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Official Committee Hansard

HOUSE OF REPRESENTATIVES

STANDING COMMITTEE ON ECONOMICS, FINANCE AND
PUBLIC ADMINISTRATION

Reference: Current and future directions of Australia's service industries

TUESDAY, 20 FEBRUARY 2007

PERTH

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HOUSE OF REPRESENTATIVES

STANDING COMMITTEE ON ECONOMICS, FINANCE AND PUBLIC ADMINISTRATION

Tuesday, 20 February 2007

Members: Mr Baird (*Chair*), Dr Emerson (*Deputy Chair*), Ms Bird, Mr Ciobo, Ms Grierson, Mr Keenan, Mr McArthur, Mr Secker, Mr Somlyay and Mr Tanner

Members in attendance: Mr Baird, Ms Bird, Mr Ciobo, Dr Emerson, Ms Grierson, Mr Keenan, Mr McArthur, Mr Secker, Mr Somlyay and Mr Tanner

Terms of reference for the inquiry:

To inquire into and report on:

Where the service export sector now sits in Australia's export (and import competing) environment, focusing on, but not limited to:

- the tourism and education service sectors;
- the impact of the resources boom on the service sector;
- future global opportunities for Australian service exports; and
- policies for realising these opportunities.

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Committee met at 9.36 am

CHAIR (Mr Baird)—I declare open this public hearing of the House of Representatives Standing Committee on Economics, Finance and Public Administration. Today's hearing is for the inquiry into the current and future directions of Australia's service industries. The inquiry was referred by the Treasurer, the Hon. Peter Costello, on 3 May 2006. The committee has received 50 submissions to date, copies of which are available on the committee's website.

Today's services inquiry hearing is being held in one of the states experiencing unprecedented resources boom growth. The increase in the price of Australia's non-rural commodities has led to significant increases in per capita GDP—markedly so in the boom states of Western Australia and Queensland. While Australia is currently enjoying the riches of the boom, the eventual stabilisation of commodity prices will change the complexion of the economy. The committee is therefore currently investigating the state of two of our other dominant trade sectors: manufacturing and services.

Today's hearing focuses on the role export services may play in sustaining Australia's economic growth when the resources boom subsides. The hearing will cover two important service exports: tourism, and the international education and training sector. It is particularly pertinent to assess these sectors in a state that has experienced the lion's share of resources boom impacts.

We will be hearing from representatives of WA Hospitality and Tourism Industry Training Council, Tourism Western Australia, the Tourism Council of WA and the Western Australian Department of Education and Training. I remind witnesses that although the committee does not require you to give evidence under oath this hearing is a legal proceeding of parliament and warrants the same respect as proceedings of the House itself. The giving of false or misleading evidence is a serious matter and may be regarded as a contempt of the parliament.

The evidence given today will be recorded by Hansard and will attract parliamentary privilege. Before introducing the witnesses I refer members of the media who may be present at this hearing to the need to fairly and accurately report the proceedings of the committee.

[9.38 am]

KILMINSTER, Ms Anthea, Executive Officer, WA Hospitality and Tourism Industry Training Council

CHAIR—I welcome the representative of WA Hospitality and Tourism Industry Training Council to today's hearing. As you have heard before, although the committee does not require you to give evidence under oath it still has the same standing as proceedings of the parliament. We have received a written submission from you and now invite you to make an opening statement. We will proceed on from there.

Ms Kilminster—Since writing our submission the skills shortage facing the tourism and hospitality industry has continued. Whereas it was described in the report as chronic, it is now critical that many issues are addressed—and not just education and training. While many initiatives have been launched to build a more highly skilled and responsive workforce to support Australia's long-term economic growth, these are directed to all industries across the board with the view that one program will suit all industries—the old idea of one size fits all.

Many of these initiatives rely on advertising or special agencies to promote them to business. While large businesses will and do see the benefit, small business operators must first understand the bureaucracy often associated with these initiatives. In the Australian government response to the National Tourism Emerging Market Strategy report, *Investing today for tomorrow*, and the National Tourism Investment Strategy report, *Investing for our future*, a number of recommendations were made—specifically, 43(a) and (b); and 44(a) and (b). We recommend that these are considered by the committee and have a high priority placed on them to provide a focus on the skill shortage issue facing this industry, particularly in Western Australia.

CHAIR—Thank you very much. I appreciate your coming today. Please do not be intimidated by the size of the committee here. We have an interest in listening to evidence about the issue, and we have spoken to a number of people.

I noticed in your submission that you spent quite a lot of time on the skills shortage, which has been an issue brought up by tourism and hospitality people around Australia. I wonder whether you could talk about the reasons there is a skills shortage. Obviously in Western Australia part of it would be the attraction of working for the resources sector, which can pay differentials in terms of wages. The second part of it is the ideas you have for fixing it. I notice that you have ideas for the students who come into hospitality and training schools, and that you were the first person to recommend putting them under a bond system. That is all right; it does not mean to say there is anything wrong with it. Why don't you tease it out a bit and express your views? The idea of this committee inquiry is really to look at the issues and recommend to government things that can be done on a practical basis.

Ms Kilminster—In this state the resources sector takes many of our chefs. That is one issue: they go and work on mines.

CHAIR—What is the difference in wages?

Ms Kilminster—If they were an ordinary breakfast cook here in the city they would earn probably around \$40,000. Their starting wage on a mine site is \$52,000—that is fly in, fly out. That is okay if you can handle it. Many in our industry think that because they work long hours, split shifts and all of those things that go with working in the industry, they will cope with that. Sometimes that works and sometimes it does not, but there is a money factor and the fact that they get tired of working some of the hours down here. It is a fact that we do not have many young people that we can access here. It is an industry that thinks that it should just recruit people in that 15- to 24-year age group and not consider people who are more mature. The industry considers that its focus is youth. Unfortunately, youth work in it but it is actually mature people like all of us sitting around here who pay and go out.

So there are all of those factors, and there is also—dare I say it?—a group of parents who see the industry as not being particularly attractive. They will do anything to force their children out of the industry when it actually has some very good careers. Many people do not see past the initial entry-level jobs. If we are to make a go of the industry, and if it is to grow and become a much stronger and more vibrant industry—apart from getting rid of a few legislative issues in the state—accessing those people who choose to come and stay here and study here is a good resource for the industry, albeit short term.

But many people come with the view that they would like to settle here in Australia. They would like to migrate, so why not use their skills while they are learning to better our industry and to perhaps give many of our young people the idea that in other countries tourism and hospitality are considered very good jobs? If you go to any of the Asian countries to work in a hotel, particularly a large chain, it is considered quite prestigious; but it is not the case here, particularly in Western Australia. On the eastern seaboard there is a vast difference. When I go out to dinner anywhere on the eastern seaboard, or buy a coffee, I find there is a completely different focus on how we see the service industry in Western Australia. I guess, to some extent, we are still in that mining mentality. We have not quite graduated to the services sector yet.

Dr EMERSON—In relation to foreign students coming to Australia to study—as you said, in many cases they have an aspiration to stay—isn't there a Commonwealth program that says that they do not need to go back to their home countries to apply for permanent residence? If that is right—and I think it is—it means that the Australian government is essentially saying that foreign students who come here are pretty welcome and we are not trying to get them to go back. As a result of changes made in 2001 they can now stay here, or apply to stay here while they are still in Australia, whereas previously, if you came from Thailand to study you would have to go back to Thailand to apply when you finished your degree.

Ms Kilminster—I am not actually aware of that. I thought it related to the trades and that they had to have a certificate III.

Dr EMERSON—That might be the case. This is for university students. So you are saying that it would really need to be in vocational education.

Ms Kilminster—Vocational students—those students who come here and study with many of our private training providers. We have a couple of fairly large ones that have a very large Asian

focus and student body. Our TAFE has an international section as well. Those students, unless they are studying for a trade that is on the modal list—the skill shortages list—or they acquire a certificate III or above, yes. But any of the others, no; they have to study and then go back. Even if they have just come here to study English, they are still required to go back to their own country before they can come back.

Dr EMERSON—There are about 30 different occupations on that skill shortage list. I think it is probably the highest number in history. Wouldn't some of the occupations you are interested in be on that list?

Ms Kilminster—No, there is only one—that is, cooks and chefs; chefs mainly. That is the interesting thing: in this state there is no delineation between a cook and a chef; the trade is that of cooking. So adding an extra 50 points for someone to migrate to Australia to come to Western Australia makes no difference here because, even though I have a program whereby I can assess them, I cannot give them any extra points, because the trade as I know it is just for cooking or cookery.

Dr EMERSON—Would you argue, therefore, that this system that applies for university students—that is, that they can apply for permanent residence onshore—should also apply to students who are studying vocational education courses related to tourism here in WA?

Ms Kilminster—Yes. I would think that that would be a great initiative for the industry. It would mean that we would be able to access those people and they could then work longer—currently they are limited to 20 hours a week. I know their focus is on study, but some of them have to live and they come from countries that are perhaps not particularly affluent. Their parents have spent a lot of time, money and effort getting them to Australia to study. If we are going to train them to our standards, why can we not use them in our industry? I do not know of anyone I have suggested this to who has not said that they would not do that. They could be bonded for a period of time and then go from there.

Dr EMERSON—In terms of our Australian young people, are you staying that it is very difficult to attract them into the—

Ms Kilminster—There are changing attitudes on the part of parents. Parents are seen as one of the three or four major career-determining people in a young person's life. While they see and read the newspapers and know that—dare I say—the media, who are sitting behind me, focus on—

Dr EMERSON—They faithfully report everything you say!

Ms Kilminster—That is what I am worried about. While the media focus on the higher level qualifications and those jobs, we do not have a service culture that you get in other places, particularly here in Western Australia. You can go to some places and it is absolutely fantastic but then you read the letters pages of the *West Australian* and, albeit it is our only newspaper, you still see letters about people being appallingly treated. People pay \$100 or \$150 for a meal and the service is lousy. It is not hard to be pleasant. I guess we do not have a culture of service. The example I always like to quote is that of Hawaii, where from the age of about four every child has a colouring-in book and every job they colour in is related to the tourism industry: 'My

dad is a taxi driver in the tourism industry; my mum is a nurse and she is in the tourism industry.' We do not have that focus in Australia, and I think it is important that we start to look at that, because we are not always going to be able to dig holes in the ground and produce fantastic resources and lots of money.

Dr EMERSON—Are you saying that that attitude and the problems that you have outlined in the submission existed before the mining boom?

Ms Kilminster—Yes. I have been the executive officer of the industry training council for 10 years. In all of that time we have done career expos. I have to say that without exception every year that we have done the major one for the Department of Education and Training you can see the parents who look at us and think, 'Oh, no. My child is not going to work in that industry.' Even though the child might be particularly interested or might be curious, there is still that veto. There is still the thought that, 'That's that industry. They're all into alcohol, drugs and all of that.' And that is not actually the case.

It is a vibrant industry. It has grown on me in the 10 years I have worked in it. I came from another service sector, and that was finance, but I have enjoyed the 10 years I have had so far and look to, barring retirement, keep going. The people in it are great. They are fun. They are outgoing. It is the sort of place I think that most people would like to have fun in. It is a fun industry, and I think that is the message we need to get out to parents and kids: you can have a great life, but you have got to work hard. And all jobs require you to work hard.

CHAIR—Thanks very much. We will now ask our sole representative of Western Australia on the committee to lead the questions.

Mr KEENAN—Often when we talk about a skills shortage, in many ways in WA—probably in all of Australia, but particularly in WA—it is more just a labour shortage. We have run out of labour. Do you have examples of particular businesses that have adopted successful strategies for dealing with that? If so, can you give us an example?

Ms Kilminster—I do not know that you would call them successful, but ways in which businesses have continued to operate just recently include where they only operate 70 per cent to 80 per cent of their restaurant floor, their dining room floor. They have actually closed tables down.

Mr KEENAN—Is that reasonably common?

Ms Kilminster—It was in the south-west over the Christmas period—a couple of weeks before Christmas and a couple of weeks after or right through until the end of January—when people traditionally go down south to Margaret River and those places. I know of one very well-known restaurant here in Perth that has in fact done that on occasions. Businesses, restaurants in particular, are not taking walk-ins—people who walk in to have a meal: 'If you do not have a booking, sorry, we don't have a table for you.' That is the way in which they are coping. I do not know that that is called successful, but I suppose that is the sort of way in which they are dealing with the current issues.

I agree with you, Michael, in that in some cases it is a labour shortage. In others it is a skills shortage. Apart from the fact they cannot get the labour, they cannot even get people who are interested enough who may have skills to come back into the industry. I do not know whether they think that there are much bigger, brighter, better things out there or whether it is some of the things like the fact that if they have worked anywhere for a long period of time they are not able to take their long service leave with them. As you would know, in the building and construction industry there is portable long service leave. We have got a transient workforce much like that of building and construction. Portable long service leave seems to me to be an idea that we could at least pop up. I am sorry; that is not in my submission. That has only come out in the last few months. But it is something that we could look at, and maybe that will encourage people to stay in the industry when they can move their long service leave around from employer to employer.

The other issue is: what happens when you have someone who works two casual jobs? They get a higher rate of tax for the second job, because they do not get any tax-free threshold. Perhaps being able to adopt an even tax rate over two jobs if they are in the hospitality and tourism industry could be food for thought. So there are those sorts of things that I think would go a long way towards keeping people in the industry. They would not be so inclined to keep moving out of it to look at better and brighter jobs.

Mr KEENAN—I know that the AHA in WA are very concerned about the shortage. They have floated a scheme to bring workers in temporarily from overseas. Do you see any merit in that?

Ms Kilminster—I think so, in the short term. I do not think it is a long-term strategy. I think that it should be just a short-term measure to get us over that initial hump that we are currently experiencing. I would probably prefer to see that we try to access different pools of people currently here in Australia that we have perhaps not accessed in the past. I understand that we have a huge pool of refugees sitting in our northern suburbs—sorry, I am a southern suburbs girl—who may well have worked in tourism or hospitality in their own country before seeking refugee status. Maybe they are a pool of workers.

While I know we have low unemployment and a high skill shortage, I think there are pockets we probably have not tapped into, and perhaps we need to do greater research on those. Currently, I am being funded by the Department of Education, Science and Training to look at some of those initiatives. It is a 12-month pilot that we will be doing for 2007. We are looking at some of those issues in that, so I might be able to give you better feedback in about six or eight months time when I have worked out whether or not we can access them and whether or not their skill levels are sufficient. It would not necessarily be their actual skills in hospitality and tourism; it would be their language skills, whether or not their English is vocationally good enough for them to be on a floor and take orders and to communicate the sorts of things that are required.

Mr KEENAN—Funnily enough, Stirling is actually where most of the new arrivals come. There is certainly an untapped pool of labour. I will not take up the committee's time now but I would like to discuss that with you later on.

Ms Kilminster—I understand there are 450 students sitting in three schools. If you work on the notion that they must have at least one parent, that is 450 people who could possibly be working in the industry.

Ms BIRD—I have one question following directly on from what you have just talked about. One of the things that manufacturing has done is to look at mature age apprenticeships as well. I notice a lot of your recommendations are targeted at the entry level. Given the increasing costs of living and the pressures on family, there must be a whole pool of women out there looking for second jobs. It has been my perception that industry is not particularly welcoming of mature age people. I would like your perspective on that. Has the potential for interstate recruitment been pursued?

Ms Kilminster—You are right: industry has not been particularly welcoming of mature age people, male or female. But I think there is now a tendency for them to have to consider that. We are now starting to see changes. In fact, a comment from one of the chefs of a very well-known restaurant here in Perth just the other day was, ‘This fantastic woman came up and I’ve employed her, but she’s 52!’ It is like, ‘Yeah, even at 52 we’re still capable of working, mate.’ There is an expectation amongst many in the industry that mature age women are not interested in working in the industry, and they often do not give them a chance. But, if we get more examples like that, they will lead by example. Part of our program is looking at mature age people, particularly empty nesters and the grey set—the ones that travel around Australia—

CHAIR—The grey nomads.

Ms Kilminster—Thank you. I am not in that category, thank God. But they are another source, particularly in the north-west. We could perhaps do mini training programs for them and encourage them to work on their way around Australia. I think that would be interesting. I have relatives who have done that, who have packed up a caravan and stayed in Broome for three months. They both had wonderful jobs. They certainly were not grey nomads—they are a bit younger than that—but they had a great time. They have probably travelled around most of Australia doing that. It is something we need to look at. It is something they need to focus on a bit better than they currently are. What was the other thing?

Ms BIRD—Interstate.

Ms Kilminster—I do not know whether you were in Perth yesterday, but if you happened to open the *West Australian* yesterday there was a very sad story of a young couple from Victoria who were unable to get rental accommodation. Unless you are able to buy a house here, coming from interstate is probably not an option unless you are going to get an awful lot of support.

CHAIR—Especially with the price of houses in WA now.

Ms Kilminster—Yes, it is not cheap to buy a house. In regional Western Australia it is probably quite feasible to purchase a house and work, but hospitality and tourism opportunities, unless they are in Margaret River, the south-west or up in the north-west—and even if you go up there the cost of housing is really—

Ms BIRD—That would be no different for international labour brought in either, would it?

Ms Kilminster—No, that is right. That still has its own issues. In the case of Cable Beach in Broome, employers have bought an existing hotel where they house their workers as a strategy to accommodate them. I guess that something that employers in some of these resort towns and tourism spots are going to have to consider is either building or buying accommodation for their staff, otherwise every time it is the tourist season there, the staff get turfed out. That has been an ongoing issue for a number of years.

Mr SOMLYAY—I heard the other day at a different meeting that backpackers who traditionally go to rural areas and pick fruit are not going now and it is causing problems for primary industry. They are being employed in hospitality, particularly in Sydney and in your area. Do you get many backpackers over here? Can you use those people?

Ms Kilminster—We do. In fact, most of our north-west exists on backpackers. If we did not have them up there, we would not have an industry up there in hospitality and tourism.

CHAIR—Just on that point, I spent a few days at Cable Beach and it was almost entirely backpackers up there.

Ms Kilminster—It is. If we did not have backpackers, particularly the Germans and the Swedes, who like the big open spaces and travel through the north-west during the peak season, we would not have an industry up there. We rely on them enormously.

Mr SOMLYAY—That is up north. What about down here?

Ms Kilminster—I guess they are here, but we do not hear about them so much. By the time they get down here, they really want to have their holiday. They really want to travel. They like the wine regions and those areas. I guess if they want to work they are able to. An issue that has now been resolved is that they were only allowed to work for one employer for three months. Now it is six. I am guessing that there would be a lot of employers who would actually like to keep them for longer than that, but I understand that is probably not going to happen. If I could ask you to consider it—

CHAIR—That is why you are here. Just tell us what you think.

Ms Kilminster—I would like you to consider that that be extended, particularly in this state, to 12 months. It does cover an awful lot of the season. Also, between properties in the north-west and the south-west there may be able to be a transfer scheme arranged whereby they can work for six months in the north-west and six months in the south-west and still tour around. That would be a great initiative if we could get that alliance going somehow.

Ms GRIERSON—Can I put something to you regarding what you have just said about the labour shortages in terms of using backpackers. Most of them have had no training at all. It is an industry where most people are not trained and yet succeed, if that is what they want to do, without the training. Doesn't that suggest that training modules and training flexibility are absolutely vital?

Ms Kilminster—It is. More importantly, in this state, it needs to be e-learning. It needs to be on a website. It needs to be able to be accessed by industry, no matter where it is. That is the one thing that is probably lacking at this stage.

Ms GRIERSON—And that would suggest a national approach, because those people in the industry are so mobile. I do not think anyone in Australia has taken on that challenge at this stage.

Ms Kilminster—No, or thinking about it and trying to get it up there, like a lot of things.

Ms GRIERSON—The other thing in Western Australia is that you talked about the service culture being so difficult. It is particularly difficult with Indigenous people. Have there been any successful programs and trials in ecotourism for Indigenous young people?

Ms Kilminster—I am glad you asked that.

Ms GRIERSON—I think it is important.

Ms Kilminster—In conjunction with Tourism WA we have been running over the last two years an Indigenous visitor centre traineeship scheme. In the first year we had 15 applicants, of which there were nine completions who were placed in visitor centres.

Ms GRIERSON—That would probably be quite a good rate, really.

Ms Kilminster—Yes. One of them has now gone on to a local council in a tourism area and is now working in the finance section. So her start in the tourism industry has led to something else. We currently have a young girl, also from the same visitor centre this year, who is likely to go on to very much bigger and brighter things. In 2006-07 we had eight start and four will complete. So over two years we have managed to have 13 completions of young Indigenous people. It is a fantastic program and we are looking to run it again for 2007-08. It is better and brighter now that we have learnt all of the things that we failed at, shall I say, over the last two years—the things that we know we should do better. We will make this a really big year for them.

Ms GRIERSON—I wish you well with that program. Lastly, I refer to Work Choices. I know that for young people to go from part-time work at a basic \$20 an hour for hospitality work to an AWA at \$15 an hour as a supervisor is not very attractive, to be quite honest. So that is the sort of exploitation that is out there, and there is that sort of lack of opportunity for people to make it a permanent career. What do you suggest could be done about that? I used that example because my daughter works in hospitality. I know what is happening with young people out there, and I know what their wages and offers are. There is not a great opportunity.

Ms Kilminster—I guess it is a matter of making young people aware of their rights under all of the legislation that they may work under, and I think that is part of our training that is probably missing. We do not educate them about Work Choices or how to negotiate, and what awards are. That is missing from the training system.

CHAIR—Mr Ciobo wants to give you three questions to take on notice.

Mr CIOBO—You raised at the outset that there are a few legislative issues or barriers at the state level. I was wondering whether you could give details of those to the committee in writing. You spoke about the poor perception of the industry in the west. I am interested in finding out your views about ways to address that poor perception of work in the hospitality industry and whether there are any examples of successful campaigns or strategies that employers or industry across the board have used to alter that perception. You also raised the topic of possible portability of long service leave. I would be interested in your comments about the pros and cons, specifically addressing the con, as I would see it, of there being a potential cost to small business if, for example, someone were to transfer with a long service liability to a small business, work for six months and then seek to take their long service leave. I would be grateful if you could address those issues.

Ms Kilminster—Certainly.

CHAIR—Thank you very much, Ms Kilminster.

[10.08 am]

ETHERTON, Mr David Phillip, Executive Director, Industry Development and Visitor Servicing, Tourism Western Australia

CHAIR—Welcome, Mr Etherton. Although the committee does not require you to give evidence under oath, it has the same standing as proceedings of the parliament. We have received a written submission from you. Would you like to make an opening statement and then we will proceed to questions.

Mr Etherton—As you all know, tourism is part of the service industry. Despite our mining boom in Western Australia, it still employs about eight per cent of the workforce, which is really important. It contributes about 5½ per cent of the gross state product, so it is a key part of the economy and the fabric of Western Australia. Just as importantly, from a social perspective it is a major source of regional employment and a good way of diversifying regional economies. I lived in Karratha for a number of years and I am aware of how important it is to have a diverse employment base in a place like that. One of the great things about tourism is that, as dollars are invested, jobs are created at a faster rate than in most others because generally it is not as capital intensive.

One of the key things that we focused on in our submission, which you would have seen, is the workforce. I sat and listened to most of Anthea's evidence, so I know that you covered a lot of the topics that are dear to our hearts in talking to Anthea. The availability of skilled and unskilled staff in Western Australia is an anchor on the development of tourism and the service industry. Some of the issues, and I heard you talking about them, relate to housing costs, income levels, training and education, industry awareness, payroll tax, immigration policy and the fast-tracking of apprenticeships, and training and broadening the employment pool and how important that is, which you also talked about earlier.

In our submission we talk about four things that we think are really important: the first is the workforce. The second is access. As you all know, Western Australia is the most, or the second-most, depending on which story you believe, isolated capital city in the world. As a result, a significant proportion of our visitors come in by air, as pointed out in our presentation; a significant proportion of eastern state visitors come in by air and by road. It is vital that we have the appropriate air, road and airport infrastructure, or else our service industry cannot thrive.

As you are probably all aware, in 1988 Perth Airport was privatised. We raised some issues with them in a letter on Friday in relation to our worries about the adequacy of the infrastructure at Perth Airport. We know they are bursting at the seams, but there are some problems there. I am quite happy to talk further about some of the challenges for roads and their importance as far as road tourism is concerned. We talked about aviation a fair bit in our submission.

The third thing that we think is really important is product development. The ramping up of the Australian Tourism Development Program and the changes in some of the regulations have made a big difference; there is some great stuff there. We have our own initiative, again detailed in our submission, for better 'business blitzes', as we call them. This involves helping regional

communities to develop their tourism products and to understand what a good tourism product is. That has been really important. We also do a lot of work on demand and supply research so that people can make informed investment decisions. One of the really important things we did about two years ago was to plan the future of tourism for the next 10 years, in what we have called 'Destination development strategies', for our five tourism regions.

Another vital thing is accreditation; we have the National Tourism Accreditation Program in Western Australia and Tourism Western Australia are big supporters of the program. As you will have read, we did not agree with what happened to the accreditation program under the current federal minister in relation to the portal and in relation to the white paper issues that were not implemented.

The last thing is taxation. Obviously taxation is a vital part of deciding what will happen in investment and about the effectiveness of businesses. Tourism businesses are not generally high-yielding, which I do not think would be of surprise to anyone. They are not massively profitable businesses in many cases. There are some exceptions to that rule, and so small changes in the tax setting make big differences. Those are really the four things I want to focus on. In summary, tourism is a very diverse industry and there are a number of things that both federal and state governments can do to support its development.

CHAIR—Thank you, Mr Etherton, we appreciate that lead-off.

Mr SECKER—Mr Etherton, you mentioned that Perth is the second-most isolated city; what is the most isolated?

Mr Etherton—Honolulu.

Mr SECKER—Okay, so it is not Alaska. Have you noticed whether there are any correlations between growth in the mining industry and growth in tourism? Obviously, with the gold rush in the 1850s things came along with service and tourism. Do you get any feedback on that?

Mr Etherton—I think it is a dichotomy, to be perfectly honest. What happens is that the people who come to work in the mining industry and the people who come to service the mining industry utilise hotel rooms. If you look at the volume of visitation and the occupancies and yields in hotels in mining-related areas such as Perth, Karratha, Port Hedland, even Broome lately, and Exmouth as examples, you will see that they grow on the back of the services provided to the mining industry.

On the flipside there are also some very negative consequences for tourism. In Karratha, where I used to live and so I have a strong affinity with it, Aspen Parks owns two of the three caravan parks, and they are fighting to keep 60 of their 300 bays available for tourists over the peak season, because the permanents are prepared to pay tourist rates for 365 days a year. If you are running a business and are looking for a return on the capital you have invested in that park and someone says, 'I'll pay that rate and will guarantee you 100 per cent occupancy,' it is tough to say no, financially. They need to do the trade-off between the short term and the long term and what the impacts of that are on the business. From a tourism perspective, it causes some significant problems. Karratha and Port Hedland are really the two central points between Broome and Exmouth, and are two of our most important tourism assets. Between Broome and

Exmouth there are 1,350 kilometres, and if a 60-year-old grey nomad cannot sleep somewhere between those two points, you are in a lot of trouble.

Mr SECKER—It is virtually the same in Broome from, say, June to August. It is almost impossible to get a motel bed.

Mr Etherton—Yes. Another of the challenges that the tourism industry in Western Australia faces is seasonality. You cannot build and maintain a caravan park and maintain the investment in the infrastructure to service a two-month peak. Broome has about a seven-month shoulder and peak but the peak is only for about two to three months a year; unfortunately, you cannot warrant an investment on that two- to three-month peak. So it is a problem in Broome, and in a number of other places.

Mr SECKER—We have heard evidence from other operators that ecotourism is the way to go. Are you putting a lot of emphasis on that, especially with Indigenous people, who seem to have a natural ability in that area?

Mr Etherton—We do not tend to use the word ‘ecotourism’. In Tourism Western Australia we think that word has been misused and has negative connotations that we do not want to be associated with, so we talk about nature based tourism. We think nature based tourism is our core competitive advantage in the future, and when I say future I am talking about the long term. Tourism WA is currently developing its 25-year strategy for tourism. If we look 25 years into the future, which is a long way to look, we ask ourselves what are the two areas where we would have a competitive advantage globally. It is not access; we know we have a competitive disadvantage there. Our advantage is 40,000 years of Indigenous culture and the way we look after our environment. So we believe those two things are key focuses for us in the future, and the merging of those two, as you have suggested, is even more powerful. We think that is the key way to go forward.

Mr SECKER—You have made some criticisms of aviation policy. Would you elaborate on that, because I see aviation as being very important for the tourism industry.

Mr Etherton—The criticism expressed in the submission is about consultation on aviation policy. I think the submission states that we actually quite like the outcome, but we were not happy with the process. Do not go and talk to Qantas and other airlines and ignore the states and then come out with a policy. That we are predominantly in support of what was included in the policy is one thing, but it was a process complaint that we made.

Aviation policy is vital. One of the things that people tend to ignore is that airports are gateways; they are the throughput. If you have a problem with your airports it does not matter what aviation policy you have, the planes still have to land and take off. So when we talk about aviation policy I would not underestimate the impact of airports.

Mr SECKER—What about capacity shortages?

Mr Etherton—In Western Australia at the moment, yes absolutely. If you look at our competitive states, one of the challenges we face is that Adelaide has just had a fantastic upgrade, Brisbane has had a recent upgrade and Melbourne and Sydney are constantly

upgrading, and in the more distant past have had significant upgrades. To say that we are the fifth-best airport in the country in terms of the public infrastructure—

Mr SECKER—It was almost the best at one stage.

Mr Etherton—A long time ago. If you look at the recent ACCC survey you will see that Perth was rated from a service perspective to be the second-best airport in the country, behind Melbourne. It is interesting that, in an economy where we are struggling to employ staff and in an airport that we know has some infrastructure problems, the customers are still rating service as high. So that is obviously testament to the management at the airport. That is one of those success stories that you were asking Anthea about earlier.

Mr KEENAN—I want to take up the point about infrastructure and how you feel the tourism infrastructure in Western Australia is faring in the sense that, from memory, this—the Rendezvous Observation City Hotel—is the last big hotel that was built in Western Australia, and that was done in the late 1980s. There seems to be a lack of tourism infrastructure. I am wondering whether you could pinpoint why that might be.

Mr Etherton—Yes: 1986 to 1988 were two years when we had a fair bit of construction. We had the Burswood in 1987 and I think we had this one in 1986 or 1988—I cannot remember. And they are our two last reasonable size five stars. We also had the Holiday Inn—297 rooms, a massive hotel—open up only six or seven months ago out at Burswood. So we have had some recent infrastructure. But if we look at our tourism accommodation development register, we map the investment planned, investment actual and investment past every six months and we publish that for the whole world to see. Our pipeline for investments in Western Australia at the moment is the thinnest it has ever been.

Mr KEENAN—What does that mean?

Mr Etherton—The number of hotel rooms that are planned and the volume of expenditure for hotel rooms in Perth—I am talking about the city—is the lowest it has ever been. Traditionally—for example, seven years ago—we would have had on the book 40 per cent to 50 per cent of the room stock again in some form of planning. At the moment it is significantly below that. People are not planning to build hotels in Western Australia at the moment.

Mr KEENAN—Why is it so difficult to develop tourism infrastructure here as opposed to developing it in other parts of Australia? I suppose what I am driving at—and we are looking at things from a federal perspective—is that one of the reasons I think they have problems is the local planning laws. They make it very difficult to build big infrastructure projects. In fact, people who have come and offered to build big infrastructure projects have gone away empty-handed and built them in other parts of Australia. I am really trying to get a sense of why it is so difficult in WA.

Mr Etherton—I have been on the road for three years trying to increase investment in Western Australian hotels, and that is not the feedback we get. We researched all of our targeted 120 investors in the world, in Australia and in Western Australia, and asked them what the problems were. One of the issues they raised was bureaucracy—time to get the project to market—so that is definitely an issue.

Mr KEENAN—That is really the point I am driving at: is it easier to build a project in Queensland or is it easier to build it in Western Australia? I think the answer is obvious, and I think that is driving business outside of the state, and I think it is a problem.

Mr Etherton—In our research it was identified that the one that was leading us in terms of capacity to get projects to market in a short time frame was Queensland, so definitely that is some feedback that our investors have given us.

CHAIR—Do you have a kind of one-stop shop for development here in Western Australia?

Mr Etherton—No, not the same as in Queensland. One of the things that we did in response to that research—obviously you need to use research to drive you—is our Landbank project. We started that about 18 months ago. The idea of that is to cut through that red tape, to get a strategic environmental assessment in place for that particular site, to get planning approval for the certain footprint, certain number of bedrooms et cetera, and then you can offer that to the market and say, ‘If you build this, in this way, out of these materials, then you can do this in a much shorter time frame, but if you want to go and change things then you have to go back through the hoops in relation to the environment, local planning laws et cetera.’ So that was our response to it. We released the Rottneest Landbank site about six months ago as our first Landbank site and we have got two more Landbank sites coming up.

Mr CIOBO—Clearly there is a problem. You have got record yields, you have got full capacity and you have got a situation where you are not getting any further development, based on what you are saying. There is clearly a problem in the west. You are saying it is bureaucracy. What else is it? It is not just a case of saying, ‘Well, we are second to Queensland.’ Obviously you are not, otherwise the market would be sorting these things out. You have got a problem; what is the problem?

Mr Etherton—I would challenge the fact that we have record yields. I do not think we do. If you look at the CPI adjusted rate for hotel rooms in Perth they have just reached the 1996 levels in 2006.

Mr CIOBO—What is your level of occupancy?

Mr Etherton—The average occupancy in Perth at the moment—there are 15 different commentators that comment on that—is between 78 per cent and 82 per cent.

Mr CIOBO—Do Tourism WA maintain a database on this?

Mr Etherton—No, we do not have our own. We use the ABS. We use Jones Lang LaSalle. We look at all the different indicators. AHA publishes one regularly. We do not do our own. It is duplicated 17 times; why should we duplicate?

Mr CIOBO—This is in fact part of the problem, perhaps.

Mr Etherton—What is that?

Mr CIOBO—The fact that you have no clear guide as to what is happening in the market.

Mr Etherton—Steven, between 78 per cent and 82 per cent is tight enough for us to know that things are very busy, and the occupancy is at all-time highs, but the yield—

Mr CIOBO—But there is not good yield?

Mr Etherton—The net yield has improved significantly over the last nine months—

Mr CIOBO—Okay, so you are talking about net yield, because you have got a big explosion in your cost base.

Mr Etherton—No, sorry; the real yield, not the net yield. I used the wrong word there; it is the real yield. Adjusted for CPI, in 2006 it finally caught up with the 1996 levels—10 years later. So we have had a dip, the occupancies have come up, the occupancies have been rising for about four years—

CHAIR—Did you say there was 96 per cent occupancy?

Mr CIOBO—It was 78 to 82 per cent.

CHAIR—What was the figure of 96?

Mr Etherton—It was '1996'. Occupancy is 78 to 82 per cent.

Ms BURKE—Do you know percentage of that occupancy is tourism based and what is work based? That will make a big difference to you in the long term.

Mr Etherton—It will. You are asking me to quote from the top of my head here, but around 45 to 50 per cent of the people staying in Perth hotel rooms are business related corporate traffic. Leisure or VFR is less than that. The thing about 78 to 82 per cent occupancy is that, if it is a corporate hotel—and 50 per cent of our hotels are corporate hotels; 50 per cent of our rooms are occupied by corporate guests—it means you are empty on a Saturday night. Corporate hotels are empty on Saturday night. So, yes, they are full.

Steven, back to your question, which is how we got here—the yields are finally rising. The investors tell us the main problem is the maths; the maths does not work. The cost of land in Western Australia over the last three years has gone through the roof. The cost of construction in Western Australia over the last three years has gone through the roof. Getting labour in Western Australia is tough at the salaries that you are talking about. They are the three major problems. So what the investors say to us is that the top-line results are really starting to look good—the revenue yield occupancy is looking good—but the bottom-line result does not look as good because it costs a lot of money to build and maintain stuff in Western Australia. That is the feedback that we get.

Ms GRIERSON—If your 25-year strategy has already identified the advantage of Indigenous culture and of the environment being unique, do you think trainers and industry entrepreneurs are well positioned to take advantage of that in Western Australia? Do you think it is a focus for them?

Mr Etherton—I think it has increasingly become a focus for them. I heard Anthea Kilminster talk about the Visitor Centre Indigenous Traineeship Scheme that we started collectively about two years ago. Two years ago we also started one at a different level. The visitor centres are a great entry into tourism. I started at the visitor centre in Karratha; that is how I started in the service industry, straight out of university. They are a great entry point for Indigenous people into tourism; that is one thing. On the flip side, we think it is more important to get Aboriginal people into the professional parts of tourism so that eventually they can run their own businesses—so that in the end they are running the Burswood Hotel, not working in the Burswood Hotel. So, with funding from STEP, we started an Indigenous cadetship program. This year, 10 of the biggest employers in Western Australia will between them employ 15 Indigenous cadets in professional accounting, management and those sorts of jobs whilst they are continuing their degrees.

Ms GRIERSON—Some of the most unique and beautiful areas of Western Australia are fairly inaccessible and probably not very well marketed; that is my impression. Are entrepreneurs marketing these things properly?

Mr Etherton—Your impression that they are isolated and hard to get to is 100 per cent on the money. The long, thin routes we have aviation-wise, road-wise—we have a lot of distance and we have a few people travelling on them, and that makes the profitability and the marketability of a destination more difficult. Are they being well marketed? Broome, for example, one of the places that we as an organisation have marketed significantly over the last 15 years, has done exceptionally well. The growth rates out of Broome are fantastic; the access into Broome is fantastic. They have some labour problems there, though.

Ms GRIERSON—Finally, how much does communications infrastructure, such as broadband and mobile phone coverage, impact on tourism in Western Australia?

Mr Etherton—It will increasingly impact on it. At the moment there is an impact. The internet is the second most used source of ideas for travelling after word of mouth—chatting to people at barbecues. So that is really important and becoming more so.

Probably more importantly, one of the challenges that we are always going to have in the longer term in Australia is that labour is never going to be as cheap as it is in Asia and other destinations around the world, so we need to innovate. We need to look at the business processes that we can automate, do more effectively. One of the business processes that we need to automate is the booking process. A bed and breakfast in Broome or in the boondocks out the back of Margaret River at the moment has copper wire to their office. They cannot have real-time access to their inventory out to the marketplace. We think broadband is really important into the future.

Ms GRIERSON—Would I be right in saying most tourists find their information on the internet and if they cannot click onto that place and see what it is like they will not necessarily go there?

Mr Etherton—Yes, it is a competitive disadvantage. If you do not have the information available in the form that people want it online, then you are at a competitive disadvantage.

Ms GRIERSON—If I am a tourist in Western Australia, can I stay in touch easily with the rest of the world?

Mr Etherton—No. Again, talking about long thin routes and safety—and I talked before about Exmouth and Broome—travelling between those two places you have a very small pocket where your mobile phone works. If it is a Telstra mobile phone, it is a bigger pocket; if it is another carrier mobile phone, it is an even smaller pocket. There are some safety issue with regard to that.

Mr SOMLYAY—There seems to be more enthusiasm in WA than the eastern states to allow foreign airlines to fly domestic routes, especially among my colleagues in Western Australia. Do you have a comment on that and any concerns about the current plans of the consortium taking over Qantas?

Mr Etherton—I will take your first question on notice and get back to you. That is a policy matter, so I will check that and get back to you on it. Private equity taking over Qantas: do we have an opinion on that? I will take that on notice as well, sorry.

Mr SOMLYAY—But the impact of Tiger Airways coming in must be a positive for Western Australia.

Mr Etherton—We would see the increase in air access to and within Western Australia as a positive. One of the things we would love to have and that some of the backers behind Tiger have mooted previously is a gateway entry point to Western Australia through the north. The obvious place is Broome. Given the cross-country linkages over to Sydney and Melbourne at the moment and invariably that will grow so that it is Brisbane and possibly Tasmania into the future—probably not—but with those three linkages across—

Mr SECKER—What about Adelaide?

Mr Etherton—Maybe Adelaide as well. Adelaide is more likely than Tasmania because of the population bases and the visitation there. The linkages through Asia and Europe to Broome and the rest of Australia make sense and are something that some of the Tiger air backers have talked about, and we welcome that. We would welcome an entry point through the northern hub of Broome into the future. We have got to build some accommodation there first because there needs to be more accommodation to service something big coming out of there. But there are some charters being talked about at the moment and some developments in that area. I have taken two of your questions on notice, but aviation is very important. Yes, we are supportive of improved aviation into and through Western Australia.

Ms BIRD—I have a question on the skills shortage. I want to touch on an issue that some other tourism operators have raised with us concerning rogue players in the industry and exploitative practices. What is the experience here?

Mr Etherton—Are you talking specifically about inbound rogue players? That is most of the feedback we get.

Ms BIRD—Yes. I think that is pretty much the experience in the evidence too.

Mr Etherton—Our experience at the moment is that we do not think we share the same problems that Queensland and New South Wales have in terms of rogue traders. Like a lot of things in Western Australia, maybe that is a function of volume and time. Over time, the volume and the problem will grow but at the moment we do not face the same problems. In our visitor satisfaction research, nothing ever comes up about that.

CHAIR—Is that right? Do you have many visitors from China?

Mr Etherton—No. We have a very small visitation from China.

CHAIR—What about Korea?

Mr Etherton—We have a very small but faster growing visitation from Korea. We made a significant investment in Korea in the last two years, and it is paying off. If we get direct aviation access from Korea we will have more growth there. We are punching below our weight as far as China is concerned at the moment.

CHAIR—A follow-up to Sharon's question is this whole question of accreditation. You have been critical of what the government has done in that area. Could you explain that?

Mr Etherton—In the white paper \$2 million was set aside for the growth of the National Tourism Accreditation Program across the whole of Australia and the development of the Tourism Accreditation Australia Limited program across Australia. There was a business plan produced. The minister, Fran Bailey, did not like the business plan. She thought it lacked credibility. As a result, she changed the commitment in regard to the white paper and stated that that money would instead go into building a portal where all accreditation programs could join up together regardless of whether they were accredited by a national accreditor or not. So that is the critique we have.

One of the core focuses of that \$2 million was Queensland and New South Wales, where they do not have the national accreditation program. The footprint in Western Australia is pretty good: we have between 25 and 30 per cent of our operators accredited. In Tasmania it is even better; they have a significantly higher proportion. South Australia are doing slightly better than us as well. Queensland and New South Wales are non-existent in terms of the National Tourism Accreditation Program, and we would have liked to have seen them involved in the national system. Marketing an accreditation tick to international visitors, and even national visitors, is significantly more effective when you have a national footprint. Having a national footprint without Queensland and New South Wales does not stack up.

Ms GRIERSON—We know that the workforce shortage is real. I noticed that my room this morning was serviced by young African people. We saw in Queensland some manufacturers who had very successfully used the new African settlers to overcome a skills shortage. Has there been any combined attempt by Tourism Western Australia, the industry or the trainers to tap into that potential?

Mr Etherton—No, not by Tourism Western Australia. The Australian Hotels Association, as I think I heard mentioned earlier on, have mooted an idea of bringing down en masse unemployed Balinese Indonesian people to work. We put out a workforce partnership program grant about

four weeks ago asking for submissions to tell us how to solve it and we put some money in place to help people with programs that they had. As you could expect, we will be reviewing the submissions that we got. That was oversubscribed by threefold in terms of the money that we had to make available. It would be no secret that the AHA made a submission, and we will be reviewing that submission and all the logistical challenges faced as part of the decision whether to fund that program. At the moment our concerted response is the workforce partnership program to find out what other people's ideas are, fund those ideas, assess the effectiveness of those ideas and then take action in response to the ideas.

Mr SECKER—You may have to take this question on notice; I do not know whether you have the figures in your head. Have you noticed any change, firstly, in the ratio between business and tourist visits—and how might you respond to that—and, secondly, in the ratio between international and local visits? Obviously as a national government international visits are going to be better not only for our economy but the local economy as well.

Mr Etherton—I do have some stuff in my head, and hopefully that will satisfy you—if not, I am quite happy to go back and provide some more information. Tourism Western Australia has been receiving some feedback from some sectors of the industry that are happy with some of the things that we are doing. In response we have provided the gross statistics on interstate, intrastate and international visitation. In response to that, they have said, 'Yes, it is all business traffic.' So we have done a significant amount of research to identify whether it is all business corporate traffic.

The research that we did showed—I think it was over three years; this is the bit I will take on notice—business traffic only grew by one per cent. So it was not a massive growth. That is using NVS and the IVS data. Going back to the change in the volume of visitation, if we talk about the volume of visits then our international has been growing faster than our interstate, which has been growing faster than our intrastate for many years. More recently, in the last 12 months worth of data, the interstate sector was the fastest growing one. But intrastate is declining. Again, in real terms, the population is growing faster than our intrastate tourism is growing at the moment.

West Australians are going off shore. West Australians are cashed up and they are going to Singapore. Whilst our intrastate growth was, I think, 0.4 per cent—less than one per cent—our outbound growth was 25 per cent. West Aussies are disappearing. That is a problem, because if you are taking two weeks or a week in Singapore you are not going to Margaret River. Internationals are increasingly taking a proportion of our market because they are the faster growing market.

Mr SECKER—That would be of some concern to you.

Mr Etherton—It is a concern because volume-wise our intrastate visitation is by far and away the largest—78 per cent of our visitor nights are intrastate nights. If our biggest market is dropping, or not growing as fast as other markets, then that is a concern to us. That is not purely a Western Australian trend. The outbound visitation numbers probably are of that volume of growth but the domestic decline is well-documented by Tourism Australia. They have spent hundreds and hundreds of man-hours working out the problems behind that. A key one in my view is the competition between goods and services. As a committee focusing on services, I

think it is important for you to know that the goods providers are doing a better job in marketing, packaging, pricing and offering stuff to the consumers. Look at Harvey Norman and their three-year interest-free pay now or pay never deals. The market that they are providing—

Ms BIRD—Where was that offer?

Mr Etherton—It is not ‘pay never’; you might have to strike that one from the record. At the moment the goods industries, which do not provide the same economic and employment benefits to Australia—because most of the manufacturing is done in places other than Australia—are performing better.

CHAIR—I noticed that you reeled off quite a number of items, in your list at the beginning, things that you thought were significant impediments to the growth of the industry. I think we have talked about several of them: the infrastructure issues for airports and roads and the accreditation issue. Payroll tax is a state issue so it is beyond our purview although we understand that issue. You mentioned immigration policy. Could you outline what you have a problem with there?

Mr Etherton—The three- to six-month stay is a matter that we have already discussed.

CHAIR—Was that the issue of the backpackers working for longer?

Mr Etherton—The issue of the backpacker working for longer. As Anthea Kilminster said, there is a limitation on one employer. One of the things we are encouraging employers in Western Australia to do is to look at having southern and northern operations. We have countercyclical seasons. When it is hot in Margaret River it is terrible up in Broome, and a number of organisations have done, and are doing, staff swaps. It is a lot easier inside a company than it is outside a company. In terms of a staff management issue we think that is really important. If you have a situation where they only have three months, you could spend a lot of time training an employee up in Broome in July. They would work for you for August and September and then all of a sudden it is dying but in October, down in Margaret River, it is fantastic. If you had a property down in Margaret River the same employer could then have them. So that is an issue.

There is one more issue which has escaped me at the moment. When students finish their education in Australia they have two weeks or two months to get out—whatever the figure is—and one of things we would like to see encouraged is that we benefit from some of that education. They would have the capacity to work here for 12 months on the back of the education that they have undertaken. We train a lot of people in Western Australia from places beyond, and we think there is an opportunity for them to get some experience here as well and to benefit the economy.

CHAIR—I personally agree with you on that issue. The final issue is product development, which you have spoken about obliquely. Could you just address that in particular?

Mr Etherton—I mentioned Harvey World and the products, packaging and pricing, initiatives and marketing that they have. The state and federal governments need to help tourism businesses in Western Australia to make their products competitive.

In terms of innovation, I was at a mining and resources breakfast this morning and they were talking about the percentage spend on R&D. I do not have any numbers for tourism, but I would have a fair crack that it is almost nonexistent in terms of percentage spend on R&D. What was the last hotel R&D initiative? It was when they started folding the toilet paper so they do not have to give you new toilet paper every time you come in. There are some initiatives in construction and greenhouse construction and all of that sort of stuff, but on the service side, except for one that I talked about—the online reservations—to you, Sharon, there is not a lot of innovation in there. We need to encourage businesses to provide that innovation; to look at their business processes and how they can do them better; and to look at what their customers want, what the demand is and how they can meet that demand better.

It is not always cheaper. That is one thing that we in Western Australia in our 25-year vision will clearly articulate. We are not going to be price competitive. Western Australia will not be price competitive from a holiday perspective. With our access and potentially with carbon trading and the cost to get here in terms of carbon credits, we are not going to be price competitive. Let us stop kidding ourselves. That is not our objective. Our objective is to be value competitive. We need to be building our businesses into the future so that they have that value competitiveness into the future even though we know that the headline ‘\$999 for seven nights’ we will not be able to match. But cruising the Kimberley Coast on the back of *True North* is worth a hell of a lot more than \$999 for seven nights.

Ms BIRD—Just from the perspective of my own observations, I think you are right in terms of the travel component that will make a part of that costing all of the time. But it does not appear to me that you are particularly price competitive when you get here either. Is that something you get feedback on?

Mr Etherton—Yes, it is something we get feedback on. Again, I suppose that is our focus. Given that land is not cheap, construction is not cheap and labour is not cheap in Western Australia, you have two choices. You can provide a product that has value even though it is not cheap or you can look at ways of innovating and replacing those things with other things. In terms of construction, safari tents in regional Western Australia is a low-cost method of construction. If it is built in the right location, you do not need a five-star hotel with all of the amenities.

CHAIR—Like Cape Leveque.

Mr Etherton—Cape Leveque is a classic example in the low-cost construction methods employed there. You can replace high-cost construction methods with low-cost construction methods and replace labour with automation. You need to look at the costly components of your supply chain and look at ways of replacing them. That is something that we at Tourism Western Australia, with our better business blitzes, are focusing on. If distribution is an expensive part of your supply chain you go online. That is a way of cheapening your supply chain. At the moment the good thing about that is that it not only cheapens your supply chain but also meets customer expectations. When you get those two working together you can make a difference. If they are working opposite to each other you are in trouble.

CHAIR—I have just one provocative question before passing to Dr Emerson. How effective do you think Tourism Australia is in looking after Western Australia’s interests?

Mr Etherton—I think that over the last couple of years they have moved away from the rock, the reef and the bridge and focused on a more experience based strategy. We in Western Australia think that that is a significant improvement in policy direction. We think that is the right thing for Western Australia and for Australia. We think that is the future. Turning that policy direction into effective action is always going to be challenging because it is a new policy direction. The results and the reports on the ‘So Where the Bloody Hell are You’ campaign have been discussed by a million people. I am not going to offer my opinion on that.

Dr EMERSON—You were talking about the number of Western Australians who are going overseas, particularly to South-East Asia, for the tourism experiences. A very straight Treasury style economic analysis would be that it is not a problem because that is a product of the high exchange rate. The purchasing power of our Australian dollar is high, so international tourism becomes very competitive with the high exchange rate caused by the resources boom. Then, when the resources boom subsides, which is the subject of this inquiry—beyond the resources boom—all will be okay because it will reverse. The Australian dollar will go down and everything will be okay. Do you agree with that view?

Mr Etherton—I have an economics degree so I can sit there with my dispassionate economics degree and say that it sounds good in theory. In practice, it ignores lumpiness of infrastructure investment in tourism. If you sit there and wait for the mining boom to subside and the exchange rate to reverse the current situation and then say, ‘All right, it is cheap to come to Australia, now come,’ and you look around and no hotel rooms have been built for the last five years because of the mining boom, that does not make any sense at all. The product will not match the customers’ expectations and it just will not happen. So it will be cheaper to come to Western Australia when it ends, but unless you have the product in place and unless the investment has been made, people will not come. People are looking for new experiences.

Dr EMERSON—The economic analysis would then say that is not a problem because when all these people make inquiries about going to Western Australia from overseas the industry will respond and build all the facilities. I guess the reason for this inquiry is to anticipate the end of the resources boom and make some investment decisions now or in the coming years rather than waiting for the lumpy economic adjustment to take place.

Mr Etherton—What that economic rationalist argument ignores is human nature. If South-East Asian tourists all of a sudden say, ‘The exchange rate’s pretty cool for us; let’s go down to Australia,’ and then they try and they cannot, they will say, ‘Let’s go to India.’ The travel expectation in that five years is met by someone else and they do not come back. So I think it is good to have economic rationalism but you need to look at human nature. They want their expectations met when they want them met, not some time later. Taking that to the economic rationalist argument: in the end, when the lumpy construction occurs and the mining boom picks back up, you have a lot of infrastructure and expensive costs. Then you have 20 per cent occupancy all of a sudden, and everyone goes broke. I think there is an argument for countercyclical investment into the industry to make sure that we do not deal with the peaks and troughs of the mining industry governing what our tourism industry does.

Ms GRIERSON—But there must be some synergies. If the mining boom goes down, all that accommodation that has been put in I would hope would have some usefulness.

Mr Etherton—There are two issues there. One is the location. But I have to be honest: the mining industry has been pretty good in Western Australia about thinking through the future. Eneabba BHP is probably never going to be used, but in places like Tom Price and Karratha there are alternatives. I have forgotten my train of thought.

CHAIR—At that point I will say thank you very much for coming. We really appreciate the time you have spent today.

Proceedings suspended from 10.52 am to 11.09 am

BUCKEY, Mr Ron, Chief Executive Officer, Tourism Council Western Australia

COGAR, Mr Scott, Director, Tourism Council Western Australia

LAURANCE, Mr Ian James, Director, Tourism Council Western Australia

LONGLEY, Mr John, Director, Tourism Council Western Australia

SIMMONDS, Mr Ian, Director and Vice President, Tourism Council Western Australia

CHAIR—Thank you all for coming. We have a good cross-section of witnesses, and that is very much appreciated. Do you have any comment to make on the capacity in which you appear?

Mr Longley—I am the chair of Experience Perth, or the Perth Region Tourism Organisation. I am also a board member of TCWA.

Mr Simmonds—As well as being vice president of the Tourism Council Western Australia, I am the managing director of Levart Distribution Systems.

Mr Laurance—Apart from my involvement with Tourism Council Western Australia, I am the chairman of Australia's North West Tourism.

Mr Cogar—I am the CEO of Broadwater Hotels and Resorts, and a director of the tourism council.

CHAIR—You are probably aware that although the committee does not require you to give evidence under oath, this committee has the same standing as proceedings of the parliament. We have a submission from you. I invite you to make an opening statement. You may all like to describe the issue that you think is most important; that would be very useful. This committee is about trying to understand the manufacturing sector and the services sector—and tourism is key in the services sector. What are the things that government should be doing, perhaps, to address the issues that relate to the tourism industry to make it viable in the longer term? Ron, would you like to kick it off?

Mr Buckley—Thank you for the opportunity to present to you today. We would like to put on notice our concern at the skills shortages in the services sector in this state. As you probably appreciate, the state of Western Australia is very large. Naturally enough, we suffer from seasonal activity in the north and during the winter season in Perth, and our south-west is very quiet. So we have this problem of skills transferring from either north to south or south to north.

CHAIR—Do you have a solution?

Mr Buckley—We haven't got the solutions, no. We would like to think that we are working on that. An associated problem has been the lack of accommodation for staff who work in these regions. There has been a dramatic increase in rental prices, particularly in places like Broome,

where accommodation costs anything up to \$400 or \$500 a week. As a result of that, some of the resorts up there like Cable Beach Club have had to buy out resorts to ensure that they can put their staff into these places. So we have some difficulties in accommodating young people—backpackers in particular—moving through to our north. We also see some of our backpacker places and caravan parks getting sold for redevelopment for residential property. So it is causing us great concern right throughout the state.

Air access into Western Australia is certainly a problem and we see it as a major issue for this state going forward. At the present time we have enormous problems in getting seats from east to west and also our activity coming into Western Australia has been at very high load factors. So we would like to see some easing of that.

CHAIR—When you say ‘easing’ of it, what would you like to see?

Mr Buckley—We would like to see greater access into some of our areas of the north, and particularly some support from government to encourage operators to fly direct into Broome, for instance from Singapore—

CHAIR—When you talk about ‘encouragement’ what do you mean—subsidy?

Mr Buckley—We think there needs to be some incentive created for airlines to do that type of work.

CHAIR—This is not a committee that believes terribly much in subsidies.

Mr Simmonds—Cabotage is one issue on air access that—

CHAIR—I understand. Mr Keenan, who is the only Western Australian committee member, is very passionate about that issue. He speaks on it frequently.

Mr Simmonds—Cabotage is not only available for those carriers that are currently flying, or have the capacity to fly east-west or west-east, so to speak, but also it may encourage new entrants to apply for the opportunity to fly within Australia.

CHAIR—So you would like to see South African Airways, for example, given the rights to fly Perth-Sydney?

Mr Simmonds—To carry domestic passengers, yes.

Mr Buckley—Certainly with Tiger Airways. Tiger is coming to Perth on 23 March. If they were to fly from Singapore into Broome—Mr Laurance can speak better than I can on this—they should be able to lift their own passengers and other passengers from Broome through to Perth. It creates that increased competition over that route. So we believe that there is a need for consideration to be given to cabotage being lifted on certain routes.

CHAIR—With Tiger Airways, because they are setting up their airline here in Australia, it does not apply to them.

Mr Buckey—At this stage it depends on whether they get their AOC of course—which one would hope they do. Investment is obviously another area we are very keen to see happen, and obviously taxation relief. I will get Scott Cogar to speak on that in due course. We certainly see there are some incentives to be had through taxation relief.

Mr SECKER—Are you talking about remote areas?

Mr Buckey—Yes, we are.

Mr SECKER—That is often raised in the party room.

Mr Buckey—We certainly support some relief. Do you want to expand on that, Scott?

Mr Cogar—The biggest issue is regional investment. If you are looking at the cap rates or the investment return requirements of investors—I speak with limited practical experience over here, and some in Sydney and Queensland—they are higher in regional areas. One of the biggest difficulties you will face is some of the infrastructure that is there or not there, access issues and, on top of that, investment issues.

There are also taxation questions, a couple of which were raised by Tourism Western Australia. One is to include the same income tax averaging as applies to primary producers for investment in regional areas of the state. Another is the site preparation costs, which are significant. We are doing two developments at the moment that are multimillion-dollar sums, which, at this point, cannot be properly depreciated under the taxation regulations.

Dr EMERSON—Could you say that last bit again?

Mr Cogar—The site preparation costs, such as clearing and landscaping—which are quite important in a resort based product particularly or at a site that is in a poor state when you arrive—can be quite significant. In two cases I can quote millions of dollars.

Dr EMERSON—Weren't they called black hole expenditures for the mining industry or something?

Mr Cogar—I cannot speak for those, I am sorry. Importantly, too, as the other members of the panel have touched on, some incentives need to be provided, not by way of subsidy but by way of clarity, regulation and giving level playing field conditions to investment in regional parts of the state. If tourism is to prosper, if we are to export tourism out of WA in the future, the bulk of the growth, in fact almost all of the growth, will come from outside Perth. That will not happen without product, as we all know. One of the biggest issues with product is getting private investment coupled perhaps with some public investment into infrastructure and new product development. So taxation equity in terms of the treatment of expenditures is quite a big issue.

Mr Buckey—Talking about accommodation, one of the things we find that is creating a lot of difficulty in this state at the present time is holiday homes, particularly in the south-west, where Scott has got some of his properties. There has been an expansion of the holiday homes area in the south-west. They are probably operating illegally—in other words, planning approvals have been given for a residential property instead of a holiday home as such—and that is causing a lot

of our investors in the south-west to hold back from doing refurbishment and it is causing us a great deal of angst at the present time. That is applicable right around Australia at the present moment. Byron Bay is one of those places that is coping similar problems. John Longley is in Fremantle, and I think there is a problem down at Fremantle.

Mr Longley—Yes. In fact, the situation is slightly different in Fremantle. From a Perth point of view, one of our major problems at the moment is literally a lack of hotel rooms. Part of this is exacerbated by the mineral boom, so business is taking up a large amount of those rooms. Hotels are all running at very high occupancy rates, but not from tourism. The overflow tends to be taken up by holiday homes.

In local government, for example, where we have a different situation in the south-west—where we have a lack of supply of hotel accommodation, and that slack is being taken up by holiday homes—the holiday homes are now coming under attack from the residential sector, supported by local governments, which tend to fall down on the side of amenity of the local residents. We have a major problem in Fremantle, which is one of the major tourism destinations in Western Australia, due to a complete undersupply of tourism accommodation.

Mr SECKER—Is there relevance for holiday homes with respect to land tax and stamp duty payable? Normally, the family home does not. Is that the relevance of why you are bringing it up?

CHAIR—Isn't it the competition that you are talking about?

Mr Longley—In the south-west it is competition. They can undercut the resorts and so forth because they are only looking for some relief to make a little bit of money to pay the rates et cetera.

Mr KEENAN—Or pay their enormous land tax bills.

Mr Longley—But on the other hand, there is a situation in Fremantle and quite widely across the metropolitan area where there is a complete lack. We have really got an undersupply situation. At the moment we have a situation where people, as a right, can start to short-let their houses, but there is now more and more emphasis coming from local government on putting those business under pressure. We have 400 of them in Fremantle. Every week we are having a resident complain about one of them, and they are picking them off one at a time. We cannot even run a proper event in Fremantle like a yachting event or something that comes there—the Blues 'n Roots Festival is happening in a month's time—because of the lack of accommodation.

Mr KEENAN—We were trying to get to the bottom of this before when we were talking with Tourism WA: why is the demand so high? Yet the last major tourism resort developed in Western Australia, certainly in Perth, was, from memory, in the late 1980s. The only other one I can remember being proposed was up at Ningaloo Reef, and the state government stopped that happening. What is stopping people investing in the infrastructure that we need?

Mr Longley—It is most likely Scott can answer that best, but I have heard figures of around \$600,000 per room to develop a five-star hotel.

Mr Cogar—We are involved in a project at the moment on the Abrolhos Islands with the developer Humphrey Land Developments, and that is costing over half a million dollars a room to develop.

Mr KEENAN—Why is that?

Mr Cogar—Environmental compliance costs, for example, regular leveraging costs, the standards that are imposed in terms of waste treatment and sewage treatment, power supply, and removing all waste, which is important anyway as part of the model, but we have to find ways that we can establish infrastructure.

Mr KEENAN—So it is really state government red tape?

Mr Cogar—I would not say that. I do not know. If you said that statewide we should adopt a hub and spoke strategy—we have talked about this as an industry—where there are nodes of development, publicly and privately funded, then off that we can develop tourism products where there are some key regions through the state.

CHAIR—So you want the government to be involved in funding the tourism infrastructure?

Mr Cogar—The government have to coordinate it. They certainly do. They set the regulation. They can make it easy or difficult. I can speak from 20 years of experience and say—

CHAIR—Not investing—just setting the parameters.

Mr Cogar—Yes.

Mr Laurance—They are public services in a lot of cases.

Mr Simmonds—We would support the Western Australian state government's Landbank initiative 100 per cent. It is getting land ready for investment purposes, so all the approvals have been gained. If the private developer has to go out there and gain all those approvals, it is just going to be year on year on year. That is really what happened at Moores Landing. It was just taking forever. That should be readied by government and handed over to private enterprise so they can then go on and build without having to go through all the hassle.

One of the biggest issues about regional and resort development is that there is only one resort, really, if you take Burswood out of the mix, and that is in Broome, the reasons being population, air access and that banks will not lend money for hotel development, unfortunately. So you will see the implosion or the explosion of development of serviced apartments. Because of strata title arrangements, individual sale off plans, the funding of all the arrangements can be done in that format in lieu of borrowing money. So we do not get large hotel developments in Western Australia, unfortunately.

Mr KEENAN—The point I was driving at was how would the planning and approval processes in Western Australia, for instance, compare to those in other parts of Australia like Queensland or something like that?

Mr Simmonds—Up until the Landbank there was more readiness on the part of the Queensland government to go ahead and support—and I do not know in what form that was—and you have got a population from Melbourne and Sydney with the proximity that can make those locations viable. We do not have that.

Mr Cogar—I have had some experience with development in Queensland and in Sydney. One of the big issues, obviously, is clarity and consistency of regulation and making clear to developers what the guidelines are. Another is having sufficient infrastructure, and another is land tenure. A big issue in WA is short tenure periods. The government only grants very short-term investment windows in terms of lease tenure, so we have one at the moment that may be in the order of perhaps 40 years for a lease tenure where you are spending \$50 million on a new hotel and you have to amortise that and hand it back to the people of the state, potentially, at the end of that term. In Queensland, to answer your question directly, I was involved in several island resorts that had significantly longer than that—more than double that—in tenure.

Mr Longley—The difference, for example, between Brisbane and Perth is purely to do with the size of local government. In Perth we have 49 local governments, some of them presiding over areas as small as a square mile. It is just an absurd situation. If you have 49 local governments who take the front line in these planning decisions, very often the people—good people, who are elected—have no expertise, no experience in anything and, quite frankly, some of them are not very bright—

Ms BIRD—Don't hold back!

Mr Longley—and the end result is that they are listening to the squeaky wheels within the community, and it is just a block. In Western Australia in particular, the size of local government needs to be looked at.

Mr Laurance—Mr Chair, it is not all bad news. In reply to Michael, the new Novotel Ningaloo Resort at Exmouth has just opened, so there is some progress being made.

Ms BIRD—Before we go on, can you give me a context, because we keep talking Queensland-WA. Do you see yourself competing in the long term with the Queensland base or do you see yourself offering something different? The way you want to take the industry will, to some extent, affect these issues. The type of development you do in Queensland may not be what you are looking for, anyway. So can you give me a context of the longer term perspective on that?

Mr Laurance—Perhaps I can make some comments about that. Scott and I both have been involved in Queensland tourism and Western Australian tourism. I was the director of Seaworld, Movie World and the Sea World Nara Resort hotel—major infrastructure assets on the Gold Coast. You have to look at the geography of the two states, for a start. Queensland has a lot of regional towns and cities that are much bigger than those in Western Australia, so the split-up of the population is a little different. But what I have noticed most is the attitude: tourism is a lot more important to Queensland governments of all political colours over the period.

Western Australia has been traditionally a mining province. One of the areas that my board represents is the Pilbara. You can imagine that tourism is trying very hard just to hang on by its

fingernails and toenails. For instance, there is no accommodation available. Even the mining companies are now buying hotels, backpacker accommodation and so on in order to house their workforce. There is a major job to be done in Western Australia in selling the value of tourism so that you can get a government that says, 'We actually want you to develop outside Perth and through the regional areas.'

In Queensland 20 years ago the chairman of the Queensland Tourist and Travel Corporation, as it was then called, was Sir Frank Moore. He approached the authorities of the day, both state and federal governments, to have an international airport at Cairns. I have had a lot to do with him and I know some of you in the room have had a lot to do with him as well. He was told at the time: 'Sir Frank, this won't happen in your lifetime.' Well, Cairns Airport has been operating internationally for 20-odd years, and Sir Frank Moore, whilst elderly, is still very much alive.

My board is very keen about introducing international flights into Broome. We were successful in gaining an Australian Tourism Development Program grant. We have been able to leverage that up with funds from other stakeholders and we are now launching ourselves on the airlines of Australia and South-East Asia about commencing that service. In his opening comments Ron mentioned access, and we think that is one of the most important things.

The next really major change in Australian tourism will be when people can fly from Europe via Singapore into Broome and then go direct to any other capital city in Australia, or vice versa: they can have a holiday on the east coast, then fly to Broome and have a holiday on *True North* around the Kimberley coast, and then head off to Singapore and back to any other part of the world. That is a quantum leap in Australian tourism, and that is the message I would like to leave with you today.

Mr TANNER—I think that is a very good vision, while I trust that you are aware of the history of the international terminals at Townsville and Hobart as a counterweight to the story of Cairns. These things are not always successful.

Mr Laurance—I understand that. It is on-carriage of passengers: we do not see Broome as a destination in itself. It is a gateway to the Kimberley and the Pilbara areas, but without on-carriage to all the other capital cities it would not work.

Mr CIOBO—On this point, aren't you sort of moving contrary to the trend? We are seeing now with the A350s, A340s and longer range aircraft—the Dreamliner et cetera—increased capacity. For example, I think you can now fly direct from Perth into London—I think there is a proposal.

Mr Laurance—Dubai.

Mr CIOBO—Certainly Dubai, I know currently. But with some of the Dreamliner proposals, I am wondering whether your strategy sits consistently with increased range in all these kinds of aircraft and what is happening in international aviation markets.

Mr Laurance—I think it does. The flipside of all that is the low-cost carriers that are developing, mainly hubbed out of Singapore. We were not particularly looking for a low-cost

carrier to commence this service. We want regular RPT services and we want them to be sustainable. So we have done a lot of work in the background.

Mr CIOBO—So it is more South-East Asia than Europe that you are talking about?

Mr Laurance—To connect with Europe.

Mr Buckey—While we are on aviation, Chair, I want to raise an issue that has been raised with me just recently—that is, the potential shortage of pilots with all these discount carriers coming on. As we probably know, the guys who fly these aircraft at the present time are not being paid very much. A first officer gets something like \$70,000 and the captain about \$110,000. There is a huge shortage coming on of pilots required throughout the world. So I just want to put that on the table, because we have to be careful how we can recruit pilots for the future. At \$70,000, why would you want to sit up there and have unsociable hours, flying at the back of the clock, flying all night—those types of stories.

Mr CIOBO—Could we put it on record that you believe 110 grand a year is not a very good salary—it has a familiar ring about it!

Mr KEENAN—Taking up that point, Mr Simmonds, that you were making about cabotage across the country, has anyone actually done any studies or is there any indication about how that might help local industry? Have you got any hard data on that?

Mr Simmonds—I do not believe we have any hard data on it, but we would take it on notice and come back to you. Tourism WA and I are pretty sure that the department of transport or the Department for Planning and Infrastructure in Western Australia has done work on cabotage and the opportunities there. But I do not specifically have access to it at this point in time.

Mr KEENAN—I take your point. Certainly, anecdotally, you would assume that it would help the industry. With the idea of having Broome as a gateway, have any airlines expressed an interest in flying directly into Broome?

Mr Laurance—Yes, both my organisation and the Western Australian government have had an approach from an operator who wants to use SilkAir aircraft. He wants to start in April. He has not put forward a program that would suggest to us that it is really sustainable, so the Western Australian government has not backed it at the moment, and we are a bit ambivalent about it. We are having meetings with him and others in Singapore in a fortnight's time. So SilkAir are sort of in there. Their aircraft would be utilised. We would rather SilkAir do it than have an operator who leases their aircraft. There are people wanting to start, but we want to try and make sure that it is really sustainable first.

Mr KEENAN—Let us assume that SilkAir do come up with a viable proposal: what are the regulatory impediments to making that happen?

Mr Laurance—There are probably others in the room that know more about that than me. We have been looking at the things that have been difficult in the past—things like Customs and Quarantine and so on—and changes at the airport, for instance. We have been doing a lot of work with Broome International Airport. Ron was actually involved in that airport, so he can

probably answer that more than me. There is quite a bit of expenditure required on their part as well in order to make these work. I do not know whether you are aware of the history of Tiger, but they started with a million dollars over three years from the Northern Territory government. They started with three flights a week. In December they had their first birthday of those flights. They went from three flights to five flights a week. Most of it seems to be very successful. That was the launching pad for them to come into Perth. As you know, now they are looking at secondary airports. So they will be a major target for us as well. But they are not the only ones looking at it.

Mr Buckey—I want to follow up on the things Ian has mentioned: Customs, Immigration, security—air traffic controllers are another one. They have an air-to-ground radio operator there. Whether that will be approved by the department of transport is another issue. Also, I think they would still need to get their AOC approved—that is not difficult, but they still have to go through that process. Once again, I think they are a good operator, they are part of the Singapore Airlines group, and all the other issues have been addressed. We had international operations between Broome and Bali previously, but now with the greater security presence I think that that would need to be improved at Broome. I am sure that Broome airport will be keen to do that.

Mr SECKER—You would have to upgrade it quite a bit—the Quarantine set-up and Customs—wouldn't you?

Mr Buckey—Customs is there, Immigration is there and security is very strong in Broome at the present time because they dispatch international aircraft—private jets and so forth. They are handling them at the present time, so I do not think it is going to be too difficult to increase those services, particularly with the numbers of people in Broome and the legal immigration requirements.

Mr Laurance—There have been a few issues, and we have addressed most of them with an Australian tourism development grant. For instance, Customs and Quarantine are there but they operate during business hours from Monday to Friday, and these flights could come in on a weekend. That is one of the problems we have addressed with the federal government, and we have made noises about those sorts of things. They are the sorts of impediments to these flights starting up that we have been looking at in recent times.

Ms GRIERSON—Because Broome wasn't a new entrant, it did not benefit from the federal security moneys. But the audit committee has recommended that DOTARS come back to us in the next couple of months to tell us whether Broome should be given new money to upgrade because of the tremendous volume of people coming through it. It is something that DOTARS will report back to the parliament on within a month or so.

Mr KEENAN—I have one final question—this is what I was actually driving at: the air services agreement that we have with the Singaporean government would accommodate flights between Singapore and Broome, wouldn't it?

Mr Buckey—Yes.

Mr Laurance—Logistically A320s are being looked at and the terminal can handle those and so on. As Ron said, they are looking at back-of-the-clock operations. There have been record numbers through Broome airport right through every month of 2006.

Mr Buckley—There is a need to upgrade the fire service, for instance, because they are getting in excess of 350,000 passenger movements through there. There is a need for a fully employed service of fires.

CHAIR—Have you got accommodation? When I was there people were getting police licences to sleep on the beach because there was no accommodation.

Mr Laurance—The Prime Minister was able to get a bed in January. I was hoping that he might encourage more of his colleagues to come along at that time of the year. Our accommodation studies have shown that hotel rooms will be in short supply for these international flights, but there are a whole lot of other resorts, so short-stay accommodation—and high-class accommodation—would be available. They would not be in a traditional hotel room but in short-stay accommodation.

CHAIR—You would not want a lot more people sleeping on the beach.

Mr Laurance—Not with the camels.

Dr EMERSON—The chair said earlier that this committee is not heavily into subsidies. When we look at tax policy they can constitute subsidies where there are special tax concessions for particular industries or particular project proposals. Having said that, it is always a good idea to get the tax system right and to make it as neutral as possible. You argued for two sorts of incentives, as I heard it: one was income tax averaging as received by primary producers and the other was for site preparation costs. To be devil's advocate here, what is the argument that is specific to the tourism industry or the tourism and agricultural industries in terms of variability of income that does not apply to other industries?

Mr Cogar—In terms of variability of income, I think I can respectfully say that tourism is very volatile and, obviously, we work to take that volatility out. Mature destinations such as Sydney obviously have less volatility, as a number of the representatives here today would know. But in regional locations this has been touched on—issues like air access, availability of staff. For example, we had a situation in the south-west this Christmas where restaurants literally took chairs and tables out of the restaurants. One hotel closed its restaurant on Christmas Day because it could not staff it. We have a whole range of factors which are not typical in any commodity based enterprise. In view of what we are talking about, in terms of investment in the regions and the significant capital investment in the regions, particularly if it is on leasehold land where the Crown is the landlord, you are making significant capital investments with a requirement to depreciate or amortise it over the life of the asset and hand it back. In a lot of cases that is not recognised. On notice, I would happily give you some more information in detail on that with a couple of examples.

On the second question about the site preparation costs, we have two sites in particular which I mentioned that we are doing now and there are multimillion-dollar preparation costs in those. I do not think the tax treatment of those for tourism is fair. So it is a question of making sure that a

total investment in tourism is about the ground the development is on, the development itself and the cost of getting it there.

Dr EMERSON—Can we take those one after the other. In terms of the variability, we know that tourism is seasonal. But if it is seasonal within one year, and by definition it should be—that is, there are the peak seasons and troughs, but that all occurs within the tax year—then you actually have averaging over the tax year. So you would have to mount an argument that there is some sort of variability beyond tax years. Primary producers might go three years through a drought and then have a bumper year and be confronted with the highest or second highest marginal tax rate. If seasonality occurs within a year, given that that is the tax period, I do not think that is an argument for income tax averaging.

Mr Longley—But there are also tourism shocks. Whether it is SARS, terrorist acts or whatever, you only have to look at what happened when SARS hit. The tourism industry was absolutely on its knees. There were only 30 or 40 per cent occupancy rates in hotels, Ansett collapsed and what have you. That is a fact of life these days.

Dr EMERSON—It is a bit hard to anticipate in designing tax law to say, ‘There might be a terrorist attack, SARS, bird flu or something like that so we’ll allow tax averaging in anticipation of one of those things occurring.’

Mr Longley—Tourism is the first industry that feels that. When you have one of those shocks, the tourism industry gets turned off overnight. There is an immediate impact: people just do not get onto aeroplanes. So I think there is a strong argument there.

Dr EMERSON—The second issue was site preparation costs. The guiding principle for tax law is that expenses necessarily incurred in the earning of income are deductible. Your argument would be that this is a pretty big expense that is not deductible at all. Is it depreciable?

Mr Cogar—The treatment of that is not consistent with the balance of the investment, and it should be. It should be an integral part of the overall investment into the site.

Dr EMERSON—And what is the difference? Is it that it is a slower rate of write-off?

Mr Cogar—That is one of the issues; it should be.

Dr EMERSON—So you want a faster rate of write-off?

Mr Cogar—At the moment in terms of, say, investment into a hotel in Broome, you might spend \$2 million, \$3 million or \$10 million on the landscaping, grounds and maintenance. Obviously if we could accelerate that to a shorter term consistent with other parts of the investment, as opposed to the building and other parts of the depreciation, that would be good.

Dr EMERSON—So your complaint is not that there is no deduction for it but that the deduction is too slow?

Mr Cogar—It is treated differently to the rest of the investment. My point is that the investment into the land is not treated equitably with the balance of the investment. Again, I can

happily give you on notice some examples of perhaps three different sites and give you the treatment of the site preparation costs.

Dr EMERSON—Yes, the differential treatment of the site preparation costs versus the actual building construction costs.

Mr Cogar—Yes. It does depend on the nature of those costs, as you know. I can give you some examples.

Mr SOMLYAY—What effect would freehold land have? If the land was freeholded, how different would it be for the industry?

Mr Cogar—With freehold obviously you get to enjoy the benefit of your investment in perpetuity, in theory, until you pass it on to someone else. The difference with leasehold is that it is a closed-end investment so you are passing it back. The issue is to make it attractive. Everyone round table was talking about making tourism product investment attractive. It is not attractive if you are amortising it over a long period and at the end of that period you have to hand it back. You are taking a huge risk.

I re-emphasise the comments made by John—this industry is very cyclic and it is prone to a whole range of risks that other industries are not prone to. It is perishable and it is irreplaceable. So if you lose a room tonight then you cannot put two rooms on the market tomorrow, as you all know. So in terms of taxation treatment, it is not about giving us favours or granting us any more than we are entitled to as industry; it is about equity and looking at the dynamics of this industry—looking at how we invest, where we invest and coming up with a tax system that not only provides the government with the right amount of income in terms of taxation but also provides a viable outcome for the investor.

CHAIR—Have you ever commissioned an international comparison of how other countries treat tourism investment?

Mr Cogar—I can't comment on behalf of the Tourism Council.

Mr CIOBO—I turn to what is, perhaps, the focus of this committee, which is the future of tourism. It is particularly pertinent here in the West, if I look at—dare I say it?—the post resources boom. The impression I am left with from your testimony and the testimony of others is that there is a total blinkering of state government and perhaps a council and private industry focus on the mining industry at the expense of, for example, the services side of the economy such as tourism. You can take this on notice, if you would like. Are we talking about beyond investment? What sorts of incentives are we requiring to shift that focus back so that we are not putting all our eggs in the one basket? How are we going to continue an industry with a services base like tourism alongside a booming mining sector? That would be the first point. You can come back to the committee if you would like on that.

I also ask about labour force. We have had others provide testimony that it would be great to be able to import a labour force from offshore. In regard to the absence of the importation of that kind of labour—and I am aware of what you are saying about accommodation—what do you think will be the long-term consequences of not being able to bring people in from offshore?

Mr Buckey—That is significant. We have been talking about the mature age people who are on pensions at present and whether we can get them into the workforce by allowing their pensions not to be touched. Perhaps we can get them to work two or three days a week and we can get them into the workforce. There is a huge number of people out there who would probably prefer to work but who cannot because of their pensions.

Mr CIOBO—We have done a lot of that, though, as a government, such as the welfare-to-work program and the incentives we have put in place—let's be frank, the carrot and the stick. Are you not seeing that now translating across into industry?

Mr Buckey—Not at all.

Mr CIOBO—Why is that?

Mr Buckey—I don't know what the reason for that is, but certainly we have people—and Scott is one of those, as you have just heard—who are suffering badly. He had to send his entire executive staff down to Busselton just recently. There are a lot of people out there, people to whom I talk and whom I socialise with, who would like to get into the workforce but who have the problem of the impact on their pensions at present. I don't know the reason why they are not doing it. We need to do some further work on it.

Mr CIOBO—Mr Longley, you commented earlier about hotels being filled with business people and not with tourists. From a Gold Coast perspective, we certainly don't make that distinction. Tourism, be it whatever subset—leisure or business—is tourism. We would love to have more business tourists. The reason I raise that is not to be a smart-alec but because I get the impression that perhaps there is no embrace of the ripe opportunity here with business tourism. Someone said earlier that on Saturday nights the hotels are empty. Maybe part of the issue is that there is no strategy in place to say, 'We have them here Monday through Friday for work; why don't we try to get them to stay the weekend and visit some of our unique tourist attractions and so on? Are you doing enough to capitalise on tourism opportunities as well with the current climate?

Mr Longley—I totally agree with you. I have been pushing this for years with the Tourism Council, Western Australia. I don't think there has ever been such a strategy, particularly when people come across from the east. It is a long flight. Why wouldn't you bring your partner, if you have come the whole way, and stay the weekend and so forth? I don't think there has been any strategy on that, not that I have ever seen. It is something I have been pushing personally for a long time.

CHAIR—Perhaps you would like to come back to us on the first issue when you have had a chance to workshop it.

Mr Laurance—The resources boom?

CHAIR—Yes. We are running out of time.

Mr Laurance—I understand.

Mr TANNER—Unreformed local government is a major problem in many states. For all the atrocities that he committed in other areas, Jeff Kennett did a great favour to my home state of Victoria by reforming local government. Even though he did it in a rather brutal and characteristically aggressive fashion—

CHAIR—Kennettesque style!

Mr TANNER—Kennettesque style—there is no doubt that local government is immensely better as a result. It is larger and, I think, it is a great deal more professional as a result of those amalgamations. So I am interested in your observations about that. Has there been much of an effort to build a constituency on both sides of the political fence for local government reform in WA?

Mr Longley—The current state government have toyed with it, tinkered around the edges, and every time they start to get close to it there is a bit of a carrot approach, but there is certainly no stick. It is always going to be difficult to do that unless you have a Jeff Kennett. I think they should be looking at it in another way—what rights you take away from local government. For example, you have people of the quality of some of the people who are on councils making decisions on \$100 million developments. Leave them to fences and carports but, for God's sake, when it gets important and it gets serious then it should be taken over by the next tier of government!

CHAIR—Then you get the problems that we have seen in New South Wales, where the government takes them over and you get other kinds of problems. Nevertheless, those larger councils work better.

Ms BIRD—Can I put a question on notice? I would like some information on cruise line tourism—if there is existing potential?

Mr Buckey—Yes.

Ms BIRD—If that could be sent through, I would appreciate it.

CHAIR—If I could just jump in here and tell you that the *Queen Mary 2* has arrived in Sydney.

Mr Laurance—Chair, we do not really have time for this and hopefully I will be able to get back to the committee about it, but what is going to happen not only to tourism but particularly to tourism post the resources boom is, I think, a question of national importance. No-one wants the resources boom to stop, particularly those of us sitting on this side of the table. However, we all appreciate that tourism is one of the industries that gets squeezed out. In the Pilbara, that has happened in spades. So, at some stage, when the resources boom starts to tail off, a lot more will need to be put into tourism to boost it.

CHAIR—That is why we are here. We appreciate your input. Thank you for your comments today. If you can answer those questions on notice that committee members have given you. Also, if you could turn your minds to the issue of skills shortages; we threw it back to you and asked, 'What you are recommending?' We have taken on board your comments about air access,

investment taxation and income tax averaging, although we are highlighting the problems in holiday homes. So we appreciate your attendance today. Please feel free to come back to the secretariat with any other ideas you might have. It was a very useful session, which is why we have run over time. Thank you.

Mr Longley—With regard to Ms Grierson's question on notice on the superyacht industry, we are now working very strongly with the Super Yacht Base in Queensland and, with our work down with the AMC—

Ms BIRD—The detail would be very useful.

Mr Longley—It is really very important to us. Thank you.

[11.54 am]

GRACE, Mr Tom, College Principal, Department of Education and Training Western Australia

CHAIR—Would you please state the capacity in which you appear before the committee.

Mr Grace—I appear as a member of the Department of Education and Training. As to a position title, I am an unattached principal of an adult college and currently I am on long service leave.

CHAIR—Although the committee does not require you to give evidence on oath, I advise you that these hearings are legal proceedings before the parliament and should be regarded as such. I invite you to make an opening comment, and then we will proceed to questions.

Mr Grace—Thank you for the opportunity to clarify and add to issues from the submission by the Department of Education and Training in Western Australia. I have also been asked to represent Perth Education City, whose issues are obviously similar to those in the submission. I was not the author of the submission, but I have been briefed and have the experience to comment on all areas where required. I think I am the only education representative to come before you so I might give you a bit of background on the industry. In 2004 a report commonly known as the Lawrence report was commissioned by Perth Education City. The report demonstrated to the Western Australian government that the international education sector was worth \$1.1 billion per year to the state. In 2004 there were 132 organisations registered to enrol international students, although, as you can imagine, not all were active. Currently, DET institutions have 2,300 international students enrolled. In WA there are 36,000 international students currently choosing Perth as a study destination. Perth Education City is a consortium of institutions, which is obviously marketing internationally, and they bring in 96 per cent of all international students. There are 35 member institutions. I will start with that as a backdrop.

In the submission you will see a section called ‘Key Challenges’. These key challenges are applicable to all organisations, whether they be large or small, government, independent or private. For the sake of today’s hearing I have collected the 11 key challenges into themes and issues, and I am happy under your questioning to provide extra information.

The first theme is policy and procedure, and to me it is the most important. These key challenges are covered in 2.1, the last section of 2.3, and in 2.4 and 2.7. First of all, of particular interest is that Australia has the highest student visa fees by far when compared with New Zealand, the UK and the US. Not only are the visas more expensive but the application process, especially the time taken to obtain a visa, does not compare with our competitors. Moving to the third point under this heading, in many cases policy is seen both locally and internationally as being made on the run.

CHAIR—In terms of the visa charges, doesn’t it depend upon what category they are in? I have recently had some complaints from people who look after students from central Europe, and they said that the price is very high. But isn’t there a variation?

Mr Grace—There are different classes of visa, but if you are looking at the pure student visa there is only one fee. There is a study-work visa, and so on. I have the visa fees here if you would like me to elaborate now rather than later?

CHAIR—Yes, please. It is just to remind the committee, because I did not think they worked like that.

Mr Grace—In Australia the fee is \$430 for the student visa, plus \$60 if you want to work—which they have added over the last year or so—and you can work up to 20 hours a week. So in Australia the fee is a total of \$A490. If we look at New Zealand, it is \$A170. If we look at the UK, it is \$A212.50. If we look at the United States, for the visa it is \$A129. In addition, they have recently, since 9-11, added a SEVIS fee—a Student and Exchange Visitor Information System. It is similar on my reading to what we have with PRISMS. It is to track the students. That money is paid to the institutions so that the institutions are responsible, like we are in Australia, for keeping up-to-date information on the students. That is an extra \$129. So in the US the total is \$258. So, just to run through that again, it is \$170, \$212.50, \$258, and in Australia it is \$490. That is a significant problem when people are looking at Australian education.

Just jumping back to my opening remarks, the policy that is set, particularly by the now Department of Immigration and Citizenship and the Department of Education, Science and Training, is seen a lot of times as policy on the run. It is viewed as such locally, by people in the industry, and by our representatives and parents and so on overseas.

CHAIR—Is that in terms of the fees or the requirements of entry?

Mr Grace—It is a bit on both. It is normally on requirements of entry, mainly the department of immigration regulations on visas. There was a time—and I made a note here that it was around 2004—that I was saying to people at the international office of the college I was at, ‘I just wish things would slow down so we can catch up.’ They were just making changes. I have some examples of some changes that were made that basically were unworkable.

CHAIR—Is that in terms of the amount of information that they required from some sources? Did they want bank records, evidence of being—

Mr Grace—English records and so on. Do you want me to mention that now or—

CHAIR—I think we get the general idea. Would anyone like the detail?

Dr EMERSON—I would like details.

Mr Grace—I can give one example. The schools sector involves students coming in, obviously, to go to high school. In the visa categories they have created four assessment levels—one and two are very easy; three and four are much more difficult. China is at level 4. Vietnam is at level 3. They brought in for the schools sector, because everyone else had it, the requirement that they have a certain IELTS level. That stands for International English Language Testing System. But what they did not realise when they brought it in was that the test is actually geared for university age students—for entry into university, not into schools. It took the industry quite a while to convince the immigration section that this was unworkable. They then changed it and

said they would give us a waiver. In other words, we could use school results from the particular home country, as we had for years and years, and they would establish a bona fide English test that could then be applied. That was for two years. It has been extended and extended. But it is basically policy on the run which shows a lack of true consultation.

Dr EMERSON—So the outcome was okay, but you have had two years—

Mr Grace—It is still in the air, because DIAC have not developed this test. When they do develop the test, we do not know how it is going to be applied, who is going to apply it, where a student is going to do it and so on. So it is still in the melting pot. It is working well now. I just wish they had left it alone. That is part of the thing. The people who are making the decisions are looking at it, but they are not looking far enough down the line to the true implications of it if they do bring in a particular test.

Dr EMERSON—And what are the levels of difficulty associated with? Is it the likelihood of—

Mr Grace—Of overstay. At level 1, you can look at a national from the United Arab Emirates. You can look at Singapore and so on. If you look at level 4 countries you are mainly looking at China. But that is changing now. With the economy in China a lot of students are coming down, getting their degrees and wanting to rush back because there are multinationals moving into China in a big way. They want the Australian cultural experience and an overseas degree. It is changing but level 4 is the hardest one.

Dr EMERSON—These will be my only questions. What other countries are at level 4 and level 3? If you do not have the answer can we get that?

CHAIR—India, I presume.

Mr Grace—Korea is not. It does change depending on the sector. For instance, the school sector might be a level 2 for some country but the VTE, the vocational training and education, might be higher, because people will come in and do a bit. I do not have the list.

Dr EMERSON—Our secretariat can properly provide that.

CHAIR—We only have one person on this committee who has significant educational background. Do you want to ask anything?

Ms GRIERSON—I want to pick up on something you said in your submission. As a former school principal I bristle every time I see wedge politics and the talking down of the standards of our education system. You mentioned that. How damaging do you think it is when our Minister for Education, Science and Training suggests that there should be a national curriculum, that the standards are falling, and that performance pay is necessary because teachers are not doing their jobs? Is that a problem?

Mr Grace—At the moment that has not hit the major press, but Singapore and Malaysia are looking for anything at all—

Ms GRIERSON—I know we have the problem of plagiarism in universities.

Mr Grace—Yes. They will adapt anything to put in their local newspapers. Part of the strategy is that they want the money spent in their own countries and they do not want people coming down here. Since Mahathir has left Malaysia it has been quieter, but you can count on any bad press like that hitting the overseas newspapers. In Bangkok, in Thailand, bits and pieces of criticisms come out in the press. Western Australia is very fortunate. If you have been following it you would have seen that we have had the OBE debate going on for some time. Fortunately it has not gone anywhere.

Mr SECKER—What is OBE?

Mr Grace—Outcomes based education. It has been wrongly described and wrongly portrayed but it has made good press here. The *West Australian* loves it. We have been fortunate that, as far as I know, that has not gone overseas at this stage. But I know exactly what you mean: the debate at the moment is not helpful. I think the paper makes the point that there is a difference between opinion in Australia and what is printed in the paper and then taken as fact by others.

Mr SECKER—You surprise us!

CHAIR—Focus on this: if you were in our position what types of things would you be recommending? That would be very useful because it would highlight some of the issues. Independently, some of the problems have been brought to me.

Mr Grace—There are a couple favourite things here and there are a number of issues.

CHAIR—You might want to leave your paper with the secretariat. It would be quite useful.

Mr Grace—There are a number of things. One is the visa situation. Two is the policy-making situation, particularly by DIMA, and even by DIAC now, and DEST. There is an inability of regulators in particular states to control the institutions which are not doing the right thing. I have an example of some poor advertising from an institution. Only this section was passed on to me. They are saying that they have an advanced diploma in business, 114 weeks, only \$1,900 per semester. Then they have crossed out some of their courses and given a bargain basement price. We have problems with regulators. We are very fortunate in Western Australia that we have a second act called the ESPRA Act. The federal act is the ESOS Act; we have a state act which controls us, and quite good regulation.

CHAIR—Sorry, what state is that out of?

Mr Grace—I am not at liberty to say. As I said, that section was passed to me.

CHAIR—Are you able to leave a copy of that?

Mr Grace—Yes. I ran some copies off for you.

CHAIR—Obviously there needs to be appropriate controls on this in terms of the image of credibility.

Mr Grace—Because one institution might be doing this, and everyone else doing the right thing—someone might have a classroom and be enrolling 3,000 students but none of them see the classroom, which used to be the situation 10 years ago, and there are still some institutions that are running pretty light on attendance—you have got DIMA, or DIC now, bringing in extra tight regulations to control the industry rather than the regulators picking on the miscreants.

CHAIR—Is that mainly an English-language—

Mr Grace—No, it can be right across.

CHAIR—Can it?

Mr Grace—Certainly not with the universities, but it can be across a range of sectors.

Ms GRIERSON—We have a skills shortage and there are a lot of people coming from overseas taking up jobs that are absolutely vital to our economy, yet they find their children have to pay education costs when they come here. I know in my own region that engineers are just impossible to get. Do you see any point in relaxing that sort of requirement where children have to pay for their education?

Mr Grace—In this state, and I thought it only applied to people coming on 457s and some of the other visas, their children get low fee education in government schools.

Ms GRIERSON—Not everyone is recruiting using a 457; they are recruiting much more widely than that. It may be different in Western Australia, I do not know.

Mr Grace—I can certainly check. I thought they were getting free primary and high school education, but not post-compulsory. So TAFE and universities and adult colleges, they were classed then as international students. That is how I understand it, but I could be wrong. Another point is that we do have the department of immigration posts overseas not applying the policies and procedures as exactly as they should.

Jumping onto the second theme, which is the recognition and promotion of Australian qualifications overseas, more focus needs to be put on the VTE sector—the vocational training and education sector. The third theme is the refocusing of education services to include all sectors. In the past, the emphasis, particularly by DEST through AEI, Australian Education International, has mainly been with universities—links with other universities and so on. There needs to be greater recognition of the values that schools, ELICOS institutions and the VTE sector play in providing pathways for international students. The promotion of these sectors needs to be looked at as far as cost of attendance at exhibitions and so on.

Moving on, the fourth theme that I gathered things together on is increased national cohesion and support for overseas project work. That is pretty commonsense stuff; the collective arena for project matters coming through. There is one issue that is listed in the submission by the WA Department of Education and Training. They have recommended that priority be given for Australian aid funds to remain with Australian-owned managing contractors. Another one is easier access to Commonwealth support in developing the skills—I am talking about the skills of

the people in the project area—to conduct this type of business, so getting more information and skilled up on how to apply some of these.

The other matters that are listed—I saw them as issues: the media; we have already talked about the strong Australian dollar. It is great in a way when you travel overseas, but for students coming down, link that with the higher visa fee, course costs and living costs and Australia does become less competitive, even against the UK.

Mr CIOBO—Can I just explore that. I do not understand that, because we almost have parity with New Zealand, and the US dollar is much stronger than ours. So why are we at a competitive disadvantage?

Mr Grace—If you have a look at the actual fees that people will pay, when you add up the total amount to come here—

Mr CIOBO—You are saying that education in the United States is comparatively cheaper than in Australia?

Mr Grace—Well, the gap has closed so that, for a little bit more, you can go to the UK—in fact, in some cases you can go to the UK now for the same prices you used to be able to come to Australia. For the US—

Mr CIOBO—Do you have an indexing of those costs that you could provide to the committee to support your assertion?

Mr Grace—Yes, we do have the actual cost on the website. In the US, now that they are starting to relax the visa situation, one of the things about the big US universities is that they have a lot of jobs on campus for international students because they are big campuses. We do not have those—fortunately, though, in one way, because of the skills shortages restaurants, fast food take-outs and so on are looking for people to employ and so there are part-time job opportunities. So that is an advantage.

In the UK, you can get a master's degree in three years. In Australia, the minimum time to get a master's degree is four years. If you add the high Australian dollar, the high visa fee and the cost of living for four years, the UK starts to become more attractive.

Mr KEENAN—This is for undergraduates.

Mr CIOBO—Oh, you are saying for undergraduates it is three years to a master's?

Mr Grace—Yes. In the UK you can do a bachelor's degree plus a master's in three years. In Australia—

Mr CIOBO—Is that because they operate a trimester system?

Mr Grace—No. It is just that your final year is your bachelor degree and can be your master's at the same time.

Mr KEENAN—That is only at two universities or something, isn't it? That is not a common thing.

Mr Grace—I think it is a common pattern.

Mr KEENAN—My understanding is that it is only at Oxford and Cambridge and you can do it by just applying after a certain amount of time once you have finished your undergraduate degree. So I do not think that is a common thing.

Mr Grace—It is one thing that the British Council, of course, is—

CHAIR—At quite a number of American universities you can do a master's degree in about 14 months, though—MBAs and so on—if you do maximum units.

Mr Grace—You can do an MBA here in 12 months.

CHAIR—If you could provide us with a bit of an international comparison, that would be great.

Mr SECKER—Mr Grace also raised the issue of the extra cost of Australian visas. I would be interested to know if that has had any effect on our overall education export performance compared to those other countries, because intuitively I think there would be other factors involved, like culture, the cost of the degree, the cost of living and all sorts of things.

Mr Grace—In the US, they also tightened up the student visa situation. So it is very hard to nail that down but it is very interesting that our visa fee is nearly double the cost of a US visa.

Mr SECKER—As a percentage of the total cost, it might be meaningless. You need to see the outcome at the end of it to know whether it is having an effect.

Mr Grace—It is also the perception that people have: 'Why is the Australian government charging double everyone else and we don't get anything from them?'

CHAIR—I think it is a valid observation to make.

Mr Grace—Moving on to the next theme, overseas government policies are interesting. For instance, students in China are not allowed to leave China unless they have completed year 9 in China. That provides opportunities for Australian institutions with offshore operations. The last theme I want to raise is free trade agreements. With education being such a big industry, one of the key recommendations is that there should be a greater focus on education and training in free trade agreement negotiations.

CHAIR—All that is very interesting. We will now have an open forum. If you have a question, go ahead.

Mr SECKER—That last point was interesting. What effect have bilateral trade agreements had on our educational exports?

Mr Grace—That is still to be recognised. Once again, not being in the university sector myself I have not followed this, but Carnegie Mellon University is coming into Adelaide and there is another US university that is coming in. So time will tell on the effect of that, particularly as the big US universities come in and establish themselves in Australia. In terms of our institutions, the University of Melbourne could move, say, to the United States. You know that the University of New South Wales has successfully set up in Singapore. Singapore is bringing in a whole range of top universities. Those are probably the only comments I could make in terms of free trade. I am not very knowledgeable on any of those effects.

Mr SECKER—Monash University has invested heavily in Stellenbosch South Africa so it works both ways I suppose.

CHAIR—We are very cognisant of your time constraints. Your evidence was interesting. In Western Australia has the overall number of students fallen?

Mr Grace—No, it is increasing; but it is only increasing now at about nine per cent. Western Australia is finding quite a bit of competition from the Eastern states. It is interesting to have a look at numbers. The New South Wales numbers are still increasing but not at the same rate as Melbourne—Melbourne has become the flavour of the month, while they have water, of course. Brisbane is increasing also, but it does vary. Western Australia is growing at around nine per cent. Across Australia growth is around 13.1 per cent. It is interesting to note that our industry boom may see that increase because there certainly are opportunities here for students to come in, do some training and then look at coming back as permanent residents or on work visas.

CHAIR—What faculties are doing the best? Are students coming in to do mining engineering or English, commerce, medicine and all the normal things?

Mr Grace—You will find that commerce is always popular. The area of commerce that is doing extremely well is accounting. There is a worldwide shortage of accountants, in particular auditors. People are getting really good accounting jobs with those degrees and moving into multinationals and moving around the world. So it is a great area. Engineering has had a resurgence. It is quite interesting—it is not mining engineering so much as civil engineering and mechanical engineering. There has always been demand for medicine, dentistry and so on—and law to a degree. It is across the board a bit but, as I said, especially in the area of commerce. If you are doing some accounting with some banking or finance then there is plenty of opportunity worldwide, for both local and international students.

CHAIR—Could we have your paper, by the way?

Mr Grace—Yes, I will leave you with that. I have made note to try and look at some comparative data and see what I can get. I will forward that to the secretariat.

CHAIR—It would be useful to get that comparing visa costs and regulation, if you can get somebody to do that because I hear it is becoming excessive by comparison with other countries. It would be useful to get some data on the issues that Patrick and Steven were talking about in terms of our costs relative to other universities. It would be most useful to have some information on the costs when you add up the costs of student fees, visas and the number of years of study and what that all amounts to.

Thank you very much for coming and thank you for your submission. Is it the wish of the committee that the additional submission from the Department of Education and Training Western Australia and dated this day 2007 be accepted as evidence? There being no objection, it is so ordered.

Resolved (on motion by **Dr Emerson**):

That this committee authorises publication, including publication on the parliamentary database, of the transcript of the evidence given before it at public hearing this day.

Committee adjourned at 12.25 pm