



Submission to the Inquiry into Opportunities and Methods for Stimulating the Tourism Industry in Northern Australia

Terms of Reference

The Joint Standing Committee on Northern Australia will inquire into and report on opportunities and methods for, and impediments and challenges to stimulating the tourism industry in Northern Australia including but not limited to:

1. domestic and international tourism comprising: recreational, environmental, cultural, educational, and industrial tourism;
2. the role of peak bodies, local communities, and all levels of government in developing and promoting tourism opportunities nationally and internationally, including regulations and workforce issues that may inhibit tourism development; and
3. communication and transport infrastructure (particularly air, sea, road and rail transport and port infrastructure) which may facilitate and grow tourism.

Summary of key issues

The White Paper on Developing Northern Australia *Our North, Our Future* (the White Paper) sets out the Australian Government's vision for developing northern Australia, including the growth and development of tourism. The Government is committed to ensuring northern Australia fulfils its growth potential, for the benefit of all Australians.

Through the White Paper the Government seeks to facilitate and promote investment in new and existing businesses across northern Australia. As such the Government's northern development agenda is focused on:

- reducing barriers to investment;
- investing in road, rail, water and communications infrastructure with the potential to provide transformative opportunities for communities and businesses;
- improving access to streamlined business services;
- increasing seasonal labour supplies; and
- streamlining visitor visa arrangements.

A number of initiatives announced in the White Paper support growth in the tourism industry and are outlined in more detail below. These include:

- changes to the Entrepreneurs' Programme and the Australian Small Business Advisory Services (ASBAS) programme, making up the Northern Australia Tourism Initiative;
- development of the Northern Australia Transport Plan and new investments in road, rail and aviation infrastructure;
- streamlined arrangements for the Working Holiday and Work and Holiday visa programmes;
- establishment of a tourism pilot under the Seasonal Worker programme;
- reforms to fast-track visitor visa applications and trial 10-year validity arrangements for Chinese, Indian and UAE nationals; and
- up to \$5 billion in concessional finance to support private sector investment in economic infrastructure in northern Australia, including in eligible tourism projects.

The Department of Industry, Innovation and Science also delivers a range of programmes that support growth and productivity across Australian industry, including but not limited to tourism. These programmes include:

- Inspiring Australia Initiative;
- Industry Growth Centres Initiative;
- Industry Innovation and Competitiveness Agenda; and
- National Innovation and Science Agenda.

Opportunities also exist to continue to address impediments and challenges to tourism businesses across northern Australia. These include:

- *facilitating access to support services for small tourism businesses in northern Australia.*

All businesses in northern Australia face a range of economic and physical challenges. These include the high costs of transport, labour, energy and insurance; market access and supply-chain issues that are often exacerbated during the wet season; and limited access to high quality economic infrastructure. Labour and skills shortages in tourism are severely curtailing business growth in the sector. Businesses, both large and small, are finding the labour market particularly challenging. 70 Small businesses in regional and remote areas across the north are often the most disadvantaged, while also being the least economically resilient. Consideration should be given to ensure eligibility criteria for Government programmes, such as the Australian Governments Entrepreneurs programme, do not unnecessarily restrict access to small tourism businesses. Consideration should also be given to better support indigenous business development currently excluded from Government programmes due to eligibility criteria in most instances.

- *coordinating and leveraging State/Territory and Australian Government grant funds to maximise opportunities for tourism businesses.*

Small grants programmes are a common way for governments to target support for specific industries or groups. A recent example where State/Territory programmes have overlapped include the \$4.75 million one-off Northern Territory's Tourism Infrastructure Development Fund (2015-16), the Queensland Tourism Infrastructure Fund (2015), the \$4.2 million Western Australia Regional Visitor Centre Sustainability Grant Program (2015-16) and the Australian Government's \$43.1 million Tourism Demand Drive Infrastructure (TDDI) programme. Developing a shared understanding of priorities and coordinating effort across the four northern Australia jurisdictions would provide both governments and industry with opportunities to leverage investments and to improve outcomes.

Domestic and international tourism in northern Australia

Northern Australia, as defined in the White Paper, includes all of the Northern Territory and those parts of Queensland and Western Australia that lie above the Tropic of Capricorn. This equates to 40 per cent of Australia's landmass and is home to 5.5 per cent of the Australian population.

Northern Australia is often described as Australia's gateway to the Asia Pacific region. This is increasingly becoming a reality with 36 deep ports, 69 international airports and nearly half a billion people now located within 4 hours' flying time of Darwin.

Northern Australia has over 10 000 kilometres of coastline and half of Australia's sea ports.

Tourism plays an important part in the northern Australian economy and is estimated to account for 8.4 per cent of Gross State Product in the Northern Territory and 1.7 per cent in north Queensland. In total the tourism industry employs over 69 000 people directly and indirectly and accounts for as much as 11.8 per cent of total employment in the Northern Territory and 2.1 per cent in Queensland (but only 0.3 per cent in Western Australia). These figures compare with 0.5 per cent nationally.

In 2013-14, approximately 9.3 per cent of all of Australia's recorded international overnight stays, and 12.7 per cent of all domestic overnight stays, occurred in northern Australia. North Queensland enjoys the most domestic and international visitors, accounting for 65 per cent of international tourist overnight stays and 61 per cent domestic overnight stays in 2013-14. The northern region of Western Australia accounts for the smallest share of international visitor overnight stays (12 per cent) and the Northern Territory the smallest share of domestic overnight visitor stays (16 per cent).

In 2014-15, northern Australia received approximately 17 million tourist visits. With less than 6 per cent of Australia's population, the northern Australia tourism industry, as with many other industries, northern Australia regularly 'punches above its weight'.

Total expenditure by tourists across northern Australia was estimated to be over \$9.9 billion in 2014-15. In total, tourism in northern Australia is estimated to contribute approximately 0.5 per cent to Australia's total GDP.

Northern Australia: summary tourism statistics: 2014-15

	Share of Gross State Product	Share of State Employment	Expenditure	Visitor numbers
	%	%	\$m	'000
North Western Australia	0.5	0.3	1356	1878
Northern Territory	8.4	11.8	2004	2555
North Queensland	1.7	2.1	6577	12,641
Northern Australia	0.5	0.6	9937	17,074

* Northern Australia's total tourism contributions are to Australia's GDP and Australia's total employment.

Growth in the tourism industry across northern Australia is not consistent. In Far North Queensland, recent seasons have seen record numbers of visitors, as well as a lengthening of the 'peak tourism season'. Visitors from China are dominating inbound arrivals and there is considerable interest from Chinese investors in the Cairns region tourism market – both acquisition and refurbishment investment and new product investment. The region is noticeably positive about this interest. Opportunities now exist for tourism operators to adapt their businesses and services to better suit the needs of Chinese tourists, rather than relying on traditional models of service and utilising translators. There are also potential economies of scale to be gained from small or niche

operators expanding into multiple locations across the region. There are also significant opportunities for new product development on an individual or group basis.

In contrast, in northern Western Australia, the tourism market appears to have declined over recent years and the peak tourism season appears to have shortened. This has given rise to a greater preparedness from business, industry and the community leaders to look for opportunities for collaboration to maximise opportunities and efficiencies.

In the Northern Territory a decline in accommodation demand from the construction and resources sectors has led to a significant swing back to leisure tourism. Tourism operators need to recognise this change and understand the implications in terms of servicing the needs and wants of the highly (internationally) competitive leisure tourism market.

Northern Australia Tourism Initiative

The \$13.6 million Northern Australia Tourism Initiative is one of a suite of new programmes announced in response to the White Paper on Developing Northern Australia and extends the Entrepreneurs' Programme and Australian Small Business Advisory Services Programme to meet the needs of tourism businesses in northern Australia.

The ***Entrepreneurs' Programme*** provides businesses with access to market and industry information and advice, and business management advice and skills. The Programme connects participants to experienced Advisers and Facilitators, sourced from the private sector, who work directly with businesses to help them grow.

Services provided through the Entrepreneurs' Programme are: Tourism Partnerships, Business Evaluations, Growth Services and Supply Chain Facilitation. Each of these services is designed to build differing aspects of management capability in business, and provides each with a tailored plan to embed change and generate sustainable growth. When the business is ready to implement the recommended improvements, the Adviser will help to identify areas of priority and coach and mentor the business over a 12 month period. This valuable step accelerates the change process and advances growth opportunities.

Subsequent to the delivery of a service, the business can also apply for a Business Growth Grant to offset costs for engaging external expertise to implement improvements identified by the Business Adviser.

Through the *White Paper on Developing Northern Australia*, the financial threshold for businesses in northern Australia to access the Entrepreneurs' Programme was halved from \$1.5m to \$750,000. Research indicated that approximately 100 tourism businesses each year would be able to access the Programme without further reducing this threshold, and those that did not meet the criteria would be suitable to receive advisory services under ASBAS.

The Programme Guidelines require that tourism businesses must meet the following eligibility criteria to participate in the Programme:

- generate a significant portion of revenue from visitors;
- operate in a tourism-related industry. This could include retailers, cafes, restaurants and pubs;
- operate in the Northern Territory or above the Tropic of Capricorn in Queensland or Western Australia;
- be a solvent company with an annual turnover or operating expenditure between \$750,000 and \$100 million;
- have filed business activity statements showing ongoing trading for at least three successive years; and

- have not been named by the Workplace Gender Equality Agency as an organisation that has not complied with the *Workplace Gender Equality Act 2012 (Cth)*.

Businesses are not eligible if they:

- resell tickets or vouchers for tourism-related products and services; or
- are a local tourism body or regional tourism organisation.

Since launch, three Business Advisers have been engaged, one each in Cairns, Broome and Darwin. In addition, a Sector Director and a Business Facilitator are also based in Cairns.

The Programme has seen significant interest from tourism businesses operating in northern Australia, which is expected to continue into 2017. As of 31 January 2017, 255 services have been provided to businesses in the tourism sector. These services have helped businesses to:

- undertake a step change in the business, including by critically assessing the current state of business and identifying remedies, enabling them to grow and employ additional staff;
- develop and implement strategic plans to exploit new markets and opportunities; and
- understand and refine their unique value proposition to broaden their customer base.

The key outputs and outcomes of the Programme are as follows:

<i>Outputs</i>	<i>Outcomes – short term</i>	<i>Outcomes – long term</i>
<ul style="list-style-type: none"> • Initial Engagement Summaries • Business Evaluation Action Plan 	<ul style="list-style-type: none"> • Participants improve their management skills • Participants improve their business systems and processes 	<ul style="list-style-type: none"> • Participants improve their ability to identify and leverage growth opportunities

The department is commencing a *Monitoring & Outcome evaluation* with the first report due in late 2017, which will inform short to medium term outcomes and appraise the Programme's readiness for future impact evaluations. These will progressively expand in scope to sharpen the focus on impact evaluations as more data becomes available.

Improved business performance is a desired medium to long term outcome of the Programme. With the available data on Tourism Partnerships, it is too early to indicate how successful the new policy is. Having said that, the department has developed and will implement a quasi-experiment utilising economics techniques, referred to as the Financial Characteristics project. This method will analyse changes in participants' business performance over time and compare the results against a control group, using financial data sources from service documents and available data from the Australian Bureau of Statistics and the Australian Taxation Office. Some financial characteristics that will be analysed include, revenue, FTE, wages and value added as well as exporting performance and business survival rates.

The department also undertakes customer satisfaction surveys. The aim of the survey is to engage with current and recent customers of the Programme and assess the value and effectiveness of the services and grants they received. The findings of the survey will be provided to the department mid-2017.

The **Australian Small Business Advisory Services Programme** Northern Australia Tourism Initiative (ASBAS NATI) has improved the capacity of established, not-for-profit small business advisory service providers to deliver low cost small business advisory services to tourism small businesses and tourism small business intenders in northern Australia, whose products and/or services are or will be used by tourists.

Low cost business advisory services can be accessed in the following areas:

1. Funding avenues and financial analysis
2. Building your business
3. Making the most of your talent and team
4. Management capabilities
5. Digital engagement implementation
6. Tourism ready.

Entrepreneurs who operate or are thinking about starting a tourism small business, can receive professional, low cost business advisory services from an ASBAS NATI provider. A number of organisations across northern Australia will be available to deliver professional, low cost business advisory services to tourism small businesses throughout northern Australia until 30 June 2019.

Improving infrastructure, aviation and surface transport connections

While the private sector traditionally plays a central role in infrastructure development, the 2015 Infrastructure Australia Northern Australia Audit conceded that sources of market failure do exist in the north (e.g. first mover disadvantage, limited economies of scale). The audit concluded that reducing the economic distance between the north and south of Australia (and importantly to Asia) — through better roads, telecommunications infrastructure, railways and air links — would benefit northern Australia and the nation as a whole.

Year-round access to infrastructure – roads, ports, rail, and aviation – is a problem common to many industries in northern Australia, including tourism. Seasonal weather greatly impacts access - for example Alice Springs and surrounding areas were inundated after heavy, wet season rain in late December 2016, making many of the surrounding tourism operations including the Uluru-Kata Tjuta National Park inaccessible. As at 13 February 2017, there were over 170 restrictions on Northern Territory Government controlled roads across all regions. Many are access points for existing or potential areas of high value tourism such as Litchfield Park Road (access to Litchfield National Park) and Shady Camp Road (access to Shady Camp – fishing and recreation) Roads through to Cape York in far north Queensland, and in the Kimberley region of Western Australia, even the main road linking the northern tip of the Peninsula with Broome still has a 90 kilometre unsealed section which are all similarly impacted by the effects of the wet season. Often supplies and goods then need to be transported by sea or air which increases costs. Kakadu National Park is another example of a world class tourism asset that is underperforming due to the lack of year-round access to the majority of the Park. There is potential to increase visitation to the park by investing in road infrastructure to promote increased geographic and seasonal dispersal.

The high cost of air services in the north also restricts the growth of tourism. For example, a return airfare between Cairns and a typical remote community in Cape York is around \$1000-\$1100 and can be more – for a flight that lasts around 2 hours. In northern Western Australia, the lack of an international gateway restricts the ability to focus on overseas markets and increase international visitor numbers. Domestic tourists are also a difficult market to attract due to the high cost of airfares and the availability of cheaper overseas options in South East Asia. In this region, the lack of intra-regional flights is also considered a barrier, as for example, flying between Broome and Exmouth (two popular tourism destinations) means flying via Perth.

A lack of digital connectivity including mobile phone coverage in many regions also limits business activity and growth. Remoteness and distances between major centres increases costs and reduces services.

Cruise shipping has seen a significant growth globally. In northern Australia, passengers spent 265,000 days in port and contributed \$116 million in direct expenditure to the economy in 2014-15. Cairns, Darwin and the Whitsundays are the busiest ports for cruise ships in northern Australia,

each receiving between 35 and 45 visits per year. However, limitations on the size of cruise vessels that can access a number of ports in northern Australia has been said to discourage repeat visitors. In relation to cruise shipping, one challenge for communities and workforces is the shock-load of intermittent visits and the impact these can have on local infrastructure and services.

Insurance costs in northern Australia have risen over recent years to reflect the risk of living in a tropical area subject to cyclones and floods. Insurance costs for home and contents are generally elevated when compared with southern cities ranging from 1.5 to 4 times as much in northern Australia in comparison with cities such as Perth, Sydney and Brisbane. Strata properties can be even more expensive with premium rates in northern Queensland around 5 times those in southern cities in 2013. Options for reducing insurance costs in northern Australia were examined during the Northern Australia Insurance Premiums Taskforce which released its final report in March 2016.

In the *White Paper on Developing Northern Australia*, the Government committed \$1.2 billion in funding to the north across 51 policy measures. Specifically related to infrastructure, commitments that are currently being delivered include:

- \$600 million to the Northern Australia Roads programme
- \$100 million to the Northern Australia Beef Roads programme
- \$5 million to additional freight rail feasibility analysis, including on the Tennant Creek to Mount Isa Rail link
- \$3.7 million to a pipeline of projects, to will inform potential investors on future infrastructure projects in the roads, rail, water, electricity, ports, ports, aviation, communications and electricity sectors
- \$39.6 million to extend the Remote Airstrip Upgrade (RAU), programme and additional support for the Remote Air Services Subsidy (RASS)
- and establishment of then Northern Australia Business Stakeholder group, which is working towards establishing a Northern Australia Transport Plan.

Over the course of the 2016 election, the Government also announced over \$3 billion in funding for the region to support measures ranging from road and water infrastructure to defence and sporting assets. These investments in infrastructure will support new jobs and private investment, instil investment certainty and create liveable, smart cities and towns:

- Upgrading key road, rail and marine infrastructure, including the Cairns Marine Precinct and the Townsville Eastern Access Rail Corridor, to improve freight in northern Australia.
- Funding new water infrastructure, including feasibility studies for the Hell's Gate Dam on the upper Burdekin River and construction of the Rookwood Weir.
- Developing the Townsville Smart Cities Plan, including a new Townsville Stadium.
- Implementing the Bowen and Cairns Jobs Packages to deliver targeted skills programmes that address skills shortages and support workers displaced by structural change to retrain and upskill.
- Establishing the Regional Investment Corporation to streamline existing agricultural finance and loan functions, and support further infrastructure development.

Northern Australia Infrastructure Facility

In addition to direct funding for public infrastructure projects, the flagship infrastructure initiative directed to the north is the establishment of the \$5 billion Northern Australia Infrastructure Facility (NAIF). The NAIF provides an innovative funding mechanism to complement private sector investment in economic infrastructure. The NAIF opened for business on 1 July 2016 and offers finance on concessional terms to encourage and complement private sector investment in economic infrastructure in northern Australia that otherwise would not be built, or would not be built for some time. Funding is open to all industries including tourism, subject to eligibility criteria.

Eligible infrastructure is a physical structure that supports increased economic activity and population growth through:

- supporting the movement of people, goods or services
- improving access to information and telecommunication services
- developing and linking markets
- connecting people to other parts of the world

Examples of eligible infrastructure include (but not limited to) roads, railways, communications, airport infrastructure and seaport infrastructure such as ports and marinas.

Major Project Approval Agency

The Australian Government provides a single entry point for international and domestic investors looking to establish a major project, including tourism industry projects, in northern Australia, through the Major Projects Approval Agency (MPAA). The MPAA's services are free of charge and targets investment of \$50 million or over, but has the flexibility to assist less capital intense projects that have economic significance.

National Business Simplification Initiative

The National Business Simplification Initiative (NBSI) is an agreement between federal, state and territory governments to help simplify the process of starting and running a business in Australia.

The NBSI aims to:

- identify and deliver quick wins that provide immediate benefits for business;
- address long-standing regulatory barriers and deliver reforms that improve the business environment and support innovation; and
- make regulatory improvements in key sectors to reduce costs and improve competitiveness.

Nationally-operating eco and nature based tourism businesses are seeking simplified interactions with government through the NBSI. The Western Australian (WA) Government and the Department have commenced an eco and nature based tourism regulatory reform project with the aim of reducing time and cost burdens placed on businesses. Extensive business consultation have been completed.

Simplifying the interactions between businesses and government will be a key focus, with preliminary outcomes suggesting the need:

- for a national one-stop-shop, where information and documentation is only provided to a government website or portal once;
- to move as much regulatory compliance activity online as possible; and
- for mutual recognition of commercial vehicle drivers' licences and commercial vehicle accreditations, reducing duplicated costs and processes.

Draft recommendations will be presented to Commonwealth and WA Ministers in early March 2017, with a final report due at the end of March 2017.

A similar project has already commenced in Tasmania with the potential for other projects in Queensland and the Northern Territory.

Visas supporting tourism in northern Australia

Since 21 November 2015, Working Holiday Makers (WHMs) have been able to work for 12 months (rather than the usual six months) with the same employer in specified industries in northern Australia, including tourism and hospitality. This measure applies to both Working Holiday (subclass 417) and Work and Holiday (subclass 462) visa holders, and aims to increase the supply of WHMs in northern Australia.

Since 19 November 2016, Work and Holiday visa holders who work for three months in northern Australia in specified industries, including tourism, will also be eligible for a second Work and Holiday visa. Work and Holiday visa holders were previously limited to one visa in their lifetime.

The Government has recognised demand for an alternative source of low skilled and unskilled temporary seasonal labour and has implemented changes to the Seasonal Worker Programme (visa subclass 403) to include a tourism pilot in northern Australia. Seasonal workers from nine Pacific nations and Timor-Leste can undertake a range of low and unskilled work in the tourism industry under the pilot. The Seasonal Worker Programme also offers employers in selected locations in the accommodation industry (Western Australia, the Northern Territory and Tropical North Queensland) access to a reliable, returning workforce when there is not enough local Australian labour to meet seasonal demand.

There are also several ongoing reforms and trials regarding Visitor (subclass 600) visa applications including:

- continuing expansion of online lodgement of Visitor visa applications to Chinese and Indian nationals;
- a pilot trial of a premium fast-track service (48 hour) for processing Visitor visa applications from Chinese, Indian and UAE nationals for an additional fee of AUD 1000;
- a trial of a 10-year validity Visitor visa commenced for eligible Chinese nationals for a fee of AUD 1000; a similar service being developed or offered by other countries; and
- a pilot initiative to enable Chinese applicants to complete online Visitor visa application in Simplified Chinese.

Reforms and pilots initially targeting the Chinese market will inform any potentially future changes to support the ease of access to Australia for tourists and those wanting to visit Australia. Chinese visitors to Australia represent the second highest visitor group behind New Zealand and have the third largest percentage of growth in the year ending September 2016, with total visitor numbers increasing by 22 per cent to 1.1 million (Tourism Research Australia 2016). Changes to Visitor (subclass 600) visas further support and aim to maximise this growth, tailoring services to this market rather than relying on existing services.

Inspiring Australia Initiative

The Australian Government, led by the Inspiring Australia initiative, is working with a variety of partners, including the tourism industry, to explore how the wealth of experiences already on offer can have a stronger science narrative woven into them and to discover what other opportunities could be showcased under this umbrella.

Science tourism offers another approach to Science Technology Engineering and Mathematics (STEM) engagement contributing to societal awareness the importance of STEM to our lives, to the understanding of our world, and our future prosperity. Building on Inspiring Australia activities could be a productive approach for science tourism in northern Australia.

A stronger science tourism marketing approach could also increase uptake of the many high-quality science-based experiences offered in regional areas off the beaten tourist track, bringing all the economic benefits that tourism provides to more regional areas.

Ecotourism is the greatest drawcard for science tourism in Australia. A recent Tourism Australia 2020 Report reveals that nature tourism is Australia's biggest strength with coastal, aquatic and wildlife experiences continuing to rank highest for uniqueness and appeal (Tourism Australia 2015).

Wildlife Trade

Commercial wildlife traders in northern Australia will face less red tape with measures being put in place to streamline the processing and issuing of Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) permits. This includes for those in the crocodile industry,

traders of some tourist souvenirs containing wildlife and those trading some low-risk native species, such as emu products.

Land Tenure

Much of northern Australia is held under state and territory pastoral leases. In northern Queensland, 56 per cent of the land (683,495 km²) is held under pastoral lease; in the Northern Territory, 45 per cent (596,312 km²); and, in northern Western Australia, 38 per cent (354,660 km²).

Pastoral leaseholders are generally restricted to grazing activities by the terms of their leases, and as such are often unable to use their land for other activities such as horticulture or tourism. Pastoralists trying to broaden economic activity often need approvals from various government bodies to carry out activities that were not included in the terms of their leases. Further, lessees do not have the same security as those with freehold tenure.

The Commonwealth Government supports northern jurisdictions removing unnecessary restrictions on pastoral leases. This will make the land tenure system simpler for all leaseholders and investors. Pastoral leases that provide longer tenure and broader forms of economic activity will attract more investment to the north and create a more resilient and diversified northern economy.

Indigenous tourism

Cultural experiences are a significant draw for international visitors to Australia. The tourism initiatives under the White Paper, including the Entrepreneurs' Programme and the Australian Small Business Advisory Services programme, are available to Indigenous tourism businesses to access.

However, Business Advisers under the Entrepreneurs' Programme have anecdotally reported that there is a lack of support for Indigenous tourism businesses that wish to develop. Often, there are inherent issues such as remoteness, infrastructure, cost of travel and workforce capacity which limits the capacity to develop a business.

Work is also being progressed through the White Paper to develop innovative ways to use exclusive native title rights for commercial purposes including tourism. The aim is to assist Indigenous landowners and businesses to create, on a voluntary basis, transferable and bankable interests (that is, instruments that can be used as collateral for commercial loans) without extinguishing native title.

Modern, flexible arrangements would allow Indigenous landowners to expand activities on land which has exclusive native title. Austrade is also working Department of Prime Minister and Cabinet to deliver networking opportunities for international investors and Indigenous land holders, and a register of investment opportunities on Indigenous land, endorsed by Indigenous land holders.