

Productivity Commission: Australia's International Tourism Industry

Regional Development Australia – South West Consultation feedback



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Background

This feedback is provided at the request of the Productivity Commission. This RDA response will generally work through the points noted as pursuing trends, drivers and barriers and specifically the dot points as presented.

As might be expected, this RDA-South West feedback will be examining the proposal from a regional perspective. It is also worth mentioning that our regional capital is away from a major population centre (Perth is 185km to the North), and features a diverse geographical product.

Tourism WA divides the State into five Regional Tourism Organisation (RTO) zones. The RTO banner for the RDA regions South West and Great Southern are collectively promoted as *Australia's South West*. The RTO region further breaks down to four Local Tourism Organisations (LTOs): Bunbury-Geographe, Capes, Warren-Blackwood and Great Southern. The Capes LTO includes Margaret River and Busselton which are the State's most visited areas outside metropolitan Perth.¹

Furthermore the South West is listed as the sixth most economically significant tourism-dependent region in Australia², and additionally highlights the need to continually improve product as identified in the South West Regional Blueprint³.

Issue 1

Trends in Australia's international tourism industry, including factors that affect demand for Australian tourism services and the sensitivity of demand for Australian inbound tourism to changes in these factors

1.1 Trends

The extent of RDA input in this sub-section might be limited given the availability of high quality data gathered by Tourism Research Australia, so these comments will be contained to what we see as occurring at local level.

SW statistics¹ reveal international visitor changes that run counter to interstate data. In both cases visitation is up but the rise in numbers of interstate travellers shows a significant rise in the length of stay, while for international visitors the length of stay (measured by visitor nights) is static. That said, international visitors stayed an average of 14.2 nights which is more than three times longer than domestic visitors.

To put that in context, international visitation is about 6% of the total so if those figures can be improved then each overseas visitor has a visitor night value more than three times that of an Australian and spends almost twice as much⁴.

¹ Australia's South West (2013) *Overnight Visitor Factsheet Years Ending 2011/12/13*, Tourism WA, Perth, WA

² Tourism Research Australia (2011) *Economic Importance of Tourism in Australia's Regions – Phase 2: Large Tourism Dependent Regions*, DRET, Canberra, ACT

³ SW Development Commission & RDA-South West (2014) *SW Regional Blueprint*, Bunbury, WA

International trends (2011-13) are somewhat varied over the short-term, but generally there is growth both in total numbers. International visitors are spent less per person in 2012-13 than they did in 2011-12⁵. Domestic visitors also spent less per person.

1.2 Demand factors

Major events can impact on cyclical demand, especially given that Australia is both an expensive place to visit and is seen by many as a once-in-a-lifetime experience. Those visitors who have the capacity to visit Australia may also be lured by a World Cup or Olympic Games. After all, Australia will always be there but the World Cup in Brazil is a one-off.

They key will be for Australia/our region to play on its unique strengths – fauna, flora and geo-tourism landscapes.

The South West has also grown its events status to become the events capital of WA, featuring international surfing, WA Country Music Festival and CineféstOz which exploits the region's historical exploration by the French and has links with the Cannes Film Festival.



Unique experiences: A round with the locals at Capel Golf Club.

The events issue is worth further exploration. The South West is known for its food and wine which gives it a positive reputation, links in with quality agricultural product. The food and wine link is international and Margaret River as a brand is known throughout the world. Riding on the back of wine, a number of niche food businesses have grown significantly. This includes a leading truffle export industry, freshwater crays and a sub-

⁴ Tourism Research Australia (2014) *Regional Tourism Profile for Australia's South West 2012/13*

⁵ Tourism Research Australia (2014) *Regional Tourism Profile for Australia's South West 2011/12*

region that has an agriculture value 50% greater than that of the much-vaunted Ord River scheme. With growing interest in food, cookery etc there is a clear synergy between agriculture, branding, tourism and regional positioning.

This also enables the region to offer more than a single product. In modern times we have visitors who want to do it all – feast on gourmet cuisine, see unique landscapes, play golf with the kangaroos, experience National Parks, cheer on riders in premium cycling events and then ride the 1,000km long Munda Biddi Trail.

Demand is affected by what you can offer. The greater the variety, then the greater the drawcard.

Our region uses world class events to extend the brand, attract visitors and market to others. For example, SunSmart Iron Man Busselton has been a part of the Asia Pacific triathlon scene for a decade and now the Margaret River Pro is on the World Surfing Championship circuit along with Hawaii, Rio de Janeiro, California and Eastern Cape, South Africa.

1.3 Sensitivities

- World economy – it is plain that the GFC impacted Australia's South West to such an extent that numbers are only now recovering.
- Health – the SARS scare had a major impact on international visitation even though the problem was not in Australia.
- Dollar – the value of the dollar is hugely influential. Not only does the price of the dollar affect those coming from overseas but comparatively makes other markets more attractive to travellers. Given that the bulk of the local market is domestic, the attractiveness of overseas long stay holidays (week or more) impacts on local revenues which in turn affects investment in product and hotels. With greater uncertainty, some hotels have become very tired looking but have maintained rates and with modern consumers having increasing expectations, Australia can appear poor value.
- Labour – the tourism industry by its nature is labour-intensive. Wage costs can negatively affect a region's price point.
- Culture – the vagaries of what is 'trendy' at any one time can have an impact. That is why a broad and varied product is more resilient. The modern traveller wants bucket list experiences and is increasingly demanding greater service levels. Negative comments on such public forums as TripAdvisor can be extremely damaging.
- Local scene – shark attacks have negatively influenced visitor bookings, especially for diving and surfing as well as general use of beaches.

Issue 2

The role of government, including the rationale for government involvement in the tourism industry

2.1 Overview

There is a clear economic rationale for government engagement in the sector. Tourism Research Australia reports that international visitation was worth \$30.1bn in the year to June 2014.⁶

Why should government be involved:

- The tourism sector is labour-intensive and any particular shock can have a devastating impact on any region that is highly tourism-dependent.
- International visitation is not just about leisure, but also business.
- Government seed-funding for events (large and small) has produced excellent results in WA.
- Tourism provides an international interface with Australia. This spills into culture, community, business and international relations.
- Build exports – international relations, reputation
- Government support provides a level of expertise and knowledge that individual operators could not ever know at the local level. This is also true of marketing ie government provides a level of international awareness that a local hotelier or restaurateur could not possibly achieve.
- Government provides infrastructure.

2.2 Aviation infrastructure

The last point requires expansion since infrastructure engagement has far-reaching stimulus and benefits. The obvious key infrastructure is through aviation. Without good and efficient airports a country the size of Australia would receive very little visitation. We already struggle with unfathomable costs in regions where it is cheaper to fly from Perth to Singapore than to Broome.

2.3 General infrastructure

Earlier in this submission, the Margaret River Pro World Championship Surfing event was noted as a drawcard. This event has only become possible because the Commonwealth and State jointly invested in the site, creating viewer areas and providing bandwidth so tour events can be streamed live around the world.

⁶ http://www.tra.gov.au/documents/ivs/IVS_onepager_June2014_FINAL_28082014.pdf

TIRF: Together with the business applicant concerned, the Commonwealth has also partnered in the development of a special wine tasting facility specifically for Chinese tourists. And it is no accident that Busselton attracts more visitors than any other local government area in Australia's South West. The State Government invested in the restoration of the 1.8km jetty, underwater observatory and a foreshore that both attracts visitors in its own right but also plays host to major events – including televised international events.

The benefit of such infrastructure is far-reaching. It creates better communities for the resident population, provides stimulus for further development and generates employment in a region where little would otherwise exist. The Geographe Bay Tourism Association reports that last year's Iron Man event filled every hotel in a 30km radius. That amounts to 13,000 bed nights. Further government investment in the foreshore is supported by Tennis Australia and will see Davis Cup tennis played in the region.

A growing international visitation sector is cruise shipping but this potential cannot be fully realised because it is not possible for passengers to disembark from tenders efficiently which limits onshore numbers and time. The South West has 14 cruise ship visits booked in for the coming season.

Issue 3

The effect of aviation policy and regulation, including the extent to which aviation policy and regulations facilitate or impede a competitive market for flights to, from and within, Australia

3.1 Policy and regulation

We see a glaring gap in infrastructure funding that could support international tourism and exploit demonstrated opportunities.

Major metropolitan airports are funded by both the States and the Australian Government. So too are remote airstrips. While representing significant growth opportunities, regional airports struggle to gain any support. There have been occasional schemes in the past but nothing of any strategic substance.

If Australia is to capitalise on regional aviation opportunities then there is a need for a long-term strategic approach to funding. Airports need to be targeted and there needs to be a tactical injection of funds to exploit those existing tourism markets where medium to long-term economic sustainability is achievable.

In the South West, the overall problem is that accessibility to the regional airport has not improved while overseas tourism competition has grown stronger and international airfares have fallen due to the growth of low cost carriers. Those factors, combined with a strong dollar, have formed a perfect storm of disadvantage for the SW region of WA.

While the Australian Government does promote airport liberalisation and recognises the importance of Australian airports to the economy⁷, the focus has been on the 'big four' (Sydney, Melbourne, Perth and Brisbane). Figures of \$10bn have been mooted for a second Sydney Airport; the \$1bn Perth Gateway project and \$1bn Melbourne facility upgrades are both ongoing; and, Brisbane is being boosted by a \$1.35bn parallel runway.

It is not intended to criticise these investments, only to highlight the chasm between what funding is available and to note that the \$44m spent on a taxiway at Brisbane would largely fund the upgrade of a regional airport to make it A330-compatible (ie. it would meet the runway requirements for most international aircraft).

It should also be noted that the cost of airport security per head is disproportionately high in regional locations. The WA Government notes a key aviation policy action in this regard⁸:

“The State Government will take up with the Commonwealth the disproportionate cost of aviation security borne by passengers at small regional airports and seek an approach to aviation security cost recovery based on network pricing.”

3.2 Competitive markets for flights

There is limited choice for aviation in WA. Perth is obviously the key point of entry for visitors and given the scale of WA and its remoteness from the rest of Australia (Perth is closer to Jakarta than Canberra), therefore flying is the only internal travel option.

Policies seeking to liberalise the skies are broadly sound, but for regional destinations there may need to be some exclusivity allowed in order that services are provided.

Excerpts from *Western Australian State Aviation Strategy (Draft)*:

“Growth in international tourism will be important in the current environment, particularly through the further expansion of low cost carriers. In this context, growth of tourism from Asia, resulting from an expanded middle class, will be important.”

“To encourage tourism, the State Government will aim to attract new airlines including low-cost carriers, to Perth and regional WA with the goal of introducing new non-stop linkages from core and emerging international and interstate markets; and will seek to foster and facilitate code-sharing agreements between overseas airlines and Australian domestic carriers.”

⁷ DOIRD (2013) *Australia and Global Aviation*, Department of Infrastructure, Australian Government
⁸ Dept of Transport (2013) *Western Australian State Aviation Strategy (Draft)*, WA Government

Issue 4

The effect of land management policy and regulation, including the role of government in managing the use of environmental, heritage or cultural assets and the approaches that can be used to help manage use of such sites

4.1 Land management policy and regulation impacts

Given that 87% of the Shires of Manjimup and Nannup are designated parks and known generally as the 'Southern Forests', there are considerable constraints on available land for developments that can support tourism enterprises. However, some far-sighted people saw an opportunity in a wilderness experience and gave the South West two internationally-recognised trail-based tourism experiences.

Today, the South West features the world class Bibbulmun Track, a 1,000km walk trail stretching from the outskirts of Perth to Albany on the south coast. It is listed as one of *National Geographic's* world top 20 'Holy Grails of Trails'. The region is also home to the Munda Biddi Trail, a nature-based off-road cycling experience. This makes *National Geographic's* top 10 cycle routes in the world.

In both cases there are few places anywhere in the world where adventure tourists can traverse such an extensive undeveloped natural corridor. These experiences were also delivered in the face of issues over conservation, forestry and land use conflicts. That is not to say the journey has been easy since conservation works best when people are removed from an environment.

Land management policy does appear to be changing for the better, permitting access and promoting conservation through engagement rather than restriction.

4.2 Role of government in managing assets

Recent land management policy in WA has seen a split between environment protection and parks and wildlife. The latter now has a mandate to create parks access and facilitate usage under the 'Parks for People' initiative.

The Australian Government's National landscapes works alongside Tourism Australia and its fits with the general thrust of what the State is trying to achieve. The basic notion is that if we overly-develop our conservation areas then those actions will be counter-productive to delivering unique nature-based experiences that capitalise on geo-tourism opportunities.

A question for the Australian Government might be whether Commonwealth engagement is considered to enhance asset management or duplicate what already exists on the ground. Either way, the traditional custodians of the land should have a role to play and should be supported to grow employment prospects in cultural and tourism enterprises as well as in primary land management roles. Engagement with Aboriginal people can have

the benefit of maintaining traditional knowledge and offer the means for culture to be passed on while educating the wider community at the same time.

Involving Indigenous people and increasing their visibility as economically independent persons will have greater benefits than simply giving tourists a cultural experience.

Indigenous participation would also be as varied as the National landscapes and while being diverse, does provide opportunities for broader international marketing.
