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**HOUSE OF
REPRESENTATIVES**

STANDING COMMITTEE ON ECONOMICS, FINANCE AND
PUBLIC ADMINISTRATION

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

THURSDAY, 15 MARCH 2007

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HOUSE OF REPRESENTATIVES
STANDING COMMITTEE ON ECONOMICS, FINANCE AND PUBLIC ADMINISTRATION
Thursday, 15 March 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, Ms Grierson and Mr Keenan

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.

WITNESSES

HINGERTY, Mr Matthew, Managing Director, Australian Tourism Export Council..... 1
**NOONAN, Mr Philip, Head of Division, Tourism, Department of Industry, Tourism and
Resources 1**

Committee met at 9.37 am**HINGERTY, Mr Matthew, Managing Director, Australian Tourism Export Council****NOONAN, Mr Philip, Head of Division, Tourism, Department of Industry, Tourism and Resources**

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

Today we will be hearing from representatives of the Australian Tourism Export Council and the Department of Industry, Tourism and Resources. I welcome you to the committee. As I am sure you are aware, proceedings of the committee have the same standing as proceedings of the parliament. We have received your written submission and I invite you to make an opening statement.

Mr Hingerty, you have read the evidence from our discussions with the ACCC. I have to say we were somewhat disappointed with them, because it appears there has been, from my point of view, some degree of inertia and a lack of action. I think some of the committee members were frustrated, Mr Ciobo in particular. He said, 'I can take you to the places, to the warehouses, and we can look at the food which is on offer—the macadamia nuts which are considerably above market price.' We have been discussing this for years, as you know. I really would like you to be honest and help us to get to the bottom of this and tell us what we should be recommending, because it just cannot go on like this.

For the benefit of my colleagues, ATEC is the principal body representing inbound tourism, so there is nobody better to speak to about this issue, because it is Mr Hingerty's members who are affected and involved in that and who can provide the best insights. Over to you.

Mr Hingerty—Thank you, Chair. May I say at the outset, on behalf of both my board and my members—and, I think, the tourism industry in general—how much we appreciate this committee's efforts to get to the bottom of these issues, to understand our industry and to make some significant recommendations. We really appreciate it. I know it can be hard. There are a lot of groups, as you know too well, Chair, in the tourism industry, all wanting to have their say; but I think on this particular issue, if no other, we are significantly united.

For the benefit of the other committee members, ATEC is a national peak industry association responsible for the inbound tourism sector. It is called the export council, which can be confusing, because we earn export dollars through our country—and a considerable amount of them, as well.

CHAIR—Yes. It is No. 1 in the area.

Mr Hingerty—For the purposes of the discussion, it is important to understand the common distribution chain in the tourism industry. It basically works like this. You have a producer or, as we call them, a supplier—which may be a hotel, a tour operator, a four-wheel drive operator, a restaurant—who will sell their package to what is known as an inbound tour operator, an ITO. An ITO is an aggregator and a wholesaler who will put the series of products together into a package. That ITO will then sell it to a foreign wholesaler, who will then sell it to a foreign travel agent, who will then sell it to a consumer. That is the classic distribution chain for the Australian tourism industry. Along that chain, people make their profits through commissions.

With the coming of the internet, there has been a significant amount of disintermediation. That has allowed suppliers, for instance, to go straight to consumers via the internet. Nevertheless, the common distribution chain still applies, particularly in emerging markets such as China, South Korea and Taiwan—the sorts of countries we are talking to about this particular issue.

At the outset I would like to make four or five points that I believe should be addressed. They are principles, if you like, that will go a long way towards helping us solve these problems. I should point out that two weeks ago my board went on a retreat and we discussed this issue in depth. I put a number of propositions to them, propositions which they had supported before, to test that they were still behind them, and they are most definitely.

CHAIR—Who is behind them?

Mr Hingerty—My board—of the Australian Tourism Export Council.

CHAIR—Right. Yes, it is important to have that!

Mr Hingerty—Yes. The first principle or point is this: I do not know if the committee is aware of this, but at present the Standing Committee of Officials on Consumer Affairs—which is made up of the consumer affairs chiefs of the various state governments reporting to MCCA, the ministerial council—is, I am told, undertaking a review of regulation in the travel industry. The principal aim of that is consumer affairs—that is, how we protect Australian consumers who buy products in the travel industry, whether for travel within Australia or travel externally. I understand that the Commonwealth's enthusiasm for the inquiry, and for what its outcomes may be, is waxing and waning. That is understandable because, from the Commonwealth's point of view, consumer affairs is largely a state responsibility. However, those of us in the inbound tourism sector believe that is coming at it from the wrong angle. We believe that this is about export development and export protection.

If I can draw the analogy to the primary sector and the commodity sector where, if we are sending a kilo of beef anywhere overseas, significant effort, regulation and Commonwealth dollars are put in to ensuring that that kilo of beef is in fact a kilo of beef, that it is not tainted with drugs and so on. A significant amount of effort is put into export protection in that area. ATEC believes that that same sort of effort—maybe not to the same degree in terms of dollars, but at least some effort—is put into export protection from the Commonwealth in our sector in combination with the states. We strongly support the SCOCA review and we would hope that the Commonwealth, through its parliamentary secretary, remains enthusiastically involved therein.

We are a bit *Ripley's Believe It Or Not!* in terms of industry sectors. We actually support regulation of our particular part of the industry. We believe that the distribution chain, at least the Australian end of it, as I discussed earlier, should have mandatory licences and regulation. We are happy to support mandatory regulation. To use a common buzzword, there is an area of mutual responsibility here. We are happy to call down and abide by regulation—that is for ITOs, for tour guides in particular, for the shops, and for the whole distribution chain. I guess it is a measure of our despair surrounding this particular issue. The other side of mutual responsibility is for governments to enforce consumer laws and export protection laws against those people who are not doing the right thing. We fully understand that in calling for regulation of our sector we are swimming against the stream—in relation to all state and federal governments, regulation is not a sexy issue—but we see no other significant way out of this particular issue.

The other factor we believe is holding us back is the industry itself, our own industry. As I said before, we have a lot of industry associations in tourism. When I last presented evidence to you, I used a whiteboard to show that, unlike the commodity, manufacturing and primary sectors, we are particularly underfunded in areas such as self-regulation, innovation and education because, unlike other major export sectors, we do not have a grower's levy. You would be aware that, through the Commonwealth, many of those industry sectors are able to apply a levy on their growers which is used in some cases in marketing, for research and development, for innovation or for regulation. We do not have that in the tourism sector. We are, however, the second or third largest—depending on how you cut it—export earner for this country. Yet we are represented—and I fully understand it is a reflection even on my own association—by a range of associations who are significantly underfunded. I did read the ACCC evidence. It was, on one level, disturbing. They have not contacted my association, a peak body of the export council.

CHAIR—They have mentioned the Korean—

Mr Hingerty—The KITOCA.

CHAIR—Are they part of your association?

Mr Hingerty—They are loosely arranged. They are a new organisation that has been developed through the Korean action plan. Some of the senior heads of my organisation—Peter Doggett from Sea World on the Gold Coast and Bernie Schulz from Accor—have been helping them through this process. We are very proud of the Korean industry here in Australia, the way they have sought to clean up their act. They have a code of conduct which I believe has just been approved. Codes of conduct are fine.

This comes to my point with the ACCC. The ACCC has a philosophy—an ethic—that reflects the way we do business within Australia. It is a hands-off, pro competition, deregulated approach. But the other end of the supply chain—and, in fact, I would argue right through the supply chain in some cases, particularly in the Chinese market—is dominated by a different culture. It is dominated by a culture of getting every last cent you can out of the consumer.

They do not care about consumer protection laws and competition laws. They do not care about doing the right thing. If they are forced to do something, they will. If they are forced by regulation and forced by enforcement, they will do the right thing. But we do not believe appealing to the better sense of an industry with voluntary codes of conduct, whether it is guides

or inbound tourism, is working. We think that is part of the problem. That is my opening statement. If I can, I would also like to reflect broadly on the services sector a bit later on.

CHAIR—Sure. I suppose we need to get a bit of a sense of how widespread this problem is. I note from my past experience that it was widespread. We had examples of people being locked up in warehouses out in the western suburbs and never seeing the harbour, driving past the Opera House once and that was it, prices that were provided not being competitive, and that you had people arriving at Brisbane Airport and being driven down to the Gold Coast where the operator was ringing different hotels and getting them to bid on that day after they had cancelled their other bookings. I do not know to what extent it is still prevalent.

Mr Hingerty—It is prevalent. We have to be careful. Particularly in the Chinese cultures, when you travel to a different destination, you are expected to bring home gifts—you are expected to shop. That is the first point. The second point is that the commission system in the industry is how the industry works. There is nothing wrong with commissions, provided they are declared and tax is paid. The ADS regime stipulates that commissions have to be declared to the customer. But what you state is prevalent. I saw Mr Ciobo's evidence in relation to the Gold Coast and I think that was accurate.

We are particularly concerned about Sydney and New South Wales. There is anecdotal evidence that, because Queensland has a regime in place, the operators are withdrawing from Queensland and coming to Sydney in particular. There are a number of stories that I have heard. Whenever I speak in the media about this I get calls from former bus drivers who have gotten out of the game who talk about even school groups being herded two or three times a day into these dodgy, rogue—however you want to describe it—stores. I have members coming to me about exchange rate scams where people are told that they have to change their money only at a certain establishment and, as you can imagine, they get ripped off.

However, where it falls down is whenever I say to these people, 'You have got to tell someone, you have got to give evidence, you have got to go on the record,' they do not. And why don't they? It is for two reasons. The first is despair: 'Nothing will happen if I do it,' and the second is fear. There are some very, very dodgy elements involved in this, particularly in Sydney. I do not know that it is an issue elsewhere in Australia—in Victoria and particularly in the western and northern parts of Australia—but I can tell you that these people, particularly the wholesalers in China, are not doing this for the broad betterment of the Australian tourism industry or for their customers. They treat people as a commodity and they will shop around jurisdictions to find the weakest regulatory regime, the weakest enforcement regime, and they will take their people there. That is why we believe we need a national approach.

A national approach means complementary legislation in the states or a complementary regulatory regime through the states, potentially based on the Queensland model, and an involvement from the Commonwealth, not only from a consumer protection point of view—consumer protection is important; ethically, we should treat our visitors with the same consumer protection that we do with our own people—but also from an export protection point of view.

CHAIR—You probably heard the ACCC saying, 'We have had very few complaints.' How do you account for that? You have mentioned that in terms of the operators who fear and say, 'Nothing will happen.' Obviously, given the inaction of the ACCC, they are right in the first

count. But why are they not seeing complaints from the consumers? I suppose it is difficult to register et cetera, but one would think that if people are being ripped off there would be a sense of outrage and they would be registering that with the Australian consulate or wherever.

Mr Hingerty—I do not believe that in the past there have been appropriate, widely understood mechanisms for consumers, although I understand that the Department of Industry, Tourism and Resources—I do not want to steal Philip’s thunder—has put some excellent measures in place that the industry would support. It is up to us—the industry—to then make them well known to our members and through those members to the consumers themselves. I think that will go a long way to opening up those lines of communication. However, it is a three or fourfold response. It is providing the consumers with that capacity to complain, understanding that there are different cultures—and some of these cultures are not really into complaining—and understanding that some of the people who are coming here, particularly from China, are probably travelling overseas for the first time in their lives. There can be a wide gulf between their expectations of what they are about to receive and what they are given.

Ms BIRD—Would their domestic tourism be run on similar lines anyway? So, even when they travel within China, that is the experience that they have—that everyone is out to get every dollar out of them?

Mr Hingerty—That is right; travelling groups herded about and so forth. When talking about China, we need to understand that the Chinese market is not only one type of tourist. In fact, the ADS regime is 30-something per cent of the market. There is a very high-end Chinese market from the PRC—government and technical visits—and they like to shop as well. My members are pretty enthusiastic about that aspect of the market. But, it is at the package end—

Ms BIRD—Is it the growing middle class in China that is starting to travel; is that what you are talking about?

Mr Hingerty—Yes, indeed. The People’s Republic of China wants its people to travel, and the world is very happy to receive them. Australia was one of the first countries under ADS. Now, most of the world has a regime.

CHAIR—Is the problem with China, Korea, Taiwan?

Mr Hingerty—Yes, but I would say that we are less concerned about Korea. First, because the industry here is trying very hard to self-regulate and because the nature of the travellers from Korea is changing. Fewer are coming in packages and more are coming as free and independent travellers. They are using the internet to research Australia first. So, they know what they are getting for their money and that they can complain if it is not living up to expectations. The other thing I would say about the ACCC—again, it goes back to my comments about our philosophy of light regulation and proper competition—is that in many other travel markets and cultures there is a minimum fixed price; that is, you cannot sell a package for less than a certain price. Within that price you can structure tours and a profit. We do not have that in Australia, for good historical reasons internally. However, there is a mismatch between the understanding of business in other cultures and the way we do it here. That has been exploited, particularly by the shops, which have a business relationship with the agents in China who are sending the people here.

CHAIR—So they get part of their profits from that?

Mr Hingerty—Yes.

CHAIR—Please feel free to dive in, because it is a bit different in terms of a significant problem that has been occurring for years. I shared with my colleagues that I was part of a mission that went to Korea and Taiwan 12 years ago and we were talking about this issue. The minister has done quite a bit in this area and in trying to develop guidelines with the states. I understand some states are more proactive—namely Queensland—than others. Where do we go with this? Do we need the ACCC to be more proactive? We asked, as you have seen in the transcript, ‘Why have you not taken action?’ Do we need that or a general agreement, as you have outlined, between the feds and the states on some degree of regulation and approval of operator status?

Mr Hingerty—That is number one: We need to set the regulatory foundations. There is a mismatch of regulations. There is a red tape issue—and it is a common issue—in that the different states have different regimes. The SCOCA review is trying to get to the bottom of this.

CHAIR—What is the SCOCA review?

Mr Hingerty—It is the Standing Committee of Officials on Consumer Affairs, which comprises the chiefs of the states, which reports to the Ministerial Council on Consumer Affairs. The Australian Federation of Travel Agents made a significant submission to that, which I am sure that they would supply to the committee. Again, it is about protecting the consumer affairs of Australian travellers, both within Australia and outbound. We believe there should be an export protection element to it as well.

CHAIR—We are just trying to establish the form in which this will take place. In order for a group to operate in Australia you would see that they would have to have state government authorisation before they were allowed to operate in the Australian environment. I see you nodding. But what would that mean in terms of submitting prices or details of their program? We do not want to micromanage in terms of what is being offered.

Mr Hingerty—I understand that. There are a couple of good models in place already. One is the guidelines for the approved destination status, the ADS regime, which is a small subsection of the Chinese market.

Mr Noonan—The ADS scheme is an intergovernmental agreement between Australia and China which regulates the flow of tourists coming on leisure tours from China—a significant portion of that market. Essentially, it involves a code of conduct that is compulsory in the sense that inbound tour operators are registered on each side. Chinese operators are registered by the Chinese National Tourism Administration and there is regulation around that side. Inbound tour operators within Australia have to comply with a code that specifies a number of things, such as setting out what the commissions will be, providing itineraries and so forth.

CHAIR—That has failed obviously. Has it?

Mr Noonan—It has been in operation for about 18 months in its current form. I might give a little of the history to it. Originally, it was focused on migration issues, particularly over-stayers. That was in about 1999. Then in the second half of 2005 it was upgraded to focus more on the fair trading side—which is more the issue that the committee is concerned with here. Inbound tour operators for Australia have to apply every year to be licensed under the scheme.

CHAIR—Australian inbound tour operators?

Mr Noonan—That is right.

CHAIR—Why is this failing if we are going through this process?

Ms GRIERSON—Who is it outsourced to in terms of the private organisation that looks at compliance?

Mr Noonan—Under the original scheme in 1999 the Australian Tourism Export Council had a particularly strong role on the limited fair trading side that applied at that stage, but now there are two government departments advised by TA and also by ATEC. The two government departments are us and the Department of Immigration and Citizenship. I would not describe it as an outsourced system now. I think the government has quite a central role.

Ms GRIERSON—In evidence it was said that enforcement of the ADS code is done by a private organisation.

Mr Noonan—We contract people to make sure that people are complying with the code of conduct. We do that in two ways. First of all, when they apply to be registered we assess their suitability to be an inbound tour operator under the scheme. Once they are licensed we also check up on them both with regular checks and also with some random checks. We have two contractors that do those two jobs.

Ms GRIERSON—Is being part of the scheme voluntary? Is it a volunteer-in scheme?

Mr Noonan—If you want to conduct ADS tours you have to comply with these rules.

Mr Hingerty—We do not believe that the ADS scheme itself has failed. We believe that it has been a good effort but ADS is only a small—

Ms GRIERSON—And it sounds like it would target those who were generally wanting to do the right thing anyway.

Mr Hingerty—ADS is only a small subset of a broader problem.

Ms GRIERSON—What percentage of the tourism market is the tour market, that organised tour approach?

Mr Noonan—I do not recall the exact figures. It is of the order that Matt referred to: 20 per cent or 30 per cent is ADS, then there is a leisure market and then there is also big business in the education tourism market from China as well.

Mr Hingerty—When you are talking about the PRC, the term for independent travel is a bit difficult to define. It depends. Typically, from a new market, particularly from an industrialising country, the majority of travel will be organised tours. The Japanese market, for instance, early in the eighties was typically organised tours. But over time, as a market matures—we are seeing this in Korea as well—as they understand, you have repeat visitation, you have business travel and you have niche travel. They tend to be what we call ‘free and independent’ and make their own arrangements.

Ms BIRD—Given what you have said, is there a danger that we overreact? If it is an immature market and it is not uncommon within the immature markets that people just go for being herded and controlled because they are not familiar with travel or with the language and all those things, and that as they mature as travellers that, to some extent, addresses the problems, I am just wondering—given the cultural stuff you mentioned, particularly with China—whether people actually see it as a problem themselves. If they do not, why would we particularly be agonising about it? The other side of it, which is where I got frustrated with the ACCC, is the issue seems to be more our service providers who are not getting the opportunity to access those tourists. There is a competition issue there.

Mr Hingerty—That is a good point.

Ms BIRD—If the numbers are increasing, maybe the word is not spreading that you get ripped off in Australia—maybe they see it as a good experience and they are continuing to come.

Mr Noonan—Numbers are certainly growing. Particularly from China and from Korea there is strong growth. Korea is particularly one of our strongest growing markets. China is off a lower base but is growing very rapidly too.

Mr Hingerty—I can address those three very telling questions. In terms of the ACCC, I said before that we had not had contact with them. In fact, many of our members had. They have launched an inquiry. There is a vexatious group on the Gold Coast who believe that the distribution chain should not exist and tourists should just turn up on their door and go straight to their shops. They have referenced the ACCC, who are inquiring into participants of the ADS regime which they signed off on. I am not saying that in any accusatory way, but there is a misunderstanding of the way the tourism sector works in these markets. In terms of tourists, there was a survey by Tourism Australia—it is now probably three years old—in the early phases of the ADS regime which found, from memory, that there was 40 per cent dissatisfaction with the product that these people had had. I understand that that has reduced over time.

Ms BIRD—What was the nature of the dissatisfaction? From what I read, it was not specifically about the sorts of issues that we are raising. ‘Accommodation is too expensive,’ and—

Mr Hingerty—The tour had not met their expectations. That is also part of the problem. The tour is being sold to them with high expectations—five-star hotels and fantastic sightseeing—and they are not getting that. But, more importantly, the other point that you made is: are we overreacting? My answer to that is: no, we are not. China is the hope of the side in tourism. We are seeing significant reductions from Japan every year.

CHAIR—Why is that, while we are on a side issue?

Mr Hingerty—Competition, cost and the exchange rate.

CHAIR—From where?

Mr Hingerty—China, ironically enough.

CHAIR—Really?

Mr Hingerty—Yes.

Mr Noonan—There has been a very rapid rise of Japanese outbound numbers to China and also to Korea and Thailand. We think there are a number of factors there. Exchange rates have certainly been one over the last five years or so. Also there are time pressures—the greater availability of short trips to nearby destinations rather than spending the extra day travelling to and from Australia. So it is a long story on Japan and—

CHAIR—It is just interesting as we go by this issue.

Mr Hingerty—Please excuse me if I get a little passionate about this, but as long as governments, the media, industry and industry politicians in particular—airlines and airports—are locked into KPIs based on volume without worrying about the quality of the product and whether or not we are making a profit out of it, we will have a major problem. My members are struggling. Just yesterday we saw that domestic travel has turned up a little, which is fantastic, but the fact is that outbound is growing particularly strongly. A lot of my members are under profit and cost pressure from the stagnation in the domestic market and a range of other issues that they are facing in relation to the labour market—crippling is too strong a word—and that is having a significant impact on our industry. If they are told that they have to accept volumes of travellers to suit the KPIs of the aviation sector and the broader body politic but they are not to make a profit out of it, we have a big problem. It is a major trade problem and it goes to the sustainability of the industry. We need to make a profit. The tourism white paper was not so much talking about the numbers but about sustainability, profitability, increasing the length of stay and increasing the dollars that we earn from the industry. So, no, I do not believe it is an overreaction.

Mr KEENAN—Just taking up on the point that Ms Bird was making about overreacting, there is the question, I think, that we have heard enough evidence that there is certainly a problem in parts of the industry, but it certainly would not affect the vast majority of people who are doing the right thing. If you are saying that the answer is an extra layer of regulation, if you like, which they will have to comply with, couldn't we look at increased compliance to deal with the bad eggs as opposed to just inflicting another layer of bureaucracy on a whole industry?

Mr Noonan—I think that is the key question about legislation: is there a case for additional legislation? There certainly is some legislation now. Essentially, the main issues in the industry are about people being misled or deceived about the nature of their itinerary or the experience that they were going to have, and there are laws at Commonwealth, state and territory level that seem to address those issues. So far all state and territory governments, through the Tourism

Ministers Council and the Commonwealth government and the emerging markets strategy, have said that at the moment we should be concentrating on enforcement and compliance of the existing laws rather than introducing new legislation. As you say, that imposes costs on the whole of the industry, not only the rogues but also the people doing the right thing.

Mr Hingerty—I do not necessarily agree with that. Compliance is fantastic to enforce the current laws, but let us do it in a coordinated, national way so that you do not create a jurisdictional raffle by the rogue operators. In terms of costs, as I said in my earlier evidence, bring it on. If it means that we are going to develop a sustainable tourism industry in Australia, my members are prepared to wear it, provided that there is enforcement of the same kind on the other side.

Ms BIRD—It would seem to me that one of the most constructive things we could do would be to facilitate the maturation of the market rather than simply putting hollow regulation in place. The point at which we get first contact is when people apply for a visa. Why aren't we sending stuff to them about travelling in Australia and giving them a website with information and so on so that we encourage them to be a bit more educated? Maybe it happens, I do not know, but it would seem to me that if you intervened at that point in that way it could be more constructive over the long term.

Mr Hingerty—I have two responses. One is that to a degree there are mechanisms set up. Tourism Australia is setting up a range of what they call Aussie specialists, travel agents within the market that are intensively trained about Australia and supply information. But you are making an assumption that the intermediaries, the people who are selling it, want them to see this information, and that is not necessarily the case.

Ms BIRD—That is why the visa application point is, I think, more useful because everyone has to do that.

Mr Hingerty—I am informed that the way that the Taiwanese handle this—and I understand this; I have not actually researched it—is that the visa is not allocated to the traveller until such time as a body, and I understand it is an industry body, has received payment for the travel, which is passed on to the ITO. Another significant issue in some of these markets is non-payment by the travel agents. The way the distribution system works is that the ITOs, the Australian suppliers, receive their payment after the tour—and we have a significant issue there—and consumers know their rights. It bears worthwhile investigation, I believe.

Ms GRIERSON—It could be given out on the plane before they depart where the tour operator might not be able to have control—

Mr Hingerty—Those things have been tried and, again, the intermediaries—

Ms GRIERSON—Are here when they get off the plane?

Mr Hingerty—Yes.

Mr Noonan—Concerning some of the consumer education things we have been doing especially in the last couple of months, firstly, we have produced a compliance guide that should go to industry associations and, hopefully, be disseminated amongst the industry associations—

CHAIR—If you are making a substantial rip-off, why would you bother about that?

Mr Noonan—If you are aware of somebody else in your industry making a substantial rip-off, ring up about this person up and do them in.

CHAIR—Okay, that is more appropriate.

Mr Noonan—We have also put up on the Tourism Australia's website some shopping guidelines, the first point of which is that you have the right to shop where you like no matter who you are. That is done in multilingual services so that people—

CHAIR—If you are being bundled into a shop you are not going to say, 'Excuse me, it says on the website that I have got the right to shop where I like.' That is a bit pious. I think it is appropriate but—

Mr Noonan—I think it relates to the question of maturation of the market. If you have 100,000 people from western China, very few of them are going to be prepared to assert their rights after they have come back from a trip to Australia. If they have come from the east coast of China, you get a better proportion. But even from the west coast, if you can—

Ms BIRD—Next time they book they might look at that.

Mr Noonan—That is right and that is what that is directed at. Then we have set up a national telephone hotline so that those information resources direct the consumer and give them a single number that they can ring.

CHAIR—Have they got Chinese translators? That is not likely—

Mr Noonan—There is a telephone interpreter service that is linked. They get the phone number and they get in their language information that there will be a telephone interpreter service available.

CHAIR—I think that is all very good and I commend you for that, but just at the bottom line I keep coming back to Matt's view of what we need to do. Unless you get an overall federal-state agreement on licensing and people can lose their licence if it has been found that they are ripping people off, I think it is going to be difficult. I will ask my economically dry colleague what his view would be on that.

Mr Hingerty—I would like to add another benefit of the exercise. I said earlier that we are suffering under a near crippling shortage in the labour market. Part of the reason is that in many areas outside the hospitality area, in general tourism, tourism work is not seen as an honoured profession, particularly in the tour guide area. The tour guide area is the weakest link in this chain. They are not significantly regulated—there are various voluntary accreditation schemes, which are fantastic, but they are voluntary. In many other jurisdictions around the globe a tour

guide is seen as a major profession. A licensing regime would enforce that. It would be a way we could attract good young people into our industry and keep them in there and they could earn a good quid—

Ms BIRD—What about mature age people? It could be a semi-retirement job.

Mr Hingerty—For mature age people, and that could be even more important, and they would probably be better tour guides given their experience in the country. In our view, there would be a further benefit from a licensing regime.

Mr Noonan—There is one other point that I should pick up from Ms Bird about providing information about the time of the visa. Remember that many of our visas are provided electronically now so there would have to be a bit of thought about how that mechanism worked. In many cases people are hardly conscious that they are applying for a visa.

Mr Hingerty—That is right. In terms of regulation, I do not know whether you are aware but recently the cabinet approved a scheme to outsource the GST refund scheme, which is currently conducted by Customs at the airports. The Commonwealth and the states have to sign up to that, and we hope that they do. But central to that will be a licensing regime for the retailers, for the service providers. So we do have some enthusiasm for regulation in some areas.

Ms GRIERSON—And you organise resistance in others.

Mr KEENAN—There is plenty of enthusiasm for regulation across the whole of government, I think.

Ms BIRD—Although yesterday we had the private education industry in Sydney who were saying things not dissimilar to you about growing industry, particularly in those parts of the world, and that they had concerns about rogue operators. They were saying exactly the opposite: stop regulating, just chase up the bad eggs, because the level of regulation is becoming an absolute barrier for our operators. You can see why I hesitate, in trying to work through this with you; in a way, we are hearing two different things from similar industry experience but with different solutions.

Mr Hingerty—Without having read their evidence, there are different characteristics. Education providers—universities or whatever—are known, they are reasonable stable entities—

Ms BIRD—Not all of them. There are also some real rogues in that industry.

Mr Noonan—The fundamental problem with extra legislation is that you have to test the current legislation. There has not been a case where an enforcement agency has said, ‘We had this great case which we wanted to run, but we couldn’t run it because there was this gap.’

Ms GRIERSON—Are there trends already for certain places, certain states? Are there comparisons? Is it certain sectors of the industry? Do you have trend data? The ACCC says there are no complaints. Do you have any trend data?

Mr Hingerty—I do not know that we have trend data. Again, there has been no regime in place to measure it. I would say, though, that it started off, largely, as a Queensland issue. As I have said, it has extended to Sydney. It probably was in Sydney all the time.

Ms GRIERSON—So, if you were to blitz the Gold Coast with a little task force, would it make a difference?

Mr Hingerty—Yes.

Ms GRIERSON—Would it make a national difference? Probably.

Mr Hingerty—It would if there were a national approach. That is my point: Queensland has a regulatory regime to enforce.

Ms GRIERSON—Perhaps you need to test—do a bit of a blitz—some compliance measures and enforcement measures in an area which is obviously an area of non-compliance where you are getting reports of non-compliance and see what happens. I think you have to draw attention to this problem, and it is our operators whom you have to influence here.

CHAIR—Our operators here—ours and theirs—is a very subjective thing.

Ms BIRD—I just want to explore that dissatisfaction. You said that 40 per cent are dissatisfied. Has there been any other surveying? I tell you why I have this concern. In a previous job I worked for a federal MP and organised the United Nation's committee visit. The feedback from people coming here—mostly from Asian countries—was our accommodation is nowhere near the standard they are used to and it is much more expensive than they are used to. Having now travelled once to Taiwan and seeing the elaborate nature of their accommodation, to some extent there is a mismatch and I wonder how much that dissatisfaction is more around those issues. I am not saying it is not the experience—it may be—but have we explored that, have we teased it out? What are we doing?

Mr Noonan—There have been different and later surveys, apart from the one Matt referred to. In our first supplementary submission, which we put in in December, we went through a few of those. The latest was an international visitors survey, which is where we survey 120,000 people a year on their experiences.

Ms BIRD—When do you survey them and how?

Mr Noonan—As they depart. And the level of satisfaction for people from China was 98.5 per cent. Again, that is a very general number, so you need to dig down to find out what that was composed of, but it certainly suggested a big improvement over a few years earlier.

CHAIR—Do you have comments on the survey result?

Mr Hingerty—Satisfaction is just one issue that we are discussing here. I will also talk to my earlier comments about the profitability and sustainability of the industry. The industry is like no other. Unfortunately, there is a pervading theme that people think that tourism is just this sort of fun time, a pastime, and there is an issue. Without going off on a tangent, I am aware that the

shadow spokesman for education wants to see uniform school holidays around the country. It sounds great from an educational point of view. From our industry's point of view, it would be a disaster.

Ms GRIERSON—It would be like Canberra—it has its peak and all accommodation is blitzed when parliament is sitting and then you have to cope in the down season.

Mr Hingerty—So if we want to have an inbound tourism industry, which at the moment is a \$19.5 billion industry—and we in fact believe that is a significant underestimation—we have to make a profit from these people. Yes, we want them to be satisfied because we want them to come back, but we have to make a profit. At the moment people are taking the business because they hope that one day it will turn around. It is market share and volume. There is nothing more perishable than a hotel room—if it is not used by midnight then it is gone. You cannot put it out on sale or put it in a freezer. It is the same with an airline seat. At the moment the lack of either regulation or enforcement—we believe both—is really threatening the sustainability of the industry.

Ms GRIERSON—Can I move from that area. We are looking at sustaining these things. We are in Melbourne and some of us found it very hard to get a hotel room because there are so many events on. But just recently there was an article in one of the newspapers about how a critical mass of research and knowledge based activities in Melbourne had led to a huge international conference success rate. I sent the article to all of my researchers, the CSIRO and the university et cetera in the Hunter. They did some costing and worked out that the per capita gain was just amazing. We in this inquiry are also looking at the future post the resources boom. Do you have some comments on where those future markets are and what has helped that success for Melbourne? Is it true?

Mr Hingerty—I will summarise briefly. The business meetings and events sector is very important for us, particularly the business area—business events, conferences, exhibitions and incentives, where a foreign company will send as a reward their workers here. It might be a bit of a conference but it is also a junket, basically. That is a significant area of growth but also a significant area of concern for us. You have Singapore investing billions of dollars into conference and events infrastructure. You have the same happening in Macau. Within our region the competition is intense. If there is one area where we believe in the short term that significant Commonwealth marketing needs to be put in place, it is in that area. My colleagues from BECA—the Business Events Council of Australia—have put in a submission to that end.

I gave evidence earlier that I also believe we are missing out on a significant opportunity in the health tourism market as the globe ages—particularly as the industrialised and industrialising world ages, people are quite happy to travel the globe for everything from a spa treatment through to medical services. That is where we are going to have to be clever. The competition for the pure leisure market internationally—and we were discussing this with the minister yesterday—is getting fiercer. In the eighties, when we were out there as a long-haul destination, we were one of the few long-haul destinations really playing in this space. Everybody is copying us now. Everybody has a beach, a five-star hotel and a spa resort.

Ms BIRD—Koalas?

Mr Hingerty—Probably. So we have to be clever about the markets that we innovate into. Business events is one of those. Health is another. Education is another. There is probably a range of others, including Indigenous tourism.

Ms GRIERSON—Do you both think that the department is responding to that?

Mr Hingerty—From the industry's point of view we do. We believe that the Commonwealth has been particularly responsive. The numbers are looking good and the dollars are looking good. How long is a piece of string? The more dollars you have, the more effort you can put in. But particularly in business events and, I believe, the health area, it is blue sky.

Mr Noonan—One of the things that Minister Bailey is looking at is what should come after the first tranche of white paper funding, which expires in the middle of next year. Business events has been very much one of her key priorities as she goes through that.

Mr Hingerty—In the time left, can I just make some comments about the broader services sector?

CHAIR—Sure.

Mr Hingerty—I noted the evidence given by ACCI—the Australian Chamber of Commerce and Industry—the other day. I noticed the line of questioning from the committee. ACCI is a fine organisation, but I, and some of my colleagues in the services sector, believe that the services sector has been particularly poorly serviced in putting forward its wants, needs and policy ideas, particularly in Canberra. I can report to you that the frustration has boiled over somewhat. A number of our groups will be meeting in Canberra—the initiative was driven by Restaurant and Catering Australia—and we will be discussing these issues.

Ms GRIERSON—There goes the diary again.

Mr Hingerty—The common binding issue through the services sector is the labour market, but taxation and a range of other issues we do not believe have been adequately put forward on our behalf by some of the existing groups.

Ms BIRD—Australian Services, whom we had yesterday, were much better and gave much more useful information but they did not seem to be a huge organisation.

Mr Hingerty—From our point of view the services round table has almost an exclusive bias towards trade, which is great, but for our sector, the travel sector, travel is notionally free, give or take your ability to get a visa or get on a plane. There are some fringe areas where we want to provide services in other countries where there may be some issues, but the issues across the services sector are broader than just trade—it is labour, it is tax, it is a range of other issues that I am not aware of.

CHAIR—I understand your frustration.

Mr Noonan—Can I hand to the committee two things—first, the compliance guide that has been disseminated amongst the industry and, second, an update, in the form of a second supplementary submission, of some of our consumer activities.

CHAIR—We appreciate you both coming and your frankness in discussing these issues and your passion. It is obviously a great challenge for the industry. It is a very difficult issue and it has been going on for years. We have made some progress. It is just a question of where we need to go to from here. The committee will be discussing it at length.

Mr Hingerty—Can I say from ATEC's point of view that we are happy to provide any further information.

CHAIR—Are you meeting with ACCC's Graeme Samuels yourself?

Mr Hingerty—No.

CHAIR—It might be worthwhile to do so and see what the outcome is of that. We may have Mr Samuels come and speak to the committee in Canberra. We will see where we go from here. That was great. We really appreciate that.

Is it the wish of the committee that the additional submission by the Department of Industry, Tourism and Resources dated March 2007 be accepted as evidence and authorised for publication? There being no objection, it is so ordered. Is it the wish of the committee that the document entitled *A fair go for tourists: compliance information for the tourism industry in Australia*, presented by the Department of Industry, Tourism and Resources be taken as evidence and included in the committee's records as exhibit No. X? There being no objection, it is so ordered.

Committee adjourned at 10.33 am