



Submission No 51

Inquiry into Australia's Relations with the Republic of Korea; and Developments on the Korean Peninsula

Organisation: Department of Industry, Tourism and Resources

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7 October 2005

Joint Standing Committee on Foreign Affairs, Defence and Trade (JSCFADT)**Inquiry into Australia's Relationship with the Republic of Korea and Developments on the Korean Peninsula**

Dear Mr Carter,

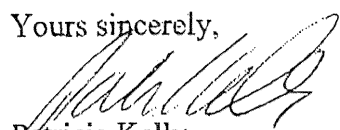
Please find attached the Department of Industry Tourism and Resources' (DITR), response to a follow-up question and question on notice from the Sub-Committee's hearing on 31 August 2005 in Canberra, attended by Ms Janet Murphy and me.

The question on notice from the hearing refers to Australia's status as a destination in terms of aspiration and intention to travel, and the change in status from number one destination to number four. The follow-up question from the hearing refers to reported instances of unethical practices of disreputable inbound tour operators in the Korean inbound tourist market, and ways in which these unethical practices are being addressed, to ensure a quality holiday experience in Australia is had by inbound tourists.

An additional note to the two questions has been included relating to the issue raised by the Embassy of the Republic of Korea in their submission to the Inquiry, concerning the perception of strict passenger processing procedures on arrival into Australia.

Should you have any further queries please do not hesitate to contact me or Ms Murphy by email at Janet.Murphy@industry.gov.au or by phone on 02 6213 7040.

Yours sincerely,


Patricia Kelly
Deputy Secretary

Department of Industry, Tourism and Resources

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0262137093

2

JOINT STANDING COMMITTEE ON FOREIGN AFFAIRS, DEFENCE AND TRADE**Inquiry Into Australia's Relationship With The Republic Of Korea And Developments On The Korean Peninsula****QUESTION ON NOTICE
31 AUGUST 2005**

The question on notice referred to Australia's status as a destination in terms of aspiration and intention to travel and the change in status from number one destination to number four, as shown in Hansard script below:

Mr EDWARDS—Would you take on notice to tell the committee whether you looked at why we dropped from 1st to 4th and, if we did, what the specific reasons were for dropping from 1st to 4th.

Ms Kelly—Certainly. We would be happy to talk to Tourism Australia in particular, who have undertaken the market research. We can get back to the committee on specific reasons about that.

Response

Levels of Korean aspiration to travel to Australia have fluctuated in line with prevailing market conditions and marketing investment levels. In the wake of the 1997 Asian Economic Crisis, Tourism Australia suspended significant marketing activity in Korea until 1999-2000 when it resumed tactical marketing activity. Several major competitors such as USA and Europe re-entered the Korean market ahead of Tourism Australia, and as a result Australia lost its position as the number one aspirational destination for Koreans, as measured by Tourism Australia's brand health and tracking studies. Another factor in the fall in Australia's ranking was the diversionary effect of short haul markets following the Asian Economic Crisis.

Tourism Australia's 2003 brand health and tracking study confirmed Australia's fourth place ranking. However, further research undertaken by Tourism Australia in their 2003 *Korea Consumer Study* found that Australia's lack of presence in the Korean market was not the only factor affecting our ranking in 2003. The study found that Australia's image in the Korean market was focused almost exclusively on aspects of the natural and physical environment, and that most Koreans felt they knew little about Australia. Despite Australia's intuitive appeal, some potential visitors did not consider Australia as a holiday destination because they did not know enough about the country. The one-dimensional, nature-focused image of Australia reflected this lack of knowledge at the time.

To address this lack of awareness of what Australia has to offer Korean travellers, Tourism Australia has elevated the Korean market from Tier 2 status in 2004/05 to Tier 1 status in 2005/06. A new marketing campaign was launched in 2004 specifically designed to promote a more diverse image of Australia in Korea. Tourism Australia is also targeting younger Korean travellers, as research has shown that they offer the highest potential for Australian tourism. Brand tracking undertaken by Tourism Australia in June 2004 found that Australia had regained its ranking as the number one aspirational destination for Koreans.

To support the consumer communications programs, Tourism Australia is also working with the travel distribution system to build a greater depth and selling capability for Australia, which involves bringing outbound tour operators in the Korean market to Australia for events like the Australian Tourism Exchange, held in Perth in June 2005, and an Australian supplier product workshop that will be held in Korea in October 2005. Tourism Australia is utilising an integrated

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approach, to ensure all aspects of Australia's programs are incorporated to impact on all consumer "touch points" of decision making.

FOLLOW-UP QUESTION

The tourism Action Plan for Korea notes that "there have been reported instances of unethical practices of a few disreputable inbound tour operators serving the Korean market." (p.2 of the Action Plan).

Would you expand on these events?

In recent years, concerns have been raised by some inbound visitors to Australia (particularly from North Asian markets), regarding the quality of their tourist experiences due to unethical tour operators. The problem is typified by the use of excessive commissions, which involves tour guides taking groups to 'tax free' shops which charge highly inflated prices and make misleading claims about products. These shops are often located well outside the main shopping districts, so the groups have no opportunity to compare prices. In some instances, groups have been actively prevented from entering other shops.

This issue is often driven by overseas wholesalers who effectively force Australian inbound operators to bid down the price of tours to a level below cost in order to win the business. To make such tours viable for operators, the difference is often made up through commission payments levied on the shops visited.

Tour guides and tour managers also reportedly resort to other practices to help meet costs, such as downgrading elements of itineraries in areas such as accommodation and restaurants. Reports also exist of instances where visitors are charged for access to attractions or facilities that are otherwise free of entry fees, for example to beaches, and that groups are asked to pay additional amounts for tips and services they had not requested.

Other issues identified through recent research that are having a negative impact on the quality of products and services delivered to tourists include untrained tour guides, unlicensed inbound tour operators (ITOs), inadequate transport services, the employment of untrained illegal foreign workers in various service establishments, and the sale of counterfeit goods in shops.

What has been done to rectify these issues?

Australian, state and territory governments have established an Inbound Tourism Compliance Task Force, made up of government agencies, including from immigration, employment, police, taxation and fair trading. The task force is directed at disseminating intelligence on the illegal and unethical practices of 'rogue' ITOs and their suppliers (shops, bus operators, restaurants and accommodation suppliers), and coordinating focused and aggressive investigation and prosecution of the parties concerned.

Chaired by the Department of Industry, Tourism and Resources (DITR), the task force has held three meetings. The key outcomes of these meetings have been a number of collaborative measures across the various agencies. Other developments since July 2004 include:

- the Australian Competition and Consumer Commission (ACCC) investigating a number of importers and wholesalers of clothing alleged to have illegally relabelled items as 'Made in Australia';
- the Australian Taxation Office undertaking a project to target tax evasion in the tourism and hospitality industries; and

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4

- the Queensland Office of Fair Trading has undertaken three operations targeting unethical practices, including tour guides and bus drivers.

DITR, in consultation with the ACCC and the NSW Department of Fair Trading, will be publishing material in the Korean language on misleading and deceptive labelling of goods and consumer rights for Korean inbound tourists to Australia, as set out in Action 5 of the Korea Action Plan. This material will be placed in the public domain through various websites, including Tourism Australia's *Australia.com* website in Korea.

A Memorandum of Understanding (MoU) was established in 2004 between DITR and the Korean Ministry of Culture and Tourism (MCT), to facilitate consumer education and assist in addressing unethical and/or illegal practices. A work plan to implement activities under the MoU is currently being developed between DITR and the MCT.

At the August 2005 Australian Tourism Ministers' Council (TMC), Ministers agreed to a partnership approach to develop a national response to unethical practices in the inbound tourism industry, including proposed national inbound tourism legislation and possible enforcement activity.

ADDITIONAL NOTE – PASSENGER PROCESSING

The Embassy of the Republic of Korea noted in its submission to the Inquiry that immigration procedures for arrival in Australia are troublesome and often too strict, as quoted below:

However, there have been some complaints among many Koreans that the immigration procedure at arrival in Australia is troublesome and often too strict. In order to promote the people-to-people exchanges between the two countries, efforts to improve this kind of perception among Korean visitors would be important.

As indicated in evidence provided to the Committee, DITR was previously unaware of this being an issue among Korean tourists. The matter was not raised as an area of concern during the consultation process undertaken in developing the Korea Action Plan, nor was the issue raised with the Minister for Small Business and Tourism, the Hon Fran Bailey MP, during her meetings with Korean officials and industry representatives during her visit to Korea in July 2005.

DITR notes that border control activities are critical to providing surety in Australia's physical interactions with the global community. Passenger checks are essential in ensuring that undesirable people are prevented from entering Australia and in controlling the spread of human transmissible diseases. Quarantine checks are essential in protecting Australia's agricultural exports from a range of diseases and pests. The Government places a high priority on these controls and regards their continued operation as an essential precondition for granting visitors the right to enter Australia.

Nevertheless, DITR recognises that efficient and effective passenger processing arrangements are an important element of visitors' overall experience of Australia, and that relevant agencies constantly monitor such arrangements to ensure they operate efficiently, without compromising broader immigration and quarantine considerations.

DITR has, therefore, passed the concerns expressed by the Korean Embassy to the National Passenger Processing Committee, whose members include the Australian Customs Service, Australia Quarantine Inspection Service and the Department of Immigration and Indigenous and Multicultural Affairs for information and consideration.

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