

12 November 2018

Joint Standing Committee on Trade & Investment Growth

To whom it may concern,

Re: Inquiry into Austrade's role in attracting investment into Australia

A key priority of the Australian Government's national long-term tourism strategy is to address the supply side of Australia's tourism industry. In response to the Tourism 2020 strategy, in April 2012, Tourism Australia (TA), Austrade and the former Department of Resources, Energy and Tourism signed a partnership agreement (the Partnership) to attract productive foreign direct investment in tourism infrastructure that will enhance Australia's international competitiveness as a tourism destination.

The partnership focuses on showcasing the Australian tourism opportunity to potential investors, actively engaging with government, industry and investor stakeholders to drive the development of new accommodation rooms, attractions and experiences across Australia. Please see attached for further information on the partnership and some examples of our marketing materials.

From concerns in 2012 about the ability of Australia to achieve the Tourism 2020 investment targets, Australia is now experiencing a very strong investment environment for tourism assets and a record number of rooms and tourism developments in the pipeline.

Since the launch of the partnership, Austrade and TA have attracted and facilitated tourism investment projects valued at over \$2.12 billion. Significantly, the industry is on track to achieve the Tourism 2020 rooms target, with approximately 20,000 new hotel rooms having been introduced into Australia since the strategy's formation, and another 20,000 rooms currently under construction.

There remains work to do to ensure that projects in the development pipeline come to fruition and investment is attracted into regional tourism product (including attractions and experiences) to help drive dispersal. As such, the Partnership has shifted focus from attracting new investment into capital city markets to supporting existing investors and implementing the Australian Government's Regional Tourism Investment Attraction Strategy.

The partnership's work has been very well-received across all levels of government and industry, demonstrating the Government's commitment to removing barriers and making information on Australian tourism opportunities more readily available to interested investors.

Yours sincerely,

John O'Sullivan
Managing Director

January 2018

Australian Government
Australian Trade and Investment Commission

TOURISM
AUSTRALIA

INVESTMENT ATTRACTION

Whitehaven Beach, Whitsundays Islands, QLD

Tourism Australia (TA) plays a strategic and coordinating role in facilitating tourism investment opportunities, in collaboration with Austrade.

MISSION:

To position Australia as the preferred destination for foreign direct investment into tourism infrastructure.



Canberra, ACT



Kangaroo Island, SA

STRATEGY:

- A National Tourism Strategy (Tourism 2020) was launched in 2009 to double overnight visitor expenditure by 2020. The strategy identified the importance of investment in tourism infrastructure towards the achievement of its Tourism 2020 goals.
- Introducing additional capacity – specifically, a target of 6-20k new rooms by 2020 – is essential to ensuring that Australia can deliver a quality tourism experience to meet the expectations of increasing visitor numbers.

PARTNERSHIP:

- Tourism has been a national investment priority since May 2012, formalised with a collaboration agreement signed between TA and Austrade.
- The partnership acts to market Australia as an attractive investment destination for tourism infrastructure and works with State and Territory governments to facilitate foreign direct investment (FDI).
- The partnership's aims include:
 - Raising awareness of Australia as an attractive place to invest through tourism infrastructure investment promotion, attraction and facilitation;
 - Removing potential barriers to investment and bringing tourism infrastructure opportunities to fruition.
- Over time, the focus of the partnership has shifted from attracting new hotels to ensuring existing projects in the hotel development pipeline come to fruition. Additionally, marketing efforts have shifted towards attracting investment into regional Australia to ensure the economic and social benefits of tourism spread beyond capital cities.



Nitmiluk (Katherine) Gorge, NT



Margaret River, WA



Mona, TAS

RESOURCING:

- **Tourism Australia:** onshore coordination and activities, including providing tourism industry insight and investment promotion and attraction collateral.
- **Austrade (investment division):** offshore coordination and activities, investor relations and international market intelligence.
- onshore policy coordination and high level industry research to support Austrade and TA in their roles.

OUTCOMES:

- When the partnership was launched, the tourism investment environment was characterised by very little new supply, constrained liquidity and difficulties accessing debt. In contrast, fast forward to 2018 and Australia is experiencing strong international interest in investing in tourism assets.
- A number of factors have driven demand for tourism assets including increased visitor demand by Asia's growing middle class, Australia's stable and transparent investment environment, low interest rates and favourable foreign exchange. Government advocacy has Australia's tourism and investment strengths.
- The industry is on track to achieve the Tourism 2020 rooms target, with a strong pipeline of rooms in development in Australia's capital cities. Since the introduction of the strategy, 20,000 new hotel rooms have been introduced into the Australian market. The current pipeline suggests that another 20,000 rooms will be brought into the market over the next 3-4 years.
- Since the launch of the partnership agreement, Austrade and TA have facilitated tourism investment projects expected to be worth over \$2.12 billion, created approximately 2,480 new rooms and upgraded over 540 rooms.



Snowy Mountains, NSW

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AUSTRALIAN TOURISM OPEN FOR INVESTMENT

OCTOBER 2018



Australian Government

Australian Trade and Investment Commission



TOURISM
AUSTRALIA

www.tourisminvestment.com.au



Australia's economy ranks 13th largest in the world and is in its 27th year of consecutive annual economic growth.¹

Australia ranks 1st globally for visitor spend and 10th for tourism receipts.²

Australia has the 4th largest GDP in the Asia-Pacific region.

The Australian economy is forecast to have average annual real GDP growth of 2.9 per cent between 2017 and 2021³

Australia has a transparent and stable operating environment with a strong, sophisticated and well-developed financial services industry.

“Investors recognise that the southern hemisphere is where the hotel growth is and what better place to invest than in Australia, which has good corporate governance, good planning controls and is a well-regulated and mature market with good underlying economy?”⁴

Ron Barrott, Chief Executive Officer, Pro-invest Group

AUSTRALIA'S ECONOMIC FUNDAMENTALS

Tourism Industry Fundamentals

What is the tourism industry worth?

- > A\$110 billion in year ending June 2018 (inbound A\$42.5 billion/ domestic A\$67.5 billion) generating A\$55 billion in direct GDP⁵
- > 9.1 million international visitors in year ending June 2018, increasing by 6 per cent from the previous period⁶
- > Directly employs over 598,000 people⁷

Globally, Australia is...

- > 40th for visitor arrivals
- > 9th for tourism receipts
- > 1st for spend per visitor⁸

Visitor Numbers

International arrivals to Australia increased 6 per cent in the 12 months to June 2018. Double digit growth was seen from India (up 20 per cent), Hong Kong (up 15 per cent), and China (up 13 per cent).

- > International visitor numbers to Australia are expected to increase from 8.6 million in 2016–17 to 9.7 million in 2018–19.
- > Robust growth from Asia will continue with the volume of Asian visitors expected to increase, from 4.2 million in 2016–17 to 4.9 million in 2018–19.
- > Good growth will be seen from the western markets as well; visitors from the USA are expected to grow 14.9% from 752,000 in 2016–17 to 864,000 in 2018–19. Visitors from the UK are forecast to grow 7.0% to 779,000.
- > Australia will continue to have a high proportion of its visitors from the top five inbound markets – China, New Zealand, the USA, the UK and Singapore.¹⁰

Strong Aviation Growth

International aviation capacity to Australia grew 5 per cent in the 12 months to June 2018. Markets which registered significant capacity growth included China (up 26 per cent), Hong Kong (up 11 per cent), South Korea (up 10 per cent) and Japan (up 9 per cent).

- > Increased outbound travel demand from the growing middle class in China's secondary cities continues to prompt carriers to launch direct services to Australia. For example, Donghai Airlines commenced twice weekly Shenzhen-Darwin flights in May 2018.
- > Capacity from Indonesia will continue to grow with increased services to Sydney and Melbourne by Qantas and Singapore Airlines:
 - Qantas commenced seven weekly Denpasar-Melbourne flights in June 2018.
 - Singapore Airlines has announced plans to launch three weekly Jakarta-Sydney flights, with the timing still to be confirmed.
- > Malaysia Airlines commenced four weekly Kuala Lumpur-Brisbane flights in June 2018.
- > Capacity from the UK and Europe will grow with increased services to Perth by Qatar Airways and Qantas:
 - Qantas commenced seven weekly London-Perth services in March 2018.
 - Qatar Airways commenced seven weekly Doha-Perth services in May 2018.
- > Virgin Australia has announced plans to launch five weekly Hong Kong-Melbourne services from October 2018.
- > Qantas has announced plans to start weekly San Francisco-Melbourne flights (frequency to be confirmed) in late 2018.¹²

OVERVIEW AND OUTLOOK

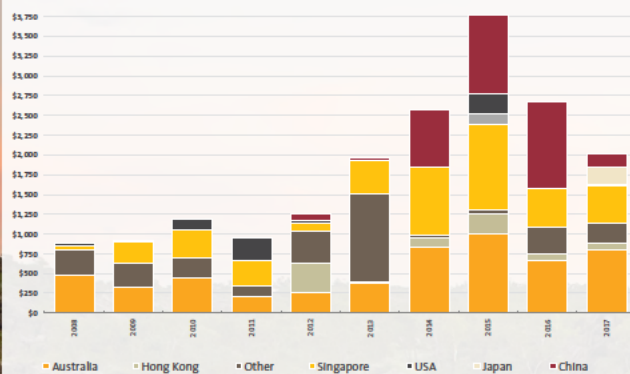
Strong core fundamentals continue to underpin record capital inflows to the Australian hotel sector.

Reflecting very strong fundamentals, Deloitte Access Economics forecasts international visitor trips to grow by 6.9% p.a. and visitor nights by 6.4% p.a. on average over the next three years. The realisation of this growth would see visitor arrivals reach the 10 million milestone in 2020 and would see international visitor nights overtake domestic visitor nights in 2023.¹³

Colliers reported Australia's hotel sales activity for 2017 reached \$2.02 billion on 47 sales tracked by the firm. Whilst easing, volumes remain well above the long-term average of \$1.25 billion.

Capital in Australian hotel transactions in 2017 was primarily sourced from offshore (62 per cent). The year was characterised by a notable broadening of the capital base with purchasers from Japan, Singapore, USA, Hong Kong, Vietnam, Germany and the UAE. Strong growth in Australian tourism is attracting more diverse investors to the sector.¹⁴

Origin of Hotel Purchasers by Value (>\$5 million)



Source: Colliers International

Increasing appeal of leisure destinations

Reduced opportunities in capital city markets and strong visitor growth in regional areas are seeing Australia's leisure destinations feature prominently as a market entry option for investors.

Colliers reported that in 2017, of the 47 hotel sales that took place, 20 were in locations outside of the capital cities. This is a trend that is anticipated to continue over the short to medium term.

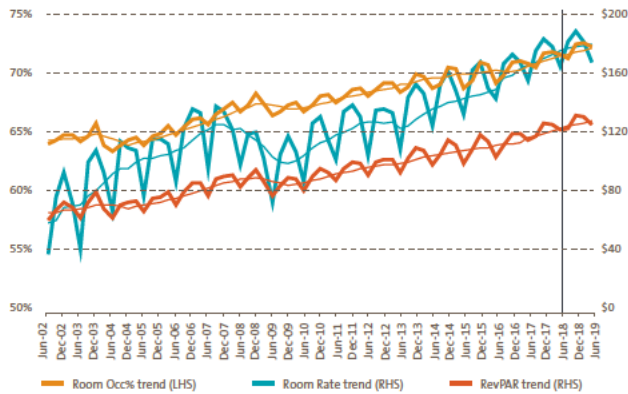
There has also been a visible shift in yields for hotels in regional locations as a result of increased investor demand. Owners are now able to receive a premium from potential buyers who wish to invest into these markets.¹⁴

It is a compelling value proposition, benign supply outlook and the strong tourist volumes, prompting both local and overseas players to secure assets in these iconic leisure destinations.

“All the boxes are ticked from an investment perspective with steady growth in returns, capital appreciation and safety of investments.”¹⁵

Akshay Kulkarni Director for Asia Pacific CBRE Hotels

Australian Hotel Outlook



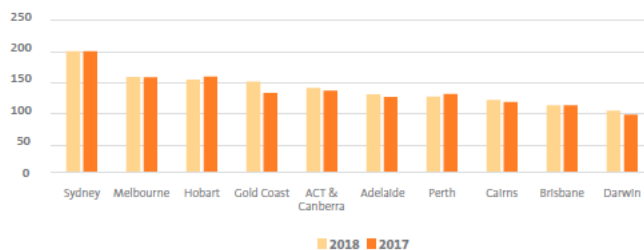
Source: Deloitte Access Economics based on: ABS Small Area Accommodation data and STR Global. Rates are exclusive of GST.

Record performance of the Australian accommodation sector

In the eight years since the global financial crisis, average room rates in Australia have been climbing with the trend continuing in 2017. Deloitte Access Economics reports that hotels across the country performed well during 2017, recording positive gains across key indicators. As a result of several new hotels being positioned at the high end of the market, average room rates are predicted to be pushed upward, growing at 2.8% per annum over the three-year forecast period to 2020.¹⁶

Australia's major hotel markets are expected to continue to outperform, with Jones Lang LaSalle reporting that investors' in China, despite the recent outbound capital restrictions, still have the appetite to invest in mature markets such as Australia.¹⁷

Revenue Per Available Room (RevPAR) Year to Date June 2017 vs. June 2018



Source: STR Global

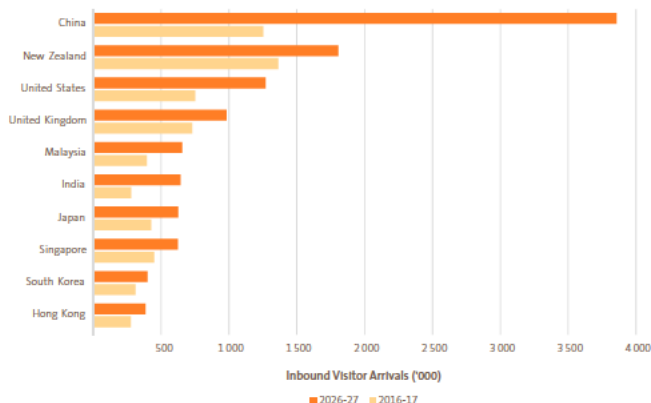
RevPAR on the rise

Both capital city and leisure accommodation markets have seen high occupancies for the year to date, June 2018. Sydney, Hobart, Cairns and Melbourne had results of over 80 per cent.

This demand, driven by strong market fundamentals, has significantly improved the hotel sector's RevPAR in recent years and is expected to continue to rise, with a projected growth of 3.1 per cent per year to reach \$121 in 2020.¹⁶

Savills Hotels anticipate that Sydney and Melbourne markets are expected to continue their strong trading performance in 2018 given record international and domestic tourist numbers and visitor spend, and relatively muted supply growth.¹⁸

Top 10 Inbound Markets by Visitor Arrivals 10 year forecast



Source: Tourism Research Australia

Where the growth will come from

Demand from Asia will play a key role in achieving the growth in international visitation to Australia. Asia is the fastest growing tourism market in the world. It is driven by strong economic growth, a growing urban and affluent middle class and the fastest growing aviation sector in the world.

Asia will contribute to more than half of all inbound visitors to Australia by 2026-27. The markets making the largest contributions to this forecast growth from Asia include China (3.9 million visitors), Malaysia (655,000 visitors), India (642,000 visitors) and Japan (626,000 visitors).¹⁹

INVESTMENT OPPORTUNITIES IN REGIONAL AUSTRALIA

Australia's vibrant tourism industry isn't just about cosmopolitan cities. With 45 cents of every tourism dollar spent outside of capital cities, the importance of regional tourism cannot be underestimated.²⁰

Abundant with natural attractions, Australia boasts a significant domestic tourism market already, with international visitor numbers forecast to rise. With Asia's thriving middle class seeking unique international travel experiences, Australia's proximity to growing Asian markets will set it in good stead. Investors now have a real opportunity to take advantage of growth in regional Australia and be part of the Australian story.

Frequently cited motivators for visiting Australia include world-class nature and wildlife experiences, food and wine and aquatic and coastal experiences; many of which are best found in regional Australia.

These are the experiences that international visitors are seeking which, when overlaid with a strong domestic base, provides opportunities for investors to capitalise on the current and projected growth in tourism.²¹

Demand Driver	Proportion of Visitors	5 Year Growth
Food & Wine	48.8 per cent	6.8 per cent
Aquatic & Coastal	21.6 per cent	4.9 per cent
Nature & Wildlife	18.3 per cent	9.5 per cent
Culture & Heritage	11.0 per cent	7.3 per cent
Wellness	0.4 per cent	7.1 per cent

TOURISM IN REGIONAL AUSTRALIA BY THE NUMBERS:²²

3.4% GROWTH
IN VISITATION PER ANNUM
(OVER 5 YEARS)



3.3% INCREASE
IN INTERNATIONAL VISITATION
PER ANNUM



289 MILLION
VISITOR NIGHTS SPENT IN
REGIONAL AUSTRALIA IN 2017

4.4% INCREASE
IN OVERNIGHT STAYS PER ANNUM

62%
OF ALL VISITORS ARE
DOMESTIC DAY TRIPPERS



4.6% INCREASE
IN DOMESTIC VISITATION
PER ANNUM



55 MILLION
MORE VISITOR NIGHTS SPENT IN REGIONAL
AUSTRALIA IN 2017 THAN IN 2012

1. Austrade, Benchmark Report 2018

2. Austrade, Benchmark Report 2018

3. Austrade, Benchmark Report 2018

4. Australian Financial Review, International money pouring into Australian hotel funds, says Ron Barrett, 29 April 2015

5. Tourism Research Australia, 2017 (International Visitor Survey and National Visitor Survey March 2018 Quarter, State Tourism Satellite Accounts, 2016-17)

6. Australian Bureau of Statistics, Overseas Arrivals and Departures June 2018

7. Tourism Research Australia, Tourism Satellite Account 2016-17

8. United Nations World Tourism Organisation, Tourism Highlights 2017

9. Tourism Australia, International Market Update, March 2018

10. Tourism Research Australia, Tourism Forecasts 2017

11. Tourism Australia, International Market Update, March 2018

12. Tourism Australia, International Market Update, March 2018

13. Deloitte Access Economics, Tourism and Hotel Market Outlook, March 2018

14. Colliers Australia, Hotel Sales 2017

15. Bloomberg, Starwood Capital, Fosun said to consider offers for Ascendas, 29 January 2016

16. Deloitte Access Economics, Tourism and Hotel Market Outlook, March 2018

17. Jones Lang LaSalle, Hotel Investment Survey, December 2016

18. Property Observer, 20 February 2018

19. Tourism Research Australia, Tourism Forecasts 2017

20. Tourism Investment in Regional Australia, August 2018

21. Tourism Investment in Regional Australia, August 2018

22. Tourism Investment in Regional Australia, August 2018

23. Sydney Morning Herald, Hotel sector hits new highs as Australia accommodates visitor demand, 31 July 2015

24. Tourism Australia, Crystalbrook Collection Success Story, March 2018

25. Tourism Australia, Cairns Aquarium Success Story, March 2018

26. Tourism Australia, Jackalope Mornington Peninsula Success Story, March 2018

RECENT NEWS & DEVELOPMENTS

GA Group's fourth major investment in Far North Queensland

Australian tourism and hospitality group, Crystalbrook Collection, has bought the Port Douglas Reef Marina with plans for a \$100 million-plus redevelopment including a five-star hotel, luxury apartment complex and new superyacht berths.

As well as upgrading the marina, Crystalbrook Collection owner Ghassan Aboud says he will deliver a 100-room boutique hotel, 50 top-tier apartments and a wealth of enhanced retail and dining areas.

This will be the fourth development in Queensland for Crystalbrook Collection, who already have more than \$370 million invested across three hotel developments that are under construction in Cairns.²⁴

New aquarium looking to tap into Cairns tourism growth

Cairns Aquarium is the latest in a series of major developments helping to stimulate tourism growth in Tropical North Queensland.

The \$54 million, 7800 square metre centre – which opened in September 2017 – hopes to attract more than 700,000

visitors each year to the region, generating \$20 million in annual revenue.

The first new aquarium built in Australia since 2000, Cairns Aquarium features more than 15,000 aquatic animals, fish, plants and other organisms – housed in 71 live exhibits across 10 life-like viewing habitats.²⁵

Louis Li wins big with first Australian hotel

30-year old entrepreneur, Louis Li, has made an impressive foray into the Australia hotel industry by winning one of the country's top tourism awards with his debut hotel on Victoria's Mornington Peninsula.

Jackalope Hotel, which opened to guests in April 2017, was awarded 'Australia's Hotel of the Year' at the 2017 Gourmet Traveller Australian Hotel Guide Awards. The property was also named 'New Hotel of the Year' and 'Regional Hotel of the Year'.

The \$40 million five-star boutique hotel, located among the 11-hectare Willow Creek Vineyard, features 45 rooms with floor-to-ceiling windows and private terraces overlooking the vineyard.²⁶

“There are three characteristics of Australia that make investing here attractive: being the stable economy, strong underlying fundamentals of the hotel industry and the low dollar, which attracts overseas visitors.”²³

Dillip Rajakarier, Chief Executive,
Minor Hotel Group

A NATIONAL PRIORITY

Tourism Australia and the Australian Trade and Investment Commission (Austrade) have joined forces in a strategic partnership to attract foreign direct investment to the tourism industry in Australia.

The tourism investment attraction partnership is a commitment to making the process of investment easier - removing barriers and making information and insight on Australian tourism opportunities more readily available to interested investors.

The partnership was formed in response to the national long-term tourism strategy, Tourism 2020, whereby the Australian and state and territory governments are working with industry to double overnight visitor expenditure to over A\$115 billion by 2020.

HOW WE CAN HELP

To find out more information about tourism investment opportunities in Australia and how the Australian Government can assist, contact your local representative:

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Cover Image: Cape to Cape Track, Western Australia

