communities?
- 85 Are the specific training needs of rural, regional and remote tourism businesses being met?
- 86 What improvements to the national training system are needed to meet the longer-term needs of businesses and employees?
- 87 Are there adequate strategies in place to address long term requirements for skilled employees?

- 88 What research is necessary to assist in lifting the tourism and hospitality skills base?
- 89 What targets would be useful in strengthening the tourism and hospitality skills base?
- 90 What changes could be made to regulations affecting tourism operators in order to reduce compliance costs and facilitate investment?
- 91 What changes to the foreign investment approval process and guidelines would promote foreign investment in tourism?
- 92 To what degree is reform and/or removal of taxes on the tourism industry justified?
- 93 How should any changes be funded?
- 94 How could the environmental assessment and approval process be enhanced to facilitate sustainable tourism investment?
- 95 What are the main factors affecting investor sentiment in tourism?
- 96 How can industry research be improved to assist in industry investment decisions?
- 97 What is industry's role in this?
- 98 How can the current data set for entry and exit of businesses in tourism and of reasons for those entries and exits be built on?
- 99 Are skill shortages in tourism hampering investment in the industry?
- 100 In what occupations are the skill shortages likely to be? Do these relate to skill gaps for existing workers?
- 101 What are other areas of potential skill shortages in addition to those identified above?
- 102 What is the best way to address the issue of skill shortages?
- 103 What are the identifiable impediments to efficient workplace arrangements in tourism businesses and how might these be addressed?
- 104 What will be the major tourism infrastructure needs in Australian cities, regional areas and major tourism destinations over the next ten years?
- 105 How could those needs best be prioritised and funded?
- 106 Is there scope for a system of grading for tourism infrastructure and how might it be designed?
- 107 What research is required to better inform infrastructure investment decision making?

Domestic Tourism

- 108 What accounts for the reduction in the significance of domestic tourism as a proportion of the Australian economy?

- 109 How can the tourism industry profit from major initiatives, such as the Year of the Outback 2002, to ensure on-going growth and sustainability of the industry?
- 110 What targets could be set for increasing the growth rate of domestic tourism? Should these targets include regional components?
- 111 Are the current mechanisms for domestic and regional tourism promotions the most effective available?
- 112 How might they be improved?
- 113 What overlaps exist in the domestic marketing activities of Commonwealth, State and Territory agencies and is there scope for better coordination?
- 114 Are there synergies in combining international, domestic and regional promotional efforts?
- 115 Does tourist promotion need to be better integrated with local destination management? If so, how?
- 116 How can the roles of the government and the private sector be strengthened in supporting domestic tourism?
- 117 To what extent should local government organisations become involved in the tourism industry, especially in regional areas?
- 118 What is the scope to gain wider dispersal of tourism expenditure beyond well-established destinations?
- 119 What actions need to be taken, at each level, to achieve this?
- 120 What research is required to better inform domestic tourism marketing decisions?
- 121 How can tourism providers better capture the spin-offs for domestic tourism resulting from offshore events?
- 122 Which drivers for domestic tourism growth should be targeted for attention by governments and industry?
- 123 What are the impediments to growth in domestic tourism?
- 124 How could those impediments be best addressed?

International Tourism

- 125 What are the advantages and/or disadvantages of outbound tourism, in particular the impact on industries within the tourism sector?
- 126 Is outbound tourism suitable for target setting, if so, what would they be?
- 127 What are the challenges for the tourism sector in maintaining and/or increasing the numbers of inbound tourists?
- 128 What different approaches could lift the yield of inbound tourism?
- 129 Should the Tourism Forecasting Council forecasts for inbound tourism become targets for the tourism industry and, if not, what would be more suitable targets?
- 130 What research is required to optimise net returns from international tourism?

- 131 Should Australia target specific inbound markets and, if so, how should these markets be selected?
- 132 Should specific customer segments (eg wealthy retirees, young females, nature seekers) be targeted and, if so, what are the priority segments.
- 133 How could international tourism marketing better deliver benefits to Australian tourism companies?
- 134 What changes to the operation and funding of the Australian Tourist Commission are necessary to protect and increase Australia's market share of international travel and to increase visitor numbers and expenditure to regional areas?
- 135 Is there scope for better coordinating the activities of various Commonwealth agencies involved in promoting Australia and, if so, how could that be achieved?
- 136 How can the promotion of regional tourism be improved to encourage repeat visitations and longer stays, particularly outside the metropolitan cities?
- 137 What overlaps exist in the international marketing activities of Commonwealth, State and Territory agencies and is there scope for better coordination?
- 138 What research is necessary to better inform marketing expenditures?
- 139 Are there particular market access issues which limit the expansion of tourism businesses offshore—either in growing the number of international visitors to Australia or in establishing consultancy or service delivery operations?
- 140 Should the Commonwealth Government be pursuing activity aimed at removing or limiting the impact of impediments to the sustainable growth of Australia's tourism sector?
- 141 On which markets or regions should the Government focus its market access activity?
- 142 Does the fact that Australia is not a member of the World Tourism Organisation restrict our capacity to participate in international debates on tourism industry development?

Product Development

- 143 What are the trends in tourism product development?
- 144 What are the impediments to the development of particular types of tourism product and how might they be overcome?
- 145 How can promotion of tourism products by government agencies, including the Australian Tourist Commission, Invest Australia and Austrade, be improved?
- 146 What are the links between types of tourism product, and is there scope for strengthening them?
- 147 How can industry and government facilitate the development of business tourism?
- 148 What are the emerging niche markets and how might they best be tapped into?

- 149 How could tourism contribute more to education, arts and cultural development, and to health improvement?
- 150 How can tourism assist regional development and advancement for Indigenous Australians?
- 151 What research would assist the development of niche tourism markets?
- 152 What targets could usefully be set in this area?
- 153 Should governments target particular product segments for development and provide special incentives to encourage development of these product segments?
- 154 If particular product segments are to be encouraged, how would these be selected?
- 155 Should some market segments—for example, business travel—be targeted individually and, if so, which ones?
- 156 Should some niche markets, for example, sports tourism, be targeted and if so, which ones?
- 157 What research is necessary to assist targeting of special events and cultural exchange activities?
- 158 What targets could be developed in this area?
- 159 What are the major challenges confronting the industry in developing tourism product to meet changing market needs, and how can they be addressed?
- 160 Are there impediments to developing tourism products and skills necessary to meet the needs of inbound visitors?
- 161 What research is necessary to better identify market needs and develop appropriate products?
- 162 Are there priority areas for accreditation?
- 163 What accreditation system would best deliver enhanced quality in management, business systems and service?
- 164 Is there a need to distinguish between accreditation for international and domestic purposes?
- 165 How could tourism accreditation systems be made consistent and in line with customer expectations?
- 166 How could the regulatory environment governing visitor safety be improved?
- 167 Are there targets that could be identified for quality and standards and if so, what would they be?
- 168 What accounts for the relatively low levels of business research and development expenditure on tourism?
- 169 What are the impediments to the tourism industry's undertaking or participating in greater innovation and research and development activity?

- 170** What would be appropriate targets for increasing the level of tourism business investment in research and development?
- 171** How can small tourism business access to supply chains be improved?
- 172** How well is the industry prepared to deal with the challenges arising from the increased use of new technology in tourism supply chains?
- 173** How could industry access to government programs be improved?
- 174** Are the existing government programs appropriate to the needs of the tourism industry and, if not, what gaps exist?
- 175** Could existing funding be better directed and, if so, how?
- 176** What are the opportunities for increasing exports of tourism services expertise?
- 177** How can industry develop a strategic approach to exporting tourism services expertise?

Sustainable Development

- 178** How can we ensure the long-term sustainability of existing tourism attractions and provide for the sustainable growth of new enterprises and attractions into the future?
- 179** Are targets appropriate for sustainable tourism development?
- 180** What considerations arise in relation to environmental, cultural heritage or native title legislation and how should they be taken into account?
- 181** How could tourism considerations be best taken into account when considering other industry development proposals that might adversely affect tourism?
- 182** How could environmental performance be improved in tourism businesses?
- 183** How could the tourism industry best contribute to conservation and biodiversity objectives?
- 184** How could communities become better informed about the opportunities associated with tourism and best decide the appropriate role for tourism in their communities?
- 185** What needs to be done to achieve tourism growth in rural and regional Australia?
- 186** What approaches could be taken to determine an appropriate role for tourism in Indigenous economic and social development?
- 187** How can businesses in the tourism industry go beyond the traditional concepts of tourism to embrace emerging demand for alternative tourist experiences such as those offered by eco-tourism and cultural tourism?
- 188** What needs to be done to ensure that tourism activities respect the customs and wishes of indigenous people?

- 189** How can we ensure long term sustainability of existing tourism attractions and provide for sustainable growth of new enterprises and attractions into the future?
- 190** What research is necessary to assist attainment of sustainability objectives in Indigenous communities?

Risk Management

- 191** What are the main categories of risk for tourism and what strategies could industry and governments adopt to address them?
- 192** Are targets appropriate for risk management and, if so, what would they be?
- 193** What research is necessary to underpin better risk management?
- 194** What roles can the private sector and governments play in finding a sustainable solution to the problem of increases in public liability insurance premiums?
- 195** Following recent travel agency collapses, how can consumers' confidence in the travel agents sector be improved?
- 196** Is the Travel Compensation Fund an appropriate mechanism to deal with consumer issues associated with travel failures?
- 197** What reforms of the Travel Compensation Fund are necessary, if any, to help secure the viability of the travel agents sector and to enhance consumer protection?
- 198** To what extent do tourism businesses adopt risk management strategies and how well do they work?
- 199** What practices does the tourism industry employ to hedge against risk?
- 200** Should there be a risk management strategy for the whole industry and, if so, what would it look like?
- 201** What role should governments play in assisting tourism to manage risk?

Implementation

- 202** What consultative mechanisms are needed to enable governments to receive ongoing advice, representative of all tourism sectors, on tourism issues?

Appendix 2: Glossary

ANSETT TICKET LEVY—a \$10 ticket levy introduced on 1 October 2001 to fund the costs of the Government's Special Employee Entitlement Scheme for former employees of the Ansett Group. The levy applies to most domestic and international flights from Australian airports, including external territories.

BIODIVERSITY—the variety of life on earth- plants, animals and microorganisms, as well as the genetic material they contain and of the ecological systems in which they occur.

BUILT INFRASTRUCTURE—includes transport (by air, land or sea), accommodation and manufactured attractions.

BUSINESS TOURISM—travel related to the traveller's employment, including to attend conferences, conventions, exhibitions or trade fairs or to pursue training or research.

'CLOSED BAG' DUTY AND TAX-FREE SYSTEM—goods purchased duty and tax free in a duty free store and sealed in a bag until the traveller has passed the Customs barrier.

DOMESTIC TOURISM—travel by Australian residents outside their usual environment for a period not exceeding 12 months and whose main purpose of visit is other than the exercise of an activity remunerated from within the place visited.

FARM STAY—hosted rural accommodation often with farm involvement.

HOLIDAY/LEISURE TOURISM—travel for pleasure, including for relaxation, entertainment, sport (as a participant or as a spectator) or shopping.

INBOUND TOURISM—travel to Australia by someone residing in another country for a period not exceeding 12 months and whose main purpose of visit is other than the exercise of an activity remunerated from within Australia.

INDIGENOUS TOURISM—refers to tourism activity in which Indigenous people are directly involved, either through control or by having their culture serve as the essence of the attraction.³⁹

INTERMODAL—intermodal transport refers to the usage of, or interconnection between, several different modes of transport (road, rail, sea and air) within the one journey

INTERPRETATION—a means of communicating ideas and feelings which help people understand more about themselves, their environment and other cultures. The process is commonly facilitated by guides, displays, on-site signage, brochures and electronic media.

LONG HAUL TRAVEL—travel between countries in different World Tourism Organisation regions (inter-regional travel).

MARKET ACCESS ISSUES—regulatory impediments or structural inefficiencies in overseas markets which constrain Australian industry's capacity to grow.

OUTBOUND TOURISM—travel by Australians outside of Australia for a period of less than three months.

OUTBOUND VISITORS—those Australians who visit another country for less than 12 months.

PASSENGER MOVEMENT CHARGE—the Passenger Movement Charge was introduced in 1995 (replacing the Departure Tax) to recover the border processing costs associated with customs, immigration and quarantine. It is administered by the Australian Customs Service with revenues returned to the Consolidated Revenue Fund.

REGION—economic areas as defined by the World Tourism Organisation, namely, Africa, Americas, East Asia/Pacific, Europe, Middle East and South Asia.

SHORT HAUL TRAVEL—travel between countries within a region as defined by the World Trade Organisation region (intra-regional travel).

SUSTAINABLE TOURISM—tourism which can be sustained over the long term because it results in a net benefit for the social, economic, natural and cultural environments of the area in which it takes place.

TOURISM—the activities of persons travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes not related to the exercise of an activity remunerated from within the place visited.

TOURISM SECTOR—the business of providing goods and services to people who travel.

TOURIST REFUND SCHEME—the Tourist Refund Scheme allows travellers to claim back the GST and wine equalisation tax (WET) paid on goods bought in Australia and taken with them on departure for an international trip.

VISITOR—travellers who stay one or more nights in a location while travelling (international and domestic overnight visitors) or spend at least four hours on a round trip more than 50km away from home (domestic day visitors). Visitors may be described by the main purpose of their trip, such as holiday visitors, business visitors or international students.

VISITOR NIGHTS—the number of nights spent away from home in association with individual visits.

