

## Investing in business: training and taxation incentives

- 5.1 Training is an essential component of a sustainable industry. Without a skilled workforce, employers will not be competitive. This is particularly true in the tourism sector, where employee skills are on show to a national and international audience.
- 5.2 The standard and quality of tourism products are reliant on the skills and abilities of the tourism workforce – visitors will remember an unsatisfactory room and an unprofessional tour guide as well as they will a magnificent sunset over an iconic landmark. It is not enough to rely on our attractions to sell themselves, the industry must ensure that staff are consistently well trained and delivering a quality tourism experience.
- 5.3 This chapter examines measures to improve the provision and take-up of training. As discussed previously, the industry is faced with significant labour and skills shortages. Appropriate training is a key to addressing these shortages by upskilling people, providing career paths and therefore retaining people in the industry.
- 5.4 The chapter also discusses the calls by industry for taxation reform and the burdens of taxation felt by remote and regional employers. As a seasonal industry, tourism employers face particular challenges under the taxation regime.

## Vocational and technical education

5.5 The vocational and technical education (VET) system is delivered by states and territories in partnership with the Australian Government, based on the following principles:

- Industry and business needs, both now and in the future, must drive training policies, priorities and delivery.
- Clients must receive better quality training and achieve better outcomes, through more flexible and accelerated pathways.
- Processes must be simplified and streamlined and enhance national consistency.
- Young people have opportunities to gain a wide range of lasting skills that provide a strong foundation for their working lives.
- Training opportunities are expanded in areas of current and expected skills shortage.<sup>1</sup>

5.6 The formal mechanisms for industry involvement in the system are:

- direct input to high level training policy and delivery through a direct line of advice to the Ministerial Council on Vocational and Technical Education;
- direct input to quality assurance and national consistency through representation on the National Quality Council, a committee of the Ministerial Council on Vocational and Technical Education;
- determining relevant skills needs for the industry and defining the competencies necessary in the workplace; and
- direct input to planning decisions through a clearly defined role in the States' and Territories' annual plans for training provision.<sup>2</sup>

5.7 Vocational education and training underpins many positions in the tourism workforce. The qualifications lead to positions in:

- retail travel sales;
- tour guiding (including specific qualifications in Indigenous, cultural, nature-based, attractions and theme parks guiding);
- sales and marketing;
- product development and operational management;

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1 DEST, *Submission No. 60*, p. 2.

2 DEST, *Submission No. 60*, p. 3.

- cookery (including commercial cookery, patisserie, commercial catering and food and beverage service);
  - housekeeping;
  - office management;
  - gaming; and
  - security.<sup>3</sup>
- 5.8 Vocational education also offers qualifications in customer service, occupational health and safety, general and financial administration, computer technology and business (including people) management.<sup>4</sup>
- 5.9 Tourism employers rely heavily on in-house training, particularly for positions such as housekeeping, waiting and customer service positions. Accordingly much of this training falls outside of the vocational education and training system. Tourism WA reports that 64 per cent of workers in the industry lack formal qualifications.<sup>5</sup> This means that employees, while well trained, do not have formal qualifications, which limits opportunities for mobility and progression in the industry.
- 5.10 Because of the heavy reliance on in-house training, there are concerns generally about the variable quality of training in the tourism industry. It was widely acknowledged that there are some excellent training initiatives, particularly those delivered by larger employers. However, disparate training held in-house can limit opportunities for mobility.

In-house training plays an important role in providing (limited) vocational training and encouraging loyalty amongst employees, arguably leading to improvements in employee morale and resultant service standards.<sup>6</sup>

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3 DEST, *Submission No. 60*, Appendix A.

4 DEST, *Submission No. 60*, Appendix A.

5 Tourism WA, *Submission No. 62*, p. 26.

6 Industry Advisory Board, *Submission No. 30*, p. 3.

5.11 The provision of training is an essential part of any strategy aimed at recruiting and retaining quality employees. While the links between recruitment, retention and training are clear, Tourism WA submitted that many employers have not yet made this connection:

Employers must make the connection between recruitment, training and workplace productivity. The value of taking responsibility for training employees not only leads to more productive businesses, but also is more likely to encourage employees to remain in the industry because they have opportunities to grow and build satisfying careers. Aligning in-house training to accredited qualifications will further improve retention of staff in the sector.<sup>7</sup>

5.12 Linking in-house training to accredited qualifications requires better employer understanding of the content and value of qualifications. Results from a survey of employers in the tourism industry undertaken in the ACT – a region that because of its size has good access to quality training programs – found that 34 per cent of employers had limited to no understanding of training programs.<sup>8</sup>

5.13 In addition, 40 per cent of employers reported no or limited understanding of the variety of delivery methods for training courses.<sup>9</sup>

5.14 For example, it was submitted that there is the need for need for greater skills development in relation to supply chain management, customer service – in particularly frontline skills – and e-commerce applications. Twenty-one per cent of businesses identify customer service as a skill needed by qualified staff and 37 per cent identified that customer service as the most important future training need.<sup>10</sup>

5.15 Customer service skills are offered as a part of training packages. Employers are urged to make greater use of formal training if in-house training is not meeting their needs. Likewise, the formal training system need to better recognise the quality of in-house

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7 Tourism WA and WA Tourism and Hospitality ITC, *Submission No. 62*, p. 26.

8 Tourism and Hospitality Skills ACT and Region, *Tourism and Hospitality Training Needs Analysis, ACT and Region 2004*, p. 13.

9 Tourism and Hospitality Skills ACT and Region, *Tourism and Hospitality Training Needs Analysis, ACT and Region 2004*, p. 14.

10 Tourism and Hospitality Skills ACT and Region, *Tourism and Hospitality Training Needs Analysis, ACT and Region 2004*, p. 17 and 21. Also School of Leisure, Sport and Tourism, University of Technology Sydney, *Submission No. 4*, p. 2; ARTRC, *Submission No. 19*, p. 3.

training systems. More work needs to be undertaken to allow in-house training to be recognised as part of qualification attainment.

- 5.16 In remote and regional areas, lack of access to training organisations and understanding of how training can be delivered discourages formal training provision. It is therefore necessary for regional and remote businesses to work together to develop business clusters to support training delivery. This can reduce the cost to individual business and benefit regional areas by increasing the skill levels across a number of businesses operating in the areas. Again, businesses must work collaboratively to address this industry-wide challenge.
- 5.17 There is also a significant level of training that can be undertaken online (e-learning).<sup>11</sup> Businesses are urged to investigate these options and invest in the appropriate hardware and software to improve the take-up of e-learning.
- 5.18 There is more scope for industry to be more proactive in developing training that suits its needs. One such model has been developed in Western Australia:
- One example of industry and educators working synergistically is the 'Broadwater Business School' of Western Australia, being a successful collaboration between Broadwater Hotel and Resorts, Southern Cross University and the Australian School of Tourism and Hotel Management in Perth. The school offers a range of vocational training and tertiary studies, from traineeships through to MBA qualifications, already delivering significant employee development, product improvement and increased employee tenure in its initial year.<sup>12</sup>
- 5.19 The Committee commends this approach and believes there is more scope for partnerships of this kind between industry and training providers, particularly in remote and regional areas. For the training system to be more responsive to employer needs, it is necessary for employers to be involved in the development and the delivery of training standards.

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11 QTIC, *Submission No. 20*, p. 19.

12 Industry Advisory Board, *Submission No. 30*, p. 3.

## Training packages

- 5.20 Vocational and technical education is delivered in accordance with industry endorsed training packages. Training packages ‘contain competencies and qualifications (groups of competencies), which describe the skills and knowledge needed to perform effectively in the relevant industry workforce.’ Training packages are developed by industry skills councils in consultation with industry – for the tourism industry, the relevant industry skills council is Service Skills Australia.<sup>13</sup>
- 5.21 The Department of Education, Science and Training (DEST) noted that traditionally the tourism and hospitality sectors were separate in terms of industry representation, training frameworks and training delivery. However, as the two sectors have become more closely integrated in terms of service delivery, they now require many of the same skill sets.<sup>14</sup>
- 5.22 There are currently two training packages for tourism and hospitality related qualifications:
- Tourism Training Package (THT02); and
  - Hospitality Training Package (THH02).
- 5.23 As a result of a 2005–06 review of these packages, it was recommended that they be combined into one package. This package (Tourism, Hospitality and Events Package (SIT06)) was developed with extensive industry consultation and has been fully endorsed by industry.<sup>15</sup>
- 5.24 However, to be endorsed by the National Quality Council (NQC), and therefore implemented, the package needs the agreement of all states and territories. The Committee is concerned that this package, although unanimously endorsed by industry (including employers and unions) and the majority of the states and territories, has not been progressed to completion. At the time of writing this report, Victoria had not agreed with the package, delaying its progress.
- 5.25 The new package aligns competencies more closely with industry practices and, as it applies more rigorous standards to assessment, it

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13 DEST, *Submission No. 60*, p. 3.

14 DEST, *Submission No. 60*, p. 3.

15 Ms S. Briggs, Service Skills Australia, *Proof Transcript of Evidence*, 30 March 2007, p. 32.

also increases the value of resulting qualifications, which was requested by industry.

### **Recommendation 17**

**The Committee recommends that the Australian Government ensure that the proposed training package, Tourism, Hospitality and Events Package (SIT06), is finalised as a matter of priority.**

## **Vocational and technical education funding**

5.26 Vocational and technical education funding is an issue of concern for regional and remote employers. Current funding models are 'supply driven'. That is, the providers of training determine how training is delivered. As funding is time-based, training is delivered based on student contact hours rather than the achievement of competencies. This does not fit well in a sector filled with so many transitional workers who are largely achieving competencies through on the job experience and training.

5.27 The reliance on student contact hours for funding means that there is little incentive for training organisations to undertake training in remote locations:

Funding for training in regional areas needs to be increased to attract city based training organizations to operate in remote areas, currently funding models make it difficult for quality training to be delivered in remote areas when the funding amounts encourage city based training as it is more profitable.<sup>16</sup>

5.28 There are significant costs associated with the provision of training in remote locations and these costs must be borne regardless of participant completion. The current funding model, wherein payment is reliant on course completion, provides a disincentive to the provision of training in remote locations.

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16 Hostec, *Submission No. 7*, p. 2.

- 5.29 The Committee was told:
- It is \$8 an hour to deliver training in Darwin and it is \$11 an hour if we deliver it remotely. So we get \$3 an hour extra to fly participants in, house them, feed them and fly them out again. That is enormously financially risky.<sup>17</sup>
- 5.30 To encourage the participation in training courses, particularly by more disadvantaged people in remote locations, training providers will often meet transport and accommodation costs. For example:
- a Certificate I in Tourism (Australian Indigenous Culture) returns to the delivering RTO approximately \$2,100.00 per participant, a return that is entirely contingent upon the participant successfully completing the qualification. Whilst conducting a recent training programme delivering Certificate I in Tourism for 10 participants in a remote location, ICAE incurred costs of around \$12,000.00 for participant and instructor airfares, and accommodation and board costs for participants of around \$15,000.00. To conduct training of this nature, RTOs need access to additional funding guarantees to reduce the financial risks, and make delivery of remote tourism training financially viable and rewarding.<sup>18</sup>
- 5.31 Travel and accommodation costs for instructors and participants are fixed, regardless of how many participants actually complete the course. The ICAE suggested that funding should be contingent on milestone completion rather than course completion. This would give more financial surety to training providers and therefore offer a greater incentive to provide training in remote areas and in areas high Indigenous populations where completion rates can be lower.<sup>19</sup>
- 5.32 Some organisations claimed that funding for the completion of course components, rather than full qualifications, would encourage more employers to offer training as employees would be able to undertake training components directly relevant to their jobs. Changes to funding models would also encourage training providers to offer more flexible models of training.<sup>20</sup>

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17 Mr B. Chapman, Marketing Manager, ICAE, *Transcript of Evidence*, 7 March 2007, p. 20.

18 ICAE, *Submission No. 68*, p. 2.

19 Mr B. Chapman, ICAE, *Transcript of Evidence*, 7 March 2007, p. 20.

20 SATC, *Submission No. 34*, p. 6; QTIC, *Submission No. 20*, p. 11.



- 5.33 The capacity to adapt training models may also facilitate higher completion rates in Indigenous populations. Currently the need to travel and be separated from communities for long periods of training are contributing to lower completion rates.
- 5.34 Competency based training funding models that are more flexible and able to offer milestone completion targets would be more appropriate in some locations. However, the capacity of training providers to adapt their delivery modes is currently hampered by rigid funding frameworks.
- 5.35 It was submitted that the current funding models are a disincentive for training organisations to recognise prior learning. When asked why recognition of prior learning (RPL) is not working, Service Skills Australia told the Committee:
- it is not encouraged as much as it should be, and I guess there are some financial reasons underpinning that ... Obviously, when we get into the training system the funding is on student contact hours, so if a student gets exemptions from certain units within a course then that is money that the RTO does not get.<sup>21</sup>
- 5.36 RPL is an important component of the training system. Often people have been working in the industry for many years and are highly skilled and it is not necessary for them to undertake a full course to be deemed competent. Particularly in an industry where individuals work for many years on a seasonal basis, RPL is an important mechanism for skills recognition. For example, the Committee was told:
- There is one [example] that I will give you to recognise a person who obtained a certificate III. This lady is a kitchen hand. She is 72 years old and has worked in our particular business for in excess of 20 years ... She left school at form two, or year 8, which is what it is equivalent to now, terrified of the fact of going back to do any formalised learning. We had an RTO come in and do some assessment on her in the workplace, walked her through some verbal assessment and she received a recognition of certificate III ... Her grandchildren attended a special ceremony when she was

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21 Mr J. Sweetman, Service Skills Australia, *Proof Transcript of Evidence*, 30 March 2007, p. 34.

awarded the certificate to give her that recognition, and you would swear she had won Tattslotto three times over.<sup>22</sup>

- 5.37 The provision of RPL services should not be contingent on concerns of training organisations losing funding. RPL should be offered at the commencement of all training courses. If existing employees were to have greater formal recognition of their skills, retention may be improved. The potential of a qualification may also be an incentive for individuals to return to work in the industry, particularly mature-age workers.<sup>23</sup>
- 5.38 However, the Committee recognises the current disincentive for training providers to provide RPL services because of the reliance on student contact hours for funding, institutional bias of many trainers against RPL because it reduces the number of potential students, and lack of institutional experience in the provision of RPL. Therefore, funding and incentives for RPL need to be increased, both in the form of 'rebates or tax breaks to industry employers who support formal recognition of their staffs' skills for the attainment of industry qualifications' and for the provision of RPL services.<sup>24</sup>
- 5.39 There is also room for more flexibilities to be built into the RPL process to widen its take-up:
- Should an employee decide to take the RPL option, the mountain of paperwork and vocational language they are required to wade through often results in either non completion or declining to take up the RPL option in the first place. Because of the need to be flexible with the assessment approach and perhaps customise the evidence gathering approach the RTO does not engage because of the cost involved or inability to adapt.<sup>25</sup>
- 5.40 It has also been submitted that a separate industry body should be developed that is responsible for the assessment of RPL.<sup>26</sup>
- 5.41 To further support employer provision of training, TTF Australia recommended:

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22 Ms K. Hepner, Compass Group Australia, *Transcript of Evidence*, 9 February 2007, p. 8.

23 Tourism WA, *Submission No. 62*, p. 31.

24 QTIC, *Submission No. 20*, p. 16.

25 QTIC, *Submission No. 20*, p. 16.

26 QTIC, *Submission No. 20*, p. 17.

Restoration of the Guarantee Training Levy (or similar scheme) whereby corporates are encouraged to commit to the development of skills/knowledge in their industry. One of the key features was the tax deductibility which made it attractive to employers. The establishment of such a scheme would encourage establishment of new and expanded partnerships between corporate sector and tertiary institutions which are increasingly competing of public sector funds. Unfortunately GTL was abolished completely instead of modified in response to commercial abuse.<sup>27</sup>

- 5.42 The training guarantee levy is an issue of some contention, and the Committee is of the opinion that there would need to be a wider debate on the issue before any consideration of its reintroduction.

### **Recommendation 18**

**The Committee recommends that the Australian Government amend the funding model for vocational and technical education to allow funding that is competency based rather than time based.**

### **Recommendation 19**

**The Committee recommends that the Australian Government streamline the application of recognition of prior learning initiatives to encourage the industry to up-skill and provide qualifications to existing workers.**

### **Recommendation 20**

**The Committee recommends that the Australian Government investigate and reduce the barriers to take-up of recognition of prior learning at the employer, employee and training organisation level and require that recognition of prior learning be offered at the commencement of all training courses.**

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27 TTF Australia, *Submission No. 37.1*, p. 4.

## Apprenticeships

- 5.43 In the 12 months to March 2006, 22 700 people commenced Australian Apprenticeships in tourism or hospitality qualifications. Apprenticeships can lead to a range of jobs in the tourism industry including traditional trades, cookery and tour guiding (including cultural and natural heritage and Indigenous guiding).
- 5.44 A range of measures have been put in place to make the apprenticeship system more accessible including:
- more flexibility in choice for the delivery of off-the-job components of training;
  - Australian Apprenticeship Centres providing 'information and assistance on all aspect of Australian Apprenticeships;'
  - incentives for employers who offer employment-related training;
  - incentives for mid-career apprentices and higher technical skills under the *Skills for the Future* package; and
  - group training.<sup>28</sup>
- 5.45 Despite this range of support, it was submitted that 'employers on the whole are unaware of the benefits of traineeships/apprenticeships and still perceive it to be a complex paperwork nightmare.'<sup>29</sup> Throughout the inquiry, employers also reported a reluctance to invest in apprentices due to the transient nature of employees.
- 5.46 There is a role for Australian Apprenticeship Centres to be more proactive, particularly in regional areas, in promoting incentive payments available and the benefits to employers of hiring apprentices.<sup>30</sup>
- 5.47 Submitters also noted the need to maintain the quality of training by ensuring that apprentices and trainees are supervised and mentored by appropriately qualified tradespersons.<sup>31</sup>
- 5.48 One measure to increase participation in apprenticeships is to increase the availability of accelerated pathways that are competency based rather than time based.<sup>32</sup>

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28 DEST, *Submission No. 60*, pp. 10–12.

29 Hostec, *Submission No. 7*, p. 2. Also International College of Advanced Education (ICAE), *Submission No. 68*, p. 2, Tourism WA, *Submission No. 62*, p. 25.

30 RCA, *Submission No. 31*, p. 20.

31 RCA, *Submission No. 31*, p. 19.

- 5.49 The Committee was told that it is difficult for apprentices in regional areas to attend training, therefore discouraging them from staying in remote and regional locations:

In many remote and regional areas the availability of block release to attend TAFE Colleges is non-existent requiring the apprentices to travel very considerable distances every week; often more than 500 kilometres return in one or two days together with their attendance at college. In NSW for example, apprentices in the resorts there are required to travel from Jindabyne to Shellharbour for Diesel Mechanic training, Fitters travel to Canberra and Electricians to Wollongong. Local TAFE colleges only offer restricted apprenticeship training courses.<sup>33</sup>

- 5.50 There is clearly the need for alternative models of apprenticeship training to be developed that accelerate learning where possible and also do not disadvantage young people who wish to stay in regional locations.
- 5.51 The current time-based supply driven model is counter productive to those employers on the margins of whether or not to invest in training. Many employers simply will not engage in training if the training sector dictates the terms of delivery. Employers need to be confident that training works flexibly and in accordance with the needs of their sector.
- 5.52 The tourism industry also struggles with the fact that it has such seasonal peaks and troughs. During peak seasons, it is more difficult to release staff for training, and during low seasons it becomes difficult to offer work to apprentices.
- 5.53 The International College of Advanced Education (ICAE) submitted:

Due to extreme seasonality, it is common practice in the Northern Territory and other areas for many tourism SMEs to employ staff on a casual basis. Because of the nature of their employment, these employees are excluded from undertaking an apprenticeship, and employers are denied the many advantages of having a workforce undertaking formal training. However, many staff follow employment demand in peak seasons in different regions, effectively maintaining

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32 CCIWA, *Submission No. 45*, p. 7.

33 ASAA, *Submission No. 9*, p. 13.

permanent employment, albeit with different employers in different locations. Consequently many employees in the industry amass significant experience, knowledge and skills over many years, but cannot access the benefits that an Apprenticeship or Traineeship affords, and exit the industry with no formal qualification in recognition of their abilities.<sup>34</sup>

5.54 This situation is more pronounced in Indigenous communities:

In many remote Indigenous communities, enterprises are organized and operated around community and cultural requirements, rather than a strict adherence to the more ubiquitous 24/7/365 arrangement found in regional and urban areas of Australia. This mode of operation, while obviously not lending itself to permanent full-time employment arrangements, allows people to contribute to the workforce whilst still participating in important traditional cultural practices. Employees in these situations often maintain employment over many years, receiving payment from their employer on a piecemeal basis, and building a considerable repertoire of workplace skills and knowledge. They are, however, denied access to Australian Apprenticeships, simply because of the nature of their employment.<sup>35</sup>

5.55 While the majority of apprentices will want to start and complete their training in a set timeframe, this model may not necessarily suit all, particularly not those in remote areas who only have the opportunity to work in their chosen field on a seasonal basis. For example, tour guides may only work for three to six months as guides and work in another industry when there is no guiding work available. This may be a lifestyle choice or it may be a consequence of the structure of the tourism industry, however it clearly restricts opportunities for apprentices.

5.56 In addition to accelerated competency based apprenticeship schemes, measures need to be investigated that open up apprenticeship opportunities in regions and occupations that offer largely seasonal employment. While this may lengthen some apprenticeship terms, it will also expand apprenticeship opportunities to a much wider group.

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34 ICAE, *Submission No. 68*, p. 1.

35 ICAE, *Submission No. 68*, p. 2.

- 5.57 Many apprentices in the tourism sector go on to establish their own businesses, therefore, it is desirable that apprentices gain business skills. There was a call for post-apprenticeship business skills training to ensure that apprentices have business and human resource management skills.<sup>36</sup>
- 5.58 Business skills are an area of weakness in many small and medium sized enterprises. In October 2006, the Government announced the provision of business skills vouchers for apprentices as part of its *Skills for the Future* package.<sup>37</sup>
- 5.59 The Committee welcomes the Government's announcement as part of the 2007–08 Budget of support to young apprentices in skills shortage trades in the form of \$1 000 payments to people in their first and second year of training as a wage supplement and a \$500 payment to offset course fees.<sup>38</sup>

### **Recommendation 21**

**The Committee recommends that the Australian Government take steps to actively promote the development of competency based apprenticeship pathways in areas of skills shortages in the tourism industry.**

## **Secondary school and university training**

### **Secondary students**

- 5.60 Many secondary students are employed in hospitality positions as weekend jobs. The challenge for the industry is to inspire these students to consider tourism as a career option.
- 5.61 Secondary school students can undertake VET courses whilst still at school to gain credit towards national competency standards or as part of a school-based apprenticeship in the range of areas on offer under industry training packages.

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36 QTIC, *Submission No. 20*, p. 11.

37 DEST, *Submission No. 60*, p. 6.

38 Hon. P. Costello, MP, Treasurer, *Budget Speech 2007–08*, 8 May 2007, accessed 9 May 2007, <[aph.gov.au/budget/2007-08/speech/download/Speech](http://aph.gov.au/budget/2007-08/speech/download/Speech)>.

- 5.62 A number of young people will also have access to Australian Technical Colleges (ATCs) offering commercial cookery training at a certificate level three equivalent or above. By 2009 at least eleven of the 28 ATCs will be offering commercial cookery.<sup>39</sup>
- 5.63 Because of the casual job opportunities for secondary students, hospitality is the second most popular area of vocational education after retail. DEST reports that 'school based apprenticeships accounted for 10.4 per cent of all commencements in hospitality apprenticeships and traineeships in the 12 months to September 2006'.<sup>40</sup>
- 5.64 Despite this popularity, focus groups held with year 11 and 12 students in the ACT studying the lower level Tourism (Operations) Certificate II and Hospitality (Operations) Certificate I and II found that the majority of students did not consider the industry as a long-term career choice.
- 5.65 It is apparent that while there were opportunities to work in hospitality, students are not being exposed to experiences that would encourage them to consider further tourism studies. Findings were:
- Both years 11 and 12 tourism and hospitality students had a good practical understanding of the industry they were studying. This was particularly evident in year 12 students who had previously undertaken certificate I in hospitality operations and were a year older;
  - Students clearly saw the benefit of undertaking vocational training and receiving a certificate whilst still at college [years 11 and 12];
  - A major reason given for undertaking the hospitality and tourism certificate was that it would assist them to get a job when travelling overseas;
  - Approximately 30% of students identified that they may consider or would go on to do additional hospitality and tourism study at CIT [Canberra Institute of Technology] or University. Five out of eleven tourism students at Lake Ginninderra College stated that they would like to pursue a career in tourism;
  - Approximately 70% of all students participating in the focus groups were working in the hospitality industry;

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39 DEST, *Submission No. 60*, p. 14. Also <australiantechnicalcolleges.gov.au>, accessed 22 May 2007.

40 DEST, *Supplementary Submission No. 60.1*, p. 1.



- Limited or no opportunity exists for tourism students to work in the tourism sector;
- The majority of students (approximately 65%) had undertaken or were looking at undertaking the bar course and once again saw this as a valuable asset in getting work while travelling overseas;
- Students that were working in the hospitality industry were well aware of varying employer conditions and rates of pay;
- Normal rates of pay for those students currently working in the hospitality industry varied from \$8.00 to \$16.00 per hour;
- Tourism students believed that the tourism industry was a 'booming' industry sector; and
- It was evident from discussions with the students that the courses were of great value, enjoyable and delivered by professional dedicated educators who have good industry knowledge.<sup>41</sup>

5.66 The industry acknowledges that while school-based vocational education exposes students to opportunities in the tourism industry, the industry needs to engage more with students and offer work experiences that may lead to paid employment. The Committee was told that:

An effective means for industry groups and individual operators to engage with high school students is through their Regional Industry Career Advisor (RICA), which is a Career Advice Australia initiative. One of the objectives of this initiative is to identify skill gaps of local and regional businesses and support solutions to address skill shortages.<sup>42</sup>

5.67 Lack of employment opportunities is one reason why young people leave regional areas at the completion of schooling. Greater engagement with secondary students in regional areas in particular will not only promote the careers that the industry has to offer, but may also encourage young people to stay in regional areas.

5.68 Secondary school teachers and parents are key in influencing students' study and work choices. Any industry strategies aimed at secondary student must also ensure that appropriate information about opportunities the industry affords is available to schools and

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41 Tourism and Hospitality Skills ACT and Region, *Tourism and Hospitality Training Needs Analysis, ACT and Region 2004*, p. 27.

42 CCIWA, *Submission No. 45*, p. 10.

- parents. Schools and training organisations must also ensure that secondary teachers' knowledge is current and relevant to industry.
- 5.69 Beyond industry-related training, it was submitted that basic literacy and numeracy education at primary and secondary levels needs to be addressed, particularly in remote and regional areas.<sup>43</sup> Sixty per cent of employers 'believe graduates from tourism training have inadequate literacy and numeracy skills.'<sup>44</sup>
- 5.70 Employers submitted that improved basic numeracy and literacy skills will improve employability. This is supported by the Productivity Commission which 'has previously noted that if secondary education attainment levels were improved, the rate of productivity once young people join the workforce would grow significantly.'<sup>45</sup>
- 5.71 The Committee agrees that basic literacy and numeracy skills are fundamental to job readiness. All education providers, at primary, secondary and tertiary level, are responsible for ensuring that graduates are equipped with these skills. Governments at all levels are responsible for promoting the value of basic education and supporting programs aimed at ensuring job-seekers lacking these skills have the opportunity to acquire them.
- 5.72 The Committee welcomes measures in the 2007–08 Budget aimed at improving basic literacy and numeracy levels. These include vouchers for tuition for students in grades three, five and seven, \$50 000 bonuses for schools who make significant improvements in literacy and numeracy standards, and professional development for teachers.<sup>46</sup>
- 5.73 Several submissions called for attitude and aptitude testing of students and job seekers to identify suitable positions and areas where remedial programs for basic skills may be necessary. This call is supported by the National Tourism Investment Strategy.<sup>47</sup>

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43 Tourism NT, *Submission No. 39*, p. 6; TTF Australia, *Submission No. 37*, p. 3; Service Skills Australia, *Submission No. 32*, p. 7; ASAA, *Submission No. 9*, p. 17; Tourism WA, *Submission No. 62*, p. 23.

44 Tourism WA and WA Tourism and Hospitality ITC, *Submission No. 62*, p. 23.

45 TTF Australia, *Submission No. 37*, p. 3.

46 Hon. P. Costello, MP, Treasurer, *Budget Speech 2007–08*, 8 May 2007, p. 4, accessed 9 May 2007, <[aph.gov.au/budget/2007-08/speech/download/Speech](http://aph.gov.au/budget/2007-08/speech/download/Speech)>.

47 Australian Government, DITR, *National Tourism Investment Strategy*, March 2006, p. 65.

- 5.74 Employers are responsible for assessing applicants for their attitude and aptitude for vacancies. Given labour shortages, there may be a greater onus placed on employers to provide training in some basic skills in order to fill vacancies. The investment in training relates back to retention strategies and the industry establishing itself as an employer of choice, as discussed in the previous chapter.

## University level training

- 5.75 A number of degrees leading to careers in the tourism industry are offered at Australian universities. For example, Southern Cross University offers the following degree courses at undergraduate and graduate level:
- 5.76 Bachelor of Business in Tourism Management –
- Bachelor of Business in Club and Gaming Management
  - Bachelor of Business in International Tourism Management
  - Bachelor of Business in Hotel and Resort Management
  - Bachelor of Business in Hotel Management
  - Bachelor of Sport Tourism Management
  - Bachelor of Environmental Tourism Management
  - Bachelor of Business in Convention and Event Management
  - Master of Business Administration in Hotel and Tourism Management
  - Master of Convention and Event Management
  - Master of International Hotel and Tourism Management
  - Master of Tourism and Hotel Management
- 5.77 It was suggested that the community perception that the industry does not provide career paths has reduced the number of applicants for tourism and hospitality education programs at the university level. This is of critical concern given the projected future workforce demands.<sup>48</sup>
- 5.78 Falling student demand has led to universities rationalising tourism management programs. However, other tertiary institutions (such as TAFE colleges) are starting to deliver associate and full degree programs in tourism management.

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48 School of Leisure, Sport and Tourism, University of Technology Sydney, *Submission No. 4*, p. 2; School of Sport, Tourism and Hospitality Management, La Trobe University, *Submission No. 5*, p. 2.

- 5.79 Concerns were raised that this dual system has the potential to lower the overall professional quality of the tourism industry by not distinguishing appropriately between operational and strategic skills sets, therefore confusing both students and employers.<sup>49</sup>
- 5.80 The Committee is aware that this is an ongoing debate between the two education sectors, however it considers that both sectors offer valuable training options that will appeal to employers in different ways.
- 5.81 It was put to the Committee that the tourism 'industry' is in fact made up of multiple 'industries'. The failure to recognise this fact, it is asserted
- leads designers of training programs to imagine that a generic syllabus will be relevant to employment in 'the industry' whereas in fact there are major differences between and within different tourism industries, differences salient to the knowledge and skills desirable in employees.<sup>50</sup>
- 5.82 It would appear that the industry, in all its forms, would agree with this assertion with employers reporting that graduates do not necessarily have skills appropriate to their needs.<sup>51</sup> This supports the argument that there is scope for a range of tourism degree courses; narrowing the available options also risks producing a narrow field of graduates. There is also scope for industry to be more involved in course development and delivery to ensure that graduates are job-ready.
- 5.83 There are new educational tracks including 'entrepreneurship' and 'yield management' that are creating creative and business savvy professionals that can offer employers new skills with which to compete in a highly competitive marketplace.<sup>52</sup> Universities need to communicate to industry how these skills will be beneficial to businesses.
- 5.84 The Committee urges businesses and the industry as a whole to more fully engage with education providers and tailor course design to industry needs. Industry must also be prepared to place greater value

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49 School of Sport, Tourism and Hospitality Management, La Trobe University, *Submission No. 5*, p. 3.

50 Professor N. Leiper, *Submission No. 13*, pp. 2-3.

51 Tourism WA, *Submission No. 62*, p. 23.

52 School of Sport, Tourism and Hospitality Management, La Trobe University, *Submission No. 5*, p. 3.

on professional qualifications and ensure graduates are appropriately remunerated, otherwise they will not develop careers in the industry.<sup>53</sup>

- 5.85 Moreover, the supply driven approach of the university and vocational education sector needs to be modified in order to meet the demands of the tourism sector.

## Mandatory training requirements

- 5.86 A number of submitters noted that, due to mandatory training requirements (such as workplace health and safety, responsible service of alcohol, and first aid), that employers are not able to resource training aimed at skills development.
- 5.87 It was also widely submitted that the Government should:
- Develop a rebate program for employers which covers ‘mandatory’ training areas within the industry (in particular) that includes Workplace Health and Safety, Responsible Services of Alcohol, Responsible Gaming, First Aid. Whilst not mandatory we highly recommend including Customer Service. Such a rebate program could be delivered consistently throughout the States and Territories, and would free up limited employer resources to provide training in additional, developmental skills and knowledge that support sustainable and innovative business practice.<sup>54</sup>
- 5.88 The Committee found no evidence to suggest that a rebate scheme for mandatory training would increase the provision of other workplace training. However, the Committee was concerned about the high levels of repetition of mandatory training between states and territories. In addition, as current training models are based on student contact hours, there is little incentive for training providers to offer recognition of qualifications gained in other jurisdictions.
- 5.89 Certain training requirements are mandatory Australia-wide, with each state and territory responsible for certifying qualifications, although currently, these qualifications are not transportable across borders. This results in the ridiculous situation where individuals will potentially have to complete the same training multiple times as they cross state borders. For an industry reliant on highly mobile

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53 YATA, *Submission No. 46*, p. 2.

54 QTIC, *Submission No. 20*, p. 12.

short-term employees, this duplication of training effort is an unnecessary cost burden and disincentive for people to stay within the industry.

- 5.90 The Committee is aware that this issue has been before the Coalition of Australian Governments (COAG) for some time and the recognition of licensed occupations is progressing. However, delays are costly and it is essential that mandatory employment training is nationally recognised.

### **Recommendation 22**

**The Committee recommends that the Australian Government, through the National Reform Agenda actions, pursue as a matter of priority, the portability of qualifications between jurisdictions.**

**The Committee further recommends that training which has been legislated as mandatory for employment in the tourism industry be a priority for national recognition.**

### **Skills recognition**

- 5.91 Employees in the tourism industry at all levels are often highly skilled in their occupations. However, there is a lack of recognition for these occupations as professions and the skills inherent in these positions.

For example:

there is little in the way of accredited, portable training qualifications for waiters. Waiting is not seen as a craft in Australia; it is seen as a job suitable for itinerant or temporary workers. This contrasts with most European countries and the United States where waiting in higher-end establishments is a highly valued and rewarded profession. The tourism and hospitality industry in Australia may well be able to learn from this experience.<sup>55</sup>

- 5.92 In order for the image of the industry to be lifted, the professions within it need to be appropriately valued and recognised as such. There were a number of industry proposed initiatives submitted to address this issue based on improving skills recognition. These include the development of an industry 'skills passport': a portfolio of

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55 ARTRC, *Submission No 19*, p. 2.

training and competencies achieved that employees can use to certify skills to new employers and offer maps of career pathways; and the development of a scheme that recognises the particular skills gained by employees working in remote and regional areas.<sup>56</sup>

5.93 There is a role for the establishment of a national, singular, professional body for the industry to raise the status of jobs in the industry to an international standard. It was submitted that this body would

formally recognise and accredit individuals who attain prescribed educational qualifications and/or relevant industry expertise and provide ongoing professional development programs (similar to such associations for doctors, lawyers, accountants, etc) would also greatly enhance the perceived status and appeal for long term careers within the sector.<sup>57</sup>

5.94 The Committee supports this call and believes that such a body would be able to greatly enhance the status of careers in the tourism industry.

### **Recommendation 23**

**The Committee recommends that the Australian Government task the industry leaders' forum (referred to in Recommendation 12) with the role for establishing a professional tourism body to be responsible for formally recognising and accrediting individuals against prescribed qualifications and training.**

56 QTIC, *Submission No. 20*, p. 17; ARTRC, *Submission No. 19*, p. 5.

57 CCIWA, *Submission No. 45*, p. 10. Also, Industry Advisory Board, *Submission No. 30*, p. 8.

## Management and business skills

- 5.95 As noted previously in the report, there are widespread concerns about the skills of employers in relation to business management and human resource management:

Unlike many similarly competitive industries, a large number of senior managers working within the tourism industry do not have relevant tertiary or professional qualifications, which can reduce their motivation to encourage or require their own workforce to possess or attain formal qualifications themselves. It is therefore probable that unless, and until, the industry is more widely required to hold formal qualifications as an essential business and professional tool, the industry may well fail to attract the highly qualified managers, and capable future leaders, it requires to sustain the industry.<sup>58</sup>

- 5.96 Employers share these concerns, 68 per cent of managers/owners report that they would benefit from additional training. The specific areas identified for further training were:

- marketing – 22 per cent;
- human resource management – 19 per cent;
- communication skills – 15 per cent;
- computer skills – 15 per cent;
- administration and book keeping skills – 15 per cent; and
- general business skills – 14 per cent.<sup>59</sup>

- 5.97 Human resource skills were seen by industry bodies as particularly important to give employers the skills to improve the skills of their employees, in particular programs aimed at 'career planning, job rotation, multi-skilling, mentoring and coaching, flexible remuneration systems and succession planning.'<sup>60</sup>

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58 Industry Advisory Board, *Submission No. 30*, p. 4.

59 Tourism and Hospitality Skills ACT and Region, *Tourism and Hospitality Training Needs Analysis, ACT and Region 2004*, p. 18.

60 QTIC, *Submission No. 20*, p. 17. Also Industry Advisory Board, *Submission No. 30*, p. 21. Also, Tourism Industry Council Tasmania, *Submission No. 36*, p. 5.



- 5.98 More businesses need to focus on management 'coaching, mentoring or structured industry peer development networks.'<sup>61</sup> However, in a disparate industry, the development of these networks, while essential, will be difficult.
- 5.99 There was a call for the development of a national centre for entrepreneurial tourism to 'act as a clearing house for best practice, benchmarks on business performance and professional development of business owners in this sector.' It was claimed that such a centre would support small to medium size businesses to become more competitive and profitable as well as supporting skills development and networking by business owners.<sup>62</sup>
- 5.100 The Committee was widely told that small owner-operated businesses do not adequately engage in forward planning due to owners having to work long hours just to keep the business operating. This lack of critical strategic thinking leads to the failure of many start-up businesses. It was put to the Committee that a national centre for entrepreneurial tourism would alleviate some of this pressure by providing strategic and practical assistance to support professional service delivery in this sector of the industry:
- Small business owners in the sector currently learn in a fragmented way. They glean some information from a trade show; they talk to their peers over the phone or at the trade show or wherever or find some information on the internet that might be helpful. If they are larger, they may have consultants come in to help work with them. Having a national clearing house where systematic research is done developing best practice cases and financial benchmarking and having systematic programs designed on the basis of that type of research would provide these smaller operators with a much better way of delivering consistency across the industry. At the end of the day, if we look at the Irish example [of a similar system], consistency of operators on the ground in the day-to-day management of their businesses is very good practice for us to think about.<sup>63</sup>
- 5.101 Small and medium sized businesses do need support to ensure that they are able to be viable in a competitive marketplace. This support is best placed coming from industry. The lack of experienced of

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61 Hostec, *Submission No. 7*, p. 2.

62 Prof. M. Christie, *Submission Nos. 14 and 14.1*, p. 1.

63 Prof. M. Christie, Murdoch University, *Transcript of Evidence*, 9 March 2007, p. 12.

business operators was consistently cited as a cause of business failure and employee turnover.

- 5.102 The Committee is in support of innovative measures aimed at increasing the professionalism and viability of small to medium sized enterprises. It is aware that many people devote their retirement savings to the establishment of these businesses and thus their failure has serious implications, not only for individuals, but the wider economy.
- 5.103 The Committee encourages the industry to better support entrepreneurial tourism and suggests that international models are considered as ways to increase the business success of new enterprises.

## Taxation issues

- 5.104 The Australian tourism industry is subject to a wide range of taxes, charges and levies, some of which apply only to the tourism sector. Dominated by SMEs, the industry is particularly vulnerable to the compliance and operational costs imposed by taxation complexity and other regulatory requirements.
- 5.105 While it is the responsibility of industry to invest in its future through innovation, training and retention strategies, government imposed costs can be a constraint on the resources of business to review and improve practices. At the same time, strategically targeted taxation incentives and concessions can help drive investment and build capacity for recruitment, training and professional development as well as service diversification.
- 5.106 As part of its business tax reform agenda the Australian Government has introduced measures which will provide relief and assistance to tourism SMEs in a number of key areas, such as in fringe benefits taxation, capital assets depreciation, and capital gains tax for domestic and international investors.<sup>64</sup>

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<sup>64</sup> The Treasury, *Continuing Business Tax Reform, Budget 2006-07*, accessed 30 April 2007, <budget.gov.au>.

## Fringe benefits taxation

- 5.107 There was a particular focus in submissions on the need for fringe benefit taxation (FBT) relief to assist with seasonal employment demands and the additional burdens experienced by rural and regional tourism operators.
- 5.108 FBT is part of the general taxation regime applying to the tourism sector. FBT applies to all non salary payments provided to employees and may include any 'right, including property right, privilege, service or facility'. While there are no entertainment fringe benefits, holidays and meals, transport or accommodation benefits associated with entertainment may be counted as property fringe benefits, depending on the nature of the gift.<sup>65</sup>
- 5.109 Accommodation, board, entertainment, transport and other related benefits are frequently offered by tourism operators to attract and retain staff, particularly in regional and remote areas. In addition, holiday and food voucher incentives may be offered under employee reward schemes.<sup>66</sup>
- 5.110 Given the nature of tourism services, it is clear that FBT may impinge on the industry's capacity to use its key asset to address skill and labour shortages, making it less competitive with other sectors.
- 5.111 Operators in regional and remote areas, in particular, experience strong competition from the mining sector which offers wages and benefits, such as fly-in fly-out employment, which are unmatched by tourism and hospitality businesses. At the same time, the tourism industry experiences the same peaks and troughs as primary producers, which at present receive generous FBT exemption packages.<sup>67</sup>
- 5.112 Tourism stakeholders therefore made strong representations for FBT concessions to apply more generously to the sector.
- 5.113 FBT exemptions allow for concessional treatment which may reduce or cancel out the amount of FBT payable. Exemptions apply to remote businesses and include concessions on provision of housing, meals, holiday, transport, relocation assistance and living away from home allowances.<sup>68</sup>

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65 ATO, *Reportable Fringe Benefits Tax: – Facts for Employees*, pp. 2–5.

66 See for example, Hayman Island, *Submission No. 56*, p. [3].

67 Voyages, *Submission No. 33*, p. [2]; Tourism NT, *Submission No. 39*, p. 5.

68 ATO, *Fringe Benefits Tax: a Guide for Employers*, pp. 144–54.

5.114 Tourism and Transport Forum (TTF) Australia submitted:

Our main difficulty is the location of our properties and making it attractive for employees to live and work in these locations. The vast majority of employees come to our properties to save as much money as they can. If they were provided more incentives to work in remote regional areas through the taxation system we may be able to attract more applicants. We could offer staff more incentives to leave properties and visit nearby cities if fringe benefit tax implications were changed, thereby retaining their labour for longer periods than we currently do.<sup>69</sup>

5.115 Voyages Hotel group provided a case in point. Its Lizard Island resort can only be accessed by flights from Cairns, so staff must be provided with accommodation and travel. Voyages advised that staff exit surveys have indicated that retention would improve if staff were able to travel from the island more frequently. Relief from FBT would allow the resort to offer more free flights to staff.<sup>70</sup>

5.116 FBT adjustments would therefore be a very effective lever to reduce pay disparities between tourism and other sectors, as well as to address other workforce challenges in regional and remote locations.

5.117 In the 2006–07 Budget, changes were made to FBT requirements which will provide operators with some relief, including from the compliance burden associated with the processing of FBT.<sup>71</sup>

5.118 FBT is only paid, and records kept, when the grossed-up taxable value of the benefits received by a particular employee exceeds the fringe benefits reporting exclusion threshold.<sup>72</sup> In 2006, the FBT rate, by which the grossed calculation is made, was lowered from 48.5 to 46.5 per cent.<sup>73</sup>

5.119 The 2006–07 Budget also introduced a number of measures, to commence from April 2007:

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69 Ms K. Davidson, TTF Australia, *Transcript of Evidence*, 7 December 2006, p. 12.

70 Voyages, *Submission No. 33*, p. [6].

71 Australian Government, Budget 2006–07, *Appendix B: Tax Reform and Budget Measures in the 2006-07 Budget*, p. 9, accessed February 2007, The Treasury, <[budget.gov.au/2006-07/ministerial/html/treasury-08](http://budget.gov.au/2006-07/ministerial/html/treasury-08)>.

72 ATO, *Fringe Benefits Tax: a Guide for Employers*, p. 9.

73 Aligned with the highest marginal rate of income tax, plus the Medicare Levy ATO, *FBT Rates and Thresholds*, accessed February 2006, <[ato.gov.au?printaspa?doc=/content/76140](http://ato.gov.au?printaspa?doc=/content/76140)>.

- the FBT threshold was raised from \$1 000 to \$2 000;
- the minor benefits exemption threshold was increased from \$100 to \$300; and
- the in-house fringe benefit tax-free threshold was raised from \$500 to \$1 000.<sup>74</sup>

5.120 In-house fringe benefits allow employers to provide a good or service to an employee that is identical or similar to that provided by the employer's business, and so the above amendments will directly improve the capacity of operators to provide more incentives to staff.<sup>75</sup>

5.121 These changes will advantage the very diverse range of small businesses operating in the tourism industry. However, the Committee is of the opinion that, in view of the very considerable pressures exerted by growth in other sectors of the economy, an assessment and review of FBT exemptions for remote and regional tourism operators should be conducted, with a view to providing greater relief and assistance.

### Recommendation 24

**The Committee recommends that the Australian Government assess the extent to which fringe benefits taxation exemptions apply, and are accessed, by remote and regional tourism operators and review these arrangements to ensure they are adequate to assist the industry in employee retention.**

### Tax arrangements for seasonal employment

5.122 The Committee recognises that there are a number of other possible areas for further taxation incentives and concessions to address the seasonal nature of employment.

5.123 Seasonal work often involves extended hours in peak periods, followed by long down times. In light of this, submitters supported

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74 Australian Government, The Treasury, Budget 2006-07, *Appendix B: Tax Reform and Budget Measures in the 2006-07 Budget*, p. 9, accessed February 2007, <[budget.gov.au/2006-07/ministerial/html/treasury-08](http://budget.gov.au/2006-07/ministerial/html/treasury-08)>.

75 ATO, *Fringe Benefits Tax: a Guide for Employers*, p. 9.

the National Tourism Investment Strategy recommendation that tax averaging arrangements be introduced for rural and remote tourism operators, similar to arrangements available to primary producers. This would 'ensure the tax paid by these operators is comparable to tax paid by those on similar but regular incomes'.<sup>76</sup>

- 5.124 The Committee also endorses this proposal believing it offers both employers and employees the greatest flexibility, and will encourage business growth and employee retention.

### Recommendation 25

**The Committee recommends that the Australian Government introduce tax averaging arrangements for rural and remote tourism operators similar to arrangements available to primary producers, to ensure the tax paid by these operators is comparable to tax paid by those on similar, but regular, incomes.**

## Investment and depreciation incentives

- 5.125 The Australian tourism industry has received international accolades for the range and attractiveness of its tourism products. However, there are very considerable risks that, without growing investment in the sector, the capacity to deliver the quality of service expected will not be achievable.
- 5.126 The following measures introduced by the Australian Government, will encourage international and domestic investment in tourism:
- the removal of capital gains tax for international investors on the sale of some Australian assets; and
  - amendment of the Income Tax Assessment Acts to streamline the tax treatment of private sector investment in infrastructure projects.<sup>77</sup>
- 5.127 Building and maintaining tourism and travel assets are a major and continuing expenditure for tourism operators. Submitters welcomed

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76 Australian Ski Areas Association (ASAA), *Submission No. 9*, p. 15; Tourism WA, *Submission No. 62*, p. 42.

77 ASAA, *Submission No. 9*, p. 15.

and endorsed the recognition of this in the National Tourism Investment Strategy, which recommended review of tax depreciation schedules for hotel furniture and furnishings and for landscaping, clearing and site improvements.<sup>78</sup>

- 5.128 Of particular merit, given the concerns about the operational capacities of regional air services, are reforms for management of regional aviation fleets, including 'depreciation smoothing', capital gains tax exemption for aircraft replacement, and revision the definition of economic life of small aircraft used for regional purposes to five years from the current ten years.<sup>79</sup>
- 5.129 The Committee commends these recommendations for further evaluation by the Australian Government.

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78 DITR, *National Tourism Investment Strategy: Investing for Our Future*, March 2006, pp. 29-30.

79 Tourism WA and WA Tourism and Hospitality Skills ITC, *Submission No. 9*, p. 42; ASAA, *Submission No. 9*, p. 15.