

BEYOND TOURISM 2020 STRATEGY: STEERING COMMITTEE REPORT TO GOVERNMENT

Submission



13 March 2019

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Introduction

Tourism Accommodation Australia (TAA), a division of the AHA, welcomes the opportunity to provide feedback on the Beyond Tourism 2020 Steering Committee Report to Government (the Report).

TAA represents the needs and interests of the major hotels, motels, and serviced apartments in Australia's accommodation sector. In 2016–17, GDP from tourism increased 6.1% (or \$3.2 billion), to reach a record of \$55.3 billion in nominal terms. The accommodation sector is a dominant player in the tourism industry and in terms of GVA \$8 billion was directly contributed and more than 88,800 people are directly employed and 101,900 indirectly employed in the sector. This figure will continue to increase with the industry going through a rapid period of growth.

Overall, we support the broad goals expressed in the Report, though many of the actions lack detail. We welcome further details as to how the success of the strategy will be achieved. We also note that there is heavy emphasis on Sydney throughout the report and we make an overarching recommendation for greater inclusion of Australia's other cities, states and tourism locations. Our below recommendations are made in direct response to selected sections of the Report's strategic actions.

1. Drive demand

Increase travellers' length of trip

- Implement international marketing strategies to convert aspirational demand to visitation

The current role of Tourism Australia is to implement marketing strategies to convert aspirational demand to visitation. TAA research demonstrates the effectiveness of Tourism Australia's funding with return on investment of \$22.40 to each dollar. However, the research also points to the fact that funding for Tourism Australia has not kept up with media inflation which is growing at between two to five times the CPI in Australia's key and growing tourism markets.¹ TAA recommends that funding for Tourism Australia be protected against international media-cost inflation thus supporting the effective leveraging of marketing campaigns in key markets.

Continue to leverage growth from Asia and other high priority markets (both established and emerging)

- Continue to engage in robust consumer research (including any cultural requirements) to increase understanding of needs of the evolving consumer
- Maintain a balanced portfolio of markets that match Australia's competitive strengths and deliver the best results for the sector
- Increase market engagement with priority markets

We agree with the sentiment on maintaining a balanced portfolio of markets. From an accommodation sector point of view it is important to look beyond growth in visitation to growth in visitor nights in hotels, motels, serviced apartments and resorts. Our traditional markets – which are currently showing some decline – are vital in supporting accommodation stock. Markets such as India are welcome growth markets but thus far haven't proven largely *VFR*.

¹ Airline Intelligence and Research Pty Ltd, *Estimates of the Return on Marketing Investment for Australian Inbound Tourism*, December 2018.

Strategies implemented to increase Chinese visitors provide a start point for better engagement with other key markets. The ‘open skies’ policy between Australia and China has been instrumental in keeping Australia on track to achieve the 2020 goals and, when combined with reduced visa restrictions, this policy has been a key driver of growth. China has grown from 285,000 seats in 2005 to 1,403,600 seats in early 2018.

TAA supports increased market engagement with ‘priority’ markets but seeks a better evidence-based understanding of what those priority markets are and the nature of proposed increased market engagement given budget constraints faced by Tourism Australia.

Encourage dispersal outside capital cities

- Greater coordination at all levels of government to better sell regional Australia to the world
- Provide opportunities to showcase regional products to international markets

It is important that there is sufficient infrastructure to deliver quality experience in regional markets. Programs such as Austrade and Tourism Australia’s *Regional Tourism Infrastructure Investment Attraction Strategy 2016 – 2021* are important in facilitating regional investment. To be effective, resources and funding are required to enable not just the promotion of regional areas but the identification of projects (including market-ready proposals) and the development of market feasibilities to attract potential investors.

Improve coordination of one voice approach and to maximise the return on marketing investment

- Continue to enhance coordination of state and federal marketing programs and efforts to enhance Australia’s brand and ensure coordinated messaging

Central to the achievement of investment outcomes is the *Australian Tourism Investment Attraction Partnership* (the Partnership) between Tourism Australia and Austrade, which was formalised in a 2012 agreement. The formal nature of the Partnership is critical in driving co-ordination and outcomes and could be beneficial if extended to the States and Territories. TAA supports the intent of the partnership but it needs robust funding.

Encourage the growth of domestic travel

- Tourism Australia to work with the states and territories to encourage Australians to holiday at home where appropriate

While we support the sentiment of enhanced collaboration between Tourism Australia and the States and Territories, we have difficulty in understanding how it could work without some funding contribution from Tourism Australia and seek further clarification on where the resources for this initiative would come from.

Maximise visitation and expenditure from non-leisure visitors (e.g. business events and international education)

- Increase conversion of new international business events to Australia by providing financial support to destinations in the bidding process

Support for bids for new, high-value international incentive, association, and exhibition events exists in the national business events bid fund. In having a formal federal fund – in addition to state government funds – Australia is reacting to a growing global trend towards direct financial support for major business events. However, this funding amount is absorbed within Tourism Australia’s

budget. TAA recommends a commitment to further expanding and maintaining the national business events bid fund.

Develop experiences and attractions (including indigenous, metropolitan and regional)

- Evaluate the scope and diversity of existing and potential tourism products and experiences to identify possible product gaps or lack of variation that could limit trip length
- Create diversity amongst tourism product and experience offerings that reflect the needs of the visitor economy
- Create tourism products that will extend the tourist season, including integrated resort projects

The *Tourism Major Project Facilitation (TMPF)* service was developed to assist proponents of significant tourism investments, particularly through providing case managers who work closely with State and Territory Government agencies to streamline the different regulatory requirements around investment. However, while TMPF is responsive to investor interest, it does not appear to be proactive in developing market-ready projects to promote to investors, nor does it appear to be actively promoted to potential investors. We recommend that TMPF becomes a more proactive mechanism to encourage investor interest.

2. Invest in aggregated and segmented data analytics capability

Expand visitor data sets and improve access to tourism data

- Develop a central repository of curated data sets for shared use by industry and government, including trend analysis opportunities with broader data sets

TAA welcomed the appointment of STR to produce the Australian Accommodation Monitor (AAM) – which filled the gap particularly in regional accommodation metrics – but we would like to see ongoing support guaranteed for this vital dataset.

Better profile visitor interests to personalise Australian itineraries

- Better understanding of consumer needs (individual or group) will inform specific itinerary, events and/or location marketing to first time and repeat visitors

TAA recommends that new data sets be developed that are complementary to IVS and NVS to ensure more timely insights into consumer travel needs and trends.

3. Address capacity constraints

Entice investment in accommodation and food and beverage, tourist experiences and attractions

- Identify red tape and other regulatory barriers impacting foreign investment in tourism infrastructure
- Conduct investor familiarisations in key regions/locations

Austrade and Tourism Australia are active in their representation at international hotel investment conferences. Feedback from hotel investors is that this is very effective in highlighting that Australia is open for business and ‘willing to make things happen’. However, there is a need for market-ready development projects to be actively promoted, potentially with a launch event outlining various opportunities for foreign investors. TAA recommends representation continue at hotel investment conferences and Austrade and Tourism Australia be more proactive in presenting market-ready projects and securing interest.

Advocate for policy settings to support further aviation growth

- Continue to actively negotiate bilateral aviation access rights (and where appropriate multilateral arrangements) to ensure commercial services can facilitate forecast visitor demand and open up new growth markets

A separate funding source for airports is needed to continue support for visitor growth. This would require input from the Federal Government and the relevant State Government and airport organisations. Better resourcing of airports would also have the benefit of improving and opening up trade routes and regional destinations.

TAA recommends that a separate funding source for airports be established with input from multiple sources to ensure that airports can continue to provide the capacity and facilities to service the growing number of visitors. There is an opportunity for greater airline attraction and routes to non-traditional entry-points.

Improve capacity restrictions in Sydney Airport's operating environment

- Improve efficiencies by addressing airport operating restrictions, particularly the hourly movement restrictions at Sydney Airport and the flow on implications across the national network

There are significant operating constraints for Sydney Airport – the only Australian airport with movement caps – which presents a major challenge for the airport in servicing demand growth. TAA calls for more flexibility around the hourly caps. Modernisation of the operating restrictions (lifting the cap in peak hours to 85) could reduce the number of aircraft movements during the off-peak and would increase flexibility. Alternatively, a daily cap could be considered. We would also support a recommendation that reviews regional ring fencing (RRF) – the mechanism to ensure regional services have access to slots – and ensures that those slots are utilised to maximum capacity.

Improve gateway and regional access for cruise ships

- Investigate the sector's infrastructure needs, with an initial focus on additional berthing options in Sydney
- Upgrade constrained passenger cruise ports around Australia

Cruise ships are an important source of visitor nights into hotels and TAA supports the need to address adequate berthing for ships into ports around Australia. Investing in interconnecting infrastructure (roads, terminals, and piers) is important to encourage longer stays.

Manage transport links and supporting infrastructure

- Improve connections (road, rail etc.) from major gateway ports (airports and cruise terminals) to the cities, prioritising the affordability of public transport options for visitors.
- Develop and implement tourism congestion management plans and invest in infrastructure development to ease congestion in the long run

The 2018-19 Mid-Year Economic and Fiscal Outlook (MYEFO) contained ongoing commitments to infrastructure support as part of the national infrastructure plan, including commitments to Western Sydney Airport, Melbourne Airport Rail Link, and the Bruce Highway. The City Deals and Regional Deals are central in providing the funding and support for essential tourism infrastructure. TAA recommends that efforts are made to identify and provide funding support for key State and Territory infrastructure projects that are essential to visitor economy growth.

Improve competitiveness of Australia's visa products

- Consider impacts of visa complexity and costs on traveller decision-making
- Invest to improve visa processing system to cope with growing demand (e.g. native language online visa completion, automated processing for repeat travellers and travellers from low risk markets)
- Develop an international benchmarking tool for visitor visa policy to measure Australia's competitiveness in various areas such as cost, processing time, visa product types etc.

TAA research on visa competitiveness in Asian markets showed that visa fees are amongst the least competitive and processing times are also relatively uncompetitive when compared to other destinations. Our research also showed that when all fees are added, including passenger movement charges, Australia is amongst the countries that have the most expensive visa costs. TAA calls for the continuation of online visas and for improvement to competitiveness in terms of processing times and costs.

TAA has long advocated for global benchmarking, and welcomes the Report's support for this initiative. We urge that the establishment of such a tool includes consideration of CPI increases and PMC costs.

Build the pipeline of foreign workers by better utilising the permanent and temporary migration programs

- Continue to advocate for skilled and working holiday maker visas to help fill workforce gaps unfilled by local workers, especially in regional Australia
- Facilitate greater access to the WHM visa and encourage WHMs to travel to regional Australia
- Promote business certainty by facilitating greater pathways to permanent residency for skilled migrants

WHMs are a high-value labour source filling critical labour shortages in the accommodation sector. The 2019 TAA NSW *Hotel Labour Benchmarking Study* showed that 24.2% of employees are international workers, with working holiday makers (WHMs) comprising 4.2%.² However, as can be seen in Table 1 the granting of visas from 2015 – 2018 has been decreasing for 417s, equating to an overall decline in the WHM visa programme:

	2015-16	2016-17	2017-18	Change (%)
First 417	159,409	157,858	152,622	-4.26%
Second 417	36,264	34,907	32,828	-9.47%
(Total 417)	195,673	191,955	185,450	-5.22%
First 462	18,910	18,647	21,667	14.58%
Second 462	0	409	3,339	
(Total 462)	18,910	19,056	25,006	32.24%
Total	214,583	211,011	210,456	-1.92%

Table 1: Working Holiday Maker visas granted (Department of Home Affairs, Pivot table data, <https://data.gov.au/organization/immigration>)

Alongside being a critical labour source, WHMs are also an integral part of tourism revenue. They spend approximately two and half times more than they earn, and create over 25,000 jobs in the

² Tourism Accommodation Australia NSW, *Hotel Labour Benchmarking Study*, 2019, p.13.

Australian economy. They spend approximately \$10,000 per trip.³ While comprehensive research is dated, it has been demonstrated that every 100 WHMs create about 5.0 FTE jobs in Australia.⁴

Any steps towards reducing the options of the WHM would be a detriment to the accommodation sector and the wider tourism industry. Capping the numbers or removing the second year of the visa are not advisable policy settings, as unfortunately there are not enough Australians willing to do the seasonal work that WHMs frequently engage in.

4. Harness technology to enhance visitor experience

Invest in technology solutions

A simpler visa application system utilising greater digitisation and innovative online technologies would deliver a faster and more user-friendly client experience. To achieve this outcome, TAA recommends a streamlined online application process that suggests relevant visas based on the customer's purpose for visitation, intended length of stay, intended activities while in Australia and country of origin. This would build on the *Visa Finder* tool on the Department of Home Affairs website and become the main navigation page for visitors interested in coming to Australia.

5. Establish a suitably skilled and available workforce that aligns with Australia's world-class positioning

Promote tourism and hospitality industry career pathways

- Ensure there is a career pipeline to encourage Australian school leavers to train up in the industry
- Promote Australian Government initiatives such as the VET Information Strategy: real skills for real careers and the National Careers Education Strategy

Most states have introduced a range of pathways into the hospitality and tourism sector that are intended to provide on the job training at the secondary level as part of their hospitality units. Many of these have poor take up because they are complex to access, vary by state and are poorly promoted to industry. There is a role for federal government to coordinate and facilitate connections between schools, training providers, and industry to better develop skills-based education – including support for pre-apprenticeship and pre-vocational pathways.

Government could consider incentives and initiatives to attract more Australians into the industry such as:

- Work with industry to identify pre-apprenticeship programs;
- Increase funding incentives for employers and apprentices in areas of high skills shortages and provide consistency of that funding over the longer term;
- Revise wording of the extended 'Adult Apprenticeship incentive' to improve take up by the hospitality sector:
 - "an Australian Apprentice must be in receipt of an 'actual wage' paid by the employer at the date of commencement or recommencement, **which is equal to or greater than the National Minimum Wage.**" We recommend that this wording (in red text above) is amended to **'the minimum rate of**

³ Tourism Australia, Working Holiday Makers, <http://www.tourism.australia.com/content/dam/assets/document/1/6/y/m/2/2004410.pdf>.

⁴ Yan Tan, Sue Richardson, Laurence Lester and Lulu Sun, *Evaluation of Australia's Working Holiday Maker (WHM) Program*, <https://iussp2009.princeton.edu/papers/92045>.

pay for an adult apprentice in the applicable modern award for the industry’.

An industry-led future workforce initiative is *Hotel Careers*, which identifies and promotes career pathways for young Australians in the accommodation sector. Hotel Careers seeks to work with schools to showcase the hotel careers paths available and to both educate students, parents and teachers and provide students with opportunities to engage in the accommodation sector more broadly while at school and beyond. TAA recommends that government provide funding support for industry led initiatives that both promote the sector and provide actual pathways into the sector.

TAA supports the intent of the VET Information Strategy, with the tagline *Real Skills for Real Careers*. However, this initiative requires robust funding, complemented by better awareness from industry and comprehensive engagement with secondary schools. There could be an expansion of the VET Information Strategy to a broader career development strategy to both lift the profile of VET and provide accessible information and advice on courses and pathways to students, teachers and parents.

TAA welcomes initiatives such as the establishment of the Australian Industry and Skills Committee (AISC) which provides industry with a formal role in policy direction on VET. TAA would like to see a continuation of this emphasis on industry as a leader continue, with an assurance that there is adequate representation from across the States and Territories and more transparency around recommendations and outcomes.

Enhance higher education and vocational education and training outcomes

The replacement program for VET FEE-HELP, VET Student Loans, is restrictive and does not prioritise the tourism sector. TAA recommends that there be a decrease in the funding gap between qualifications for the accommodation industry and VET Student Loans. There is a need to increase the caps where evidence demonstrates inadequacy in meeting the cost of the course.

TAA welcomes the opportunity to expand on the issues and recommendations raised above.