

Parliamentary Paper
No. 349/1977

The Parliament of the
Commonwealth of Australia

HOUSE OF REPRESENTATIVES
SELECT COMMITTEE
ON TOURISM

Interim Report

November 1977

*Brought up and
ordered to be printed 3 November 1977*

The Commonwealth Government Printer
Canberra 1978

© Commonwealth of Australia 1977

TERMS OF REFERENCE

- (1) That a Select Committee be appointed:
 - (a) to examine the significance and potential of tourism in the Australian economy and whether it has special features in comparison with other industries, with particular reference to its effects on:
 - (i) employment,
 - (ii) balance of payments aspects,
 - (iii) the community's knowledge of Australia and the Australian heritage,
 - (iv) community health and welfare, and
 - (v) regional development and decentralisation;
 - (b) to identify the short and long term issues facing the industry in Australia;
 - (c) to examine the importance of the various modes of transport in the development of tourism to and within Australia;
 - (d) to examine the roles and responsibilities of the Commonwealth, State and Local governments and the industry in relation to the development and promotion of tourism;
 - (e) to assess the adequacy and the availability of statistical and other information relating to tourism, and

(f) to report on its investigations into these matters and to recommend action that might be taken by the Commonwealth Government or by the Commonwealth Government in co-operation with State and Local governments and the tourist industry to alleviate any problems identified by the committee during the course of its investigations.

ABBREVIATIONS

ABS	Australian Bureau of Statistics
ACT	Australian Capital Territory
AHC	Australian Heritage Commission
Ansett	Ansett Airlines of Australia
ANTA	Australian National Travel Association
ATC	Australian Tourist Commission
BTE	Bureau of Transport Economics
DCT	Department of the Capital Territory
Domestic Travel Survey	Survey of Australian Travel 1973-74
DOT	Department of Transport
EHCD	Department of Environment, Housing and Community Development
E&IR	Department of Employment and Industrial Relations
GDP	Gross Domestic Product
Health	Department of Health
HES	Household Expenditure Survey
Holiday Accommodation Study	Study of Holiday Accommodation in Australia
IAC	Industries Assistance Commission
Industry and Commerce	Department of Industry and Commerce
OECD	Organisation for Economic Co-operation and Development
Qantas	Qantas Airways Limited
TAA	Trans-Australia Airlines
Treasury	Department of the Treasury
UK	United Kingdom
USA	United States of America
WTO	World Tourism Organisation

MEMBERSHIP OF THE COMMITTEE IN THE FIRST SESSION OF THE
30TH PARLIAMENT

Chairman Mr R.N. Bonnett, M.P.
Deputy Chairman The Hon. F.E. Stewart, M.P.

Members Mr B. Cohen, M.P.
Mr D.F. Jull, M.P.
The Hon. I.L. Robinson, M.P.
Mr M.E. Sainsbury, M.P.
Mr J.R. Short, M.P.
Mr M.J. Young, M.P.

Clerk to the
Committee: Mr P.F. Bergin

MEMBERSHIP OF THE COMMITTEE IN THE SECOND SESSION OF THE
30TH PARLIAMENT

Chairman Mr R.N. Bonnett, M.P.
Deputy Chairman The Hon. F.E. Stewart, M.P.

Members Mr B. Cohen, M.P.
The Hon. C.K. Jones, M.P.*
Mr D.F. Jull, M.P.
The Hon. I.L. Robinson, M.P.
Mr M.E. Sainsbury, M.P.
Mr J.R. Short, M.P.

Clerk to the
Committee: Mr P.F. Bergin

Specialist
Advisers: Dr J.J. Pigram
Dr M.J. Cooper

* The Hon. C.K. Jones, M.P. was nominated to the Committee on 18 August 1977 following the resignation of Mr M.J. Young, M.P.

CONTENTS

	Page
Terms of Reference	ii
Abbreviations	iv
Membership of the Committee	v
Recommendations	ix
<u>Chapter 1</u> <u>Introduction</u>	1
Conduct of the Inquiry	1
<u>Chapter 2</u> <u>The Significance and Potential</u> <u>of Tourism in the Australian</u> <u>Economy</u>	3
Definition	3
The Significance of Tourism	7
- Worldwide Significance	7
- International Tourism	8
- Domestic Tourism	9
- Direct - National Significance	11
- Indirect - National Significance	13
- State Significance	15
The Potential of Tourism	16
<u>Chapter 3</u> <u>Employment</u>	17
<u>Chapter 4</u> <u>Balance of Payments</u>	19
<u>Chapter 5</u> <u>The Australian Heritage</u>	22

<u>Chapter 6</u>	<u>Community Health and Welfare</u>	24
<u>Chapter 7</u>	<u>Regional Development and Decentralisation</u>	26
<u>Chapter 8</u>	<u>Short and Long Term Issues</u>	29
	Introduction	29
	General Economic Conditions	29
	Overseas Competition	30
	The Environment	35
	Registration of Travel Agents	36
	Seasonality	36
	The Role of the Australian Tourist Commission	37
	Training	39
	Penalty Rates	39
	Convention Facilities	41
	Access to Finance	42
	Investment Allowance	43
	Depreciation on Income Producing Buildings	45
	Export Incentives	48
	Charter Flights	49
	Regional Routes for Domestic Airlines	50
	International Airports	53
	Commonwealth Cost Recovery Program for Airport Facilities	54
	Proration of Air Fares	55
	Car Hire Costs	55
	Intra-state Pick-up and Set-down Rights for Long-distance Coaches	56
	Government Assistance	57

<u>Chapter 9</u>	<u>The Influence of the Various</u>	
	<u>Modes of Transport</u>	61
	Introduction	61
	The Road Element	64
	The Air Element	65
	The Sea Element	67
	The Rail Element	68
<u>Chapter 10</u>	<u>Conclusions</u>	71
<u>Appendixes</u>		
Appendix I	List of Witnesses	75
Appendix II	Persons and Organisations who made submissions but were not called to appear	86
Appendix III	Statement by the Chairman of the Select Committee on Tourism Mr R.N. Bonnett, M.P. in Canberra on 22 September 1977.	89

RECOMMENDATIONS

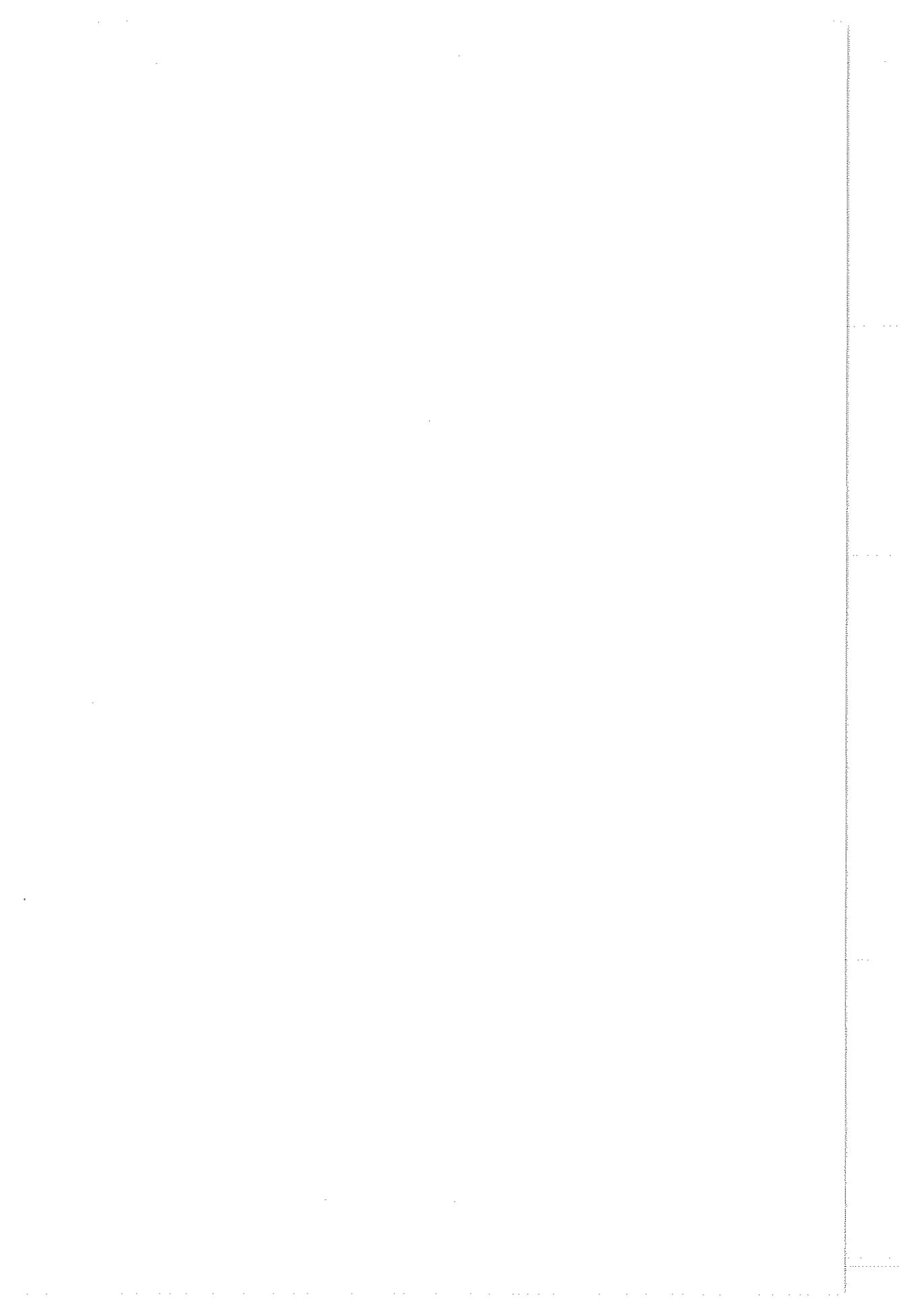
The Committee recommends that:

1. the Department of Health undertake a study into the beneficial and other effects of regular holidays and recreation. (Para 63)
2. should the Australian tourist industry through the Australian National Travel Association commit itself to raising \$2 million over two years for a domestic promotional campaign, then the Commonwealth Government should grant to the Australian Tourist Commission \$2 million over two years for a joint domestic promotional campaign with the Australian tourist industry. (Para 86)
3. the Minister for Environment, Housing and Community Development identify those areas requiring long term management plans to protect them from tourism. (Para 89)
4. the Minister for Industry and Commerce expedite the introduction of legislation into the Parliament to register travel agents. (Para 91)
5. each State and Territory establish a committee to examine the introduction of staggered holidays. (Para 94)
6. the survey of the training needs of the industry by the National Tourism and Hospitality Industry Training Committee be commenced as soon as possible. (Para 103)

7. the Minister for Employment and Industrial Relations establish a tripartite working group to consider the terms and conditions of employment within the tourist industry, and that any changes proposed be submitted to the Conciliation and Arbitration Commission. (Para 107)
8. the new provisions for small business finance announced by the Minister for Industry and Commerce on 13 October 1977, be implemented as soon as possible. (Para 114)
9. the present investment allowance be amended to allow multiples of the same item to be claimed as a single investment where the items are for use solely in Australia for the purpose of producing assessable income and that any future investment allowance should have a similar arrangement. The Committee also recommends that units of plant used in connection with amusement or recreation, wharves and jetties, sport and exhibitions to the public of films be eligible for the present and future investment allowances. (Para 121)
10. a depreciation allowance for income producing buildings be introduced and that a working group of government and industry representatives be established to consider the specific arrangements for the introduction of such an allowance. (Para 129)

11. the Export Market Development Grants Scheme be amended to allow for expenditure incurred primarily and principally for the purpose of creating or increasing the demand by overseas visitors for tourist facilities provided inside Australia, to be eligible for Export Market Development Grants. (Para 133)
12. the Minister for Transport include the question of regional routes for domestic airlines in those matters to be considered by the Department of Transport in its reviews of international civil aviation policy and domestic air transport policy. (Para 145)
13. the upgrading of the terminals and realignment of the runway at Brisbane Airport be regarded as a high priority. (Para 149)
14. the Minister for Transport refer the question of intra-state pick-up and set-down rights for long-distance coaches to the Australian Transport Advisory Council (Para 160)
15. the Minister for Industry and Commerce announce the membership of the Travel and Tourist Industry Advisory Council and convene its first meeting as soon as possible. (Para 164)
16. the Committee be reconstituted in the next Parliament. It is further recommended that the Parliament give the new Committee power to consider and make use of the records of this Committee and the previous Committee. (Para 194)

17. should the Committee be reconstituted in the next Parliament, the Minister for Transport make available to it the reports of the steering committees on International Civil Aviation Policy and Domestic Air Transport Policy. (Para 205)



INTRODUCTION

Conduct of the Inquiry

1. The Select Committee on Tourism was appointed by the House of Representatives on 1 December 1976. The membership of the Committee was announced on 8 December 1976 and the first meeting held later that day. With the prorogation of the Parliament on 28 February 1977 the first Committee ceased to exist.
2. The present Select Committee on Tourism was appointed by the House of Representatives on 10 March 1977 and was given the power to consider and make use of the evidence and records of the Select Committee on Tourism appointed in the first session of this Parliament (the previous Committee). The new Committee was also given the power to report from time to time.
3. The present Committee held its first meeting on 15 March and has since met on thirty occasions of which twenty-two were for public hearings. The previous Committee had met on seven occasions of which five were for public hearings.
4. The Terms of Reference of the Committee were advertised in the major Australian newspapers on 18 December 1976. The previous Committee received ninety-three submissions and this Committee has received a further fifty-seven submissions. In addition the Committee also received a number of letters concerning charter flights between Australia and Europe.

5. One hundred and sixty-two witnesses representing seventy-three organisations gave verbal evidence before either the previous Committee or this Committee. A list of witnesses who appeared is given in Appendix I. Appendix II lists the organisations who made submissions but were not called to give verbal evidence. The Committee had intended to call further witnesses to appear before it but this was not possible.

6. This Committee and the previous Committee have taken almost 5000 pages of evidence. The previous Committee conducted public hearings in Sydney, Melbourne and Ballarat. This Committee has conducted public hearings in Canberra, Sydney, Adelaide, Perth, Hobart, Southport, Cairns, Cooma, Mt Isa, Mackay, Rockhampton and Townsville. The transcript of the evidence taken at the public hearings is available for inspection at the Committee Office of the House of Representatives and at the National Library.

7. Both Committees adopted a policy of conducting inspections of tourist facilities and attractions whenever possible. The Committees conducted twenty-five inspections which included inspections in all states of Australia.

CHAPTER 2

THE SIGNIFICANCE AND POTENTIAL OF TOURISM IN THE AUSTRALIAN ECONOMY

Definition

8. The Terms of Reference of the Committee require it to examine the significance and potential of tourism in the Australian economy. Before considering the significance and potential of tourism it was first necessary for the Committee to agree on a definition of a tourist. The Department of Industry and Commerce (Industry and Commerce) considered that the definitional problem was fundamental to the Inquiry. It was not just a statistical problem but one which reflected the high degree of fragmentation that exists in the industry and the diversity of the prime interests of the components of the industry.

9. Industry and Commerce stated that 'tourism involves the movement of people to and away from, and their stay in destinations away from their normal residence. This movement is of a short term nature distinguishing it from migration which represents a long term movement'.¹ Other travellers such as business travellers consume the same kinds of goods and services as tourists and it is more appropriate to consider the industry as the travel and tourist industry or the visitor industry.

1 Transcript of Evidence page 8

10. The problem of definition was also commented on by the Department of the Treasury (Treasury) who noted that the tourist industry overlaps the usual classification of industries defined according to the goods or services they produce. While there is no formal classification of the industry it can be broadly conceived as representing the sum of those industrial and commercial activities producing goods and services wholly consumed by travellers. Transport, accommodation, catering and entertainment sectors of industry as well as travel agents, tour operators and government departments concerned with travel could all be regarded as belonging in varying degrees to the tourist industry.

11. The Australian Bureau of Statistics (ABS) referred to the substantial work which had been done by the United Nations, the Organisation for Economic Co-operation and Development (OECD) and the International Union of Official Travel Organisations in defining what is meant by the word tourist. In accordance with this research a tourist can be defined as a person who stays at least a single night, or more than twenty-four hours, away from his or her normal place of residence.

12. The ABS also referred to the problem of defining the industry and considered that the term tourism covered all the services provided to travellers. This diverse collection of services included the provision of transportation, accommodation, recreation, entertainment, food and other related services. Because very few of the services exist purely for the tourist alone it is very difficult to make an accurate assessment of the total significance of tourism.

13. The Household Expenditure Survey (HES) by the ABS sought details of spending on holidays. The survey defined a holiday as all trips other than business trips away from home of more than four days. The Study of Holiday Accommodation in Australia ² (Holiday Accommodation Study) defined a holiday-maker as someone who had taken a holiday of five nights or more away from home.

14. The Department of the Capital Territory (DCT) referred to definitions which required a tourist to spend more than twenty-four hours away from the place of residence. DCT claimed that such definitions failed to appreciate the economic value of day trippers or excursionists who spent less than twenty-four hours away. Tourism needs to be seen in its broadest sense as embracing all visitors. Any person temporarily resident in an area for a maximum period of thirty days for any one or more of the following reasons was regarded as a visitor:

- (a) to visit as part of or destination of a vacation or sightseeing trip;
- (b) to visit as a transit stop on a journey;
- (c) to visit on business;
- (d) to attend conferences and conventions;

2 Holiday Accommodation in Australia - A consulting study by Peat, Marwick Mitchell & Co. for the Department of Industry and Commerce - AGPS, Canberra 1977

- (e) to visit friends and relatives;
- (f) to attend sporting or entertainment events, and
- (g) to visit for education or other purposes.³

15. The thirty day requirement was adopted in lieu of the normal twelve month short term period used for data gathering. Such a definition would exclude many of the international visitors to Australia.

16. Visitors to Australia from the United Kingdom (UK), the second major source of overseas visitors, stayed on average sixty-two days. The average length of stay of visitors to Australia in 1975-76 is estimated to be forty-three days.

17. The definition adopted by the DCT is more appropriate to Australian circumstances except that it should include those persons who stay more than thirty days and less than one year. The Committee therefore adopted the following definition of a tourist:

ALL SHORT TERM VISITORS INTO AN AREA
FOR ANY PURPOSE - OTHER THAN TO COMMUTE
TO WORK.

3 Transcript of Evidence p4016

The Significance of Tourism

Worldwide Significance

18. The World Tourism Organisation (WTO) has estimated that worldwide travel expenditure on tourism in 1976 was US\$250 billion. Domestic travel continues to dominate but the proportion attributable to international travel increased from 19 per cent in 1974 to 20.2 per cent in 1976. The estimates by the WTO are set out below:

Table 1

World Travel Expenditure

US \$ Billions

	<u>1974</u>	<u>1975</u>	<u>1976</u>
Domestic Travel	159	173	199.5
International Travel			
- in destination areas	29	34	40
- transportation	8.2	9	10.5
Total International			
Travel	37.2	43	50.5
Total Travel	196.2	216	250

SOURCE: Mr B.G. Atkinson (Transcript of Evidence p3273)

19. Projections by the Economist Intelligence Unit indicate a doubling of expenditure on international travel between 1975 and 1985. By 1985 expenditure by international visitors on travel would be US\$88 billion.

International Tourism

20. The spending by travellers in the Pacific and East Asia in 1976 was US\$5.8 billion. This expenditure was made by some 6.9 million visitors. Australia's share of those visitors was less than 10 per cent, and less than 1 per cent of the world total of international arrivals of 219 million.

21. Australia's share of international travel is small. This is attributable in part to the high costs of travel to Australia and to the underdevelopment of Australia as an international destination. International travel to Australia has been increasing at a rate of 10.5 per cent over the last ten years. The number of short term visitors to Australia increased from 198,000 in 1966-67 to 540,000 in 1976-77. Over the same period receipts from international tourism increased from \$70 million to \$280 million.

22. The international traveller has a disproportionate effect on the economy since on average the international traveller spends more and uses higher priced accommodation than the average Australian travelling in his own land.

Domestic Tourism

23. The Survey of Australian Travel ⁴ (Domestic Travel Survey) found that during 1973-74 Australians spent an estimated \$736 million on domestic travel. Industry and Commerce considered that because of problems of recall the figure could be significantly understated. The Domestic Travel Survey did not take account of day visitors.

24. The ABS provided details of spending on holidays which were obtained from the HES. The HES was of 9095 households in the six state capitals and Canberra. All trips of four or more nights away from home, excluding business trips, were defined as holidays. Details were obtained of amounts spent on package tours, fares, petrol and accommodation.

25. The HES indicates that in 1974-75 the average household with an average weekly household income of \$205.94 spent \$4.65 per week on holidays. Of that spending on holidays \$2.71 was spent on overseas holidays while \$1.94 was spent on domestic travel. On a percentage basis an Australian household spent 2.26 per cent of income on holidays of which 1.31 per cent was spent on overseas travel and 0.94 per cent on domestic travel.

⁴ Survey of Australian Travel 1973-74 by the Australian Travel Research Conference

26. If these figures are given a national character it could be said that out of a household income of \$51,165 million in 1974-75, \$489 million was spent on domestic travel and \$670 million was spent on overseas travel. These figures should be treated with some caution since the Domestic Travel Survey found that domestic travel tends to be characterised by fairly short trips (two nights or less). The Domestic Travel Survey found that of the 26 million nights spent away from home 16.8 million nights were accounted for by trips of three nights duration or less. On these figures it would appear that the estimate given for domestic expenditure would understate the actual expenditure.

27. The HES only considered expenditure for the following headings: fares, petrol, accommodation and package tours. Expenditure on meals for the independent traveller, social expenditure, excursion fees, gifts and personal purchases were not considered. The Domestic Travel Survey found that these types of expenditure accounted for 46 per cent of expenditure on travel.

Direct - National Significance

28. There is general acknowledgement of the economic importance of tourism to both the regional and national economy. However the major problem in making any assessment of tourism's impact on the economy is the lack of data in an accessible and usable form. Reliable statistics exist for the accommodation sector of tourism but other components of the tourism sector are not disaggregated in official statistics from their more general combinations. It was necessary for the Advisers to the Committee to estimate the effect of tourism on the retail, transport and communications, entertainment, recreation and personal services sectors of industry. To obtain the contribution of these sectors it was necessary to make a pro rata allocation based on a previously published statistic. These derived statistics were then used to prorate employment, turnover, fixed capital expenditure, wages and salaries and other measures of economic impact to give a measure of the economic impact of tourism.⁵

29. By building up from the individual sub-sectors of tourism the Advisers estimated that the contribution of tourism to Gross Domestic Product (GDP) 1974-75 was \$3300 million or approximately 5.5 per cent. This estimate is comparable with the results of similar overseas studies - 5.1 per cent for the United States of America (USA), 3 per cent for the UK and 7 per cent for Canada.

5 Pigram, J.J. & Cooper, M.J. The Economic Significance of Tourism to Australia: A Paper for the House of Representatives Select Committee on Tourism, October 1977

30. The DCT submission estimated that some 5.6 per cent of the tourism turnover is returned to government as indirect taxes. If this figure is an indication of national level relationships then in 1974-75 \$172 million was raised as a result of indirect taxes on the tourism sector. This sum represents 4.3 per cent of total indirect tax for that year.

31. Income and company taxation relating to tourism activities cannot be easily disaggregated from overall statistics. It is estimated by the Advisers that in 1974-75 companies and organisations engaged in tourism-related activities contributed \$165 million in federal company taxes. By estimating the average weekly earnings rate for tourism activities and then deriving annual earnings against which are applied the incidence of actual income tax on income they estimated that the direct income tax receipt for tourism in 1974-75 amounted to \$355 million.

Indirect - National Significance

32. In the earlier sections of this chapter estimates have been made of the direct impact of tourism on the economy. The estimation of indirect economic effects from tourism relies heavily on using the concept of the multiplier. There are three types of tourist multiplier in general use. The output or sales multiplier measures the effect of extra tourism spending on activity levels. The income multiplier shows the relationship between extra tourist spending and changes in personal income. The employment multiplier indicates the ratio of direct and indirect employment combined to direct employment generated by extra tourist spending.

33. The three multipliers are intrinsically linked and there is some confusion in Australian studies which arises from the use of one or other of the multipliers to measure an effect for which it is not designed. The Advisers applied the models derived by Archer⁶ to the aggregated 1974-75 data and obtained the following results:

Income multiplier	=	1.25
Employment multiplier	=	1.52
Employment created by an increase in turnover of \$10,000	=	1.21

6 Archer, B.H., 'The Uses and Abuses of Multipliers' - Paper presented to the 4th TTRA Conference - Idaho 1973
Archer, B.H., The Impact of Domestic Tourism, University of Wales Press, Bangor

34. These results mean that for every direct dollar generated by tourism activities, 25 cents would have been generated in the rest of the economy. Similarly for every two direct jobs in tourism, one indirect job would have been created. Finally, an increase in tourism turnover of \$10,000 would create 1.21 extra jobs in the economy.

35. Application of these results to the previously estimated direct economic impact of tourism in 1974-75 gives the following figures:

Direct Turnover	=	\$3300 million
Indirect Turnover	=	\$ 840 million
Total Turnover	=	\$4140 million or 7 per cent of GDP
Direct Employment	=	263,000
Indirect Employment	=	136,760
Total Employment	=	399,760 or 7.3 per cent of total national labour force

36. The estimated figures for the Australian economy are indicative only. A more rigorous analysis would have been possible utilising input-output relationships. However, the relevant data for such an analysis are not available.

State Significance

37. Similar estimates have been made by the Advisers of the impact of tourism on the states and territories. In most states studies exist on the breakdown of the various indicators and the results of these studies were used to derive estimates for the states and territories. The estimates are set out in Table 2.

38. In the territories tourism accounted for just over 15 per cent whereas in New South Wales the figure was 5.6 per cent. The figures show that in the territories tourism makes a very important contribution to economic activity while in the states its importance varies from 3.7 per cent in South Australia to 11.2 per cent for Western Australia.

Table 2

Aspects of Tourism ⁷

	Turnover	Employment	Wages and Salaries	Per cent of State GDP
	\$m	000's	\$m	
NSW	1307.3	84.3	405.2	5.6
VIC	980.5	46.0	303.9	4.8
QLD	326.8	48.5	124.8	6.2
SA	192.2	25.5	59.6	3.7
WA	326.8	33.2	77.8	11.2
TAS	76.9	10.2	23.9	5.2
ACT/NT	57.6	6.9	18.0	15.2
AUSTRALIA	3268.1	254.6	1013.2	5.5

⁷ Some discrepancy occurs between the national expenditure and employment figures and the totals of the states and territories. This is due to difficulties in allocating all national expenditure to individual states and territories.

The Potential for Tourism

39. The potential for the growth of the tourist industry is very dependent on consumer demand. Consumer expenditures on travel are of a discretionary nature and can be affected by any uncertainty regarding the economy. The major items of consumer expenditure are food, clothing and housing which tend to be rather static within income levels. Over time the welfare of the community will tend to increase and consumers' incomes in real terms will tend to rise. In these circumstances it can be expected that an increasing proportion of expenditure will be on less basic items with more expenditure being diverted towards services in general and tourism in particular.

40. Treasury expects that a higher proportion of people's expenditure will be spent on tourism and that the long term future of the industry will be a prosperous one. The Australian Tourist Commission (ATC) suggested that domestic tourism would grow at an annual rate of 5 per cent, and given adequate promotion overseas, tourism into Australia would grow at 10 per cent per annum.

41. Other factors which are likely to affect tourism in Australia are changes in transport and accommodation. Social factors resulting from increased leisure time and increased mobility are also likely to affect tourism as is the comparative change in prices between countries.

CHAPTER 3

EMPLOYMENT

42. The lack of official statistics precludes an accurate measure of employment in the industry. Industry and Commerce referred to employment as at August 1976 of 359,400 in entertainment, recreation, restaurants, hotels and personal services (6.3 per cent of work force) and of a further 314,400 (5.5 per cent of work force) in transport and storage. Industry and Commerce did note that not all of the persons employed in these areas supply goods and services to travellers.

43. Treasury suggested that on the basis of the Domestic Travel Survey it might be reasonable to expect that the tourist industry contributed in the order of 2 - 3 per cent of total employment. Treasury noted that its estimates were provided as a contrast with other estimates given to the Committee as an indication of the uncertainties that exist and the consequent need for caution. The estimate made by Treasury is based on the Domestic Travel Survey and as indicated earlier this estimate probably understates the spending on travel. On this basis the Treasury estimate of employment in the industry is conservative.

44. One particular feature of the industry is the number of casual and part-time workers. Statistics indicate that for the accommodation sector around half of those employed are employed on a part-time or casual basis. Employment in some destination areas is subject to seasonal fluctuations.

45. The Advisers estimated that in 1973-74 total full-time employment in the tourism industry was of the order of 263,000. Fifty-five per cent of this employment was female. Thus full-time employment in the tourism industry made up some 4.4 per cent of the total labour force.

46. A crude productivity comparison between the tourism industry and other industries was made by the Advisers. For every 1 per cent of national employment in each industry the following percentage contribution was made to GDP:

Mining	=	1 : 4
Manufacturing	=	1 : 1.8
Agriculture	=	1 : 1.6
Tourism	=	1 : 1.2

47. Average weekly earnings for those working in the tourism industry in 1974-75 were estimated by the Advisers at \$147 for males and \$118 for females. These figures give a total of \$1013 million as the wage and salary bill for the tourism sector in 1974-75. This is equivalent to 2.9 per cent of the Australian total.

48. Two specific issues of particular relevance to employment in the industry are the training needs of the industry and penalty rates payable in the industry. These two particular issues are considered in Chapter 8 of this Report.

CHAPTER 4

BALANCE OF PAYMENTS

49. The travel gap (the difference between what is earned from people coming to Australia and what Australians spend on travelling overseas) has been commented on in a number of submissions. The gap is unfavourable to Australia and is regarded by the industry as a cause for concern.

50. The ATC in its submission noted that Australians are travelling internationally in ever-increasing numbers. In recent years the unfavourable travel gap has grown alarmingly to a present figure of about \$300 million annually.

51. Treasury claimed that concern about the so called 'travel gap' is misconceived and makes no more sense than would concern about a 'wool gap' or a 'wheat gap'. To Treasury what matters is that the external account as a whole should be in balance. If Australia is a net exporter of some commodities it is only natural that it should be a net importer of others.

52. Industry and Commerce noted that in the last ten years credits increased from \$70 million in 1966-67 to \$255 million in 1975-76. Over the same period debits rose from \$139 million to \$519 million. For the year ended 30 June 1977 debits were \$280 million while the credits were \$520 million. While the actual gap has grown in magnitude the ratio of debits to credits has remained relatively constant. This is illustrated by Table 3. Apart from 1972-73 the ratio of debits to credits has been within the range of 1.7:1 to 2.2:1.

Table 3

Balance of Payments - Travel

<u>Year</u>	<u>Credits</u> ⁸	<u>Debits</u> ⁹	<u>Ratio</u>	<u>Gap</u>
	\$m	\$m	Debits:Credits	\$m
1966-67	70	139	1.99	69
1967-68	80	147	1.84	67
1968-69	83	157	1.89	74
1969-70	92	186	1.98	94
1970-71	117	199	1.70	82
1971-72	126	264	2.09	138
1972-73	123	321	2.61	198
1973-74	159	341	2.14	182
1974-75	206	428	2.08	222
1975-76	229	509	2.22	280
1976-77	280	520	1.86	240

SOURCE: ABS

53. The contribution which tourism can make to the balance of payments is quoted as reflecting tourism export and import transactions. In 1976-77 travel provided 2.5 per cent of the total value of exports and 5.0 per cent of total imports. The figures referred to above probably understate the actual contribution of tourism since they do not include other relevant aspects of invisible transactions

8 Expenditure in Australia by persons visiting for business or pleasure and the expenditure in Australia by Colombo Plan students from overseas.

9 Expenditure in other countries by Australians visiting overseas for business or pleasure.

such as expenditure and income within Australia of overseas carriers. Qantas Airways Limited (Qantas) claimed that if Australia did not have an international airline, about \$230 million net in foreign exchange as fare payments by Australian residents would then be remitted overseas.

54. Tourism can make a significant contribution to Australia's balance of payments. It needs to be considered as another industry which can earn foreign exchange for Australia and should be given greater recognition.

CHAPTER 5

THE AUSTRALIAN HERITAGE

55. The Australian Heritage Commission (AHC) is the statutory authority established as the Government's policy advisory and administrative body responsible for the National Estate. The AHC considered that an increase in the number of National Estate locations opened up for controlled visits by tourists could only help the chances of survival of those places. The AHC stated that exposure of tourists to elements of the national and cultural heritage would improve the awareness of and feelings towards that heritage. There is a wealth of both Australian and overseas research to show that once people have been exposed to a place their views of it and their attitudes to it probably change.

56. Industry and Commerce noted that travel and tourism provide an opportunity for constructive use of leisure time and better understanding of the history of the country. It also suggested that travel and tourism help to promote a national identity. Tourist attractions such as Old Sydney Town, Sovereign Hill and Port Arthur have value as educational resources as demonstrated by the large number of school visits. The relationship is two-way in that a greater awareness of a national identity and our heritage together with modern day transport has fostered increased tourism. Television programs such as 'Peach's Australia' and 'Ask the Leyland Brothers' have increased the general awareness of the community.

57. The Ballarat Historical Park Association claimed that the creation of Sovereign Hill has fostered a strong interest among Australian and overseas visitors in the Australian heritage in general, and in the first ten years of Ballarat's history following the discovery of gold in particular. During the 1976 academic year over 56,000 school children had visited Sovereign Hill. The experience gained by these children, their teachers and, indirectly, their parents gave them a greater appreciation and understanding of the Australian heritage.

58. The AHC did not have any formal attitude to re-creations such as Old Sydney Town other than its feeling that funds for conservation purposes should not be used for such re-creations. The AHC referred to the dearth of funds for conservation purposes and suggested that any funds available should go to preserving places of National Estate significance.

CHAPTER 6

COMMUNITY HEALTH AND WELFARE

59. Industry and Commerce considered that the contribution of tourism to mental and physical health is recognised by the medical profession to the extent that a holiday is sometimes prescribed as a cure. Industry and Commerce further suggested that tourism can contribute greatly to the general health of the community by offering a complete break from today's urban working conditions.

60. The Department of Health (Health) considered that although there is no hard evidence on the subject it seems likely that the effects of tourism on physical health are more indirect than direct. A holiday of between three to five weeks would probably be too short for any significant impact on physical health. Holidays may have some therapeutic value by providing relief from accumulated tension.

61. Health saw particular problems in relation to holidays. It was claimed that tourism tends to promote unwise and excessive eating and drinking. While tourism may provide a temporary escape for people with a high stress lifestyle it may also offer a level of enjoyable stress in the lives of those who would ordinarily have little experience of meeting personal challenges in their work or domestic situation.

62. In summary, while there is no hard or irrefutable evidence available, Health considered that holidays are beneficial to health. This does not apply to all persons since some people use their holidays in a way which is destructive to their health.

63. Some investigation should be made into the effects of holidays and recreation on community health. The Committee recommends that the Department of Health undertake a study into the beneficial and other effects of regular holidays and recreation.

CHAPTER 7

REGIONAL DEVELOPMENT AND DECENTRALISATION

64. The Department of Environment, Housing and Community Development (EHCD) stated in its submission that tourism can be a major stimulus to sustained growth in non-metropolitan areas of Australia. It claimed that certain areas such as Cairns, the Gold Coast, Port Macquarie and Shoalhaven which have a substantial tourism base have exhibited steady growth considerably higher than the national average. EHCD noted that tourism can have a significant regional multiplier effect on both employment and incomes. It referred to a study of Albury-Wodonga which estimated both employment and income multipliers generated by tourism as about 1.4.

65. The Queensland State Government claimed that tourism has provided the basis for growth in many areas of the State. A specific example of this was the Gold Coast. It was also stated that in many other localities of the State the development of the tourist industry had complemented the growth of rural industries in providing a natural pattern of stable decentralisation.

66. Both the New South Wales and Victorian State Governments referred to the benefits of tourism to decentralisation. New South Wales stated that tourism is becoming a recognised factor in regional development plans. Victoria referred to the increase in economic activity created by the injection of the tourist dollar into a local economy. The increase in the level of employment in both goods and service areas as a result of tourism has also been stressed by these witnesses.

67. The Central Highlands Regional Tourist Authority of Victoria claimed that tourism is absolutely crucial to the whole economic and social fabric in many areas of country Victoria. Specific reference was made to Sovereign Hill which spent in excess of \$100,000 per month on local goods and services as well as providing employment for over 100 persons.

68. Treasury acknowledged that tourism represents an important part of economic activity in many regions of Australia and noted that many regional areas naturally look to tourism as a means to boost their development. Treasury did note, however, that from a national point of view it needed to be considered how far the encouragement of economic activity in one area is likely to be at the expense of activity somewhere else. Treasury referred to a Committee of Commonwealth/State officials on Decentralisation which concluded that, from an economic viewpoint, the available evidence did not establish the existence of either a decisive net advantage or net disadvantage to the nation in continued centralised growth.

69. The Department of Environment, Housing and Community Development pointed to the need to look at benefits of a non-economic nature given the equivocal nature of the evidence on economic benefits. Decentralisation gives people outside of major cities more equal access to goods and services - particularly services provided by government. It also provides both development and employment opportunities which may not be available in the major cities. Decentralised growth provides a greater choice of lifestyles to Australians and, as Treasury noted, many people have chosen to move out of the major cities. EHCD claimed that decentralisation should be considered not as an instrument to obtain objectives but rather as an objective in itself.

70. According to EHCD tourism is one of a limited number of industries with potential for decentralisation. It is an industry which has distinct growth prospects. As real incomes rise there is likely to be a greater proportion of consumer expenditure on tourism. The tourist industry in comparison with other labour intensive industries such as footwear or clothing has distinct growth prospects. In addition it is an industry which could employ fairly significant numbers of married women and some relatively unskilled labour.

CHAPTER 8

SHORT AND LONG TERM ISSUES

Introduction

71. Section (b) of the Terms of Reference requires the Committee to identify the short and long term issues facing the industry.

72. During the course of its hearings the Committee identified a number of issues facing the industry, which are dealt with below. While some of these issues are of concern only to certain sectors of the industry, others concern the industry as a whole.

General Economic Conditions

73. The industry has been particularly affected by high costs as a result of significant increases in labour and construction costs. It was claimed that increasing labour costs have led to increased unemployment, as well as reducing profits and investor confidence.

74. A further factor has been the weakening of demand within Australia. It was suggested that the reactivation of short and long term demand within Australia would assist the industry in sustaining itself. This reactivation of demand was considered the most important short term priority for the industry.

Overseas Competition

75. The Australian tourist industry has to compete with destinations in the Pacific and South East Asia as well as Europe and the Americas. In 1966-67 there were 192,000 short term departures from Australia. By 1976-77 this number had increased to 965,000, an average annual growth of 17.5 per cent.

76. Qantas claimed that the volume of traffic diverted from the Australian domestic travel market is not great when seen in the light of the vast untapped potential of the domestic market. Qantas referred to the Domestic Travel Survey which found that only 50 per cent of Australians travelled away from home during their annual vacation. It was suggested that there was an untapped domestic travel market of some seven million persons within Australia.

77. The Holiday Accommodation Study found that in 1973-74 overseas holidays had an estimated 4 per cent of the total market in terms of number of holiday trips. Yet overseas holidays accounted for 17 per cent of all holiday nights and about 52 per cent of the total holiday expenditure generated by Australians. This pattern was also evident in the results of the HES which found that of the average weekly household income 1.31 per cent was spent on overseas travel while 0.94 per cent was spent on domestic travel.

78. Trans-Australia Airlines (TAA) in its submission referred to a research study it had commissioned in October 1975. The study found that the community's awareness of Australia's major holiday destinations and the image of Australia as a place to holiday were apallingly low.

79. According to the study there is a widespread view that what Australia has to offer is outclassed by the rest of the world. This view has grown up almost unchallenged in the face of constant promotion of overseas destinations and default on the part of the Australian travel industry to present a convincing alternative point of view. TAA considered that under pressure from overseas countries and because of the lack of informative domestic promotion Australians' awareness and image of their own country has eroded dramatically.

80. Industry and Commerce also referred to overseas competition as being one of the long term issues facing the industry. Travel to overseas destinations has become increasingly attractive to the Australian traveller and overseas holidays are regarded by many travellers as better value for money than holidays within Australia. Industry and Commerce referred to duty-free shopping and the appeal of a different cultural experience as being factors favouring the overseas holiday.

81. The strong emotional and social motivation for overseas travel was also commented on by TAA. Although on a dollar for dollar basis Australian holidays compared favourably with similar overseas holidays, potential travellers were influenced by subjective assessments and believed that overseas venues offered better value. TAA provided a comparison between domestic and international package holidays which were broadly similar in duration, distance travelled and their content. The comparison in respect of four of these holidays is set out below:

Table 4

Comparison of Selected Domestic and Overseas Holiday Packages

	<u>Domestic</u>	<u>Overseas</u>
1 <u>Melbourne to</u>	<u>CAIRNS (7 nights)</u>	<u>NOUMEA (7 nights)</u>
distance	2768 km	2684 km
cost	\$ 320	\$ 391
included	air travel, accommodation, transfers	air travel, accommodation, one half day tour
2 <u>Sydney to</u>	<u>CENTRAL AUSTRALIA (13 nights)</u>	<u>NEW ZEALAND (13 nights)</u>
distance	2482 km	2159 km
cost	\$ 703	\$ 614
included	air travel, accommodation, most meals, touring	air travel, accommodation, touring North & South Island, breakfast/dinner
3 <u>Sydney to</u>	<u>PERTH (7 nights)</u>	<u>FIJI (7 nights)</u>
distance	3284 km	3171 km
cost	\$ 387	\$ 395
included	accommodation, unlimited day and half day tours	accommodation, half day local tour
4 <u>Perth to</u>	<u>GOLD COAST (7 nights)</u>	<u>SINGAPORE (7 nights)</u>
distance	3963 km	3911 km
cost	\$ 399	\$ 575
included	accommodation, transfers	accommodation, breakfast, 3 half day tours

RULING PRICES AS AT: 12th July 1977

SOURCE: TAA Evidence

82. The Committee does see a need to create within the Australian community an awareness of the holiday opportunities available. The Committee has travelled extensively within Australia and visited many attractions which would compete with those in other parts of the world.

83. The Committee is aware of a proposal by the Australian National Travel Association (ANTA) to the Government for a government industry program to generate employment in national tourist areas. The program requires the Government and the travel industry through ANTA to each subscribe \$1 million a year for two years. These funds would complement existing efforts aimed at increasing the number of people travelling in Australia. Particular emphasis would be placed on visits to national destination areas such as the Great Barrier Reef, the Gold Coast, the North Coast of New South Wales, Canberra and the Snowy Mountains, the North West of Victoria and Tasmania.

84. It was proposed that the program would make use of the administrative experience available through ANTA. ANTA envisaged a committee of management comprising senior personnel from industry and government deciding on the priorities of the program and then implementing the program. The servicing of the committee would be undertaken by the secondment part-time of senior personnel from ANTA. Such a program would create within the community an awareness of the holiday opportunities available in Australia to which the Committee has referred earlier. The ATC could make an important contribution to such a program. The ATC's work has won it a high standing within the industry in Australia and overseas. Its achievements have been recognised by its professional equals.

85. The implementation of such a program as proposed by ANTA would be dependent on contributions from the industry. ANTA considered that as a result of consultations which have taken place within the industry there are reasonable expectations that the industry would be able to contribute its share of funds.

86. The Committee recommends that should the Australian tourist industry through the Australian National Travel Association commit itself to raising \$2 million over two years for a domestic promotional campaign, then the Commonwealth Government should grant to the Australian Tourist Commission \$2 million over two years for a joint domestic promotional campaign with the Australian tourist industry.

The Environment

87. While tourism can lead to the environment being degraded it can, through orderly development, contribute to conservation. Tourism can sharpen the public conscience to the need for protection of the environment.

88. The natural environment is of inestimable value to the tourist industry and to the individual tourist. Yet if tourism development is uncontrolled it can threaten the environment which provides the resource on which it is based. The Committee was informed of instances where development on the foredunes has caused the shading of beaches, obstructed access and sometimes actual loss of beach by interfering with the wind and wave action which in turn influence sand deposition.

89. It was claimed by EHCD that long term management plans for environmentally significant and sensitive areas are necessary if the natural environment is to be protected. The Committee supports this view and considers that visitation to these areas should be controlled and in some cases restricted. It will of course be necessary for those areas to be identified. The Committee recommends that the Minister for Environment, Housing and Community Development identify those areas requiring long term management plans to protect them from tourism.

Registration of Travel Agents

90. The financial collapse of some travel agencies has caused a number of travellers to be stranded overseas with consequent financial losses and personal hardship. The Commonwealth has recently announced that it will be introducing legislation to licence travel agents.

91. The proposed legislation has the support of the Australian Federation of Travel Agents and the industry generally, but has not yet been introduced into the Parliament. It is considered that the registration of travel agents is a matter of some urgency. The Committee recommends that the Minister for Industry and Commerce expedite the introduction of legislation into the Parliament to register travel agents.

Seasonality

92. Travel in Australia shows quite strong seasonal variations. December and January account for a quarter of all trips taken, and nearly half of all main holidays. Main holidays show the strongest seasonal pattern with peaks in December (25 per cent of all main holiday trips), January (23 per cent) and April/May (22 per cent).

93. The extreme seasonality of holiday-taking in Australia has resulted in a situation of facilities being inadequate during short peak periods of the year and under-utilised for the balance of the year. Each state government has expressed strong inclinations towards the idea of staggering school and industry holidays, which would have a levelling effect on the present peaks and troughs of demand and enable maximised use of invested capital.

94. In October 1975, the 17th Annual Meeting of the Tourist Ministers' Council resolved that State, Territorial and Federal Committees be established to examine the introduction of staggered holidays. To date no formal committees have been established at State or Territory level and the Commonwealth has claimed that it cannot establish the national committee in the absence of state support. The Committee recommends that each State and Territory establish a committee to examine the introduction of staggered holidays.

The Role of the Australian Tourist Commission

95. The present role of the ATC is essentially that of a national tourist organisation promoting Australia as a destination in overseas markets. From April 1974 to February 1976 it also had responsibility for the promotion of tourism within Australia. Its domestic promotion took the form of 'umbrella' nationwide campaigns, in conjunction with the states and territories and with the Australian travel industry, aimed at complementing and supporting existing promotional activities.

96. The ATC considers that at present it is at the crossroads. It claimed that though its work has won it a high standing it has suffered a progressive decline in real terms of its budget. Reference was made to mandatory staff cuts, erosion of functions and constraints on its operations. It suggested that doubts had been cast on its right to exist.

97. Funds available to the ATC have declined in recent years. The Budget allocation in 1967-68 was \$1.526 million and in 1975-76 was \$3.4 million. The allocation for 1977-78 was \$2.8 million. As a result of this reduction in funds it was only able to maintain a low-key presence in overseas markets and has difficulty competing with other countries who have maintained their aggressive marketing presence.

98. The Australian National Travel Association suggested that the financial allocation for the ATC's overseas promotional activities should be increased as a matter of urgency from the present level of \$2.8 million to at least \$4.4 million.

99. The Industries Assistance Commission (IAC) noted that little information was available on the promotability of tourist accommodation services. The IAC however reached a judgement that the level of assistance presently received by the industry is relatively low. It did not favour any reduction in assistance accruing to the industry, including assistance through tourist promotion overseas.¹⁰

100. The Committee attaches considerable importance to the work of the ATC and trusts that it will be given sufficient funds to enable it to effectively promote Australia overseas.

10. Industries Assistance Commission, Draft Report on Tourist Accommodation Industry, AGPS, Canberra, September 1977

Training

101. Particular reference has been made in submissions to the lack of expertise in the industry. The Australian Institute of Travel represents the arm of the industry responsible for upgrading its professional status. In conjunction with the Department of Employment and Industrial Relations (E&IR), a National Tourism and Hospitality Industry Training Committee has been formed. The Training Committee is to undertake a survey of the training needs and educational requirements of the industry. It is intended that the survey cover the full range of needs within the industry.

102. The Training Committee has still to employ two manpower development officers who will be responsible for the survey.

103. Concern has also been expressed about the proliferation of training courses within the industry. The Committee recommends that the survey of the training needs of the industry by the National Tourism and Hospitality Industry Training Committee be commenced as soon as possible.

Penalty Rates

104. Many of the submissions received have referred to the high labour costs within the industry due to the impact of penalty rates on the industry. It is claimed that the nature of the industry necessitates staff working outside the normal hours of duty and that the service demands of the industry are twenty-four hours a day, seven days a week.

105. The Australian Accommodation Council claimed that penalty rates account for about 15 per cent of total wages and that the actual contribution can vary from 10 to 25 per cent depending on the particular operation. It was also claimed that the level of penalty rates is found nowhere else in the world. The Council claimed that as a consequence the level of service has been reduced in many establishments. Evidence was also received that many restaurants had ceased opening on Sundays because of penalty rates.

106. The IAC noted that wages and conditions are determined within the framework of an established industrial system which includes the Conciliation and Arbitration Commission. The Federated Liquor and Allied Industries Employees Union of Australia claimed that the workers in the industry were the third lowest paid group in Australia. E&IR stated that 'there is sufficient data to indicate that the industry is not in a unique position. It would seem that the industry "enjoys" less severe penalty payments than some other industries which operate on a 24 hour, 7 day a week basis, nor does the general level of award wages show any significant variation'.¹¹ E&IR also noted that the current level of award payments would appear to have been agreed to by employers who now contend that these previously agreed levels are excessive and threaten the economic viability of the industry.

11 Transcript of Evidence p4140

107. The Department of Employment and Industrial Relations suggested that if the parties within the industry are prepared to enter into discussion it may be possible to achieve a consensus on issues concerning the terms and conditions of employment within the industry. The Committee recommends that the Minister for Employment and Industrial Relations establish a tripartite working group to consider the terms and conditions of employment within the tourist industry, and that any changes proposed be submitted to the Conciliation and Arbitration Commission.

Convention Facilities

108. Qantas suggested that Australia is getting to the point where it is no longer considered competitive with other overseas countries as a convention destination. Qantas considers Australia suffers in not having a convention centre of international standard.

109. Trans-Australia Airlines referred to the tendency for many Australian companies and organisations to hold their conventions in overseas resorts to the detriment of the local tourist industry. It was suggested that legislation similar to that recently introduced in the USA to restrict tax deductibility for attending overseas conventions and meetings be implemented in Australia.

110. Treasury advised the Committee of the details of the United States' legislation. The basic features of the legislation are to restrict deductions allowable to no more than two foreign conventions each year with attendant limitations on the amount deductible at each convention. Treasury considered that as the Australian business and professional community does not appear to be addicted to participation in overseas conventions, deduction entitlements would be affected only slightly, if at all, by the limitation to two overseas conventions per year.

Access to Finance .

111. It was claimed that it has been difficult to finance the industry by traditional means available to other industries such as primary and manufacturing. A number of witnesses referred to the need for the provision of loans and guarantees for purposes of development, expansion, upgrading and structural adjustment. TAA suggested the establishment of a Tourist Industry Development Bank to make available long term low interest loan monies to the industry.

112. Developmental loan assistance is available to the industry from the Commonwealth Development Bank; however there is a specific requirement that the tourism development be located away from the major population centres. Treasury did not consider that a case could be made for having a special bank relating solely to tourism. Such a proposal would lead to a fragmented financial system which would not necessarily be in the interests of the economy as a whole.

113. In a Ministerial Statement on 13 October 1977, the Minister for Industry and Commerce, Senator the Hon R.C. Cotton, announced the following decisions of the Government in regard to small business finance:

- (a) to introduce legislation to extend the charter of the Commonwealth Development Bank to enable it to lend to all kinds of business;
- (b) to empower the Commonwealth Development Bank to provide equity finance to small business;

- (c) to instruct the Australian Industry Development Corporation to extend its activities, possibly by way of forming joint ventures for the provision of finance to small business, and
- (d) to advise the Reserve Bank that it is the Government's policy that adequate finance should be made available to small business and that no arbitrary limits should be placed on such finance.

114. As most of the tourist industry is comprised of small business enterprises the Committee recommends that the new provisions for small business finance announced by the Minister for Industry and Commerce on 13 October 1977, be implemented as soon as possible. The Committee welcomes these measures and hopes that the tourist industry will take full advantage of them.

Investment Allowance

115. There is a tax deductible allowance of up to 40 per cent for investment in a unit of eligible property that is for use solely in Australia for the purpose of producing assessable income. The allowance is for new plant and equipment ordered, contracted or leased between 1 January 1976 and 30 June 1978 and installed before 30 June 1979.

116. The full 40 per cent applies to units of plant costing more than \$976. Units costing more than \$500 but less than \$976 are eligible for an allowance calculated on a sliding scale. Units of plant of less than \$500 are not eligible.

117. Many witnesses, particularly those in the accommodation and restaurant sectors, have drawn attention to their ineligibility for this investment allowance. Most complained of the fact that significant amounts of investment went into multiple items of equipment with a unit cost below the \$500 minimum, such as beds, chairs, tables and television sets.

118. It was estimated that while it would cost about \$120,000 in depreciable items to furnish and equip a forty room motel with restaurant to a normal acceptable standard, only \$7,000 of the \$120,000 would be eligible for the allowance.

119. Units of plant used in connection with amusement or recreation, wharves and jetties, sport, gaming and gambling, circus performances and exhibitions to the public of films are excluded from the allowance. Several tourist operators claimed that they were unfairly discriminated against by this provision. This discrimination has caused them to postpone investment in the industry.

120. The IAC referred to the discrimination in favour of capital intensive industries: 'An investment allowance is particularly discriminatory if it is made to apply to only certain types of capital investment such as heavy plant and machinery over a certain value'.¹²

12 Industries Assistance Commission, Structural Change in Australia, AGPS, Canberra, June 1977, p46

121. The Committee suggests that industry be permitted to claim a total investment for multiples of the one item on a per property basis. The Committee recommends that the present investment allowance be amended to allow multiples of the same item to be claimed as a single investment where the items are for use solely in Australia for the purpose of producing assessable income and that any future investment allowance should have a similar arrangement. The Committee also recommends that units of plant used in connection with amusement or recreation, wharves and jetties, sport and exhibitions to the public of films be eligible for the present and future investment allowances.

Depreciation on Income Producing Buildings

122. It has been claimed by many witnesses that tourist accommodation buildings have a limited period of productivity which is often shorter than the physical life of the building. The useful life of the building is reduced by wear and tear and while this depreciation is largely covered by maintenance, replacement with more expensive materials is not. Changing fashions also make older establishments functionally obsolete so that present day rooms without bathing and toilet facilities or air-conditioning are considered obsolete.

123. The general disallowance of capital deductions reflects the fact that in Australia there is a tax on income but no tax on capital gains. Outlays incurred in deriving assessable income are deductible in order to arrive at a net figure on which income tax is levied while capital outlays, like receipts of a capital nature, fall outside the scope of the income tax.

Depreciation of capital assets is presently allowable as a deduction for 'plant or articles' used for income production including buildings whose function is integral to the income producing operations. Where buildings are deductible, only that part of the total building cost qualifies as represents additional expenditure over and above the cost if there had been no requirement to install plant.

124. No deduction is allowable on buildings which merely provide a setting or environment for such operations. Office, hotel, motel and restaurant buildings are presently held to be merely a setting and as such are not depreciable.

125. Treasury have argued in Taxation Paper No. 3, 1974 that were depreciation of buildings to be allowed then it should be such that the original cost of the asset, no more and no less, is sooner or later deducted as a cost by one or other of its owners when their deductions are accumulated. The allowance should attach to the building rather than the owner. The alternative would be that any purchaser of either new or second-hand assets is entitled to depreciation deductions based on the actual consideration paid. This is not favoured as it would allow the original cost of the building to be claimed many times over and be open to abuse by taxation planners.

126. Treasury estimate that to allow depreciation on all income producing buildings would cost in the order of \$100 million per annum in revenue foregone. No estimate was given for tourism accommodation buildings alone. It was indicated that allowing depreciation on existing buildings would be administratively difficult if not impossible.

127. The following table shows the availability of depreciation allowance overseas:

Table 5

OVERSEAS AVAILABILITY OF DEPRECIATION OF TOURIST
INDUSTRY BUILDINGS

Depreciation on Buildings as an Allowable Deduction

Definition

'Amortisation, as a deduction against income, of the full cost of a building over a predetermined period, based on effective life or obsolescence.'

Country	General Application to Income Producing Buildings	Application to Tourist Industry Buildings			
		Hotels	Passenger Terminals	Museums, Shops, etc.	Service Buildings, Boat Houses, etc.
United Kingdom	Industrial Buildings Only	No	Yes (sometimes)	No	No
United States	Yes	Yes	Yes	Yes	Yes
Canada	Yes	Yes	Yes	Yes	Yes
New Zealand	Yes	Yes	Yes	Yes	Yes
Fiji	Yes	Yes	Yes	Yes	Yes
Japan	Yes	Yes	Yes	Yes	Yes
Italy	Yes	Yes	Yes	Yes	Yes
W. Germany	Yes	Yes	Yes	Yes	Yes
Jamaica	Yes	Yes	Yes	Yes	Yes
South Africa	No	Yes	No	No	No

SOURCE: The Australian Tourist Commission and Australian National Travel Association Joint Submission to the Minister for Tourism and Recreation, 'Specific Incentives for the Tourist Industry', May 1973, Appendix IX

128. The IAC considered that 'In the light of evidence that bedrooms deteriorate and become obsolete, the industry's request for depreciation allowance for taxation purposes or tourist accommodation buildings appears reasonable'.¹³ Both Treasury and the IAC have referred to taxation review committees which have previously recommended a depreciation allowance for income producing buildings.¹⁴

129. The Committee recommends that a depreciation allowance for income producing buildings be introduced and that a working group of government and industry representatives be established to consider the specific arrangements for the introduction of such an allowance.

Export Incentives

130. The Australian National Travel Association suggested the extension of the present Export Market Development Grants Scheme to apply in respect of eligible overseas marketing expenditure by travel and tourist enterprises. This request was also made in a number of other submissions. It was claimed that it was anomalous that other service industries should benefit from a concession but that the travel and tourist industry was not permitted to do so.

13 Industries Assistance Commission, Draft Report on Tourist Accommodation Industry, AGPS, Canberra, September 1977, p2

14 Commonwealth Committee on Rates of Depreciation, Report to the Treasurer, 1955 (the Hulme Report). Report of the Taxation Review Committee, 1975 (the Asprey Report).

131. The Department of Overseas Trade noted that services provided inside Australia, even though earning export income, are not included in the present Export Market Development Grants Scheme. At the time when export incentives were introduced they were to stimulate the export of manufactured products. Except for certain operators like Qantas, which provide a service outside Australia, incentives are not available to the tourist industry.

132. The Department of Overseas Trade advised that to apply an export incentive scheme to the tourist industry would raise a number of practical considerations. The principal points for consideration would be the definition of export income and eligible claimant. For a scheme based on market promotion expenditure it would also be necessary to define eligible expenditure.

133. The Committee recommends that the Export Market Development Grants Scheme be amended to allow for expenditure incurred primarily and principally for the purpose of creating or increasing the demand by overseas visitors for tourist facilities provided inside Australia, to be eligible for Export Market Development Grants.

Charter Flights

134. The ATC suggested that civil aviation policy was critical to the development of tourism and recommended the establishment of a definite quota of charters annually for travel to Australia. Other witnesses who appeared before the Committee also referred to the lack of price competition and the need for more air charters.

135. The IAC too, claimed that the government restriction on air charter flights into Australia may have had some detrimental effect on the demand for tourist accommodation. It noted that the restriction appeared to be essentially a form of assistance to scheduled international air services but that the benefits and costs of this form of assistance are not readily measurable.

136. The Committee made a statement on its attitude towards Advance Booking Charter flights between Australia and Europe on 22 September. This statement is Appendix III to this Report.

137. The Department of Transport (DOT) is currently conducting a review of international civil aviation policy and will consider the question of charter services to and from Australia as part of that review.

Regional Routes for Domestic Airlines

138. Several witnesses raised the question of domestic airlines servicing regional routes near to Australia. It was suggested that visitors from outside the South Pacific area could visit several countries taking in Australia as part of some circle route. Similarly Australians could visit Northern Queensland as part of a South Pacific holiday.

139. The following reasons were put forward in support of the proposals. The domestic airlines have more suitable aircraft than Qantas for short haul routes. Selected existing airports could be used as international gateways with the provision of customs and immigration facilities but without expensive runway extensions. The South-West Pacific area including Australia could be readily promoted as a destination, particularly in North America, if air communications are improved.

Geographical extremities such as North Queensland, Tasmania and Western Australia could be included in round trips rather than necessitating side trips from Sydney or Melbourne. Finally, the increasing trend for Australians to holiday in the South-West Pacific could be utilised in offering air packages that allow some of the time to be spent in Australia.

140. Both TAA and Ansett Airlines of Australia (Ansett) have serviced the Australia-Papua New Guinea route using B727 and DC9 aircraft. TAA claim that 727's have a lower cost on this route than 707's. This is now an international service on which Qantas is about to introduce 747 aircraft after using 707's. The Sydney-Norfolk Island service by Qantas using DC4 aircraft has been taken over by East-West Airlines using Fokker Friendships.

141. Qantas, Australia's sole flag carrier, has stated that it will be at its most efficient when it has an all Boeing 747 fleet and is consequently phasing out other aircraft. Qantas still operates some 707 aircraft to service Indonesia, New Zealand and Papua New Guinea. It also charters DC8 aircraft from Air New Zealand for the Sydney-Wellington route for which it does not have suitable aircraft. DOT considers that 747 aircraft are most effective on high density long haul routes. However, it also said that it will need to be convinced of the real benefits to the traveller if shorter routes are to be reallocated according to aircraft type. The distance of virtually all destinations within the South-West Pacific region from Australia is less than the distance from Perth to Melbourne (6520 km).

142. At present most visitors to Australia do not venture outside Sydney or Melbourne. Witnesses from areas such as North Queensland and Tasmania have claimed that destinations which are not on some circle route, and which require the international visitor to retrace his steps, suffer considerably from this isolation. This deterrent effect is heightened by Australia's vastness and the level of domestic airfares.

143. Papua New Guinea now has direct air connections with Hong Kong, Manila and Japan and can be expected to broaden these connections such that Australia might expect some of its visitors in the future to enter or leave through Papua New Guinea.

144. The Committee has not received any firm evidence on the attractiveness of regional routes to overseas visitors or Australians, nor on the economic viability of such services. Ansett indicated that the market for these regional routes would need to be developed. If successful, such services could bring visitors to Australia who might not otherwise have come and would spread the visitors who do come a little more widely within Australia than at present. Conversely the convenience of a regional circle tour might mean that the high average visitor stay enjoyed by Australia might be reduced through visitors spending a larger part of their available time outside Australia. Such routes would allow Australians presently taking packages to the South-West Pacific to spend part of that time in tropical Australia which they cannot do at the moment.

145. The Committee recommends that the Minister for Transport include the question of regional routes for domestic airlines in those matters to be considered by the Department of Transport in its reviews of international civil aviation policy and domestic air transport policy.

International Airports

146. Aircraft arriving in Australia from a place outside Australian territory are required to land at a designated international airport. Australian airports designated as international airports are Brisbane, Darwin, Melbourne, Perth and Sydney. Approaches have been made to DOT at various times to upgrade certain other airports in Australia to the status of international airports. These include airports at Townsville, Adelaide, Hobart, Launceston, Port Hedland, Broome, Derby, Alice Springs, Canberra, Goulburn and Deniliquin.

147. The DOT considered that there was no immediate need to provide more international gateways. The USA with its vastly greater population had less than twice as many gateways as Australia. A Bureau of Transport Economics (BTE) study had concluded that an international airport at Townsville could be justified by 1985.

148. Qantas claimed that the opening up of any new international gateway would not increase the numbers of overseas visitors to Australia but merely redistribute them. This claim was supported by the Pacific Area Travel Association which noted that it would not be economical for an airline to operate into too many international airports and that airlines were not attracted to an area merely because it has an international airport.

149. The DOT advised that it envisaged an orderly sequence of development for Brisbane Airport. Concern was expressed about the facilities available at the Brisbane International Airport. The terminals are badly in need of upgrading and evidence has been given that the runway needs to be realigned if Brisbane is to reach its full potential as an international gateway. The Committee recommends that the upgrading of the terminals and realignment of the runway at Brisbane Airport be regarded as a high priority.

Commonwealth Cost Recovery Program for Airport Facilities

150. It was claimed that the introduction of further incentive fares by the domestic airlines would prove extremely difficult because of the impost of fuel tax and other government charges. In 1975-76 TAA paid \$17.7 million in fuel tax while Ansett paid \$17.9 million. Ansett also made reference to meteorological services which exceeded the industry's requirements but pointed out that the costs of these services were recovered from the industry.

151. The DOT considered that the policy of recovery from the aviation industry of a substantial portion of the cost of providing it with services, is undoubtedly taken into account by the industry in setting fares. It was suggested that the matter needs to be seen in perspective as the air navigation charges amount to about 4.5 per cent of the domestic airlines' total costs. The question of payment for meteorological services had been discussed with the users and the matter was currently under consideration. In respect of fuel tax, DOT estimated that the elimination of the tax could lead to a reduction in fares of around 2 per cent, but a more likely effect was that further fare increases would be delayed.

Proration of Air Fares

152. Qantas claimed that the Australian domestic operators were not parties to the international proration agreement. This means that the domestic airlines insist on collecting from the international carrier the full local domestic fare regardless of whether or not the passenger is travelling on a reduced rate or special excursion fare. It was claimed that if the Australian domestic carriers were to accept remuneration for carriage within Australia at the same cents per kilometre basis as the international airlines do for international travel (i.e. prorate), international air fares could be reduced.

153. Trans-Australia Airlines noted that if it were to prorate over all its routes the cost of such an exercise would be in the vicinity of \$4 million. This would mean that domestic fares would have to be raised to subsidise the international tourist. There were however certain fares available to the international tourist at a rate less than normal sector fares.

154. The DOT advised that it was conducting an examination of the question of proration.

Car Hire Costs

155. Trans Australia Airlines claimed that Australia is generally top of the league in car hire charges when compared with countries like New Zealand, the UK and the USA.

The high costs of car rental in Australia severely inhibit major marketing initiatives.

156. Budget Rent A Car System Pty Ltd suggested that tourism would best be encouraged by allowing the three national rental operators to compete equally from airports. It was claimed that competition would ensure that the tourist would get the best and cheapest car rental possible.

Intra-state Pick-up and Set-down Rights for Long-distance Coaches

157. The restrictions imposed by some state governments on bus operators adversely affect movements within states by travellers. Bus operators are not able to operate a service which allows them to pick-up and set-down passengers within a state at will. This particular requirement places bus operators at a disadvantage relative to railways and it was suggested that the lifting of these restrictions would greatly assist tourism.

158. The DOT could see no justification for any restriction at all. There might be a need for licencing to ensure that the operator is allowed reasonable utilisation of his equipment but beyond that there would be no case for restricting the pick-up and set-down within one state.

159. Jurisdiction over coach operators is essentially a state matter and states have over the years been dismantling their restrictive devices on road transport.

This has resulted from an increasing awareness by the states that railway passenger services to many areas are not financially viable.

160. The Committee recommends that the Minister for Transport refer the question of intra-state pick-up and set-down rights for long-distance coaches to the Australian Transport Advisory Council.

Government Assistance

161. Many requests were received for specific types of assistance such as subsidies, long term low interest loans, tax exemptions, equity participation, interest rebates and duty-free importation of equipment. Frequent reference was made to the methods of assisting the industry in other countries. The following table gives a synoptic view of financial and fiscal inducements granted to OECD member countries from 1972 to 1975:

Table 6

Governmental Inducements for the Development
of the Tourist Industry
1972 - 1975

Country	Loans				Loan Guarantee				Subsidies and interest-subsidies				Fiscal Incentives			
	1972	1973	1974	1975	1972	1973	1974	1975	1972	1973	1974	1975	1972	1973	1974	1975
Australia	-	-	x	-	-	-	-	-	-	-	-	-	-	x	x	x
Austria	x	x	x	x	x	x	x	x	x1)	x1)	x1)	x1)	x	x	x	x
Belgium	-	x	x	x	x	x	x	x	x1)	x1)	x1)	x1)	x	x	x	x
Canada	x	x	x	x	x	x	x	x	x	x	x	x	-	-	-	-
Denmark	-	-	-	x	x	x	x	x	x	x	x	x	-	-	-	-
Finland	x	x	x	x	x	x	x	x	1)	x	x	x	x	x	x	x
France	x	x	x	x	-	-	-	-	x1)	x1)	x1)	x1)	x	x	x	x
Germany	x	x	x	x	x	x	x	-	x1)	x1)	x1)	x1)	x	x	x	x
Greece	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Iceland	x	..	..	..	-	..	..	..	-	..	..	..	-	..	..	..
Ireland	-	-	-	-	x	x	x	-	x1)	x	x	x	x	x	x	x
Italy(a)	x	x	x	x	-	-	-	-	x1)	x1)	x1)	x1)	x	x	x	x
Japan	x	x	x	x	-	-	-	-	x	x	x	x	x	x	x	x
Luxembourg	x	x	x	-	x	x	x	-	1)	1)	x1)	x1)	-	-	x	x
Netherlands	x	x	x	x	x	x	x	x	x1)	x1)	x1)	x1)	-	-	-	-
New Zealand	x	x	x	x	-	-	x	x	-	-	-	-	x	x	x	x
Norway	x	x	x	x	x	x	x	x	x	x	x	x	-	-	x	x
Portugal	x	x	..	x	x	x	..	x	x	x	..	-	x	x	..	-
Spain	x	x	x	x	-	-	-	-	x	x	x	x	-	-	x	x
Sweden	x	x	x	x	x	x	x	x	x	x	x	x	-	-	-	-
Switzerland	x	x	x	x	x	x	x	x	x	x	-	-	-	-	-	-
Turkey	x	x	x	x	-	-	-	-	-	-	-	-	x	x	x	x
United Kingdom	x	x	x	x	-	-	-	-	-	x	x	x	x	x	x	x
United States	-	-	-	-	-	-	-	-	x	x	x	x	-	-	-	-
Yugoslavia	x	x	x	x	-	-	-	-	x1)	x1)	x1)	x1)	x	x	x	-

- (x) = granted
- (-) = not granted
- (..) = no information available
- (1) = interest subsidy

(a) These inducements are offered by several Regions and not by the central Government.

SOURCE: Tourism Policy and International Tourism in OECD Member Countries, Organisation for Economic Co-operation and Development, Paris, July 1976

162. The IAC noted that the present level of assistance to the tourist accommodation industry is relatively low and did not consider that there should be any reduction in the assistance to the industry. It also noted that the industry was a relatively efficient user of the community's resources.¹⁵

163. There are however certain areas where, because of the nature of the tourism industry and of its imprecision of definition, it is at a disadvantage in comparison with other industries. Particular instances of this are considered elsewhere in this Report.

164. During the course of the Inquiry a number of witnesses referred to the lack of recognition of tourism as an industry. Reference was also made to the fragmented nature of the industry. The Committee welcomes the decision in principle by the Minister for Industry and Commerce on the establishment of a Travel and Tourist Industry Advisory Council. The Council is to provide two-way communication between government and other parties interested in tourism and to provide balanced advice to the Minister. The membership of the Council would include representatives from the industry, unions, consumers and the Parliament. Such a Council will

15 Industries Assistance Commission, Draft Report on Tourist Accommodation Industry, AGPS, Canberra, September 1977

provide a valuable channel of communication for the industry in the future. The Committee recommends that the Minister for Industry and Commerce announce the membership of the Travel and Tourist Industry Advisory Council and convene its first meeting as soon as possible.

CHAPTER 9

THE INFLUENCE OF THE VARIOUS MODES OF TRANSPORT

Introduction

165. The Committee is required under Term of Reference (c) to examine the importance of the various modes of transport in the development of tourism to and within Australia. Transport is an essential component of tourism. Tourism, or more specifically recreational travel, is regarded as the major growth sector of transport. DOT in its submission to the Committee stated that all reasonable projections suggest that the recreational traveller will come to dominate the whole transport market.

166. The BTE dealt with the future trends in non-urban passenger transport in a paper presented to the Transport Outlook Conference 1975.¹⁶ BTE estimated that total travel in this category would increase at a rate of about 6 per cent per annum in the decade after 1975, compared to 9.7 per cent per annum over the previous ten years. The major factors in this expected decline in growth rate were a projected decline in the population growth rate and increasing real supply prices for all modes of transport

16 'Review of Factors Influencing the Outlook for Non-urban Passenger Transport', Transport Outlook Conference 1975 - Papers and Proceedings, Bureau of Transport Economics, AGPS, Canberra 1976

(mainly due to rising fuel costs). In the previous decade real supply prices of transport had steadily reduced.

167. Three categories of non-urban passenger travel were used by BTE: business; non-business mandatory (personal business and visits to friends and relatives); and non-business discretionary (recreational). The latter category was expected to gain an increasing share of total non-urban passenger travel, rising from 74 per cent in 1975 to 79 per cent in 1985 (a 6.7 per cent per annum growth). Within the overall increase in recreational travel, the highest growth rate was expected in weekend trips with 'holiday' travel experiencing a 'medium' increase. Day and overnight trips are expected to rise only moderately. Growth rates in these categories could be further influenced by any increase in annual leave or by leave splitting.

168. The car was expected to remain the most important mode of transport and to retain its share of recreational trips. The share of bus and rail was expected to decline while the share of air travel would increase. Domestic airlines were likely to offer more extensive off-peak and package rates to achieve higher levels of traffic growth.

169. According to DOT there is an absence of reliable data about tourism and the various transport modes within Australia. BTE has recently commenced a National Travel Survey and the results of this survey should provide an opportunity to relate tourism to other non-urban travel. The results from the survey are expected to be available by late 1978.

170. The Domestic Travel Survey of 1973-74 indicated that the motor vehicle is by far the most important mode of travel for general recreational trips within Australia. The survey found that travel in Australia tends to be heavily dominated by the use of the car with 86 per cent of all trips using that form of transport. The next most frequently used mode was air travel (5 per cent) followed by train travel (4 per cent) and bus/coach travel (2 per cent).

171. Air transport is by far the most important mode of travel for overseas visitors arriving in Australia. Over 97 per cent of the recorded overseas visitors arriving in Australia came by air. DOT considered that air transport is the only mode of any real importance for the development of tourism to Australia.

172. Industry and Commerce in its submission to the Committee suggested that the co-ordination of transport and tourism policies would contribute to the efficient use of transport facilities and assist in the real growth of domestic and international tourism in Australia. One of the objectives of DOT is to propose national transport policies and programs which influence and respond in an appropriate manner to the social and economic needs and objectives of both private and public sectors. The question of consultations with the DOT upon matters affecting tourism was raised at the public hearing on 21 March 1977. DOT acknowledged that, given that recreational travel is the major

growth area of transport, there should be more elaborate arrangements for consultations between itself, Industry and Commerce and other interested parties rather than the informal arrangements which exist at present.

173. This issue of more formal consultations between the DOT and the tourist industry was one which the Committee had hoped to pursue. Since the hearing with DOT the Minister for Transport announced on 3 July a review of domestic air transport policy and on 11 October a review of international civil aviation policy. The Committee welcomes these reviews as they provide the opportunity for the tourist industry to put forward its views on aviation policy.

The Road Element

174. The extent of the road network and the condition of the roads is of enormous importance to the development of tourism within Australia. Motor vehicles - cars, buses and coaches - are used for over 90 per cent of all general recreational travel in Australia.

175. The DOT has acknowledged that the condition of the national highways as well as of arterial roads falls far short of an acceptable standard and is in fact an inhibiting factor in the development of tourism.

176. The Australian National Travel Association in its 1975 submission to the Government entitled 'Motor Tourism in Australia' stated that Australia's road system is simply not geared to motor tourism and argued for improvement to what it termed 'Priority Tourist Roads'.

177. The DOT submission referred to the assistance to the development of tourism provided by the progressive development of the national highway system, citing as a specific example the opening of the new sealed Eyre Highway. This improvement provides increased opportunity for travel between the Eastern States and Western Australia. The Western Australian State Government also referred to the sealing of the Eyre Highway and estimated that it had resulted in an increase in traffic of about 50 per cent.

178. The Commonwealth has accepted the responsibility for national highways and export roads. The Roads Grants Act 1974 provided for up to 10 per cent of each state's allocation for rural arterial roads to be spent on Developmental Roads, the category into which tourist roads fell. The inclusion of this category was not favoured by the states and it was not activated in the three years that the Act was in force. It would appear that within the states' own priorities developmental roads, including tourist roads, are not rated as highly as are their normal arterial road programs.

179. The DOT recognised that recreational travel is the major growth area of transport and consequently affords it high priority in policy and planning considerations.

The Air Element

180. The Domestic Travel Survey determined that air travel was the second most popular mode of transport after the private car. Air travel accounted for 5 per cent

of all trips made. Its importance varies from state to state - from 10 per cent in Tasmania, 41 per cent in the Northern Territory, to 3 per cent in Western Australia.

181. Although recreational travel is heavily dependent on motor cars it is likely that travel by overseas visitors within Australia would be much more public transport oriented than travel by Australian residents. According to TAA, domestic air transport is overwhelmingly the dominant mode of long distance public transport carrying 83.3 per cent of the traffic, compared with rail 12.5 per cent and bus 4.2 per cent.

182. Trans-Australia Airlines stated that the trend in domestic air travel has been towards a marked increase in private, leisure and holiday air travel, and that they anticipate that this trend will continue. The numbers of leisure travellers carried by TAA increased tenfold from 1960 to 1974. DOT estimated that approximately 25 to 30 per cent of all travellers on domestic airlines are private or leisure travellers.

183. This increase seems attributable at least in part to the measures taken within the air transport industry to increase market demand. Such initiatives include off-peak fares, all-inclusive tours including reduced air fares and accommodation, and a 30 per cent discount for North American tourists whose air travel on the domestic network exceeds 1600 kilometres.

184. International air transport is by far the most important mode of transport for overseas visitors arriving in Australia. An estimated 97 per cent of the total recorded overseas visitors arriving in Australia, arrived by air through one of the international gateways - Brisbane, Darwin, Melbourne, Perth and Sydney airports.

The Sea Element

185. The majority of coastal passenger movement occurs between Melbourne and Devonport. The 'Empress of Australia' makes three return trips per week across Bass Strait and, according to the evidence presented by the Tasmanian State Government, operates at close to capacity. The passenger occupancy rate has been around 80 per cent. The service has been subsidised to the extent of \$2 million since 1976, and for the preceding three years was in receipt of a \$1 million annual subsidy.

186. The provision of shipping services to Tasmania is important to the Tasmanian tourism industry, although its importance in terms of percentages of tourists carried to Tasmania has been declining steadily with the increasing trend towards air travel. In 1976-77 less than 12 per cent of the visitors to Tasmania travelled by sea whereas in 1972-73 the share was 19 per cent.

187. Other coastal passenger movements are performed by Foreign Flag Vessels under Single Voyage Permits but since 1970 numbers of passengers moved between two Australian ports has declined absolutely for all states.

The Rail Element

188. The Domestic Travel Survey found that train travel accounted for only 4 per cent of all the trips taken. On a state by state basis the percentages ranged from 6 per cent in New South Wales, 4 per cent in South Australia, 2 per cent in Queensland and 1 per cent in Tasmania, with 3 per cent in the remaining states.

189. Patronage of the railways by passengers is steadily declining - the Domestic Travel Survey found that 3 per cent of the visitors to the ACT in 1973-74 used rail transport, and the recent ACT Visitor Study found that in 1975-76 only 0.4 per cent of visitors arrived or left by train. The long term decline in popularity of this mode of transport is attributed to improved air and coach services and to sharp increases in the costs of rail fares.

190. The Railways of Australia Committee represents the State and Commonwealth Government railways. That Committee co-ordinates intersystem operations and matters concerning several railways, and acts on behalf of the railway systems. The railway is

promoted as a national industry. Daily modern passenger train services link all the mainland capital cities. The Railways of Australia Committee claimed in its submission that the provision of high standard passenger rail services involves considerable capital commitment, and is labour intensive, and consequently the operating costs are particularly high. It was also claimed that the financial return from the operation of passenger services is not comparable with the financial return for similar investment in freight operations.

191. Railways have a cost advantage over other modes of transport for long distance freight haulage, but this does not apply to rail passenger services. DOT agreed that the labour intensive nature of rail passenger services made it difficult for railways to compete at rates competitive with the airlines. As an illustration it was pointed out that the 'Indian Pacific' which operates between Sydney and Perth carries rather fewer people than a Boeing 727 and has a considerably larger staff, nearly all of whom would be receiving wages comparable to those of a junior airline pilot. The 'Indian Pacific' does the round trip in a little over a week and a 727 is capable of completing the journey several times a day.

192. The railways have themselves made considerable efforts to encourage tourism by introducing services specifically designed for the tourist. One example of this is the 'Vineland' which travels between

Melbourne and Mildura and has facilities to enable passengers' cars to be transported on the train. The 'Austral' pass is an innovation designed to encourage the overseas visitor to Australia to travel an unlimited distance on the railway network over a fixed period of time, for a fixed price.

193. Train travel will no doubt continue to appeal to a small portion of the market who will continue to travel by train when the train fares are higher than air fares. Train travel is unlikely, however, to dominate tourist travel and the numbers of passengers carried will probably continue to decline. An increase in potential travellers might occur if the 'Austral' system were expanded to include Australian tourists as well as overseas tourists.

CHAPTER 10

CONCLUSIONS

194. In the earlier chapters of this Report the Committee has considered parts (a), (b) and (c) of the Terms of Reference. It has not been possible in the time available for the Committee to consider parts (d), (e) and (f) of the Terms of Reference. It is recommended that the Committee be reconstituted in the next Parliament. It is further recommended that the Parliament give the new Committee power to consider and make use of the records of this Committee and the previous Committee.

195. As required by part (a) of its Terms of Reference the Committee has considered the significance and potential of tourism in the Australian economy. It has found that while there is general acknowledgement of the economic importance of tourism there are few statistics which indicate its importance. The problems of defining the industry have precluded an accurate assessment of its significance.

196. The Committee has attempted to have some assessment made of the direct and indirect economic effects of tourism. The estimates made are in the nature of indicators of magnitude rather than absolute distributions of economic activity. The contribution of tourism to Gross Domestic Product in 1974-75 was estimated to be \$3300 million. This is approximately 5.5 per cent of Gross Domestic Product.

197. In addition to its direct effects on the economy tourism also has indirect effects. Governments in 1974-75 are estimated to have gained \$172 million in indirect taxes, \$355 million in income tax and \$165 million in company tax. There are also other indirect effects which can be estimated by the use of multipliers. For every dollar generated by tourism a further 25 cents was generated in the rest of the economy. Similarly for every two direct jobs in tourism a further job is created. In addition an increase in tourism turnover of \$10,000 creates an extra 1.21 jobs in the economy.

198. In summary the importance of tourism to the economy is indicated by the estimate that in 1974-75 the direct and indirect turnover from tourism was \$4140 million or 7 per cent of Gross Domestic Product.

199. Tourism has particular features in relation to employment. It has been estimated that in 1974-75 it provided direct full-time employment for 263,000 persons and indirect employment for a further 136,760 persons. The total employment generated was 399,760 persons or 7.3 per cent of the total national labour force. In addition tourism has particular features in that it also has a high proportion of female employment. The industry is also characterised by the number of casual and part-time workers.

200. Tourism also makes a significant contribution to Australia's balance of payments. It has not been possible to state the actual contribution but in 1976-77 tourism is estimated to have earned at least \$280 million in foreign exchange.

201. The community's knowledge of Australia and the Australian heritage is increased through tourism. The old saying that travel broadens the mind still holds true. Through tourism Australians are able to gain a better understanding and greater appreciation of their country. There is an awakening interest by Australians in their heritage and tourism is in a unique position to foster and develop that interest.

202. There is no hard evidence available on the benefits to health and welfare from tourism. There is general agreement however that the contribution of tourism to mental and physical health is recognised by the medical profession whenever a holiday is prescribed as a cure.

203. As an industry tourism can make a valuable contribution to regional development and decentralisation. It has the advantage of being able to offer employment opportunities to female and unskilled workers yet at the same time is a relatively low cost industry. In addition it is an industry which has distinct growth prospects.

204. The Committee has also considered the influence of the various modes of transport on the development of tourism. The motor vehicle is expected to remain the most important mode and to retain its 90 per cent share of recreational trips. The influence of the air transport mode is expected to increase with the development of holiday packages within Australia. The influence of the sea and rail modes of transport are expected to decline.

205. The air element is of particular significance to the development of tourism to Australia. Domestic air transport policy and international civil aviation policy are under review by the Department of Transport. Since the reviews are of particular importance to the Committee's deliberations the Committee recommends that should the Committee be reconstituted in the next Parliament, the Minister for Transport make available to it the reports of the steering committees on International Civil Aviation Policy and Domestic Air Transport Policy.

206. While the Committee has identified a number of the short and long term issues facing the industry in Australia, it has not in this Report considered all the issues which have arisen during the course of the Inquiry. It has made recommendations on a number of issues but the time available did not permit it to consider in detail all of the issues.

207. The Committee is also required to report on the potential of tourism. While submissions to the Committee have referred to the depressed state of the industry at present, there is a general indication that in the long term a higher proportion of people's expenditure will be spent on tourism and that the long term future of the industry is a prosperous one.

(R.N. BONNETT)
Chairman

November 1977

APPENDIX I

LIST OF WITNESSES

ADAMS, Mr I.K., Duncraig, Western Australia

ADAMS, Mr K.R., Consultant, Local Government Association
of South Australia Inc.

AHNFELDT, Mrs C.M., Tourist Promotion Officer, North West
Tourist Promotion Development Association, Queensland

APLIN, Mr W.F., Zone President, North West Tourist Promotion
Development Association, Queensland

APPLETON, Mr K.W., Computer and Communications Services
Director, Qantas Airways Limited

ARMITAGE, Miss A., Head of Division, Travel and Tourism,
School of Business and Administrative Studies,
Sydney Technical College, Department of Technical
and Further Education, New South Wales

ATKINSON, Mr B.G., Mossman Park, Western Australia

AUSSIE-STONE, Mr M., Balmain, New South Wales

BAGLEY, Mr L.S., Board Member, Whitsunday Wonderworld
Travel Council, Queensland

BONNY, Mr H.V., Blackmans Bay, Tasmania

BOOKLESS, Mr J.H., Chief Engineer, Main Roads Department,
Queensland

BOURKE, Mr M., Executive Director, Australian Heritage
Commission

BOYLE, Ald. N.A., Honorary Secretary, Darling Downs and
District Tourist Association, Queensland

BRANSON, Mr C.W., General Manager, Chamber of Commerce and
Industry South Australia Inc.

BRENNAN, Mr W.L., Acting Director, New South Wales Department
of Tourism

BRIGG, Mr J.S., Assistant Secretary, Recreation and Tourism
Branch, Department of the Capital Territory

BROADBENT, Mr D.H., Vice-President and Director, Australian
Federation of Travel Agents

BROOKER, Mr E.M., Deputy Director, Department of Tourism,
Tasmania

BUNTAIN, Mr K.A., Councillor, Hobart Chamber of Commerce,
Tasmania

BUNTER, Mr V.C., Representative, Greenough Regional
Administration, Western Australia

CATTO, Mr R.H., State Vice-President, Caravan and Tourist
Parks Association of Queensland

CHAMBERLAIN, Mr K., Director of Development, Pacific Area
Travel Association, United States of America

CHISHOLM, Mr D.M., General Manager, Birdwood Mill Museum,
South Australia

CHIVERS, Mrs D.J., Representative, Greenough Regional
Administration, Western Australia

CLARINGBOULD, Mr R.L., Queensland Manager, Australian
National Travel Association

CLEGG, Mr W.R., Vice-President, Council of Tourist Associations
of New South Wales

COLEMAN, Mr D., Tourist Development Officer, Townsville
Tourist Organisation, Queensland

CONSTANCE, Mr C.C., Travel Promotion Manager, MacRobertson
Miller Airline Service, Western Australia

COOKE, Mr A.F., Assistant Commercial Manager (Sales Promotion),
Australian National Line

COOPER, Mr B.N., Touring Officer, Royal Automobile Club
of Victoria

CORRELL, Mr E.G., Acting Director, South Australian Division
of Tourism

COX, Mr K.F., Honorary Treasurer and Chairman, Melbourne
Cup Carnival Committee, Victoria Racing Club

CRAIG, Mr N. McC., Member, Executive Committee, Capricorn
Tourist Organisation, Queensland

CROFTS, Mr R.S., Acting Director of Tourism, Division of
Tourism, Victorian Department of State Development

CUMMINGS, Mr W.S., Manager, Far North Queensland Development
Bureau

CURRY, Mr J.I., Member, Far North Queensland Development
Bureau

DONOVAN, Dr J., Medical Adviser, Epidemiology, Public Health
Division, Department of Health

DOUGLAS, Prof. I., Professor of Geography, University of
New England, New South Wales

DOWNS, Mr J.G., Tourist Promotion Officer, Central Highlands
Regional Tourist Authority, Victoria

DUTHIE, Mr L.G. Chairman, Capricorn Tourist Organisation,
Queensland

DUTTON, Mr W.J., Dutton Development Services, Consultants
to the Gold Coast City Council, Queensland

DYSON, Mr T.J., Director, Travel Industry Section, Tourist
Industry Branch, Department of Industry and
Commerce

ELLIS, Mr N.N., First Assistant Secretary, Tertiary Industry
Division, Department of Industry and Commerce

ELTON-MONTRUIN, Mr E.C.J., Manager, Market Analysis,
Ansett Airlines of Australia

ENTSCH, Mr R.H., Member, Far North Queensland Development
Bureau

EVANS, Mr W., Investigating Accountant, New South Wales
Department of Decentralisation and Development

FEENEY, Mr B.J., Department of Local Government, Queensland

FILMER, Mr R.J., Assistant Secretary, Location Analysis
Branch, Department of Environment, Housing and
Community Development

FIRKINS, Mr P.C., Director, Perth Chamber of Commerce,
Western Australia

FORRESTER, Mr A.I., Owner-Manager, Golden West Bus Services,
Western Australia

FOX, Mr R.G., Representative, Greenough Regional Administration,
Western Australia

GALE, Mr R.W., Senior Engineer, Beach Protection Authority,
Department of Harbours and Marine, Queensland

GARRATT, Mr G.S., Representative, Greenough Regional
Administration, Western Australia

GLUYAS, Mr B.A., General Marketing Manager, Ansett Airlines
of Australia

GOTHE, Mr J.M., President, Australian Accommodation Council,
Appeared separately as:
Board Member, Australian National Travel Association

GREEN, Mr K.J., Technical Administration Officer, Queensland
National Parks and Wildlife Service

GREENWAY, Mr C.A., Chairman, Australian Tourist Commission

HAINES, Mr G.A., Vice-President, Australian Accommodation
Council

HALL, Mr G.J., Assistant Secretary, Trades Services Division,
Department of Overseas Trade

HARRIS, Mr A.C., Acting Chief Finance Officer, Manufacturing
and Commerce Section, Transport and Communications
Branch, Transport and Industry Division, Department
of Finance

HARRISON, Mr R.B., Accountant and Industrial Assistance
Officer, Department of Commercial and Industrial
Development, Queensland

HAYES, Mr T.P., Assistant Secretary, Transport and
Communications Branch, Transport and Industry
Division, Department of Finance

HAYLES, Mr B.L., Member, Far North Queensland Development
Bureau

HENNESSY, Dr B.L., First Assistant Director-General,
Health Services Division, Department of Health

HILL, Mr J.L., Managing Director, Pacific Investments
Pty Ltd, Seaton, South Australia

HOLDCROFT, Mr K.J., Member, Far North Queensland Development
Bureau

HOLDEN, Mrs A., Director, Market Development, Australian
Tourist Commission

HOLDEN, Mr N.J., Member, Executive Committee, Capricorn
Tourist Organisation, Queensland

HRBAC, Mr J., President, Gold Coast Branch, Restaurant
and Caterers Association of Queensland

HULLICK, Mr J.M., Secretary, Local Government Association
of South Australia Inc.

HULTON, Mr J.B.G., Director, Department of Tourism, Tasmania

HYDEN, Mr N.F., Assistant Secretary, Resources Branch,
General Financial and Economic Policy Division,
Department of the Treasury

JENNINGS, Mr B.A., Director, Hobart Chamber of Commerce,
Tasmania

JOBE, Mr D.A.D., Manager, Research, Western Australian
Department of Tourism

JONES, Mr B.R., Acting Assistant Secretary, Decentralisation
Policy Branch, Department of Environment, Housing
and Community Development

KAYE, Mr S., Executive Member, Australian Accommodation
Council

KAYES, Mr A.C., Member, Executive Committee, Capricorn
Tourist Organisation, Queensland

KENNARD, Mr D.N., Executive Director, Ballarat Historical
Park Association, Victoria

KING, Mr P.T., Director-Administration, Queensland
Government Tourist Bureau, Division of Tourist
Activities

KING, Mr R.L., Managing Director, Greyhound Travel Centre,
Victoria

KING, Mr W.F.J., Managing Director, Bill King's Northern
Safaris, Victoria

KRUMBECK, Mr M.W., Executive Director, Australian Federation
of Travel Agents

LAKER, Mr F.A., Chairman and Managing Director, Laker
Airways Limited, Gatwick, United Kingdom

LOGUE, Mr F.G., Deputy Director, Western Australian
Department of Tourism

LUTTRELL, Mr B.J., Transport Planning Officer, Metropolitan
Transit Authority, Queensland

McCABE, Mr R.J., Project Officer, Capricorn Conservation
Council, Queensland

McCONNELL, Mrs K.J., Executive Committee Member, Murray
Bridge Chamber of Commerce Inc., South Australia

McDONALD, Mr K.A., General Manager, Australian Tourist
Commission

McDOWALL, Mr K.I., Tourist Promotion Officer, Far North
Queensland Development Bureau

McMAHON, Mr G.J., Finance Manager and Controller, Ansett
Airlines of Australia

McROBERTS, Mr N.J., Executive Member, Australian Accommodation
Council

MADDEN, Mr K.M.J., National Secretary, Youth Hostels
Association of Australia

MAHER, Mr C.C., Development Officer, Cooma Municipal
Council, New South Wales. Appeared separately
as: President, Council of Tourist Associations
of New South Wales

MALONEY, Mr B.J., Director, Projects Section, Tourist
Industry Branch, Department of Industry and Commerce

MALUISH, Mr A.G., Administrative Manager, Australian Underwater Federation

MARCUSSON, Mr P., Assistant Secretary, Overseas Services Division, Department of Overseas Trade

MATHEWS, Mr M., Deputy Chairman, Australian National Travel Association

MIDDLETON, Mr R.B., Secretary Manager, Tasmanian Tourist Council Inc.

MINGE, Mrs R.S., Executive Committee Member, Murray Bridge Chamber of Commerce Inc., South Australia

MOFFAT, Mr R.I., Manager and Co-proprietor, Hainault Tourist Mine Pty Ltd, Western Australia

MONAGHAN, Mr J.V., First Assistant Secretary, Transport and Industry Division, Department of Finance

MONIE, Mr P.M., Acting Assistant Secretary, Training Development Branch, Department of Employment and Industrial Relations

MOORE, Mr D.R., Secretary, Campbell Miles Festival Organising Committee, Queensland

MOREMAN, Mr K.H., Executive Member, Australian Accommodation Council

MORRIS, Mr W.G., General Secretary, Federated Liquor and Allied Industries Employees Union of Australia

MOUNTNEY, Mr J.H., Vice-President, Whitsunday Wonderworld Travel Council, Queensland

MULDREW, Miss D.A., Co-Manager and Finance Director, Australasian Hotel Motel Training Centres, Queensland

MUNGOVERN, Mr B.A., Acting Deputy Director, New South Wales Department of Tourism

MYOTT, Mr D.E., Secretary, Council of Tourist Associations of New South Wales

NIELSON, Mr B., Secretary, Queensland National Fitness Council for Sport and Physical Recreation, Department of Community and Welfare Services and Sport, Queensland

NICHOLSON, Mr B.J., Executive Officer, Whitsunday Wonderworld Travel Council, Queensland

O'BRIEN, Mr D.W., Assistant Secretary, Economic Policy and Licencing Branch, Air Transport Policy Division, Department of Transport

OLDFIELD, Mr P.B., Secretary, Tourist Development Authority, Tasmania

PALMER, Mr B.R., General Marketing Manager, Trans-Australia Airlines

PATTERSON, Mr E.C., Acting Research Officer, Department of Tourism, Tasmania

PERROTT, Mr L.M., Chairman, Australian National Travel Association

PHILLIPS, Mr W.H., Manager, Banfield Caravan Park, Queensland

PORTER, Mr B.W., Planning Superintendent, Trans-Australia Airlines

PITTS, Mr O.F.W., Director, Australian Federation of Travel Agents

POTTS, Mr J.D., Secretary, Murray Bridge Chamber of Commerce Inc., South Australia

POULTER, Mr D.G., Assistant Secretary, Industrial Relations, Department of Employment and Industrial Relations

PRICE, Mr C.W., Queensland National Parks and Wildlife Service

PRYOR, Mr R.F., Assistant Secretary, Cities Branch, Department of Environment, Housing and Community Development

REEVE, Mr E.J., Director, Accommodation Industry Section, Tourist Industry Branch, Department of Industry and Commerce

REID, Mr G.K.R., Acting Director, Bureau of Transport Economics, Department of Transport

REIDER, Mr L.G., Senior Officer, Research, New South Wales
Department of Tourism

RICHARDSON, Mr D.C., Executive Director, Motor Inn and
Motel Association of Tasmania

RICHARDSON, Mr J.I., Assistant General Manager, Australian
Tourist Commission

RITCHIE, Captain R.J. (CBE), Deputy Chairman, Australian
Tourist Commission

ROACH, Mr R.G., Member, Board of Management, Tasmanian
Tourist Council Inc.

ROSE, Mr H., Australian Accommodation Council

ROSSITER, Mr K.C., Project Officer, Research, South
Australian Division of Tourism

RYAL, Mr K.R., Managing Director, Kryal Castle Pty Ltd,
Victoria

RYE, Mr C.R., First Assistant Secretary, General Financial
and Economic Policy Division, Department of the
Treasury

SAYERS, Mr I.L., Project Officer (Research), Tourism
Section, Department of the Capital Territory

SEMMENS, Mr N.J., Director, Western Australian Department
of Tourism

STELEY, Mr C.W., Managing Director, Stradbroke Managers Pty Ltd,
Queensland

STRINGFELLOW, Mr A.J., Member, Tourist Resort Division,
P & O Australia Ltd, Queensland

STROUD, Mr L.G., Assistant Secretary, Tourist Industry Branch,
Department of Industry and Commerce

SUTTON, Mr I., Marketing Manager, MacRobertson Miller
Airline Services, Western Australia

SYMES, Mr J.P., Greenough Regional Administrator, Western
Australia

TAPLIN, Dr J.H.E., Deputy Secretary, Department of Transport

TAYLOR, Mr A.J., Representative, Gascoyne Regional
Administration, Western Australia

THOMAS, Mr E.K., Superintendent of Transport, Queensland
Railways

TOAKLEY, Mr K.H., Assistant Secretary, International Relations
A Branch, International Policy Division, Department
of Transport

TUCKER, Mr G.W.L., Executive Director, Australian National
Travel Association

VALENTINE, Mr R.S.J., Chairman, Tasmanian Tourist Council
Inc.

WALDER, Mr R., Executive Member, Gold Coast Visitors Bureau,
Queensland

WALL, Mr L.R., Acting Assistant Secretary, Industrial
Relations Industry C Branch, Department of
Employment and Industrial Relations

WARD, Mr J.F., Market Development and Systems Director,
Qantas Airways Limited

WARNER, Mr R.F., Secretary, Capricorn Tourist Organisation,
Queensland

WARREN, Mr P.M., Manager, Rockhampton Regional Promotion
Bureau, Queensland

WATSON, Mr L.R., Director of Tourism, Department of the
Capital Territory

WATSON, Mr W.R., First Assistant Secretary, Environment
Division, Department of Environment, Housing and
Community Development

WELLS, Mr B.R., Executive, Australian Automobile Association

WHILEY, Miss M., Adviser in Social Welfare, Department of
Community and Welfare Services and Sport, Queensland

WHITE, Mr N.E., Member, Board of Management, Tasmanian
Tourist Council Inc.

WIERZBICKI, Mr J., Marketing Services Manager, New South
Wales Public Transport Commission

WILLIAMS, Mr K., Managing Director, Sea World Pty Ltd,
Queensland

WILLIAMS, Mr R.T., Executive Officer, Great Barrier Reef
Marine Park Authority

WILLIS, Mr R.B., Secretary, Youth Hostels Association of
New South Wales

WILSON, Mr J., Director General of Tourist Services,
Division of Tourist Activities, Queensland

APPENDIX II

Persons and organisations who made submissions but did not appear at public hearings

Ansett Hotels Pty Ltd

Ansett Pioneer

Avis Rent A Car System Pty Ltd

Australian Adventure Tours

Australian Bureau of Statistics

Australian Federation of Air Pilots - Overseas Branch

Australian Gallery Directors Council

Australian Hotels Association

Australian Pacific Tours Pty Ltd

Australian Road Transport Federation

Batho, Ms D.

Baxter, Dr R.J.

Brandon, Mr K.

Brisbane Chamber of Commerce

Budget Rent A Car System Pty Ltd

Captain Cook Cruises

Caravan Parks Association - Victoria

Clough, Mr P.

City of Warrnambool

Durzo, Mr G.

East-West Airlines Limited

Elwell, Mr R.P.A.

Five Major National Coach Operators

Forests Commission Victoria

Gippsland Regional Tourist Authority
Gleon, Mr B.M.
Gold Coast Protection League

Haines, Mr L.
Hallam, Mr B.V.
Hellyer Regional Tourist Committee
Heslehurst, Mr W.J.
Hutley, Mr C.K.
Hunter Regional Advisory Council

Illawarra Regional Organisation of Councils
International Flag Gallery

J & B Enterprises
Johnstone, Ms M.

Kempsey Macleay Tourist Association

Lee, Mr R.
Leiper, Mr N.

Macdonald, Mr I.A.
Moe Tourism and Promotion Committee
Moss, Mr T.B.
Mt Isa Motor Cycle Club
Murray Bridge Field Naturalists Society

Nairn, Mr R.J.
Naringal
National Automatic Laundry and Cleaning Council
National Capital Development Commission
National Tourism and Hospitality Industry Training Committee
New South Wales Residential Division - Australian Hotels
Association

Norman Elsom World Wide Travel Service
Northern Territory Department of Transport and Industry
Northern Territory Reserves Board

O'Hanlon, Mrs M.V.

Pepperday, Mr M.

Perth Convention and Visitors Bureau

Railways of Australia Committee

Riverina Regional Advisory Council

Ross Mellor and Associates

Shire of Snowy River

Spina Bifida Association of Queensland

Stawells Mini World

Stone, Mr G.

Swan Hill Pioneer Settlement Authority

Sydney Convention and Visitors Bureau

Szwidowski, Mr W.F.

The Australian Chamber of Commerce

The Corporation of the City of Darwin

The Motor Inn and Motel Association of Australia

The Sydney Cove Maritime Museum Limited

The United Commercial Travellers' Association of Australia
Limited

Thompson, Mr C.

Victorian Eastern Development Association

Wade, Mr G.S.

Ward Harvey, Mr K.

Wood, Senator I.A.C.

APPENDIX III

STATEMENT BY THE CHAIRMAN OF THE SELECT COMMITTEE ON TOURISM
MR R.N. BONNETT, M.P. IN CANBERRA ON 22 SEPTEMBER 1977

I WISH TO MAKE A STATEMENT ON BEHALF OF THE SELECT COMMITTEE ON TOURISM ON AN ISSUE WHICH HAS BEEN GENERATING A GREAT DEAL OF PUBLICITY IN RECENT MONTHS. THE PARTICULAR ISSUE IS THAT OF ADVANCE BOOKING AIRLINE CHARTER FLIGHTS TO AND FROM AUSTRALIA.

THE LAST THIRTY YEARS HAVE SEEN MANY CHANGES IN THE NATURE OF AIRLINE OPERATIONS. INTERNATIONAL AIR TRAVEL IS NO LONGER RESTRICTED TO A SMALL ELITE AND IS NOW A METHOD OF MASS TRANSPORTATION. THE UNITED STATES/EUROPE ROUTE HAS DEVELOPED FROM BEING EXCLUSIVELY A SERIES OF SCHEDULED FLIGHTS AT ONE PRICE. THE INTRODUCTION OF ECONOMY FARES WAS FOLLOWED BY ADVANCE BOOKING AFFINITY GROUP CHARTERS. A MORE RECENT INTRODUCTION HAS BEEN THE WALK ON WALK OFF SERVICE WHERE TICKETS ARE PURCHASED AT THE AIRPORT ON THE DAY OF DEPARTURE AND IN-FLIGHT SERVICES ARE KEPT TO A MINIMUM.

THE SYSTEM AT PRESENT OPERATING TO AND FROM AUSTRALIA IS MAINLY THAT OF SCHEDULED SERVICES. IN MAY OF THIS YEAR A MR LAKER OF LAKER AIRWAYS LIMITED APPEARED BEFORE THE COMMITTEE AND OUTLINED HIS PLANS FOR AN ADVANCE BOOKING CHARTER OPERATION BETWEEN AUSTRALIA AND EUROPE. MR LAKER PROPOSED 104 FLIGHTS EACH YEAR BETWEEN AUSTRALIA AND EUROPE. HE HAS MADE A SUBMISSION TO THE DEPARTMENT OF TRANSPORT

OUTLINING HIS PLANS BUT HAS YET TO MAKE A FORMAL APPLICATION. THE AUSTRALIA/UK FARES SUGGESTED BY MR LAKER ARE SIGNIFICANTLY BELOW THE LOWEST PRESENTLY AVAILABLE TO THE GENERAL PUBLIC I.E. THE ADVANCE PURCHASE EXCURSION FARES (APEF) OFFERED BY QANTAS AND BRITISH AIRWAYS. HE HAS PROPOSED A \$530 OFF-SEASON RETURN FARE IN CONTRAST WITH THE PRESENT \$850 APEF FARE AND A \$834 HIGH SEASON FARE COMPARED WITH THE PRESENT APEF \$1150. MR LAKER CLAIMS THAT HIS FARES WOULD CREATE A NEW CATEGORY PASSENGER AND CREATE A NEW SEGMENT OF DEMAND. HE ARGUES THAT THE MARKET FROM EUROPE WHICH HE WOULD BE TAPPING WOULD BE PEOPLE PLANNING TO STAY ONE TO TWO WEEKS IN AUSTRALIA - THE HOLIDAY PLEASURE MARKET.

QANTAS HAS APPEARED BEFORE THE COMMITTEE ON TWO OCCASIONS. IN JANUARY OF THIS YEAR QANTAS OUTLINED THE POSSIBLE EFFECTS OF INCREASED CHARTER FLIGHTS ON THE SCHEDULED SERVICES BETWEEN AUSTRALIA AND EUROPE. QANTAS CONCLUDED THAT THE TRANSFER OF A SIGNIFICANT NUMBER OF PASSENGERS TO CHARTER SERVICES WOULD LEAVE INSUFFICIENT TRAFFIC TO JUSTIFY THE CONTINUATION OF SCHEDULED SERVICES BETWEEN AUSTRALIA AND MANY COUNTRIES IN EUROPE. AN ALTERNATIVE WAS FOR A STRICT CEILING TO BE SET ON CHARTER CAPACITY AND TO PROVIDE A LIMITED NUMBER OF CHARTERS ONLY IN THE TWO LARGEST MARKETS OF SYDNEY/LONDON AND MELBOURNE/LONDON.

AT A LATER HEARING EARLIER THIS MONTH QANTAS STATED THAT IT WOULD BE POSSIBLE FOR EITHER QANTAS OR ITS CHARTER SUBSIDIARY QANTAIR TO MOUNT ADVANCE BOOKING CHARTERS BETWEEN AUSTRALIA AND EUROPE WITH A RANGE OF PRICES

SIMILARLY ATTRACTIVE TO THOSE BEING QUOTED BY LAKER. QANTAS NOTED HOWEVER THAT A LOT MORE ANALYSIS WAS REQUIRED BEFORE SPECIFIC RATES COULD BE SUGGESTED.

THE AUSTRALIAN TOURIST COMMISSION AND MANY OTHER WITNESSES WHO HAVE APPEARED BEFORE THE COMMITTEE HAVE SUGGESTED THE INTRODUCTION OF MORE CHARTER FLIGHTS TO AUSTRALIA. THE INTRODUCTION OF MORE GENERALLY AVAILABLE CHARTER FLIGHTS BETWEEN AUSTRALIA AND EUROPE WOULD PROBABLY HAVE SOME EFFECT ON SCHEDULED SERVICES AS WELL AS INCREASING THE NUMBER OF TRAVELLERS TO AND FROM AUSTRALIA. HOWEVER, NEITHER LAKER NOR QANTAS HAVE PROVIDED SATISFACTORY ESTIMATES OF THE EFFECT OF LOW PRICE CHARTERS ON OVERALL DEMAND. THE DEPARTMENT OF TRANSPORT ACKNOWLEDGED THAT TOURIST TRAVEL TO AUSTRALIA BY AIR WOULD BE AFFECTED BY THE COST OF TRAVEL AND THE LEVEL OF TRANSPORT SERVICES PROVIDED. IN EVIDENCE GIVEN PRIOR TO THE APPEARANCE OF LAKER THE DEPARTMENT CLAIMED THAT THE LOWEST POSSIBLE FARES WILL BE MOST LIKELY ACHIEVED BY SCHEDULED CARRIERS USING PRICE DIFFERENTIATION. THE DEPARTMENT SUGGESTED THAT IT WOULD BE VIRTUALLY IMPOSSIBLE FOR A CHARTER FLIGHT OPERATOR TO BETTER THE \$850 FARE.

THE COMMITTEE'S ATTENTION HAS BEEN DRAWN TO A SEPTEMBER 1973 REPORT BY THE SUB-COMMITTEE ON AVIATION OF THE COMMITTEE ON COMMERCE OF THE US SENATE ON INCLUSIVE TOUR CHARTERS. THE REPORT NOTED "AT THAT TIME (1966) THE EFFECT OF THE INCLUSIVE TOUR CHARTERS ON THE TOTAL AIR TRANSPORT SYSTEM WAS UNKNOWN, AND THE RESTRICTIONS WERE DESIGNED TO PREVENT THE IMPAIRMENT OF SCHEDULED SERVICE. THE COMMITTEE

BELIEVES THAT EXPERIENCE SINCE THAT TIME HAS INDICATED, HOWEVER, THAT CHARTER COMPETITION IS NOT NEARLY AS GREAT A THREAT TO SCHEDULED SERVICE AS WAS ONCE THOUGHT". THAT COMMITTEE SUGGESTED FURTHER LIBERALISATION OF CHARTER FLIGHT RULES SUBJECT TO A MONITORING BY THE US CIVIL AERONAUTICS BOARD TO ENSURE THAT ESSENTIAL SCHEDULED SERVICES SHOULD BE MAINTAINED. THE REPORT ALSO NOTED THAT "THE COMMITTEE RECOGNISES THAT UNTIL THERE HAS BEEN SOME ACTUAL EXPERIENCE WITH ONE STOP INCLUSIVE TOUR CHARTERS THE BOARD WILL HAVE NO EMPIRICAL BASIS FOR DETERMINING WHETHER THERE ARE MARKETS IN WHICH RESTRAINTS SHOULD BE IMPOSED".

THE COMMITTEE BELIEVES AS A FIRST PRINCIPLE THAT PROMOTION OF TRAVEL TO AND FROM AUSTRALIA CAN ONLY BENEFIT FROM THE AVAILABILITY OF CHEAPER AIR FARES. FURTHER, NONE OF THE VIEWS SO FAR PUT TO THE COMMITTEE ON THE DISADVANTAGES OF CHARTER FLIGHTS OF THE TYPE PROPOSED BY LAKER HAVE BEEN SUBSTANTIATED BY EXPERIENCE.

THIS COMMITTEE CONSIDERS THAT THERE IS A STRONG CASE TO BE MADE FOR THE INTRODUCTION OF ADVANCE BOOKING CHARTER FLIGHTS BETWEEN AUSTRALIA AND EUROPE ALONG THE LINES PROPOSED BY MR LAKER. THIS SHOULD BE ON A TRIAL BASIS OF TWO FLIGHTS A WEEK FOR UP TO TWO YEARS. LONGER TERM ARRANGEMENTS WOULD NEED TO BE DETERMINED IN THE LIGHT OF

THE EXPERIENCE GAINED DURING THE TRIAL PERIOD. THIS EXPERIENCE WOULD INCLUDE THE INFLUENCE ON REAL CONSUMER DEMAND AND THE EFFECT, IF ANY, ON SCHEDULED SERVICES.

