

Questions on Notice
**House of Representatives Standing Committee on Employment, Workplace
Relations and Workforce Participation - Workforce challenges facing the
Australian Tourism Sector**

Thursday 29 March 2007

1. Mr Henry: Projections of tourists arriving from international markets

The forecasts provided in the Department of Industry, Tourism and Resources written submission to the House of Representatives Standing Committee on Employment, Workplace Relations and Workforce Participation were sourced from the *Tourism Forecasting Committee April 2006 Forecasts* being the most up to date data at the time the submission was being prepared.

Tourism Forecasting Committee Process

The Tourism Forecasting Committee (TFC) forecasts represent the most likely outcome given past trends, current information, and the impact of policy and industry changes.

The TFC forecasts for inbound, outbound, and domestic travel, as well as economic value are produced using a three-step process:

1. The first step involves the Tourism Research Australia (TRA) Forecasting Unit estimating activity and expenditure using econometric models. These models provide forecasts based on price, income, seasonality, as well as significant events affecting source markets.
2. The second step involves a sub-committee (the TFC Technical Committee) made up of senior researchers and economists (usually from TFC-member organisations) as well as independent advisors, reviewing the model-based forecasts and applying qualitative adjustments. Any adjustments are made by consensus.
3. The third and final step involves the TFC reviewing the forecasts. Again, any adjustments are made by consensus.

The TFC Forecasts are considered against other forecasts from Pacific Asia Travel Association, Tourism Research Council New Zealand, and International Air Transport Association.

Risks to the forecasts

There are many factors influencing the accuracy of tourism forecasts, including:

- data limitations and the assumptions underlying changes in explanatory variables;
- econometric models use historical information to estimate past relationships between the dependent variable (travel activity) and explanatory variables (e.g. economic, seasonality, events). Such relationships between variables may not hold in the future. Further, shocks to the industry by external factors can disrupt these relationships in the short term or lead to a structural change;
- changes in some factors that affect tourism activity can be difficult to foresee; such as those relating to, political, economic, aviation, marketing, health, and

social influences. The impact on visitor arrivals of potential shocks is discussed in 'The impact of shocks' section; and

- some figures are estimates derived from TRA surveys and are subject to sample error. Users of the data are advised to consult the sample error tables contained in TRA publications or otherwise available from TRA before drawing any conclusions or inferences, or taking any action, based on the data.

Forecast assumptions for China and India

Consistent with most market analysis, data from the TFC indicate China and India both have significant potential as inbound markets for Australia, both in visitor arrivals and economic value. However, significant competitor activity by rival destinations poses a risk to the TFC forecasts. Promotion of Australia overseas is the responsibility of Tourism Australia which has regional offices in key markets, including in China (Shanghai) and India (Mumbai).

China

- The likely appreciation of the Renminbi is expected to assist in partially offsetting the threat of higher air fares due to further increases in fuel costs, surcharges and taxes, and appreciation of the Australian Dollar;
- Real wages are increasing steadily in the major business centres such as Beijing, Shanghai and Guangdong and surrounding areas making international travel more achievable; and
- Greater market access through increased air capacity for example will be required.

India

- Outbound travel is increasingly becoming a 'way of life' for middle/upper class Indians. Australia is seen a desirable destination;
- The low-cost carrier (LCC) revolution is likely to lead to an increase in long-haul travel in the medium to longer term. India has the largest number of LCCs in the world and this is expected to enable a significant proportion of the population to experience travel; and
- Qantas recently announced a code-share arrangement with India's largest private airline: Jet Airways. This arrangement is likely to lead to better connectivity from Mumbai and Delhi through Singapore to all Australian gateways.

2. Ms Hall: Reasons for decline in intrastate and interstate tourism

Research undertaken by Tourism Research Australia (TRA), commissioned by the Department of Industry, Tourism, and Resources, indicates there are a range of factors affecting domestic tourism. These include:

- Australians are travelling for shorter periods of time and there is a shift toward more quality experiences. Australians view outbound tourism as better able to provide such experiences compared to domestic tourism. Further, many Australians believe domestic tourism represents poor value for money relative to overseas destinations;

- goods and services such as technology, furniture, and cars provide tangible and instant gratification that travel (generally) cannot. This is believed to be especially important by younger generations;
- many Australians consider themselves time poor with 'empty nesters' the only consumers found to have the time or inclination to spend much time researching travel; and
- the domestic tourism market has experienced some improvement in recent quarters. According to the TRA National Visitor Survey (NVS), the domestic market has shown some recovery after experiencing significant declines during 2005. Domestic overnight trips improved in the last three quarters of 2006 yet remains below the peak of December 2002.

3. Ms Hall: The impact of WorkChoices in improving the conditions of wages of workers in the tourism industry.

The following response was provided by the Department of Employment and Workplace Relations.

WorkChoices puts in place fair and flexible arrangements which will drive the productivity improvements necessary to create more jobs and increase the standard of living for all Australian workers, as well as allowing businesses to grow.

WorkChoices provides a framework for workplace arrangements to be tailored to suit the needs of the employer and employees at an enterprise level. The agreement-making processes in WorkChoices have been simplified, making it easier for employers and employees to engage in workplace bargaining. In doing so, WorkChoices makes it easier for employees, when negotiating with their employer for higher wages, to take into account local labour market conditions eg, labour shortages in a location where demand for labour outstrips availability, may enable employees to negotiate higher wages.

Workplace arrangements that offer flexibility will also assist in attracting and retaining appropriately skilled workers.

Flexible Working Arrangements

Flexible working arrangements can be used to encourage people who have traditionally been under represented in the labour market to enter and remain in the workforce.

Under the federal workplace relations system, employers and employees can negotiate workplace agreements tailored to meet the needs of both the business and individual employees by helping them to balance their work and other responsibilities.

Employers can enjoy many benefits from introducing flexible working arrangements including:

- Competitive edge in recruiting and enhanced corporate image;

- Improved ability to retain skilled staff and increased return on training investments;
- Reduced absenteeism and staff turnover;
- Improved productivity;
- Reduced stress levels and improved morale and commitment; and
- Potential for improved occupational health and safety records.

Examples of the types of flexibilities which can be negotiated include:

Flexible hours

Flexible working hours allow employees to work an agreed number of hours, spread over a set period of time. Employees are able to work the hours they choose while enabling an organisation to function effectively.

Regular part-time work

Regular part-time work allows employees to reduce their working hours in order to take care of family or other responsibilities. It is particularly useful for employees returning from parental leave or for employees during the transition to retirement.

Job-sharing

Job-sharing is a voluntary arrangement in which two or more people share one full-time job, each working part-time on a regular, ongoing basis. Advantages for employers include having more than one staff member trained in the job.

Home-based work

Home-based work enables employees to spend part of their working time at home on a temporary or permanent basis. It can provide employees with further flexibility in balancing their work and personal lives.

Flexible leave arrangements

Flexible leave arrangements assist employees tailor working arrangements with other needs, like study, travel etc. Flexible leave arrangements can include:

- personal/carer's leave entitlements
- granting an employee an extra four weeks leave without pay in the year and averaging their income over the whole year (48/52 model)
- more flexible use of annual leave including single days leave
- make up time and time off in lieu including formal flex-time arrangements.

Training and Skills Formation

In relation to training and skills formation, WorkChoices includes a number of measures that are designed to remove industrial relations barriers to the take up of all forms of Australian Apprenticeships, including Australian School-based Apprenticeships. 'Australian Apprenticeships' include traditional trade apprenticeship and traineeship arrangements and are a key element of the Government's approach to maintaining a skilled and flexible workforce.

WorkChoices includes three sets of specific measures that are designed to remove industrial barriers. First, prior to the establishment of the Australian Fair Pay Commission, any gaps in federal and state award coverage for school-based apprenticeships and traineeships were filled by wage provisions that were prescribed in the WorkChoices legislation. These provisions came into effect on 14 December 2005, ensuring that appropriate wages for school-based trainees and apprentices were available from the commencement of the 2006 school year. Following the commencement of WorkChoices on 27 March 2006, they became part of the guaranteed safety net of minimum wages for trainees and apprentices to be included in the Australian Fair Pay and Conditions Standard.

Second, the Fair Pay Commission is empowered to fill any remaining gaps in coverage of minimum wages for apprentices and trainees, including provisions for part-time apprenticeships and traineeships.

Third, from the commencement of WorkChoices, any award provisions that operated to restrict the range or duration of apprenticeships or traineeships are no longer allowable award matters. This means that award provisions that previously prevented the operation of part-time or school-based apprenticeships or traineeships, which generally take longer to complete than their full time equivalents, or award provisions that prevented the introduction of shorter competency based training arrangements, have ceased to have effect.