



Submission

House of Representatives Standing Committee
on Economics, Finance and Public
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Inquiry into Australia's Service Industries

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Introduction

Tourism Western Australia (Tourism WA) is the Western Australian Government agency responsible for the development and marketing of tourism and events in Western Australia. Its activities contribute to developing a strong economy that delivers more jobs, more opportunities and greater wealth to Western Australians by creating the conditions required for investment and growth. This is achieved by promoting WA as an attractive destination, and helping ensure there is a strong tourism industry, with appropriate infrastructure and product. Tourism WA provides the following services: destination marketing, event tourism, convention and incentive travel, industry development and visitor servicing.

Tourism is a strategically important industry directly linked to the long term prosperity of WA. Tourism has the potential to support growth of the WA economy in the period following the current global commodity boom.

Tourism development offers many synergies with the Australian Government (AG) and State/Territory Governments' wider economic development aims. It encourages diversification of regional economies and long term development opportunities for communities which have an over reliance on industries such as mining. It builds strong and vibrant communities by creating employment and business opportunities for people. It offers opportunities for employment, business development and the maintenance of culture for Indigenous communities. Tourism is one of the few industries which offer economic opportunities which mutually support and rely on environmental conservation objectives.

The importance of tourism

The World Tourism Organization defines tourism as being:

“the activities of persons travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes”

Tourism is a service based industry comprising a number of tangible and intangible components. Tangible components include accommodation, transport, natural and built attractions, tour operators, restaurants and other infrastructure which are used by tourists when they are visiting. Intangible components relate to the experience that people have when they visit an area, and how well that experience matches the visitors' needs and expectations.

Tourism today makes a major economic contribution to WA. An Access Economics analysis in 2001-02 estimated that tourism generated approximately \$3.6 billion from visitor expenditure, contributing 5.5% of WA's Gross State Product. The industry employs approximately 72,000 people, or 8% of the WA workforce.

Tourism is a major source of regional employment. It is a labour intensive industry with a close link between the number of business employees and the level of service provided to customers. The AG Department of Industry, Tourism and Resources (DITR) estimates that for every additional \$1 million of visitor expenditure, 7.6 jobs are created directly, with another 3.8 jobs generated through in-direct multiplier effects.

In Local Government Authorities (LGAs) with a large tourism focus, between 8-10% of total regional employment is generated by tourism. In LGAs with few tourism assets or established infrastructure the percentage is below 5%. **Table 1** summarises the economic and employment contribution of tourism by region.

Table 1 Tourism's – Economic Contribution

WA Tourism Region*	Direct Value Added (\$m)	Indirect Value Added (\$m)	Direct employment ('000)	Indirect employment ('000)	Output at basic prices (\$m)
Experience Perth	1,392	851	32.0	10.9	3,423
Australia's South West	351	225	9.7	2.9	860
Australia's Coral Coast	187	115	4.5	1.5	450
Australia's North West	196	122	4.5	1.6	478
Australia's Golden Outback	122	80	2.9	1.0	311
WA Total	2,249	1,393	53.6	17.9	5,521
Share of WA tourism contribution by region					
Experience Perth	62%	61%	60%	61%	62%
Australia's South West	16%	16%	18%	16%	16%
Australia's Coral Coast	8%	8%	8%	8%	8%
Australia's North West	9%	9%	8%	9%	9%
Australia's Golden Outback	5%	6%	5%	6%	6%
WA Total	100%	100%	100%	100%	100%

Source: Access Economics

- * Experience Perth includes metropolitan Perth, the Peel Development Region and the Perth Hills.
- Australia's South West includes the South West Regional Development Region.
- Australia's Coral Coast includes a west coast strip about 150kms wide from north of Perth to Exmouth, including Geraldton and Carnarvon.
- Australia's North West includes the Pilbara and Kimberley Regional Development Regions.
- Australia's Golden Outback includes the inland Wheatbelt, inland Mid West, inland Gascoyne and Goldfields and Esperance Development Regions.

The value of tourism and its linkage with other regional industries is often underestimated. Access Economics analysed the individual industry sectors that benefit from tourism expenditure across WA, and the important regional economic linkages generated by tourism. **Table 2** summarises the economic value and percentage of industry output which is generated by tourism expenditure. It identifies the major contribution which tourism supplies for certain industry sectors such as accommodation, cafes, restaurants, retail, food and transportation, and the demands placed on social infrastructure such as education, health and cultural services.

Table 2 Tourism expenditure by industry category

Supply side industry	Tourism Industry Value Added (\$m)	Tourism Share of Industry Total (%)
Agriculture, forestry, fishing	55	2%
Mining	3	0%
Food products	84	4%
Beverages and tobacco products	53	2%
Textiles, clothing and footwear	20	1%
Wood products	0	0%
Paper products, printing, publishing	22	1%
Petroleum products	9	0%
Chemicals and plastics	13	1%
Non-metallic products	1	0%
Metal products	2	0%
Transport equipment	12	1%
Other machinery and equipment	10	0%
Other manufacturing	7	0%
Electricity, gas, water	1	0%
Residential building	0	0%
Other construction	0	0%
Wholesale trade	92	4%
Retail trade & takeaway food	314	14%
Repairs	19	1%
Accommodation, cafes, restaurants	431	19%
Land transport	95	4%
Air and water transport	343	15%
Services to transport	133	6%
Communication services	57	3%
Banking	0	0%
Other financial services	1	0%
Ownership of dwellings	144	6%
Business and property services	47	2%
Govt administration and defence	12	1%
Education	102	5%
Health and community services	73	3%
Cultural and recreational services	82	4%
Personal and other services	11	0%
Total Value Added	2,249	100%
Net taxes on products (final demands)	452	
Tourism Gross State Product (GSP)	2,701	

Source: Access Economics.

In 2005, interstate visitors to WA was at the 1 million mark, intrastate visitors numbered 5 million, and there were 635,000 international visitors. Their total expenditure was estimated at just over \$4 billion (Source: Tourism Research Australia). In the next 10 years, the Tourism Forecasting Council predicts that visitation to WA will increase by approximately 20%, with an increasing proportion of international visitors.

For this to occur, WA needs to continue to invest in new tourism infrastructure and product, refresh the destinations that currently exist, and develop new experiences that will stimulate visitation to the State, as well as the continued promotion of the destination. WA is a destination that is remote from many of its source markets. For interstate and international tourists this makes visits to the destination a large commitment in terms of time and money. If WA is to continue to be a popular destination, the quality of the tourism experience must outweigh the negative factors which are considered when making a holiday choice.

Key issues for tourism in Western Australia

WA's land mass of over 2 million square kilometres and a population of just over 2 million means tourism faces unique challenges in staffing, communications, access and provision of a tourism product which is of a standard to attract international and national tourists.

Developing a tourism workforce

Good customer service relies on attracting and keeping high quality staff in a tourism business, which requires the provision of affordable housing, good public services such as health and education and a variety of recreational and leisure activities.

In many towns in Western Australia's North West, a combination of the mineral and resources boom and lack of available land has seen a major decrease in the supply of residential housing. Spiralling rental and house prices have exacerbated the high cost of remote area living, and the ability of towns like Broome to attract and retain high quality tourism staff.

Tourism, like many other industries, is currently facing a skills shortage. A recent survey by TTF Australia has found that around 75% of its members surveyed across the tourism, transport, aviation and infrastructure sectors were having difficulty filling positions.

Traditionally, tourism has not been a high-paying industry, which has increased the difficulty of attracting young people to it in times when other industries such as the resources sector offer much better pay. Investment in education and training and raising the awareness of tourism as a career are necessary to encourage people to enter the industry. This requires the development of appropriate vocational education and training courses.

Recent work by the Skills Formation Taskforce, an initiative of the Western Australian State Training Board, has indicated that training systems for the hospitality industry need to be completely overhauled to allow for the fast tracking of apprentices, to encourage new workers such as women with children to enter the workforce part-time and to reflect the 24/7 nature of the hospitality sector.

The Australian Hotels Association has proposed the provision of incentives to business for ongoing staff development through payroll tax concessions for tourism businesses providing staff training and apprenticeship opportunities, something which Tourism WA supports.

Where major skills shortages are impacting on the ability of businesses to service tourists, Tourism WA supports the development of further changes to immigration regulations, including extending the three-month qualification period for a 12-month extension to a Working Holiday Maker (WHM) visa from agricultural work to tourism and hospitality work, and also developing new WHM arrangements with other countries, particularly the United States of America. Another approach might be to encourage existing non-workers into tourism and hospitality.

There are real synergies between Indigenous economic development and a strong tourism industry, with a number of opportunities to generate more employment for Indigenous people in tourism. Training schemes, apprenticeships, cultural awareness raising and other development options are recommendations within the WA Government's Aboriginal Tourism Strategy "Looking, Listening, Learning: An Aboriginal Tourism Strategy for Western Australia 2006 – 2010", which is due to be released shortly.

Communications systems

Communication networks are a critical factor in providing information to tourists, including the rapidly developing opportunities of electronic commerce or online booking systems. It also represents a significant competitive advantage that affects the capacity of existing businesses to grow and the ability of the State to service tourists as the traditional barriers of geographic distance and low-density population are significantly reduced or eliminated. The AG plays a key role in the provision of communications infrastructure, and WA's special needs, created by its size and small population, should continue to be recognised in decisions made in this area.

Taxation

Taxes can be an impediment to the export performance of any business, and especially in such an industry as tourism where the cumulative impact of a high Australian dollar, government taxes and charges, commercial levies and fees and fuel costs, adds to the cost of Australian tourism exports. The tourism industry can, and should contribute to the economy as other sectors do via taxes and charges, but tourism and tourists already contribute through the Passenger Movement Charge, and export tourism brings significant tax-flow into the economy via GST receipts generated by tourists. According to the Australian Tourism Export Council, the tourism industry is impacted by retrospective GST rulings by the Australian Taxation Office and rulings which have inadequately considered the practical impact on the services export sector. In summary, Government taxes, charges and levies on the tourism industry should be transparent, justifiable and have a time at which they will be reviewed to ensure they are still required.

Access: Aviation and Roads

International research demonstrates that the key drivers of outbound international tourism into specific destinations depends firstly on the economic health of the source market and secondly – but of greater importance to the destination market – the presence of direct airline services between the two markets.

WA's international and interstate visitation is highly reliant on airline access due to its geographical isolation with 91% of international and 89% of interstate visitors arriving by air. It is therefore essential for WA to be competitive in growing airline capacity for it to increase visitor numbers into the future.

Airline capacity growth is also important to maintain WA's trade competitiveness in the exporting of horticultural, agricultural, live seafood and other time

sensitive products reliant on air freight capacity. WA supports efforts to grow these sectors by establishing tourism offices in key overseas markets such as China, Japan, South Korea, United Kingdom, Central Europe, Singapore and New Zealand, with the WA Government trade offices located in the above areas plus Thailand, India, Taiwan and the United Arab Emirates. The WA Government works closely with the AG Department of Foreign Affairs and Trade to increase Australian exports.

With airline services considered vital to the continued economic prosperity of the tourism sector within WA, it is important for the State to be fully consulted on key aviation policy decisions being formulated by the AG.

While the WA Government is broadly supportive of the more liberalised international aviation policy framework announced in February 2006 following an extensive internal policy review, it is disappointed that the AG Department of Transport and Regional Services (DOTARS) did not consult the States and Territories on such an important aviation policy review and instead chose to engage only selected key stakeholders such as Qantas Airways and Virgin Blue.

Despite the strong working relationship that exists between Tourism WA and Tourism Australia (TA) there needs to be greater recognition by the AG of WA's contribution to the Australian tourism sector on important issues such as aviation policy development.

While consultation occurs on a regular basis on matters such as forthcoming air services negotiations or as part of other joint AG/State Government agency forums and committees, no such consultation occurred with regard to the latest review of aviation policy for the development of international air services.

The continued economic prosperity of the tourism sector in the State and throughout Australia needs a close co-operative approach between all government agencies and the tourism industry and WA looks forward to the opportunity to contribute to aviation policy development going forward.

Road access continues to be one of the key infrastructure issues for tourist destinations throughout WA.

TTF Australia identifies the two key transport challenges for tourism development as congestion and dispersion. This is reflected in the types of road infrastructure priorities in WA.

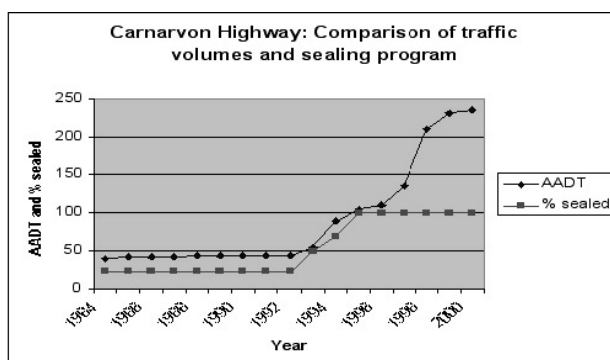
Road congestion is a major issue for tourism development in the regions close to Perth. Tourism in the Australia's South West region is dominated by the short break intrastate market out of Perth, and is being impacted by traffic bottlenecks in areas to the north and south of Mandurah. Completion of the Bunbury Highway will cut access times to the Australia's South West region increasing the ability and attractiveness of short breaks in the region. Construction of the Indian Ocean Drive to the north of Perth will untap the tourism potential of the Central Coast by reducing driving times, and creating an enticing self drive route along the coast. The priority should be to ensure these two major projects

are kept on schedule, and not delayed through lack of funding or other complications.

Road infrastructure is vitally important for the dispersal of tourists beyond major gateways according to the CRC for Sustainable Tourism. Tourism Research Australia (TRA) estimates that driving holidays make up approximately 77% of all overnight domestic trips taken in WA. In certain WA regions that figure is far higher; 88% of domestic overnight trips in Australia's Coral Coast region have a self drive element and in the Australia's South West region self drive transportation makes up 93% of all domestic overnight trips.

The self drive touring route is an effective way to disperse the benefits of tourism throughout a region, and create business opportunities for communities along the way. It requires an investment in road construction and improvements, along with the development of effective signage, roadside rest areas, maps and co-operative marketing between local businesses and government.

Visitation to particular areas is closely linked to the condition of the road concerned. Research conducted by Tourism Queensland and the Queensland Department of Main Roads demonstrated a strong correlation between road sealing and increased traffic to tourist attractions. This has led to a greater emphasis on tourism in road infrastructure planning in Queensland, when considering the economic case for road improvements.



The sealing or improvement of access routes in some WA regions is required to expand the potential of tourism beyond the four wheel drive market, and allow that location to link with other destinations close by. In areas such as Margaret River or the road to Wave Rock where visitation numbers are high, the upgrading of roads is a major visitor safety issue.

Tourism WA supports the WA Government's policy position of securing more AG funding for road infrastructure.

A strong product offering

One of the main aims of the *Tourism White Paper: A Medium to Long Term Strategy for Tourism* was the development of strong tourism product throughout Australia; the AG had recognised the need for support of industry development through the creation of the Australian Tourism Development Program (ATDP) and the importance of a high yield vs high quantity tourism offering. Other AG

supports included funding for the Sustainable Tourism Cooperative Research Centre, and the development of the National Tourism Investment Strategy.

These programs complement what WA is achieving in the area of industry development, namely providing capacity building opportunities (a series of training workshops held throughout the State, called Better Business Blitzes) to existing operators, assisting new businesses to start up through distribution of a CD containing detailed information, and attracting investors to the State. Tourism WA is also supporting a number of research programs that will further assist the sustainable development of the industry, including investigation of the growing micro-cruising industry on the Kimberley Coast, and investigating the impact of different environmental management responses on the social and economic fabric of regional communities.

The resources spent on industry development have traditionally been much lower than that expended on marketing and there is a growing recognition that marketing and development must go hand in hand. The AG must continue to support industry development through continued funding of assistance programs and the critical area of research.

Aligned with the issue of industry development is individual business development. Accreditation has long been held as the main tool for the tourism industry to ensure that the product that is offered to visitors is of a high standard. The National Tourism Accreditation Program (NTAP) has been developed primarily in WA over the last 10 years and progressively taken up in other States, some more readily than others. The WA industry also worked wholeheartedly to develop a truly national accreditation program resourced in the *Tourism White Paper*. The AG's decision to divert funding away from the development of a national program and into the Quality Tourism Accreditation Portal was not supported by the WA industry or Tourism Western Australia, and decisions about the portal's development since that time continue to go against what the Tourism Council Western Australia (TCWA), the administrator of the program, believes is the best for the tourism industry in this State.

Conclusion

The Federal Government has a key role to play in the tourism industry in the areas outlined above. Infrastructure in the form of roads, aviation and communications, as well as the so-called 'soft infrastructure' of human capital in skills and business capability will all benefit from support (both financial and in setting policy) at the Federal level.

The Federal Government's White Paper on Tourism began the process, and it will be important in future to consider how a number of key initiatives in that policy can be taken forward to continue to assist the tourism industry to be a powerful part of Australia's service industries.