

**PART 5**

**FOREIGN INVESTMENT IN THE AUSTRALIAN TOURIST INDUSTRY**



## CHAPTER 8

### THE ROLE OF FOREIGN INVESTMENT IN THE AUSTRALIAN TOURIST INDUSTRY

#### *Introduction*

8.1 Since European settlement Australia has been the recipient of foreign investment in various forms. In recent years such investment has been considerable, amounting to more than \$30 billion in 1988-89. Such an order of investment entails the need for careful planning to ensure that development proceeds in desirable ways. In turn, planning depends on a range of competent advice based on reliable and accurate data. For this reason the collection of comprehensive statistics concerning foreign investment is most important.

#### *Necessity of Foreign Investment*

8.2 According to the Australian Tourism Industry Association (ATIA), Australian investors appear to prefer investments of a shorter term than those maintained by foreign interests. This may have discouraged domestic investors from supporting tourism projects:<sup>1</sup>

The way in which capital is marshalled in this country is a result of the taxation and saving policies of Australians. There is a great tendency for everybody to invest - fund managers and the marshallers of capital - on the basis that they really do not own the company if they can sell the shares a month after they bought them and move on to something else. The short term thinking of most

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<sup>1</sup> *Evidence*, pp. 235-6

investment management in this country is just horrendous in terms of building up major investment in the long term commitment to industries and to companies. Our international competitors are long term thinkers.

8.3 The authors of the CEDA report *Tourism in Australia*<sup>2</sup> have supported this view. They have suggested that foreign investors differ from Australian investors in a number of other ways. Foreign investors are more willing to take risks with particular projects. Further, especially where they have experience of the industry in other countries, they possess specialist knowledge and expertise. They may also be operating and developing projects with their home market in mind, and they will have an incentive and skills to market Australian tourism in their home country. For example, a Japanese company with tourism interests possesses expertise in operating hotels or resorts to the satisfaction of Japanese tourists, and a clear incentive to market its services in Japan.

8.4 In 1990, the Australian Tourist Commission (ATC) stated in its submission to the Committee that foreign investment is necessary to meet the demands of the Australian tourism industry. The ATC suggested that given the relatively unattractive economics of tourism projects in the then current business climate (such as seasonal and unforeseen downturns in demand due to random factors including the Gulf Crisis), such investment was more likely to come from Asian investors, primarily but not exclusively, Japanese investors.<sup>3</sup>

8.5 This advice was confirmed by the Australian Industry Development Corporation (AIDC) which stated that without foreign investors and a continuation of new funds from them, the Australian tourism industry would face significant difficulties.<sup>4</sup> (The ATIA stated in early 1991 that in the economic downturn,

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<sup>2</sup> *Tourism in Australia*, p. 80

<sup>3</sup> *Evidence*, p. 98

<sup>4</sup> *Evidence*, p. 648

tourism properties reaching the market are selling for about 60 per cent of their replacement cost and the only buyers who were in the market have been foreign.<sup>5)</sup>

8.6 The AIDC has also confirmed that foreign investors in tourism have an advantage over Australian interests. Mr O'Sullivan, Chief Executive of the AIDC told the Committee that Australian owned tourism projects tended to be one-off by each developer. Because tourism developments tend not to be supported by other projects held by the same Australian developer, they are difficult to finance; there is a lack of Australian investors. Because of all the foregoing factors - the problems in the industry, the need for high levels of equity, the low early returns and the need for very patient equity - Australian investors tend to keep away from the industry.<sup>6</sup>

8.7 There is general agreement, then, that foreign capital is necessary for the development and support of the Australian tourism industry.

#### *Incentives and Disincentives for Foreign Investment*

8.8 In response to the Committee's questions on aspects of Australian policy that particularly encourage foreign investment, Price Waterhouse told the Committee that investors were encouraged by Australia's micro-economic reforms and by the fact that Australia has a stable democratic government. Mr Keys stated that for the tourism sector, Australia has the right infrastructure, the right climate, 'the things to see', and is in the Asian-Pacific Rim.<sup>7</sup>

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<sup>5</sup> *Evidence*, p. 235

<sup>6</sup> *Evidence*, pp. 647-8

<sup>7</sup> *Evidence*, p. 702

8.9 Nevertheless, and despite the significant levels of investment in the Australian tourism industry, there is a number of disincentives to investment. Price Waterhouse told the Committee that some of the reasons why foreign investors might be discouraged from investing in Australia included:

- interest rates which keep the Australian exchange rate up;
- high exchange rates; and
- possibility for devaluation of a high Australian dollar.<sup>8</sup>

8.10 The July 1990 CEDA report *Encouraging Direct Investment between Australia and Japan* provided a useful summary of problems in all industries. These include:

- high Australian interest rates;
- relatively small domestic market;
- inefficient government-owned transport and energy services;
- lack of depth in the component industry;
- difficulties training and retraining skilled employees and developing multi-skilled employees;
- too many craft unions; and,
- a reduced, but still excessive, level of industrial disputation.<sup>9</sup>

8.11 According to the AIDC, one of the ways to encourage investment in Australia is to differentiate in terms of the tax treatment so that gains realised from tourism and other longterm lead-time projects are not considered in the same way as trading stock is considered and fully taxed.<sup>10</sup> Further, the Committee heard that depreciation schedules should be reviewed to make investment in tourism more attractive. The Australian Tourism Industry Association suggested that capital

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<sup>8</sup> *Evidence*, pp. 700-1

<sup>9</sup> CEDA, *Encouraging Direct Investment between Australia and Japan*, 1990, p. 13

<sup>10</sup> *Evidence*, p. 656

investment and depreciation allowances ought to adequately reflect the life of income producing buildings. They argued that taxation regulations were inhibiting continued development.<sup>11</sup>

8.12 In March 1991, the Treasurer, the Hon. Paul Keating, announced revised depreciation arrangements which involve a system of self-assessment. The Hon. David Simmons, Minister for the Arts, Tourism and Territories stated that these measures were expected to improve the capacity of the tourism industry to meet the projected increase in demand in the coming year.<sup>12</sup> The arrangements introduced from 1 July 1991 mean that through self-assessment, taxpayers may simply claim a depreciation rate in their returns based on their objective view of the effective life of a particular asset. However, if the Commissioner believes the rate claimed is excessive, the depreciation claim will be adjusted by the Australian Taxation Office.<sup>13</sup>

8.13 Further incentives for foreign investors were outlined in the *One Nation* statement made by the Prime Minister, Mr Paul Keating, on 26 February 1992. The Government hopes that increased depreciation allowances, and the more streamlined assessment and approval process will help to stimulate interest in the Australian tourism industry, where foreign investment dropped by over 50 per cent in 1990/91.

### *Deficiencies in Statistics*

8.14 There are problems with the statistics available on foreign investment in the tourism sector. Some data on proposed foreign investments is released by the Foreign Investment Review Board (FIRB) in its yearly reports. That data, however, is deficient. It is not about *actual investment* in tourism; it only covers investment

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<sup>11</sup> *Evidence*, p. 236

<sup>12</sup> The Hon. David Simmons, *Press Release*, 13 March 1991

<sup>13</sup> *Building a Competitive Australia*, 1991, p. 5.23

proposals that are required to be presented to the Board. As well, the definition of tourism used by the Board is narrow. The data is collected from investment proposal submissions to the Board that provide varying amounts of information on proposals.

8.15 The Australian Bureau of Statistics presents foreign investment data in the quarterly series *Foreign Investment, Australia*, and in the irregular series *Foreign Ownership and Control*. However, tourism is not a subject that has been covered in the *Foreign Ownership and Control* series. Further the data presented in *Foreign Investment, Australia* (No. 5307.0) does not permit figures for the tourism sector to be separately identified. Without their being identified, tourism investments can be recorded throughout all the ABS major industry groupings reported. Also, there are classification problems with data on the country of origin of particular funds.<sup>14</sup>

8.16 Problems with foreign investment data available from the ABS and FIRB were summarised in a 1988 departmental note by the Department of Arts, Sport, the Environment, Tourism and Territories (DASETT) which claimed that none of the foreign investment data sources provide a reliable estimate of the level of foreign investment in Australia's tourism industry and it is not possible to correlate any data source with any other. This is due to a mixture of classification problems surrounding the tourism industry, the irregular nature of various surveys and the diverse range of purposes these surveys are designed to serve.<sup>15</sup>

#### *Foreign Investment Review Board Data*

8.17 Since its 1987/88 report, the Foreign Investment Review Board has presented its statistics in such a way that proposals relating to the tourism sector can be identified. As already noted, however, the statistics published in the Board's annual reports have a number of limitations. Not only is the definition of tourism

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<sup>14</sup> *Evidence*, p. 21

<sup>15</sup> Bureau of Tourism Research, *Occasional Paper No. 6*, 1990, p. 13



narrow, but the proposals may not be implemented and the expected expenditure by investors may not be realised. Further, the statistics in the reports are difficult to interpret. Additionally, the data has not covered proposals for the establishment of new business involving total investment of less than \$10 million and proposals for the acquisition of existing businesses with total assets valued at less than \$5 million. Finally, the FIRB statistics do not include foreign portfolio investments nor do they include expansions of the existing Australian activities of foreign-owned businesses in Australia.

8.18 The Board itself has cautioned about the limitations of its statistics of foreign investment proposals. It has advised that the FIRB Statistics are quite different from the statistics on foreign investment in Australia issued by the Australian Bureau of Statistics: the ABS statistics seek to measure the inflow and outflow of capital across the exchanges. The Board notes that its statistics of approved proposals are not a guide to foreign capital inflow because inter alia, the expected investment associated with proposals is often funded from domestic borrowings or from funds already in Australia.<sup>16</sup>

8.19 Data provided by the FIRB, therefore, is not a guide to actual investment flows. FIRB statistics do, however, provide evidence about the extent and areas of foreign interest in investment in Australia. In the absence of precise data, the Board's published statistics provide an indication of the level of foreign investment being approved for investments in the tourism sector, the type of proposals being submitted and the source of funds. The FIRB data covers a range of issues including:

- level of foreign investment;
- the number of new businesses or acquisitions;
- the scale of proposals;
- the country source of the investor;

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<sup>16</sup> Foreign Investment Review Board *FIRB Report 1989-90*, p. 1

- the location of investment by State; and
- the levels of actual development.

The Committee has considered these issues as follows.

### *Level of Foreign Investment*

8.20 Foreign investment in tourism projects has comprised a significant proportion of total foreign investment in Australia. Table 8.1 shows that for 1990/91 the Board approved investment proposals worth \$1.9 billion in the tourism sector. This is about 9.4 per cent of the \$20.2 billion of expected foreign investment in all sectors.

**Table 8.1: Proposed Investments by Industry Sector**

PROPOSED FOREIGN INVESTMENT						
	1988 - 89		1989 - 90		1990 - 91	
	Number	\$b	Number	\$b	Number	\$b
Manufacturing	125	4.35	106	3.08	110	3.1
Mining	87	2.15	80	2.70	80	5.4
Finance & Insurance	69	1.22	42	0.41	41	.7
Services (excl Tourism)	163	2.64	167	2.65	107	2.3
Tourism	82	5.00	72	3.89	50	1.9
Real Estate	3726	14.77	2000	10.49	2022	5.7
Other	41	1.89	48	0.89	36	1.1
<b>TOTAL</b>	<b>4293</b>	<b>32.02</b>	<b>2515</b>	<b>24.10</b>	<b>2446</b>	<b>20.2</b>

Source: prepared from the FIRB reports for 1988-89, 1989-90 and 1990-91

8.21 The report *Tourism in Australia* has suggested that rapid growth in foreign investment in tourism was partly due to the easing of restrictions, and may be due to investments responding to the tourism boom.<sup>17</sup> Proposals for foreign investment in the tourism sector grew rapidly during 1987/88 when \$2.09 billion worth of investment was proposed for the tourism sector. Foreign investment proposals in the sector further increased to \$5 billion in 1988/89. However, this was followed by a decline to \$3.9 billion in 1989/90, prior to the further decline in 1990/91 to only \$1.9 billion. The share of foreign investment approved for the tourism sector increased from 8.4 per cent in 1987/88, to 15.6 per cent in 1988/89 and to 16.1 per cent in 1989/90, but dropped to 9.4 per cent in 1990/91.

8.22 The statistics reveal a 24.7 per cent reduction in total expected foreign investment between 1988/89 and 1989/90, and a further reduction in 1990/91 of 16.2 per cent. This may be explained in part by the general downturn in the world economy. While the amount of foreign investment in the tourism sector in 1989/90 declined by 22.2 per cent, in 1990/91 it declined by 51.2 per cent. This could demonstrate that tourism is particularly vulnerable to global economic conditions.

#### *New Businesses or Acquisitions*

8.23 FIRB statistics about foreign investment proposals differentiate between investment in existing businesses and the purchase of new developments. Table 8.2 indicates the division of proposed foreign investment between acquisition and development of businesses. Acquiring existing businesses accounted for 84 per cent of the value of foreign investment in the Australian economy according to 1990/91 proposals. Similarly, in the tourism sector expected acquisitions of existing businesses for 1990/91 amounted to 82 per cent (or \$1.38 billion) of total proposed foreign investment.

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<sup>17</sup> *Tourism in Australia*, p. 80

8.24 This indicates a strong preference for proven enterprises during periods of economic difficulty. The FIRB figures further show that the number of proposals approved for new tourism businesses declined from 27 in 1989/90 to 9 in 1990/91, a corresponding drop in value from \$1.97 billion to only \$ 480 million. This is in marked contrast to previous years which saw an almost equal division in the value of foreign investment between purchasing existing tourism enterprises and the development of new tourism businesses. The Board's 1990/91 report stated that new resort and hotel developments accounted for all the new business expenditure in that period, as it had in the previous year. However the drop from 27 to 9 indicates a significant decline in the number of new resorts and hotels being considered.

**Table 8.2: Proposals for Acquisitions and New Businesses**

PROPOSED FOREIGN INVESTMENT						
	1988-89		1989-90		1990-91	
	Number	\$b	Number	\$b	Number	\$b
<b>TOURISM</b>						
Acquisitions	42	2.08	45	1.92	41	1.38
New businesses	40	2.92	27	1.97	27	.48
Total	82	5.0	72	3.89	50	1.9
<b>ALL SECTORS</b>						
Acquisitions	4218	27.74	2441	20.40	2403	17.0
New businesses	75	4.28	74	3.71	43	3.2
Total	4293	32.02	2515	24.1	2446	20.2

Source: prepared from FIRB reports for 1988-89, 1989-90 and 1990-91

8.25 It might be suggested that if foreign investment is simply a case of a change in ownership, foreign investment has little impact. However, even the declining amount of proposed foreign expenditure in new tourism businesses is consistent with the suggestion that foreign investment in the tourism sector leads to an increase in the number of tourism enterprises rather than simply changing ownership in existing businesses.

### Scale of Proposals

8.26 Of foreign investment proposals for tourism projects, a small number of high value proposals account for most of the total amount to be invested. In 1990/91, 11 of the 50 tourism proposals accounted for 66 per cent of the total expected value of foreign investment in the tourism sector and, of those, 4 proposals accounted for 38 per cent of the expected value in the tourism sector.

**Table 8.3: Proposals over \$50 million**

PROPOSED FOREIGN INVESTMENT						
	1988-89		1989-90		1990-91	
	Number	\$b	Number	\$b	Number	\$b
<b>TOURISM</b>						
\$100m & over	14	3.11	15	2.63	4	.73
\$50m - \$100m	12	0.84	7	0.51	7	.53
Total	26	3.95	22	3.14	11	1.26
<b>ALL SECTORS</b>						
\$100m & over	66	16.90	51	11.83	49	11.69
\$50m - \$100m	73	4.94	54	3.92	35	2.57
Total	139	21.84	105	15.75	84	14.27

Source: prepared from FIRB reports for 1988-89, 1989-90 and 1990-91

8.27 Recently, however, tourism proposals have formed a declining proportion of large-scale foreign investment proposals. In 1990/91, 9 per cent of all proposed investments over \$50 million were for the tourism sector. Table 8.3 shows that the value of the larger foreign investment proposals for 1990/91 (which are valued over \$50 million) dropped 11 per cent on 1989/90. In the category of foreign investments over \$100 million, only 6.2 per cent were in the tourism sector in 1990/91, compared with almost 30 per cent in 1989/90. Comparing tourism sector investments in the years 1987/88 and 1989/90, the number of proposals over \$100

million rose from 6 to 15. (A total of 51 foreign investment proposals over \$100 million were approved in both 1987/88 and 1989/90.) In 1990/91, however, the number had dropped to 4 proposals of a total 49 approved.

### *Country Source of Investor*

8.28 The country of origin of foreign investment is set out in Table 8.4. Japanese interests comprise the major foreign investors in all sectors in 1990/91 with a total of \$5 billion (compared with \$8.4 billion worth of proposals in 1989/90). Japan also remained the major source of foreign investment in tourism with \$1.2 billion or 66.7 per cent (compared with \$2.7 billion, or 68.3 per cent, of investment in 1989/90). In fact, 24.6 per cent of all Japanese foreign investment proposals approved by the Board was for the tourism sector.

8.29 The Committee for Economic Development of Australia and Keizai Doyukai have reported on a survey among Japanese firms. They suggested the main reasons for firms investing in non-manufacturing industries in Australia include to:

- secure and maintain market share and sales promotion;
- enter an enlarged market caused by the extension of Japanese and other non-Australian firms into Australia;
- obtain and secure raw materials;
- take advantage of market liberalisation and deregulation; and,
- respond to an invitation by Australian firms.<sup>18</sup>

Importantly, investment in the tourism industry from Asian Countries, including that from Japan, is expected to continue. Mr Keys of Price Waterhouse told the Committee that:

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<sup>18</sup> Committee for Economic Development of Australia and Keizai Doyukai, *Encouraging Direct Investment Between Australia and Japan*, 1990, p. 12

Table 8.4: Total Proposed Investment by Country of Investor and Industry

Country	PROPOSED INVESTMENT											
	1988-89				1989-90				1990-91			
	Tourism		All Sectors		Tourism		All Sectors		Tourism		All Sectors	
	\$m	%	\$m	%	\$m	%	\$m	%	\$m	%	\$m	%
Japan	3516	70.4	9104	28.4	2659	68.3	8418	34.9	1242	66.7	5037	26.2
Australia	271	5.4	5035	15.7	458	11.8	4434	18.4	1	0.05	2331	12.1
New Zealand	59	1.2	1965	6.1	265	6.8	1853	7.7	188	10.1	1102	5.7
Singapore	280	5.6	468	1.5	156	4.0	292	1.2	9	0.5	208	1.1
Hong Kong	392	7.8	1988	6.2	131	3.4	954	4.0	139	7.5	379	2.0
USA	138	2.8	3715	11.6	115	3.0	1790	7.4	30	1.6	3925	20.4
United Kingdom	83	1.7	3583	11.2	32	0.8	2585	10.7	3	0.2	2891	15
Switzerland	50	1.0	554	1.7	22	0.6	411	1.7	0	0	313	1.6
Malaysia	76	1.5	863	2.7	6	0.2	107	0.4	67	3.6	363	1.9
Canada	0	0	249	0.8	0	0	258	1.1	0	0	30	0.2
Korea	1	0	113	0.3	0	0	19	0.1	0	0	5	0.02
World Other	131	2.6	4384	13.7	48	1.2	2986	12.4	181	9.7	2652	13.8
Total	4997	100	32023	100	3892	100	24105	100	1860	100	19236	100

Source: prepared from FIRB reports for 1988-89, 1989-90 and 1990-91

Based on our research, notwithstanding the slowdown in the Japanese economy, we felt that Japan would continue to be a strong provider of capital into Australia and that Malaysia and the other Asian countries would similarly be increasing their foreign investment in Australia.<sup>19</sup>

8.30 The report by Access Economics entitled *Japanese Investment in Australia* confirmed that Japanese investment is likely to persist.<sup>20</sup> The report suggests that this investment will continue to focus on tourism, real estate, resources and motor vehicles in the absence of improved productivity performance in manufacturing. It also states that Japan may move increasingly towards vertically integrated production in some fields such as tourism and food, where Australia provides inputs for use in Japan, or by the Japanese.<sup>21</sup>

8.31 Nevertheless, the 1990 report *Encouraging Direct Investment between Australia and Japan* warns that Japanese investment may not continue at its current level indefinitely. The report states because the Japanese labour force is aging, the outflow of Japanese foreign development investment ( FDI ) is expected to decrease markedly after about the year 2000, and Australia should take advantage of Japanese FDI while it remains available.<sup>22</sup>

8.32 In 1990/91, New Zealand was the country of origin for the second largest amount of foreign tourism investment (\$188 million). The proposed investment from New Zealand sources for 1990/91 represents an increase from \$131 million in 1987/88 and \$59 million in 1988/89; however it is a decrease from \$265 million in 1989-90.

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<sup>19</sup> *Evidence*, p. 700

<sup>20</sup> Access Economics, *Japanese Investment in Australia* , 1991, p. 45

<sup>21</sup> *Japanese Investment in Australia*, p. 36

<sup>22</sup> *Encouraging Direct Investment between Australia and Japan*, p. 32



### *Location of Investment by State*

8.33 Table 8.5 also shows the location of proposed investment in Australia by source country of investment. For instance, some 59.6 per cent of the Japanese investment in tourism is proposed for Queensland while 29.3 per cent is proposed for New South Wales. The table shows that in the FIRB figures for 1989/90, 76.3 per cent of all foreign investments in the tourism sector were proposed for New South Wales and Queensland, and in 1990/91 this was 68.2 per cent. In 1989/90, 49.5 per cent of foreign investment in the tourism industry was proposed for locations in New South Wales. However the proposed levels of investment in New South Wales have dropped while the proposed levels of investment in Queensland have risen. Western Australia has also seen an increase from 8.7 to 11.8 per cent.

### *Actual Outlays*

8.34 The FIRB does not have a regular procedure for monitoring proposals to determine whether they are implemented. However, during 1989/90, the Board followed up the larger of the tourism proposals approved in 1986/87. There were eighteen tourism proposals of over \$20 million. As at March 1990, ten of those had been completed, four were still under construction and four either were cancelled or had not begun. The FIRB suggested that approximately 70 per cent of the proposed foreign investment in tourism for 1986/87 will eventually be realised.<sup>23</sup>

### *Australian Tourism Investment Database*

8.35 In April 1991 the *Australian Tourism Investment Database* was first released. It is jointly funded by DASETT, the Building Owners and Managers Association (BOMA) and Arthur Anderson and Company. The database is being updated twice each year and includes details on individual establishments, such as

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<sup>23</sup> *FIRB Report 1989-90*, p. 16

Table 8.5: Proposed Tourism Investment by Country of Investor and Location of Investment

Country	PROPOSED INVESTMENT														
	1988-89				1989-90				1990-91						
	NSW	Qld	WA	Other	Total	NSW	QLD	WA	Other	Total	NSW	QLD	WA	Other	Total
\$m	%	\$m	%	\$m	%	\$m	%	\$m	%	\$m	%	\$m	%	\$m	%
Japan	803	2415	240	58	3516	1597	765	297	-	2659	364	741	137	-	1242
	22.8	68.7	6.8	1.6	100	60.1	28.8	11.2	-	100	29.3	59.6	11.1	-	100
Australia	187	54	20	10	270	86	26	-	346	458	1	-	-	-	1
	69.3	20.0	7.4	3.7	100	18.8	5.7	-	75.6	100	100	-	-	-	100
New Zealand	31	29	-	-	60	6	80	-	179	265	-	7	-	182	189
	51.7	48.3	-	-	100	2.3	30.2	-	67.5	100	-	3.7	-	96.3	100
ASEAN	340	-	-	50	390	122	-	40	-	162	28	-	84	84	196
	87.2	-	-	12.8	100	75.3	-	24.7	-	100	14.2	-	42.9	42.9	100
Hong Kong	363	13	-	15	392	89	24	-	19	131	18	65	-	56	139
	92.6	3.3	-	3.8	100	67.9	18.3	-	14.5	100	13	46.8	-	40.2	100
EC (inc UK)	3	47	20	14	84	-	32	-	16	48	-	15	-	3	18
	3.6	56.0	23.8	16.7	100	-	66.7	-	33.3	100	-	83.3	-	16.6	100
World Other	113	116	10	47	286	29	115	-	23	168	5	25	-	46	75
	39.5	40.6	3.5	16.4	100	17.3	68.5	-	13.7	100	6.6	33.3	-	61.3	100
Total	1839	2675	289	194	4997	1928	1042	338	584	3892	416	852	221	370	1859
	36.8	53.5	5.8	3.9	100	49.5	26.8	8.7	15.0	100	22.4	45.8	11.8	20.0	100

Source: prepared from FIRB reports for 1988-89, 1989-90 and 1990-91

room and bed numbers, project values, employment, the extent of foreign ownership, and foreign investment levels. Data is collected directly from the owners both of existing establishments and new projects. As a companion to the database a report entitled *Australian Tourism Investment Overview* has been released. This report is a statistical summary of existing and projected traveller accommodation of a three star level and above.

#### *Current Ownership of Traveller Accommodation*

8.36 Table 8.6 shows that foreign investors currently own 15.5 per cent of all traveller accommodation bedrooms, i.e. 18,972 rooms of the 122,399 available across Australia. This table also shows the distribution of these bedrooms across the States. In Western Australia 32.1 per cent of rooms are foreign-owned and 25.9 per cent of rooms in Queensland are foreign-owned. The State with the smallest percentage of rooms reported to be foreign-owned is South Australia with only 1.8 per cent.

**Table 8.6: Foreign Ownership of Traveller Accommodation Bedrooms by State**

State	Percentage of rooms foreign owned	Total number of rooms
New South Wales	14.4	43 397
Queensland	25.9	20 550
Victoria	2.4	29 790
Western Australia	32.1	10 205
South Australia	1.8	7 077
Tasmania	7.8	4 506
Northern Territory	12.9	3 652
Australian Capital Territory	14.2	3 136
<b>Total</b>	<b>15.5</b>	<b>122 399</b>

Source: prepared from Australian Tourism Investment Overview, BOMA, July 1991

### *Current Ownership by Star Rating of Accommodation*

8.37 Table 8.7 indicates that foreign investors own 49.5 per cent of all Australian tourist bedroom accommodation in the five star category and only 2 per cent in the three star category. The data in this table appears to support the claim that foreign investment is in fact funding additional categories of tourist developments rather than just replacing domestic investment. If foreign interests were not involved in four star accommodation, the number of rooms would remain about the same at that level. By contrast, were foreign interests not involved with five star accommodation, it is likely that about half of that grade of accommodation would not have been developed.

8.38 Foreign investment is also providing the type of accommodation that foreign tourists prefer. The view that international tourists prefer higher class of accommodation was claimed by a number of organisations that gave evidence to the Committee. The Advance Magnetic Island Association stated:

... the majority of existing foreign tourists demand top class facilities, facilities which are not generally available except in 4 and 5 star hotels.<sup>24</sup>

**Table 8.7: Foreign Ownership of Traveller Accommodation Bedrooms by Star Rating**

Star rating	Percentage of rooms foreign owned	Total number of rooms
Three	2.0	41 749
Three and a half	11.4	25 938
Four	8.5	16 417
Four and a half	16.1	5 730
Five	49.5	19 019
Unclassified	23.5	13 460
<b>Total</b>	<b>15.5</b>	<b>122 313</b>

Source: prepared from Australian Tourism Investment Overview, BOMA, July 1991

<sup>24</sup> *Evidence*, p. 1083

### *Ownership of Proposed Projects*

8.39 As Table 8.8 reveals, BOMA predicts that some 5,921 rooms will be built by foreign investors between 1991 and 1995. Foreign investment would account for 17.3 per cent of likely projects in this five-year period. Table 8.9 shows that the total investment in projects will be \$10.5 billion during the four-year period. Of this amount, 32 per cent or about \$3.5 billion is likely to be by foreign investors.

**Table 8.8: Ownership of Traveller Accommodation Bedrooms**

	Number of rooms foreign owned	Percentage of rooms foreign owned	Total number of rooms
Existing Accommodation	18 972	15.5	122 313
Likely projects 1991-1995	5 921	27.0	21 032
<b>Total</b>	<b>24 893</b>	<b>17.3</b>	<b>143 893</b>

Source: prepared from Australian Tourism Investment Overview, BOMA, July 1991

8.40 According to BOMA (Table 8.9) the contribution of foreign investment to new development activity will increase in percentage terms until 1992. However, the percentage will decrease markedly in 1993 and 1994, and the dollar amount is expected to decrease from \$ 3.89 billion in 1992 to \$2.88 billion in 1994.

**Table 8.9: Contribution of Foreign Investment to New Development Activity**

	Percentage of foreign investment	Investment Value (\$b)
1991	44.0	1.753
1992	46.0	3.980
1993	13.0	1.899
1994	19.0	2.886
<b>Total</b>	<b>32.0</b>	<b>10.518</b>

Source: prepared from Australian Tourism Investment Overview, BOMA, July 1991

### *Summary*

8.41 On the basis of the available data about foreign investment in tourism in Australia:

- While foreign investment grew strongly through to 1988/89, it has declined markedly in 1990/91.
- Acquiring existing businesses accounts for more than 80 per cent in the value of foreign investment in tourism.
- And foreign investment in new tourism businesses leads to an increase in the number of tourism enterprises rather than simply changing ownership of existing businesses.
- About half of the five star accommodation currently in operation in Australia is owned by foreign interests.
- Of the foreign investment in tourism projects, a small number of high value proposals account for most of the total amount invested.
- Japan is the major source of foreign investment in tourism, followed by New Zealand and Hong Kong interests.
- Most foreign investment in tourism goes to New South Wales and Queensland.
- About 70 per cent of foreign investment proposals for tourism will eventually be realised.

### *Recommendations*

8.42 That joint ventures between Australian and foreign investors be encouraged.

8.43 That the FIRB develop clearer criteria to identify the impact of foreign investment and that foreign investment proposals be required to demonstrate the likely economic benefits they will provide.

8.44 That the criteria for determining when an environmental impact statement is required be clarified.

8.45 That foreign investment proposals should be assessed against social impact criteria where appropriate.

8.46 That the criteria against which the social impact of developments are measured be extended to State and local government requirements for EIS unless there is a successful application to the relevant authority for exemption.

