



***Inquiry into the current and
future directions of Australia's
service industries***

House Standing Committee on Economics, Finance
and Public Administration

Submission

by the

**Queensland Tourism
Industry Council**

July 2006

Introduction

Queensland Tourism Industry Council (QTIC)

QTIC is a private sector, membership-based tourism industry organisation. QTIC represents the interests of the tourism industry, including business operators, Regional Tourism Organisations (RTOs) and sector associations. All of Queensland's RTOs are members of QTIC as are 22 of the industry's sector associations.

QTIC has in excess of 3,000 regional members, operating in all sectors of the tourism industry. As the peak body for tourism, the State's second largest industry, QTIC provides a focal point for the tourism industry and advocates its needs to governments.

QTIC is governed by a Board of Directors, elected from its membership, according to its corporate constitution. A list of current directors is attached.

Industry background

QTIC's work is based on the firm premise that a strong tourism industry creates significant numbers of jobs, increases overseas and interstate expenditure in regional economies, generates substantial government revenues and provides beneficial spin-offs for the wider business sector and the community.

In particular, tourism delivers crucial regional development opportunities and jobs across all regions of the state. Tourism also offers sustainable economic solutions that can simultaneously support conservation and other community objectives.

We recognise that the current Commonwealth Government has implemented and funded various initiatives that directly or indirectly support and benefit tourism, most notably initiatives generated under the Tourism White Paper.

The recommendations contained in this document are intended to compliment and enhance current policies.

In addition to the specific points raised in this submission, QTIC emphasises its continued and emphatic support for the Commonwealth's essential investment in the promotion of Australia's international destination brand through Tourism Australia.

Tourism exports and their distribution are substantively different to most other forms of exports such as goods and commodities. More commonly applied export support measures are unavailable for tourism exporters and systemic market failures would prevent businesses reaching optimal efficiency in international markets without an appropriate co-investment by government marketing agencies.

These issues are generally well understood and documented and presumably provided the basic rationale for the Commonwealth's increased investment in Tourism Australia through the White Paper.

A continued Commonwealth commitment in this area is the most fundamental requirement to maintain the international competitiveness of Australia's tourism services exports and we emphasis this point before any other.

Queensland's Tourism Industry

Tourism provides around 155,000 jobs for Queenslanders.

The tourism industry employs more than 150,000 people or close to 10% of the total workforce, according to government figures (Tourism Queensland, Facts & Figures, July 2006). Many of these jobs are in regional Queensland and in areas with high unemployment rates.

A new job is created for every 65 additional international visitors (Tourism Queensland, Facts & Figures, January 2004).

Tourism contributes more than \$6 billion to Queensland annual Gross State Product (GSP).

The contribution of \$6.3 billion each year from tourism accounts for 6.4% of the Gross State Product, according to conservative Treasury estimates from the Queensland State Budget.

Underpinning the contributions to GSP is a total expenditure amount from visitors to Queensland of more than \$16.7 billion annually. International visitors, tourism exports, contribute \$3.2 billion annually to the Queensland economy (Tourism Research Australia, Year ended 2005)

Tourism drives export earning for Queensland.

The industry accounts for 11% of Queensland's total exports overseas, making it the second largest export earner for Queensland, outperforming agricultural and resource export sectors.

Issue 1:**Skills and quality standards****Objective:**

To ensure the continued international competitiveness of Australia's tourism services.

The Background

1. Apart from Australia's natural attractions, the main variables determining our tourism export industries' international competitiveness are service quality and consistency. Those variables are largely determined by the capacities and skills of our labour force and of our business managers.
2. Labour market constraints and emerging skill shortages are of grave and widespread concern to the tourism industry. The concerns are likely to become more acute, particularly in regional Australia, as more international visitors are encouraged to explore regional destinations.
3. Both state and Commonwealth governments are engaged in various initiatives to address broader and tourism-specific labour market issues and QTIC is supportive of those initiatives and actively involved in several.
4. QTIC will raise specific issues in its submission to the current *Workforce Challenges in the Australian Tourism Industry* by the House of Representatives Standing Committee on Employment, Workplace Relations and Workforce Participation.

National interest

5. A concerted national effort will be required to maintain the sufficient workforce participation in the tourism sector. This will require initiatives that not only provide attractive working conditions but also promote those attributes effectively to potential job seekers.
6. Similarly, industry and government will need to work cooperatively to provide for recognised career paths with portable skills sets.
7. Private and publicly funded training organisations and educational institutions need to be encouraged to work with industry and employers to provide outcome focused and business-relevant skills and qualifications.

Issue 2:**Export Market Development Grant (EMDG)****Objective:**

To optimise the benefits and returns from an effective government support program.

The Background

1. The EMDG scheme enjoys universal and emphatic support from tourism operators across all sectors. QTIC works with many grant programs and it is our view that the EMDG is one of the most effective government support tools available to business. It has a proven track record and can achieve measurable returns to businesses and the economy more widely.
2. While the tourism industry enjoys renewed marketing support through Tourism Australia, many other grant and industry extension programs are ill-suited or inaccessible for the services industries generally and tourism operators in particular. This places tourism at a competitive disadvantage compared to other industries, not least in the export sector.
3. We would strongly support the EMDG scheme and, in fact, advocate for an expansion of the scheme.

Access improvements

4. The industry structure of the tourism sector comprises a large number of diverse organisations, including many small and regionally dispersed suppliers of services. Consequently, the industry is built around a range of cooperative arrangements, including Regional Tourism Organisations, convention bureaux, cost-sharing cooperatives between individual businesses etc.. To accommodate legitimate tourism business structures within the Approved Body status of the EMDG scheme, we advocate greater flexibility in allowing access to the scheme for such entities. Particular consideration should be given to destination marketing bodies and cooperative marketing entities.
5. Importantly, we also strongly advocate that consideration be given to the changes that have taken place in accommodation investment. A growing share of temporary tourism accommodation is provided through strata-titled properties. This important market segment is currently excluded from the EMDG, despite the fact that many of them compete through professional management companies in the same market as traditionally structured accommodation. We recommend that access to EMDG be allowed for strata-titled properties, as appropriate.

6. Access to the program generally should be further promoted and facilitated, particularly with a view to encourage marketing investment in niche and emerging markets which would support the objectives of the Tourism White Paper.

Eligibility period

7. We are concerned about the loss of opportunity caused by the somewhat arbitrary 7-year limitation and recommend it be extended under some circumstances.
8. Recipients of EMDG funding should remain eligible beyond 7 years, for example, if new markets are emerging that can be targeted. Such markets often involve higher risks and entirely different marketing strategies during the initial phase. Specific cases in point are currently China, India, and sectors of the New Zealand market.
9. Furthermore, where the 7-year period is 'interrupted' by unforeseen, adverse events (such as SARS) and marketing is suspended, an extension to the 7-year limit should be granted.

Grant limit

10. We are concerned that the gradual reduction of the maximum grant threshold to \$150,000 has eroded opportunities for export growth in a period when tourism exports were under considerable stress. Collaborative marketing efforts require a critical mass in a very competitive global market and the current threshold limits the efficiency of market outcomes and leads to suboptimal investment, particularly from larger organisations.
11. We support lifting the threshold to at least \$200,000.

Administration

12. Concerns have been raised with us that the administrative/compliance burden has increased for applicants and recipients of EMDG funds. This is also the case for the auditing process of individual grants. We strongly urge a strong focus be maintained on eliminating any unnecessary administrative costs to both government and industry.

Issue 3:**'Rogue' operator regulation****Objective:**

To ensure quality standards, visitor safety and visitor safety are protected in the Australian tourism export industries.

The Background

1. Serious concerns persist in the industry, particularly in major international destinations, about the activities of inbound and tour operators who do not operate to acceptable business and customer service standards.
2. In some cases such operators do not adhere to normal regulatory requirements, operate without appropriate licences and/or ignore consumers' rights and expectations.
3. The Queensland Government has introduced legislation with the *Tourism Services Act 2003* to address some of these concerns and has also implemented an enforcement strategy for other relevant regulation.

National interest

4. A state-based approach to this issue has only limited reach and encourages cross-boarder shifting of activities to avoid detection and prosecution.
5. The industry is concerned that the damage done to Australia's reputation has the potential to affect the broader tourism export market, notwithstanding the undesirable practices being limited to only a few operators.
6. We strongly advocate that a national approach be taken to this issue with all jurisdictions working together to ensure that appropriate legislative tools are available to protect visitors experiences and to protect the interests of compliant operators.
7. Similarly, we ask that an effective enforcement regime be put in place and resources be made available to remedy any continued inappropriate practices.

Issue 4:

Tourism shopping

Objective:

To generate maximum economic benefits from shopping expenditure by international visitors.

The Background

1. The current Tourist Refund Scheme (TRS) is administered through Australian Customs Service (ACS) and is subject to a number of administrative and commercial constraints that limit the effectiveness and international competitiveness of the scheme.
2. Based on our assessment undertaken in collaboration with the Tourism Shopping Reform Group, which QTIC is a member of, we have concluded that there would be substantial net benefits from transferring responsibility for the operation of the TRS from the ACS to competing private refund operators

Outcomes

3. A private scheme would be consistent with the user pays principle in that the direct beneficiaries are meeting the costs of the scheme rather than the general taxpayer.
4. There is the potential to greatly simplify the operation of the TRS as there would be no need for the Government to impose thresholds (such as the minimum claim threshold).
5. Because the private sector has greater incentives to maximise take-up, the achievement of the policy objective of the TRS will be more likely under a privately operated scheme.
6. The private sector has greater incentives to minimise costs and this will mean that refund services are provided more efficiently (or at less cost).
7. The scheme should, most importantly, provided for refunds to be cashed out to visitor while they are still in Australia, rather than on their return to their home countries, thereby increasing expenditure in Australia.

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The 2005/06 QTIC Board

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| Clare McFarlane <i>Deputy Chair</i> | Managing Director, Aries Tours |
| John Atkin | Proprietor, The Falls Retreat |
| Wayne Clift | Managing Director, Australian Day Tours |
| Stephen Gregg | Chief Executive Officer, Dreamworld |
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| David Phillips | General Manager, Mackay Tourism |
| Michael Scanlan | Group General Manager - Passenger Services, Queensland Rail |
| James Visser | Chief Executive, Restaurant and Catering Queensland |
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