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2 August 2006

The Committee Secretary
Standing Committee on Economics, Finance and Public Administration
Department of the House of Representatives
Parliament House
CANBERRA ACT 2600

Dear Sir

Inquiry into Australia's Services Export Sector

TTF Australia (Tourism & Transport Forum) is a national member-funded CEO forum, advocating the public policy interests of the 200 most prestigious corporations and institutions in the Australian transport, property, tourism and infrastructure sectors.

TTF Australia commends the rationale for directing this inquiry to the Committee. It is appropriate that serious examination be undertaken into the sustainability and growth potential of Australia's services sector into order to consider actions and activities which are required to broaden Australia's economic base.

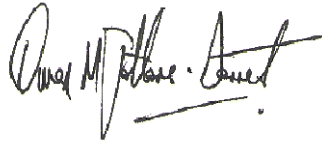
TTF Australia also commends the initial emphasis of the Committee's work into the tourism sector. TTF Australia is vitally involved with the tourism sector and considers this a most fruitful line of investigation for examining potential economic expansion.

TTF Australia's submission traverses a broad range of issues relating to the tourism sector. A central message is that a close cooperation between governments and the tourism sector is essential for future growth and success.

The subjects addressed in our submission are touched upon in many respects, without exploring the ultimate detail. TTF Australia expects the Committee may wish to discuss those issues of interest to it with us in greater detail. We would be most willing to contribute to the further work of the Committee once it has had the opportunity to address the range of issues which will be submitted to it.

Please do not hesitate to contact us further should anything be required. Any inquiries may be directed to Peter Staveley, National Manager, Infrastructure, Investment and Planning on 02 9240 2000 or pstaveley@tff.org.au.

Regards

A handwritten signature in black ink, appearing to read "Owen Johnstone-Donnet". The signature is stylized with a large initial 'O' and a long horizontal stroke at the end.

OWEN JOHNSTONE-DONNET
Deputy Chief Executive

TTF Australia (Tourism & Transport Forum)

SUBMISSION TO HOUSE OF REPRESENTATIVES STANDING
COMMITTEE ON ECONOMICS, FINANCE AND PUBLIC
ADMINISTRATION

INQUIRY INTO AUSTRALIA'S SERVICES EXPORT INDUSTRIES

August 2006

Index

Tourism and Transport Forum	1
Infrastructure	2
National Tourism Investment Strategy	2
Current Tourism Landscape	3
Tourism Investment	4
Role of Government	6
Industry Assistance	7
Red Tape and Business Costs	8
Sustainability of Growth	9
Illegal Serviced Apartments	10
Flat-lining Domestic Tourism	11
Competition	12
Exhibition and Convention Infrastructure	13
Skills and Training	14
Development Processes	15
Local Government and Tourism	16
Catastrophic Events	17
Land Transport	18
Airports	19
Delays in Processing Passengers through Border Controls	19
Reducing Compliance Burdens in the Trans-Tasman Business Environment	21
Aircraft Tax Depreciation	21
Airline Foreign Ownership	22
Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF)	22
Export Education	25
Protecting Reputation	25
Natural Tourism Partnerships	26
Australian Tourism Development Program	26
Conclusion	27

TTF Australia (Tourism & Transport Forum)

SUBMISSION TO HOUSE OF REPRESENTATIVES STANDING COMMITTEE
ON ECONOMICS, FINANCE AND PUBLIC ADMINISTRATION

INQUIRY INTO AUSTRALIA'S SERVICES EXPORT INDUSTRIES

The Treasurer The Hon Peter Costello MP has referred to the Standing Committee on Economics, Finance and Public Administration terms of reference to investigate opportunities to improve Australia's service exports. The Committee has been requested to inquire into –

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 services sector
- Future global opportunities for Australian services exports
- Policies for realising these opportunities

In approaching these terms of reference and in order to assist the Committee in its inquiry, which is extremely broad, this submission seeks to concentrate on issues relating to the tourism sector.

The submission seeks to offer some guidance to the Committee with respect to issues which it might explore, to identify problems or challenges which must be addressed if this sector's position is to be improved and, where possible, to recommend courses of action.

This submission traverses considerable ground, which of necessity can in some instances be only briefly touched upon, however, TTF Australia would be pleased to offer such assistance as it can to the Committee as it proceeds with its work and more specifically identifies its interests.

This submission contains a range of suggestions and recommendations for the Committee in respect of avenues of productive inquiry or solid proposals considered worth of adoption. For the assistance of the Committee, where possible the text of the submission highlights these suggestions or recommendations in bold italics.

TTF Australia (Tourism & Transport Forum)

TTF Australia (TTF) is a national, member-funded CEO forum, advocating the public policy interests of the 200 most prestigious corporations and institutions in the Australian tourism, transport, property and infrastructure sectors.

TTF Australia's membership also includes the major participants in the Australian tourism industry; including owners and operators of major hotels, hospitality providers, attraction venues (owners and operators), airlines and airports, convention centres, tour operators and infrastructure providers.

TTF Australia is a long term advocate of a strong and vibrant tourism industry for Australia. It is pleasing that the significance of tourism to the Australian economy is beginning to be properly acknowledged. This being so, it is important that the tourism sector be engaged by governments in the manner appropriate to its status, economic significance, levels of investment and employment potential. Tourism is a serious, multi-billion dollar sector which competes robustly on a global basis. It has taken many years for the industry to properly gain the attention of government, perhaps the Tourism White Paper (2003) is an acknowledgement that a higher level of engagement and Federal Government support is commencing.

Infrastructure

It is important to recognise that the tourism services sector relies upon the underlying strength of the nation's infrastructure; it has a bearing on the actual ability to accommodate or cater for a tourism industry. The tourism industry requires reliable and efficient infrastructure, it requires a vital and functioning domestic economy and levers from this. If there is inadequate infrastructure, there is little upon which tourism can build. It is impossible to offer a superior tourism product if the supporting structure of the economy, environmental quality, water quality, transport systems, utility services etc are not of an adequate standard.

Whilst this submission concentrates upon the more detailed issues with the tourism sector, the dependence and relationship with infrastructure should not be lost sight of.

TTF Australia believes that Australia's infrastructure warrants greater attention at the Commonwealth level and that there is a major need for the improvement, renewal and expansion of infrastructure to support economic activity at all levels.

National Tourism Investment Strategy

TTF Australia acknowledges the work undertaken by the National Tourism Investment Consultative Group in its report "National Tourism Investment Strategy – Investing for our future" (March 2006). This report contains a range of recommendations to which it would be appropriate for the Committee to direct itself. TTF Australia worked very closely with the Consultative Group in the development of this report.

Similarly, the Committee should direct itself to the report by the National Tourism Emerging Markets Strategy Consultative Group "National Tourism Emerging Markets Strategy: China and India" (December 2005).

There is much material for the Committee to draw upon. Most productively, the Committee might wish to give some profile and priority to many actions which need to be taken and the impress upon the Treasurer the significance of the tourism sector and the need for concentrated efforts administratively and financially to improve the international competitiveness of the sector.

Current Tourism Landscape

Tourism is a \$75 billion industry and is a major direct economic driver for Australia. Tourism also makes a significant indirect contribution to the nation's economic activity by creating demand for upstream industries, such as infrastructure development, cleaning services, and catering suppliers.

In 2004-05 international visitors consumed \$18.3 billion worth of goods and services and the tourism industry accounted for \$32.6 billion or 3.7% of total GDP¹. Although this contribution is significant it was tourism's fourth annual decline since it peaked in 2000-01.

Tourism contributed 11.1% of total exports of goods and services in 2004-05, making tourism Australia's largest services exporter, however, this is 1% lower than the previous year.² The fall in significance of the contribution of tourism is primarily due to the increase in significance of the minerals sector under the current resources boom.

The tourism industry directly employed 550,100 people in 2005, having shown growth of 8.1% since 1997. However, this is notably slower than the national growth rate of employment (13.6%) over that period. Consequently, tourism's share of total employment has fallen from 5.9% to 5.6%.³

Tourism jobs are unevenly distributed throughout Australia. Tourism's direct share of employment in regional Australia is 6.5% which is significantly higher than the national average. There are an estimated 351,000 further Australians indirectly employed by the industry⁴.

International visitor expenditure in nominal terms increased between 1999 and 2005 at an average annual rate of 5%. However, in real terms, international visitor expenditure only grew at an average of 2%. Expenditure is one of the most critical measurements of the health of the tourism industry, and it is only showing a small rate of growth.

¹ Tourism GDP represents the total market value of Australian produced good and services consumed by visitors after deducting the cost of goods and services used in the process of production.

² Australian Bureau of Statistics (ABS), Australia National Accounts: Tourism Satellite Account (TSA), 2004-05

³ ABS, Australia National Accounts: TSA, 2004/05

⁴ Department of Industry Tourism and Resources Impact, February 2006

The Tourism Forecasting Committee estimates that international visitation will increase over the next ten years from the 5.5 million tourists who arrived in 2005 to 9.16 million arrivals by 2015⁵. For the year ending April 2006, there was only a slight increase of 2% on international visitation to Australia relative to the previous year⁶. At this rate of growth the projections will not be achieved.

Tourism Investment

Investment in 'tourism' is not a simple concept. Tourism is multifaceted and often involves a series of disparate, dispersed and inter-dependent investment decisions in different activities in order to deliver a tourism 'product'. Investment in tourism involves areas of risk, particularly patronage risk (see Sustainability of Growth), exposure to external, uncontrollable factors (e.g. war, exchange rates, oil prices, SARS, Avian flu etc.) and failures in the 'supply chain'.

Tourism investment may be characterised by a simple formula:

$$\text{infrastructure} + \text{access} + \text{attraction} = \text{opportunity}$$

The 'supply chain' referred to is the components, which when put together constitute an investment opportunity. A failure in or absence of any element of the supply chain could negate an opportunity (meaning no particular element of the chain is more or less significant). Additionally, not all elements of the 'supply chain' are controllable by a single operator i.e. tourism development is not usually vertically integrated, but a series of elements, each relying upon the other in order to realise an opportunity.

In this context:

- Infrastructure – would include utilities, services and accommodation facilities (hotels/motels).
- Access – embraces the means (including speed, efficiency and convenience) by which to get to where one seeks to go – airports, air services, roads, public transport, ports, interchanges etc.
- Attraction – relates to the magnet or drawcard which forms the basis of the tourism offering – the natural feature, the urban environment, the iconic building, the event, the conference or meeting and would also include information (on form and desirability), supply promotion and demand marketing.

In the above formula, the opportunity represents the overall tourism opportunity or potential. It necessitates each element of the supply chain to function properly in order to have any chance of realising an opportunity. The highest quality hotel will fail if it cannot be accessed. A great attraction will fail if it cannot be accessed. Access provision is futile in the absence of any attraction.

⁵ Tourism Forecasting Committee, Forecasts, April 2006

⁶ Tourism Research Australia, International Visitor Survey data, 2006

There are many variables within the realisation of a tourism opportunity. These variables also constitute risks which must be managed.

Tourism is intensely competitive. This competition is regional, national and international. This competition adds to the perceived volatility of the sector. Weaknesses are readily exploited in the market. In many instances tourism expenditure also competes with other discretionary spending items.

Fashion and trends can affect perception of an opportunity. Fashion and trends might not only affect a product, other elements of the supply chain can come under pressure and accordingly throw the whole opportunity off balance e.g. an outmoded hotel might reduce the attractiveness of a destination; or changes in transport preferences or congestion might deter access.

The vulnerability of the tourism sector to external shocks has been demonstrated dramatically in recent years – the pilot's strike, the Ansett collapse, September 11 terrorist attacks, SARS, the Iraq War; combined with continuing and ongoing potential vulnerabilities – exchange rates, economic conditions, terrorism, oil prices, global warming etc. Such events or conditions might affect some or all of the supply chain, but could have the effect of spoiling the total opportunity.

Many opportunities which arise in tourism (with the possible exception of the accommodation market in major cities) are speculative. Many opportunities are built upon a notion of "uniqueness", for which, by definition, there is no market information. The absence of market information increases the level of risk relative to an opportunity.

Investment in tourism is not a question of "if you build it, they will come", but more "if you build it, they might come" but certainly "if you don't build it they can't come". The inherent riskiness of the tourism sector is a serious impediment to investment. If governments can assist in mitigating risk then this would have a beneficial affect on the industry and abilities to raise finance and achieve profitability.

The significant benefits in national GDP and employment which are the result of tourism investment have been solidly recognised. The opportunities which arise from predicted demand increases would build upon these benefits, hence there is an incentive for governments to encourage growth of investment. If investment is not forthcoming it is only certain that demand will turn elsewhere.

Governments play a significant role in building demand, primarily through marketing and some underwriting of major events and facilities (e.g. convention centres). Additionally governments have abilities to assist private investment to meet demand, through achieving greater efficiency of approval processes (particularly zoning, development and environment).

There appears to be plenty of robust sentiment for continuing private investment in the Australian tourism industry. However, governments may assist and improve

this situation by providing assistance to mitigate risk or to offer greater up-side incentives for investment, which better align the potential rewards with the level of investment risk taken (this might include expedited approval processes, taxation arrangements, capital assistance etc.).

Role of Government

While there are many variables in realising tourism opportunities, not all will be seen as attractive investment opportunities for the private sector. Market failure exists in the tourism industry where functions critical to a successful industry are not or cannot be carried out by the market. For example, where an airline fails and leaves a destination stranded or where an infrastructure asset e.g. a convention centre does not in itself generate an adequate direct return on capital, yet generates a huge amount of economic activity.

There will always be a role for the government in addressing areas of market failure, to ensure that all elements of the 'supply chain' are present to ensure that tourism opportunities are both maximised and realised.

Where incentive is absent for private sector investment in any 'vital' element of the tourism 'supply chain', it is important that governments look at how this gap could best be filled - either via government provision or by creating arrangements which increase incentive for the private sector.

Public Private Partnerships (between governments and the private sector) might offer potential for securing private sector investment (e.g. Melbourne Convention Centre) where private capital alone would not have been attracted. Otherwise, direct government investment may be warranted in order to supply facilities to either cater for or to generate demand.

As not all risks are manageable by all sectors in the investment 'supply chain', it may be necessary for the government to make it known that it is prepared to assist should some part of the chain fail thereby putting other elements at risk. An expression to this effect by government or some standing arrangement for the industry could mitigate some of the perceived risk which inhibits investment decisions.

TTF Australia strongly recommends that the Committee examine mechanisms by which the Government might offer forms of 'insurance product' to approved tourism investment in order to address uncontrollable structural risk e.g. where a destination might be stranded by the failure of an airline, the government might provide some guarantee to securing other access arrangements, in other words Government can secure future investment by 'placing a floor' under identified but uncontrollable risks.

Governments play a significant role in providing supporting infrastructure, particularly the provision of roads. Private investment will often rely upon public infrastructure for access and utilities. Should government be seeking to provide

for increased tourism demands, to provide supply to meet those demands or to provide settings to induce demand then government will also need to ensure that necessary infrastructure is available in a timely manner. Absence of necessary infrastructure is a fundamental impediment to private investment and therefore to the expansion of the industry.

Australia is at great risk, as emerging economies such as China, are able to attract investment and realise development opportunities in very short timeframes. In doing so, China is developing with state-of-the-art infrastructure, far superior to that which exists in areas of Australia. Australia will not be able to keep pace with, let alone compete with, economies such as China unless there is a major effort to redress our infrastructure inefficiencies.

Acceleration in the supply of infrastructure may in turn accelerate the opportunities facilitated by it. The Committee might examine methods of identifying infrastructure needs and the opportunities which such supply would unlock in the area of new tourism investment (see later discussion on Exhibition and Convention Infrastructure).

As noted earlier, governments play a significant role in building demand for the tourism industry. In the absence of this role, it is unlikely that demand would develop to the extent predicted in Commonwealth Government forecasts. Creation of demand arises through momentum developed by a product (i.e. popularity) and the active marketing of that product (i.e. promotion). Should popularity wane or promotion fail then it follows that demand will fall. It is necessary for the Government to maintain its marketing and branding efforts in order to increase demand for Australian tourism. If there is a failure to effectively market Australia then it will no longer be necessary to attract private investment – absence of effective marketing would be a major inhibitor to future investment and the expansion and sustainability of the tourism industry.

Industry Assistance

Tourism is essentially a self-reliant industry largely built with private capital. Australian Government assistance is primarily directed toward tourism promotion and driving demand; attracting tourists to Australia or to particular locations. The Productivity Commission notes that this form of assistance is different to most other industries, where support is via tax concessions, subsidies or tariff protection. The Productivity Commission has calculated that when industry policy related tax measures are deducted from direct budget outlays, the 'net subsidy equivalent' granted to tourism by the Australian Government is estimated at an average of \$145 million per annum⁷.

When compared to other industries, net assistance to tourism is relatively low. For instance, manufacturing receives a net subsidy equivalent of \$5.4 billion and primary production receives \$1.18 billion⁸. Tourism measures favorably where the

⁷ Productivity Commission (2005) Assistance in Tourism: Exploratory Estimates, p. 7.8.

⁸ Productivity Commission (2005) Assistance in Tourism: Exploratory Estimates, p. 7.9.

subsidy equivalent is compared to the gross value added by the industry. The net subsidy equivalent is a mere 1.4% of tourism gross value added, while manufacturing is 7.0% and primary production is 4.9%⁹. It is TTF Australia's view that this measure, albeit low, is overstated as the Productivity Commission took a far narrower definition of tourism as its base i.e. the 'net subsidy equivalent' would be a much lower figure were a larger gross value added used.

Additionally, the tourism industry receives relatively little government assistance in "down times". Tourism industry "down times" can range from a season of low snow falls to major international shocks like the September 11 terrorist attacks.

Following the September 11 terrorist attacks and the collapse of Ansett Airlines, a Tourism Industry Working Group was established to assess the impact of these events. The Group predicted that the economic effect would be significant and foreshadowed an expected loss of 0.6% of GDP for the December 2001 quarter – which would mean a \$1 billion loss to the Australian economy. In response to recommendations from the Group for Government assistance, the Government announced a \$20 million assistance package, with the focus (\$15 million) of this package being on assisting small businesses to honour components of Ansett's holiday packages¹⁰. When compared to the agriculture industry, where \$500 million has been provided in drought assistance to the current drought up to end 2003-04¹¹, owing to exceptional circumstances, the \$20 million provided to the tourism industry was relatively negligible.

Tourism may be seasonal, dependent on external and uncontrollable factors and in a number of ways quite vulnerable. Such vulnerability, or perceptions of it, can inhibit investment. Even though the industry is vulnerable to shocks there is no structural safety net which might add confidence to investors. Industry has had to weather shocks on its own. There is no recovering from a 'bad season'; there is plenty of down-side risk, but very little up-side incentive. Income tax averaging, which is available to primary producers, offers a model which could be made available to the tourism sector – the same vulnerabilities of calamity and seasonality exist for the tourism sector as for the primary production sector, meaning there would be no inconsistency in adopting such a policy.

It is considered that the volatility and exposure of the tourism industry has an inhibiting effect on investment. Governments could add greater confidence to investment in the sector were they to examine mechanisms by which safety nets or modified tax arrangements could offset shocks or down times.

Red Tape and Business Costs

TTF Australia recognises work being done by governments across Australia to address the costs of regulatory burden on business. This work is necessary and should if anything be accelerated as much as possible. The emphasis should be

⁹ Ibid.

¹⁰ Department of Industry, Tourism and Resources (2002), Annual Report 2001-02.

¹¹ Productivity Commission (2004), Trade and Assistance Review 2003-04.

on removing unproductive and inhibiting regulation, but should also recognise that in many cases there may be need for new regulation to provide some market control or provide guidance. The impacts of over-regulation fall upon the tourism industry as heavily as other economic sectors, and must be addressed if the tourism sector is to be given the opportunity to survive and grow.

Sustainability of Growth

Sustaining the growth of the tourism industry is a challenge. Predictions, which show growth on the basis of projections of current experience, presuppose that demand drivers and supporting infrastructure will be maintained or be provided. The history of tourism indicates that demand will decrease should a destination fail to keep itself in the public domain (marketing), lose quality or fail to meet expectations. In effect, the predictions of growth will only be realised if there is a continued or increased effort in maintaining a positive profile of Australia as a destination and if supply is capable of meeting demand.

For export industry growth, Australia must be effectively marketed as a destination. Marketing of Australia in this manner has been a function of governments, with the Australian Government recently playing a more prominent role. Marketing by governments is “brand building” or generic marketing which necessitates an unbiased approach to demand generation for Australia. State and Commonwealth governments will need to continue to play a lead role in marketing if there is to be international demand growth. Private industry would market its individual product, distinguishing offerings and competing for market share.

Should there be demand growth, then industry will need to respond with appropriate product to cater for demand. Industry response, which on the supply side is predominantly privately funded and operated, will be determined by abilities to realise on opportunities to improve or increase supply. This means hotels, restaurants, cafes, attractions etc. must be capable of being brought on line in a timely manner. In effect, the sector must be able to obtain appropriate sites, gain necessary approvals, construct facilities, obtain and train staff in a timely and effective manner. If approvals cannot be obtained; if costs become uncompetitive; if returns fall below levels to attract capital; if staff cannot be obtained, then supply will fail, expectations will not be met and growth predictions will not be achieved.

Predicted growth will be achieved only if all parts of the function are maintained:

- governments must continue to market destinations effectively
- private industry must market its products
- new development must be approved in a timely manner
- transport access must be capable
- costs must remain competitive
- capital must remain available
- staff must be available and trained

- product must be of high quality and meet market demands

Failure in any of these areas will constitute a fundamental impediment to the ability to achieve growth and accordingly to be an attractive location for private investment.

Illegal Serviced Apartments

There is evidence, particularly in major centres, of residential apartments being illegally or inappropriately being offered as serviced accommodation and in some cases as backpackers' accommodation.

The rise of 'illegals' impacts on the costs and rates of legitimate operators and creates degrees of market uncertainty, given that it is not possible to properly dimension the accommodation market. 'Illegals' impact on legitimate cost structures through avoidance of compliance costs. These factors have a critical bearing on abilities to make informed investment decisions.

Illegal serviced apartments across Australia act as an inhibitor to investment in legitimate tourist accommodation.

Additionally, illegal accommodation may potentially critically injure the standing of the Australian 'brand' which is being developed and funded by the Commonwealth Government. If uncertain or unsafe accommodation is being sold to unwitting tourists it may cause major reputation damage to destinations and the nation, where reputation is one of the most critical marketing assets.

Evidence on the operation of illegal serviced apartments is scattered and sporadic; which is unsurprising, as this is effectively an accommodation black market.

While it is difficult to quantify the scale of the problem in each city (largely due to the intermittent behaviour of illegal apartments entering and exiting the market place and the difficulty associated with their identification), the Property Council of Australia made a submission to the City of Sydney Council in September 2003 stating:

"Investigations undertaken for the Property Council have identified 2046 rooms which are currently operating illegally as serviced apartments in contravention of their planning consent. These rooms were spread across 20 buildings"¹²

The Gold Coast CBD, Brisbane CBD, Sydney CBD Melbourne CBD, Melbourne Docklands and Perth, are areas where "illegals" have been identified as a major concern.

¹² Illegally Operating Serviced Apartments: The case for a greater compliance effort, Property Council of Australia, 2003.

As has been discussed, unauthorised and illegal accommodation interferes with the operation of the accommodation market and unsettles the environment for investment. Should the problem escalate it may chill the accommodation investment environment, with adverse consequences upon this central tourism product offering.

Local authorities have not taken action on their own prerogative to enforce the activities of residential apartments trading as commercial serviced apartments. Action has only been taken following expressions of concern by either local residents, other operators or bodies such as our own.

There are a number of actions which the Committee might examine in light of the potential damage to tourism product and reputation:

1. Greater funding for local government to pursue enforcement action to deter or prevent the operation of illegal accommodation operations.
2. The standard or universal specification of minimum requirements for the design or layout of serviced apartment operations – separate foyer/lifts for residential and serviced apartments; serviced apartments and residential accommodation not to occupy the same floor in a multi-story building; separate garbage collection and other service facilities (e.g. laundry, linen, food services); permanent 24 hour/day, 7 day/week on-site manager or reception for serviced apartments. Such design specifications would either deter illegal operations or would make non-compliant operations more obvious leading to more straightforward enforcement.
3. The establishment of a national certification scheme for accommodation providers. This being justified though the Commonwealth's significant contribution to tourism, its concern for an appropriate standard of product and provision of greater certainty to the accommodation industry.

It would be envisaged that a certification scheme would attest to certain minimum standards of operation, including operation in accordance with valid planning and building approvals, holding of appropriate insurances and occupational health and safety standards. Absence of a certificate would preclude operations, production or display of a valid certificate being evidentiary for legitimacy.

Certification would not be a guarantee of service or quality – the accreditation/star rating system appropriately addresses those issues.

Flat-lining Domestic Tourism

The continued forecasts for little growth from the domestic tourism sector will continue to be an important area to be addressed by State and Commonwealth tourism funding and policy.

While this submission is related to export services – the success of the export sector or inbound market is inextricably linked to the health of the domestic sector. Domestic demand comprises 75% of the tourism sector. Effectively domestic tourism provides the “base load” for the tourism industry and permits investment to occur which could not be sustained on the basis of inbound (export) tourism alone.

Most tourism enterprises begin their life servicing the domestic market – their success in this sector is generally a prerequisite to extending into the export market. It is therefore necessary for a healthy domestic sector to ensure an ongoing supply of export ready stock to cater for the inbound market.

Tourism Research Australia (TRA) notes that the domestic tourism market has been in decline for a number of years. The factors surrounding this decline are best documented in the TRA report “Domestic Overnight Leisure Travel – Recent Trends and Challenges” (October 2005). The attention of the Committee is directed to that report on the basis that if the domestic tourism sector is not functioning then the potential for expansion of the export market will be diminished; the domestic fundamentals must be set right.

As noted earlier, Federal Government and State Governments must maintain their commitment to destination marketing and destination development. There is a direct relationship between market performance and investment in tourism marketing.

Whilst there is some public discussion and speculation concerning maintenance of tourism funding by governments, this should not be at issue. What should be discussed is how much should governments’ contributions increase in order to drive future demand.

Competition

Australia is losing its value as an affordable destination. Renewed appreciation of the Australian dollar puts pressure on our price competitiveness making a holiday in Australia more expensive for many of our key markets. This form of price pressure, coupled with the increasing costs of travel caused by globally rising cost of oil, takes much of the value away from Australia as a destination. The inescapable tyranny of distance that Australia suffers could never be so evident than now, a time when airlines and suppliers are forced to pass on their elevated operating costs to the consumer.

As a result, many potential tourists are choosing destinations which are closer to their source or choosing destinations which provide better perceived value. Increased competition from the Pacific Islands, Taiwan, Singapore, Korea, China, the Middle East and Europe is having a serious impact on visitation to Australia. A considerable challenge exists in convincing source markets of Australia’s unique, innovative and diverse tourism product offerings. For example, Australia competes with an estimated 180 destination countries for the UK market alone.

Maintaining market share in this traditional but seriously competitive environment is a major challenge, which will only increase as new competitors enter the market.

Effectiveness of the marketing of Australia is critical to addressing these challenges and must appeal to some of the practical elements of consumer choice as well as the 'aspirational' elements of the Australian product offering.

It is considered that a hard-edged competitive analysis be undertaken by government in association with the tourism industry to undertake a stocktake of Australia's competitors and competitive factors and to serve as a reality check for the sector and growth predictions and upon which future marketing strategies may be based.

Exhibition and Convention Infrastructure

Exhibition and convention infrastructure constitutes a critical element of Australia's ability to maximise its export potential. Exhibitions and conventions are an important mechanism for showcasing Australian industry and help to facilitate trade between Australia and other countries, to help grow and support Australia's export sector. Not only this, but conventions and exhibitions provide exposure to a destination, and expenditure by delegates at the exhibition/convention destination create an injection of income for the host city/country.

Competition for conventions and exhibitions is rapidly coming under increasing pressure from international competitors, particularly "emerging nations" such as China. It has been reported that around 80 convention and exhibition centres are in the process of development in China. As a "new" destination on the conventions and exhibitions circuit, and with the advantage of being a more "central" geographic location than Australia to most markets, this poses a significant threat to Australia's ability to compete in the global exhibition and conventions industry.

Many major cities in Australia are addressing themselves to the international competition growth in this industry and recognising the importance of this industry as an economic driver, with new centres and upgrades to existing centres underway in many cities across Australia.

An important by-product of exhibitions and conventions are the flow-on benefits delivered to the tourism industry, including hotels, restaurants and attractions. While an exhibition or convention may constitute the primary purpose for a business trip for a visitor, the delegate will engage in other activities during their stay, including a stay at a hotel, a meal at a restaurant, or a visit to an attraction. The injection of income from an international convention/exhibition delegate into the Australian economy is significant with the average spend per international delegate being \$3526. This compares favourably with the average spend of all

international tourists, which is \$2569¹³. Therefore, while "tourism" may not constitute the purpose of trip for a convention/exhibition delegate, the benefit to the tourism industry, and indeed the wider economy from hosting delegates is substantial and certainly worth encouraging through appropriate, internationally competitive infrastructure.

The Committee might seek to address itself to the substantial benefits and signals which the installation of business infrastructure such as convention and exhibition facilities may provide, both directly and indirectly.

Skills and Training

At present there are more people employed in tourism and hospitality than any other industry, however, an increasing shortage of skilled labour in Australia and fierce competition between industries for this increasingly scarce resource means there may not be enough workers to sustain the industry's growth and certainly not enough to achieve predictions of growth.

Additionally, labour costs are a competitive issue both between businesses and industries within Australia and between tourism products in competing economies. Australia's labour costs place a greater operating burden on tourism, such as hotel operations, where cost structures due to labour intensity are far higher than for an equivalent offering in Asia. This creates a particular dilemma for business operations and potential investors who are seeking to supply a quality product on a far higher cost base than competing economies. The labour cost base issue might warrant some attention by the Committee.

Effectively labour shortages and costs constitute a significant supply side constraint for the tourism industry.

The availability of an appropriately trained workforce is critical to the successful conduct of a tourism business, therefore uncertain staff availability or upward pressures on costs due to staff supply shortages will certainly be impediments to the growth of the market due to increases in prices and decline in affordability.

A recent Member survey by TTF indicated that 75% of Member organisations were having difficulties filling staffing positions. In the tourism sector, chefs, cooks, and food and beverage staff were the most difficult positions to fill and sales and front-of-house staff were problem sectors. Some trades were also indicated as being in short supply. Language skills are critical and in short supply.

The tourism industry undertakes a considerable amount of in-house training, however, will still rely upon governments to provide training for skills. The sector would wish to see greater effort from government in the training of potential employees and would commend a cooperative approach with industry

¹³ National Business Events Study, 2004

(operators, airlines etc.) through which skill shortage areas might be flagged and then training emphasis applied to those areas.

A long term strategy for skills and training is necessary to provide for sustainably meeting predicted demand. Short-term, immediate measures such as working holiday visa liberalisation or visa extension for Australian trained overseas students (see Export Education) might be examined to increase the utility of such measures.

It is acknowledged that the House of Representatives Standing Committee on Employment, Workplace Relations and Workforce Participation is to undertake an inquiry particularly directed to the challenges of the tourism industry. The two committees might share perspectives on these issues, particularly upon labour strategies which may assist in the growth and attractiveness of the Australian tourism sector.

Development Processes

There are two critical factors impacting upon abilities to bring potential tourism development investments to fruition. Firstly, the availability of appropriate sites, and secondly, the time taken to achieve development approvals.

Tourism investments, such as hotels and attractions, often have to compete with other forms of land use for sites. In major cities, this often necessitates hotels having to bid against commercial office space or residential apartments for sites. The higher returning use, such as commercial office space will normally be able to outbid the hotel. To date, the legitimacy of tourism development as a land use in its own right appears to have been overlooked, perhaps due to the longer term nature of tourism returns and its non-traditional form of investment. This identifies the need for governments to properly identify tourism sites in their land allocation/zoning processes. It means that the tourism sector might robustly compete for such sites, which levels the playing field.

If governments are to support tourism investment they must provide for it. Obviously the lack of available sites will fundamentally impede any ability to invest.

The speed of land use and development decision making has a critical bearing on the ability to deploy capital. Where decision making processes take too long, opportunities and capital will walk away. It is becoming more and more important for decision making processes to be timely and responsive. Australia is in global competition for tourism. Where Australia cannot satisfy demand, that demand will shift. If approval processes cannot adequately deliver responses to tourism development proposals then opportunities will be lost. There is evidence that development approval processes are far too slow, this is allowing our international competitors an advantage in that they can bring product to market more quickly.

Both land use zoning and development approval processes require attention by governments. Delays encountered and costs incurred through either lack of recognition of tourism as an investment class, or through ponderous approval processes will deter investment and often stifle innovation. Addressing multi-layer or even multi-government approvals and their duplicative and delaying effect would be appropriate.

Inabilities to realise upon development opportunities, particularly when investment windows are open, not only frustrates any development proposal but also facilitates a 'flight of capital'. Neither is desirable if Australia is to seek to establish the infrastructure of a more substantial and significant tourism industry.

Local Government and Tourism

Some local government areas are struggling to cope with tourism demands, others are seeking to encourage tourism as an economic activity. In both scenarios the issues are common – the ability to supply appropriate resources and expertise to the necessary tasks.

Local governments in many regions are facing problems managing and providing for tourism demand. This problem is being exacerbated by the "sea change" phenomenon, which has seen coastal populations swell, meaning that local councils are facing difficulties providing for both increased residential population and increases in transient population, particularly with regard to the provision of essential services and basic infrastructure and often exacerbated by peaky demand.

Ensuring local infrastructure can provide for tourism is a critical issue for local government. Tourism infrastructure ranges from water supply, electricity supply, garbage disposal, toilets, and other maintenance support. As local governments face funding pressure, there are difficulties in providing for tourism infrastructure.

Regional tourism development opportunities more often than not rely upon the provision of access and supporting infrastructure. The private sector will not be attracted to investing in such access and supporting infrastructure where there is no direct return on investment and where the private development is inherently risky in itself. Investment in tourism is inhibited where there is not appropriate access and infrastructure is insufficient to support accommodation or attractions.

Local governments must develop innovative strategies or create the necessary infrastructure to provide attractive opportunities for investment. The development of such strategies or infrastructure may require some resource or financial assistance, to address the funding difficulties of local government in this context. Either or both State and Commonwealth governments might address this funding requirement by managing a strategically oriented grant or finance scheme which might act to seed fund or bridge finance necessary facilities.

Alternatively, governments might assist local government in the acquisition of expertise to advise on options and activities for improving/expanding infrastructure to meet tourism demands.

Responsibility of State and Commonwealth governments to undertake some forms of assistance relates to their respective roles in 'demand generation' in tourism. Efforts to generate demand which are not met with ability to supply would be wasted. There is an apparent disconnect in the coordination of demand and supply generation.

A body or scheme which might align supply and demand through the provision of strategic assistance could have the ability to achieve some appropriate coordination and alignment of effort.

Three potential courses of action might be explored:

1. Governments may establish a scheme to assist local councils to acquire expertise to assist in addressing infrastructure needs generated by tourism demands or potential demands.
2. Governments may establish a financial assistance program (grants or loans) to assist local councils in the provision of infrastructure arising from tourism demands or potential demands.
3. An agency may be established to strategically address local government infrastructure needs arising due to tourism demand, particularly to provide that government assistance is applied to areas of priority and that there is an alignment between demand generation and tourism product supply.

Catastrophic Events

In the wake of events such as global terrorist attacks, natural disasters, the outbreak of SARS or threat of an Avian Influenza pandemic, the tourism industry is forced to confront some serious challenges.

The Australian Government has taken the proactive step of developing response plans to such devastating events. The National Tourism Incident Response Plan and the Australian Management Plan for Pandemic Influenza are two such protocols which TTF Australia has had input to. The aim of these protocols is to plan for the management of a catastrophic event and provide a strategy for business continuity. A pandemic outbreak, a natural disaster or a terrorist attack may only be a matter of time, so the challenge for the tourism industry is to prepare for such incidents in order to minimise the damage and provide strategies for business continuity.

Threats of terrorism leave tourists disinclined to travel to long-haul destinations, particularly by air, or indeed to travel at all. Australia has the benefit of being perceived as a relatively secure destination so we must continue to leverage our appeal as a safe destination. However, with security measures, visa regulations and entry restrictions becoming more rigorous, ease of travel becomes problematic. Such increased regulatory structures surrounding entry into

Australia effectively pose increased 'barriers to entry' to the market. It is critical that additional security measures to protect tourists and the Australian community are developed and implemented without disrupting the visitor experience and do not act as a deterrent to the expansion of the tourism market.

Land Transport

Strategic land transport development and upgrading remains critically important for the Australian tourism industry, given that a majority of international and domestic tourists are reliant on land transport to service their travel needs.

Private vehicles in particular play a significant role in this task (for domestic tourism the private motor vehicle is used for 75% of all domestic overnight trips¹⁴), however bus and rail are also important providers and in many regional areas as they are the only alternative mode of transport to the private motor vehicle.

Transport provision, expansion and improvement are vital to accommodate future forecast growth in transport demand. Extra pressures on the system are expected to arise as a result of forecast increases to population and dramatic growth in the freight task; and should predicted increases in visitor numbers actually need to be accommodated.

TTF Australia advocates for the provision of integrated and efficient transport networks that facilitate greater passenger movement, and provide efficient intermodal links between ports, roads, rail terminals and airports (significant infrastructure) to ease the movement of people/visitors/freight.

TTF Australia strongly supports AusLink, the nation's national transport infrastructure plan. TTF Australia acknowledges the vital role that AusLink has played in achieving better national land transport planning, funding and investment decisions, and strongly supports the overall strategic approach of the AusLink framework to enhance the competitiveness of Australia's tourism industry by improving the effectiveness and efficiency of vital transport links to major current and new tourist destinations.

AusLink's intention to improve the capacity of regions to pursue economic growth and enhance trade opportunities by supporting development of critical regional land transport infrastructure links, will provide direct benefits to the tourism industry, particularly in regional Australia¹⁵.

Australia's urban transport infrastructure is ageing, inefficient and under increasing pressure to handle demand beyond its built capacity.

¹⁴ Australian Government, Tourism White Paper p47

¹⁵ Australian Government Tourism White Paper p48

The inadequacy of Australia's current urban transport infrastructure is exacerbating the over use of private vehicles contributing to an urban congestion crisis.

The provision of adequate transport systems and transport infrastructure is crucial in supporting the economic growth of the nation and ensuring that the needs of business, communities/locals and tourists are appropriately served.

TTF Australia considers that the Commonwealth Government should be addressing itself to issues in the urban environment with the same effectiveness as it is to the regions through AusLink. Urban transport malfunction and congestion are costs to economic efficiency generally, and particularly impact on tourism as ease of movement and amenity are casualties. These elements must be properly addressed to sustain tourism.

Airports

Australia's major airports are governed by a regime that encompasses safety, curfews, security, environmental assessment, planning and development. It is a multi-layered regime that under the Airports Act 1996 mandates a five yearly review of airport Master Plans and is supported by Major Development Plans (MDP) and environmental assessments.

The regime however needs to remain competitive compared to state and local regulations and it needs to remain efficient in facilitating investment decision making.

The Australian Government's announcement in April this year to remove the requirement for Canberra International Airport to comply with the National Capital Plan demonstrates the government's capacity to intervene were regulations impose unnecessary duplication and high compliance burdens.

Despite the Hon Warren Truss Minister for Transport announcing the outcomes of the Airports Act review late last year, six months on industry is yet to see those outcomes implemented.

Urgent change is required in relation to improvements to the public consultation process and raising the dollar threshold for MDP's to reflect increased building costs.

TTF recommends that the Australian Government fast-track these changes and commit to a recurrent review of the Airports Act in order to ensure its competitiveness viz a viz other regulatory frameworks.

Delays in Processing Passengers through Border Controls

Australia's major gateways have been experiencing significant delays in the processing of passengers through customs, immigration and quarantine (CIQ).

Delays in processing passengers by border control agencies frustrate the legitimate movement of people into and out of Australia. This has economic consequences for tourism given that delays impact on the 'first impression' tourists gain when entering Australian ports. This reputation can adversely affect Australia as an attractive tourist destination, eventually leading to leakages from the economy.

Currently the Australian Customs Service (ACS) reports on a passenger facilitation standard which is measured once a passenger arrives at the entry control point (ECP). The target is to process 95 per cent of incoming passengers within 30 minutes. It is a stand alone measure that only represents customs performance.

The Australian Quarantine and Inspection Service (AQIS) do not have a facilitation standard. Instead AQIS reports on levels of intervention.

The problem is that passengers don't care if they have to spend 10 minutes going through customs if they are then faced with another two hours to clear quarantine.

International experience demonstrates a different approach to passenger facilitation.

The Canadian Airports Council is seeking to ensure a safe and pleasant air travel experience in Canada by recognising the need to consider border control, security and facilitation collectively.

The New Zealand Government is looking to establish standard processing times (SPTs) for arriving and departing international passengers in a bid to improve visitors' first and last experience of New Zealand.

The SPTs will report on a passenger's 'total facilitation experience' at an airport. They are outcome focused where, in the case of an arriving international passenger, reporting starts from the moment they disembark an aircraft straight through to arriving in the airport's public forecourt.

New Zealand's SPTs will also include peak and off-peak targets recognising the need to improve facilitation when delays are most likely to occur – at peak times. New Zealand will also establish an outbound target which includes a target for clearing both customs and aviation security processes.

This means capturing customs, immigration, quarantine, and security processing times as well as accounting for visitor walking, shopping, and dwell times.

The Australian Government has recognised the need for a collective approach to passenger facilitation and has established a Passenger Facilitation Taskforce. The Taskforce brings together all relevant departments including customs,

quarantine, immigration, transport, tourism, finance, the Australian Federal Police, Department of Prime Minister and Cabinet and industry stakeholders from aviation and tourism.

TTF Australia strongly recommends that the Australian Government improve performance reporting to capture the “total facilitation process”, introduce a peak period facilitation standard and rationalise aviation security regulations that have no demonstrable security outcomes.

Reducing Compliance Burdens in the Trans-Tasman Business Environment

In 2006 the Australia New Zealand Leadership Forum, comprising Ministers, senior business representatives, and community leaders, met for the third time to accelerate work already begun on improving trans-Tasman trade. Areas identified for further improvement included reducing barriers to trade and eliminating ‘red tape’ associated with duplicate regulatory regimes between the countries.

Removing ‘red tape’ and streamlining customs policy and procedures, immigration and biosecurity, between Australia and New Zealand, will provide significant benefits, particularly in facilitating passenger processing, and will improve the international competitiveness of both countries.

A current example of duplication is the requirement of airlines operating between Australia and New Zealand to have an Air Operators Certificate (AOC) from both countries.

TTF supports the Department of Transport and Regional Services’ (DOTARS) and the Civil Aviation Safety Authorities’ (CASA) work on advancing mutual recognition of aviation safety certification requirements between Australia and New Zealand to date.

Currently, the Civil Aviation Legislation Amendment (Mutual Recognition with New Zealand) Bill 2005 has been amended in the Senate and is now under consideration by the House of Representatives. The Bill, if passed, would reduce administrative and compliance costs for airlines operating across the trans-Tasman since airlines would no longer be required to hold an AOC in both countries, only one. Equivalent legislation has already been passed in New Zealand.

TTF therefore seeks support on advancing mutual recognition of aviation safety certification requirements as well as assistance in advancing progress towards a more efficient trans-Tasman business environment.

Aircraft Tax Depreciation

Aircraft in Australia are currently depreciated over 10 years. In all international markets where Qantas faces intense competition, none have write-off periods

exceeding 10 years. In fact, many have write-off periods well below that of Australia, including Singapore, Hong Kong, USA and Canada.

Depreciable lives of assets exercise significant influence over an organisation's replacement policy. Given that aircraft depreciation is fixed at 10 years, our national carrier does not have the same ability to reinvest in new aircraft compared to airlines such as Singapore Airlines (who can depreciate over 3 years). This impacts on the average age of an airline's fleet, with Qantas' average core fleet age at around 10 years, and Singapore Airlines' at around 5 years.

TTF Australia understands that a change in aircraft depreciation from 10 to 3 years would provide Qantas with concessions of up to \$3 billion in light of its recent announcements concerning its fleet renewal program.

Since any policy which hinders Qantas' capacity to compete will ultimately result in higher fares and diminished product¹⁶, TTF Australia strongly recommends changing aircraft tax depreciation in line with the international standards noted above, preferably to a period of 3 years.

Airline Foreign Ownership

Under the Qantas Sale Act 1992 total foreign ownership limits are set at 49%. Within this limit no more than 35% may be owned by foreign airlines, with no more than 25% owned by any one party.

This foreign ownership limit raises Qantas' costs by artificially restricting demand for Qantas shares and lowering its share price. The current limit therefore puts Qantas at a competitive disadvantage as it contributes to higher costs that hamper Qantas' ability to invest in new aircraft.

The restrictions on Qantas' ability to access foreign capital in one of the most capital-intensive industries in the world makes little sense, particularly when attitudes towards airline designation are far more relaxed in today's regulatory environment. TTF Australia believes foreign ownership restrictions can be removed without risking challenges to Qantas' designation or compromising Australian control of Qantas. TTF Australia therefore strongly supports the removal of foreign ownership restrictions under the Qantas Sale Act 1992.

Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF)

Under proposed reforms to Australia's anti-money laundering and counter-terrorism financing (AML/CTF) system, Australian organisations that provide designated services (noted under Table 1 of the Exposure Draft AML/CTF Bill 2006) will be required to implement and maintain an AML/CTF program.

¹⁶ Official Committee Hansard – SENATE - ECONOMICS LEGISLATION COMMITTEE - Reference: Taxation Laws Amendment Bill
(No. 4) 2002 - MONDAY, 24 June 2002 – Pg. E22.

An AML/CTF program requires systems and controls that effectively identify and materially mitigate ML/TF risks.

Since the exchange of foreign currency and sale of travellers cheques are defined as designated services (at Table 1 of the Exposure Bill, see items 23 and 58 respectively) transactions involving these services will need to comply with an AML/CTF program.

This means that any person who wishes to exchange foreign currency or requires travellers cheques, using an Australian service provider, will be required to have their identity checked and verified.

Under the previous system this only applied to transactions above \$10,000.

The Australian service provider must now collect, at a minimum, from all customers:

- the customer's name;
- the customer's date of birth;
- the customer's residential address; and then

verify name and either address or date of birth details by, at a minimum, citing:

- reliable and independent documentation;
- reliable and independent electronic data; or
- a combination of both of these.

This has serious impacts on the Australian tourism industry.

To illustrate, in 2005 Australia recorded 5.5M inbound tourists. If we assume each tourist made only 4 transactions over their entire length of stay in Australia, and we apply a 1 minute standard per transaction in order to undertake identity and verification checks, this would amount to 367,000 hours per year.

This impact will mean increased queuing for travellers requiring foreign exchange and travellers cheque services at airports, greater customer inconvenience and increased costs for relevant Australian service providers.

The reforms also have implications for the international competitiveness of Australian firms providing foreign exchange and traveller cheque services. Below for example, is a list of countries along with their minimum legal thresholds over which identification must be obtained and verified for currency exchange transactions.

Country	Foreign Amount	Approximate Local Equivalent
UK	EURO 15,000	\$24,600
Japan	JPY 2m	\$23,500
USA	USD 1,000	\$1,350
Canada	CAD 3,000	\$3,500
Hong Kong	HKD 20,000	\$2,500
Germany	EUR 2,500	\$4,150
Singapore	SGD 5,000	\$4,300
Indonesia	IDR 100m	\$14,600

None of these countries have regulations which require the identification and verification of customers covering all foreign exchange and traveller cheque transactions.

It follows that the current reforms provide an incentive for travellers to conduct their monetary transactions before they come to Australia, and conversely after they leave. As a result a number of potential customers of foreign exchange companies and airport retailers in Australia will be lost due to this extra compliance burden.

These 'thresholds' also reflect the lower risk each country attributes to transactions that have low monetary values.

TTF Australia therefore recommends that Australia introduce a threshold for identity requirements and verification checks in relation to foreign exchange and travellers cheque transactions.

Such a threshold would address the shortcomings of the current reforms which TTF considers include:

- lack of relevance to AML/CTF objectives;
- disparity with internationally accepted Financial Action Task Force recommendations and thresholds;
- disparity with internationally accepted best practice;
- customer inconvenience;
- impact of Australia's reputation with inbound tourists;
- increased queuing at international airport operators and associated security issues;
- increased compliance cost to industry for little benefit; and
- unnecessary collection of personal information inconsistent with National Privacy Principles.

TTF believes a \$2000 threshold for identity requirements and verification checks in relation to foreign exchange and travellers cheque transactions would be appropriate.

Export Education

Australia has become a world leader in education exports with onshore enrolments constituting the largest share of international students to total enrolments in higher education of any OECD country. Education services are among Australia's top exports accounting for over \$7 billion in 2005. Education is also Australia's 3rd fastest growing export, with annual growth of 11% over the last four years.

Whilst education might be a pure export, there is potential for Australia to obtain some greater benefit from the development of our national intellectual capital.

Facilitating better access to foreign students as employees of the tourism industry for a limited period of time after graduation will provide incentive for international students to come and undertake their studies in Australia, further contributing to the growth of this important export.

As noted earlier in the discussion on skills and labour, the Australian tourism industry is suffering chronic problems in the obtaining of skilled staff. Allowing graduates of tourism and hospitality programs to remain in Australia and work for a limited period provides a possible solution to the tourism industry's skills and labour shortage.

It is understood that in the 2006/07 Commonwealth Budget, funding was allocated towards new work and holiday visa arrangements. Advice from the Minister for Immigration, Multicultural and Indigenous Affairs office indicates that new visa arrangements currently under consideration by Cabinet would allow foreign graduates in Australia to apply for an 18 month work visa on completion of their studies.

Whilst this is a step in the right direction these new arrangements if approved will not come into effect until July 2007 at the earliest.

TTF Australia recommends that new visa arrangements allowing students to remain in Australia and work for a limited period of time be brought forward and extended to two years.

Protecting Reputation

Rogue operators have tarnished Australia's reputation as a tourism destination. Repercussions will be felt from key markets such as China, India and Korea if the industry does not provide quality service standards and take measures to remove deceitful operators.

\$3.9 million has been committed to protect and strengthen the China Approved Destination Status (ADS) scheme over the next four years¹⁷ to strengthen the

¹⁷ Ministerial Media Release, "More funding to protect Chinese tourism", 9 May 2006, Hon Fran Bailey MP

brand and to help safeguard Chinese visitation to Australia. The ADS monitors all inbound operators on compliance issues in an attempt to assure the quality of the experience and to protect the consumer, it also has the effect of protecting the investment of legitimate and reputable operators.

A continued and adaptive regulatory focus and related funding commitment is considered appropriate to properly police existing miscreant activity and to adapt as inappropriate practices change in form.

Natural Tourism Partnerships

TTF Australia is undertaking the major task of bringing together parks agencies with the tourism community in an attempt to unlock some of Australia's best tourism assets. It has been evident for some time that there is a need for Australia to invest in innovative tourism products and experiences, particularly in our natural assets as it is here where Australia's competitive advantage lies.

Visitation to ecologically sound destinations is rapidly becoming a popular niche market. There are many impediments to development adjoining or within national parks and protected areas and in a large majority of cases this is not without reason. However, given the right conditions and sensible planning, natural tourism can be a win-win situation for the conservation movement and the tourism investors as visitation enhances the value and appreciation of natural areas.

Sound development of natural tourism partnerships offers the potential to significantly expand the range of Australia's tourism product offering and accordingly, broaden its appeal. Continuous cooperation of governments at all levels, but particularly at natural area management level, is essential to realise this opportunity.

Australian Tourism Development Program

Regional tourism growth is dependent on the continual improvement of tourism product and access to it. Grants are available, through the Commonwealth Department of Industry, Tourism and Resources, under the Australian Tourism Development Program to assist private sector operators to innovate and develop products where there is consistency with established regional plans in regional Australia.

It is TTF Australia's view that this program might be appropriately extended to embrace the development of tourism product opportunities in both indigenous tourism and in natural areas.

As with many other programs, current levels of Commonwealth funding must be continued or increased in order to develop appropriate and competitive product.

Conclusion

The Australian tourism industry has the potential to grow and generate increasing economic returns and employment opportunities. However, in order to do so there must be a consistent and focused effort by industry and governments directed towards achieving such growth.

The challenge of achieving growth cannot be approached in a half-hearted manner. The Australian tourism industry is in major global competition with competitor countries and destinations which recognise the benefits of tourism, which supports the legitimacy of this area of economic activity and which receive a commensurate range of direct and policy support to gain competitive advantage.

The Australian Government must continue to recognise the importance of its funding assistance and coordination role in achieving the goals and meeting the challenges in the global tourism environment. This task cannot be productive if policy or funding support is half-hearted.

The challenge for the Committee is to recognise the significance and potential of tourism and to seek to improve the funding and policy settings in which tourism operates.

TTF Australia stands ready to assist the Committee in its work.