

The Parliament of the Commonwealth of Australia

**THE AUSTRALIAN ENVIRONMENT
AND TOURISM REPORT**

**A report by the Senate Standing Committee on
Environment, Recreation and the Arts**

SEPTEMBER 1992

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PREFACE

On 19 May 1988, the Senate referred to this Committee an inquiry on the Australian Tourist Industry; the terms of reference are as follows:

1. The role of the Commonwealth Government in the further development of the Australian tourist industry with particular reference to:
 - (a) the environmental impact of tourist developments, particularly in coastal regions and national heritage areas; and
 - (b) the co-ordination of foreign tourist development strategies between the States.
2. The role of foreign investment in tourist developments and the net benefit to Australia of overseas tourism.

The Committee's consideration of these terms of reference was delayed because the *Drugs in Sport* reference, received at the same time, became a priority and occupied the Committee for the following two years. Reports on *Drugs in Sport* were tabled on 14 June 1989 and 24 May 1990. At the same time, the Committee concluded its inquiry into the *Environmental Impact of Development Assistance*, tabling that report on 22 December 1989. Further, in September 1990 the Committee commenced an inquiry into *The Circumstances Surrounding the Positive Drug Test on Mr Alex Watson* and tabled that report on 28 May 1992. Because of the delay in finalising the *Australian Tourist Industry* inquiry, the Committee readvertised that reference on 27 April 1991.

The Committee draws attention to its decision not to print this report on recycled paper because of the relatively limited durability of that material.

ACKNOWLEDGMENTS

This inquiry depended in large part on the co-operation of many witnesses in public hearings and on the provision of a considerable amount of documentation, in particular submissions from interested parties. The submissions received by the Committee are listed at Appendix 1. The Committee is grateful for the interest shown and the advice that was provided. While some of the submissions are not mentioned in this report, they were carefully considered and taken into account in the report's preparation.

Further, in publishing its reports, the Committee is mindful of the assistance of Secretariat staff under the direction of the Committee Secretary. For the finalisation of this report the Committee thanks Ms Gay Stevenson, Ms Christine McPaul and Mr Derek Drinkwater (Research Officers), Ms Laurie Swift and Ms Angela Mistic (Executive Assistants).

ACRONYMS AND ABBREVIATIONS

AAT	Administrative Appeals Tribunal
ABS	Australian Bureau of Statistics
ACF	Australian Conservation Foundation
ADC	Aboriginal Development Commission
AIDC	Australian Industry Development Corporation
AIMS	Australian Institute of Marine Science
ANTA	Australian National Travel Association
ASAs	Air Service Agreements
ASCOT	Australian Standing Committee on Tourism
ATC	Australian Tourist Commission
ATIA	Australian Tourism Industry Association
ATSIC	Aboriginal and Torres Strait Islander Commission
BIE	Bureau of Industry Economics
BOMA	Building Owners and Managers Association
BTCE	Bureau of Transport and Communications Economics
BTR	Bureau of Tourism Research
CAA	Civil Aviation Authority
CALM	Conservation and Land Management (Western Australian Department)
CEDA	Committee for Economic Development of Australia
CEP	Code of Environmental Practice
CER	Closer Economic Relations
DASETT	Department of the Arts, Sport, the Environment, Tourism and Territories
DILGEA	Department of Immigration, Local Government and Ethnic Affairs
DTM	BTR's Domestic Tourism Monitor
EIA	Environmental Impact Assessment
EIS	Environmental Impact Statements
EPA	Environment Protection Agency
EPAC	Economic Planning Advisory Council
ESD	Ecologically Sustainable Development
FAC	Federal Airports Corporation
FATA	Foreign Acquisitions and Takeovers Act 1975
FDI	Foreign Development Investment
FIRB	Foreign Investment Review Board
GBRMPA	Great Barrier Reef Marine Park Authority
GDP	Gross Domestic Product

IAC	Industries Assistance Commission
ITMA	Inbound Tourism Marketing to Australia
ITR	Integrated Tourism Resort
IVS	BTR's International Visitor Survey
NTS	National Tourism Strategy
TAC	Tourism Advisory Council
TAFE	College of Technical and Further Education
TMC	Tourist Ministers' Council
TTF	Tourism Task Force
VFR	Visiting Friends and Relatives
VFT	Very Fast Train
WTO	World Tourism Organisation

RECOMMENDATIONS

CHAPTER TWO

Recommendation One

That the Bureau of Tourism Research and the Australian Bureau of Statistics employ an agreed set of definitions for statistics related to the tourism industry, and particularly seek a correlation between the ABS accommodation data and the data in the BTR's International Visitor Survey and the Domestic Tourism Monitor. (2.70)

Recommendation Two

That the ABS urge all collectors of tourism statistics to collect all data under the guidelines of the ABS *Framework* so as to allow the ABS to produce a standardised and comprehensive *Directory of Tourism Statistics*. (2.71)

Recommendation Three

That until a comprehensive and consistent *Directory of Tourism Statistics* is published, the ABS include an opening chapter of each edition of the *Directory* explaining its limitations. (2.72)

CHAPTER THREE

Recommendation Four

That the BTR canvass with government authorities, practising economists and academics alternative economic models for net benefit analysis, and that the BTR be provided with additional resources to allow it to carry out additional research functions. (3.20)

CHAPTER FOUR

Recommendation Five

That the Commonwealth Government retain the responsibility for international marketing of Australia as a tourist destination. That the Australian Tourist Commission continue to perform that function on behalf of the Commonwealth. That sufficient funding be maintained to the Australian Tourist Commission to allow it to carry out its activities in order to achieve Government targets for inbound growth and the consequent economic yield from international tourism. (4.47)

Recommendation Six

That section 7 (e) of the *Australian Tourist Commission Act 1987* requiring the Commission to 'closely monitor and report the effects of international tourism on Australia's natural environment and society' be strengthened to require reports at least annually on those effects. (4.48)

Recommendation Seven

That an investigation be carried out by the Tourist Ministers' Council into State and Federal overseas tourism representation to evaluate whether the most cost-effective arrangements are in place, or whether a rationalisation is required. (4.49)

Recommendation Eight

That a review of the Australian Tourist Commission's promotion and marketing be carried out to identify a program which will encourage international tourism to all Australian States. (4.50)

CHAPTER FIVE

Recommendation Nine

That empirical studies of the likely effects of developments on environmentally sensitive sites be commissioned by developers at the concept stage of a development. (5.79)

Recommendation Ten

That projects likely to cause significant environmental scarring only receive development approval conditional upon an undertaking to renovate the area. (5.80)

CHAPTER SIX

Recommendation Eleven

That there be environmental impact statements, including social and cultural impact statements, for all tourist developments unless there is a successful application to the relevant authority for exemption. (6.34)

Recommendation Twelve

That before tourism developments are approved, provision be made for community consultation including with the involvement of local government where appropriate. (6.35)

CHAPTER SEVEN

Recommendation Thirteen

That the EPA become operational as a matter of urgency. (7.50)

Recommendation Fourteen

That draft environmental guidelines for tourism developments be finalised by the Environment Protection Agency by the end of 1992 for ratification at the earliest possible date under the Intergovernmental Agreement on the Environment. (7.51)

CHAPTER EIGHT

Recommendation Fifteen

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

Recommendation Sixteen

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. (8.43)

Recommendation Seventeen

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

Recommendation Eighteen

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

Recommendation Nineteen

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. (8.46)

CHAPTER TEN

Recommendation Twenty

That, for foreign investment in the tourism industry, the liberalised policy on foreign investment since July 1986 be maintained. (10.62)

Recommendation Twenty-One

That, for the purpose of advising the Treasurer on foreign investment proposals, the Foreign Investment Review Board (FIRB) continue. (10.63)

Recommendation Twenty-Two

That to become more independent, the FIRB be restructured as follows:

- that the Board be comprised of permanent part-time members none of whom are selected from the Commonwealth bureaucracy;
- that the Board be served by a Secretariat; and
- that the Board establish and maintain its own office. (10.64)

Recommendation Twenty-Three

That, with regard to foreign investment proposals, the Treasury documents be copied to the FIRB for its independent comment and advice direct to the Treasurer. (10.65)

Recommendation Twenty-Four

That FIRB approval for foreign investment in new developments for the tourist industry be conditional upon a requirement to report progress on the development each six months from the date of approval until completion of the development. (10.66)

Recommendation Twenty-Five

That the FIRB maintain sufficient resources to monitor foreign investment proposals that have been approved and provide that information in its annual reports. (10.67)

Recommendation Twenty-Six

That statistics concerning foreign investment proposals in tourism facilities from investors' reports be provided to the ABS for subsequent publication (conjointly with the BTR). (10.68)

Recommendation Twenty-Seven

That in complying with the Environment Protection (Impact of Proposals) Act 1974, the FIRB request social impact statements which include employment projections, time for completion and long term employment, where appropriate, in addition to environmental impact statements. (10.69)

Recommendation Twenty-Eight

That the FIRB ensure potential developments are based on market research. (10.70)

CHAPTER ELEVEN

Recommendation Twenty-Nine

That the Australian Standing Committee on Tourism include relevant advice from the Australian Local Government Association on significant issues referred to the Tourism Ministers' Council. (11.75)

Recommendation Thirty

That implementation of the National Tourism Strategy be expedited to achieve the most beneficial outcome for the tourist industry economically, environmentally and socially. (11.76)

CHAPTER TWELVE

Recommendation Thirty-One

That the Federal Minister for Transport and Communications establish a task force to report by the end of 1992 on national transport infrastructure needs given that international tourist numbers have been targeted to reach up to 6.5 million by the year 2000. That the Minister consult on this matter with the Australian Transport Advisory Council. (12.87)

PART 1

INTRODUCTION

CHAPTER 1

TOURISM, THE ENVIRONMENT AND DEVELOPMENT

The Environment and Tourism Development

1.1 For nearly two centuries Australia was seen as an alien land, harsh and dry, dangerous and frightening, certainly not a land of 'milk and honey'. Early white settlers feared and loathed the Australian environment, later settlers sought to tame it or rape it but very few had much regard for it. Some painters like Margaret Preston and Hans Heysen valued it and recorded it and others like John and Elizabeth Gould and Joseph Banks sought it, stuffed it, recorded it and shipped it to England.

1.2 The attitude to the environment was also affected by Australia's cultural cringe. That is, the colonial attitudes that regarded Australia as alien and primitive were extended long past colonial days. It is only in recent years that many Australians have come to appreciate their own environment, and its plants and animals, and want to protect and preserve it. As the environment support grew, so did a considerable tension between the environment and development lobbies. Tourism which has seen itself as a development industry was, until recently, at war with the environment. Now however, that attitude has changed. Those promoting tourism recognise that Australia's singular environmental features like the Great Barrier Reef and Uluru Rock are huge drawcards and that it is in their own interest to protect them.

1.3 Pressure on the environment from tourism is increasing. It is anticipated that the number of foreign tourists could treble by the year 2000; domestic tourism, currently about eighty per cent of the market, is expected to

remain vigorous. There is a need to consider carefully the ways in which the Australian environment is under threat from tourism. Unless those threats can be identified, tourism could increase the damage to the very environment that is attractive to tourists, and on which the industry in large part depends. In other words, it will kill the goose that lays the golden egg.

1.4 The Committee canvassed that opinion of those knowledgeable about the environment and concerned with the impact of the tourist industry on the environment, as well as those promoting tourism and concerned to protect the Australian environment as a drawcard for tourists.

1.5 The Committee included people, especially the local community, in its definition of environment. The impact of tourism on society was a major concern of the Committee; it canvassed these issues with various groups including Aboriginal communities.

The Economic Significance of the Tourist Industry

1.6 The Committee was concerned to analyse the economic significance of tourism. At present, tourism is Australia's fastest growing industry and ranks as Australia's largest foreign exchange earner. Export earnings from tourism now exceed that from wool and mineral ores.

1.7 The Committee considered opinions about the economic effect of tourism's projected growth, particularly as some evidence suggested that dramatic growth could have negative economic consequences, at least in the short term.

1.8 Despite evidence that the economic effects of tourism growth may not be immediately beneficial, it was clear to the Committee that the tourism industry will play a major role in Australia's economy for the foreseeable future. While there

may be doubt about the economic benefits of expansion of the industry, at least in the short term, there is no doubt about the benefit of employment growth in this labour intensive industry.

1.9 Tourism is the world's largest employer¹. Yet Australia's share of the industry, measured by overseas tourist arrivals, is very small. There is opportunity for considerable growth in Australia's tourist industry. This has been recognised in the creation of a separate Department of Tourism at the Federal level.

1.10 The Committee was concerned to examine the impact of foreign investment on tourism. It considered evidence from the Treasury and from the Foreign Investment Review Board and canvassed a wide range of witnesses including industry representatives.

Tourism Statistics

1.11 In order to address the range of issues covered by the terms of reference the Committee sought the most recent studies analysing the Australian tourist industry and examined basic data particularly from the ABS and the BTR. The Committee's task was complicated by the fact that statistics on tourism have not been collected and presented uniformly and comprehensively and little success has been achieved in standardising that data.

1.12 Clearly, analyses of the Australian tourist industry need to employ a range of sources of data. (Appendix 4 lists the current publications of national statistics relating to tourism.) It is necessary to have all sources of basic data collected in a standardised form and published systematically.

1.13 The problems that underlie the inadequate state of tourism industry statistics are being addressed. In June 1991 the ABS released its *Framework for the Collection and Publication of Tourism Statistics*. In February 1992 the ABS released

¹ *Travel and Tourism*, WTO, 1992

the *Directory of Tourism Statistics 1991*, based on its own *Framework* which was compiled to assist the design and conduct of tourism surveys and the researchers who use that data. However, because the ABS *Framework* is not yet comprehensively used by the *Directory's* source contributors, the data it contains is still not completely standardised. Until this matter is resolved, inquiries and studies on the Australian tourist industry will continue to be inconclusive.

Summary

1.14 The Committee received 103 submissions and heard from 94 witnesses at public hearings; this was supplemented by inspections of tourist sites in three States and the Northern Territory. (Appendix 1 lists submissions received. Appendix 2 lists the witnesses who appeared before the Committee and Appendix 3 lists the inspection sites visited by the Committee.) In all, the Committee considers that it has examined the most relevant sources of information in relation to the terms of reference of this report.

PART 2

ECONOMIC SIGNIFICANCE

CHAPTER 2

TOURISM AND THE AUSTRALIAN ECONOMY

Tourism in Australia

Characteristics

2.1 The economic impact and potential of tourism are determined in part by certain characteristics of the industry. In its submission to the Committee in 1989, the Department of the Arts, Sport, the Environment, Tourism and Territories listed the following as being of particular importance from a policy development viewpoint:

- it is a twenty-four hour-a-day, seven day-a-week industry despite seasonal fluctuations;
- it is a labour intensive industry with employment opportunities at all skill levels;
- there is a relative lack of barriers to entry into the industry;
- it consists of a predominance of small businesses, despite growing investment in tourism by large companies;
- it helps to diversify the economic base of regional economies;
- it is subject to minimal direct financial assistance or regulation by governments; and
- its impacts are broad ranging, involving economic, social and environmental considerations.¹

¹ *Evidence*, p. 12

Definitions

2.2 Over the years various definitions of the tourist industry have been employed; both supply and demand-oriented approaches have been adopted. For example, in a 1979 study, *Economic Significance of Tourism in Australia*, the Bureau of Industry Economics took a supply approach in defining the tourist industry to include all activities which supply or produce directly or indirectly goods or services for tourism final demand.²The Bureau further argued that it would be undesirable to limit the definition to those sectors which are of obvious primary importance to tourism such as transport and accommodation. Not only do these industries include non-tourist activities, but in addition, many other industries sell a percentage of their output to tourists.³

2.3 The 1986 Australian Government Inquiry into the Tourist Industry which produced the Kennedy Report also adopted a supply-oriented definition. The tourist industry is, in the view of this Inquiry, not one discrete entity but a collection of inter-industry goods and services which constitute the travel experience.⁴And each of the following types of firms or facilities could be regarded as part of the tourist industry according to that Report:

- transport operators
- accommodation suppliers
- restaurants
- attraction operators
- souvenir manufacturers
- entertainment facility operators
- retailers
- national parks

² *Economic Significance of Tourism in Australia, Research Report 4*, p. 2

³ *Ibid.*

⁴ *Report of the Australian Government Inquiry Into Tourism 1986*, p. 11

- information suppliers
- travel agents⁵

2.4 In contrast with these supply-oriented definitions of the industry, the Bureau of Tourism Research (BTR) has focused its definition on demand considerations; that is, the tourism industry is defined by what tourists are and the activities in which they engage. The following definitions are used:

- Inbound Tourism - a visit to Australia, for less than 12 months, by a person who resides overseas. Data from the Australian Bureau of Statistics (ABS) includes travellers of all ages, while data from the BTR International Visitor Survey (IVS) only includes travellers aged 15 years and over.
- Domestic Tourism - Overnight trip - travel by Australian residents aged 14 years and over, involving a stay away from home for one or more nights but less than 3 months, and requiring a journey of at least 40 kilometres from home. The travel must be undertaken for any reason other than to take up temporary employment.
- Domestic Tourism - Day trip - a trip away from home of at least four hours and involving no overnight stay, where the main purpose of the trip is pleasure.
- Outbound Tourism - an overseas visit, for less than 12 months, by an Australian resident of any age.⁶

2.5 In its submission the Department of the Arts, Sport, the Environment, Tourism and Territories (DASETT) drew attention to the range of industries supplying goods and services for firms which directly cater for tourists. DASETT

⁵ *Ibid.*

⁶ *Australian Tourism Trends 1991*, pp. 2-3

also noted the services provided (often without direct charge) by governments to tourists. These services include information offices, the maintenance of roads, harbours, airports, railways, national parks, tourist promotion, visa and immigration services and local government amenities.⁷ Accordingly, the Department informed the Committee that tourism encompassed all short-term travel away from the normal place of work and residence, including that undertaken for business, holiday and visiting friends and relatives. It includes both domestic and international travel and involves the consumption of a wide range of goods and services provided by, for example, transport and tour operators, accommodation establishments, theme parks and attractions, entertainment and arts venues, museums and historical sites, restaurants, travel agents and souvenir retailers.⁸

2.6 The Department, then, adopts a demand-oriented definition of the industry. This approach is consistent not only with the BTR but also with the ABS. The difficulties presented by the diverse nature of the tourism industry on the supply side have led the ABS to argue that the industry can only be defined in terms of consumer activity rather than in terms of supplier activity. This is contrary to the normal criterion used in defining an industry, in which the industry is defined in terms of those enterprises which are included in selected categories of an economic activity classification. According to the ABS the tourism industry cannot be defined in such supply side terms, as the industry comprises the supply of any product, not just specific products, to visitors.⁹

2.7 For the ABS, the collection of statistics focuses on the activities of visitors in purchasing products or participating in activities. (At a national level the only industry sectors where close to 100 per cent of supply, or output, is consumed by visitors are the accommodation and the long-distance travel sectors.) The

⁷ *Evidence*, p. 12

⁸ *Evidence*, p. 12

⁹ Australian Bureau of Statistics, *Framework for the Collection and Publication of Tourism Statistics*, June 1991, pp. 4-5

Committee accepts the demand-oriented approach to defining the tourism industry adopted by the ABS, the BTR and DASETT.

Research and Statistics

2.8 The major producers of tourism statistics in Australia are the Australian Bureau of Statistics and the Bureau of Tourism Research.

Australian Bureau of Statistics

2.9 According to DASETT in its discussion paper, *Directions for Tourism*, issued in 1988, there was at that time still a relative dearth of accurate, comprehensive and timely statistics relating to the tourism industry.¹⁰ DASETT had reviewed ABS tourism statistics in order to identify gaps and deficiencies in statistical collections relevant to the tourism industry, and indicated that the ABS had decided to expand the scope and content of its Survey of Tourist Accommodation and give priority status in its Industry Survey Program to items covering tourist accommodation, attractions, travel agents and car rental services.¹¹

2.10 Important statistical collections now produced by ABS encompass:

- arrivals and departures of international visitors;
- activities and characteristics of international visitors; and
- the supply of, and demand for, tourist accommodation.

The ABS publishes *Tourist Accommodation Australia* (Cat. 8635.0) which includes data on establishments and capacity, guest arrivals and average length of stay, room nights sold, occupation rates, takings from accommodation and employment in establishments. It also publishes *Overseas Arrivals and Departures* (Cat. 3401.0,

¹⁰ *Directions for Tourism*, p. 90

¹¹ *Ibid.*

3402.0, 3404.0), which includes data on country of last residence/stay, country of birth, purpose of journey, duration of stay, State of stay, sex and age, country of embarkation and port of clearance.

2.11 In 1986/87, the ABS collected service industry data on the Motor Vehicle Hire Industry, Travel Agency Services, Cafes and Restaurants, Hotel and Bars, Licensed Clubs, and Tourist Attractions. In September 1990 the ABS published *Australian Travellers' Expenditure Overseas* which includes data on components of travel debts, percentage change in expenditure and trends in international fares and travel expenditure.

2.12 The Australian Bureau of Statistics has recently developed a *Framework* for the collection and publication of tourism statistics. The ABS *Framework* was designed to provide a conceptual base which will ensure consistency and comparability in the collection and publication of Australian tourism statistics by all collectors, not just the ABS:

The concept on which the Framework is based is that the primary interest for tourism statistics is to count, measure or in some way describe the activities of tourists. A tourist activity is referred to as an *event*, which contains three elements, identified as the CONSUMER, the PRODUCT and the SUPPLIER. Tourism statistics describe either a relationship between two of these elements, or some aspect of one of these elements.

The underlying principle of the Framework is that whether an *event* should be identified as "tourism" or not depends on the status of the final consumer of the product involved. Neither the type of product nor the activity of a supplier are relevant to defining the *event* as "tourism". In this respect there is no such thing as a "tourism industry" as such. Any type of product or any supplier can be part of the "tourism industry", if final consumption of the product results from the activity of a visitor. Consequently the concept of a product- or activity-based framework, which is a common basis for other statistical frameworks, is not appropriate in this

case.¹²

2.13 As part of this *Framework*, the ABS defines the consumer as international visitors (both overnight and day) and domestic visitors (both overnight and day). The product is classified into ten broad product/service groups which are then broken down into further subcategories. The broad groups are:

- accommodation;
- food and drink;
- transport;
- entertainment and leisure;
- sporting activities;
- business activities;
- education and training;
- health;
- other goods and services; and
- package tours.

The supplier is classified according to the Australian Standards Industrial Classification.¹³

2.14 In February 1992, the ABS published the *Directory of Tourism Statistics 1991* based on the *Framework*; it is planned to produce updated versions as the need arises. The ABS indicated that its *Framework* will be a reference for all major organisations involved in the collection and use of tourism statistics, and that

¹² Australian Bureau of Statistics, *Framework for the Collection and Publication of Tourism Statistics*, June 1991, p. iv

¹³ Australian Bureau of Statistics, *Directory of Tourism Statistics 1991*, February 1992, p. 3

it would be part of an ongoing process influenced by the comments and experience of collection and dissemination agencies and users of tourism statistics.¹⁴

2.15 The *Directory of Tourism Statistics 1991* provides information on:

- overseas visitor arrivals;
- the characteristics of international visitors, including a breakdown of ages for US and Japanese visitors;
- attitudes and expenditure of international visitors;
- details of international passenger arrivals and departures;
- an outline of international tourism in NSW including the proportion of international visitors to various tourist attractions, and the types of accommodation used;
- forecasts of international visitor arrivals;
- tourism trends;
- census counts of visitors and employees;
- overseas and domestic travel by Australians;
- a summary, of domestic tourism including the main purpose for travelling, the accommodation used, the regions and main tourist attractions visited for NSW, QLD, WA, Tas, NT;
- average weekly expenditure on holidays by Australians;
- bus and air travel usage;
- visitors to tourist attractions;
- Australian traveller's expenditure overseas;
- an overview of the hospitality and service industries including travel agencies and hire cars;
- employment associated with the tourist industry;
- a summary of the effects of tourism in the economy;
- details of hotel and motel building approvals;

¹⁴ *Ibid.* p. 2

- average earnings of employees in the recreational, personal and other services industry; and
- summary of Government expenditure on tourism promotion.

2.16 The development of the comprehensive *Framework*, and the publication of the *Directory of Tourism Statistics 1991*, should assist the future collection and analysis of tourism statistics. However, although the *Directory* provides data about the tourism industry in a single publication, and the subject matter surveyed is wide ranging, a number of deficiencies remain.

2.17 In particular, the *Directory* suffers from the fact that the ABS *Framework* does not yet appear to have been widely adopted even by government authorities which collect and disseminate tourism data and on which the *Directory* relies. This matter is noted by the *Directory*. It advised that in accessing and using the data from any of the included data sources, users are reminded that the bases for collection are different. Therefore users should exercise caution in any comparative use of data unless the basis of each collection is understood.¹⁵

2.18 A helpful list of public sector data sources is included in the *Directory*. However, the introduction to Chapter 3 - Data Sources notes that even within these government agencies, some problems remain unresolved. These include statistical validity, the ad hoc nature of some collections, and the confidential and commercial nature of some of the information provided.¹⁶ As a consequence, it is not yet possible to acquire a valid and comprehensive picture of the tourism industry throughout Australia. An example of this problem occurs in relation to data about sites visited by international tourists. Although the New South Wales Tourism Commission collects data, which is provided on page 9 of the *Directory*, similar data from other States has not been included in the same format.¹⁷

¹⁵ *Ibid.*, p. 53

¹⁶ *The Directory of Tourism Statistics 1991*, p. 53.

¹⁷ *Ibid.*, p. 53

2.19 In relation to domestic tourism, the *Directory* is able to provide information about New South Wales,¹⁸ Queensland,¹⁹ Western Australia,²⁰ Tasmania,²¹ and the Northern Territory.²² Similar information has not been presented about Victoria or South Australia. Further, the data provided demonstrates the need for the Framework to be applied systematically. The information is not in similar formats, nor does it relate to identical subjects. Comparisons about the domestic tourism market between States therefore remain difficult if not impossible.

Bureau of Tourism Research

2.20 The BTR was established jointly by the Commonwealth and the States/Territories in 1987 as an independent agency to undertake the collection, analysis and dissemination of tourism data.²³ The establishment of the Bureau of Tourism Research has resulted in an expansion of the statistical base that is available for policy and market research relevant to the Australian tourist industry.

2.21 BTR publishes *International Visitor Survey* and *Domestic Visitor Monitor*. *International Visitor Survey* includes data on the characteristics of visitors including stopovers, city of arrival and departure, duration of stay and region of stay, type of accommodation and transport used, places of interest visited and expenditure. *Domestic Tourism Monitor* includes data on the main purpose of the trip, type of accommodation and transport used, length of trip, age and sex of visitor and day trips.

¹⁸ *Ibid.*, pp. 16-7

¹⁹ *Ibid.*, pp. 18-9

²⁰ *Ibid.*, p. 20

²¹ *Ibid.*, pp. 21-22

²² *Ibid.*, pp. 23-4

²³ *Directions for Tourism*, p. 91

2.22 The Director, Dr W. Faulkner, has noted that early in the BTR's research program emphasis had been placed on the forecasting of demand, and the measurement of economic impacts of tourism.²⁴ The results of a number of the research projects commissioned by the BTR on these topics were of considerable assistance in the preparation of the Committee's report. The main areas of statistical analysis relating to tourism which the Bureau has yet to address deal with the social and environmental impact of tourism.

Building Owners and Managers Association (BOMA)

2.23 As well as the ABS and BTR, other organisations compile data about the tourism industry. The Building Owners and Managers Association (BOMA) is an industry body which produces a database to assist industry decision-makers with marketing, investment and strategic planning.

2.24 BOMA in co-operation with DASETT publishes *Australian Tourism Investment Database*. This publication includes details on individual accommodation establishments of three star level and above, such as room and bed numbers, project values, employment and foreign investment levels on both existing establishments and new projects.

Domestic Tourism

2.25 In its 1989 report, the Industries Assistance Commission (IAC) drew attention to BTR estimates suggesting that from 1984/85 to 1987/88 the number of visitor nights involving domestic tourists grew at an annual rate of 2.5 per cent compared with growth in real GDP over the same period of 3.9 per cent.²⁵ The IAC suggested that if real average expenditure per visitor per night has remained constant since 1984/85, then domestic tourism has grown at a lower rate than the

²⁴ *Evidence*, pp. 150-1

²⁵ *Travel and Tourism*, p. 31

economy generally over this period. Notably, the 1990-91 figures show that the number of domestic visitor nights fell by 3.75 per cent from 1989/90 to 215 million nights.²⁶ Nevertheless, over the past decade, domestic tourism still accounted for 73 per cent of Australia's total tourism business. This amounted to \$17.3 billion. The ABS notes that almost one third of domestic trips taken in 1989/90 were by New South Wales residents, and that overall New South Wales was the most popular destination with 32 per cent of all trips ending there. Victoria and Queensland were the next most popular with 22 per cent of trips ending in each of those states.²⁷

2.26 Table 2.1 provides an indication of the size of the overall domestic tourism market. It also provides a breakdown into the main purposes for undertaking travel within Australia. The information relating to domestic travel was obtained by interviews with a sample of Australians aged 14 years and over.

2.27 While there is a reasonable indication of domestic tourism *travel* in Australia, the exact nature of domestic tourism *expenditure* is less clear. The BTR has drawn attention to the limitations of the data on domestic tourism expenditure. According to the BTR, estimates of expenditure by domestic tourists remain relatively sketchy as they are based on data collected in the BIE [Bureau of Industry Economics] Tourist Expenditure Survey which was conducted in 1982. A new, more up-to-date Domestic Tourism Expenditure Survey is long overdue, according to the BTR, to provide a basis for more reliable estimates of the economic impacts of tourism. The BTR Submission advised:

So far it hasn't been possible to conduct such a survey because of resource constraints.²⁸

²⁶ *Australian Tourism Data Card*, BTR, Autumn 1992

²⁷ *Directory of Tourism Statistics 1991*, p. 15

²⁸ *Evidence*, p. 143

Table 2.1: Domestic Travel by Primary Purpose of Trip, 1984/85 to 1989/90

Total Trips by Primary Purpose of Trip		1985/86		1986/87		1987/88		1988/89		1989/90		
Primary Purpose of Trip	('000)	(%)	('000)	(%)	('000)	(%)	('000)	(%)	('000)	(%)	('000)	(%)
Pleasure/Holiday	20,108	44.5	19,272	42.9	20,902	44.7	20,004	43.5	20,579	41.2		
Visiting Friends or Relatives	12,043	26.7	12,405	27.6	12,210	26.1	12,016	26.1	13,520	27.1		
Private Reasons	2,428	5.4	2,331	5.2	2,448	5.2	2,495	5.4	3,216	6.4		
Conference/Seminar	800	1.8	703	1.6	867	1.9	598	1.3	733	1.5		
Other Business	5,849	13.0	6,221	13.8	6,273	13.4	6,188	13.4	6,653	13.3		
Other Reasons	3,046	6.7	3,156	7.0	3,032	6.5	3,484	7.6	4,129	8.3		
Total Trips	45,144	100.0	44,963	100.0	46,725	100.0	46,017	100.0	49,962	100.0		

Source: BTR *Australian Tourism Trends 1991*, p. 77

2.28 Some spending by domestic tourists is on items such as food and entertainment which would still have been incurred if the tourists had stayed at home.²⁹ Such expenditure involves a transfer of expenditure from one region to another; this can be significant in the impact of tourism on particular regions. Estimates of the value of this expenditure, however, are not included in the statistics quoted.³⁰

Growth in Domestic Tourism

2.29 In commenting on its share of domestic tourism, the NSW Tourism Commission has indicated in its report, *New South Wales Tourism Development Strategy*, that the one-third share of the domestic tourist market held by NSW has remained steady in recent years, and continues to be well above the shares of other states. The Commission notes however, that the growth rate has been below the national average, due to the higher base and to rather sluggish intra-state tourism. The strategy states:

Recent promotions by the NSW Tourism Commission have been aimed at motivating local residents to see more of their state. Inter-state-origin tourism is the fastest-growing segment (especially from adjoining states). Holidays and visiting friends and relatives account for three quarters of visits to New South Wales, with holidays increasingly outpacing VFR as the primary motive for the visit. This will mean that average [sic] nights per visit will rise, because holiday-makers tend to spend the most time in New South Wales (eight nights vs five for VFR and four for business travellers). Expenditure per tourist will rise also, as those on holiday tend to spend more on accommodation, meals and activities.

...

²⁹ *Travel and Tourism*, p. 30

³⁰ *Ibid.*

Over the next 10 years, the number of domestic visitor nights will rise by about 50% to 100 million per annum, while international visitor nights will double to more than 40 million. However, because at least 40% will continue to stay with friends and relatives, the net incremental impact on commercial accommodation will be around 30 million visitor nights per year. The net impact on transportation and other infrastructure will be much greater.³¹

2.30 In its submission the Northern Territory Government predicted a large increase of over 110 per cent in interstate tourists from 495,000 in 1990 to 1,069,000 in the year 2000. The predicted increase in intrastate tourism of about 10 per cent is smaller, from 222,000 in 1990 to 245,000 by the year 2000.³²

2.31 The Queensland Government expects to increase its share of the domestic tourism visits and number of domestic nights over the next decade. In 1989/90, the State attracted 22% of all domestic visits within Australia and 28% of all domestic nights. By 1999/2000, it is expected that Queensland's share of domestic visits and nights will increase to 24% and 32% respectively.³³

Outbound Tourism

2.32 The average duration of overseas travel by Australians has shortened over the past decade. According to ABS the proportion of Australian residents returning after a stay of less than one month abroad has increased from 53.3 per cent in 1979 to 63.9 per cent in 1990³⁴, and to 65.2 per cent in 1991.³⁵ The number of Australians departing on an overseas trip for a period of less than 12

³¹ *New South Wales Tourism Development Strategy*, May 1990, p. vi

³² *Evidence*, p. 1163

³³ *Submission No. 100*, p. 3

³⁴ Australian Bureau of Statistics, *Overseas Arrivals and Departures*, Cat. 3402

³⁵ Australian Bureau of Statistics, *1991 Overseas Arrivals and Departures Australia*, Cat. 3404.0

months has increased from 1.176 million in 1979 to 2.170 million in 1990,³⁶ but decreased to 2.099 million in 1991.³⁷

2.33 Expenditure on goods and services arising from overseas travel by Australian residents was calculated by the Industries Assistance Commission to total \$6.1 billion in 1988-89. Air fares paid to Qantas were excluded from this figure.³⁸ This represented approximately 10 per cent of Australia's total foreign expenditure for the year. While there are immediate foreign exchange implications of outbound tourism, it generates some benefits within Australia. For example, travel agents retain 8-10 per cent of the cost of pre-booked travel arrangements. This has been estimated by one industry consultant to generate around 10,000 full-time jobs.³⁹

2.34 The key factors affecting the level of both domestic and outbound tourism by Australians are household disposable income and the value of the Australian dollar. The relatively high value of the Australian dollar has apparently fuelled growth in outbound travel despite a continuing squeeze on disposable incomes through wages policy and the effects of high interest rates which would otherwise discourage travel. The total departures in 1990 were 8.2 per cent above the figures for 1989, while total departures for 1991 were 2.7 per cent above 1990.⁴⁰ It is possible that an upturn in the economy accompanied by a relatively strong Australian dollar could lead to an increase in both domestic tourism and overseas travel by Australians. The influence of broader economic policy decisions on the size and composition of the tourist market particularly as it relates to the domestic and outbound sectors, may be more critical than specific industry-based initiatives.

³⁶ Australian Bureau of Statistics, *Overseas Arrivals and Departures*, Cat. 3402

³⁷ Australian Bureau of Statistics, *1991 Overseas Arrivals and Departures Australia*, Cat. 3404.0

³⁸ *Travel and Tourism*, p. 31

³⁹ J. Blackwell and L. Stear (eds.), *Case Histories of Tourism & Hospitality*, 1989

⁴⁰ Australian Bureau of Statistics, *1991 Overseas Arrivals and Departures Australia*, Cat. 3404.0

2.35 Domestic and outbound tourism are competitive products for some groups of Australian residents. To the extent that the Australian domestic market becomes more price competitive with overseas tourist destinations, this could have the dual effect of being not only more attractive to overseas visitors, but also of reducing the number of Australians taking holidays overseas. Since 1980 there has been a decrease in the proportion of outbound Australians departing the country on holidays; the proportion has dropped from 58.7 to 55.0 per cent. There is potential for reducing the number of Australians travelling overseas by improved marketing of Australian tourism products, although that potential of course is limited.

Inbound Tourism

Recent Growth

2.36 There has been a rapid growth in inbound tourism to Australia during the past decade. The dimensions of this increase have been reported by the Bureau of Tourism Research as follows:

- Short term arrivals doubled during the decade 1973 to 1984 and then doubled again between 1984 and 1988. In 1987, inbound foreign tourists exceeded Australian departures for the first time since 1971; and
- From 1975 to 1984 short-term visitor arrivals grew on average by 8 per cent per annum. Increases since then have been:
 - 1985 - 13 per cent;
 - 1986 - 25 per cent;
 - 1987 - 25 per cent;
 - 1988 - 26 per cent;
 - 1989 - minus 8 per cent; and
 - 1990 - 6 per cent.⁴¹

⁴¹ *Australian Tourism Trends 1991*, pp. 5-7

DASETT advised that between 1983 and 1989 there was a 120 per cent increase in short-term visitor arrivals to reach a total of 2.1 million.⁴²

2.37 BTR analysis of the ABS *Overseas Arrival and Departures* statistical series points to a number of significant changes that have occurred in the composition of short-term visitor arrivals in Australia over the past decade. In terms of the purpose for travel the major shift in inbound tourism has been the decline in the proportion visiting relatives from 29.2 per cent in 1980 to 20.6 per cent in 1990 and the rise in holiday visitors from 39.8 per cent in 1980 to 55.7 per cent in 1990.⁴³

2.38 The major changes in the composition of visitors to Australia, with reference to their country of origin, have been the decline of New Zealand visitors from 34.0 per cent in 1980 to 18.9 per cent in 1990 and the rise in visitors from Japan and other Asian countries. Japan has quadrupled its proportion of visitors from 5.4 per cent in 1980 to 21.7 per cent in 1990; visitors from other Asian countries increased from 9.9 per cent to 15.7 per cent over the same period.⁴⁴

2.39 Drawing on ABS statistics, DASETT placed the inbound tourism industry in economic context as follows:

With the increased emphasis the Government is placing on the need to improve our export performance and balance of payments, export earnings from inbound tourism have been boosted from \$1.7 billion in 1982/83 to \$6.2 billion in 1989/90. This includes expenditure of \$4.23 billion by overseas visitors while in Australia, \$1.5 billion in passenger fares accruing to Qantas from inbound tourism and 0.42 billion in foreign airline expenditure in Australia attributable to international tourism. Export earnings from tourism now exceed those

⁴² *Evidence*, p. 59

⁴³ *Australian Tourism Trends 1991*, p. 66

⁴⁴ *Australian Tourism Trends 1991*, p. 64

from traditional exports such as coal, wool, wheat, meat or iron ore.⁴⁵

Marketing Effectiveness

2.40 Various factors determine the growth of inbound tourism including the impact of marketing and promotion relative to underlying economic fundamentals such as the growth in income in other countries, movements in the cost of airfares and changes in the exchange rate.

2.41 Hon. John Brown of the Tourism Task Force advised the Committee about the need for further resources for marketing Australia overseas:

The budget has grown from \$9m to \$63m but in a budget of \$100 billion it is still pretty well pennies. There needs to be a lot more spent, and spent more efficiently too I might add.⁴⁶

2.42 The difficulty of assessing the contribution of marketing to increasing tourism earnings was acknowledged by the Industries Assistance Commission in its report *Travel and Tourism*. Many factors, such as exchange rate movements, increasing incomes, leisure time, education, and demographic changes as well as promotion, influence tourism decisions. While tourism promotion expenditure produces benefits for other activities, tourism also enjoys benefits from the promotional activities of other industries. For instance, successful Australian films such as *Crocodile Dundee* play a part in bringing tourists to Australia. Evaluation of the effects of promotion is further complicated by time lags between promotional expenditure and tourism sales.⁴⁷

⁴⁵ *Evidence*, p. 59

⁴⁶ *Evidence*, p. 369

⁴⁷ *Travel and Tourism*, p. 191

2.43 The Australian Tourist Commission (ATC) told the Committee that it uses proactive words such as targets, rather than projections and estimates, since it believes that marketing, properly funded, plays a vital role in stimulating demand and thus achieving the targets set for tourist arrivals from our major markets.⁴⁸

2.44 The ATC has been conducting a targeted marketing campaign in South Korea. The Minister for the Arts, Tourism and Territories, Hon. David Simmons, announced on 22 November 1991, that Australia was becoming such a popular holiday destination because of the finely-tuned marketing campaign launched by the Australian Tourist Commission the previous April. The television advertisement spearheading the campaign was the first commercial by a national tourist office to be allowed on Korean television and appears to have had a remarkable success in stimulating awareness and bookings.⁴⁹

2.45 The ATC has attempted to measure the effectiveness of marketing activities at a level below that of increased tourist demand. In its annual report for 1990 the ATC discussed the question of measuring effectiveness in the following terms:

One of the keys to an effective evaluation system is a meaningful set of performance indicators (PIs) and indicators of successful outcome (ISOs).

These provide a more concrete measure than the traditional method of assessing the success of destination marketing - bums on seats.

Performance indicators go to the heart of evaluating marketing effectiveness. They measure efficiencies combined with quantities.

An example of this would be to evaluate our public relations activity not only in terms of the dollar value of air time or press space achieved but on a yield-per-dollar

⁴⁸ *Evidence*, p. 97

⁴⁹ *Media Release*, Hon. David Simmons, 22 November 1991

spent basis. Applied to the period in review, ATC achieved a 19:1 return on investment. That is, for every \$1 spent on public relations, ATC achieved \$19 in its editorial publicity.⁵⁰

Performance indicators of the type discussed by the Commission are undoubtedly useful in assessing its efficiency in using the resources that have been allocated to it. To describe such indicators, however, as more 'concrete' than 'bums on seats' as a measure of marketing effectiveness is misleading if not erroneous.

2.46 A study of determinants of international travel was commissioned as part of an evaluation of ATC marketing and promotional activities. The results showed that income was the single most important factor in determining tourists' plans. Further evidence contained in this evaluation report which bears on the significance of marketing activities, took the form of a market share analysis commissioned as part of the evaluation process. This study of the impact of aggressive marketing by overseas countries in the United States over the period 1983/89 concluded that countries which had a more active marketing program were gaining market share at the expense of the less active countries. A group of seven of the aggressive marketing countries, including Australia, together gained a 14 per cent market share, while the less aggressive countries in the thirteen marketing countries that were examined gained only one per cent market share.⁵¹

Tourism Demand Studies

2.47 A number of studies of the determinants of inbound tourism are available. According to the Centre for International Economics in a study conducted in 1988, the recent increase in tourism demand appeared to be related to changes in the following important factors:

⁵⁰ Australian Tourist Commission, *Annual Report 1990*, p. 11

⁵¹ Australian Tourist Commission, *Evaluation of the Australian Tourist Commission's Marketing Impact*, March 1991, p. 4

- Australia's greatly enhanced price competitiveness as reflected in the large real exchange rate devaluation against countries such as Japan, the UK, West Germany and the USA;
- the rapidly rising per capita incomes in some of these countries and hence increased demands by citizens of those countries, such as Japan, for Australian tourism;
- the increased perception of stability and safety of Australia following higher levels of terrorism over the mid-80s, combined with the uniqueness of Australia aggressively promoted by the Australian government and major players in the tourist industry; and
- one-off factors such as the Bicentennial celebrations and the defence of the America's Cup.⁵²

2.48 The Cairns Chamber of Commerce emphasised the importance of the exchange rate; Mr Cummings advised that part of the slowdown in tourism in the area is due to the fact that the exchange rate, in real terms, is back up to where it was before 1985:

From the work I have done in the past, our major growth periods in tourism in the region have been associated with the competitive exchange rate in the late 1970s and early 1980s and that 1986-88 period coinciding with strong world growth and domestic growth also.⁵³

The importance of exchange rates in relation to tourist demand was also acknowledged by the Australian Tourist Commission:

⁵² *Tourism Report: Economic Effects of International Tourism*, 1988, pp. 13-14

⁵³ *Evidence*, p. 970

Exchange rates are very important. There is no denying that. We seek to work with these movements and enhance the opportunities that are provided by such things as exchange rates. We are at the moment involved in the evaluation of our activities in which we are doing some very detailed regression analysis. So we would probably be in a better position very shortly to know exactly what the impact of the exchange rate is over, say, a 20-year period and what the elasticities are. But there is no denying it is one of the major impacts. We also say that marketing has a major impact on stimulating demand.⁵⁴

Forecasts of Growth in Inbound Tourism

2.49 In its *National Tourism Strategy* released in June 1992, the Commonwealth Government has stated⁵⁵ that international tourist arrivals have increased four-fold over the past twenty-five years to an estimated 450 million in 1991. The Strategy also advises that the Asia-Pacific region increased its share of arrivals by 78 per cent between 1985 and 1991; and in 1991 overseas visitor arrivals in Australia increased by seven per cent compared with a growth in world arrivals of only 1.5 per cent.

2.50 While there has been a strong growth in inbound tourism to Australia in recent years, Australia's share of the world tourism market is very small at 0.5 per cent. Potential exists, then, for Australia to increase its percentage of international tourism. Even a small gain in this market would have significant economic consequences for Australia.

2.51 Forecasting the number of inbound tourists is a critical part of the planning process for both government and industry. Soundly based forecasting is needed by government to assist in planning marketing and promotion, industry development, infrastructure provision and service delivery. The tourist industry

⁵⁴ *Evidence*, pp. 105-6

⁵⁵ *Tourism Australia's Passport to Growth*, p. 6

needs the information to assist it in long-term market development and making rational decisions about the level of investment that will be required.

Tourism Task Force Assessment

2.52 The Committee received evidence from witnesses involved in the tourist industry expressing considerable optimism about the growth potential of the inbound tourist industry. Hon. John Brown of the Tourism Task Force, for example, placed the issue of the growth in international tourism into an international and historical context. He pointed out to the Committee that it has taken from the birth of flight to 1990 to achieve two billion airline passengers. The forecast is five billion by the year 1995.⁵⁶

2.53 Mr Brown went on to draw attention to the potential for expansion of the market for international travel as a result of the political and economic changes taking place:

The world is shrinking. People are becoming more interested in foreign places. Those figures are startling. Two billion to 1990 and five billion by 1995 is the forecast of people travelling. You now have all those areas of Eastern Europe that have been locked up for 40 or 50 years where people will start to travel. Then you have the increase in living standards in places like China and South America. So the market is just immense and, at this stage, untapped.⁵⁷

2.54 As well as this assessment of the potential for increased international tourism, Mr Brown outlined to the Committee his views on the prospects for growth in the Australian inbound tourism industry. He considered that whilst we may not experience the 25% annual increases in total tourist numbers which we saw in the eighties, we will see fairly consistent annual increases of around 10%. This will mean

⁵⁶ *Evidence*, p. 365

⁵⁷ *Evidence*, p. 366

that total tourist numbers can be expected to more than double between now and the year 2000. Mr Brown advised that the more optimistic forecasts would suggest a trebling of visitor numbers during this period.⁵⁸

The ATIA Assessment

2.55 Sir Frank Moore, Chairman of the Australian Tourism Industry Association offered the Committee a similar optimistic scenario for the future of inbound tourism:

Over the course of the last decade we tripled the size of our export industry in real terms. During the 1990s we will triple it again, and are headed for somewhere in the region of six or seven million international visitors a year versus about 2.2 million at the end of the 1980s.⁵⁹

Sir Frank stated that he expected that this rise in foreign tourist arrivals would generate foreign earnings of between \$18 billion and \$20 billion. Notably, this would be about three times the foreign earnings of tourism in 1990/91.

The BTR Assessment

2.56 In April 1990, the BTR released the second in a series of forecasts of short-term overseas visitor arrivals. In that report the Bureau discussed the factors driving inbound tourism and how they could best be included in a forecasting model. The BTR identified three fundamental factors that underpin the current growth in overseas tourist numbers: the attractiveness of Australia as a destination, the disposable income of people in other countries; and the cost of travel to Australia and within Australia.⁶⁰

⁵⁸ *Submission No. 69*, p. 13

⁵⁹ *Evidence*, pp. 233-4

⁶⁰ Bureau of Tourism Research, *Australian Tourism Forecasts International Visitor Arrivals*, April 1990, pp. 3-4

2.57 The Bureau's forecasts of international visitor numbers to the year 2000, together with the year-to-year percentage increase for total visitors and regional breakdowns are set out in Table 2.2. They are derived from the BTR's *Australian Tourism Forecasts International Visitor Arrivals*, April 1990. To provide some perspective the actual figures for the years 1988 to 1990 are given along with the forecasts for the years 1990 to 2000.

2.58 The 1990 figure illustrates the difficulties inherent in attempts at forecasting. While the aggregate projection was accurate, some of the regional growth rates varied substantially from those predicted. The greater the level of desegregation in the model the lower the degree of confidence that can be placed in the predictions.

2.59 The BTR has predicted annual percentage growth for the next decade will average 8 per cent, and international visitor inflow will be 4,850,000 in the year 2000.

Australian Tourist Commission (ATC)

2.60 The Australian Tourist Commission publishes target figures for inbound tourist numbers, globally and for major countries of origin each year. The figures are targets set by the Commission as achievable goals. In its *Annual Report 1991* the Australian Tourist Commission stated that despite the Gulf War and continuing economic problems, the Commission remains confident of achieving its target of 6.5 million visitors in the year 2000. Driving the 11 per cent annual growth needed to achieve this target will be Greater Asia, with Japan leading the charge and the new so-called 'mini-dragons' of Korea and Taiwan providing plenty of support.⁶¹ There was no reference in the accompanying discussion as to the relationship between the ATC projections and the forecasts for the next decade

⁶¹ Australian Tourist Commission, *Annual Report 1991*, p. 47

Table 2.2: Actual and Forecast Short Term Overseas Arrivals (in thousands) and Per cent Changes from Previous Years, 1988 to 2000 (Note: Column totals include actual or forecast arrivals for all countries)

Country	Actual												
	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
USA	322 4%	261 -19%	252 -3%	272 8%	345 12%	378 10%	412 9%	449 9%	489 9%	553 9%	581 9%	633 9%	692 9%
UK and Ireland	273 31%	285 4%	288 1%	273 -5%	323 6%	341 6%	361 6%	382 6%	405 6%	429 6%	454 6%	481 6%	509 6%
Europe	256 26%	246 -4%	261 6%	257 -1.5%	322 10%	353 10%	387 10%	425 10%	466 10%	511 10%	561 10%	616 10%	675 10%
Japan	352 63%	350 -1%	480 37%	529 10%	495 13%	559 13%	626 12%	689 8%	744 8%	804 8%	868 8%	937 8%	1,012 8%
Asia	308 21%	321 4%	348 8%	373 7%	415 10%	457 10%	503 10%	553 10%	609 10%	669 10%	736 10%	810 10%	891 10%
New Zealand	534 25%	449 -16%	418 -7%	481 15%	498 1%	514 3%	529 3%	545 3%	561 3%	578 3%	595 3%	613 3%	631 3%
Total	2,249 26%	2,080 -8%	2,215 6%	2370 7%	2,618 9%	2,844 9%	3,083 8%	3,332 8%	3,588 8%	3,866 8%	4,165 8%	4,491 8%	4,847 8%

Source: Actual - Australian Bureau of Statistics Cat. 3401.0, Overseas Arrivals and Departures Forecast - Bureau of Tourism Research, Australian Tourism Forecasts International Visitor Arrivals, April 1990, p. 26.

prepared by the Bureau of Tourism Research. The target figures set by the ATC for the next decade by regional market are set out in Table 2.3.

Federal Airports Corporation (FAC)

2.61 The Federal Airports Corporation commissioned a study of growth in international and domestic airline traffic from 1989. Completed in March 1990, the study was entitled *Forecasts of International and Domestic Airline Traffic 1989-2000*. While it is not directly comparable to the forecasts of the BTR and the ATC in that the international component deals with all movements through international terminals, it is relevant to the Committee's consideration of international tourism and its comparison with other international travellers to Australia:

The forecasts show that international passenger traffic in Australia is expected to increase at an average annual rate of 5.6% in the planning case, to about 16 million passengers in the year 2000 and 23 million passengers in 2008. The recent surges in Japanese and Asian travel are forecast to continue with the New Zealand share of the market expected to fall. The inbound leisure market share is also expected to increase more rapidly than the inbound and outbound business markets.

Sydney Airport is forecast to grow from its 1988 level of 4.1 million passengers to 7.5 million in the year 2000; Melbourne Airport is expected to increase from 1.6 million to 3 million over the same period and Brisbane from 1 million to 2.5 million.⁶²

⁶² Federal Airports Corporation, *Forecasts of International and Domestic Airline Traffic, 1989-2008*, March 1990, p. 14

Table 2.3: Australian Tourist Commission International Arrival Targets for Major Markets (in thousands) to 2000.

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	Average Growth 1991-2000
USA											
Total	260	280	305	335	370	415	465	520	580	650	10%
Growth	4%	8%	9%	10%	10%	12%	12%	12%	12%	12%	10%
Canada											
Total	56.5	60.5	66.5	73	80	88	97	107	118	130	9%
Growth	6%	7%	10%	10%	10%	10%	10%	10%	10%	10%	9%
Europe											
Total	290	320	365	415	475	540	610	690	780	880	13%
Growth	14%	10%	14%	14%	14%	14%	13%	13%	13%	13%	13%
UK and Ireland											
Total	315	340	370	405	443	483	526	575	627	685	9%
Growth	9%	8%	9%	9%	9%	9%	9%	9%	9%	9%	9%
Japan											
Total	555	615	695	785	890	1,010	1,145	1,295	1,465	1,660	13%
Growth	16%	11%	13%	13%	13%	13%	13%	13%	13%	13%	13%
Asia											
Total	424	485	560	650	755	875	1,005	1,156	1,340	1,550	16%
Growth	22%	14%	15%	16%	16%	16%	15%	15%	16%	16%	16%
New Zealand											
Total	455	465	490	515	540	569	600	630	664	700	5%
Growth	9%	2%	5%	5%	5%	5%	5%	5%	5%	5%	5%
Total Inbound											
Total	2,480	2,700	3,000	3,340	3,730	4,170	4,650	5,190	5,810	6,500	11%
Growth	12%	9%	11%	11%	12%	12%	12%	12%	12%	12%	12%

Source: Australian Tourist Commission, Statistical Report 1991-2000, Strategic Marketing Unit. (as at May 1991)

Advice to Government

2.62 The Committee sought confirmation from DASETT about the kind of views being put to the Minister on international visitor estimates. The Committee was informed that DASETT accepts one of the more conservative estimates in providing advice to the Minister on this matter. In a letter to the Committee dated 28 August 1991, DASETT advised:

The Department is aware of forecasts of international visitors to Australia by the year 2000, which have been made by a number of organisations. These include:

Federal Airports Commission	4,500,000
Bureau of Tourism Research	4,847,000
Boeing Corporation	5,096,200
Qantas	5,700,000
Economist Intelligence Unit	5,900,000
Australian Tourist Commission (marketing target)	6,500,000

It is not possible to draw firm conclusions on which of the above provides the most likely outcome. In most cases the assumptions are available so that users can modify the figures if the assumptions employed do not match up with their own expectations.

Without drawing any conclusions on the reliability of other forecasts, this Department has chosen to rely principally on the work of the BTR in providing advice to the Minister on estimates of future inbound tourism numbers.⁶³

2.63 As already noted, the BTR forecast was for an average growth rate of 8 per cent per annum. The difference between the BTR's 8 per cent and the ATC's 11 per cent is large; over a decade it leads to a substantial difference in absolute numbers - 4,850,000 visitors compared with 6,500,000 by the year 2000. This results in the ATC projection being 34 per cent higher than BTR forecasts by the end of the

⁶³ *Letter to Committee, 28 August 1991*

decade. A difference of this magnitude has important implications for the level of infrastructure required for both the transport and accommodation industries. Notably, the Federal Government's National Tourism Strategy accepts the range of 4.8 to 6.5 million visitors by the year 2000 as a 'target'.⁶⁴

Economic Effects of the Tourist Industry

GDP and Employment

2.64 Although there has been disagreement about the way in which the tourism industry should be defined, and until recently there had been little uniformity in the collection and analysis of tourism data and statistics, the importance of the tourism industry for the Australian economy is beyond dispute.

2.65 Studies have claimed that the key factors in the growth in the size of the tourism industry appear to have been: increasing per capita income, more leisure time and technological change. Average annual growth in overseas visitors to Australia from 1979 to 1989 was 10.6 per cent. To place this improvement in the size of the industry in its international context, World Tourist Organisation data for 1989 when compared with 1980 figures show an average annual increase for international tourist arrivals of 3.9 per cent.⁶⁵

2.66 The economic significance of the tourist industry for the Australian economy (including both overseas and domestic elements) can be indicated by its absolute size and growth over recent years. DASETT has advised that in 1989/90 tourism's share of Australia's Gross Domestic Product (GDP) had reached 5.1 per cent. This is almost double its 2.6 per cent share of GDP in 1973/74. In absolute terms total expenditure derived from tourism in 1989/90 was approximately \$23.4

⁶⁴ *Tourism Australia's Passport to Growth*, 1992, p.14

⁶⁵ P. Grey, K. Edelman and L. Dwyer, *Tourism in Australia: Challenges and Opportunities*, 1991, pp. 7, 9

billion.⁶⁶ The growth of employment in the tourism industry also has been substantial over the past decade. Between 1981/82 and 1989/90 employment attributed to tourism has increased from an estimated 333,000 to 441,000.⁶⁷ Table 6.4 sets out estimates of tourist expenditure and the industry's contribution to employment and GDP. The ABS has reported that the 1986 census indicated over 394,000 people were employed in the recreational, personal and services industry, and that just over half (212,718 people) were working in restaurants, hotels and clubs.⁶⁸

Expenditure - Regional Effects

2.67 The economic benefits of the tourist industry differ throughout Australia. For example, while on a national basis the tourist industry in 1988/89 was estimated to provide 441,000 jobs or 5.9 per cent of the workforce, in Queensland the percentage has been estimated to be 9.2 per cent.⁶⁹ The ABS notes that for 1989, New South Wales received an estimated 1.4 million visits from the total of 2.1 million international visitors. While the majority of international tourists visited the Sydney region, other popular destinations were the Illawarra, Hunter and North Coast regions.⁷⁰

2.68 Frequently tourism has been advocated as an appropriate means to assist in the process of regional economic development. This has been the case particularly in areas that are undergoing substantial restructuring. The Committee notes the considerable economic linkages and infrastructure that are required if the benefits of tourist expenditure are to be substantially secured by rural regions in

⁶⁶ *Evidence*, pp. 13, 59

⁶⁷ *Evidence*, p. 59

⁶⁸ *Directory of Tourism Statistics 1991*, p. 12

⁶⁹ *Tourism in Australia: From Susceptible to Sustainable Development [unpublished]*, C.M. Hall, Table 6.7

⁷⁰ *Directory of Tourism Statistics 1991*, p. 9

particular. However, some evidence was received on the potential of farm tourism to have a favourable impact on rural areas with minimal infrastructure.⁷¹

Table 2.4: Contribution of Tourism to the Economy

	1988-89	1989-90
Tourist Expenditure (\$million)		
International	6 220	6 156
Domestic	15 897	17 272
Total	22 117	23 428
Employment Generated		
International	125 200	116 300
Domestic	318 200	324 500
Total	443 400	440 800
Contribution to GDP (%)		
International	1.5	1.4
Domestic	3.8	3.8
Total	5.3	5.1

The above analysis is an update by the BTR of the Bureau of Industry Economics' input-output analysis of tourism. (Bureau of Industry Economics, *Tourist Expenditure in Australia*, Research Report 16, AGPS, Canberra, 1984).⁷²

2.69 A study of the contribution of tourism to the Tasmanian economy pointed out that the high degree of interdependency among the various sectors of the Tasmanian economy enabled a greater economic impact from tourism than would otherwise be the case. The indirect economic effects of tourism were calculated in the case of Tasmania to be equivalent to the first round direct effects of tourist expenditure.⁷³

⁷¹ *Evidence*, p. 664

⁷² *Evidence*, p. 146

⁷³ Centre for Regional Economic Analysis, University of Tasmania, *The Contribution of Tourism to the Tasmanian Economy in 1988*, A report prepared for the Department of Tourism, April 1986, Executive Summary

Recommendations

2.70 That the Bureau of Tourism Research and the Australian Bureau of Statistics employ an agreed set of definitions for statistics related to the tourism industry, and particularly seek a correlation between the ABS accommodation data and the data in the BTR's International Visitor Survey and the Domestic Tourism Monitor.

2.71 That the ABS urge all collectors of tourism statistics to collect all data under the guidelines of the ABS *Framework* so as to allow the ABS to produce a standardised and comprehensive *Directory of Tourism Statistics*.

2.72 That until a comprehensive and consistent *Directory of Tourism Statistics* is published, the ABS include an opening chapter of each edition of the *Directory* explaining its limitations.

CHAPTER 3

THE NET ECONOMIC BENEFIT OF TOURISM TO AUSTRALIA

Introduction

3.1 Two questions are basic in addressing the issue of the costs and benefits of foreign investment in the Australian Tourist Industry. The first concerns whether tourism provides a net economic benefit to Australia; it is discussed in this chapter. The second, concerning whether foreign ownership in Australian tourism affects that benefit for Australia, is examined in Chapter 9.

Problems in Measuring the Economic Benefit of Tourism

3.2 The national economic benefit of various industries can be difficult to establish. It is not simply a matter of examining growth across various indicators. With regard to tourism, the Industries Assistance Commission has advised that large levels of expenditure in the tourism industry can be misleading in assessing the impact of tourism. The impact is appropriately measured not in terms of gross spending, but rather in terms of the net benefits that it generates: the costs associated with tourist needs, for example hotels and airline services, must be set against the gross benefits.¹ The IAC concluded that tourism growth entailed a net benefit because of the contribution it made to the increase in GDP. Despite the difficulties involved in formulating a method of establishing net economic benefit, the consensus seems to be that there is such a benefit.

¹ Industries Assistance Commission, *Travel and Tourism*, 1989, p. 36

Methodologies for Assessing Net Benefit

Input-Output Analysis

3.3 The economic benefit of the overall tourism industry has been considered by the Industrial Assistance Commission (now known as the Industry Commission) in a discussion paper.² The IAC advised that input - output analysis has been employed to trace direct tourist expenditure through linkages between industries to calculate how much additional expenditure is generated. The Bureau of Industry Economics estimated, using this method, that each \$1 million of tourist expenditure was accompanied by an additional \$555 000 of expenditure on goods and services required by the tourist industry.³

3.4 The IAC has explained the limitations of the input - output method: it contains no price mechanisms and so is unable to account for a number of important consequences of increased tourism.⁴ Similarly, another method known as the ORANI model, has limitations, but it does enable many of the cost pressures to be taken into account.

The ORANI Model

3.5 The IAC has used the computer-based ORANI model of the Australian economy to predict the benefits of tourism on the economy. ORANI embodies microeconomic detail on the nature of production and demand in the economy and treats the economy as a system of inter-related industry sectors. The IAC's report *A guide to the IAC's use of the Orani Model* explained that this framework is especially suited to the analysis of 'what if ...' questions. The type of answers provided are not forecasts of the actual outcome (since this could be influenced by

² IAC Discussion Paper No. 2 *Some Economic Implications of Tourism Expansion*, March 1989

³ *Ibid*, p. 25

⁴ *Ibid*.

many other factors) but are conditional projections of the influence of one particular policy change alone. This has been seen as an advantage of the ORANI model since it provides a framework for analysing important elements of an issue, rather than producing a definitive answer.⁵ The Bureau of Tourism Research has commented on the inadequacies of input-output analyses and the virtues of the ORANI model:

Input-output analysis can give a picture of the importance of tourism to the economy. However, it is inadequate for judging the full economic impact of growth in tourism expenditure. Growth in one sector of the economy has ramifications for all other sectors which must be recognised. For example, as tourism competes for resources with other Australian industries, growth in tourism will increase costs to other industries.⁶

3.6 Nevertheless, reservations have been expressed about the use by the IAC of the ORANI model to identify changes in GDP as a measure of the impact of tourism on economic welfare for the following reasons:

- changes in GDP are not an indication of changes in net benefit for a community's welfare;
- while models such as ORANI are the best ways of determining the inter-industry effects of expanding tourism expenditure, their outputs in terms of changes in GDP cannot be interpreted as 'net benefits', or 'change in welfare' except under stringent assumptions not even approximated in the Australian economy; and
- ORANI is not intended to be a benefit-cost model and it is inappropriate to use its outputs as if they were measures of benefits and costs.⁷

⁵ Industries Assistance Commission, *A guide to the IAC's use of the ORANI Model*, 1987, pp. iii,iv

⁶ Bureau of Tourism Research, *Australian Tourism Data Card*

⁷ *Tourism in Australia*, p. 15

The Net Benefit of Tourism

3.7 Whatever the difficulties involved, it seems clear that the economic benefit of the tourism industry to Australia can only be determined if the three elements are assessed together: domestic, outbound and inbound tourism.

Domestic Tourism

3.8 Domestic tourism is leisure-related expenditure by Australians at home. A benefit of such expenditure includes the maintenance of (or increase in) tourism employment. The costs include additional pressure on desirable holiday localities, wear of infrastructure and (where foreign ownership is involved) the repatriation of profits. Overall, however, it is difficult to imagine that domestic tourism could produce a negative net effect unless it generated imports significantly and/or tourist facilities and services were owned by foreign interests to a very significant degree and the profits were repatriated.

Outbound Tourism

3.9 Outbound tourism, by contrast, must be the least benign for the Australian economy. Outbound tourism is not without some benefits for the national economy; for example the purchase of Qantas air fares retains expenditure in Australia. Nevertheless, the major proportion of outbound tourism represents expenditure abroad.

Inbound Tourism

3.10 Inbound tourism is a significant foreign exchange earner for Australia bringing in around \$6 billion annually. There may be a benefit from tourism even if the economic value of inbound tourism is balanced against losses through outbound tourism. The Chairman of the Australian Tourism Industry Association (ATIA), Sir Frank Moore, suggested:

If we had not developed any inbound business or any international tourism at all, we would in fact have many more Australians going overseas than are now going. Nobody would suggest that the tourism industry therefore was worth less because we had not pursued our opportunities. The harder we fight and develop inbound tourism, the less need there is for Australians to go overseas to enjoy the same international levels and standards. I cannot for the life of me understand why one group is offset against the other because they are two entirely different areas.⁸

3.11 The development of a substantial inbound tourism industry may have provided significant foreign earning benefit in its own right, but also mitigated the potential costs associated with outbound tourism from Australia. The IAC has pointed to the significance of price competitiveness with regard to inbound tourism. Similar considerations apply to domestic tourism. The recent growth in inbound tourism has been associated with a large reduction in the real cost of tourism in Australia. For inbound tourists the cost has been lowered further because of the depreciation of the Australian dollar against other currencies, especially in 1986.⁹

3.12 While unable to quantify it, economists who presented evidence to the Committee were confident that net economic benefits accrued to Australia from overseas tourism. Professor G. Withers and Dr H.R. Clarke of the Department of Economics at La Trobe University were unequivocal on the issue, advising that the Australian aggregate economy benefits from inbound tourism, and that there is a net average gain, in economic terms to Australians from such tourism.¹⁰ These economists note, however, that this conclusion requires that tourists pay all relevant costs including public sector, environmental, pollution and congestion costs caused by their presence and activities. There must be no external costs imposed upon the

⁸ Evidence, p. 229

⁹ *Travel and Tourism*, p. 49

¹⁰ *Submission No. 93*, p. 1, para. 1

Australian community. The economists stated that whether this condition is met is a matter for further investigation.¹¹

3.13 Of course, some of the costs associated with providing the transport and accommodation infrastructure used by tourists are incurred overseas. For example, half of Qantas' revenue is spent overseas on such items as aircraft, fuel, promotion, sales offices, interest payments and the like.¹² Further, there are doubts about the ability of increased inbound tourism to make any fundamental difference to the size of the current account deficit. The argument runs along the following lines. In a world which there is a floating exchange rate,

... the foreign exchange rate market will operate to lessen demand for other goods and services, since an increase in tourism expenditure will push up the value of the home currency, and discourage exports and encourage imports. Additional receipts from foreign tourism will only lessen the current account deficit to the extent that aggregate savings increase more than aggregate investment. Since there is no reason to expect that extra tourism expenditures would encourage domestic savers to save more, the effects on the current account will be negligible.¹³

This study goes on to note that there is a need for further investigation of this question. Research appears to be required as the issues raised are fundamental for policy directions.

3.14 As part of the research program associated with its inquiry into travel and tourism, the IAC simulated a 20 per cent increase in inbound tourism using the

¹¹ *Submission No.93*, p.3

¹² *Ibid*, p. 37

¹³ P. Forsyth and L. Dwyer, *Measuring the Benefits and Costs of Foreign Tourism*, Discussion Paper No. 428, February 1992, Australian National University, Centre for Economic Policy Research. pp. 18-19

ORANI model. This research suggested that there would be substantial economic effects in the short term including:

- an increase in total exports of around 1.3 per cent;
- increased imports both as the expanding tourist industries purchase imports from overseas, and as the import-competing sector becomes less competitive;
- an improvement in Australia's balance of payments equivalent to around \$235 million in 1987-88 dollars, considerably less than the initial increase in tourist exports of \$900 million; and
- increased employment, despite net losses in the traditional export and import-competing industries, of around a quarter of a per cent, or 17,000 jobs.¹⁴

3.15 In addition to the IAC, the BTR¹⁵ has recently published a study which employed the ORANI model to assess net benefits. The model employed by the BTR is known as ORANI-F, and the report was entitled *The Medium Term Significance of International Tourism for the Australian Economy*.

3.16 The report is useful as a comprehensive attempt to assess the benefit of increased foreign tourism. It provides a detailed discussion of the effects of an increase in inbound tourism over more than one hundred different sectors of the economy.¹⁶ The BTR study contrasts with other net benefit analyses in that it presents its results in macroeconomic terms; other economists have concentrated on the microeconomic effects. The La Trobe University economists who advised the Committee on this matter, for instance, claimed in support of the principle that

¹⁴ *Some Economic Implications of Tourism Expansion Discussion Paper No. 2*, p. 28

¹⁵ Bureau of Tourism Research, *The Medium Term Significance of International Tourism for the Australian Economy*, June 1991, p. 6

¹⁶ *Ibid*, p. 7

economic net average gain results from inbound tourism (provided that foreign tourists cover associated costs):

More tourists mean (in the absence of external costs) increased business and trading opportunities for existing firms in Australia and hence both increased production and consumption possibilities for Australian residents.¹⁷

3.17 The conclusions drawn from the BTR study have important policy implications, not so much for tourism policy but for macroeconomic policy in general. In the study it was argued¹⁸ that growth in tourism crowds out growth in other areas of the economy. If spare capacity exists, for example in parts of the labour market for which tourism is an employer, there is scope for a net increase in output as a result of inbound tourism growth. Typically, air transport benefits from tourism growth, as do communications, entertainment, leisure, restaurants and hotels, whereas mining and agriculture generally are adversely affected by the exchange rate effects of tourism growth in the medium term. The study concluded:

Whether or not inbound tourism growth generates balance of payments improvements depends critically on how government manage macroeconomic conditions. Unless conditions are such that increased inbound tourism expenditure is prevented from feeding into net additional demand for imports, increased tourism will not be reflected in an improvement in the balance of payments. If it is desirable that Australian's dependence on overseas savings fall in the medium term, then national savings must increase in order to finance any increase in investment induced by the increasing receipts from tourism exports. ...

An important feature of expansion in inbound tourism is that it changes the composition of Australia's exports. ... it reduces Australia's reliance on the traditional commodity exports in the rural and mining sectors. ...

¹⁷ *Submission No. 93*, p. 4

¹⁸ *The Medium Term Significant of International Tourism for the Australian Economy*, p. 7

This diversification reduces the volatility of our export prices and receipts¹⁹ ...

3.18 The BTR report on the economic net benefit of inbound tourism is the first in a series. The others will examine the regional effects of inbound tourism growth, and the effects of growth in domestic tourism, both at the national and State level. While these studies will be useful in their own right, the BTR needs to canvass the question of the limitations of the methodologies employed in these studies. It should seek the opinion of the Treasury and the Australian Bureau of Statistics in addition to leading academic economists.

3.19 Further, the BTR needs to produce similar studies on the benefit of domestic tourism and the economic effect of outbound tourism before a comprehensive picture of the economic benefit of tourism can be compiled.

Recommendations

3.20 That the BTR canvass with government authorities, practising economists and academics alternative economic models for net benefit analysis, and that the BTR be provided with additional resources to allow it to carry out additional research functions.

3.21 That the Commonwealth Government request a BTR study into the costs and benefits of domestic tourism and outbound tourism and prepare a more comprehensive net benefit analysis of Australian tourism.

¹⁹ *Ibid.*

CHAPTER 4

MARKETING AUSTRALIA AS A TOURIST DESTINATION

Australia's Tourist Attractions

4.1 Australia has many attractions as a tourist destination. They include:

- a number of unique landscapes such as Uluru National Park and Kakadu National Park, and the large marine eco-system known as the Great Barrier Reef;
- unique forms of wildlife such as koalas, platypuses and kangaroos;
- a favourable climate and an outdoor style of life which contrast with that of both Asia and Europe;
- open space and beaches which are relatively uncrowded;
- the perception of a relatively unspoilt environment; and
- the relative 'newness' of the country as an international tourist destination.

In emphasising the importance of these features the Australian Tourist Commission told the Committee that market research indicates that Australia's environment, its wide open spaces, great beaches and unique features such as the Great Barrier Reef, its natural heritage and its 'friendly' people are our major drawcards.¹

¹ *Evidence*, p. 99

The Australian Tourist Commission

Introduction

4.2 The Commonwealth Government is directly involved in the promotion and marketing of Australia as a tourist destination through a statutory authority, the Australian Tourist Commission (ATC). State, Territory and local governments also operate tourist promotion bodies. The co-ordination of the activities of the State and Territory tourist authorities with those of the ATC is a relevant question for this inquiry.

The Origins of the ATC

4.3 Government involvement at the national level in the promotion of tourism began with the creation of the Australian National Travel Association (ANTA). In 1929 ANTA was established as a non-profit organisation funded by both industry and government; its mission was to promote the interests of the Australian hospitality and travel industries overseas.²

4.4 The next significant change to the institutional structure by which Australian tourism was marketed overseas came in 1964. A joint government and private sector study was commissioned to examine the industry. The consultants who prepared what became known as the 'HKF Report' were Harris Kerr Foster and Company, and Stanton Robbins and Company.³ One key recommendation of the study was that the Commonwealth Government should accept direct responsibility for the overseas promotion of inbound tourism. It also recommended that a new body should be created to carry out this promotion and that appropriate Federal funding should be provided.

² *Report of the Australian Government Inquiry into Tourism 1986, 1987*, pp. 29-30

³ Australian Government Committee of Inquiry into Tourism, *Report of the Australian Government Inquiry into Tourism*, Vol.1, 1986, p. 28

4.5 These views were accepted by the Commonwealth Government. In May 1967 an Act was passed establishing the Australian Tourist Commission. The ATC was authorised to find new markets and to co-ordinate Australian tourism promotions. The Commission was not, however, to compete with either the States or commercial enterprises in the provision of tourism products or to act as a travel agent.⁴

Restructuring of the ATC

4.6 In 1986 a further major inquiry into the Australian tourism industry, the Australian Government Inquiry into Tourism, was established by the Commonwealth Minister for Sport, Recreation and Tourism, Hon. John Brown; its Chairman was Mr J. Kennedy. The inquiry, while canvassing a wide range of issues relevant to the tourism industry, centred its attention on the international marketing of Australia as a tourist destination and the operations of the ATC. Its recommendations formed the basis for a new Act, the *Australian Tourist Commission Act 1987*, which effectively restructured the ATC.

4.7 The principal objectives of the ATC as laid out in the *Australian Tourist Commission Act 1987* (s. 6) are:

- (a) to increase the number of visitors to Australia from overseas;
- (b) to maximise the benefits to Australia from overseas visitors; and
- (c) to ensure that Australia is protected from adverse environmental and social impacts of international tourism.

In its submission the ATC drew the Committee's attention to the fact that 'The ATC has no powers under its Act to ensure that the latter of these three objectives is obtained'.⁵ In other words, while being formally entrusted by legislation with a

⁴ *Australian Tourist Commission Act 1967*, quoted in the Kennedy Report, p. 29

⁵ *Evidence*, pp. 95, 102

responsibility to minimise environmental and social impacts of tourism, the ATC must rely on persuasion to fulfil this aspect of its charter. The Committee considers this situation to be appropriate.

4.8 The functions of the Commission, as set out in the Act (s. 7), are:

- (a) to promote Australia overseas as a tourist destination;
- (b) to enhance awareness overseas of Australia as a tourist destination;
- (c) to co-ordinate the overseas promotional efforts of the Australian tourism industry, in co-operation with State and Territory tourism authorities and with the Australian tourism industry;
- (d) to enhance awareness in Australia of the Australian tourism industry; and
- (e) to closely monitor and report the effects of international tourism on Australia's natural environment and society.

Administration of the ATC

4.9 The Australian Tourist Commission is managed by a nine-member Board of Directors who are, with the exception of the Managing Director, appointed by the Minister. The Act stipulates that the criterion for appointment to the Board is expertise relevant to the tourism industry. The role of the Board is to make major policy decisions and to ensure that the Committee's functions are carried out properly and efficiently.⁶ The Managing Director of the ATC is appointed by the Board.⁷ The Board is responsible for the preparation of a five-year Corporate Plan⁸ as well as an annual operational plan for the Commission. (s. 26) An annual report is submitted to the Minister and tabled in Parliament.

⁶ *Australian Tourist Commission Act 1987*, ss. 10-13

⁷ *Australian Tourist Commission Act 1987*, s. 30

⁸ *Australian Tourist Commission Act 1987*, s. 25

4.10 According to the Commission's Corporate Plan for the period 1989/90-1993/94, a greater emphasis is now placed on forward planning and strategic development. In this Corporate Plan, ATC sets out to establish broad, longer-term strategic marketing support directions. Responsibility for developing specific marketing strategies is assigned to the overseas-based Regional Directors, who will develop three-year business plans to achieve this purpose.⁹

Environmental Issues

4.11 As noted earlier in this chapter the ATC needs to rely on persuasion and lobbying to fulfil the environmental protection responsibilities assigned to it by the Act. The ATC reported to the Committee on the means it was employing to monitor the environmental and social impacts of overseas tourism. The ATC listed two major strategies for this objective:

- Monitor and report on the impact of international tourism on Australia's natural environment and society;and
- Liaise closely with States/Territories and tourism industry bodies as well as the Department of the Arts, Sport, the Environment, Tourism and Territories to achieve this objective.¹⁰

And in pursuing these strategies, four methods are being employed by the ATC:

- regular monitoring and reporting, which informs the ATC Board of Directors of any adverse developments in Australia or overseas concerning environment or social issues;

⁹ *Australian Tourist Commission Corporate Plan 1989/90-1993/94*, p. 3

¹⁰ *Evidence*, p. 95

- through its public relations activities, such as speeches, and seminars it stresses the importance of sustainable tourism and seeks to encourage the development of environmentally sensitive tourism product;
- through its marketing seeks to educate overseas visitors to respect Australia's natural environment and uses images which work on the mystique of Australia's wilderness areas; and
- supports industry in the development and implementation of its own Code of Environment Practice.¹¹

4.12 The major focus of the ATC is the marketing of Australia overseas as a tourist destination. As it pointed out to the Committee, the Commission '... has no control over production, distribution or pricing of Australian tourism product'.¹² The Committee notes that potential exists for a perceived conflict of interest by ATC between its environmental responsibilities and marketing functions. The responsibility of the ATC to maximise numbers of tourists (with consequent financial benefits) could be perceived to be in conflict with considerations of environmental protection.

4.13 Sensitivity by the ATC to environmental and social impacts of overseas tourism is highly desirable. The Committee considers that having the Commission formally responsible in this way is an additional means of monitoring any adverse impact of the tourism industry, and may assist the industry's self-regulation in this area. For these reasons the Committee has concluded that the ATC is an appropriate body to be charged with responsibilities for environmental protection. The Committee therefore commends that requirement of the *Australian Tourist Commission Act 1987*.

¹¹ *Evidence*, p. 96

¹² *Evidence*, p. 95

The ATC's Promotion and Marketing

Domestic Tourism

4.14 Under the 1967 legislation the ATC had the power to undertake promotions to encourage Australians to see Australia. However it no longer has a mandate to engage in the promotion of domestic tourism. As Mr L. Schultz, Manager Corporate Strategy, for the ATC observed that there was only one stage in our recent existence in which we were involved in domestic advertising, and that was with the Hogan Australian-made and Stay-at-Home campaigns in 1986-87.¹³

Overseas Promotion

4.15 The 1987 Act governing the ATC empowers it to engage in the marketing of Australia overseas. The ATC does not as a matter of practice engage in the overseas marketing of specific destinations within Australia; rather, it engages in general destination marketing. In co-operation with the States and Territories, however, it also participates in the marketing of regions within Australia. Mr Schultz explained to the Committee that when, for example, New South Wales advertises it advertises the whole of the New South Wales experience; it is the same for Western Australia, South Australia or whatever. Then that features in our joint promotion. It has the ATC logo along with the product, which is essentially a State product.¹⁴

4.16 When asked whether the Commission employed marketing to direct tourists to particular gateways to Australia, Mr Schultz advised the Committee that:

We promote a destination and not the gateway. We have been out there promoting special gateway books, as it were, which are available in our overseas offices for all

¹³ *Evidence*, p. 107

¹⁴ *Evidence*, p. 113

the major capitals, not only Sydney. We do not specifically go out and say, 'We have got too many people coming to Sydney at the moment. Let us see whether we can promote the other destinations as well'.¹⁵

4.17 An important feature of the operations of the ATC is the development of co-operative marketing programs. Such programs involve not only the State and Territory tourism authorities but also the industry itself. Total industry support to the ATC was expected to top \$25 million in 1991/92.¹⁶

Expenditure on Marketing

4.18 The ATC received an appropriation of \$64 million for the financial year 1991/92 from the Commonwealth. It is important to note that this constitutes only a small proportion of the total funds expended on the promotion of Australia as a tourist destination. The Industries Assistance Commission in its report on *Travel and Tourism* estimated that in 1986/87 at least \$310m was spent on advertising, promotion and other marketing of Australian tourism. Tourist operators spent at least \$240m, and the Commonwealth and State governments accounted for about \$70m.¹⁷ The IAC pointed out that in 1987/88 the Commonwealth spent about the same as the State Governments combined (\$31 million).

ATC Funding and the IAC Recommendations

4.19 The 1989 Industries Assistance Commission report on *Travel and Tourism* was preceded by a draft report which stated that the benefits to the economy of increased inbound tourism is insufficient reason for government funding. The benefits generated by such activities accrue largely to private interests in the tourism sector itself; the IAC considered it unlikely that tourism operators who

¹⁵ *Evidence*, p. 114

¹⁶ Australian Tourist Commission, *Annual Report 1991*, p. 8

¹⁷ *Travel and Tourism*, p. 188

export \$5.2b worth of services would not take steps to adequately promote their products if the Commonwealth did not do it for them. The provision of funding for the ATC is a form of selective assistance which, as the Commission has argued on other occasions, can have undesirable implications for the efficient allocation of resources in the economy. All things considered, the Commission did not consider that continued Commonwealth funding of the ATC was justified. However, it did not favour the immediate withdrawal of Commonwealth funding for the ATC. Rather, in its draft the IAC considered that the ATC should become an incorporated body and government funding should be progressively reduced over a period of, say, three years. This would give a transitional period during which tourist organisations could decide whether to take over the operation of the ATC.¹⁸

4.20 In its submission to the Committee, DASETT commented on this draft IAC recommendation:

The ATC, DASETT and the Australian Tourism Industry Association submitted responses to the IAC draft recommendation ... arguing that the role of the ATC could not be replaced by an industry based group, and that it is essential for its position as an umbrella marketing organisation to be maintained for Australia to be marketed effectively as an international tourist destination.

A national coordinated approach to international marketing is extremely important. Multi-directional and fragmented approaches to marketing and promotion must be avoided. Individual companies would have little hope in gaining the market penetration achieved by the ATC. Additionally there is little likelihood of the private sector coming together to create a coordinated national approach to overseas marketing of Australia as a tourism destination.¹⁹

¹⁸ *Draft Report, Travel and Tourism, 1989*, pp. 120-1

¹⁹ *Evidence*, p. 17

4.21 The IAC took note of such views, which were strongly supported by the Australian Tourism Industry Association, in the preparation of its final report on *Tourism and Travel*. The IAC concluded in that report that it would be imprudent to ignore the unanimous views put to it regarding the negative consequences for Australian tourism if government funding for the overseas marketing of Australia as a tourist destination were withdrawn.

4.22 In its final report, the IAC proposed that funding for the ATC continue for a period of five years. This would be followed by a review of the ATC's activities to determine whether continued government funding of the ATC would be justified.²⁰ Notably, in its submission to this Committee, the New South Wales Government recommended that there should be continued financial support of the Australian Tourist Commission to promote a marketing program overseas seeking to encourage tourism to Australia.²¹ The Committee accepts this view.

4.23 With regard to its funding, it was reported last February that the Australian Tourist Commission has sought greater government assistance for the tourism industry to compete effectively with tourism bodies in other countries. According to that report, the ATC has asked the Federal Government to lift its annual funding by 40 per cent from \$64 million to \$100 million. As a consequence, this would create an extra 16,000 jobs in the industry.²²

4.24 Following the Prime Minister's economic statement on 25 February 1992, about \$21 million is to be provided to the ATC and the Federal Department of Tourism to help prepare for an expected surge in tourism. The new Department of Tourism has also been allocated extra funds, \$6 million of which will be used for a campaign similar to that featuring Greg Norman.²³

²⁰ *Travel and Tourism*, p. 193

²¹ *Submission No. 58*, p. 12

²² *The Australian*, 20 February 1992, p. 2

²³ *The Sydney Morning Herald*, 27 February 1992

Effectiveness of the ATC in Marketing Australia as a Tourist Destination

4.25 The effectiveness of the ATC's overseas marketing activities is an issue of considerable importance for this inquiry. The Manager of Corporate Strategy for the ATC told the Committee that detailed studies relevant to this issue were being undertaken on behalf of the Commission. He described the three approaches used:

- a major regression analysis of all the factors influencing tourism, including market research which is expected to have some way of quantifying the value-added that the ATC provides for its marketing activities by those means;
- examining the various impacts of the ATC's overseas marketing, and documenting the changes in top-of-mind awareness, intention to travel and all the critical advertising criteria; and
- examining the value-added of the activities being undertaken by the ATC; with a small amount of marketing dollars the ATC can increase those sometimes two-fold, sometimes sevenfold, through co-operative advertising with other agencies.²⁴

4.26 The major regression analysis study was issued in June 1991 (although dated March 1991). Entitled *Evaluation of the Australian Tourist Commission's Marketing Impact*, this study was conducted from September 1990 to March 1991 by a working party comprising senior officers of the Australian Tourist Commission, the Department of Finance, and the Department of the Arts, Sport, the Environment, Tourism and Territories. The key points of its terms of reference were to:

- Review the effectiveness of the ATC in meeting its charter responsibilities;
- Attempt to isolate ATC's value added in increasing visitor flows to Australia;

²⁴ *Evidence*, pp. 117-18

- Identify key performance indicators for ATC's marketing activities; and
- Review options for increased industry funding of ATC's activities.

4.27 The report concluded:

All approaches returned positive results to the point where it was agreed that there is a positive correlation between ATC marketing and increased numbers of incoming tourists. Marketing is, statistically, considerably smaller than some other variables in the decision-making process (for example income). However, it is the relationship between the marketing demand elasticity and the returns which flow from this investment which are more important in this evaluation. Noting this, despite the size of the average elasticity of the countries studied in this evaluation, ATC marketing appears to have a catalytic effect on other key variables increasing the likelihood of travel to Australia. Secondly, it is important to recognise that marketing expenditure is a variable which can be controlled whereas all other variables cannot.

It also advised that:

Consistent with other overseas studies, the results show that income was the single most important factor in determining a tourists travel plans, but promotion appears to be an important and necessary element in the decision-making process to achieve an increase in tourism flows.²⁵

4.28 The report was reviewed in *The Australian Financial Review* of 11 June 1991. There it was noted that based on an average expenditure of, say, \$2,000 per tourist in Australia, \$1 million in ATC marketing expenditure would be associated with \$30 million gross tourism receipts in Australia. The report also noted that a separate study of market share analysis found that countries with a

²⁵ *Evaluation of the Australian Tourist Commission's Marketing Impact*, p. 3

higher marketing profile were winning more market share at the expense of more passive countries. It was also reported that 80 per cent of major US travel agents surveyed, selling Australian product, credited the ATC Paul Hogan campaign with increasing sales.²⁶

4.29 The Commonwealth Government had boosted the ATC budget (by \$22.6 million in December 1990) before the *Evaluation* report was completed. And in May 1991 the ATC signed a marketing agreement with Qantas. Under the agreement Qantas would allocate at least \$10 million annually to the ATC for the next three years. On 4 June 1991 *The Australian Financial Review* commented:

While Qantas has always played a part in ATC promotional programmes it has previously been on an *ad hoc* basis, with last year's contribution being between \$5 million and \$7 million.

The formalising of the co-operative agreement reflects the carrier's confidence in the ATC marketing efforts following the recent increase in the commission's budget from \$40 million to \$64 million as well as its desire to concentrate its own marketing efforts on its own image.²⁷

Commonwealth and State Co-operation

Marketing

4.30 In evidence to the Committee, Hon. John Brown, Chairman of the (industry-based) Tourism Task Force (TTF), argued that too much duplication occurs between the ATC and respective State and Territory Tourist Commissions, which complicates the promotion of Australia abroad. He cited the existence of separate State and Territory tourist promotion offices in some foreign capitals. The

²⁶ *The Australian Financial Review*, 11 June 1991.

²⁷ *The Australian Financial Review*, 4 June 1991

States and Territories, according to Mr Brown, should devote greater attention to expanding the domestic market, instead of competing with the ATC in seeking to attract foreign visitors. Though the States and Territories should participate in the principal task of the ATC - that of 'theming Australia as an entity' - according to Mr Brown they should not compete directly with the ATC in this activity.²⁸

4.31 In approaching the issue of co-operative marketing with the States and Territories the ATC expressed the view that 'the best way for States to promote their interests is to join us in co-operative advertising and then we will get their interests up front in our joint promotions'.²⁹

4.32 Nevertheless, it may not be possible for State and Territory promotions to avoid general destination marketing of Australia, which is seen by the ATC as its province. It is probably impossible to promote, say, Uluru and Kakadu without promoting Australia. The Northern Territory has for some time been active in pursuing improved and more comprehensive commercial links with South East Asia. The Northern Territory government claims that this approach, combined with the natural geographic proximity of the Northern Territory to South East Asia, has resulted in the Territory establishing appropriate arrangements to generate tourist traffic flows and other links with South East Asia and beyond.³⁰ General destination marketing would be unavoidable in this context.

4.33 On the issue of co-operation between Commonwealth and State marketing authorities, the NSW Tourism Commission stated that:

It is the responsibility of the Commonwealth Government to develop and promote strategies which incorporate input from both industry and the States and Territories.

²⁸ *Evidence*, pp. 359-62

²⁹ *Evidence*, p. 114

³⁰ *Evidence*, p. 1175

The New South Wales and the Australian Tourist Commission (ATC) liaise closely in promoting both Australia and New South Wales as a destination to the overseas market. The NSW Tourism Commission's overseas role is to ensure that its products are made available to the trade industry and assist in the promotion of New South Wales by conducting training seminars and agent familiarisation tours.

The NSW Tourism Commission has tourism representatives located overseas who are keen to discuss with the local Australian Tourist Commission representative presentations of mutual advantage.³¹

4.34 Although State and Territory Government opinion about ATC marketing activities is generally favourable, some States and Territories nevertheless have reservations about existing arrangements. The principal concern was voiced most strongly by South Australia in its submission which advised that the Commonwealth needs to examine its overall policies and the thrust of its marketing as the current level of infrastructure provision and marketing direction has distorted foreign tourism and investment in tourism projects in Australia, concentrating it in the eastern States at the expense of South Australia and other potentially fruitful regions.³²The South Australian Government consequently recommended a review of promotion and marketing be carried out to identify a program designed to increase tourism patronage of lesser States particularly South Australia.³³

4.35 The Tasmanian Government advocated a similar approach which endeavours to develop the tourism potential of all regions, in a balanced fashion, taking into account any impediments to achieving that potential, for example, Tasmania's relative isolation and transport constraints.³⁴

³¹ *Submission No. 58*, p. 12

³² *Submission No. 41*, p. 2

³³ *Submission No. 41*, section 7

³⁴ *Submission No. 101*, p. 1

4.36 The Government of the Northern Territory recommended (without being specific) the introduction of financial incentives designed to attract tourism investment and development away from the urban Eastern seaboard.³⁵ The ATC is seeking to address this problem by devoting less promotional emphasis to familiar tourist icons like the Great Barrier Reef and Kakadu, and more to a greater variety of tourist attractions across Australia.³⁶ State and Territory Government proposals for improving tourism marketing arrangements emphasised the need for better overall ATC co-ordination. The Queensland Government argued that because of the nature of the tourism product and the associated difficulties in private sector organisation and funding of its promotion there is a requirement for supportive intervention by the Government in tourism marketing. It suggested, without providing evidence, that a significant increase in Commonwealth funding of tourism promotion is required if Australia's tourism potential is to be maximised.³⁷ The Queensland Government noted that the 1990/91 Commonwealth allocation of \$63 million to the ATC fell short of the ATIA optimum budget estimate of \$102 million.

4.37 Evidence received by the Committee points to a growing recognition of the need for improved collaboration in tourism marketing. Nevertheless, distinctions between Commonwealth and State/Territory responsibilities in the marketing of tourism have been and remain difficult to draw. Overlapping responsibilities between differing levels of Government seem to characterise most aspects of tourism marketing. And the States are not under any obligation to abdicate a role in this activity.

³⁵ *Evidence*, p. 1182

³⁶ *Submission No. 62*, p. 4

³⁷ *Submission No. 100*, p. 6

Product Development

4.38 Co-operation between the ATC and the State tourist authorities is distinct from co-ordination in the development of tourism product. The ATC informed the Committee that it does not have a role in co-ordinating tourism product development between States and Territories. It does, however, in forums where it meets with the State/Territories - ASCOT and with industry at ITMA meetings - advise the States/Territories and industry of trends in overseas demand and the implications for tourism development in Australia; and in its corporate planning process it consults individually with the States/Territories and with industry on strategic planning issues.³⁸

The Tourism Task Force

Introduction

4.39 The former Federal Tourism Minister, Hon. John Brown, established the Tourism Task Force (TTF) in November 1989 and continues as its Chairman. In its submission the TTF advised that it is a private non-profit limited liability company which represents the interests of a number of influential individuals and corporations within the Australian tourism industry.³⁹ Mr Brown told the Committee that:

I was approached by a group of influential people within the industry to set up a lobby group that encompassed all areas of tourism development. It now is a viable force which embraces the airlines, the coach companies, the banks, the developers, the financiers, the travel agents, the hotel chains, the media and the trade unions. I think it is a very influential body because we have restricted our membership to 50 people and they have to be chief

³⁸ *Evidence*, p. 99

³⁹ *Submission No. 69*, p. 2

executives and/or proprietors of the major institutions within tourism.⁴⁰

4.40 The TTF outlined its objectives to the Committee: it aims to develop a healthy environment for the current and future growth of the tourism industry. Its objects are broadly as follows:

- to raise the level of awareness and debate in the public domain of the benefits of tourism, through advertising, publicity and public affairs activities;
- to collect, analyse and disseminate timely and accurate information on issues critical to the well-being of the tourism industry;
- recognising the net contribution of tourism to national and state economies, to work to achieve increased Federal and State Government Tourism Commission budgets;
- to assist in educating the public, government and executive authorities and the business community as to the existing and potential future role of tourism and hospitality industries within Australia, their needs and development strategies;
- to assist in removing impediments to the development and efficient management and operation of necessary tourism and hospitality infrastructure, including airports; and
- to do any other act or thing authorised by law in furtherance of or conducive to any of the aforementioned objects.⁴¹

⁴⁰ *Evidence*, pp. 344-5

⁴¹ *Submission No. 69*, p. 2

The thrust of these objectives is the presentation of the Australian tourist industry as a significant element of the Australian economy. The TTF identifies its major task as lobbying within Australia to achieve adequate resources for the promotion of the Australian tourist industry.

Overseas Marketing

4.41 The TTF argued in its submission that:

It's no good having sound plans and quality infrastructure if no-one knows about what we have on offer. At present we only attract a tiny 0.5% of the world tourism market and only 5% of the long-haul market. We are certainly in no position to sit back and rely on word-of-mouth to bring the tourists to our shores. We must get out into the world marketplace with some fairly aggressive tourist promotion.⁴²

The submission advised that the Federal Government has recognised this point. In March 1991 the TTF applauded the fact that the Government had announced an additional \$23 million for the Australian Tourist Commission and had pledged that this was not a 'one-off' allocation.

4.42 The TTF observed in its submission that in a short space of time the tourism industry has come to play an enormously important role in the economy of this country. The Task Force suggested that properly targeted overseas tourist promotion pays handsome dividends through significant increases in visitation. The economic significance of tourism will continue to grow, but this growth will only be maximised if the Government and the industry are prepared to work together in committing adequate resources to marketing Brand Australia in what is a very

⁴² *Submission No. 69*, p. 12

competitive world market.⁴³The two major conclusions of the TTF in regard to international marketing are:

- that the Government and the tourism industry need to 'work together' in the marketing task; and
- that sufficient resources need to be committed to the marketing of Australian tourism.

4.43 The Tourism Task Force has been engaged in lobbying and advertising in pursuit of its aims. It published a full-page advertisement in *The Weekend Australian* on 14-15 July 1990, to make its case for adequate funding of the Australian Tourist Commission. There the TTF stated:

The spectacular success of the Australian Tourist Commission's advertising campaigns saw a boom in the industry. However, anticipated Federal Budget constraints will not allowed [sic] consolidation of this early success with follow-up promotion. ... The potential for growth is enormous. It is estimated that our present 2.2 million visitors a year will increase to 6.5 million by the end of the decade. Resulting in around a million new jobs and \$2.7 billion in foreign earnings. But only if the Australian Tourist Commission receives adequate funding for its vital overseas promotion.⁴⁴

4.44 Nevertheless, the approach of the TTF to the Australian Tourist Commission was reported to have changed during 1991. On 16 May 1991 *The Australian Financial Review* reported that Mr Brown and other key members of the Tourism Task Force decided to lobby the Federal Government to restructure the ATC and possibly hand over some of its responsibilities to the Task Force. The

⁴³ *Ibid.*

⁴⁴ *The Weekend Australian*, 14-15 July 1990

report concluded that the Task Force's moves will inflame other groups in the industry which have been suspicious about its formation in 1989.⁴⁵

4.45 The Federal Government and industry organisations have rejected this view. As Minister for the Arts, Tourism and Territories, Hon. David Simmons was reported to have expressed 'unqualified confidence' in the ATC. According to the *Australian Financial Review* of 16 May 1991, the Minister believed the Task Force had a role in promoting tourism, but any suggestion that it should assume some of the ATC's functions was 'a ludicrous proposition'.⁴⁶ Subsequently that newspaper reported on 17 May that the Chief Executive of the ATIA, Mr Peter O'Clery claimed that 84 per cent of the tourism industry supported having a peak international tourism marketing body and more than 90 per cent believed that the ATC was effective. And the president of the Association of Australian Convention Bureaux was reported to have said that there was insufficient evidence to support any suggestion that ATC should be restructured or hand over any of its functions.

4.46 The Committee has already noted that the ATC was restructured in 1987. According to the Committee for Economic Development of Australia (CEDA) study *Tourism in Australia*, this was to make the ATC more result-oriented and to place greater emphasis on planning and evaluation. The Committee accepts the ATC's judgements about its effectiveness since the restructuring. No evidence has been forthcoming to the inquiry that would justify a serious re-evaluation of ATC's role; given its past successes, it would not be advisable to alter the current arrangement without clear justification. Mr Tony Thirlwell, Managing Director of the ATC has summarised the previous role of the ATC as being trade-focused. In recent years, however, the ATC had decided that consumer-driven marketing was the most effective way to broaden awareness about 'Brand Australia'. The new Greg Norman television campaigns in Japan, Korea and North America are fresh

⁴⁵ *The Australian Financial Review*, 16 May 1991

⁴⁶ *Ibid.*

examples of this thrust.⁴⁷He suggested that ATC campaigns can be summed up in seven strategies adopted for all ATC marketing activity:

- In it for the long run. Careful, long-term planning means we avoid knee-jerk reaction to sudden events and trends and work to firm marketing plans;
- Not all eggs in one basket. Tourism flows can be easily disrupted, so we are careful to spread our marketing resources and not rely on particular markets;
- Take careful aim. With limited resources, we must make sure we get to the people with the propensity to make the often long-haul trip to Australia;
- Let's work together. ATC's budget of \$65m is not sufficient without support from the industry and States;
- Consumer is king. If we motivate the consumer the travel agent/wholesaler will follow. Demand will produce supply;
- Preserve the experience. We must help protect the environment and preserve our 'friendly Aussie' image or risk losing two of the key reasons why people visit Australia; and
- Provide satisfaction. Return visits and word of mouth recommendation will only occur if visitors enjoy their stay. We must get it right back home.⁴⁸

Recommendations

4.47 That the Commonwealth Government retain the responsibility for international marketing of Australia as a tourist destination. That the Australian

⁴⁷ *The Australian Financial Review*, 13 May 1991

⁴⁸ *Ibid.*

Tourist Commission continue to perform that function on behalf of the Commonwealth. That sufficient funding be maintained to the Australian Tourist Commission to allow it to carry out its activities in order to achieve Government targets for inbound growth and the consequent economic yield from international tourism.

4.48 That section 7 (e) of the *Australian Tourist Commission Act 1987* requiring the Commission to 'closely monitor and report the effects of international tourism on Australia's natural environment and society' be strengthened to require reports at least annually on those effects.

4.49 That an investigation be carried out by the Tourist Ministers' Council into State and Federal overseas tourism representation to evaluate whether the most cost-effective arrangements are in place, or whether a rationalisation is required.

4.50 That a review of the Australian Tourist Commission's promotion and marketing be carried out to identify a program which will encourage international tourism to all Australian States.

PART 3

IMPACTS ON THE PHYSICAL AND SOCIAL ENVIRONMENT

CHAPTER 5

THE ENVIRONMENTAL IMPACT OF TOURIST DEVELOPMENTS AND INFRASTRUCTURE

Introduction

5.1 The physical impact of tourist developments and infrastructure are more easily identified than the social and cultural impacts. The probable effect on the environment is regularly evaluated by environmental impact statements. Increasingly, community expectations about protecting the environment have come to influence the location and type of tourist developments approved.

5.2 The Committee heard evidence about the environmental impact of tourist developments in national parks and coastal zones, and notes that there will always be conflict between those who wish a particular site to remain in its current condition, and those who would develop the area. The Committee received submissions and heard evidence about two major developments which, in addition to factionalising communities, raised questions about the environmental impact of tourist developments. The developments, one in a national park and the other on the coast, are:

- the proposed Wilpena Pound resort in the Flinders Ranges National Park; and
- the Magnetic Quay project on Magnetic Island.

While these developments represent discrete examples, aspects of each case permit legitimate generalisations about ways in which associated problems can be avoided, minimised or managed. And the Committee has not limited its consideration of the environmental impact of tourism to such developments. It has also examined the physical effects on heritage areas and marine parks.

Heritage Areas

5.3 Australia's heritage resources are often fragile, valuable because of their uniqueness and, of course, limited. For these reasons heritage is of considerable tourist interest. In its submission the Tourism Task Force advised that Australia's national heritage areas have special significance for the tourist industry in that they are unique and cannot be substituted or copied in other countries. They represent one of the few areas of true advantage in the highly competitive international tourist industry, and have great value to our industry:

... the Tourism Task Force therefore supports wholeheartedly the protection of these areas from inappropriate development.¹

5.4 Given both its value and vulnerability, it is in the interests of Australian tourism to protect national heritage wherever it is situated. There are some excellent examples of such preservation. Historic homes, for example, were not constructed for tourism but for domestic use. Accordingly, at Calthorpe's House in Canberra the number of visitors is limited. In most heritage sites a monitoring of tourist impact is essential, and quota restrictions may be appropriate. For example, at Mossman Gorge on the Mossman River, restricted parking space is used to limit tourist numbers. The National Parks and Wildlife Service and the local Shire Council have agreed not to increase the parking capacity. On this issue the Tourism Task Force believes that in all except the most fragile environments, a reasonable degree of use can be sustained where appropriate resources are invested in land

¹ *Submission No. 69, p. 7*

management. The Tourism Task Force recognises that some areas of land have special environmental features which warrant complete protection from all forms of development. However, for most areas of land the answer lies not in preventing use but in managing the land in a manner that protects it from unacceptable impact whilst permitting varying degrees of public use and enjoyment.²

5.5 The Committee accepts this view. It also concurs with the advice given by Mr P. Donovan to the conference *Frontiers of Australian Tourism* in 1988. Mr Donovan noted that Tourism must become more professionally and scientifically based, with great care being taken to husband our precious, fragile, and finite heritage resources; these same cultural resources will help define and establish the quality of life of our successors. Mr Donovan suggested that those involved in the industry must take a national and long-term view to co-ordinate strategies to ensure their protection. There must be educational opportunities for tourist operators and promoters, and specialist advice readily available.³

5.6 Importantly, the Tourism Task Force made suggestions about measures to protect the national heritage from undesirable development:

Proposals to carry out development in a place listed on the Register of the National Estate, where that place comprises land owned or administered by the Commonwealth or where a determination in respect of the development is to be made by a Commonwealth Minister, fall within the provision of the Environmental Protection (Impact of Proposals) Act (1974). The responsible Commonwealth Minister is required to determine whether or not a[n] environmental impact assessment should be prepared in respect of such a proposal.

In some circumstances the proposal may also need to be assessed under a State or Local environmental law. The Tourism Task Force believes that this duplication of

² *Submission No. 69*, p. 8

³ *Frontiers of Australian Tourism*, 1988, p. 196

assessment procedures should be avoided through the preparation of agreements between the States and the Commonwealth of the type referred to in Appendix 1. The Tourism Task Force also believes that in matters pertaining to National Heritage Areas, the Commonwealth should have exclusive power to determine development proposals.⁴

National Parks

5.7 Australians have a long history of protecting the environment through national parks. The Committee was advised that South Australia was celebrating its centenary of national parks; Belair National Park was the tenth such park established in the world.⁵ This being the case, the Committee was concerned to examine the proposed national park development at Wilpena Pound in South Australia.

The Wilpena Pound Project

5.8 The Flinders Ranges National Park is the location of a site for a proposed tourist development that has caused considerable dispute. The Wilpena Station Resort has been planned for a site of 680 ha; it was originally envisaged to comprise a \$50 million development of 160 (four star) hotel rooms, 100 bungalows, 180 dormitory beds and 400 caravan sites. The project had been approved by the South Australian Government in 1989 - a lease was signed between the developer, Ophix, and the State Government in January 1989.

5.9 In January 1990, *The Advertiser* reported that the Wilpena developers wanted the Aboriginal Development Commission (ADC) to provide \$18 million for a one-third share in the project. The Director of the National Parks and Wildlife Service, Mr Bruce Leaver, had claimed that the ADC initiated interest in becoming

⁴ *Submission No. 69*, p. 7

⁵ *Evidence*, p. 836

involved. On 31 January 1990 *The Advertiser* reported that similar one-third share offers had been made to the State Government Insurance Commission and the Building Unions Superannuation Scheme. Subsequently the Australian Conservation Foundation (ACF) and the Conservation Council of South Australia lodged an application for a High Court hearing in a bid to stop the development.

5.10 The application in April 1990 by the ACF seeking leave to appeal was granted. However, that leave was held in abeyance by the Registrar of the High Court because pending South Australian legislation threatened to make it redundant. The appeal by the ACF would have questioned the validity of Government immunity from some planning controls. A ruling in the South Australian Supreme Court in April 1990 established that under the National Parks and Wildlife Act, the State Government was exempt from the provisions of the Planning Act.

5.11 In August 1990 the Premier Mr Bannon advised State Parliament that the Government would introduce a Bill 'to facilitate the development of the Wilpena Resort and associated infrastructure'. That legislation, the *Wilpena Station Tourist Facility Act 1990* was passed on 15 November 1990 and received assent on 6 December. The Act provides:

- That the development may proceed.
- That native vegetation in the development zone may be cleared.
- That the accommodation comprise:
 - a hotel of not more than 120 bedrooms;
 - not more than 40 bungalows;
 - dormitories for a maximum of 30 beds;
 - not more than 75 powered caravan or camping sites;
 - not more than 250 unpowered caravan or camping sites; and
 - sites for the accommodation of the passengers of not more than 10 buses.

- Under section 3(8) the Minister can increase the capacity of the resort to not more than 3,631 overnight visitors.

5.12 There are many significant environmental issues involved in the proposed Wilpena Resort. According to *Habitat Australia* of December 1990, nearly 40,000 visitors a year make the Flinders Ranges National Park one of South Australia's most popular tourist developments. Most visitors travel to the Park by car, enjoying the opportunities for remote camping and bushwalking offered within several hundred kilometres of Adelaide.⁶ If Wilpena Pound Resort is developed, the pressure of visitors on the Park would increase. The Resort itself could reportedly host 55,000 tourists in its first year of operation and 110,000 annually after ten years.⁷ *Habitat Australia* claimed that this entails between 500,000 and one million visitor nights each year. At this stage the total effect of that number of visitors walking in the area can only be presumed to be significant.

5.13 There would also be an impact from the accommodation to be built. All buildings would be single story, built of natural stone with raw timber and corrugated iron roofs. However, while the developers envisaged environmentally sympathetic architecture for the resort, the demands of such a large number of visitors would impose significant pressures. The developer's project manager, Mr R. Morse, has been quoted to have said that providing infrastructure such as sewerage, power and water for the project had thrown up a host of problems to which environmentally viable solutions had to be found.⁸

5.14 Pressure on the environment, of course, would not be limited to the number of visitors, the accommodation deployed and the consequences of waste disposal. There also would be an effect from the associated infrastructure that will be required. In August 1990 the South Australian Government stated that it would

⁶ *Habitat Australia*, December 1990, p. 5

⁷ *The Weekend Australian*, 1-2 September 1990

⁸ *Ibid.*

support the construction of a \$3.6 million airport at Hawker, a town near Wilpena Pound. The provision of an airport would facilitate the visits of the large numbers of tourists already noted. Importantly, however, it is expected that 85 per cent of visitors would travel by car or bus, requiring a high standard of road and associated infrastructure. While there are some environmental benefits of sealed roads compared with unsealed, heavy traffic even on sealed roads will have an impact on fauna.

5.15 The Committee notes that the projected large increase in tourist visits to Wilpena Pound is accepted by some elements of the conservation lobby but not by others. *Habitat Australia* published an article in December 1990 which quoted without dissent the figures released by South Australian Tourism of up to 1 million visitor nights each year. By contrast, in a submission opposing the resort, Professor D. Shearman stated:

Population surveys conducted by the Government (but not published) indicate that a majority of tourists who already visit the Flinders Ranges are opposed to this large development. If built they will not use it, thus withdrawing one of the important financial infrastructures for any project, that is, its need to be used by the local population as well as by interstate and international tourists.⁹

5.16 Professor Shearman advised the Committee that this documentation had been read into Hansard in the South Australian Legislative Assembly. The Committee notes that this documentation concerned a survey about whether the Wilpena Pound development was 'agreed with'; no reference was made in the survey to the question whether the respondents would use the facility or not. And, despite disagreement with the project among those surveyed, the Committee considers it reasonable to believe that the Wilpena Pound development would greatly increase visitor numbers.

⁹ *Submission No. 71*, p. 4

5.17 In addition to the point about visitor numbers, Professor Shearman said in his submission:

- The water resources are unproven and the figures for water flow given by the Government are confusing and have never been clarified.
- A large area of native vegetation, in particular a rare form of Pine, will be destroyed in the National Park (at least 1,000 trees) to make way for the resort which is 1km long.
- Many eminent scientists are opposed to the project on the basis of the fragility of this arid region. In this regard, Sir Mark Oliphant, perhaps South Australia's greatest scientist, has indicated the following to the Government. 'A concentration of tourists in a calcareous shale environment will result in shifting trails to avoid bull dusting and the smothering of fragile vegetation, increased erosion and invasion of weeds.' He has also indicated that he has been assured by geologists that the adequacy of underground water supplies for a major project in a drought-prone country has not been proven. Sir Mark has remained firmly opposed to the project, and is at the forefront of opposition expressed by the ACF. He has personally lobbied the Government on several occasions without effect.
- The development was strongly opposed by all Conservation Groups.
- Most international tourists who have visited the region have publicly opposed the project.
- Population response with letters and donations to The Last Resort, a branch of the ACF formed to oppose the project, has been overwhelming, an indication that the project will never be accepted by South Australians. A wide political and social spectrum of the population is working against the project.¹⁰

¹⁰ *Submission No. 71, pp. 3-4*

5.18 Professor Shearman presented these views in the Committee's public hearing on 4 April 1991. In his public evidence Professor Shearman made the following additional points about the proposed development:

Firstly, it is in a national park, and we are unhappy about this. Experience in the United States says that this is not always a good idea. We do not believe this park can be protected. Because it is so fragile, in due course it may indeed require some limitation of visitors; and the way not to protect it is to say, we will raise some money from a huge development which will allow us to apply more park rangers to look after the thousands more people tramping over it. There is a limitation on what you can do in some areas. The Swiss have found this out in ski slopes and they have stopped development in some areas. We believe that this is not being looked at in a satisfactory manner in the Flinders Ranges. We are unhappy that because the Government had difficulties establishing this resort, it passed legislation to exempt itself from all planning laws and all laws in relation to the protection of the environment in that particular region; and it used retrospective legislation to do this.

Finally, there is a huge public response, across the board, because of this retrospective legislation. Many people, such as lawyers, business people and so on, have joined the opposition because they see it as inappropriate that the Government can walk around the laws that it has put forward for the protection of the environment.¹¹

5.19 The Committee considered carefully the evidence that it received about the Wilpena Pound resort for the following reasons:

- the development is planned for a national park;
- the development required specific State legislation; and
- the State Supreme Court ruled that the State Government was exempt from the provisions of the Planning Act.

¹¹ *Evidence*, pp. 811-2

And in considering these aspects, the Committee has noted that the following factors tend to mitigate the kind of concern that was expressed to the Committee:

- The development required an Environmental Impact Assessment (released by the South Australian Government in 1988);
- The development would proceed on pastoral lands purchased by the State Government and added to the national park in June 1988; and
- There is already substantial pressure on the park which needs to be subject to increasing, progressive management. (There were 27,000 visitors to the park in 1986-87.) This pressure has resulted in some environmental degradation.

5.20 Importantly, even the opponents of the development do not object to limited facilities in principle. Mr John Hunwick advised the Committee:

... one of my concerns about the motel complex is this: if in fact what had been proposed was the same level of development, the same type of development, the same number of facilities as presently exist but being moved two or three kilometres away from where they were, I and many of my colleagues would have found it very difficult indeed to sustain an argument against it. We would have had to accept that such a facility already existed, that it was run-down, that it was inappropriately placed both from the Aboriginal point of view and from a geological point of view, and another site might well be made.¹²

...

We are not opposed to people visiting the park. We believe the alternative arrangement for an increase of visitors to the region can be obtained without this \$51m motel complex. Therefore, I am personally not opposed to the availability of roads; I am not opposed to the availability of showers and motel complexes. What I am

¹² *Evidence*, p. 824

opposed to is its absolute close proximity to the very heartland, in a natural environmental sense.¹³

5.21 While the Committee is sympathetic to the view that developments in national parks should be kept to a minimum, it is also concerned that those wishing to visit national parks be able to do so in reasonable comfort and with minimal environmental degradation. Perhaps a level of development such as that proposed for Wilpena Pound is necessary to provide facilities so as to minimise environmental impact. The Committee understands that there has been a significant removal of fallen timber and undergrowth, for example, by campers who have lit fires. While fires are no longer permitted, the Committee was told that they are still lit.¹⁴ Clearly, the provision of a level of facilities in the national park *where the visitors are* can ameliorate the potential for environmental damage.

5.22 For this reason the Committee considers environmentally appropriate facilities to be the kind of compromise necessary in order to provide access to environments that need careful management and protection. It appears that the lack of facilities is not deterring visitors from the Wilpena Pound area - rather, it is contributing to its environmental degradation. The balancing objective is to provide such a level of facilities that the number of visitors will not damage the park more than would be the case if minimal facilities (and a much lower volume of tourists) were involved. This is the kind of balance sought by the Western Australian Department of Conservation and Land Management:

Between the extreme views of those who advocate the maximum tourist exploitation of scenic and natural areas, and those who argue that national parks can best be protected by minimising human intrusion, lies a proper balance. Like many developing states with large land areas and small population, Western Australia does not have the financial resources to manage all of its parks effectively. Calls for the opening up of scenic areas by

¹³ *Evidence*, p. 826

¹⁴ *Evidence*, p. 819

better access roads must be considered against the availability for sufficient park rangers to cope with the resulting influx of visitors.

...

As the population increases, not only in Australia but also worldwide, the demand for tourist accommodation and other facilities, so that visitors can enjoy what will become increasingly rare - large tracts of natural and completely unaltered land - can only grow. CALM recognises this long term trend and is anxious to assist tourist developers in managing the increase in pressure on our natural places.¹⁵

5.23 In summary, the Committee concurs with the view put in the March 1989 discussion paper for the IAC inquiry on travel and tourism. That document, *The Environmental Impacts of Travel and Tourism*, concluded with regard to national parks:

Notwithstanding the interpretative guidelines suggested by [the] National Parks and Wildlife Service there seems no reason why commercial development should be totally precluded within National Park boundaries. By encouraging increased use of a reserve, and providing funding to maintain the environment within the reserve, such a development would appear to lie entirely within the intent of the National Parks and Wildlife Act. Even if the Act was interpreted to the contrary, the reality would remain that rational considerations focussing on almost any definition of the 'general well-being of Australians' would justify some commercialisation in nearly all cases ... given an appropriate and independent process of assessing environmental impact, and appropriate liability rules, there could clearly be justified a range of commercial enterprises varying in style according to the character of the reserve.¹⁶

¹⁵ Western Australian Tourism Commission and Environmental Protection Authority, *An Administrative Guide to Environmental Requirements for Tourism Developments in Western Australia*, 1989 pp. 19-20

¹⁶ *The Environmental Impacts of Travel and Tourism*, pp. 65-6

Marine Parks

5.24 In a paper *Management of the Great Barrier Reef Marine Park*, the Chairman of the Great Barrier Reef Marine Park Authority (GBRMPA), Mr Graeme Kelleher, stated that commercial fishing and tourism, recreational pursuits including fishing, diving and camping, traditional fishing, scientific research and shipping all occur within the Great Barrier Reef Region. The only activity which is prohibited throughout the Region is oil drilling. The paper stated:

Resort tourism is the largest commercial activity in economic terms. In 1983/84 there were an estimated 140,000 visitor trips resulting in 660,000 visitor nights spent on the 245 island resorts and the visitors spent around Australian \$60 million at the resorts. Resort guests make extensive use of reefs and waters for recreational activities including fishing, diving and snorkelling, water sports, sightseeing and reef-walking and some collecting.

The popularity of the Reef and adjacent coast region as a tourist destination increased forty-fold over the period from the 1940's to 1980 and is continuing to increase. Recently, interest has been expressed in building accommodation establishments directly on reefs and this could lead to a further expansion on accommodation capacity. The last five years has seen the introduction of several large, stable, high speed catamarans providing day trips to islands and outer reefs.¹⁷

5.25 While the establishment of accommodation directly on the Reef was not a success and is now not practised, the growth in tourist use of the Reef noted by Mr Kelleher has continued. In its submission the Association of Marine Park Tourism Operators advised the Committee that international visitors to the Great Barrier Reef region more than doubled in the period 1984 to 1986. The Association stated:

¹⁷ Graeme Kelleher, *Management of the Great Barrier Reef Marine Park*.

Infrastructure development in the Barrier Reef area has reflected the rapid expansion of the tourism industry. For example, in the area from Gladstone to Port Douglas the value of major tourism projects (worth more than \$5 million) under construction at the end of 1987 was around \$645 million and there were major projects worth \$1,918 million firmly committed at that time. The figures for March, 1989 quarter reveal that the development has continued apace with major tourism projects under construction being valued at \$906 million. In addition there was \$2,582 million worth of projects firmly committed.¹⁸

While the Association acknowledged in February 1991 that the figures for the September 1990 quarter were not beyond question, it suggested the figure for that quarter for major tourism projects under construction or firmly committed was \$3431 million.

5.26 It is, of course, difficult to convert outlays on tourism developments into projections of tourist impacts on the Reef itself. The GBRMPA claims, however, that the popularity of the Reef has increased with approximately 200,000 people visiting its aquarium during 1989-90.¹⁹ Despite the large numbers of visitors to the Reef, it is not necessarily the case that environmental pressure on the Reef has increased. The Association of Marine Park Tourism Operators suggested that while the number of visitors to the Reef itself have grown substantially, the quality of the visitor experience has been steadily improved through:

- better design in boats;
- the use of pontoons as on-reef bases of operations; and
- the availability of semi-submersible craft for Reef viewing.²⁰

¹⁸ *Submission No. 63*, p. 3

¹⁹ Great Barrier Reef Marine Park Authority, *Annual Report 1989-90*, p. 47

²⁰ *Submission No. 63*, p. 4

The Association stated:

These innovations have had a marked effect on the visitor pressures on the Reef. For example, on a vessel carrying 250-300 people on a Reef tour, it is unlikely that more than 25 per cent of these visitors will actually enter the water. This clearly is a vastly different situation from that existing when the marketing approach appeared to centre on providing the visitors with the opportunity to see the Reef by walking on it. Today operators generally are at pains to urge those visitors entering the water not to stand on the Reef.²¹

5.27 According to the Association, the use of moored pontoons on the Reef facilitates visitor access with low environmental impact. The Association claims that the mooring of large pontoons on sites on the Reef to act as operational bases provides visitors with an adequate experience of the Reef and obviates the necessity of actually entering the water and treading on the coral.²² In evidence before the Committee the Association's Executive Director, Mr Keith Nielson, suggested that the same held for semi-submersibles used on the Reef. A semi-submersible is a craft that sits in the water but does not go under the water. Mr Nielson²³ advised the Committee:

You find on a cruise boat going out there with, say, 300 people on it, that it would be a big day if 25 per cent of those people actually felt the need to go and snorkel, to get wet at all, because you will find quite a lot of them are very content to have the cruise out and to do the underwater sub, the semi-submersible trip. They get a very good experience from that and they are quite happy to not go in the water. The impact of that visitor on that area is really zero.²⁴

²¹ *Submission No. 63*, p. 4

²² *Submission No. 63*, p. 4

²³ *Evidence*, p. 327

²⁴ *Evidence*, p. 328

5.28 Importantly, visitor impact is only minimised for tourists who remain on board submersibles, boats and pontoons and who are transported over the Reef in boats that have sewage holding tanks. The Association assured the Committee that the professional operators have such tanks. Further, the large professional boats have moorings established on the Reef; in contrast with smaller mostly private boats, the large boats cause much less mooring damage. The Committee was advised that the smaller boats will drop the 'pick' over the side of the boat maybe eight times a day, which contributes to coral damage, and that the risk to the Reef from tourism and professional operators was less than from locals using the Reef.²⁵

5.29 The Committee would be particularly cautious about moves to restrict individuals and small groups from access to national parks. Nevertheless, on the basis of the evidence submitted about the Great Barrier Reef, it appears prudent to encourage visitors and even local residents to utilise the larger professional boats for visits to the Reef. Those vessels have the advantages of retaining all waste (including sewage) on board and minimising anchor damage to the Reef. Even where smaller boats retain their waste, they do not have the established moorings of the professional operators.

Coastal Regions

5.30 Tourism developments in coastal regions do not necessarily have adverse impacts. The inquiry received no complaints about major coastal developments such as the Mirage Resort at Port Douglas. The Committee's attention, however, was drawn to the Magnetic Quay development; it was examined in some detail. Strong submissions were received from those who opposed development of Magnetic Quay on what was supposed to be public land, the beach at Nelly Bay. An opposing view was put by those who supported different kinds of development at various sites on Magnetic Island for commercial reasons and because of the increased amenity that would be provided for the Island's residents.

²⁵ Evidence, p. 325

The Magnetic Quay Development

5.31 In 1985 a lease was granted by the Queensland Government over thirty hectares of beach, marine park, foreshore and dunes on Magnetic Island. The lease was provided to a company known as Bayvista which proposed to proceed with the development of the Nelly Bay area.

5.32 In February 1991 the Townsville Branch of the Wildlife Preservation Society published an article on this matter in its journal *Brolga*. Dr Ian Dickson of the association known as Island Voice used the article entitled 'The Blight of Bright Point', to set out the chronology of events affecting Bright Point and Nelly Bay. He noted that following the sale of Bayvista to other interests, new development plans were drawn up:

These were even more greedy than the ones submitted by Bayvista. Now Gustav Creek, which in the Bayvista plans was excluded from the marina, was to flow into the marina and to have a weir constructed across its mouth. Despite these radical changes to the plans no new Impact Assessment Study was ordered and residents of the island were faced with the prospect of a 500 bed hotel, a 400 bed backpackers hostel, a tavern, a condominium, townhouses, a supermarket and ferry terminal.²⁶

5.33 Dr Dickson went on to advise in the article that, with the implementation of the Great Barrier Reef Marine Park Act there was a requirement for the developers to submit to the Federal Government a Public Environment Report on the construction of the marina.²⁷ Subsequently, according to Dr Dickson, the Minister, Senator Graham Richardson, changed the rules and declared that only matters pertaining to the marine park could be considered and that

²⁶ *Evidence*, p. 1111

²⁷ *Ibid.*

socio-economic matters were outside the province of his department for consideration.²⁸

5.34 Dr Dickson's article advised that a second Environment Report was prepared and that the Great Barrier Reef Marine Park Authority (GBRMPA) had been given the task of reviewing the submissions. GBRMPA decided that the proposal as put was likely to have unacceptable environmental impact on the Great Barrier Reef Marine Park and that therefore the Authority could not support the issue of a permit on the basis of the existing proposal.²⁹ However, it went on to say that it should be practicable to modify the engineering proposal to reduce the risks of sedimentation and pollution significantly.³⁰ The Authority met with the proponents and a permit was issued.

5.35 Dr Dickson then set out what he describes as the 'legal phase of the battle'. Action was taken in the Local Government Court by a member of Island Voice. The hearing, which commenced in July 1989, took eight weeks. The case was lost and costs of \$250,000 were awarded against the Island Voice member. At this time GBRMPA was reviewing its decision to grant a permit, although it subsequently confirmed the permit decision.

5.36 Further, in April 1989 an action against the GBRMPA was initiated by Island Voice before the Administrative Appeals Tribunal (AAT). Dr Dickson's article notes that while the appeal was to have been heard in September 1989, it was delayed due to the ill-health of the Tribunal President. Nevertheless, in January 1990 it was decided that Island Voice had legal standing and were in a position to finalise their case. Strong representations were made by Magnetic Quay to have the case brought forward and the Tribunal agreed. The hearing was to be held in Brisbane, which meant Island Voice finding a Brisbane solicitor and briefing a new

²⁸ *Ibid.*

²⁹ *Ibid.*

³⁰ *Ibid.*

counsel, which necessitated a visit to the island. On further representations from counsel for Magnetic Quay the hearing was brought forward another week, which meant that time and logistics made continuation of the action by Island Voice impossible.³¹

5.37 At the development site work proceeded. The rocky Bright Point at the northern end of the beach was blasted to provide a substantial amount of rock for breakwater construction. Dr Dickson has set out the subsequent events as follows:

Tenders were called for the construction of the hotel and other buildings that were planned when reclamation was completed. Notice was given that dredging of the channel was to start and would be completed by May, then July, then August, then no date was specified. Pumping out of the marina basin began after the completion of the breakwaters, but no matter how many pumps were used the water came back in through the porous coral sand substrate.

Then the pumping stopped. The trucks disappeared. The dredge was seen being towed back to town. The contractors had not been paid. Then the inevitable happened, Magnetic Keys went into receivership in December 1990.³²

5.38 The Committee carried out an inspection of the site on 1 May 1991 and found the beach and headland to be devastated. It might be pointed out, however, that removal of rock from Bright Point was always part of the plan for stage one of the Magnetic Quay development, and is not a consequence of the developer's receivership. A fence has been erected around the site, presumably to prevent injury to anyone inspecting it. The site is certainly dangerous with the dispersal of large rocks throughout the area of beach which has been unusable since work on it began.

³¹ *Evidence*, p. 1112

³² *Evidence*, p. 1113

5.39 The Committee sought information on the likely future of Nelly Bay. Dr Dickson stated that some people think it should be left as a monument to greed; however, he considered that something had to be done.³³ He advised that tenders had been called for completing the development to stage one, but he did not know whether any of them had been accepted. He confirmed that if the development was completed to stage one, the land would be reclaimed, and the ferry terminal and marina would be built. If that were done, the developers could freehold the land, which they could then sell.³⁴ In contrast with Dr Dickson's view, however, Mrs M. Hardy, President of Advance Magnetic Island Association, advised the Committee that because the project stalled, the receivers had only indicated their intention to complete the evacuation of the marina basin and the opening of the ferry and barge terminal, but did not intend to construct any tourist related buildings.³⁵

5.40 The effect on Nelly Bay of the Magnetic Quay work to this point has not been confined to the scarring of Bright Point headland or the present disarray on the beach. The Director of the Australian Institute of Marine Science (AIMS), Dr J Baker, confirmed the involvement of his Institute in this matter and told the Committee that sediment transport in quantity has been clearly demonstrated to be damaging to coral reefs. Potential environmental damage from the Bright Point development includes not only the coral reef of Nelly Bay, but also an extensive coral reef which is part of a park area of Geoffrey Bay.³⁶ Dr Baker informed the Committee that AIMS did a study soon after the dredging of the marina was completed and there was evidence of sediment drift into the reef areas which, if it continued, would adversely affect the reef.³⁷

³³ *Evidence*, p. 1131

³⁴ *Ibid.*

³⁵ *Evidence*, p. 1093

³⁶ *Evidence*, p. 1149

³⁷ *Evidence*, p. 1153

5.41 There are, then, two questions concerning environmental damage at Nelly Bay; they would apply to any development of an environmentally vulnerable site:

- What are the most significant levels of environmental damage, both short-term and long-term, that could/are likely to result from the construction process?
- What are the most significant levels of environmental damage, both short-term and long-term, that could/are likely to result from the existence and operation of the development?

With regard to Magnetic Quay, it appears from the research carried out by AIMS that there will be environmental damage to the adjacent coral reef from the process of developing the marina site. Whether that cost proves to be long-term remains to be seen. Further research by AIMS may not occur until 1992.³⁸

5.42 That said, it is most unlikely that any significant development on a coastal area would not have a short-term adverse impact during the construction phase and into the immediate future. In most instances that would be generally acceptable. Its acceptability would be increased if the environment were hardy enough to recover completely in a reasonably short space of time. That would also be the case were the area affected an environment that was commonly found, or was not regarded as environmentally very rich. In this regard Dr Baker advised the Committee:

We found that assertions as to the status of the Nelly Bay reef were inaccurate with respect to the richness of diversity of coral species in that area. That is not an unusual case because most of the situations that you see in evaluations of areas for development are superficial.³⁹

³⁸ *Evidence*, pp. 1153-4

³⁹ *Evidence*, pp. 1149-50

5.43 Provided that the deposit of sediment on the reef was not a long-term prospect, then, it is reasonable to presume that the Magnetic Quay project would be acceptable in terms of environmental damage at that level. Of course, as has been noted already, the facts concerning the matter will not be known until later in 1992 at the earliest. And the further construction of stage one of the development could provide additional hazards by way of sediment on the reef. The Committee understands that prior to the commencement of the Magnetic Quay development AIMS advised that sedimentation of the Nelly Bay reef would occur. In confirming its decision to issue a permit for the development to proceed, the GBRMPA clearly did not consider that prediction to be a determining factor.

5.44 Compared with sedimentation of the Reef, there are more immediately visible environmental effects of the Magnetic Quay development. The Committee understands that Bright Point is privately owned. Of course, that does not give the owner licence to exploit the headland at will; permission for a development that included removing significant amounts of rock required approvals through sixteen various authorities.⁴⁰ The community interest in a development such as Magnetic Quay extends to the aesthetics of the dominant topography; Bright Point is clearly of such significance. The Committee advocates that developments of this kind include the renovation of sites like Bright Point so that it does not require decades of weathering and natural plant regrowth for the area to appear unscarred.

5.45 While developments such as that at Nelly Bay can have very detrimental effects on the natural environment, the Committee notes the benefits of the built environment both for its own utility and in making possible greater enjoyment of the undeveloped natural environment. In the case of Magnetic Quay, for instance, the Committee has noted that Magnetic Island would benefit from a sheltered loading point for the safe reception of boats. It was suggested to the Committee that it would provide a safe harbour for medical evacuations.⁴¹

⁴⁰ *Evidence*, p. 1086

⁴¹ *Evidence*, pp. 1090-1

5.46 Further, the benefits of developments can extend beyond the particular amenity itself. The Advance Magnetic Island Association submission stated that the Magnetic Quay development has been considered beneficial because it would provide accommodation and amenities for tourists and employment and worthwhile facilities for island residents:

Large headworks charges will pay for the upgrade of various island infrastructure.⁴²

5.47 The Committee is aware that there is a range of ways in which developments can endow associated benefits whether by headworks charges as was envisaged in the case of Magnetic Quay, or by the actual building of complementary infrastructure such as roads. Notably, Magnetic Quay was to extend beyond the provision of a safe harbour. In evidence on behalf of Advance Magnetic Island Association, Mrs M. Hardy described the benefits associated with Magnetic Quay as follows:

- the provision of extra small business opportunities;
- employment, possibly for every level of the community from unskilled to semi-skilled;
- a safe harbour for medical evacuations;
- barge and ferry facilities;
- shopping facilities;
- a safe water swimming area to be provided by a stinger enclosure; and
- a public boat ramp.⁴³

5.48 The Committee is mindful that benefits of this kind have a cost, including to the environment. In April 1991 the House of Representatives Standing Committee on Environment, Recreation and the Arts tabled its report *The Injured*

⁴² *Evidence*, p. 1086

⁴³ *Evidence*, pp. 1090-1

Coastline. That report notes the potential environmental effects of the construction of breakwaters similar to that built at Nelly Bay:

Coastal protection structures such as seawalls, groynes and breakwaters are used to protect coastal property and shorelines. Indeed such structures are now accepted features of the coastal environment and tend to characterise more intensely developed areas of the coastline. An often overlooked aspect of the design of such protection structures is an assessment of the associated environmental effects. Engineered 'solutions' to coastal stabilisation often foreclose the environmental resilience of the natural systems, and frequently fail to take into account ecological processes and create artificial systems that become increasingly difficult to maintain with time.⁴⁴

5.49 The Magnetic Quay development has been a tragedy on more than one level. In terms of its social impact, it has clearly divided a quite small community of about 1,400 people. Had the development proceeded as scheduled it may have provided a significant economic benefit to Magnetic Island including the provision of a considerable number of employment opportunities. The adverse consequences in terms of relations between neighbours may be felt for years.

5.50 In terms of environmental impact there has been a higher price to pay through the stalling of the development than might have been the case otherwise. At this stage it is not clear when the outstanding work will be completed to provide the marina and ferry facilities. Until that is completed the particular beach area will be not only inaccessible to the public, but will comprise considerable visual pollution. And it remains possible that the current state of the site could compound the sediment drift onto the Reef. Had the Committee searched for an outstanding example of the need for efficient co-ordination of the planning and appeal process it could not have found a better instance.

⁴⁴ *The Injured Coastline*, p. 24

5.51 The scandal of the Magnetic Quay development is now well known, and it is clear that an investigation of the approval processes involved is warranted. The Minister, the Hon. Ros Kelly, indicated on 14 January 1992, that an investigation into the Great Barrier Reef Marine Park Authority's granting of a development permit on Magnetic Island would be undertaken.⁴⁵ This Committee will give close attention to the results of that investigation.

State Policies Concerning the Environment and Development

5.52 Given the impact of tourist developments and infrastructure, there is a demonstrated need:

- to ensure that the social and physical impact of tourist developments are assessed adequately;
- to ensure that there are consistent and streamlined approval processes; and
- to provide guidance about the nature and extent of developments particularly in coastal zones and national heritage areas.

Clearly, the States and Territories have a significant regulatory role.

Queensland

5.53 The Queensland Government noted in its submission growing acceptance that responsibility for the environment should be shared among the States and the Commonwealth, with jurisdiction clearly defined where appropriate.⁴⁶ Examples of joint responsibility between the Queensland and Commonwealth Governments are:

⁴⁵ The Hon. Ros Kelly, *Press Release*, 14 January 1992

⁴⁶ *Submission 100*, p. 9

- management of the World Heritage listed Wet Tropics of north Queensland; and;
- the close working relationship between Queensland's Department of Environment and Heritage and the Great Barrier Reef Marine Park Authority.⁴⁷

5.54 With regard to its own administrative responsibilities, the Queensland Government has articulated a policy relating to tourist development, planning and the environment. In a submission to the Committee, it stated:

The Government is committed to ensuring that Queensland's resources and environmental assets are used in a way which is consistent with the concept of ecologically sustainable development. This term describes the use of natural resources in a way which meets the needs of the present generation without compromising the ability of future generations to meet their needs. Such a commitment extends to the tourism industry.⁴⁸

The Government has recognised the need for policies relating to:

- Wet Tropics World Heritage areas;
- Fraser Island;
- Coastal Protection; and
- Sea Dumping.⁴⁹

5.55 The Queensland Government's Coastal Protection Strategy is of major interest; the Magnetic Quay development may not have been approved had the Queensland Government's Green Paper on coastal protection been implemented at the time. That Paper proposes a 100 metre buffer zone between new developments

⁴⁷ *Submission 100*, p. 9

⁴⁸ *Submission 100*, p. 8

⁴⁹ *Submission 100*

and the foreshore or wetlands. It also proposes a height restriction for buildings within 500 metres of the coast.

5.56 Of course, if implemented such a policy would have very extensive consequences for tourism infrastructure. *The Weekend Australian* reported the research of Brisbane legal firm Gadens Ridgeway on the proposed policy:

The Queensland Government's Green Paper on coastal protection threatens 460 tourism projects worth more than \$30 billion, according to a Brisbane legal firm ... Because of the tendency for development to focus on the coast or river systems, the vast majority of developments falls within the scope of the legislation ... Research commissioned by Gadens Ridgeway showed that 460 proposed projects along Queensland's coast involved at least 50,000 hotel and motel rooms and 94 golf courses ... People with developments now under consideration should address all the issues raised by the Green Paper ... Environmental experts should be engaged for advice on the implications of a development in coastal areas and such developments should not take place without regard to the issues raised by the paper ... Planning and environment law partner at Morris Fletcher Cross, Mr Russell Bowie, said governments needed to recognise the inevitability of conflict between interests with legitimate but totally incompatible objectives.⁵⁰

5.57 The Committee understands that an extensive process of public consultation has taken place since the Green Paper was released. A proposal on the matter was forwarded to the Queensland Cabinet in March 1992.

New South Wales

5.58 *The Injured Coastline* was tabled in the House of Representatives on 11 April 1991. In that report the House of Representatives Standing Committee on

⁵⁰ *The Weekend Australian*, 8-9 June 1991, p. 51

Environment, Recreation and the Arts described the New South Wales Coastal Policy in the following terms:

In September 1990 the New South Wales Government released its Coastal Policy, the primary aim of which is to 'protect the coastline and beaches for the enjoyment of future generations and to ensure that coastal development is balanced, well-planned and environmentally sensitive'.⁷

The policy covers the entire coast of New South Wales excluding the Sydney metropolitan region, the City of Newcastle and the City of Wollongong. While it is not legally binding on local government councils, they are required to take the provisions of the policy into account when considering development applications and preparing local environmental plans. For the purposes of the policy, the coastal area covers the one kilometre landward strip from the low water mark and extends three nautical miles to sea.

The principal elements of the policy are:

- . The continuation of the existing State program to bring unique coastal land into public ownership; public access to beaches will be ensured.
- . Urban coastal development will be limited primarily to areas adjacent to existing towns and cities.
- . Major tourist developments will generally be clustered around identified tourist growth centres to minimise intrusion on the coastline.
- . The height and concentration of developments will be sensitive and appropriate to the local environment.
- . Representative coastal species and ecosystems will be protected through continuation of existing wetland and littoral policies.
- . A coastline hazards policy to assist local government in dealing with natural coastal hazards and processes.

Responsibility for monitoring the implementation of the policy rests with the Coastal Committee, which the New South Wales Government established to 'overcome the fragmentation of responsibility and ad hoc decision making that has hampered coastal management in the past'.⁸

⁷ Government of New South Wales, *Coastal Policy for New South Wales*, 1990.

⁸ *ibid.*⁵¹

5.59 In a report in *The Sydney Morning Herald* of 15 April 1991, it was suggested that a State Parliament Committee would call for the reversal of several key Government coastal planning policies, 'charging that the present development laws have failed to protect the NSW coast'. This article stated that the Legislative Council's Standing Committee on State Development would claim in a report that there were too many State Government agencies responsible for coastal development. Due to the NSW election in May 1991, the report was not tabled until later that year; it is dated September 1991.

5.60 *The Injured Coastline* had confirmed that the coastal management responsibilities of the New South Wales Government are undertaken by 'at least 19 departments and authorities'. That report listed the following:

- The Department of Planning;
- The Public Works Department;
- The Department of Lands;
- The Soil Conservation Service;
- The State Pollution Control Commission;
- The National Parks and Wildlife Service;
- The Department of Agriculture and Fisheries;
- The Department of Minerals and Energy;

⁵¹ *The Injured Coastline*, p. 31

- The Coastal Committee of New South Wales; and
- The Sydney Water Board.⁵²

It then advised:

Other government agencies with an interest in coastal zone management in New South Wales are: the Department of Business and Consumer Affairs; the Fish Marketing Authority; the Forestry Commission; the Hunter Valley Conservation Trust; the Hunter Water Board; the Lake Illawarra Authority; the Maritime Services Board; the Tourism Commission; the Waste Management Authority; and the Department of Water Resources.⁵³

5.61 *The Sydney Morning Herald* article claimed that, in acknowledging this problem, the Legislative Council Committee report recommended that the Department of Planning should be merged with the Environment portfolio. The Department of Planning, the article advised, had failed in a number of critical areas, including its role of adequately co-ordinating the government agencies involved in coastal development.⁵⁴

5.62 Whether or not the draft report was as described by the newspaper, the report, as published, took a different approach. The report, *Coastal Planning and Management in New South Wales: A Framework for the Future*, advocates a reorientation of the Department, but not an amalgamation of the environment and planning portfolios:

Recommendation 58

The Standing Committee recommends that the State Government gives a new role to, and facilitates the

⁵² *The Injured Coastline*, pp. 28-9

⁵³ *The Injured Coastline*, p. 30

⁵⁴ *Sydney Morning Herald*, 15 April 1991, p. 1

reorientation of the Department of Planning.(Chapter Thirteen)

Recommendation 59

The Standing Committee recommends that the reorientation of the Department of Planning be completed by 31st December 1992 (Chapter Thirteen)

Recommendation 60

The Standing Committee of [sic] State Development recommends that the reoriented and revitalised Department of Planning be responsible for the preparation of regional strategic planning and management instruments (Chapter Thirteen)⁵⁵

5.63 In fact, the recommendation to merge the departments was made in a Statement of Dissent to the report by three of the seven members of the Committee. That Statement, at page 104 of the report, advised:

This statement of dissent relates specifically to Recommendations 58, 59, and 60 of the Committee's Report. These recommendations deal with a new role for, and reorientation of the Department of Planning. However, the above Members of the Committee are of the strong view that the portfolios of the environment and planning should be recombined under the one Minister. During the course of the Inquiry, in written and oral submissions to the Committee, significant community support was shown to exist for this proposition. In fact, the proposal to recombine the planning and environment portfolios was the agreed bipartisan position of the majority of Members of the previous Standing Committee.

The reunion of the portfolios of environment and planning under one Minister makes very good sense, for the following reasons:

- 1) A combined environment and planning portfolio would be a significantly more important Ministry in Cabinet, would attract a more senior Minister,

⁵⁵ Legislative Standing Committee on State Development, *Coastal Planning and Management in New South Wales: a Framework for the Future*, Vol. 1, September 1991, p.6

and a greater share of resources than is possible under a [sic] separate Ministers.

- 2) Departmental planning functions under a combined portfolio would be more sensitive to environmental matters. Better quality planning decisions (with regard to environmental impact) would be the result.
- 3) Disputes between the Planning Minister and the Environment Minister would be a thing of the past.

Accordingly, the above members of the Standing Committee cannot support Recommendations 58, 59, and 60 of this Report. Further, in light of the above, we have serious reservations concerning the transfer of the Coast and Rivers Branch to the Department of Planning in Recommendations 66 and 67. Nevertheless, we strongly support the overall recommendations of this Report, and the overall goals of the Report; to reduce conflict in the coastal development process, produce a system which is more proactive in nature, and achieve ecologically sustainable coastal development.

The Legislative Council Committee report had recommended the establishment of a State Coordination Agency (to be vested in the Premier) to give effect to the following key aspects of the broad framework:

- creation of a comprehensive vision for the coast;
- classification of coastal resources and natural assets according to conservation value;
- more effective coordination between government departments and agencies;
- expansion of public participation; and
- greater use of alternative dispute resolution processes.⁵⁶

⁵⁶ *Coastal Planning and Management in New South Wales: A Framework for the Future* , p.exec.1a

Northern Territory

5.64 In its submission the Northern territory Government outlined a range of policies relating to the location of tourist developments and the interaction between the Northern Territory Government and the Commonwealth:

When a development is on Commonwealth land or the Commonwealth has a direct interest, for example through funding or matters relating to external affairs, formal environmental assessment is currently performed jointly by the Territory and Commonwealth Government.

...

Currently a formal agreement concerning joint assessment procedures is being developed.

...

Consultation and liaison between Federal and Territory Governments on matters relating to environmental protection and tourism are essential to the suitable development of the tourist industry.

The submission noted that the Northern Territory Government had adopted a policy of encouraging the dispersal of visitors, so that pressure can be alleviated on key attractions.⁵⁷

5.65 In relation to coastal management policy, the Northern Territory submission stated:

Coastal Management

The Northern Territory Coastal Management Policy was adopted by Government in July 1985. Implementation of the Policy is co-ordinated by the Coastal Management Committee (CMC) which comprises the Department of Lands and Housing and the Conservation Commission

⁵⁷ *Submission 18*, pp. 3, 11, 12

and the Department of Primary Industry and Fisheries thus reflecting a co-ordinated approach to coastal management in the Northern Territory.

The primary objective of the policy is the protection of the coastal zone from physical and aesthetic deterioration through erosion, pollution and misuse. Other objectives include:

- . ensuring that major development proposals affecting the zone are subject to environmental assessment; and
- . maximisation of public access to coastal recreation opportunities to an extent consistent with necessary coastal protection and other planned development.

Tourist development and other issues are addressed through Coastal Management Plans, which specify management objectives and provide firm guidelines for the future management and development of the area. They are offered for public comment before adoption by the Minister for Lands and Housing as Planning Instruments under the Planning Act.⁵⁸

Western Australia

5.66 According to the Western Australian Tourism Commission and the Environmental Protection Authority, it has been government policy in Western Australia to restrict access to some of the remoter sections of national parks.⁵⁹ The inherent conflict between tourism and the conservation of parks is acknowledged. The Department of Conservation and Land Management takes a pro-active role concerning tourist accommodation adjacent to national parks, and seeks the assistance of developers in maintaining and enhancing park values.⁶⁰

⁵⁸ *Submission No. 18*, p. 11

⁵⁹ *An Administrative Guide to Environmental Requirements for Tourism Developments in Western Australia*, p.19

⁶⁰ *An Administrative Guide to Environmental Requirements for Tourism Developments in Western Australia*, p.19

5.67 Two publications have been prepared for the Western Australian Tourist Commission and Environmental Protection Authority that relate specifically to tourism development: *An Administrative Guide to Environmental Requirements for Tourism Developments in Western Australia* and *The Eco Ethics of Tourism Development*. The Guide has been produced to assist developers with the legal process and as an aide-memoire to reduce the risk of some important issue being overlooked.⁶¹

5.68 Further, the Western Australian State Planning Commission published a *Country Coastal Planning Policy* in 1987. This plan recognises that:

Management problems along the coast arise from the inherent fragility and sensitivity of some coastal environments, from land use pressure and conflicts and from simple mistreatment and ill-advised development.

The goal of coastal planning and management is to achieve a balance between the protection of environmental quality and provision for the social and economic needs of the community.

The State's concern with coastal planning and management is not one of purely environmental management. Substantial financial costs are incurred when environmental processes are ignored and it is the State Government's responsibility to reduce these costs, and the ultimate burden on the taxpayer, through wise use of land.

...

The policy is intended to assist local government, developers and planning consultants by providing a set of general guidelines which set out the Commission's approach.⁶²

⁶¹ *An Administrative Guide to Environmental Requirements for Tourism Developments in Western Australia*, 1989, p.4

⁶² *Submission No.2*, p. 7

5.69 The Planning Policy sets out policy guidelines for three objectives:

To encourage orderly and balanced development on and adjacent to the coast consistent with the protection of coastal resources.⁶³

To protect, conserve and enhance, as appropriate, coastal resources.⁶⁴

To permit public access to the coast consistent with the protection of coastal resources.⁶⁵

Tasmania

5.70 In July 1991, the Premier of Tasmania provided a submission to the Committee which advised in relation to coastal planning and tourist developments:

2.7 The Government is currently developing a coastal land use policy which will be complementary to current Commonwealth initiatives. This and other land use policies will be incorporated into new integrated planning legislation shortly to be introduced to State Parliament.

2.8 The Tasmanian Government strongly believes that adequate mechanisms and safeguards already exist to ensure appropriate environmental protection without the need for the Commonwealth to impose any additional environmental guidelines for coastal or national heritage areas.⁶⁶

⁶³ *Submission No. 2, p. 8*

⁶⁴ *Submission No.2, p. 9*

⁶⁵ *Submission No.2, p. 12*

⁶⁶ *Submission No.101, p.4*

South Australia

5.71 The South Australian submission stated that the Department of State Development and Technology recognises that in many cases fine judgments are necessary when examining proposals in the form of long term balance between the benefits of jobs and commercial development on the one hand and the protection of the natural environment that attracts the development, and therefore tourist, on the other.⁶⁷

5.72 In relation to coastal tourist developments, the Premier of South Australia advised the Committee:

Coastal regions, as locations of some of the most 'sought after' destinations, require special attention. Specifically, it is appropriate to acknowledge and support:

- the necessity of identifying any coastal areas requiring protection (by virtue of special significance or fragility);
- that priority of usage should be on the basis of established environmental capability, with public use having priority over private use;
- research into various options of establishing a central information registry (storage and retrieval system) to enable maximum access to the Australia-wide experience in coastal management, with particular emphasis on the policies, practices and monitoring of tourist developments which rely upon a coastal setting.⁶⁸

⁶⁷ *Submission 41, p.1*

⁶⁸ *Submission No. 41, p.3*

Victoria

5.73 Hon John Cain, then Premier of Victoria, advised the Committee in December 1989:

The Victorian Government believes that the States should take responsibility for guidelines and principles for tourism developments in coastal and marine areas, National Parks, forests, wetlands, remote areas, etc.

This State has strong policies in place, with its State Conservation Strategy and Land Conservation Council process, which have been successful in protecting and enhancing the State's coastline while being of assistance to both developers and land managers. It is Victoria's view that this State role would be duplicated by the Commonwealth if the Commonwealth was to introduce its own detailed policies.⁶⁹

Commonwealth Policy

Heritage Areas and National Parks

5.74 Prime Minister Hawke announced in his 1989 statement on the environment that:

Tourism has risen dramatically to become Australia's second largest earner of foreign exchange. Our climate and our natural environment - wilderness, world heritage areas, beaches, forests and deserts are major attractions for Australian and overseas tourists.

Many of the popular sites occur in fragile areas. In some cases, tourism is dramatically changing the size and nature of local communities, particularly in the more remote parts of the country. Careful and sensitive planning and management of growth is required to

⁶⁹ *Submission No. 60*, p.1

ensure that vital natural areas which is the basis of much of our industry are not compromised.

In view of the damage that can be done to fragile places by individual tourists and tour operators, the Commonwealth welcomes not only the initiatives of the States to develop planning strategies for regional tourism development, but also action taken by the tourism industry (through the Australian Tourism Industry Association) to develop a Code of Environmental Conduct for the industry.⁷⁰

Coastal Regions

5.75 The States and the Northern Territory acknowledge the importance of coastal protection; some have emphasised that jurisdiction over coastal exploitation is properly a State/Territory matter. The Commonwealth is reviewing this question. In the July 1989 Statement, *Our Country Our Future*, Prime Minister Hawke confirmed:

The coastal zone is a diverse region where competing pressures for land use have led to conflict and controversy in recent years.

This zone is the location of most of Australia's population and most of its secondary industries. This places intense pressure on the coastal zone; for example in the form of marine pollution from land based discharges. The coastal zone is also a popular domestic and international tourist destination as well as being home to a large variety of wildlife, and an important source of the rare earth minerals.

In particular our coastal waters provide breeding grounds for important fisheries. Australia has a reputation for producing high quality seafoods. The future of this industry will depend on our ability to maintain the integrity and diversity of the marine environment.

⁷⁰ The Hon. Robert Hawke, *Our Country, Our Future*, July 1989, p. 59

Conflicts over resource use in the coastal zone occur where the development of one industry threatens another or where the development threatens conservation and cultural values. The potential for conflict between the various interest groups will increase as the pressure on coastal resources increases.

The Government has decided to refer coastal zone issues to the Resource Assessment Commission. It will be consulting with States and Territories and other interested parties on the terms of reference, as required by the Act.

The Commonwealth will also establish a National Working Group on Coastal Management with representatives from all levels of government and industry and community groups to facilitate dialogue on coastal zone issues.⁷¹

5.76 On 10 October 1991 Mr Hawke asked the Resource Assessment Commission to inquire into building, tourism, mariculture and associated developments in Australian's coastal zone. By 25 November 1993, the Commission is to examine and report on:

- the integrated management of Australia's coastal zone resources, particularly outside metropolitan areas; and
- the use of regulatory and economic instruments and institutional arrangements to promote integrated coastal management.⁷²

The RAC publicity document released on 10 October 1991 stated:

There is particular interest in how governments can promote coordinated coastal zone management.

...

⁷¹ *Our Country Our Future*, p.58

⁷² *Resource Assessment Commission Bulletin*, Monday 11 November 1991, p. 1

The Coastal Zone Inquiry will work closely with all governments to help provide a clear definition of the roles and responsibilities of the different spheres of government.

...

Conclusion

5.77 The issue of how to balance tourist development with ongoing concerns about the social and physical impact of those developments is one which is increasingly occupying the minds of Australians, and of those who must make decisions about planning, infrastructure and the environment. The case of the Magnetic Quay Development and the Wilpena Pound Project highlight the need for careful checks and balances. We must ensure processes are in place to accommodate the need for development and infrastructure, which support one of our most important income generators, and at the same time to protect the environment. The environment is one of the reasons why tourists visit this country. Importantly, the process for determining this balance must take account not only of the more obvious physical consequences of development, but also the impact these developments have on local communities.

5.78 All States and Territories have detailed policies relating to tourist developments and sensitive environmental sites. The Committee notes that despite such policies a tension will continue between development and the environment, and that responsibility for this issue will continue to lie with State, Territory and Federal Governments.

Recommendations

5.79 That empirical studies of the likely effects of developments on environmentally sensitive sites be commissioned by developers at the concept stage of a development.

5.80 That projects likely to cause significant environmental scarring only receive development approval conditional upon an undertaking to renovate the area.

CHAPTER 6

THE SOCIAL IMPACT OF TOURIST DEVELOPMENT

Tourism and Local Communities

6.1 In a supplementary submission to the inquiry, the Department of the Arts, Sport, the Environment, Tourism and Territories (DASETT) set out the goals of the Commonwealth Government with regard to tourism. It confirmed:

In broad terms, the long-term national tourism goal is to achieve, in close collaboration with industry, the development of a dynamic and competitive industry contributing to economic well-being and an enhanced quality of life for all Australians, consistent with the protection of our natural and cultural heritage.¹

6.2 An enhanced quality of life for Australians is an important potential consequence of the tourist industry. Of course, like several other industries, tourism is largely dependent on people who are clients and others providing service to those clients. That is, it is an industry dependent on personal contact and, as a consequence, can have direct social implications.

6.3 Further, the cultural effects of tourism will be felt locally. In a paper provided to the Committee by the Australian Tourism Industry Association (ATIA), Dr P. Pearce of James Cook University claimed that the presence of tourists in cities and towns can enhance local cultural life. Dr Pearce pointed out that:

Twenty eight percent of international visitors go to museums and art galleries which helps to subsidise these

¹ *Evidence*, p. 60

facilities for Australians (DASETT, 1988). Australia's social history is recorded in detail through the operation of quality outdoor museums such as Sovereign Hill and Timbertown. These concentrations are managed in design and operation and reduce pressure on more susceptible environments. Such management efforts in design and control enhance visitor appreciation and preserve the wider resource. Domestic and international tourists support restaurants and theatres, concerts and sports events, thus adding to the social life of residents. Other benefits which may result from tourism development include better transport and communication systems. For many residents the growth of a tourist core to their city adds excitement, leisure opportunities and a sense of civic pride. The regeneration of inner city areas is often due to tourism developments and provides positive benefits for residents, for example the 1988 Expo site in Brisbane.

Employment Opportunities

6.4 One of the major social effects of tourism is its economic impact including its contribution to the generation of employment. DASETT has pointed out that while tourism's share of the nation's GDP for 1989/90 was an estimated 5.1 per cent, tourism provided 5.7 per cent of the available jobs in that year:

Employment attributable to tourism has increased from 333,000 jobs (or 5.2% of the workforce) in 1981/82 to an estimated 441,000 jobs (or 5.7% of the workforce) in 1989/90⁽¹⁾. In March 1989, the then Industries Assistance Commission estimated that a 20% increase in international tourist expenditure created 17,000 jobs while a 3% increase in domestic tourist expenditure created 10,000 jobs. A strong and viable tourism industry will remain a major contributor to continued employment growth. The industry's relatively high ratio of labour to capital and capacity to employ those most affected by structural unemployment, such as the unskilled,

part-time workers and other groups such as Aborigines and women, are important attributes in this regard.

(1) Bureau of Tourism Research estimate.²

Of course, this level of employment attributable to tourism is not uniform across Australia. The Committee was advised that, for example, tourism contributes 7 per cent of Victoria's gross domestic product and 7.3 per cent of Victoria's employment, about 1.5 per cent greater than the national average.

6.5 It is particularly difficult to quantify the contribution of tourism to the nation's economy including employment. Nevertheless, the Bureau of Tourism Research figure (441, 000) is useful as an estimate. The Committee for the Economic Development of Australia (CEDA) has noted that these jobs involve mainly the hospitality industry, transport and the retail shopping sector. In terms of employment numbers, tourism provides more jobs than the agricultural sector, transport and storage, and public administration and defence. Larger employers than tourism, however, are manufacturing and community services. The following figures have been quoted by CEDA in *Tourism in Australia*:³

Table 6.1: Employment in tourism compared with other sectors end of 1989

Tourism	448 000
Wholesale & retail trade	1 653 800
Community services	1 362 000
Manufacturing	1 234 800
Agriculture, forestry, fishing and hunting	430 000
Transport & storage	400 000
Public administration & defence	335 000
Total	7 870 700

(Note: this table does not add to total)

² *Evidence*, p. 59

³ *Tourism in Australia*, p. 20

6.6 The social significance of employment growth in a particular industry can depend not only on the actual numbers involved, but also on the economic and demographic context. In a recent publication, CEDA commented:

By providing an estimated 10 per cent of all new jobs since 1982, tourism has been an important generator of additional employment at a time of high unemployment, especially of young people. Tourism has provided jobs in a number of regions where there might otherwise have been little scope for employment growth.

...

The hospitality industry is largely decentralised, with a presence in every statistical division of Australia. While the industry employs large numbers of people in and around capital cities, it accounts for a relatively higher proportion of employment in non-metropolitan areas than in city areas. In this way, the industry contributes to diversifying the economic base of non-metropolitan regions and broadening the employment opportunities available in these areas.⁴

6.7 CEDA's observation about the widespread economic benefits of tourism through the Australian community were confirmed by the following comment by Mr R. Spurr of DASETT:

I think we did find, during the latter months of last year when tourism dropped off following the cutback in domestic aviation, that some communities found that the revenue effects of tourism were much wider spread than they had realised. For example, you had very widespread effects in places like Cairns and in areas of Tasmania and central Australia where people who ran laundries, who delivered newspapers or who made bread - a very wide range of industries - who had not previously considered themselves to be in the tourism industry, suddenly found

⁴ *Tourism in Australia*, p. 20

that their incomes were cut very dramatically when tourism numbers dropped away.⁵

6.8 In considering the diversification of the Australian tourist industry farm tourism is notable. The Chair of Australian Farm and Country Tourism, Mrs J. Bowker, told the Committee that farm tourism covers a very wide range of activity:

We cover everything from in-house to cottages to caravans and just day tours ... We probably have got about 500 members Australia-wide, which covers the whole range. In bed numbers, we probably are looking at close to about 3,500 to 5,000 beds. In my own operation I have 25,000 bed nights a year. I generate in my little district over \$3m. When I say 'generate', I am talking about the bus companies because I take large groups and there are quite a few of them around the area. My little area has not much in the way of infrastructure except for two motels.⁶

6.9 In commenting on the farm tourism industry, Dr Philip Pearce of James Cook University suggested in a paper provided to the Committee that studies conducted with farmers who are involved in tourism demonstrate a range of social and economic benefits including employment opportunities on the farm for family members, thus helping keep families and communities together; use and preservation of rural skills, activities and buildings; the opportunity for greater social contact and the economic benefits which in many instances may be critical for maintenance of rural communities.⁷

6.10 Further, in opening the 1988 conference *Frontiers in Australian Tourism*, Senator the Hon. Robert McMullan argued that, being more decentralised than many other industries, tourism provides scope to diversify the economic base

⁵ *Evidence*, p. 85

⁶ *Evidence*, pp. 663-4

⁷ *Tourism and the Environment*, pp. 9-10

of regional economies; this allows openings for small businesses and community involvement. On the basis of the evidence that it has reviewed, the Committee concurs with Senator McMullan's conclusion that tourism is clearly going to play a key role in the process of structural adjustment which Australia is experiencing, with significant social and cultural benefits.⁸

6.11 Nevertheless, difficulties can arise from employment in tourism. Mr A. Griffiths, Deputy Vice-President of the Broome Chamber of Commerce, told the Committee of the problems that the tourism industry can generate for the workforce of a small town:

... I believe that tourism does have some negatives. The only way those negatives are going to be ironed out is by reducing the cost of visitors to Broome and extending our season over a 12-month period, where the employment opportunities created by tourism are permanent. I used to manage a hotel in this town, and we went from 64 staff in March up to 182 staff in the middle of August. In 1987 we wrote out 647 group certificates. That is not uncommon in the hotel industry in this town.

If we can level out the industry and take away the shoulders, the job opportunities created by tourism are on a more permanent basis and then it does not become a transient trade and one that is very badly serviced because the people employed in it are not qualified.⁹

This problem is amplified by the fact that about 700 people are employed in the tourism industry in Broome from a workforce of about 2,500.¹⁰

⁸ *Frontiers in Australian Tourism*, p. 4

⁹ *Evidence*, pp. 1333-4

¹⁰ *Evidence*, p. 1335

Cost of Living and Quality of Life

6.12 The Committee is aware that communities are affected in different ways by tourist developments and infrastructure. Some communities may have an improved quality of life due to the wider range of facilities available as a result of increased tourism. On the other hand, instances of greater pressure on community resources, and the potential for social disruption were cited as detrimental effects on communities as a result of tourism developments.

Positive Consequences

6.13 An enhanced quality of life for Australians is an important potential consequence of the tourist industry. There is evidence that tourism has raised the standard of living of local communities. Mr R. Johnston, the President of the Broome Shire Council told the Committee that tourism had been of benefit to Broome in a number of ways including:

- sealed roads into and out of Broome;
- STD telephones;
- television;
- schooling available locally for senior high school students; and
- air-conditioned restaurants and bars.¹¹

Negative Consequences

6.14 In a paper to the *Frontiers in Australian Tourism* conference, Ms A. Gorman, Principal of Social Impacts Pty Ltd, commented that new tourist developments can lead to increased pressure on schools. Potential disadvantages of tourist development also include adverse changes to the cost of living for the community that lives nearby. Ms Gorman's paper suggests that the benefits and

¹¹ *Evidence*, pp. 1305-6

costs of developments are distributed unevenly and the costs are sometimes borne by disadvantaged groups. Sydney is an example where there has been systematic closing and selling-off of cheap inner city rooming houses which poor and older single people have traditionally relied on, in favour of tourist accommodation. Older people and those on fixed incomes suffer particularly from psychological and social problems as their way of life is affected by changing patterns and rising prices. Local Councils are also beginning to count the cost to their ratepayers of certain developments, and are increasingly asking developers to share those costs.¹²

6.15 This problem was put to Mr R. Spurr of DASETT in a public hearing. Mr Spurr acknowledged the difficulty and advised the Committee that local governments have to devise ways of ensuring that the cost of infrastructure that would be needed to service tourism developments is built into the initial costs of those developments.¹³

6.16 Notably, the negative effects of tourism developments can be amplified in relation to Aboriginal communities. The Committee heard evidence to suggest that Aboriginal communities were often adversely affected by tourist activity. Some communities believe that they have been excluded from decision-making processes about tourism which has an impact on them.

6.17 When members of the Mamabulanjin Resource Centre were asked to identify direct benefits from tourism for the Aboriginal people of Broome one response was negative: Mr K. Puertollano told the Committee that he did not know of, nor could he see any direct benefits.¹⁴ Ms D. Ifould advised that the only direct benefit she could identify related to ongoing Aboriginal language and culture programs, and exposure to wider Australian society for her community.¹⁵

¹² *Frontiers in Australian Tourism*, p. 200

¹³ *Evidence*, pp. 85-6

¹⁴ *Evidence*, p. 1343

¹⁵ *Evidence*, p. 1343

6.18 Some community groups can feel the negative effects of tourism dramatically. Ms Ifould advised the Committee of the negative effects of tourism on the Aboriginal community in Broome, including higher prices for most basic items such as food, clothing, furniture, rent and shelter. The cost of real estate also increased, which has meant that local and Aboriginal people have greater difficulty purchasing a home. She claimed that in Broome real estate has doubled and, in some cases, tripled in value.¹⁶

6.19 Mr S. Albert, a member of the Mamabulanjin Resource Centre, went on to say:

The real crux of the thing about tourism here is that tourism is very racist. Tourism here is catering for non-Aboriginal people. Tourism does not cater for Aboriginal people. When they build places, we do not have a chance to look at who is going to be the contractors or whatever. We do not have a chance to say how tall the building is going to be. We do not have a chance to say where it is going to be. Actually, looking at land everywhere, developers come along here and they say, 'We will bring a Jumbo jet here' or do this sort of stuff - 'We will blow down a hill or put up a five star motel or hotel' or whatever. We do not get that sort of chance.¹⁷

He warned that the social impact of tourism can be very destructive if it is not monitored properly.¹⁸

6.20 The conflict between pro-development and anti-development groups in the community was summed up by Councillor R. Hanigan of Broome Shire. Ms Hanigan told the Committee resort developments can be seen to require the most scenic and the most favourable locations, including those which may be favoured by

¹⁶ *Evidence*, pp. 1343-4

¹⁷ *Evidence*, p. 1344

¹⁸ *Evidence*, p. 1346

Aboriginal groups, conservationists, and by other interest groups within the community. For example, in Broome there has been a widening gap between rich and poor, especially over the last five to eight years. Ms Hanigan told the Committee that community divisions have widened and bitter recriminations and confrontations have developed between those perceived to be 'opposing development' and those who 'push development'. While community forums, such as Developing Broome for the Future in 1988, show that all sectors of the community are united in their concern for the environment and the retention of the Broome culture and lifestyle, no forum exists for communication between the different interest groups, and local government elections have become battles between opposing interests. Dealings between opposing groups are now characterised by suspicion and hostility.¹⁹ Mr S. Albert from the Broome community warned the Committee:

The social impact of tourism can be very destructive if it is not monitored properly.²⁰

6.21 With regard to employment, Ms Ifould, Secretary of the Mamabulanjin Resource Centre told the Committee of the limited employment prospects tourism brought in Broome for Aboriginal people. She said:

What we have found when national or foreign investment tourist developers and tourism industry related things come to Broome is that they usually bring their own staff and work crew and there has not been the uniform sort of policy to employ and train Aboriginal people in the industry.²¹

6.22 Commenting on this issue, Mr Coulthard, General Manager of the Cable Beach Club, described the 'buddy system' that resort had implemented. Rather than adopting a specific Aboriginal employment program, the Club has a specific

¹⁹ *Evidence*, pp. 1354-5

²⁰ *Evidence*, p. 1346

²¹ *Evidence*, p. 1343

local employment program. One of the goals is to develop that base to approximately 65-70 people within the next three years. This will rely on core staff who have been employed over the past two to three years, bringing on people known to them who want to get into the industry.²² He stated that:

I think one of the things that concerns me about some of the approaches that are being taken in developing Aboriginal training is that not every Aboriginal wants to get involved in the tourism industry and we, as [sic] Aboriginals, have to have the same freedom as anybody else. Neither does every white kid who goes to the white school want to get involved in tourism just because he or she is unemployed. They might be very unsuited for it and better suited for a support industry. But if we can develop a buddy system whereby we have our present core staff who then introduce their buddies and work together with them - bring them along and give them support - then I believe we can develop something meaningful over the long term.²³

6.23 Mr K. Bromley of South Australia suggested that where Aboriginal people have not participated in tourism, the main reason is that they do not wish to become 'exhibits', a strong feeling held by a large majority of communities. As well Mr Bromley considered that many Aboriginal people do not accept the intrusion into their communities by tours conducted by European operators, who had no empathy with Aborigines except the dollars that could be extracted for selling their interpretation of the culture. Aboriginal people looked upon that intrusion as an invasion of privacy. Mr Bromley stated that one reason Aboriginal people are not entering the tourist industry is that the people and communities have not been able to amass the capital necessary to develop an enterprise.²⁴

²² *Evidence*, p. 1381

²³ *Evidence*, pp. 1381-2

²⁴ *Submission No. 84*, p. 6

6.24 Mr Bromley proposed the establishment of an Aboriginal tourist enterprise to overcome these problems. In addition, Mr Bromley recommended that there be established a focal point of Aboriginal-based tourism in South Australia, which emphasised Aboriginal lifestyle, culture, mythology and skills. He believes that this is an area where the establishment of the economic independence of Aborigines could be proffered in their own environment without dislocating the developing communities, nor damaging their cultural heritage. In this context there is a need for a facility to be the centre of, and to co-ordinate, the whole of the State's abundant Aboriginal 'experiences'.²⁵

6.25 Mr Bromley advocated government finance for an Aboriginal contribution to tourism through the management of an enterprise. Similar arguments for Aboriginal ownership or control were put to the Committee by others interested in this issue. Mr D. Fowell of the Victoria Archaeological Survey advised that, with regard to his 1989 paper entitled *Cultural Tourism and Indigenous Peoples*, he had sought to get people to think not in terms of economic exploitation, but rather of empowering indigenous people so that they can make decisions about their own cultural sites, have information which will empower them to protect and manage those sites, understand the effects of visitors and the fragility of those sites, and develop skills to market and manage their own enterprises. He stated that this is not happening.²⁶

6.26 By contrast, the Director of the Victoria Archaeological Survey, Mr M. McIntyre, suggested that examples were emerging of successful Aboriginal cultural tourism, including the development of the Brambuk Centre in the national park at Halls Gap which has brought together five Aboriginal communities. Those communities are starting to develop a tourist venture with, progressively, Aboriginal people becoming guides for taking people to the art sites in the Grampians.²⁷

²⁵ *Submission No. 84*, p. 5

²⁶ *Evidence*, pp. 675-6

²⁷ *Evidence*, pp. 679-80

6.27 Further, Mr J. Boveington, the Principal of the Northern Territory Open College has noted the involvement of his TAFE college to provide resources for Aboriginal tourism ventures. He has claimed that the college is involved in numerous enterprise development projects; successful examples include silk screen printing, crafts, carvings, painting and weaving. In some centres tourists buy direct from a cooperative or craftspeople, in others a hub centre acts as the marketplace and sales outlet. Open College has been approached to provide management training in the development of cottage industry cooperatives. Some communities are investigating or have developed export markets for craft materials nationally and internationally.²⁸

6.28 Mr Albert told the Committee of another example of an Aboriginal cultural enterprise, the Broome Musicians Aboriginal Corporation which is funded 'through the arts board, WA Arts and the Australian Arts, plus donations from other sources'. The Corporation promotes musicians and bands such as Scrap Metal, Gringurr and Gunnedah. It is also involved in supporting a production of Bran Nue Dae which has been an Australia-wide hit.²⁹ However, Mr Albert also told the Committee that this investment does 'not really' make money.³⁰

6.29 While there are some current examples of successful Aboriginal cultural tourism, of which Uluru would be one, the Committee is aware that this is not yet a widespread experience. In a research article, Mr J. Altman has argued that the enterprise option is problematic for the following reasons:

- significant capital resources are needed to establish tourism enterprises and this is a major hurdle for poor people;

²⁸ *Frontiers in Australian Tourism*, p. 213

²⁹ *Evidence*, p. 1342

³⁰ *Evidence*, p. 1343

- even when Aboriginal interests have discretionary financial resources, tourism enterprises do not necessarily result in economic betterment because the enterprises are usually owned by communities and not individuals and any profits have to be widely distributed; and
- management of enterprises is also an issue because there is a real shortage of competent Aboriginal entrepreneurs, and reliance on outsiders frequently results in financial mismanagement or embezzlement.³¹

He cited an example of this last point:

Perhaps the outstanding example is the Cooinda Hotel in which the Gagudju Association has invested \$5 million. On financial grounds alone this has been a poor investment; it has generated little income for Association members and many of the 300 Aboriginal owners of Cooinda still live on welfare. It could be argued that Cooinda has been a good investment because of capital gains, but the reality is that this asset will never be sold because it was bought to increase the Aboriginal land base in Kakadu and to increase regional political leverage. Cooinda has had a number of problems with management, and in 1986 the Gagudju Association relinquished direct control in favour of Four Seasons that have a management agreement to operate the resort.³²

6.30 On the basis of this evidence, and in current circumstances, it may be difficult to mount an argument that Aboriginal cultural tourism should rely on Government assistance. Nevertheless, as has been suggested by the Northern Territory Government,³³ greater Aboriginal involvement in tourism should be encouraged and fostered, particularly through assistance with Aboriginal

³¹ *Annals of Tourism Research*, Vol. 16, No. 4, 1989, p. 471

³² *Ibid.*

³³ *Evidence*, p. 1166

ventures. However, support for such a policy should depend upon the formulation of workable programs.

6.31 The Committee is attracted by the kind of approach advocated in the *Report of the Committee of Review of Aboriginal Employment and Training Programs*. In Recommendation 67 that report advocates that where areas are of Aboriginal significance, policies should seek to maximise Aboriginal control over the nature of tourism development as well as providing opportunities for Aboriginal people to gain significant financial equity and access to employment opportunities.³⁴ And, as has been advocated by the Principal of the Open College there is a need to ensure that Aboriginal management and involvement in the decision-making process either at a project development stage or in its management, is acceptable to all parties.³⁵ This view was put by the Northern Territory Government in a submission to the IAC Travel and Tourism inquiry as follows:

Aboriginal Involvement in Tourism and Parks

Tourists visiting the Northern Territory desire some contact with Aboriginal people so that they can better understand Aboriginal culture and bush skills. As many parks include Aboriginal values, and some include Aboriginal communities, the opportunities exist for some contact. However, any tourism contact with Aboriginals needs to be carefully and sensitively planned to ensure that the aspirations of the Aboriginal people are respected.

Where the Northern Territory manages Aboriginal land for park related purposes, tourism developments and numbers are carefully planned and monitored to ensure minimal disruption to Aboriginal communities. Depending on the type of land tenure, different models of Aboriginal involvement have been adopted. While there is no single route to success, all approaches must ensure full consultation with the affected Aboriginal

³⁴ *Report of the Committee of Review of Aboriginal Employment and Training Programs* AGPS, 1985

³⁵ *Frontiers in Australian Tourism*, p. 217

communities so as to ensure sensitive development and levels of tourism with which the Aboriginal people are comfortable.

6.32 On 12 June 1991 the Commonwealth Minister for Aboriginal Affairs, the Hon. Robert Tickner, called on the tourism industry to involve Aboriginal people more directly in its operations; Mr Tickner was speaking at a major Aboriginal art exhibition on the Gold Coast. The Minister's press release said that tour operators should consult more closely with Aboriginal cultural and other groups in their areas about how Aboriginal people (and what they had to offer) could be incorporated into tourist ventures.³⁶

Conclusion

6.33 The Committee believes that there is significant social impact on communities from tourist developments and infrastructure. Accordingly, two things are necessary:

- where appropriate, environmental impact statements for tourist developments must give consideration to social and cultural impacts in addition to any implications for the physical environment; and
- forums must be established at the local government level to enable community views to be considered adequately before tourism developments are approved.

Recommendations

6.34 That there be environmental impact statements, including social and cultural impact statements, for all tourist developments unless there is a successful application to the relevant authority for exemption.

³⁶ The Hon. Robert Tickner, *Press Release*, 12 June 1991

6.35 That before tourism developments are approved, provision be made for community consultation including with the involvement of local government where appropriate.

PART 4

THE ENVIRONMENT AND SUSTAINABLE DEVELOPMENT

CHAPTER 7

ECOLOGICALLY SUSTAINABLE DEVELOPMENT AND TOURISM

Introduction

7.1 For some time the Australian tourist industry has been urged to play a significant role on environmental issues. The Hon. R.J. Kelly, as Minister for the Arts, Sport, the Environment, Tourism and Territories stated that an ecologically sustainable tourism industry has the potential, possibly more than any other industry, to contribute to improving public attitudes to the environment.¹

7.2 Responsibility for environmental awareness has been acknowledged and accepted by the Australian Tourist Commission (ATC), Australia's national tourism promotion office. The ATC has among its main goals to ensure Australia is protected from any adverse environmental and social impacts of international tourism.² Further, the Commission's Managing Director, Mr Tony Thirwell, has stated that the environment is Australia's best asset. It has been claimed that the Commission is 'itching to play a more protectionist role if the Government will let it'.³

Self-Regulation by the Tourist Industry

7.3 This Committee believes that tourist developments are not only inevitable but desirable, provided that the environment is preserved both for its own

¹ The Hon. Ros. Kelly, *Press Release*, 2 January 1991

² *Explanatory Notes 1990-91, Budget Related Paper No. 6.2*, p. 88

³ *The Age*, 3 January 1991

sake and because it is a major incentive for tourist visits. Importantly, this has clearly become a central conviction of the tourist industry.

7.4 The industry itself has taken steps to ensure that environmental considerations are taken into full account. The Australian Tourism Industry Association (ATIA) established its own environment committee in 1989 and a *Code of Environmental Practice* was produced in July 1990, as was the document *Environmental Guidelines for Tourist Developments*. The reasons for the ATIA taking these steps are perhaps twofold. First, a concern to maintain a sustainable industry: significant environmental damage will reduce the attraction of tourist sites with a consequent reduction in tourist numbers. Secondly, however, ATIA must be attempting to maximise the reputation of tourism as an ecologically responsible industry. The *Guidelines* document sets out these objectives as follows:

It seems self-evident that it is in the tourism industry's interest to ensure that such resources are managed in a manner which protects their intrinsic values. Regrettably, the logic of this self-interest has not always prevailed. One result of this has been the growth of a negative image of the industry in certain sections of the community.⁴

7.5 With regard to the second objective, the ATIA has enjoyed some success. At a conference in Brisbane on 6 December 1990, the vice-president of the Australian Conservation Foundation (ACF), Ms K. Robinson, stated that the industry was moving in the right direction although it had yet to come to terms with some fundamental issues. The ACF would like to see the ATIA Code of Practice preclude large-scale tourism development in national parks.⁵

⁴ The Australian Tourism Industry Association, *Environmental Guidelines for Tourist Developments*, p. 2

⁵ *The Australian*, 7 December 1990

The ATIA Code of Environmental Practice

7.6 The ATIA *Code of Environmental Practice* (CEP) adopts as its definition of 'environment' that used by the *Environment Protection (Impact of Proposals) Act 1974* (s. 3):

... all aspects of the surrounding of human beings, whether affecting human beings as individuals or in social groupings.

It utilises the Brundtland Report for its definition of 'environmentally sustainable':

development which meets the needs of the present without compromising the ability of future generations to meet their [own] needs.⁶

And it employs the World Conservation Strategy definition of 'development':

the modification of the biosphere and the application of human, financial, living and non-living resources to satisfy human needs and improve the quality of human life.⁷

7.7 The CEP, which was developed for the ATIA by an independent advisory committee, states:

Because Australia's unique resources are key assets to the tourism industry, the Australian Tourism Industry Association affirms the following code:

⁶ Brundtland Report - The World Commission on Environment and Development, *Our Common Future*, Oxford University Press, UK, 1987, p. 43

⁷ IUCN-UNEP-WWF, *World Conservation Strategy: Living Resource Conservation for Sustainable Development*, 1980, p. 2

Philosophy

- . To recognise both development and conservation as important and valuable expressions of human utilisation of the environment.
- . To recognise tourism as legitimate and valuable resource utilisation.
- . To work towards an improved understanding of the allocation process of land and other resources and establish uniform environmental policy guidelines for the tourism industry.
- . To support local regional and national planning concepts and participate in the associated processes.
- . To work towards the highest level of professionalism in the industry.

Assessment

- . To develop an appreciation of the land and an understanding of its capabilities to support alternative uses in order to establish a basis for environmentally sustainable activities.
- . To ensure assessment processes recognise individual and cumulative implications of each activity.
- . To establish and apply methods to enhance beneficial and minimise adverse effects on the environment.
- . To assess actual and potential effects on the environment from individual tourist development and use which may positively or negatively affect aspects of the environment.

Protection

In co-operation with relevant agencies help:

- . To review private sector tourism infrastructure environmental management and modify such management where necessary.
- . To contribute towards protection and management of those irreplaceable segments of the natural and created environment on which the industry relies and to review and modify protection management activities where necessary.
- . To protect and preserve existing habitat flora and fauna and natural and cultural areas of local, national or international significance directly related to and involved with tourism development and use.

Responsibility

. To accept responsibility for the enterprise related environmental impacts of tourism development, operation and use and to undertake responsible corrective and remedial action where necessary.

. To ensure that natural ecosystems are not used beyond their sustainable capability by the activities of the tourism industry.

. To take account, where appropriate, of environmental policies and codes of environmental practice in developing tourism proposals, including the incorporation of such policies and codes in contract documents.

. To co-operate with relevant authorities and communities in order to integrate environmental requirements into tourism management and land use processes.

Information

. To incorporate environmental policy and codes of environmental practice within tourism training programs.

. To ensure all involved in tourism, both directly and indirectly, have the opportunity to develop a sound knowledge of the natural resources and environmental principles associated with a sustainable tourism industry.

. To support the inclusion of conservation principles in education, training and planning for tourism.

. To enhance visitors' appreciation and understanding of their surroundings within the conservation objectives for the area.

Public Interest

. To consider the value of other legitimate developments and utilisations and respect those values in making decisions for tourism development and utilisation.

. To participate in and facilitate positive discussions on tourism related land utilisation issues.⁸

7.8 The Chief Executive of the ATIA, Mr Peter O'Clery, informed the Committee of the background against which the ATIA devised its *Environmental*

⁸ Australian Tourism Industry Association, *Code of Environmental Practice*, 1990

Guidelines and Code of Environmental Practice. Sixty per cent of submissions to the IAC travel and tourism inquiry were opposed to or concerned with particular tourist developments; Mr O'Clery stated that, accordingly, the ATIA had commissioned work to examine the contributions made by the industry both to the environment and to culture. Further, the ATIA also convened a seminar in late 1989 specifically to respond to the IAC's *Discussion Paper No. 1*:

That group included town-planners, academics and others. It formed the basis of what we then established as an environmental advisory panel to the industry. In that panel we brought together a number of people who had a lot of experience with the professional management and research of environmental and conservation issues but had very little experience in tourism, and a number of people in the tourism sector who had very little experience of the other issues. Bringing them together proved very useful for both parties.⁹

Mr O'Clery informed the Committee that this seminar led to the development of the ATIA's *Code of Environmental Practice*. The ATIA then proceeded to develop some other documentation which would take those broad principles further and assist specific sectors. The first publication has been the *Environmental Guidelines for Tourist Developments* in August 1990.

The ATIA Environmental Guidelines for Tourist Developments

7.9 The ATIA's *Environmental Guidelines for Tourist Developments* are comprehensive and enlightened. For example, in evidence, the Director of the Australian Institute of Marine Science, Dr J. Baker, advised the Committee that reference should be made to environmental factors at the concept stage of developments prior to detailed design. The *Guidelines* conform with that advice in the first point as follows:

⁹ *Evidence*, p. 223

Recommended Steps

To follow the precepts of the Code of Environmental Practice for the Tourism Industry, the planning, construction and management of tourism related developments should include the following steps:

- . Take into account environmental issues at the earliest stages of the planning process (i.e. when considering project feasibility).

7.10

The remaining steps of the *Guidelines* are:

- . Comply with applicable Commonwealth and State legislation and regulations for protecting the environment.
- . In the absence of specific regulation, adopt the best practicable means to minimise and ameliorate adverse impacts on the environment.
- . Consult with appropriate government agencies and relevant community groups so as to facilitate effective liaison with government and non-government bodies.
- . Assess the regional and local environment of the intended development, identify areas of high environmental sensitivity and adopt strategies, including alternatives, to avoid or protect such areas.
- . Assess the impact of the intended development in terms of its social effects on the local community, particularly where indigenous population is involved, and adopt measures to mitigate any adverse impacts.
- . Design facilities to complement environmental features and to avoid overtaxing the capacity of the environment to absorb impacts.
- . Where environmental impacts are unavoidable, design, construct and operate all facilities so as to minimise adverse environmental effects.

- . Where appropriate, and following consultation with relevant authorities, prepare an environmental management plan to cover the operational phase of a project.
- . Monitor environmental effects and audit environmental performance during the construction and operational phases of a project.
- . Provide adequate training to enable employees to recognise the potential implications of their activities and be to [sic] equipped and motivated to act in an environmentally responsible manner.¹⁰

7.11 The Committee endorses the concepts contained in these *Recommended Steps* and considers that adherence to them could facilitate environmental conservation at a desirable level while permitting economically viable tourist development. The ATIA, for its part, has indicated to the Committee that the process of consultation concerning the industry's interaction with the environment is continuing. Mr O'Clery stated that the ATIA was proceeding with workshops nationwide to further develop awareness of the *Environmental Code*. Further, the ATIA was discussing with the industry the development of additional support information.¹¹ In addition, the ATIA has committed funds for research across economic and environmental matters; Mr O'Clery advised that during 1989 the ATIA committed more than \$300,000 to such research.¹²

7.12 That said, it should be noted that the approach of the ATIA is largely one of self-regulation, albeit resting on its own recommendation that tourism developments comply with applicable Commonwealth and State legislation and regulations. The Committee notes the assurance of the ATIA Chairman, Sir Frank Moore that:

¹⁰ *Environmental Guidelines for Tourist Developments*, p.1

¹¹ *Evidence*, p. 224

¹² *Evidence*, p. 225

we are exhorting the industry, in a practical commonsense way, to be responsible.¹³

7.13 Importantly, on the Chairman's admission, it took the ATIA 'about five years' to get environmental issues onto the agenda of the tourism industry. The Committee expects the ATIA to enjoy better success than that in its exhortation to the industry to be environmentally responsible.

Self-Regulation and Planning Controls

7.14 One major issue confronting the ATIA program is that self-regulation probably will be successful only to the extent that it relies on consistent and comprehensive legislation. The IAC Report advised that several participants in its inquiry, including Professor Buckley of Bond University, said that self-regulation works only within a framework of environmental constraints dictated by legislation.¹⁴

7.15 The ATIA appears to share this view in that the second point of its self-regulatory recommendations requires developers to comply with legislation and regulations. Both Professor Buckley and the ATIA may hold the view that a thoroughgoing self-regulatory regime alone could not deliver the kinds of results that are being sought under the ATIA's *Environmental Guidelines*.

7.16 The Committee believes that the combination of legislation and self-regulation is preferable to either on its own for the conservation of the environment in the proximity of tourism developments. Self-regulation alone has proven to be an ineffective policy in a range of activities; it is no more likely to be successful for regulating tourism developments. By the same token, however, if legislation and regulations are to have the maximum benefit, they need the willing support of those

¹³ *Evidence*, p. 227

¹⁴ *Travel and Tourism*, p. 166

subject to them. For example, as already noted, in order to achieve comprehensive environmental assessment, the Committee has been advised that such matters should be reviewed from the outset of a proposed tourist development. The Director of the Australian Institute of Marine Science advised that the ideal situation would be that the Institute be consulted at the very time that a developer is considering a tourist development.¹⁵ It may not be possible to guarantee that by legislation, in which case voluntary responsible compliance is needed. The IAC report commented on the operation of self-regulation and legislation on this point. That report stated that such mechanisms may have the effect of focusing the attention of developers on environmental issues at an earlier stage of the planning process.¹⁶

7.17 There is a second major difficulty that confronts the ATIA's policy on tourism developments. It concerns the fact that, even where developers conscientiously seek to comply with legal requirements, they can be faced with differing requirements between each State and Territory. Mr O'Clery, ATIA's Chief Executive, stated that there were differences in planning controls:

I think you will find that they are gradually coming together, but, yes, there are differences and they do cause problems from time to time.¹⁷

7.18 In recognition of this problem, the Commonwealth agreed at the Tourism Ministers' Council in October 1988 to prepare draft environmental guidelines for tourism developments to assist the States and Territories in identifying their own requirements:

The work is being conducted in consultation with the States' and Territories' tourism and environmental authorities, local governments, the tourism industry,

¹⁵ *Evidence*, pp. 1148-9

¹⁶ *Travel and Tourism*, p. 166

¹⁷ *Evidence*, p. 232

developers and conservation organisations to ensure that all interests and areas of expertise are considered.¹⁸

7.19 However, DASETT has advised that development of the national environmental guidelines has been delayed:

At the September 1990 meeting of the Australian Standing Committee on Tourism (ASCOT), members noted that since the Commonwealth had raised the need for environmental guidelines for tourism developments, the majority of States and Territories had either introduced or were currently developing their own environmental guidelines; the Australian Tourism Industry Association had developed a Code of Environmental Practice for the industry; and the Commonwealth Government had established nine sectoral working groups (including tourism) to address the issue of ESD.

Based on advice from ASCOT, and given the expectation that the Tourism Working Group on ESD would be examining the links between tourism and the environment in some detail (including the need for environmental guidelines), the Tourist [sic] Ministers' Council agreed in October 1990 that further consideration of the draft national environmental guidelines for tourism development should be deferred until the Tourism Working Group had completed its deliberations.¹⁹

7.20 The Ecologically Sustainable Development Working Groups reported in November 1991. *The Australian*, on 3 December 1991, quoted Prime Minister Hawke as saying that the Government would produce an initial national strategy by the middle of 1992. The National Tourism Strategy, *Tourism Australia's Passport to Growth*, was released in June 1992.

¹⁸ *Our Country Our Future*, p. 59

¹⁹ *Letter to Committee*, 26 November 1991

The Commonwealth Government

Changes to the Tourism Portfolio

7.21 Significant changes have taken place recently in the relation to the Federal tourism portfolio. In December 1991, the Department of Tourism was established separately from the Department of the Arts, Sport, the Environment, Tourism and Territories. The Hon. Alan Griffiths became the responsible Minister. This indicates an important shift in Government perspectives about the relationship between tourism and the environment and resource issues. It could be argued that a separate Department of Tourism signifies recognition of the importance of tourism to Australia. Indeed, the allocation of an additional sum of money to the Department to facilitate the promotion of tourism abroad supports this contention.

7.22 It is also notable that the environment and tourism portfolios no longer fall under one Minister. Given changing community attitudes about the balance to be found between tourist developments and the environment this is an important change. At the Committee's public hearing on 3 December 1990, the following exchange took place:

Chairman - That leads me to my last question. What conflict is there in the Department between your tourism hat and your environment hat?

...

Mr Bellchambers - The Commonwealth in general has a whole diverse range of issues. It is not unknown for departments with different interests to be approaching things from different angles. I mean, what government is about, and what our Department is about in this area, is trying to get some consensus on these things...

I have actually been through both systems prior to and after our amalgamation, and I think there are probably advantages and disadvantages. It certainly enables both sides to get a better understanding of the other point of view. Given that the environment issues is certainly of growing importance in the tourism industry, I agree in that sense it is an advantages for us to be in the same department.²⁰

7.23 While there may have been some advantages in the combination of Tourism and the Environment within one portfolio, clearly there were other advantages in their separation. There is no reason to believe that the balancing of these issues will suffer now that they belong to separate portfolios. Since 1989 the Federal Government has taken initiatives which will affect tourist developments and the maintenance of an acceptable balance between these developments and the environment. Two such major initiatives are:

- the Ecologically Sustainable Development Working Groups; and
- the development of the Environment Protection Agency.

Ecologically Sustainable Development Working Groups

7.24 In the Introduction to the Commonwealth's July 1991 position paper *Proposed Commonwealth Environment Protection Agency*, it was stated that:

Improved environment protection arrangements are fundamental for the achievement of ecologically sustainable development (ESD). The working groups currently investigating the implementation of ESD principles are due to report later this year. The Government believes it is important to have in place as soon as possible the machinery that will be needed to

²⁰ Evidence, pp. 89-91

give best effect to Government decisions arising from the working groups' recommendations.²¹

7.25 In November 1991 the Ecologically Sustainable Development Working Groups released the Final Report on Tourism. The report summarises the ESD principles which apply directly to tourism:

Improvement in material and non-material well-being

An ecologically sustainable tourism industry will be one which considers carefully the quality of experiences offered, as well as simply numerical outcomes, such as numbers of visitors. A difficulty here is finding appropriate measures of quality.

Intergenerational and intragenerational equity

An ecologically sustainable tourism industry would not diminish the range of educational, recreational and environmental activities available to present or future generations, in accordance with the principle of intergenerational equity. Species diversity and ecosystem integrity cannot be replaced or substituted, and it is therefore inappropriate to design tourism developments which threatens [sic] these values. Further, tourism ventures should deal cautiously with risk and proposals involving high levels of environmental risk should not proceed.

Within the tourism industry some social equity problems can be avoided by expanding the opportunity for, and use of community participation in decision-making processes.

The protection of biological diversity and the maintenance of ecological processes and systems

Tourism development should occur in such a way which maintains biodiversity and supports the maintenance of ecological processes. Any tourism development should be of such a kind that it enables the ecosystem to continue providing the full range of functions, thus maintaining

²¹ *Proposed Commonwealth Environment Protection Agency, July 1991, p. 1*

the capacity to adapt to any subsequent environmental changes.

The global dimension

Global aspects of ESD include issues of trade and of international obligations, including global environmental issues such as climate change. An ecologically sustainable tourism industry ought not to contribute towards unsustainable activities in other countries.²²

7.26 The report states that:

The characteristics of ecologically sustainable tourism can be studied from several aspects. The major considerations relate firstly to the desirable qualities of tourism resorts or more general tourism developments and, secondly, to the management of the impacts which individual tourists or groups make when visiting a site.²³

It suggests that tourism will move towards ecological sustainability if it:

- develops in accordance with the wisest use of environmental resources and services at the national, regional and local levels;
- operates within the biological limits of natural resource use;
- maintains a full range of recreational, educational and cultural opportunities across generations;
- maintains biodiversity and ecological systems and processes; and
- develops in a manner which does not compromise the capacity of other sectors of the economy to achieve ecological sustainability.²⁴

²² Ecologically Sustainable Development Working Groups *Final Report - Tourism*, 1991, p. xxi

²³ *Final Report - Tourism*, p. xxii

²⁴ *Final Report - Tourism*, pp. 41-2

The position paper claimed that the goal is to identify the characteristics of a tourism industry that meet these criteria and at the same time continue to develop and maintain strong economic viability.

7.27 The Working Group has developed a range of policy recommendations; it has also prescribed possible actions for the industry and the community.²⁵ The final report argued that if tourism is to develop in an ecologically sustainable way, the current political and institutional fragmentation existing in land-use planning will need to be overcome. The Working Group believes that the inadequacy of the current planning process can be overcome by the development of a system of regional land-use planning. Recognising that most State and Territories already have active regional planning programs the Working Group suggests that regional plans should be seen as instruments by which conservation and development objectives are integrated.²⁶

7.28 The Working Group has expressed the view that a significant number of inappropriate aspects of tourism developments currently in existence can be traced to inadequacies in planning and approval procedures.²⁷ The Working Group's final report recommended a regional approach to planning and development, and a supporting framework of strategic tourism plans. A national strategy could also fulfil this recommendation.

7.29 The Working Group has also made a number of recommendations to improve the environmental impact assessment (EIA) procedures. It supports the concept of national EIA guidelines and notes the work in this area by a Working Party of the Australian and New Zealand Environment and Conservation Council. The Working Group has recommended a whole systems approach for EIA

²⁵ *Final Report - Tourism*, p. 98

²⁶ *Final Report - Tourism*, p. 99

²⁷ *Ecologically Sustainable Development Working Groups Draft Report - Tourism*, August 1991, p. 108

(integrating space and time), defining triggering processes more clearly, involving public participation, and specifying ownership of the EIA procedures.²⁸

7.30 The Working Group also considers that there are both structural and operational weaknesses in the current environmental impact assessment (EIA) system which impede moves to achieve ESD.²⁹ The Working Group has argued that the existing administrative structure is complex, leads to inconsistency in standards and leaves too much decision-making in the hands of local government with the need for consultation across a range of other government agencies. (See also Chapter 11 of this report, paras. 11.30 to 11.34)

7.31 Further, the Working Group has recommended the development of strategic tourism plans by State and Territory Government in collaboration with Local Government and tourism industry bodies.³⁰ It is envisaged that the regional planning process would identify ecologically appropriate areas for tourism use and development while the strategic tourism plans would facilitate industry development with regional ESD objectives and constraints.³¹ Recognising that many of Australia's protected areas are important tourist destinations as well as having a nature conservation role, the Working Group has also recommended that a national system of protected areas be defined by 1994 and be fully operational within ten years.³²

7.32 Adequate provision and maintenance of infrastructure, particularly in environmentally sensitive areas, is considered by the Working Group to be critical to the development of an ecologically sustainable tourism industry. The Working Group has therefore recommended that the assessment of the infrastructure needs

²⁸ *Final Report - Tourism*, pp. 102-4

²⁹ *Final Report - Tourism*, p. 79

³⁰ *Final Report - Tourism*, p. 105

³¹ *Final Report - Tourism*, p. 105

³² *Final Report - Tourism*, p. 106

of the tourism industry also be made in the context of integrated regional land-use plans.³³

7.33 Education and training recommendations by the Working Group include the provision of codes of conduct for developers and operators, measures to improve awareness among tourists themselves, and the education of host communities to lead to more informed attitudes towards tourism and tourists. In regard to indigenous people, the Working Group recommended measures that recognise the fragility of indigenous cultural experiences and products and take account of the diversity of Aboriginal people. Such measures include obtaining improved market information and research and training programs.³⁴

7.34 The Australian Tourist Commission (and its State and Territory counterparts) are considered by the Working Group to have a critical leadership role in the process of educating tourists, by reinforcing the need for environmental awareness and impact minimisation programs in their marketing and promotion programs. The Working Group has therefore recommended that tourists be made aware of a code of behaviour based on the ESD principles.³⁵

7.35 The final report states that the industry needs to take the leading role in the development and implementation of codes of environmental practice for all its component parts. Ongoing review and revision of such codes would be consistent with the principle of industry self-regulation.³⁶ The Working Group has consequently recommended that industry codes of environmental practice continue to be developed, implemented and revised and that industry performance in implementing such codes be audited.

³³ *Final Report - Tourism*, p. 114

³⁴ *Final Report - Tourism*, pp. 110-113

³⁵ *Final Report - Tourism*, p. 121

³⁶ *Final Report - Tourism*, p. 116

7.36 As a general principle, the Working Group prefers regulatory controls which are framed in terms of performance criteria and it supports the use of non-compliance penalties and performance bonds.³⁷ As a result, the Working Group has recommended that penalties for non-compliance with environmental regulation be related to the environmental damage caused by the infringement and that performance bonds of identified duration be a condition of development approval in cases where there is a risk of unacceptable damage.³⁸

7.37 The Working Group is convinced of the need for a substantial expansion of research to support an ecologically sustainable tourism industry. It has recommended additional funds be allocated to the BTR and other research organisations to strengthen strategic research. In this regard, it has also recommended that the tourism industry provide funding to support additional work on the nature and structure of the industry and for the development of models which include economic linkages within the industry and between tourism and other industries.³⁹ Further, as a matter of urgency, an independent wide-ranging inquiry into the funding and organisation of tourism related research and its capacity to meet the needs of ESD has been recommended by the Working Group.⁴⁰

Environmental Guidelines

7.38 In 1988 the Tourism Ministers' Council agreed to prepare draft environmental guidelines for tourist developments to assist States identify their requirements. In September 1990 the Australian Standing Committee on Tourism noted moves by States to develop guidelines, the ATIA's development of a Code of Environmental Practice and that the Commonwealth had established an ESD Working Group on Tourism. Accordingly, in October 1990 the Tourism Minister's

³⁷ *Final Report - Tourism*, p. 118

³⁸ *Final Report - Tourism*, pp. 118-19

³⁹ *Final Report - Tourism*, p. 128

⁴⁰ *Final Report - Tourism*, p. 129

Council agreed that further consideration of guidelines for tourism developments would await the ESD Groups' report. That report was issued in November 1991 and DASETT advised that the recommendations will be considered by ASCOT and the Tourism Ministers' Council in 1992.⁴¹

7.39 Some guidance about the development of environmental *guidelines* can be drawn from the recommendations of the final report of the ESD Working Groups. These include:

- the development of a system of land-use planning (Recommendation 2) and the assessment of infrastructure needs against such plans (Recommendation 13);
- the extension of EIA to apply to all proposed developments and to include social and cultural impacts (Recommendation 3);
- the development of a national representative system of protected areas, to be fully operational by 2001 (Recommendation 6);
- the provision of adequate funding to manage protected areas (Recommendation 7);
- the recognition of the views of indigenous people (Recommendations 8,9,10 and 11); and
- the giving of priority to tourism development at previously developed sites (Recommendation 16).

7.40 Nevertheless, for the purpose of devising *guidelines* for tourist developments, the ESD recommendations are neither comprehensive nor specific. In

⁴¹ *Letter to the Committee, 26 November 1991*

fact, the Working Groups' Final Report advocates the development of environmental guidelines in the recommendations as follows:

- 'that national guidelines on the application of EIA be developed and ratified in the appropriate intergovernmental agreement' [Recommendation 3(e)];
- 'that industry codes of environmental practice continue to be developed, implemented and reviewed and that industry performance in implementing such codes be audited' [Recommendation 14 (a)]; and
- 'that Commonwealth, State and Territory Ministers responsible for local government matters develop policies and programs for implementing ESD across all areas of local government administration, including tourism development and promotion' [Recommendation 20 (b)].

7.41 The Committee considers that the three tiers of government in Australia should finalise promptly environmental guidelines for the tourist industry. This is the case not only because the defining of such standards should not be left to the industry (however environmentally conscientious), but also because government at each tier is in fact engaged in the approval processes for tourist developments.

7.42 While the ATIA has published its *Environmental Guidelines for Tourist Developments*, there is now an urgent need for the Commonwealth to take up the task acknowledged at the Tourism Ministers' Council in 1988 - the drafting of environmental guidelines for consideration by the States and incorporation in the proposed Intergovernmental Agreement on the Environment. The ESD process has not significantly progressed that matter and it must be a priority task for the Federal Minister. The completion of the task should result in policy prescriptions central to the kinds of concerns about the environment and development that were expressed to this Committee. For example, one witness suggested a set of

recommendations for managing coastal problems; Councillor Hanigan of Broome Shire presented the Committee with the following advice:

The natural environment is the resources base from which the Broome and Kimberley tourist industry draws. In recognition of this I make the following recommendations: one, the enactment of Federal legislation for the coastline management protection; secondly, the implementation of an effective administrative structure and the development of policies that will ensure proper management and protection of the coastal zone; thirdly, the adoption of the concept of the regional coastal management committees to permit local participation in environmental planning decision making; fourthly, the establishment of enforceable Federal policies to protect and manage the coastal zones which should include reefs and off-shore waters, mangroves and tidal flats, beach systems, coastal dunes and direct hinterlands; fifthly, and this is my final recommendation, the assumption of wider legislative powers by the Federal Government in relation to the coastal environment which would permit an Australia-wide uniformity in coastal management.⁴²

An Environment Protection Agency

7.43 In February 1991, the Commonwealth Minister responsible for the environment, the Hon. Ros Kelly, set a deadline of the Federal Budget 1991 for the establishment of an Environment Protection Agency (EPA). An EPA would be charged with setting and monitoring uniform national environmental standards.

'I hope we'll be able to get a positive response from the States. If we don't, of course we'll have to look at whatever powers we have to establish this as a Federal body.'⁴³

⁴² *Evidence*, p. 1357

⁴³ The Hon. Ros Kelly, *Press Release*, 17 February 1991

Mrs Kelly's proposal was not met with complete support from State Governments. It was reported in *The Australian* on 20 February 1991 that the Queensland Premier, Mr Goss had said he did not 'support or accept' the proposal by Mrs Kelly to establish what the newspaper described as 'a joint Commonwealth-State environment protection agency'.

7.44 In July 1991, Mrs Kelly released a position paper entitled *Proposed Commonwealth Environmental Protection Agency* for public comment. In the forward to the paper Mrs Kelly stated that:

This position paper outlines the role, structure and functions suggested for the Commonwealth's EPA. It also advances a proposal for co-operative arrangements with State and Territory Governments which would lead to the setting of truly national environmental quality standards.

7.45 The paper outlines six major principles comprising the basis of an interdisciplinary and integrated approach to the avoidance of pollution and waste, and the further deterioration in Australia's stock of natural, cultural and aesthetic assets. The principles are:

- priorities for action should be based on the degree of risk to the environment and resource allocations by government should also ideally be compatible with risk;
- environmental management should be based on a co-operative and value-added approach;
- emphasis should be placed on establishing national standards, better processes for the impact assessment and approvals, and on encouragement and assistance to develop satisfactory industry and consumer behaviour;

- the aim must be better management of the environment to avoid the need for more regulation once problems have emerged;
- recognition of the relevance of financial and economic issues, legislation and legal needs, human resource issues; and
- a direct relationship with scientific research and planning.⁴⁴

During her speech at the release of the position paper, Mrs Kelly summarised the areas in which the Agency will have a role:

... the EPA will have a role in research, data, in state of the environment reporting, in monitoring and in the development of standards, in environmental assessment, and in education and information.⁴⁵

7.46 The proposed emphasis of the EPA, then, is on research programs, the establishment of national standards, better processes for assessment and approvals, and encouragement and assistance with the development of satisfactory industry and consumer behaviour. The paper states that a new Commonwealth agency will be created during the 1991-92 financial year and reach its full operational capacity the following year. It was intended that the agency would initially be part of DASET and then become an independent statutory authority. The position paper stated that the Government intended to introduce legislation to provide for the Agency.⁴⁶

7.47 In acknowledging the role of the State and Territory Governments, Mrs Kelly also foreshadowed the establishment of a Ministerial Council, chaired by the Commonwealth, representing all State and Territory Governments. Mrs Kelly said this body would have the job of setting and agreeing to standards:

⁴⁴ *Proposed Commonwealth Environmental Protection Agency*, p. iii

⁴⁵ Speech by the Hon. Ros Kelly, 31 July 1991, p. 8

⁴⁶ *Proposed Commonwealth Environmental Protection Agency*, pp. 10-11

It will operate on a simple majority basis so that standards agreed to are not the lowest common denominator and will be in place by May 1992.

We do not intend that the EPA will become involved in enforcement of standards: that will be the job of the state EPA's.⁴⁷

7.48 It is important to note that this second phase of the EPA program would be part of the Intergovernmental Agreement that is referred to in the ESD Tourism Working Group's Recommendation 3(e) where it is advocated that guidelines on the application of EIA be developed and ratified in such an agreement.

7.49 This Committee was concerned to monitor progress in the establishment of the EPA, and wrote to the Acting Secretary of DASET, Dr I. McPhail. Dr McPhail confirmed that the CEPA has not yet been established as an independent statutory authority:

There is no timetable for the development of legislation for CEPA. CEPA has been established as an Agency of the Department of the Arts, Sport, the Environment and Territories, and will continue to exist in this form.⁴⁸

This contrasts with the position paper statement that legislation will be introduced for the Agency to become an independent statutory authority. Further, Dr McPhail stated:

Following Cabinet's August 1991 decision to establish the CEPA processes were undertaken to set up an organisational structure for the new Agency and to fill that structure through the merit selection process.

The organisational structure was agreed in November, with advertising of the resultant vacant positions in

⁴⁷ Speech by the Hon. Ros Kelly, 31 July 1991, p. 9

⁴⁸ *Ibid.*

December. My appointment as Executive Director, and head of the Agency, took effect on 24 February 1992. The selection process for other vacancies followed with the majority of interviews now complete⁴⁹.

Recommendations

7.50 That the EPA become operational as a matter of urgency.

7.51 That draft environmental guidelines for tourism developments be finalised by the Environment Protection Agency by the end of 1992 for ratification at the earliest possible date under the Intergovernmental Agreement on the Environment.

⁴⁹ *Letter to Committee, 5 August 1992.*

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:¹

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

¹ *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*² 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.³

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.⁴ (The ATIA stated in early 1991 that in the economic downturn,

² *Tourism in Australia*, p. 80

³ *Evidence*, p. 98

⁴ *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.⁵⁾

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.⁶

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.⁷

⁵ *Evidence*, p. 235

⁶ *Evidence*, pp. 647-8

⁷ *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.⁸

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.⁹

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.¹⁰ 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

⁸ *Evidence*, pp. 700-1

⁹ CEDA, *Encouraging Direct Investment between Australia and Japan*, 1990, p. 13

¹⁰ *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.¹¹

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.¹² 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.¹³

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

¹¹ *Evidence*, p. 236

¹² The Hon. David Simmons, *Press Release*, 13 March 1991

¹³ *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.¹⁴

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.¹⁵

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

¹⁴ *Evidence*, p. 21

¹⁵ 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.¹⁶

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;

¹⁶ 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
TOTAL	4293	32.02	2515	24.10	2446	20.2

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.¹⁷ 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.

¹⁷ *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
TOURISM						
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
ALL SECTORS						
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
TOURISM						
\$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
ALL SECTORS						
\$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.¹⁸

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:

¹⁸ 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.¹⁹

8.30 The report by Access Economics entitled *Japanese Investment in Australia* confirmed that Japanese investment is likely to persist.²⁰ 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.²¹

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.²²

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.

¹⁹ *Evidence*, p. 700

²⁰ Access Economics, *Japanese Investment in Australia* , 1991, p. 45

²¹ *Japanese Investment in Australia*, p. 36

²² *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.²³

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

²³ *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
Total	15.5	122 399

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.²⁴

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
Total	15.5	122 313

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

²⁴ *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
Total	24 893	17.3	143 893

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
Total	32.0	10.518

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.

CHAPTER 9

THE COSTS AND BENEFITS OF FOREIGN INVESTMENT

Introduction

9.1 Although data is not standardised, and differences of opinion remain concerning the methodology for determining the net benefit of tourism to the economy, there appears to be consensus that benefits do accrue from tourism, particularly inbound tourism. Nevertheless, a question remains about the actual effects of foreign investment on the level of benefits which tourism provides to Australia.

Treasury's Approach to Determining Costs and Benefits

9.2 It has been argued that foreign ownership of tourism projects reduces the benefit for Australia because Australians do not fully share in the wealth generated by foreign-owned enterprises. The Treasury, however, has argued against such a suggestion in its submission by pointing out that:

- foreign-owned enterprises often have synergies to exploit (e.g. overseas links to international hotel groups and travel agencies promoting company products) which may generate higher tourism growth rates with 'spin-off' benefits to the Australian community;
- investment in many new tourism businesses may not otherwise have taken place, with consequential losses in tax earnings, employment generation and infrastructure development;

- the level of economic benefits generated by tourism is correlated strongly to its sourcing of inputs which are generally Australian;
- foreign investment often provides access to new technology and standards of service otherwise not available; and
- foreign acquisitions of Australian-owned tourist-related business assets release domestic capital funds for potentially higher earning alternative investment opportunities and for other alternatives.¹

Treasury clearly believes that effects of direct economic benefit to Australia flow from foreign investment in tourism.

9.3 Turning to the question of overall net benefit, the issue is whether foreign investment in tourism has an adverse effect that reduces benefits. On this matter Treasury has suggested that if, as a result of foreign investment, the number of tourists visiting Australia and/or the length of stay increases as a consequence of better quality and more appealing facilities being available, foreign investment produces net benefits to Australia overall.²

9.4 Of the 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. In direct contrast with BTR's suggestion³ that foreign investment has not significantly changed the nature or quality of tourism services, Treasury has suggested that the tourist developments undertaken in Australia in recent years have resulted typically

¹ *Evidence*, p. 1411-2

² *Evidence*, p. 1412

³ Bureau of Tourism Research *Occasional Paper No 10*, 1991, p. 58

in the establishment of high quality facilities. This has been of benefit to both the industry's international reputation and its growth prospects. It is most unlikely that these developments would have proceeded without foreign capital.⁴ On this basis, Treasury would conclude that foreign investment in tourism contributes to the generation of net benefits for Australia.

The BTR Approach to Determining Costs and Benefits

9.5 In recent years the Bureau of Tourism Research has sponsored research on the question of the costs and benefits of foreign investment in Australian tourism. This resulted in the March 1990 BTR *Occasional Paper No. 6 Foreign Investment in Australian Tourism* and the July 1991 BTR *Occasional Paper No. 10 Impacts of Foreign Investment in Australian Tourism*.

9.6 The BTR has summarised the arguments often put against foreign investment.⁵ They are, first, that foreign investment increases employment of foreign nationals and the import of materials, resulting in fewer opportunities for Australians. Second, it is sometimes argued that foreign ownership of facilities, particularly where only acquisition of existing facilities occurs, will direct profits out of the country, lessening benefits to Australia while Australia bears the cost of catering for tourism. Outflow is often believed to be exacerbated by high levels of vertical integration. (The BTR⁶ considers that 'Vertical integration occurs where one seller of a final product gains control over the production of the various inputs that go towards making up the product'.)

9.7 Third, BTR has noted the suggestion that foreign ownership may lead to facilities catering exclusively for certain foreign nationals, thereby denying Australians the opportunity to experience aspects of their own country (either

⁴ *Evidence*, p. 1412

⁵ Bureau of Tourism Research *Occasional Paper No.6*, pp.17-8

⁶ Bureau of Tourism Research *Occasional Paper No. 6*, p. 43

through price or capacity constraint). This is mainly a problem where alternative opportunities do not exist. Fourth, BTR also notes the argument that rapid development of the industry can overheat the economy and enhance adverse social and environmental effects; in some cases foreign tourists may introduce new imports. Fifth, it has been suggested that foreign interests have advantageous access to cheaper finance that enables them to bid out Australian interests. Finally, one argument put against foreign investment in tourism is that foreign capital tends to alter the nature of the Australian tourism product, thereby reducing this country's unique appeal and attractiveness to local populations.

9.8 The BTR has sought to test these arguments and suggestions about the costs of foreign investment in tourism. To more fully assess the costs and benefits of foreign investment, the BTR grouped the economic considerations under five headings:

- employment and resource allocation effects;
- balance of payments effects;
- effects on government revenue;
- effects on competition; and
- environmental and social effects.

Employment and Resource Allocation Effects

9.9 There are estimates of employment attributable to tourism; BTR puts the figure at 441,000 in 1989/90. And various attempts have been made to estimate the employment effects of foreign investment in tourism. It has been estimated, for example, that each 10 per cent real increase in earnings from international tourism leads to a \$180 million increase in GDP and an extra 8,700 jobs.⁷ However, in 1990 the BTR advised that with respect to foreign investment in the Australian tourist

⁷ Centre for International Economics, *Economic Effects of International Tourism*, 1988

industry, no reliable data existed regarding the net amount of employment generated.⁸

9.10 In a 1991 report the BTR was similarly cautious in its claims about the effects of foreign investment in tourism on employment. Nevertheless, it drew attention to the fact that benefits were more likely to be present during periods of economic recession, since additional tourism demand leads to increased output and employment in the economy.⁹

Balance of Payments Effects

9.11 The BTR has noted that the balance of payments will be favourably affected by foreign investment where it is export creating.¹⁰ Where foreign investment leads to an increase in tourism, there will be increased foreign exchange earnings and the exchange rate will rise. This results in higher prices for Australian exports. Further, where foreign investment results in an increase in inbound tourists, the price of resources rises (including land for resorts). The BTR has argued that the net benefit from this effect is almost certainly positive.¹¹

9.12 With regard to the current account, the BTR considers that:

It is often believed that the impacts of tourism and foreign investment are positive and desirable so far as the current account balance is concerned. These views come from taking an incomplete look at the effects. It is likely that both tourism and foreign investment increase the deficit in the short term, but if investment is well judged, there is no problem. Thus there is neither a

⁸ *Occasional Paper No. 6*, p. 18

⁹ Bureau of Tourism Research, *Occasional Paper No. 10*, 1991, p. 68

¹⁰ *Occasional Paper No. 6*, p. 20

¹¹ *Occasional Paper No. 10*, pp. 67-8

benefit nor a cost from the impact of foreign investment on the current account balance.¹²

Effects on Government Revenue

9.13 The BTR has pointed out that foreign investment in the Australian tourist industry can increase government receipts through:

- company taxes on profits;
- income tax paid by employees;
- indirect taxes;
- excise taxes;
- import taxes;
- sales taxes;
- state and local taxes (property taxes, stamp duties, vehicle registration fees etc.);
- airport landing fees;
- departure taxes etc.¹³

However, the BTR has cautioned that there need not be a net increase in tax revenue resulting from foreign investment especially where the investment would have taken place in any case by Australian investors. Only if it can be shown that the investment would not have occurred without the foreign capital can the additional tax receipts be attributed to foreign investment.¹⁴

9.14 Further, foreign investment in tourism (as in other sectors) can have an adverse effect on exports where transfer pricing occurs; transfer pricing is the transferring of goods and services across international boundaries at prices that do

¹² *Occasional Paper No. 10*, p. 69

¹³ *Occasional Paper No. 6*, p. 22

¹⁴ *Ibid.*

not reflect their true value. The BTR suggests this is done to minimise aggregate tax liability, and can work either to the advantage or disadvantage of the host country depending on the tax rates. The Australian Taxation Office attempts to police the practice, and recent changes to the way tax systems interact between countries has lessened the potential for transfer pricing. It remains a possibility, however, and it could lead to losses for Australia.¹⁵ The BTR has confirmed that no information is available on the extent to which such tax losses occur in the tourist industry. It considers that the potential for such tax losses, however, would be enhanced by any tendency towards vertically integrated ownership of tourist facilities.¹⁶

Effects on Competition

9.15 BTR has suggested that the entry of foreign interests can tend to provide benefits such as eroding monopoly positions and practices when foreign firms introduce superior new management, production and marketing practices, particularly when these are adopted by local companies resulting in increased industry efficiency.¹⁷

9.16 However, it has also advised that the entry of foreign firms into an industry may be accompanied by a reduction in competition in those cases where economic power concentrates in the hands of foreign interests through acquisition and control of new or established businesses.¹⁸ While this is a useful caution, it is important to note that the BTR *Occasional Paper* provided no empirical grounds to support any contention that this situation actually prevails.

¹⁵ *Occasional Paper No. 10*, p. 70

¹⁶ *Occasional Paper No. 6*, p.22

¹⁷ *Occasional Paper No. 6*, p. 23

¹⁸ *Ibid.*

Environmental and Social Effects

9.17 In considering environmental and social effects on foreign investment in tourism, BTR has pointed out that:

- foreign tourist facility owners have strong incentives to maintain the environment (and so reap the rewards of investment): the incentives of foreign and domestic interests are equivalent;
- both foreign and domestic interests are subject to the same environmental laws;
- when considering the local effects of land sales to foreign interests, it must be remembered that high selling costs benefit the seller: nevertheless, property values are only fully realised upon sale of the property and local people can suffer in the short term; and
- losses resulting from expenses entailed by ownership of high value land can be offset for residents adjacent to tourism developments through capital gains, increased employment opportunities, improved infrastructure and better recreational facilities.

9.18 The BTR has noted, however, that often local residents believe the increased cost of services outweigh any benefits of tourism infrastructure. They can regard themselves as subsidising unwelcome development. The BTR has pointed out that public financed infrastructure is generally provided on a 'capacity to pay' rather than a 'user pays' basis with heavy subsidisations from owners of high value properties to help finance new infrastructure in developing areas. The current trend is to charge developers or to insist on extra work (e.g on access road improvement) at their direct cost. The BTR has suggested that Governments may need to carefully review present rating structures and revenue raising instruments so as to require costs to be met by those who benefit the most from the improvements in infrastructure.¹⁹

¹⁹ *Occasional Paper No. 6*, p. 25

BTR Conclusions

9.19 In its *Occasional Paper No. 6*, BTR proposed the resolution of net benefit questions about tourism in Australia by employing Benefit Cost Analysis in three contexts:

- Simple Ownership;
- Vertically Integrated Package; and
- Vertically Integrated Package with Additional Tourism.

It concluded that the main differences created by a vertically integrated, foreign owned tourism industry and a domestically owned one were:

- a possible greater reliance on imports by the former; and
- a possible increase in demand for tourism created by it.²⁰

Whether the country gains depends on:

- what benefits there are from tourism;
- how imported and domestic inputs are taxed;
- the effects on factor markets; and
- the extent to which a foreign owned industry sources its inputs elsewhere.²¹

9.20 This BTR study subsequently concluded that many of the views expressed in popular discussions have a superficial plausibility, but are based on simplistic understandings of the way the economy works, or sometimes, on straight misconceptions.²² The BTR noted that this is true both of arguments for and against foreign investment.

²⁰ *Occasional Paper No. 6*, p. 34

²¹ *Ibid.*

²² *Occasional Paper No.6*, p 49

9.21 One such argument is that foreign investors have an advantage over domestic investors in that they have ample supplies of cheap finance - in general they do not, though their finance may *appear* to be cheaper. Another argument is that foreign investment is necessary because of the balance of payments deficit; this is matched by the contrary claim that it is undesirable because it adds to overseas debt. According to the BTR, some claim that employment effects are enormous, while others claim that they are nil. (In fact, it is very difficult to determine the employment effects.) Others are worried about environmental effects and impacts on local communities - in fact foreign investment will have effects, but they will be much the same as those of domestic investment.

9.22 The BTR has noted that at a more sophisticated level of discussion, there is widespread concern that foreign ownership and increased vertical integration will mean a leakage of benefits from Australia. The BTR argues that the reverse could be the case. It is misleading to claim that profits from foreign-owned facilities are lost to Australia, since the foreign owners would have had to pay Australians for the right to earn those profits. Some make a stronger claim that Australia does not gain *at all* when tourists buy goods and services from a foreign-owned firm. This is simply incorrect, since the sources of the inputs into the goods and services can be, and often are, quite independent of who owns the company selling them. (This emphasis on inputs with regard to foreign ownership was shared with the BTR by Ms Farmer of the tourism company, ID Tours South Pacific Pty Ltd - see next section of this Chapter.)

9.23 In conclusion, the BTR has suggested that if foreign investment replaces domestic investment, and does little else, there is likely to be little in the way of net gain or loss to Australia. If foreign investment results in increased investment and increased tourism, then to the extent that tourism involves net benefits, foreign investment results in greater benefits. The BTR argues that, if anything, a vertically integrated group may have a larger positive effect on tourism, and on net benefits to Australia than unrelated investments. Because of the capitalisation of profits from foreign-owned facilities, and the likelihood that the

source of inputs into tourism will change rather little, the benefits of tourism to Australia depend very little upon who *owns* the facilities.²³

9.24 The BTR's most recent publication on this matter, *Impacts of Foreign Investment in Australian Tourism*, continued and emphasised this view. There it advised that taking into account all these effects, it can be concluded that foreign investment leads to net economic gains for Australia. To the extent that there are adverse effects, they are likely to be small and capable of being controlled. Thus, for example, if it were thought that transfer pricing problems are present, these could be eliminated by appropriate taxation measures. The contribution of foreign investment results in a greater supply of facilities, a more competitive product and, thereby, an increased flow of tourists with corresponding benefits. The BTR advised that it is difficult to estimate the size of this impact or of the impacts that individual investments might make, though the positive direction of this impact is clear.²⁴

9.25 In press releases commenting on *Occasional Paper No. 10*, the Minister for the Arts, Tourism and Territories (Hon. David Simmons) stated that positive impacts of foreign investment included the purchase of assets, which he believed represented an up-front payment to the Australian economy that is offset over a number of years against a foreign interests' ability to make profits.²⁵ In referring to the BTR study the Minister stated:

A report released today confirms that the Australian economy overall benefits from foreign investment in tourism...²⁶

²³ *Occasional Paper No. 6*, p. 49

²⁴ *Occasional Paper No. 10*, p. 71

²⁵ The Hon. David Simmons, *Press Statement*, 22 July 1991

²⁶ *Ibid.*

Repatriation of Profits

9.26 Another concern about the costs of foreign investment in tourism is the potential for the repatriation on profits. Considerable debate has surrounded the question of repatriation of profits by foreign tourism interests operating in Australia. Ms Farmer (General Manager, ID Tours South Pacific) provided the Committee with a working paper on a study to track the Japanese tourist dollar. The objective of the study was to make preliminary observations regarding the disbursement of both prepaid and optional expenditure on a typical Japanese tour, including disbursement to Australian, Japanese and other foreign interests. It represents a first stage attempt at tracing the tourist dollar and was meant to identify areas for further, more in-depth analysis by professional research bodies.²⁷

9.27 According to Ms Farmer the study chose a typical Japanese package tour, and examined where the dollars were actually going on the basis of stated ownership of various supplier component services in that tour. A summary of the findings illustrated that 64 per cent of the disbursement of total tourist expenditure went to Australian interests, 27 per cent to Japanese interests and 9 per cent to other foreign interests.²⁸

9.28 Ms Farmer emphasised that the study was a preliminary exercise with two limitations:

- the disbursement of funds was determined initially on the basis of stated ownership of the various supplier services; and
- the study stops short of following through to track the tourist expenditure beyond the direct supplier, without attempting to estimate the domestic

²⁷ *Evidence*, p. 588

²⁸ *Evidence*, p. 588

versus the import content of goods and services offered by both foreign and domestically owned tourism suppliers.²⁹

However, Ms Farmer highlighted that the key issue for determining the net benefit to Australia was not foreign ownership, but rather where the inputs to a service are sourced. Like the BTR, Ms Farmer suggested that greater vertical integration by a foreign firm can lead to less benefits; she advised that this could be the case through less domestic purchases of inputs. She cautioned however, that at the time she gave evidence (March 1991) there was no definitive research examining that issue. Further, she also noted the potential positive effect from greater commitment by tourist firms to increasing tourism flows to Australia that result from foreign ownership and vertical integration.³⁰

9.29 Finally, Ms Farmer put forward a recommendation to the Committee that a small working party be formed comprising members of government organisations, including the Bureau of Tourism Research, the Australian Tourism Industry Association, DASETT and members of private industry, ID Tours, and herself. This group would:

- canvass the research that has been done and is either currently under way or planned in the area of impact of foreign investment on the tourism industry, and the net benefits to the economy; and
- consider how such research can be directed and co-ordinated now and in the future, until such time as a permanent steering committee can be formed with a view for ongoing monitoring of such research.³¹

²⁹ *Evidence*, pp. 588-9

³⁰ *Evidence*, p. 589

³¹ *Evidence*, p. 590

Ms Farmer indicated she had consulted with the Bureau of Tourism Research and DASETT as well as ATIA along these lines. The Bureau of Tourism Research believed that it was well within its charter to co-ordinate and take a leading role in co-ordinating such a group. It would also be willing to provide funding by way of the secretariat support in such a group being formed and developed.³²

9.30 Since Ms Farmer gave this evidence the BTR has published *Occasional Paper No 10* (July 1991) which concluded that foreign investment does not lead to a massive repatriation, or leakage, of profits to overseas investors.³³ Further, the BTR study shows that the main reason for the large retention of economic gains is the fact that most inputs used in foreign-owned facilities are sourced in Australia. That is, there is predominantly local employment and purchase of goods and services.³⁴

State Views

Victoria

9.31 Submissions provided to the Committee by State Governments referred favourably to foreign investment in tourism. Victoria's submission, however, emphasised the inadequacy of information concerning the extent of foreign investment in tourism facilities in Australia. It concluded that improved information systems should be established to monitor investment patterns in the industry at a national level. The Victorian submission suggested this would put both Federal and State Governments in a position where trends could be identified and via a process of Federal/State consultation, decisions could then be made on the need to adjust foreign investment policy and guidelines to protect the interest of Australians.³⁵

³² *Ibid.*

³³ The Hon. David Simmons, *Press Release*, 22 July 1991

³⁴ The Hon. David Simmons, *Press Statement*, 22 July 1991

³⁵ *Submission No. 60*, pp. 5-6

Queensland

9.32 The other States have clearly endorsed the provision of foreign capital investment in Australian tourism. In June 1991, the Queensland Government advised that because tourism was a major growth sector for the Queensland economy, there was a continuing need for capital investment. Accordingly, the Queensland Government encourages foreign investment in the tourism industry, preferably joint venture projects between Australian and foreign companies.³⁶

Tasmania

9.33 The Tasmanian Government stated in its submission that foreign investment has a role to play in tourist and other developments in Australia, and suggested that it may be preferable to off-shore borrowings as a means of financing tourism development. The Tasmanian Government noted that both benefits and costs were associated with foreign investment. Benefits may include:

- the injection of management capability and specialist knowledge required to successfully cater for the needs of international visitors; and
- international distribution and marketing links which directly benefit such developments.

The Tasmanian submission, however, warned that the potential costs of foreign investment could include adverse impacts on the lifestyle of residents, and the viability of local operators. For the Tasmanian Government, foreign investment needs to be managed so as to protect the social, cultural and physical environment in which it is located.³⁷

³⁶ *Submission No. 100*, pp. 6-7

³⁷ *Submission No. 101*, p. 8

Northern Territory

9.34 Foreign investment was also supported by the Northern Territory Government; it argued in its submission that tourism constitutes a larger share of gross regional product in the Northern Territory than in other States. The Government believes that due to its small population base, the Northern Territory is dependent on external sources of finance. It confirmed that strong linkages exist between foreign investment and the ability of the region to attract foreign tourists. The Northern Territory Government noted that there is already significant foreign investment in the Territory's tourist development.³⁸

New South Wales

9.35 The NSW Tourist Commission commented in its submission on the role of foreign investment in supplementing Australia's national savings, thereby enabling a higher level of national investment and greater economic development to occur. The New South Wales Government supports use of overseas capital sources to enable a higher level of economic activity to occur than would otherwise prevail. Benefits of foreign investment cited by the submission include:

- improvements to the Capital Account in the Balance of Payments (useful when in Terms of Trade Deficit);
- management expertise which tends to accompany direct investment funds and is beneficial to emerging industries or large scale projects new to Australia; and
- wide ranging economic spin-offs both during the construction and operating phases.³⁹

³⁸ *Evidence*, p. 1175

³⁹ *Submission No. 58*, p. 14

South Australia

9.36 While the South Australian Government did not comment on the foreign investment issue in its submission proper, in a paper from the Department of State Development and Technology it advised that economic growth resulting from a tourist industry is maximised when it is based on spending and investment capital attracted from outside the region. In Australia this effect is evident where overseas visitors take vacations within Australia and, where foreign investors establish tourist infrastructure in Australia. (The submission noted that to date this has been concentrated, to a large extent, in the coastal areas of Eastern Australia.) Benefits of foreign investment, according to the paper, may include:

- greater numbers of overseas visitors than the same development would have attracted if undertaken by domestic investors; and
- projects being undertaken which may be beyond or outside the scope of local industry developers.⁴⁰

9.37 In another paper provided to the Committee from Tourism South Australia, it was pointed out that the distinction should be drawn between investment in new development which creates new tourism assets, and property acquisition by foreign interests, with a lower level of national benefit. Tourism South Australia commented that there are few tourism industry arguments to support mere property acquisition, unless such is accompanied by change in management and subsequent change in quality of service provided.⁴¹

⁴⁰ *Submission No.41*

⁴¹ *Submission No. 41*

Conclusions

9.38 There is broad agreement across the States that foreign investment has an important role to play in the development of tourism in Australia. While some caution has emerged about the nature of some foreign investment and the extent to which it should be encouraged, its role and benefits are clearly acknowledged.

9.39 The Committee heard evidence that foreign investment is necessary if the Australian tourism industry is to meet demand. The available data suggests that foreign investment is supplementing Australian investment by filling a gap in the Australian tourism market that would not be filled by Australian investors. This is contributing to national economic growth.

9.40 The issue of determining more precisely the costs and benefits of foreign investment would be facilitated by a more comprehensive set of data, and agreement about the methodologies which might be employed to analyse this data. Although BTR recommends a cautious approach to foreign investment, it supports the view put forward by Treasury that overall, foreign investment in Australian tourist facilities has a net economic gain for the Australian economy. The Committee notes, however, that this assertion is tempered by questionable empirical data concerning at least two key factors:

- information about the net employment generated by foreign investment in tourism; and
- information about the extent to which tax losses occur because of transfer pricing activity.

9.41 It is also important that the costs and benefits of foreign investment are measured with reference to the possible levels of investment in tourism by Australians. As the BTR has noted, the real benefit to the Australian Balance of Payments and government revenue generation can only be determined if the effects of Australian investment are taken into account.

9.42 Misconceptions about foreign investment effects on the economy, the environment and the community have coloured Australian reactions to this issue. BTR has suggested that without further data, the economic outcomes of foreign investment cannot be determined with certainty. However, the environmental implications of foreign investment are likely to be similar to that of local investment since all forms of tourist developments are covered by the relevant legislation and regulations in Australia.

9.43 Information supplied by various State governments shows strong support for continued foreign investment providing the social and physical costs are monitored and taken into account.

9.44 The Committee concurs with the support for foreign investment in tourism that has been forthcoming from the Commonwealth Government, the States, the Commonwealth Department of the Treasury, the Bureau of Tourism Research, and the tourism industry.

CHAPTER 10

THE FOREIGN INVESTMENT REVIEW BOARD AND COMMONWEALTH POLICIES

The Functions of the FIRB

10.1 The Foreign Investment Review Board is a part-time, non-statutory advisory body established in April 1976. It is comprised of four members including a Chairman, and an Executive Member who is also the Head of the Finance and Investment Division in the Treasury. The Board is supported by an Executive located within the Treasury.

10.2 The Treasurer is responsible for administering foreign investment policy, assisted by the Board which provides advice to the Government generally on foreign investment matters. The Board also:

- examines proposals by foreign interests for investment in Australia and makes recommendations to the Government on those proposals;
- fosters an awareness and understanding of the Government's policy in Australia and abroad; and
- provides guidance to foreign investors about aspects of their proposals which may not conform with Government policy and suggests ways by which the proposals might be amended.¹

¹ Foreign Investment Review Board, *Australia's Foreign Investment Policy*, 1989, p.1

10.3 The Board's current Chairman, Sir Bede Callaghan, advised the Committee that prior to the establishment of the FIRB, foreign investment matters were dealt with by the Treasury. In explaining the role of the FIRB, Mr George Pooley, the Executive Member, claimed that the purpose of the Board is to make sure the Treasurer has a wider sphere of advice than he would get simply from officials. The benefit, Mr Pooley argued, can be that people with different backgrounds bring different judgements to bear:

There are a lot of cases that are not clear-cut in terms of policy. Those parts of the policy that require economic benefits on the one hand and a loss of Australian ownership and/or control on the other call for judgment, and the judgments can vary depending on how much weight you give to the loss of ownership and control and how much weight you give to the economic benefits. It depends on what you think the stronger benefits are.²

The Committee accepts this view. Given the significance of foreign investment for Australia and the potential it has to affect the nature of Australian society, it is prudent to consult a wider range of opinion on specific proposals than that available in the Treasury. And a Board that meets regularly, bringing together this kind of expertise is desirable.

FIRB Independence

10.4 Although Mr Pooley notes that the Treasurer should be advised on foreign investment matters by a range of people, not just 'officials', questions remain about whether the FIRB is the best source of such guidance given the ways in which the FIRB operates and the way in which it is currently constituted. If it is accepted that it is prudent for the Commonwealth Government to receive advice on foreign investment proposals which is additional to that available from the Treasury, then it would be counterproductive not to permit such advice to be independent.

² *Evidence*, pp. 169-70

10.5 In his submission, the Chairman of the FIRB advised that tasks associated with the assessment of foreign investment proposals are performed by Treasury: officers of the Treasury 'do the work'.³ The Board's Executive Member, Mr Pooley, confirmed that Treasury draws up a report after consultation with other departments. That report, containing a formal recommendation, is then sent to the FIRB which looks at the recommendation, reads the report and decides whether it wants to change the recommendation or to go along with the one that is made.⁴ Where the FIRB does not accept the recommendation and expresses an alternative view, that is then presented to the Treasurer. According to Mr Pooley:

What we really do, I think, is to prepare a draft minute to the Treasurer which we send to the Board and, to the extent that the Board wants to change it, then it changes it. That minute goes to the Treasurer. It is just sent to the Treasurer by us along with all the other minutes that are going to him, but it is on separate paper, headed 'Foreign Investment Review Board', and it contains all the views of everybody, including the views of the FIRB.⁵

10.6 While the FIRB can advise the Treasurer against a view put by the Treasury about a foreign investment proposal, there are three facts suggesting that the FIRB is less than independent in the consideration process.

10.7 First, as has been noted already, the Executive Member of the FIRB is a Treasury official. That officer advised the Committee that he supervises the preparation of the Treasury position on a proposal, and presents this to the FIRB where he argues the Treasury case.⁶

³ *Submission No. 64*, p. 3

⁴ *Evidence*, p. 168

⁵ *Evidence*, p. 176

⁶ *Evidence*, p. 173

10.8 Second, the document considered by the FIRB is in fact a Treasury minute comprising Treasury advice, including options and a recommendation to the Treasurer.⁷ The involvement of the FIRB, then, is by way of comment on a Treasury document rather than generating its own separate advice. This process is exposed to the suggestion that the FIRB could be perceived merely as a rubber stamp for Treasury decisions about foreign investment rather than an authority examining proposals and providing specific advice to the Government; this is one of the functions outlined in the FIRB 1989 policy document, *Australia's Foreign Investment Policy*.⁸

10.9 Third, the Chairman advised that the FIRB does not have its own staff, or offices, either in Sydney or other State capitals. If letters are to be sent to the FIRB, they must be addressed to the Treasury. Further the Chairman of the FIRB is not provided with independent secretarial assistance.⁹ The Chairman advised that he was not even able to locate FIRB letterhead stationery for his own use.¹⁰ Without staff of any kind or its own research resources, the independence of the FIRB is particularly constrained.

10.10 These facts indicate to the Committee that the FIRB could have been operating to confirm Treasury advice rather than to provide separate additional guidance on foreign investment proposals. The FIRB's lack of an independent research capability is of particular concern. In order to provide its own analysis and comment on the projects that it reviews, the FIRB should be comprised entirely of members currently not employed in other capacities by the Commonwealth Government and should have competent resources. To function as an independent source of advice to the Treasurer, it should retain its own Secretariat.

⁷ *Evidence*, p. 175

⁸ *Australia's Foreign Investment Policy*, p.1

⁹ *Submission No. 64*, p. 1

¹⁰ *Evidence*, pp. 556-7

Commonwealth Foreign Investment Policy

The Guidelines

10.11 Policy concerning foreign investment in Australia is designed to be consistent with the Government's other objectives. While it encompasses both the *Foreign Acquisitions and Takeovers Act 1975* and other requirements set down by way of Ministerial statement, the policy is administered through guidelines rather than rules. The Treasurer confirmed in 1989 that the Australian Government welcomed foreign investment, and recognised the substantial contribution it has made, and can continue to make, to the development of Australia's industries and resources. The Government encourages direct foreign investment consistent with the needs of the Australian community, including the expansion of private investment, the development of internationally competitive and export-oriented industries and the creation of employment opportunities.¹¹

10.12 In its annual reports the FIRB lists¹² the legislation, policy statements and publications that contribute to Australia's foreign investment policy; and this policy was summarised by the Treasury in its submission (No. 25a). The Treasury advised that the policy was designed and administered to encourage foreign investment and ensure that it was consistent with the national interest. It recognises that foreign capital supplements domestic savings, and adds to the total pool of funds available for investment. Treasury's submission states that only through increased investment can the economy continue to grow and employment levels rise. It goes on to suggest that foreign investment also provides other benefits such as access to new technology, management skills and markets.¹³

¹¹ *Australia's Foreign Investment Policy*, p. v

¹² A complete list can be found in Appendix 5

¹³ *Evidence*, p. 1401

10.13 As with other areas of Government policy, the guidelines against which foreign investment in tourism is assessed change over time to reflect emerging economic, social and political contingencies. For example, Treasury advised that, against the background of Australia's external account difficulties, the Government liberalised its foreign investment policy guidelines in July 1986. The requirement that foreign interests proposing to acquire existing tourism businesses (such as hotels and motels) should demonstrate net economic benefits to Australia, was replaced by the present policy that proposals are normally approved unless found to be contrary to the national interest. The requirement that there be at least 50 per cent Australian equity and joint Australian/foreign control in respect of all new tourism businesses (involving a total investment of \$10 million or over) was also abolished.¹⁴ The Committee endorses the 1986 reforms to the foreign investment guidelines as they apply to the tourism sector.

10.14 In July 1991, the Treasurer, the Hon. John Kerin, announced an easing in the guidelines for foreign investment in tourist-related developments. The changes to the guidelines included:

- foreign investors can acquire any residential real estate (vacant land for development, units off the plan, or established properties) within a designated Integrated Tourism Resort (ITR) without the need to seek approval under the *Foreign Acquisitions and Takeovers Act 1975 (FATA)*;
- all new and used dwellings in an ITR as well as those under construction or 'off the plan', owned by Australian residents or foreign interests, can be acquired and resold to other foreign investors without requiring approval under the FATA; and
- the ITR exemption applies only to residential real estate within resorts that have applied for and been designated exempt by the Foreign Investment

¹⁴ *Evidence*, p. 1408

Review Board. All other real estate acquisitions by foreign interests remain examinable under existing residential real estate policy.¹⁵

10.15 Following this statement it was reported that the Gold Coast property market was likely to be the main beneficiary of the changes to FIRB guidelines due to the number of integrated tourism resorts, both operating and planned, in the area. It was anticipated that primarily it would be residential sales affected after the decision to allow foreigners to buy up to 100 per cent of residential property in integrated tourism resorts without the need for Government approval.¹⁶

10.16 In February 1992, the *One Nation* statement announced further changes concerning foreign investment in the tourist industry. Within the Department of Prime Minister and Cabinet, a group would be established to guide proposals through the Commonwealth's approval processes without unreasonable delay. The Government would cease to examine proposals by foreign interests - other than foreign governments - if they proposed to acquire 15 per cent or more of a company or business with total assets of less than \$50 million, or establish a new business with a total investment of less than \$50 million.¹⁷ The process for approvals would be streamlined, and delays experienced by some developers in the tourist sector would be minimised. Potentially, this would make the Australian tourist industry a more attractive proposition for foreign investors. A further change announced by the Prime Minister may also prove beneficial for developers considering new tourist resorts and hotels. *The Business Review Weekly* reported that the package favours larger enterprises, including those using foreign capital. Projects worth more than \$50 million will attract a special 10% development allowance if completed within a 'tight time-frame'.¹⁸

¹⁵ The Hon. J. Kerin, *Press Statement*, 25 July 1991

¹⁶ *The Weekend Australian*, 27-28 July 1991

¹⁷ *The Sydney Morning Herald*, 27 February 1992, p. 4s

¹⁸ *The Business Review Weekly*, 28 February 1992, p. 45

10.17 The Committee commends the reform process that has taken place in recent years to facilitate foreign investment in the Australian tourist industry within the national interest.

Enduring Criteria

10.18 In the context of changes to the Commonwealth guidelines, the Committee considers that four key criteria for assessment must remain constant. These are:

- the national interest;
- economic benefit to Australia - including employment growth;
- environmental preservation; and
- social impact.

National Interest

10.19 Foreign investment is undertaken by foreign interests and the FIRB is required to ensure that it is consistent with Australia's national interest. The FIRB defines foreign interest as a natural person not ordinarily resident in Australia, and any corporation, business or trust in which there is a substantial foreign interest, regardless of whether the corporation, business or trust is foreign-controlled.¹⁹ However, the Board's Executive Member was unable to provide the Committee²⁰ with a definition of 'national interest', although the point was made that the Board examines proposals to assess the benefits that would be provided to the nation.²¹

¹⁹ *Australia's Foreign Investment Policy*, p. 1

²⁰ *Evidence*, pp. 167, 185

²¹ *Evidence*, p. 189

10.20 This inability to define national interest is important because foreign investment proposals may be approved except where they are considered to be contrary to the national interest. Without a reasonable definition that is regularly employed by the FIRB (and which is accepted by all interested parties) it is not clear how the FIRB is able to determine whether a proposal is in the national interest.

10.21 A further problem is that, as has already been noted, the FIRB is currently unable to provide independent assessments to the Government about proposals because of the lack of resources under which it operates. If, as Mr Pooley suggests,²² the Board examines proposals to determine the benefit they might provide to Australia, competent resources must be employed to conduct this assessment for the Board.

10.22 In its submission the Treasury mentioned the protection of the national interest: it has stated that its policy is designed and administered to encourage foreign investment in Australia and ensure that such investment is consistent with the national interest.²³ Nevertheless, like the FIRB, Treasury did not provide a definition of national interest, although it noted that in forming a judgement about whether a proposal would be contrary to the national interest, the Government considered policy matters rather than legal issues including:

- the impact of a proposal on the environment;
- local employment;
- exploitation of Australian research; and
- competition within an industry sector.²⁴

²² *Evidence*, p. 170

²³ *Evidence*, p. 1401

²⁴ *Evidence*, p. 1402

Economic Benefit

10.23 With regard to economic benefit, the FIRB has assured the Committee that this criteria is comprehensively employed. The FIRB Executive Member, Mr Pooley, confirmed that the Board does not prepare 'commercial assessments'; however, the FIRB looks at the economic benefits and the return to the nation.²⁵

10.24 Indeed, Mr Pooley advised that the economic benefits are compared against the disadvantage of foreign ownership, and suggested that there should be sufficient economic benefits to offset the loss of Australian ownership and control.²⁶ Mr Pooley advised that many cases were not clear cut, requiring judgement about economic benefits on the one hand and a loss of Australian ownership and/or control on the other. Mr Pooley suggested that these judgements are necessarily subjective and depend on how much weight is given to the loss of ownership and control and how much weight is given to the economic benefits.²⁷

10.25 The Treasury submission confirmed that its approach to preparation of the minute to the Treasurer about foreign investment proposals evaluated the economic benefits and costs involved:

The examination process normally involves the preparation of a minute providing details of a proposal identifying any aspects which might be thought to raise national interest considerations, evaluating where applicable the economic benefits and costs expected to rise from the proposal, noting the proposal's implications (if any) for the foreign ownership and control of the business and the industry sector concerned, and concluding with a judgement about the conformity of the proposal with the guidelines of foreign investment policy, which takes into account comments provided by

²⁵ *Evidence*, p. 189

²⁶ *Evidence*, p. 197

²⁷ *Evidence*, p. 170

interested third parties, including government organisations.²⁸

Environmental Preservation

10.26 There are numerous Acts which apply to decision-making by the FIRB apart from those listed by the FIRB in its annual reports. One of those is the *Environment Protection (Impact of Proposals) Act 1974*, which has as its object that matters affecting the environment to a significant extent are fully examined and taken into account in relation to certain activities carried out on behalf of the Australian Government or Australian authorities; they include the making of decisions and recommendations²⁹. Accordingly, where its decisions or recommendations would have a significant effect on the environment, the FIRB is obliged to comply with the Act. While only the Minister responsible for the Environment can determine that an Environmental Impact Statement is required in any particular case, the Act places a duty on all Commonwealth Ministers to ensure that environmental factors are taken into account in the administration of their portfolios.³⁰

Social Impact

10.27 It cannot be in the national interest to improve economic circumstances at the risk of considerable environmental damage. For this reason it is entirely appropriate that the Treasurer's decisions on the basis of FIRB advice be subject to the *Impact of Proposals Act*. Similarly, however, it cannot be in the national interest for Australia's economic circumstances to be improved at the risk of substantial social dislocation. For this reason foreign investment proposals should be assessed against social impact criteria where appropriate.

²⁸ *Evidence*, p. 1403

²⁹ *Environment Protection (Impact of Proposals) Act 1974*, s.5

³⁰ Australian Environmental Council Report No. 18, *Guide to environmental legislation and administration arrangements in Australia*, p. 40

10.28 At present the FIRB is not sponsoring such assessments. At a public hearing on 8 March 1991 the following exchange took place with the FIRB Executive Member, Mr G. Pooley:

Chairman - This Committee is interested to consider people as part of the environment. We understand this may be something of a novelty, but we wish to do it. Do you know if any of the environmental impact statements have looked at the effect on a local community in terms of what is good or bad?

Mr Pooley - No, I do not.

Chairman - That is you do not know?

Mr Pooley - I cannot think of a case in which it has happened.³¹

Further, in its submission DASETT advised that socio-economic factors are often not adequately considered although the Federal and some State systems make provision for consideration of these factors.³²

10.29 DASETT has subsequently advised the Committee that there is an obligation under the *Impact of Proposals Act* for effects of social significance to be considered but only where they are interrelated with physical effects. Advice DASETT received from the Attorney-General's Department indicated there is nothing in the current procedures to support a contention that *social factors alone* give rise to any public duty to require the preparation of environmental impact statements.³³

Advice from the Attorney-General's Department indicates that the meaning of 'environment' can be construed to mean that where economic or social and natural or

³¹ *Evidence*, p. 186

³² *Evidence*, p. 42

³³ *Letter to Committee*, 26 July 1991

physical environmental effects are interrelated, the assessment will consider all these effects on the human environment. That advice also says there is nothing in the current procedures to support a contention that *social factors alone* give rise to any public duty to require the preparation of environmental impact statements.³⁴

10.30 DASETT also advised that while socio-economic aspects of a proposal can be taken into account in environmental impact assessments, the process is not designed to address these primarily. In some cases purely socio-economic impacts are not assessed or indeed projects whose impact is primarily social may not come under the Act at all.³⁵

The cited extract from DASETT's submission to the inquiry into the Australian Tourism Industry reflects the fact that while socio-economic aspects of a proposal can be taken into account in environmental impact assessment, the process is not designed to address these primarily. In some cases this might mean that some purely socio-economic impacts are not assessed or indeed that projects whose impact is primarily social may not come under the Act at all. This, for instance, is the tenor of the Attorney-General's Department's advice in regard to the proposed Canberra casino. This position is not satisfactory to some sectors of the community who feel that the impact assessment process, as the only established impact assessment mechanism available, should be made to take a broader role.³⁶

10.31 The Committee understands the limits of the *Impact of Proposals Act* as articulated by the Attorney-General's Department. The Committee further understands, however, that it is proper to seek social impact statements in certain circumstances under the Act. Given the significance of social impact for many new developments, including those in the tourism industry, the Committee considers that

³⁴ *Ibid.*

³⁵ *Ibid.*

³⁶ *Ibid.*

every effort should be made to ensure that social impact is considered wherever appropriate.

10.32 Having examined the approach of the FIRB and the Treasury to the issue of foreign investment with regard to national interest, economic benefit, environmental preservation and social impact, the Committee has concluded as follows. First, the concept of national interest has not been well-articulated by either the FIRB or Treasury; it would be helpful for the concept to be clarified in the interests of decision-making on foreign investment by those authorities. Second, the Committee considers that the Treasury should be well-placed to assess the economic benefit of foreign investment proposals. Third, foreign investment proposals having an impact on the environment to a significant extent are covered by the *Environment Protection (Impact of Proposals) Act 1974* and require environmental impact statements. The FIRB is bound to comply with this Act. Nevertheless, the social impact of foreign investment proposals has not been adequately addressed by the FIRB. The FIRB needs to acknowledge its responsibilities under the Act (as advised by the Attorney-General's Department) for social impact assessments and request such assessments for foreign investment proposals where appropriate.

The FIRB Process

10.33 The FIRB process fall into three categories:

- proposal notification;
- proposal approval; and
- monitoring and maintaining records.

Proposal Notification

10.34 On 27 February 1992, following the *One Nation* Statement, the Treasury issued revised guidelines for foreign investment as follows:

The Type of proposals by **foreign interests** to invest in Australia which should be notified to the Government can be summarised as:

- acquisitions of **substantial interests** in existing Australian businesses with total assets over \$5 million (\$3 million for rural properties);
- plans to establish new businesses involving a total investment over \$10 million.
- investments in the media irrespective of size;
- direct investments by foreign governments or their agencies irrespective of size;
- acquisitions of non-residential commercial real estate valued over \$5 million;
- acquisitions of residential real estate irrespective of size (unless exempt under the regulations);
- takeovers of offshore companies whose Australian subsidiaries or assets are valued over \$20 million or account for more than 50 per cent of the target company's global assets; and
- proposals where any doubt exists as to whether they are notifiable.

The Foreign Acquisitions and Takeovers Act 1975 applies to most examinable proposals and provides penalties for non-compliance.³⁷

10.35 With regard to proposals subject to the *Foreign Acquisitions and Takeovers Act*, some notifications are compulsory while others are not. The Act (sections 26 and 26a) makes it compulsory for a foreign interest to notify proposals to acquire:

- a substantial shareholding (more than 15 per cent) of an Australian corporation unless the total assets of the target company are below \$5 million (\$3 million for rural properties); and
- an interest in Australian urban land (unless exempt under the Foreign Acquisitions and Takeovers Regulations).

³⁷ Prime Minister Keating, *One Nation Statement*, 27 February 1992

Section 25 of the Act, however, does not have a compulsory notification requirement. That section covers off-shore takeovers, takeovers of businesses by purchase of assets or acquisitions of shareholdings in Australian companies that are less than substantial shareholdings.

10.36 When formal notification under sections 25, 26 and 26a occurs, the Treasurer must take action within 30 days or the Government loses the ability to either block the proposal or impose conditions on its approval. This statutory 30 day examination period may be extended for up to a further 90 days by the issue of an interim order.³⁸

Proposal Approval

10.37 The FIRB claims that it ensures proposals are examined quickly with the majority of proposals being considered by the Board and decisions being reached by the Government within thirty days of lodgement.³⁹ Indeed, simple applications required under the *Foreign Acquisitions and Takeovers Act* are dealt with under ministerial delegation. Treasury officials have power to approve proposals within limits consistent with policy. The ministerial delegation, however, does not permit proposals to be rejected by Treasury officials.⁴⁰

10.38 With regard to proposals in the tourism sector (and a range of other industries) the Treasury's revised guidelines issued on 27 February 1992 state:

The Government registers, but raises no objections to, proposals above the notification thresholds (ie \$3 million for purchases of rural properties, \$5 million for acquisitions of substantial interests in other existing businesses, \$10 million for the establishment of new businesses, \$20 million for offshore takeovers) where the

³⁸ *Australia's Foreign Investment Policy*, p. 11

³⁹ *Australia's Foreign Investment Policy*, p. 3

⁴⁰ *Evidence*, p. 168

relevant total assets/total investment fall below \$50 million.

The Government examines proposals to acquire existing businesses (with total assets over \$50 million) or establish new businesses (with a total investment over \$50 million) and raises no objections to those proposals unless they are contrary to the national interest. Offshore takeovers do not generally raise national interest issues.

...

Proposed acquisitions of **real estate for development** (within 12 months) are normally approved unless they are contrary to the national interest.

Foreign interests are normally given approval to buy **vacant residential land** (on condition that construction of a dwelling is commenced within 12 months) and to buy home units, townhouses etc '**off-the-plan**', under construction or newly constructed but never occupied, on condition that no more than half of the units in any one development are sold to foreign investors.

Proposed acquisitions of residential property (both vacant land and existing dwellings) which are within the bounds of a resort that the Treasurer has designated as an '**Integrated Tourist Resort**' are exempt from examination.⁴¹

10.39 In evidence before the Committee, Treasury advised that conditions are often imposed on approvals to ensure that particular proposals are consistent with policy and not otherwise contrary to the national interest.⁴² For example, environmentally sensitive proposals are often subject to environmental assessment under the *Impact of Proposals Act*, or at the State level, prior to granting approval. However, they can also be subject to conditions requiring the parties to consult with relevant State and/or Commonwealth bodies prior to the implementation of the

⁴¹ *One Nation Statement*, 27 February 1992

⁴² *Evidence*, p. 1404

proposal.⁴³ The option of a conditional approval is particularly attractive. It has the virtue of ensuring that projects are completed in ways considered to be consistent with the national interest. Indeed, it may be undesirable for unconditional approvals to be provided as a matter of course.

10.40 While the FIRB attempts to make some assessment of the national economic benefit of foreign investment proposals, it has approved foreign investments in tourism that have proven to be commercial failures. It was suggested to the Committee that the FIRB should assess whether projects would be successful commercially. The Acting General Manager (Planning and Development) of Tourism South Australia suggested one of the criteria the FIRB should consider when making decisions based on 'national interest' or State interest, is whether the development is likely to return a net benefit to the community.⁴⁴ Further, Mr J. Domelow, a Committee Member of the Magnetic Island Tourist Association, advised:

What we are saying there is that we would like a level playing field where all the rules are the same - whether it be State, Federal, local or whatever - so that everyone, whether they oppose the developments or whether they are for the developments, knows what the rules are and as part of those rules there should be the need for a viability study. Whether that is FIRB or who it is, I am not sure.⁴⁵

When asked whether he was suggesting a role for the government to examine the viability of a project, Mr Domelow confirmed that he was.

10.41 The Committee does not agree with the view that the FIRB should assess the commercial viability of foreign investment proposals before they are approved for two reasons. First, the Committee accepts the advice of the FIRB

⁴³ *Ibid.*

⁴⁴ *Evidence*, p. 760

⁴⁵ *Evidence*, p. 1073

Executive Member that the FIRB considers the economic benefits the nation would get from foreign investment but that no commercial assessment of a project's viability is undertaken due to the size of the task.⁴⁶ Given that more than 2800 proposals were submitted to the FIRB in 1990/91, it would be ridiculous to suggest commercial viability studies for all proposals.

10.42 Second, it is unclear what commercial criteria would be employed by the FIRB even were it able to conduct commercial assessments. The Committee has been advised that many foreign investors are content to be patient over the long term before achieving yields on their investments in tourism.⁴⁷ How could the FIRB determine what was a reasonable period of investment? Further, unlike others, tourism investors may not require a high return on their capital. It is unclear how the government could make determinations about the commercial viability of projects based on speculation about desirable rates of return.

Monitoring Developments and Maintaining Records

10.43 One significant benefit of monitoring foreign investment projects is that, where approval is conditional, the Commonwealth can be satisfied that the conditions have been met. The Chairman of the Tourism Task Force claimed that while the FIRB often approves projects with specific development timeframes, this is not well monitored. He cited the case of Iwasaki at Yeppoon where a project which was given two years for completion had not been started eight years later. He claims similar problems have occurred in Surfers Paradise.⁴⁸

10.44 The need to ensure that developments comply with conditional approval, then, is one reason for conscientious monitoring of foreign investment projects. Another reason is to gauge the extent of foreign investment actually

⁴⁶ *Evidence*, p. 189

⁴⁷ *Evidence*, p. 236

⁴⁸ *Evidence*, pp. 350-1

outlayed in Australia. And a third reason is to acquire a knowledge base that can contribute to the capacity to review future foreign investment proposals.

10.45 The State Government of Victoria emphasised the inadequacy of information concerning the extent of foreign investment in tourism facilities in Australia; it concluded:

It has therefore become increasingly evident that improved information systems should be established which will allow the effective monitoring of investment patterns in the industry at a National level.

This will put both Federal and State Governments in a position where trends can be identified and via a process of Federal/State consultation, decisions can then be made on the need or otherwise to fine tune foreign investment policy and guidelines to protect the interest of Australians.⁴⁹

10.46 Treasury has advised that it monitors some foreign investment projects post-approval, but not others. Large projects tend to monitor themselves because they tend to stay in the press and have a public opening. If Treasury has reason to be doubtful about a proposal that is approved, it is more likely to be monitored.⁵⁰

10.47 Further, Treasury does not keep formal records on the projects that it does monitor, relying instead on two ad hoc methods:

- previous proponents seeking approval for a further project are asked for details about the progress of the initial project; and
- press reports and cuttings about major projects are put on file.⁵¹

⁴⁹ *Submission No. 60*, pp. 5-6

⁵⁰ *Evidence*, pp. 179-80

⁵¹ *Evidence*, p. 180

The following exchange took place with the FIRB Executive Member at the public hearing on 8 March 1991;

Senator BOURNE - Do you keep records on the ones you do monitor? Can you look back on something after five years and see whether it has gone the way you thought it would and use that for the future?

Mr POOLEY - We do not formally do that, but it tends to happen in other ways to the extent that it does happen. A company that has done one investment will often come and seek approval for another. When it comes for the second one we ask how it is getting on with the first one and get a report. It is rather ad hoc and we do not do a lot of it. We certainly do not monitor them all. ... We know about some and we do not know about others. ... It is not as simple as it seems to be. We often find out about particular proposals and what is happening to them partly by chance, partly by press reports and so on. To that extent we monitor what is going on. If there is a press cutting that is relevant to progress or something, we put it on the file.⁵²

10.48 The FIRB Executive Member, Mr Pooley, subsequently explained that Treasury did not have the resources to monitor the projects which it has approved. He told the Committee that it would be possible to employ a section or a branch to undertake monitoring, but that if Treasury wanted to do a thorough job a division of 60 people might be required, and even so there was no certainty the work load could be managed.⁵³ Treasury admitted however that it could strengthen the foreign investment approval process if it could be demonstrated that decisions taken resulted in actual projects.⁵⁴

⁵² *Evidence*, p. 180

⁵³ *Evidence*, p. 182

⁵⁴ *Evidence*, pp. 182-3

10.49 In that almost 2525 proposals were approved by the FIRB in 1990/91, the Committee acknowledges the extent of the monitoring and recording task were it to be pursued comprehensively by Treasury. It is important for the Commonwealth to know what proposals proceed and the timeframe within which they are completed; the foreign investment proposals approved for 1990/91 amounted to \$20.2 billion and many are subject to time limits for completion.⁵⁵ Indeed, the Treasury has confirmed that, at present, many conditional approvals entail reporting requirements.⁵⁶

10.50 One way in which all new developments could be monitored and recorded with minimal effort would be to make approvals conditional upon a reporting requirement for commencement, progress and completion. And, subject to the availability of resources, random checking of such reports could be pursued. Similarly, all foreign investment proposals for tourism could be subject to reporting requirements. If the results were assessed by the FIRB, decision-making on foreign investment would be significantly improved. As a further benefit, knowledge of the economic significance of foreign investment in Australia would be increased; the statistics would be published.

State Governments and the FIRB

10.51 Although the FIRB is responsible for implementing national foreign investment guidelines, States also play a role in the process. The FIRB has noted that both State and Federal Government departments and authorities with responsibilities relevant to the proposed activity of the foreign investor may be consulted. This consultation is undertaken on a strictly confidential basis.⁵⁷

⁵⁵ Foreign Investment Review Board, *FIRB Report 1990-91*, p. 2

⁵⁶ *Evidence*, p. 1430

⁵⁷ *Australia's Foreign Investment Policy*, p. 4

10.52 This matter was the subject of comment before the Committee in a public hearing. The FIRB Executive Member advised that where a proposal involved the takeover of a company with many employees in several States, the proposal would be referred to each State government, especially if there were to be any rationalisation of factories and jobs.⁵⁸

10.53 Further, in its submission the FIRB explained that its consultation with the States on foreign investment extends much more widely than economic issues. For tourism related proposals, the Executive normally consults relevant State and Commonwealth Departments for comments on heritage, environmental and industry aspects. These comments are incorporated in the FIRB report to the Treasurer along with the views of the Board; private representations concerning proposals are also referred to in the report.⁵⁹ Treasury advised the Committee that for individual proposals, the Minister received a summary of the views not only of the Board (or its Executive), but also those of the parties involved in the proposed transaction, Government departments and sometimes representations from individuals and industry organisations.⁶⁰

10.54 The Queensland Government advised the Committee it supported the Commonwealth foreign investment guidelines. In addition, when assessing foreign investment proposals in the tourism sector, the Queensland Government also pays regard to:

- the impact of development on the local and regional communities;
- the potential of the foreign investor to make a positive contribution to the local tourism industry; and

⁵⁸ *Evidence*, p. 187

⁵⁹ *Evidence*, pp. 1403-4.

⁶⁰ *Evidence*, pp. 1403-4.

- the level of concentration of foreign ownership and control within the local tourism industry.⁶¹

10.55 The Queensland Government submission advised that in February 1990 it established a Foreign Investment Secretariat as part of the Commercial Policy and Projects Division of the Queensland Treasury. The Secretariat is responsible for implementing the Queensland Government's approach to foreign investment, and is examining the impact of foreign investment on the Queensland tourism industry. The study addresses five major issues surrounding the impact of foreign investment on tourism:

- (1) An assessment of the availability of domestic funding and equity for developing tourism projects in Queensland;
- (2) An identification of the existing level of foreign ownership in the industry;
- (3) An examination of the socio-economic benefits and costs of foreign investment in the industry;
- (4) A comparative study of foreign investment and the Hawaiian tourism industry specifically identifying impacts on local communities and possible policy implications for Queensland; and
- (5) An attitudinal survey to assess the level of, and reasons for, opposition towards foreign investment in Queensland's tourism industry.⁶²

10.56 Tourism South Australia also provided evidence on the role of State Government with regard to foreign investment. Tourism South Australia suggested to the Committee that State land use planning systems are adequate for controlling

⁶¹ *Submission No.100*, p.6

⁶² *Submission No. 100*, pp. 7-8

development but that the Commonwealth should continue to have the ability through the FIRB to withhold approval for proposals that are not in the national interest. (It is argued that the Resource Assessment Commission could be an appropriate means of addressing exceptional issues involving national resources.) Tourism South Australia believes the Commonwealth's role lies primarily in:

- monitoring the level and impacts of foreign investment in tourism;
- developing criteria which establishes the national and regional interest;
- facilitating the sharing of strategic planning experiences between States; and
- encouraging joint venture foreign investment with Australian investment.⁶³

Conclusions

10.57 Significant changes have been made to Australia's foreign investment policy since 1986; they have facilitated the process of foreign investment in the Australian Tourism Industry.

10.58 Further, in order to exploit a wide range of advice for the Treasurer on foreign investment proposals, independent expertise needs to be available; this has been intended by the operation of the FIRB.

10.59 However, the FIRB process for monitoring projects which have been approved has not been nearly as comprehensive as it ought to be. Additionally, the FIRB has been less than fully independent.

10.60 The FIRB needs to ensure that approved projects are monitored carefully; the new guidelines relating to depreciation for early completion of large projects will require accurate monitoring to determine the compensation payable.

⁶³ *Submission No. 41*, p. 20

10.61 Finally, the Committee has determined that, with regard to the social impact of various proposals, the FIRB needs to acknowledge the full scope of its responsibilities under the *Impact of Proposals Act*.

Recommendations

10.62 That, for foreign investment in the tourism industry, the liberalised policy on foreign investment since July 1986 be maintained.

10.63 That, for the purpose of advising the Treasurer on foreign investment proposals, the Foreign Investment Review Board (FIRB) continue.

10.64 That to become more independent, the FIRB be restructured as follows:

- that the Board be comprised of permanent part-time members none of whom are selected from the Commonwealth bureaucracy;
- that the Board be served by a Secretariat; and
- that the Board establish and maintain its own office.

10.65 That, with regard to foreign investment proposals, the Treasury documents be copied to the FIRB for its independent comment and advice direct to the Treasurer.

10.66 That FIRB approval for foreign investment in new developments for the tourist industry be conditional upon a requirement to report progress on the development each six months from the date of approval until completion of the development.

10.67 That the FIRB maintain sufficient resources to monitor foreign investment proposals that have been approved and provide that information in its annual reports.

10.68 That statistics concerning foreign investment proposals in tourism facilities from investors' reports be provided to the ABS for subsequent publication (conjointly with the BTR).

10.69 That in complying with the Environment Protection (Impact of Proposals) Act 1974, the FIRB request social impact statements which include employment projections, time for completion and long term employment, where appropriate, in addition to environmental impact statements.

10.70 That the FIRB ensure potential developments are based on market research.

PART 6

**PLANNING, INFRASTRUCTURE AND THE
AUSTRALIAN TOURIST INDUSTRY**

CHAPTER 11

CO-ORDINATION OF THE TOURIST INDUSTRY: POLICIES AND STRATEGIES

Commonwealth Government Tourism Policy

11.1 While the delivery of tourism services is largely a private sector activity, government actions shape the economic and regulatory environment within which the tourism industry operates. The provision of transport infrastructure and community services in most cases is also a government responsibility.

11.2 In December 1990 the Department of the Arts, Sport, the Environment, Tourism and Territories (DASETT), stated that the role of the Commonwealth Government:

... is to facilitate the development of an environment in which the tourism industry can best prosper and, through the Australian Tourism Commission, play the prime role in promoting and marketing Australia as a tourist destination overseas.

... the long-term national goal is to achieve, in close collaboration with industry, the development of a dynamic and competitive industry contributing to economic well-being and an enhanced quality of life for all Australians, consistent with the protection of our natural and cultural heritage.

Specific Commonwealth goals can be stated as:

- *Economic* - to improve the competitiveness of the industry and minimise constraints on growth, so as to stimulate increased national income, employment growth and an improved balance of payments.

- *Social* - to encourage a range of opportunities for increased tourism participation and the appropriate operation of tourism activity in the public interest.
- *Environmental* - to develop the tourism potential of our natural and cultural heritage through environmentally sustainable, sensitive and responsible management.
- *Support* - to ensure that the necessary planning, co-ordination, research and statistical support for policy formulation is provided in accordance with the previous goals. (*Evidence*, pp. 14-15)

11.3 Over the past two decades, policy development concerning tourism at the national level has been undertaken within a variety of ministerial portfolios. Until recently it has been administered by DASETT. Following the Ministerial reorganisation in December 1991, the tourism portfolio has been recognised as a separate Department. It is responsible for co-ordination with other Commonwealth authorities, State Governments and industry bodies. The Commonwealth role in tourist promotion through the operations of the Australian Tourist Commission (ATC) and the co-ordination of ATC marketing with State promotional activities has been discussed in Chapter 4 of this report.

Policy Co-ordination within the Commonwealth Government

11.4 DASETT's 1988 discussion paper *Directions for Tourism* recognised that while the prime responsibility for policy advice and co-ordinating tourism matters rested with the Department, other Commonwealth agencies exercised direct responsibilities in many areas which have a significant bearing on tourism. It listed some of these Departments as:

- Treasury, Finance and Industrial Relations dealing with macro-economic issues which affect all industries;

- Department of Immigration, Local Government and Ethnic Affairs, Department of Transport and Communications, Department of Employment, Education and Training and the Australian Customs Service as providing or controlling services which have a direct relevance to tourism; and
- Australian Bureau of Statistics and the Bureau of Tourism Research as collecting statistical data and providing research support services.

11.5 In this 1988 publication DASETT suggested that there was a need for better co-ordination; in a statement that could have been drafted by Sir Humphrey Appleby from *Yes Minister*, DASETT advised:

Given the diverse range of tourism activities spread across a range of government portfolio interests, there is a need to establish appropriate inter-departmental consultative arrangements within the government framework to facilitate the effective co-ordination of the different areas of government activity which impinge on tourism. While the Department is actively involved in various inter-departmental committees, more extensive representation on a range of consultative bodies would ensure that tourism interests are taken into account in the development process.¹

11.6 In one major area, however, DASETT claimed in late 1990 that aspects of inter-departmental co-ordination were well-organised. DASETT stated that there were very good mechanisms in place for co-ordination of issues concerning passenger processing:

We now have in place a body called the National Passenger Processing Committee, which brings together the departments and agencies which deal with people arriving in Australia, from the visa issue process to handling at airports, Customs concerns, security concerns and immigration issues. It provides a forum for

¹ *Directions for Tourism*, p. 94

discussion of cross-departmental issues. I think this body, which has been functioning for slightly over two years, has brought about a major improvement in the co-ordination between departments of a lot of those handling questions.²

11.7 The establishment in December 1991 of the Department of Tourism provides the opportunity for tourism policies to be reviewed, and where necessary improved. However, the problems associated with more than one department providing services and policies which affect the tourist industry remain.

Co-ordination Mechanisms

11.8 Responsibility for the development of tourism is shared by all levels of government in Australia. Further, the co-ordination mechanisms to facilitate tourism development are wide-ranging; structures for consultation within the tourism industry cover a range of issues.

Tourism Ministers' Council (TMC)

11.9 The Tourist Ministers' Council was established in 1959. It comprises the Commonwealth, State and Territory Ministers responsible for tourism. The Council provides a forum for consultation and policy co-ordination between the Commonwealth and the States and Territories.³

Australian Standing Committee on Tourism (ASCOT)

11.10 The Australian Standing Committee on Tourism has comprised representatives from the Australian Tourist Commission, DASETT and the State and Territory Directors of Tourism or their equivalent.

² *Evidence*, pp. 82-3

³ *Directions for Tourism*, p. 92

11.11 The functions of ASCOT are to co-ordinate and develop policies on tourism and to provide advice and recommendations to the Tourism Ministers' Council. The Council also resolves non-contentious issues which would otherwise require the attention of the Tourism Ministers' Council.

Tourism Advisory Council (TAC)

11.12 The Tourism Advisory Council has been chaired by the Minister for the Arts, Tourism and Territories. It provides a consultative link between the Commonwealth Government and the industry as well as being a forum for the discussion of policy issues. The Council's membership includes representatives from a wide variety of industry-related groups and unions.⁴

Co-ordination Agreements

The 1976 Agreement

11.13 The wide range of government policies that affect the tourist industry and the consequent need for co-ordination has been a matter which has engaged the attention of the Commonwealth, State and Territory Governments. A statement, setting out a shared understanding of the division of responsibilities between the Commonwealth, State and Territory Governments for tourism promotion, development and regulation, was agreed by the then Tourist Ministers' Council on 1 October 1976.

11.14 In the 1976 agreement the objectives of tourism policy, at all levels of government, were described in the following terms:

1. The development of a viable and efficient tourist industry in Australia. An *economic* concept that includes governments' overall objectives and

⁴ *Directions for Tourism*, p. 92

optimises the use of available resources. It envisages a dynamic tourist industry component of the total economy, containing a balanced mix of enterprises, supported by government provided infrastructure, the whole existing at levels responding sensitively to growth and changes in demand.

2. The development of a range and quality of tourism opportunities appropriate to the needs of residents and visitors to Australia. A *social* concept that expresses governments [sic] desires to induce the development of a structure of tourist facilities and services, designed to meet people's needs for leisure, recreation, consistent with their desire for an improved quality of life.
3. Achievement of the above with due regard to the natural and social environment of Australia. This is a *public interest* concept providing for the control and regulation of tourist activity, so that the rights of individuals and groups are safeguarded, one against the other, and resources are preserved, as considered desirable, for the common good and future generations.⁵

11.15 This agreement on objectives was followed by a list of policy areas which have an impact on tourism. These policy areas were classified respectively under the headings of Commonwealth Prime Responsibilities, Commonwealth and State/Territory Shared Responsibilities, and Territory and State Responsibilities. The latter category included those matters which fell within the ambit of local government authorities in some States.⁶

11.16 In summary, according to the 1976 agreement, the Commonwealth Government's prime responsibilities included:

⁵ *Report of the Australian Government Inquiry into Tourism 1986*, Vol. 1, p. 172

⁶ *Report of the Australian Government Inquiry into Tourism 1986*, pp. 172-5

- International Relations;
- Transportation;
- Visitor Entry Formalities;
- Research and Statistics;
- Planning;
- Development Assistance;
- Destination Promotion; and
- Consumer Affairs.

11.17 Further, the agreement outlined the following responsibilities shared between the Commonwealth, State and Territory Governments:

- Workforce;
- Consumer Affairs;
- Transportation;
- Destination Marketing;
- Environment, including the National Estate;
- Infrastructure and Facilities;
- Regional Research and Statistics;
- National Standards - Tourism; and
- Destination Planning.

11.18 The category 'Territory and State Responsibilities' included matters which in some States fall within the ambit of local government. The list included the following matters:

- Infrastructure and Facilities;
- Research and Statistics;
- Planning;
- Industry Education;
- Road Transport Regulation;
- Land Use and Environment Protection;
- National Parks;
- Destination Marketing;
- Development Finance;
- Regulatory Services;
- Liquor Licensing; and
- Consumer Affairs.

11.19 Some areas of responsibility, such as road transport, appear in the agreed list under more than one category of government responsibility. In the case

of road transport, for example, the primary Commonwealth Government responsibility referred to national highways, while the shared responsibility related to roads other than national highways, and the Territory and State responsibilities related to road transport regulation.

The 1987 Agreement

11.20 The *Tourism Ministers' Agreement 1976* was ratified by the Tourist Ministers' Council in 1982. In 1987, however, the Australian Government Inquiry into Tourism recommended that the 1976 Agreement should be revised.⁷

11.21 The *Understanding on Governmental Objectives and Responsibilities in Tourism*, which was the outcome of the revision process, was endorsed by the Tourism Ministers' Council meeting held on 21 August 1987. As was the case with the previous agreement, the 1987 Agreement began with a broad statement of objectives, which was regarded as appropriate to all levels of government. This was followed by listings of the responsibilities of the Commonwealth Government, those responsibilities that were shared by the Commonwealth and State/Territory Governments, and those responsibilities that were the province of the States/Territories. The latter category included matters handled by local government. And the exact allocation of powers between State and local government, of course, varies from State to State.

11.22 The list of responsibilities and their division between levels of government attached to the 1987 agreement did not vary substantially from that agreed in 1976. The most significant change was the way in which the prime Commonwealth responsibilities were listed and described. The item in 1976 which was labelled 'Development Assistance', for example, was replaced by a section entitled 'National Economic Policies'.⁸ Changes to the list of responsibilities shared

⁷ *Evidence*, p. 16

⁸ *Evidence*, p. 54

by the Commonwealth, States and Territories included the addition of sections dealing with training, the development of a public awareness of the importance of tourism and industry liaison and consultation.⁹

11.23 The 1987 Agreement also resulted in a substantial rewriting of the objectives of government tourism policy. The agreed objectives of the 1987 Agreement relate to economic, environmental and social matters. They are:

- Economic.

To develop a dynamic and competitive tourism industry, supported by government and, to this end, to minimise constraints and provide an appropriate economic environment in which tourism can contribute to the economy to the maximum extent possible consistent with micro-economic requirements;

- Environmental.

To encourage the development of our natural environment and cultural heritage as integral elements of tourism, to recognise the need for their long-term conservation and to ensure that tourism developments are sensitive to environmental considerations; and

- Social.

To ensure that the public interest is safeguarded through the facilitation of appropriate tourism activity and that

⁹ *Evidence*, p. 55

participation in tourism is encouraged to enhance the quality of life of all Australians.¹⁰

The rewritten objectives pointed to a shift in the priorities of tourism policy at all levels of government: there is an emphasis on creating a competitive tourism industry. The environmental issues arising from tourist developments also receive significantly more attention in the 1987 statement of objectives.

11.24 The Committee sought DASETT's advice about the continuation of the agreement:

It has been reviewed on a number of occasions. It is grounded in the separation of powers under the Constitution. It has been looked at during the 1980s on a couple of occasions and was reaffirmed in 1987. ... Our role is in facilitating the Commonwealth-States Ministerial Council meetings and the standing committees. We provide the secretariat for that. Where either Commonwealth or State authorities identify in the progress of events that some of the areas and earlier agreements are perhaps not meeting current requirements, that is pursued in the context of the Council.¹¹

Co-ordination in Practice

Relations with the Commonwealth

11.25 The Tourism, Sport, Recreation and Information Division of DASETT has confirmed that the consultative mechanism between the Commonwealth, State and Territory Governments such as the Tourism Minister's Council and the Standing Committee on Tourism is working well, and that considerable progress is

¹⁰ *Evidence*, p. 53

¹¹ *Evidence*, p. 73

being made in tackling a lot of these larger issues in a co-operative framework through those particular bodies.¹²

11.26 None of the submissions to the Committee from State Governments commented on the operation of the co-ordination mechanisms. However, the Northern Territory Department of the Chief Minister told the Committee that:

There are a number of consultative mechanisms in the industry and within government which the Territory participates in wholeheartedly. The Northern Territory Tourist Commission with its overseas bureaux collaborates with the Australian Tourist Commission.¹³

The Role of Local Government

11.27 The role of local government is particularly important with regard to tourism development. This tier of government is responsible for a substantial proportion of infrastructure provision. The Commonwealth Department of Immigration, Local Government and Ethnic Affairs (DILGEA) suggested in its submission that local government should have an opportunity to contribute to Commonwealth and State tourist policy formulation where tourist projects have impacts on local government areas. In particular through membership of relevant inter-governmental co-ordinating bodies, membership of relevant government/industry committees, for example the Australian Standing Committee on Tourism, and through being consulted on a regular basis by State and Commonwealth departments responsible for tourism.¹⁴

¹² *Evidence*, p. 84

¹³ *Evidence*, p. 1246

¹⁴ *Submission No. 46*, p. 16

11.28 The Department suggested that:

In respect of membership of tourist bodies/committees it may be appropriate to establish a system of co-optation. In this way Local Government representation could be utilised when consideration is given to topics of particular interest to local councils, for example, tourist development in environmentally sensitive areas and foreign investment in tourist developments. The Australian Local Government Association would be an ideal Local Government peak body for national committees and the relevant State Local Government Associations for State committees.

Local Government can also provide a useful input to the normal work programs of State departments and the Commonwealth department responsible for tourism. This can take the form of regular liaison between departments and peak Local Government bodies as well as seeking advice and comment on specific matters. The Commonwealth department responsible for tourism could liaise with the Australian Local Government Association and State departments with the appropriate State Local Government Associations.¹⁵

11.29 The Committee is concerned to ensure that local government is involved effectively in tourist policy formulation. It notes the impressive co-ordination role that has already emerged between local government and other authorities at a Shire level. In far north Queensland the President of the Cairns Chamber of Commerce advised the Committee:

The Chamber last year, in fact, recognised that there were some smaller local authorities who were going to be inundated by developments because of the smaller scale. The Chamber put in place regional co-ordination meetings, called on an irregular basis when necessary, which involved all the local authorities in far north Queensland. Out of that came a working group whose prime function is to look at strategic planning from the regional point of view of far north Queensland, involving

¹⁵ *Submission No. 46*, p. 16

all those local authorities, to ensure that when any local authority, particularly a larger one such as Mulgrave Shire, makes a decision, it evaluates the impact of that decision on the region itself and the adjoining shires. That is what where [sic] we are working towards and that will continue. We have the full co-operation of virtually every shire in far north Queensland for the sort of forward planning to occur on a regional basis. It will also help educate and bring up to speed, as far as the learning curve is concerned, those smaller shires which really have not been subjected to large-scale development.

Local Government Ability to Plan

11.30 The Committee has been concerned about possible difficulties with intellectual resources and technical expertise in dealing with decisions required by local government on tourist developments. Mr Pyne, Chairman, Mulgrave Shire Council, advised the Committee that with respect to a large town development:

During this stage we have called on the expertise of the State Government to help us assess the project ... We are now having the expertise from the Department of Harbours and Marines, the Department of the Environment, the Institute of Marine Science and those sorts of agencies helping us to assess that because to be quite frank, we do not have the expertise to look at those areas. We require help and the Department of Environment is setting the guidelines for the environmental impact studies that are required and all those sorts of things. But you are right, it is a problem.

...

The Government offered the advice. We say to the applicants, 'You go to the Government and satisfy the Government that they are right in these areas', and the Government furnishes us with all the reports and everything to assure us that they are happy with it. A lot of times they deal directly with them but then there are other times when we say, 'Well, we have not got the expertise to handle that. You will have to go to the State Department of Environment and come back to us with

some resolution of that problem so that we know it is okay'.¹⁶

11.31 When asked to confirm whether he was saying that the Shire had the authority to make decisions, but not the resources to make a judgement about the exercise of that authority, Mr Pyne agreed.¹⁷ This situation was confirmed for Douglas Shire Council by Mr Berwick, Chairman.

11.32 The Committee also asked the Broome Shire Council whether it had the ability and expertise to assess development plans, or whether it utilised expertise from a central pool. Mr Haynes, Shire Clerk of Broome said:

We have the expertise to assess them in terms of professionalism in engineering and the building code of Australia. Obviously, the Environmental Protection Authority gets involved in environmental questions, conservation and land management in its particular field, etc. Obviously, we could not cover all that. In terms of what we are looking for, professionally we are quite capable of assessing those applications.¹⁸

11.33 DILGEA commented on this issue; Mr Lynch advised the Committee:

That is the kind of notion behind the environmental round table to facilitate the kind of cross-linkaging not only within States but across State boundaries and to improve information flows about environmental management questions generally. There is a strongly emerging understanding within local government about environmental questions.¹⁹

¹⁶ *Evidence*, p. 885

¹⁷ *Evidence*, p. 886

¹⁸ *Evidence*, p. 1316

¹⁹ *Evidence*, p. 211

11.34 The Committee notes the advice from DILGEA (March 1991) that the Local Government Minister's Conference was funding a study on the role of local government in environmental management. This study was to look at the relationship between the Commonwealth, States and Local Government in environmental policy development and responsibility.²⁰

Industry's Role

11.35 DASETT confirmed that in the interests of an equitable and non-discriminatory industry assistance policy, it preferred that assistance measures should not be industry-specific. This enables such measures to meet broad macro-economic, social and environmental objectives rather than the special requirements of one particular industry. In other words, there should not be special assistance measures targeted directly at the tourism industry.²¹

11.36 In discussing this issue at the conference *Frontiers in Australian Tourism* in July 1988, Mr T. Blunn, the Secretary of DASETT stated:

Promotion apart, Governments have been involved in the provision of public infrastructure and services. For tourism this has involved principally airport development, the facilitation of entry procedures, airline policy and staff training.

These are areas in which Governments have no options but to be involved. They have implications for international relations, security, environmental protection ... or are necessary to develop the public infrastructure without which the private sector cannot operate. Beyond that I believe that Governments should

²⁰ *Submission No. 46a*, p. 2

²¹ *Directions for Tourism*, p. 87, and J. Ferguson, *The Tourism Industry - A Government Perspective*, in J.M. Blackwell (Ed.), *The Tourism and Hospitality Industry International Series No. 3*, Australian & South East Asian Edition, pp. 24-5

get out of the way by seeking to remove impediments to industry growth wherever possible.²²

A National Tourism Strategy

11.37 The CEDA report *Tourism in Australia* argued that, at the national level, a comprehensive tourism strategy needs to be devised. The authors recognised that although the different states have their own plans, if Australian tourism is to achieve its potential, a national tourism strategy (NTS) is needed to determine realistic and desirable levels and types of tourism development. The tourism policy has to have a clear Australian identity rather than competing regional definitions. The authors state that there must be co-ordination between regional and State bodies to develop packages and policies to service domestic tourists. These must be developed through consultation and co-operation with the tourist industry.²³

11.38 The CEDA report proposed that the strategy should be a framework outlining appropriate strategies for future industry growth and directions which would address the various constraints to, and problems affecting, tourism development to enhance the roles which interested parties, from both the public and private sector, might play in industry development. CEDA suggests that a national tourism strategy should help to overcome the weaknesses in Australian tourism such as fragmented government policies, inter-government rivalry, duplication of effort and possible inconsistencies arising from multiple tourist development policies.²⁴

11.39 Later in the CEDA report the authors claimed that there is increasing support for the view that Australia needed a national tourism strategy and while there are different views about what such a strategy would entail, there was agreement that the document should provide a framework outlining appropriate

²² *Frontiers of Australian Tourism*, Canberra, 1988, p. 10

²³ *Tourism in Australia*, p. 49

²⁴ *Tourism in Australia*, p. 26

strategies for future growth and development of the tourist industry. The report suggested that a National Tourism Strategy would:

- be a co-ordinated, collaborative effort involving the federal, state and local governments, industry organisations and employee organisations;
- take account of common areas of concern and acknowledge conflicting interests where relevant;
- acknowledge the value of the tourism development plans of different states while recognising the benefits of consistency between these plans and a national strategy; and
- be formulated as a framework for guiding and monitoring tourism growth rather than rules or procedures imposed upon the industry.²⁵

The report concluded that:

unless various private and public decision makers identify with the objectives of tourism development and the nominated means of achieving these objectives, implementation of the strategy will break down through lack of consensus. The time for formulation of a NTS is long overdue. The federal government should take immediate steps to develop the strategy, assuming the role of facilitator of the various parties whose involvement is essential to its success.²⁶

11.40 The need for a national strategy was supported by a number of submissions to the Committee. For example in its submission, the Tourism Task Force advised that a successful tourism industry, where growth and profitability are

²⁵ *Tourism in Australia*, pp. 88-89

²⁶ *Tourism in Australia*, p. 90

maximised and sustained, and where any negative impacts - be they social or environmental - are minimised, will not just happen; it must be planned.²⁷ And the submission from the Australian Conservation Foundation (ACF) stated that the Foundation considers there is an urgent need for a national tourism strategy. The Foundation advised that planning, on a national level, is essential to ensure that the development of the industry is rational, sustainable and maintains the environmental, social and cultural values with which Australia is endowed.²⁸

11.41 This view was supported by other conservation groups. The Environment Centre NT Inc claimed that the Commonwealth has a major responsibility with regard to tourist developments and that this responsibility can only be properly enacted through a national strategy on tourist development involving the States, the Commonwealth, local government and community groups:

An ad hoc and unplanned approach to tourism is dangerous.²⁹

11.42 Further, the Economic Planning Advisory Council (EPAC) paper released in August 1991, entitled *A Joint Approach to Tourism - The Main Issues*, supported a national strategy and stated that while providing valuable assistance and co-ordination, Government policies needed to operate within a more systematic framework. The paper noted that both the industry and government have recognised that the time is ripe for the formation of a more coherent industry strategy:

The Department of Arts, Sport, the Environment, Tourism and Territories has already begun work on a draft strategy. This will require extensive input from those directly involved in the industry to be successful.³⁰

²⁷ *Submission No. 69*, p. 12

²⁸ *Submission No. 27*, p. 1

²⁹ *Submission No. 13*, p. 1

³⁰ *A Joint Approach to Tourism - The Main Issues*, 1991, p. 5

11.43 Nevertheless, not all evidence presented to the Committee supported a nationally co-ordinated tourism strategy. For example, Mr Clyde-Smith, Chairman, Cairns Regional Economic Task Force stated:

As a matter of policy, our group is much more in favour of increased regionalisation and increased authority to the region rather than increasing the role of the Commonwealth government, or the State government for that matter, in our own economic well-being, in our own economic growth. So the idea of establishing regional planning groups and so on, if it were largely co-ordinated on a regional basis and substantially without interference, other than a watchdog role by the Commonwealth government, we would be in support of that.³¹

Views of the State Governments

11.44 The NSW Government has expressed support for a national strategy:

In reference to the Commonwealth's role in co-ordinating foreign tourist development strategies between the states, it is important for Australia to develop long-term marketing strategies through the Australian Tourist Commission (ATC). These strategies assist in the marketing of Australia and Australian tourism product overseas and serve as a conduit for New South Wales tourism product to the international market.

...

The New South Wales Government recommends the continued financial support of the Australian Tourist Commission (ATC) to promote a marketing program overseas seeking to encourage tourism to Australia.³²

³¹ *Evidence*, pp. 964-5

³² *Submission No. 58*, p. 2

11.45 Nevertheless, NSW has expressed the conviction that planning matters concerning tourism are a State responsibility:

The New South Wales Government recommends that the Commonwealth, while recognising the dual needs of developing and conserving the natural environment, acknowledge that New South Wales has a constitutional responsibility regarding planning matters in the State, and in this regard has established planning mechanisms and procedures which assess tourism proposals and other developments concerning their environmental impact and consistent with the environmental capacity of the site.³³

11.46 And the Northern Territory Government submission stated:

The Northern Territory Government does not see a significant role or need for the co-ordination of foreign tourist development between the States, including the Northern Territory, by the Commonwealth Government.³⁴

11.47 By comparison, the South Australian Government advocated a role for the Commonwealth Government in planning tourism:

The Commonwealth needs to examine its overall policies and the thrust of its marketing. The current level of infrastructure provision and marketing direction have distorted foreign tourism and investment in tourism projects in Australia, concentrating it in the Eastern, [sic] states at the expense of South Australia and other potentially fruitful regions. It would not be unfair to say that many downstream decisions, such as foreign investment, depend on the initial infrastructure decisions.³⁵

³³ *Submission No. 58*, p. 10

³⁴ *Evidence*, p. 1174

³⁵ *Submission No. 41*, section 2

11.48 Later in the submission the South Australian Government stated:

In its role of developing a national tourism strategy the Commonwealth needs to promote a typical Australian holiday format which makes best use of available and distinctive assets.

By identifying, developing and marketing these assets as part of an overall strategy full regard can be given to their preservation as uniquely Australian.³⁶

11.49 The Victorian Government suggested to the Committee that the desirability of strategic initiatives aimed at the decentralisation of tourism in Australia should be considered by the Inquiry.³⁷ And the Tasmanian Government submission stated:

Any co-ordinating role to be undertaken by the Commonwealth, must be carried out with the full co-operation and agreement of the States and Territories. It is imperative that the Commonwealth recognise the regional differences and impediments to achieving tourism potential, together with the initiatives undertaken by the respective States and Territories in their attempts to increase the level of overseas visitors.

The major avenue for Commonwealth activity should be assistance in marketing the tourism development opportunities in the various States and Territories, control of any foreign investment in such developments through the Foreign Investment Board; and ensuring that potential developments are based on social market research. There needs to be a more pro-active role by both the BTR and ATC in relation to the latter.

...

If the Commonwealth is to adopt a more direct role in development of the tourism industry, it must become familiar with the important regional dimensions of

³⁶ *Submission No. 41, section 5*

³⁷ *Submission No. 60, p. 3*

tourism activity. In this regard, it would be appropriate for the Commonwealth, to adopt an approach where relevant input is obtained from the States and Territories which is then translated into an overall strategy. The Commonwealth's role should essentially be to complement in [sic] the development of initiatives of the States and Territories.³⁸

11.50 The Queensland Government submission did not address the issue of a national tourism strategy.

Development Mechanisms

11.51 The Committee for Economic Development of Australia stated that although states have their own plans, a national strategy was needed to determine realistic and desirable levels and types of tourism development if Australian tourism was to achieve its potential. CEDA has suggested that a tourism policy has to have a clear Australian identity rather than competing regional definitions. There must be co-operation between regional and state bodies to develop packages and policies to service domestic tourists which must be developed in consultation with, and co-operation from, the tourist industry.³⁹

11.52 The Committee was told during its inquiry that if a national tourism strategy is to be successful it must be developed through wide consultation. The ACF suggested that the development of a tourism strategy, if it is to be successful, must involve not only the Commonwealth and State and Territory Governments, but also Local Government, the industry, unions and conservation organisations.⁴⁰ And the Wilderness Society supported wide consultation and the concept of public participation; it recommended that a national tourism strategy be developed through

³⁸ *Submission No. 101*, pp. 4-6

³⁹ *Tourism in Australia*, p. 49

⁴⁰ *Submission No. 27*, p. 14

extensive public participation and consultation on a national, state, regional and local level.⁴¹

11.53 The Department of Immigration, Local Government and Ethnic Affairs stressed the importance of the role of the local government sector in the formulation of development strategies on a regional, state and national basis and noted that this is one example where there are benefits in the Commonwealth, States and Local Government working together on issues related to tourism. All three spheres of government could co-operate in examining issues such as the formulation of tourist development strategies, infrastructure provision, tourism promotion and co-ordination. The Department believes Local Government should have an opportunity to contribute to Commonwealth and State tourist policy formation, program implementation and administration both in a general sense and where tourist projects will have impacts on a particular local government area.⁴²

11.54 Mr W. Frick, an academic from Edith Cowan University WA, stressed the need for the most relevant expertise to be involved and suggested a system of State advisory panels:

It is absolutely essential that a Commonwealth board on 'foreign tourist development strategies' be set up on which all states are represented by tourism experts and not merely designated public servants. The task of such a board would be to define tourism priorities on a state and national basis and would guide the industry which should remain self-regulating.

This committee of tourism experts should incorporate persons from the transport industry (air, sea, rail, road) the hospitality industry (hotels, catering) the travel industry (travel agents, tour operators, multi-lingual tour guides), the state tourism authorities, the training institutions which run tourism and hospitality courses

⁴¹ *Submission No. 26*, p. 10

⁴² *Submission No. 46*, p. 16

(TAFE, universities), the media (advertising agencies, TV, radio, press) and others.⁴³

Content of a National Strategy

11.55 There is a wide range of issues that a national strategy could cover. The Environmental Institute of Australia suggested that the objectives of a national tourism strategy should include mechanisms to:

- increase Australia's international competitiveness;
- prevent interstate competition at the expense of the environment; and
- ensure well-planned growth for economic and environmental sustainability.⁴⁴

11.56 Further, the submission by Mr Fagence, Department of Geographical Sciences, University of Queensland canvassed an argument in favour of the development of a strategic framework so that tourist development is targeted to suitable areas and locations. Mr Fagence suggested that it is appropriate for the Commonwealth to devise a strategic framework in the national interest, in order to achieve, for example:

- balanced distributions of tourism facilities and amenities;
- harmonious functional relationships between the infrastructures of tourism and travel with those of other economic sectors;
- integration and co-ordination of tourism development and promotion;
- rational locational specialisation, rather than inefficient duplication, replication; and

⁴³ *Submission No. 85*, p. 2

⁴⁴ *Submission No. 48*, p. 10

- development within capacity thresholds of economic, social, cultural, environmental and infrastructural systems, and within assessed controlled impact assessment thresholds.

He suggested this type of national framework, as part of a national tourism strategy, would not severely circumscribe the opportunities of State/Territory and local governments to refine the strategy commensurate with local circumstances.⁴⁵

11.57 Some of the submissions received by the Committee perceived the role of the national tourism strategy in more specific terms. For example, the Queensland Conservation Council stated that a national strategy should concern itself with environmental consequences. Their submission recommended:

That if a National Tourism Strategy is proposed, then the brief for its development should incorporate consideration of the environmental consequences of decisions about tourism and ongoing monitoring of the environmental impacts of the industry.⁴⁶

11.58 For its part, the ACF considers that the development and implementation of a national strategy on tourism will support the development of an industry which is successful, sustainable and supportive of the maintenance of Australia's unique natural and cultural heritage. The ACF submission offered the following list as an indication of the major areas which require urgent attention:

- Land Use Studies: Research, including eco-system and computer modelling, to determine areas potentially suitable for tourist development;
- Design: the establishment of design guidelines for resorts and other tourist-related structures;

⁴⁵ *Submission No. 56*, pp. 1-2

⁴⁶ *Submission No. 6*, p. 10

- Development Guidelines - how many developments are appropriate, viable or sustainable in particular locations and regions, and of what type (resorts, motels, cabins, walking trails kiosks etc;
- Training - guidelines for the incorporation of environmental education, including both natural and cultural aspects, into industry training;
- EIS - regional impact studies of tourist development, utilising Land Use Research, and social research to establish the impact of tourism on particular regions, and the level of development appropriate to that region; and
- Funding for National Parks and other protected areas - to ensure that an appropriate separation between park management and park financing is maintained.⁴⁷

11.59 The EPAC paper *A Joint Approach to Tourism - The Main Issues* discussed five major issues that the Tourism Task Force considers vital to the future of the Australian Tourism industry. The discussion paper argues that these issues should be at the core of a strategy to improve performance which would build upon existing industry strengths. These five issues are: improved infrastructure, a higher quality labour force input, more sustained investment flows, better marketing and information, and integration of tourism and environment objectives. Specifically, the paper considers that:

- infrastructure is a crucial issue because it is the framework for the industry and it has the potential for large productivity gains;
- labour is an important issue because it strongly influences the quality of tourism and it needs to be significantly upgraded in terms of skills and rewards;

⁴⁷ *Submission No. 27*, p. 16

- investment is a major issue for tourism because it determines the future capacity of the industry but investment strategies are subject to cyclical dislocation and policy distortions;
- promotion and information are regarded by the industry as essential to its future and the efficient functioning of the tourism market; and
- the environment has always been an important issue for the tourism industry but has taken on added importance since environmental policies began to change rapidly and thus create new uncertainties for investors and operators.⁴⁸

A Draft Strategy

11.60 The Department of the Arts, Sport, the Environment, Tourism and Territories advised the Committee in August 1991 that it was drafting a National Tourism Strategy. The objectives of the Strategy were:

- to provide all levels of Government, the industry and other interested groups with a clear statement of the Government's approach to the future development of the industry;
- to provide a sound basis for the formulation of Government tourism policy and industry planning over the next decade; and
- to enhance community awareness of the economic, environmental and cultural significance of the tourism industry.⁴⁹

⁴⁸ *A Joint Approach to Tourism - The Main Issues*, pp. 8, 10, 12, 15, 18

⁴⁹ *Letter to Committee*, 8 August 1991

11.61 This draft strategy was to follow on the 1988 discussion paper *Directions for Tourism*. DASETT advised the Committee that:

It focuses on national issues and is not intended to impinge on the specific responsibilities of State/Territory or local government authorities.

The draft Strategy is expected to be released for State/Territory and industry comment by the end of September 1991 with a view to submitting the final Strategy to the Government for its endorsement by the end of the year. The Minister for the Arts, Tourism and Territories, the Hon David Simmons MP, is giving consideration to conducting a series of public consultation sessions during the period September to November 1991 to seek wider community views on issues covered by the Strategy.

Given the diverse nature of the industry and the range of issues impacting on its development, governments at all levels will need to accept a shared responsibility with industry in working towards its implementation.⁵⁰

11.62 On 13 September 1991, the Hon. David Simmons, Minister for the Arts, Tourism and Territories, held in Canberra the first of a series of public consultations on the development of a national strategy. A background paper *Towards a National Tourism Strategy* was released as a basis for discussion during these consultative meetings. The paper stated that following conclusion of the consultative meetings, a draft strategy would be completed and forwarded to key tourism authorities, industry bodies and other interest groups for comment. It was intended that the strategy would be finalised and submitted to the Government for consideration in late 1991 or early 1992.⁵¹

11.63 The discussion paper recognised that the strategy needs to strike a balance between being broad enough to cover all issues, and targeted enough to

⁵⁰ *Ibid.*

⁵¹ *Towards a National Tourism Strategy*, 1991, p. 2

provide clear direction on key issues. According to that paper a national strategy should focus on national issues and not impinge on the specific responsibilities of State/Territory or local government authorities. It noted that this should not preclude it, however, from addressing significant issues that affect all States and Territories.⁵²

The 1992 National Tourism Strategy

11.64 On 5 June 1992 the Minister for Tourism the Hon Alan Griffiths released the Federal Government's National Tourism Strategy. The Minister's accompanying news release described the Strategy as the Government's blueprint for achieving up to \$18 billion a year in tourism industry export earnings by the year 2000.

Goals

11.65 The Strategy released by the Minister advised in its Introduction that it had been formulated specifically to:

- provide all levels of government, the industry and other interest groups with a clear statement of the Commonwealth Government's objectives for the future development of the tourism industry;
- provide a sound basis for the formulation of Government tourism policy and industry planning over the next decade; and
- enhance community awareness of the economic, environmental and cultural significance of the tourism industry.

The Strategy sets out four goals necessary to guide the balanced development of the industry - economic, environmental, social and support (promotion, planning,

⁵² *Towards a National Tourism Strategy*, p.2

research etc.). According to the Strategy these goals lay the foundations on which the Strategy rests.

11.66 The Committee notes with approval that the first goal specified in the Government's Strategy is concerns the economy:

To optimise the tourism industry's contribution to national income, employment growth and the balance of payments by creating a favourable economic environment for industry development.

In similarity with the Government's Tourism Strategy, this Committee approached its inquiry on the Australian Tourist Industry from the perspective of ensuring that the nation's largest foreign income earner enjoys appropriate opportunity for expansion and development. The benefits of expansion are not limited to a favourable change in Australia's balance of payments (in the longer term) but include significant employment opportunities in a labour intensive industry.

11.67 The second goal for the National Tourism Strategy is also central to this Committee's concern for the future of the tourist industry - the protection of the environment:

To provide for sustainable tourism development by encouraging responsible planning and management practices consistent with the conservation of our natural and cultural heritage.

Similarly, this Committee has directed a major part of its inquiry to concern about the social impact of tourism developments; this is also shared by the third goal of the Tourism Strategy:

To enhance access to quality tourism experiences and ensure favourable social outcomes of tourism by diversifying the product base, raising industry standards and protecting the public interest.

11.68 Finally, one of the most significant outcomes of this Committee's inquiry concerns the inadequacy of the statistics that have been available about the tourist industry; this can adversely affect the ability of both government and the industry to plan the future of tourism in Australia. The National Strategy lists as its final goal:

To provide and encourage the necessary promotional, planning, coordination, research and statistical support to assist the industry's development.

It is interesting to note that the Strategy's four goals follow the four goals for the Commonwealth Government nominated by DASETT in September 1989 in its submission to the Committee's inquiry (see Evidence pp. 14-15). (The fourth goal relating to research and stratical support is additional to the three goals agreed at the Tourism Ministers' Council in 1987.)

Strategies

11.69 The Commonwealth Government has identified a range of strategies comprising the National Tourism Strategy. In pursuit of the nominated goals, the strategies are intended to complement industry and State/Territory strategic plans. The key strategies fall under the following headings:

- Marketing and Coordination
- Research and Statistics
- Economic and Business Issues
- Transport and Facilitation
- Training, Employment and Standards
- Environmental and Social Issues
- Accommodation and Market Segments.

11.70 In the same way in which the goals outlined in the National Tourism Strategy conform with this Committee's convictions about appropriate objectives for

the Australian tourist industry, so too do the strategies specified in the National Tourism Strategy. In particular, the Committee's inquiry has focused on the reconciliation of tourism and environmental interests, the social impact of tourism, the need for foreign investment to continue for tourism developments and the requirement for appropriate statistics to facilitate planning. On each of these issues, the National Tourism Strategy has specified the following strategies (among many others):

Environment and Development

- through the intergovernmental Agreement on the Environment and liaison with industry and conservation groups, seek a cooperative approach to the management of environmental issues in tourism contexts; and
- formulate and implement policies to ensure the ecologically sustainable development of the tourism industry.

Social Impact

- encourage tourism planners and developers to take account of the social costs and benefits of development proposals and support research into the social impacts of tourism development.

Foreign Investment

- encourage the availability of long-term equity finance for investment in the tourism industry and encourage increased investor confidence in the industry; and
- continue to permit foreign investment in the tourism industry that is consistent with the national interest.

Statistics

- ensure the provision of comprehensive, accurate and timely statistics to meet the information needs of the government and the industry; and
- establish a consultative forecasting framework to provide a more coordinated approach to long-term industry planning.

11.71 Having examined the National Tourism Strategy released in June 1992, and in particular having considered it against the outcomes of its own inquiry into tourism, this Committee endorses the Strategy. The Committee encourages the implementation of the strategy by governments, the industry and all other interests affected by or involved with tourism.

Conclusions

11.72 The Committee has examined evidence that the number of international tourists is expected to grow significantly over the next ten years. Estimates vary, but Hon. John Brown suggested that total tourist numbers can be expected to more than double by the year 2000 and could treble.⁵³

11.73 The central question, then, concerns planning for relevant developments and infrastructure suitable for this large number of international tourists. Recognising that the States and many regions have tourism and development plans, it is important that the three levels of government, the industry and the community co-ordinate their efforts to maximise the benefits from Australian tourism over the next ten years. An increase (whether doubling or trebling) of international tourists must not be permitted to degrade Australia's unique environment nor the experience that tourists are seeking. A degradation of experience could not only cause international tourists to holiday elsewhere but

⁵³ *Submission No. 69*, p. 13

potentially cause more domestic tourists to seek overseas destinations for their holidays.

11.74 Many of the requirements for a viable tourism industry over the next decade were identified in the 1987 agreement between the Commonwealth, State and Territory Governments. These include effective promotion, provision of infrastructure (including transport infrastructure), and training of the labour intensive tourism workforce. These requirements must be met in a way that is sustainable economically and environmentally. The National Tourism Strategy should now result in the setting of national tourism priorities and time-frames. It would not be a matter of government dictating to industry, nor one traditional tourism destination competing with another. Instead it should be a matter of the three levels of government and the industry developing plans to cater for, and benefit from, the expected tourism expansion. Mr Coulthard, General Manager, Cable Beach Club told the Committee that:

We talk about Western Australia, the Northern Territory and the Australian Capital Territory, whereas international tourists looking at Australia look at slices across Australia: Cairns, Alice Springs, Broome and Darwin for the warm holiday; and for the traditional holiday, Sydney, Ayers Rock and the Reef.⁵⁴

This concept of developing Australian tourism may be beneficial for the development of new tourism markets.

Recommendations

11.75 That the Australian Standing Committee on Tourism include relevant advice from the Australian Local Government Association on significant issues referred to the Tourism Ministers' Council.

⁵⁴ *Evidence*, p. 1378

11.76 That implementation of the National Tourism Strategy be expedited to achieve the most beneficial outcome for the tourist industry economically, environmentally and socially.

CHAPTER 12

INFRASTRUCTURE NEEDS AND CONSTRAINTS

Introduction

12.1 The Bureau of Tourism Research expects that international visitor numbers will at least double by the year 2000 and the Australian Tourist Commission is planning for the number to treble. If the growth in tourism is to proceed at that kind of rate, it will place the national travel infrastructure under great pressure.

12.2 Despite some reservations, the Committee for Economic Development of Australia (CEDA) study *Tourism in Australia* suggested that Australia's tourism-related infrastructure is of a good standard. While it described road and rail infrastructure as usually in place, CEDA noted that roads could be slow and unsafe, and that rail facilities have not been upgraded to cater for the needs of current day travellers.¹

12.3 Significantly, that report argued that the development and planning of economic activity such as tourist developments are not areas for private initiative alone and that the tourism industry depends on government for infrastructure. For example, tourism relies on transport, communications, labour supply and environmental protection as well as capital market access and general promotion; all of these are areas 'within the range of government authority'. The report argued that many tourism projects cannot achieve their full potential without government provision of infrastructure. It also advised that the tourism industry has been

¹ *Tourism in Australia*, p. 65

critical of government involvement in the inadequate provision of public infrastructure and services in the areas of airport development, roads entry procedures, airline policy, staff training, and overseas promotion.²

12.4 The IAC report on *Travel and Tourism* also commented extensively on the infrastructure issue:

The main impediments to the development of tourism and its contribution to the Australian economy lie in the provision of transport services. Air transport is too expensive and restricted, rail services are inefficient, and coaches are regulated in part to protect the railways. Even the cost of private transport is inflated by the high tariff protection on vehicles and various taxes on fuel.

Transport is critical to tourism. International visitors spend between 30 to 75 per cent of their total trip costs on airfares travelling to and from Australia. ... Once in Australia, visitors devote about 18 per cent of total expenditure to transport.

... Domestic tourists rely on the private motor vehicle. Nevertheless, air travel still accounts for about 12 per cent of their expenditure.³

Infrastructure for Essential Services

12.5 In this inquiry the Committee heard evidence from a wide range of witnesses on the importance of adequate infrastructure to encourage tourism. Without a range of essential services, including the supply of water, sewerage and local services such as fire brigade, health and community support, many tourist developments would not be possible. Local councils traditionally provide these types of services. The Committee heard that the provision of these services can be

² *Tourism in Australia*, p. 45

³ *Travel and Tourism*, p. 4

controversial with the residents of the local regions paying for services utilised by visitors to the area.

Financing of Infrastructure

12.6 Some local councils told the IAC inquiry that rapid development of tourism projects required a level and standard of infrastructure beyond that which would be provided in the absence of tourism. The Townsville City Council said that tourism is subsidised by local ratepayers as the bulk of local government revenue comes from residential rates levied on the unimproved value of land.⁴ DASETT advised the Committee that as a result of tourism developments it is claimed that some local governments face demands for infrastructure developments and related maintenance costs which are beyond their resources.⁵

12.7 Further, it is not only the initial provision of infrastructure that is costly, but also its maintenance. Mr Duchon of DILGEA, referring to the Langmore Report, stated:

I referred earlier to what is popularly known as the Langmore report and a range of other reports which, in essence, state that not only local government but even State and national infrastructures are not being maintained at the level they used to be and that new moneys are not available as readily because of the economic situation and also the limited, if you like, sources of income. Many of these studies are suggesting that other avenues of finance - that is, through various private sources or from part of development - should be further investigated and teased out. In fact, some of our work within the office is looking towards contributing to this inter-local government context.⁶

⁴ *Travel and Tourism*, p. 128

⁵ *Submission No. 59*, pp. 40, 42-3

⁶ *Evidence*, p. 214

12.8 While the Shire of Broome informed the Committee⁷ that water, sewerage and electricity are all State-supplied, this appears to be unusual. When questioned about the sources of responsibility for the provision of infrastructure for essential services such as water and sewerage, Sir Frank Moore of the Australian Tourism Industry Association, told the Committee that it rested very largely with local government. However, Sir Frank confirmed that, to build a new, large totally integrated tourist resort, the developer is very largely responsible for the provision of services as part of the agreement for rezoning the property or even obtaining building approvals.⁸

12.9 With regard to contributions to infrastructure by developers, Mr Bennet of the NSW Council of Tourist Associations told the Committee that generally, the council puts very little into the infrastructure. Most councils have sewage headworks, drainage headworks, and water headworks charges as well as for parkland and landscaping. The Road Transport Authority has conditions for lay-bys and access roads for diversion. In some places the total is probably well over \$1m.⁹

12.10 DASETT has warned that the cost of infrastructure relative to the level of investment in tourism projects could be an inhibiting factor unless there is government commitment to contribute to essential infrastructure used by the community as well as tourists.¹⁰ Local government revenue is raised through property rates (over 50 per cent of total revenue), allocations from Commonwealth and State Governments, and charges for services provided. In most States, councils can recover the costs of new infrastructure or obtain a contribution towards the maintenance of existing infrastructure and services from developers. The Commonwealth provides some compensation for costs incurred in providing facilities

⁷ *Evidence*, p. 1316

⁸ *Evidence*, p. 232

⁹ *Evidence*, p. 501

¹⁰ *Evidence*, p. 50

for non-residents, although this funding is reduced as the revenue-raising capacity of councils increases.¹¹

12.11 The IAC argued in its report *Travel and Tourism* that the extent to which communities gain from the public provision of infrastructure required by tourism depends on the distribution of benefits and costs. Local residents and commercial businesses benefit through improved community facilities, increased incomes, wages and employment opportunities. Local land owners gain from increased property values. However, benefits accrue more widely than just to the local community. The Commonwealth gains through increased income tax collections.

12.12 By the same token, the dominance of property rates as a source of local government revenue means the costs of service provision are likely to be met largely from within the local area. There is little scope to charge some external interests (such as coach operators who are not locally based). These circumstances have led to claims that local communities subsidise tourism. Such claims may tend to overlook the local economic benefits which accrue from tourism activities. Indeed, given that many local communities actively promote tourism in one way or another, it seems implausible to suggest that local communities in general do not receive a net benefit from tourism.

Airports

12.13 In the IAC inquiry, serious doubts were raised by a number of participants about the ability of current infrastructure at some airports to cope with the expected increase in demand.¹² Further, the 1991 report *Tourism in Australia* suggested that over the next ten years an extra three million international arrivals will mean added pressure on airports already showing strains of traffic growth in

¹¹ *Travel and Tourism*, p. 128

¹² *Travel and Tourism*, p. 90

recent years.¹³ That report argued that the problem of infrastructure was two-fold: adequate capacity of facilities and the management of the use of those facilities. The Committee heard evidence that various airports around the country needed upgrading to cater for current and projected tourist movements. This evidence included reports of problems with congestion at Sydney's Kingsford Smith Airport and under-utilisation of other international airports.

Federal Airports Corporation and Infrastructure Enhancement

12.14 The Federal Airports Corporation (FAC) was established by the Federal Government on 1 January 1988 to own, develop and operate Federal airports through a commercially self-supporting Government Business Enterprise and to meet the present and future needs of airport users in an economic, efficient and environmentally acceptable manner.¹⁴ Twenty-three airports are operated by the FAC including the major capital city airports, the secondary airports in those cities and the major airports in the Territories; Sydney (Kingsford Smith), Melbourne (Tullamarine), Brisbane, Adelaide, Perth, Hobart, Cambridge (Tas), Launceston (Tas), Coolangatta (Qld), Canberra (ACT), Darwin (NT), Townsville (Qld), Mount Isa (Qld), Alice Springs (NT), Tennant Creek (NT), Essendon (Vic), Bankstown (NSW), Camden (NSW), Hoxton Park (NSW), Moorabbin (Harry Hawker) (Vic), Archerfield (Qld), Parafield (SA), and Jandakot (WA).

12.15 The FAC is a self-funding organisation with a capital base of \$1.2 billion. Its revenue in 1989/90 was \$266 million.¹⁵ Approximately one third of this amount is from aeronautical revenue (the charges for landing aircraft at Federal airports), about one-third from trading activities that are conducted within the

¹³ *Travel and Tourism*, p. 65

¹⁴ *Submission No. 73*, p. 1

¹⁵ *Submission No. 73*, p. 1

terminals (including car rental, duty-free shopping and other arrangements), and approximately one-third from property development.¹⁶

12.16 Mr Collins, FAC General Manager Commercial, advised that the Corporation's business philosophy is to deliver service as required by customers. Every project accepted by FAC is evaluated on reasonable commercial criteria. From 1 January 1988 to 31 March 1991, FAC has spent \$450m on infrastructure works.¹⁷ The Federal Airports Corporation advised the Committee that it had commissioned its own range of airport-related and network passenger forecasts. These forecasts predict that the FAC outlook for the next 10 years is for a 5.5% growth in international traffic and a steady 3% growth in domestic traffic.¹⁸

12.17 In its submission of 21 March 1991, FAC listed a number of significant current developments designed to upgrade airport infrastructure. These include:

- In Melbourne, the first phase, costing \$57m, of a three-phase expansion of the international terminal, estimated to cost \$236m.
- In Sydney, a \$300m passenger terminal for international traffic. An additional \$100m is being spent on the domestic terminal infrastructure and a further \$50m on aprons, taxiways and aircraft parking positions.
- In Darwin, a \$55m new domestic and international terminal.
- In Alice Springs, a \$22m terminal.
- In Brisbane, over \$40m on the site stabilisation for a new international terminal building.
- In Adelaide, major improvements are being planned for international terminal facilities.

¹⁶ *Evidence*, p. 564

¹⁷ *Evidence*, p. 563

¹⁸ *Submission No. 73*, p. 3

The FAC is also spending about \$133m on infrastructure to support the capital works that Ansett and Australian are committed to pursue under their Domestic Terminal Lease proposed terminal developments.

12.18 By the end of 1991 work was completed on the terminal at Alice Springs. As well the domestic and international terminal in Darwin was opened on 14 December 1991 by Hon. Bob Collins, Minister for Shipping and Aviation Support. It is the first international facility planned and fully financed by the Federal Airports Corporation, as part of its \$1.26 billion national airport development program.¹⁹ *The Bulletin* reported that the Darwin terminal cost \$55 million and follows the opening of the \$22 million terminal in Alice Springs. This will boost tourism in the Northern territory as tourism through Darwin and Alice Springs generates about \$500 million a year and has become the Territory's biggest single industry. Darwin welcomed 389,000 domestic passengers and 108,000 international tourists in 1990, a total expected to grow to 490,000 domestic and 136,000 international by 1995. Alice Springs is expected to handle 927,000 passengers by 1998, despite the number of flights going into Yulara at Ayres Rock, about 300km away.²⁰

12.19 Work is continuing on the improvement to facilities at Brisbane Airport. The Queensland Government advised in June 1991, that it would be some time before the new facilities could be expected to operate and that the present state of the international terminal at Brisbane airport represents a severe constraint on Queensland's potential international visitor market. According to the Queensland Government the existing facilities cannot cope adequately with peak passenger and aircraft movements; with the resurgence in the State's international visitor markets this situation is expected to deteriorate rapidly. In 1988, the FAC planned to have a new terminal operational by mid-1993. Its target date has been revised to 1995.

¹⁹ *The Canberra Times*, 15 December 1991, p. 3

²⁰ *The Bulletin*, 7 January 1992, p. 23

The Queensland Government suggested that by that time the situation will be intolerable.²¹

International Airports and Regional Tourism

12.20 Australia has eleven international airports. These are located at Sydney, Melbourne, Brisbane, Adelaide, Perth, Hobart, Darwin, Cairns, Townsville, Port Hedland and Norfolk Island.

12.21 Not without bemusement the Committee heard from various witnesses that international airports were required to maximise tourism development in their region. For example, the Vice-President of the New South Wales Council of Tourist Associations stated:

What seems to happen - I am generalising here - is like what happened at Coffs Harbour. There, for example, two properties were doing very, very well. All the other properties said, 'Oh, that must be a good place. We will go in there too'. Of course, what it does is to ruin it for all. Then they come back to us as the Council of Tourist Associations and the Tourist Commission and say, 'Where are all the tourists? We want a bigger airport, we want to land bigger planes'. The latest is landing jumbo jets from Taipei, bringing them straight into Coffs Harbour.²²

12.22 Further, an interesting claim was put concerning international flights through Broome. Mr Neil Coulthard of the Cable Beach Club Resort advised:

In so far as the development of the north-west and the question of the international airport, I really do believe that there is a need for a gateway airport and it is not a need which I have recently recognised; it is a question which I asked of John Brown in 1986 when I was President of the Australian Accommodation Council in

²¹ *Submission No. 100*, p. 4

²² *Evidence*, p. 497

Perth. He replied that there would never be an international airport in the north-west and more particularly in Broome in his lifetime.

...

I trust he meant in his political lifetime. I really believe it is essential for the development of tourism as a national entity that Broome has an international airport.

...

I would say that if we look at the map of Australia there is not a realistic international airport into a tourism destination in the north west of Australia. The connections and the infrastructure are in place out of Singapore, Bangkok and elsewhere to allow for very good international connections which will allow Australian tourism across the northern corridor to develop far more dramatically than it ever could without that connection. For example, in the Japanese markets products which should have been put in place by the present time are looking to go across the top of Australia. Similarly, in the United Kingdom and Germany they are very keen to have the Top End experience - particularly because of the climate at this time of year across the north end.

There is absolutely no question that products in place in Europe and our growth as a tourism destination would increase dramatically if we had an airport based in Broome.²³

12.23 The Northern Territory Government's submission nominated the lack of an international gateway at Alice Springs as restricting the distribution of tourists throughout the Territory and placing increased demand on other infrastructure.²⁴ The completion of the new domestic terminal at Alice Springs, and the upgrading of international airport facilities at Darwin will help to address this perceived disadvantage. A Bulgarian charter company Jes Air plans to operate nine flights from Singapore to Darwin between December 1991 and February 1992, and the

²³ *Evidence*, pp. 1379-80

²⁴ *Evidence*, p. 1168

British based charter airline Britannia has indicated it will operate 44 flights into the Territory during 1992-1993.²⁵

The Case of Cairns and Townsville

12.24 Decisions by international airlines about the utilisation of routes and ports are taken on economic grounds. An important factor is the infrastructure available. For example, *The Northern Territory News* reported that Japan Airlines decided against using landing rights in Darwin, choosing instead to fly to Cairns. It claimed that Mr Vale, the Tourism Minister laid the blame for the decision on the delays in the construction of the new Darwin Airport. 'Cairns has its airport up and we don't'.²⁶

12.25 Similarly, while Townsville has an international airport, Cairns has succeeded in attracting the international traffic. Twenty international carriers have landing rights into Townsville but no carrier conducts regular international flights into that city. The Townsville City Council submission advised that Townsville's lack of an international profile, limited promotion and the rapid development of Cairns international airport have seen a gradual withdrawal of Qantas services through Townsville. International flights to Townsville ceased on 31 March 1991:

While the local community was bitterly disappointed with Qantas' decision to cease services to the City it must be recognised that 16 international carriers have unutilised landing rights for Townsville. To some extent this reflects the momentum of Cairns, but it also reflects the impediments to development of regional international gateways under bilateral air agreements. In particular, capacity limits for foreign carriers adversely affects smaller international gateways because it is more immediately profitable for overseas carriers to service

²⁵ *The Australian Financial Review*, 31 October 1991.

²⁶ *The Northern Territory News*, 1 June 1991

major destinations such as Sydney, Melbourne or Brisbane.²⁷

Alderman Mooney, Mayor of Townsville, told the Committee that:

In terms of international flights into the city - and I pull no punches on this - we have been treated very shabbily by our national carrier, Qantas. It has, as at 31 March, ceased to operate into Townsville and we all know that it is in dire straits at the moment in terms of its own internal management. But the fact is that Townsville was designated an international airport in the early 1980s by a Federal Government decision. The Federal Government made the decision to open up the Cairns airport to international status and, quite frankly, we expected better treatment than to have been left with an international airport without an international carrier, and that is the current position.²⁸

12.26 The Townsville City Council advised the Committee that Air New Zealand and Garuda Indonesia are both interested in restoring international flights to Townsville. The Council wants the Department of Aviation to take a less rigid view of international air service arrangements where benefits to regional tourism and local economic development can be promoted. The Council also considers that the Federal Airports Corporation should be encouraged to show enterprise in seeking out opportunities to improve business at the Townsville Airport.²⁹ Alderman Mooney, advised the Committee that there are two bright points on the horizon for Townsville and for the local tourism industry:

... it is imperative that the Federal Government gives a favourable decision. The two areas really relate to, first of all, the notion of granting a fifth freedom right to Townsville International Airport for an international carrier and the second is to grant Townsville an equal

²⁷ *Evidence*, p. 1026

²⁸ *Evidence*, pp. 998-9

²⁹ *Evidence*, p. 1019

status with Cairns as a joint port of call or a single entry port with Cairns into north Queensland.³⁰

12.27 *The Courier Mail* reported on 14 November 1991 that Garuda Indonesia planned to commence flights into Cairns from 22 November 1991. On 9 December 1991 Hon. Bob Collins, Minister for Shipping and Aviation Support confirmed that Garuda Airlines had written to the Australian Government on 16 August 1991 and again on 9 September 1991 expressing an interest in adding Townsville to its Cairns service.³¹

12.28 With regard to Townsville, however, Mr Ivers, the President of the Magnetic Island Tourism Association told the Committee that:

Unless we have a port that we can offer to international carriers to land at, we cannot effectively go out and spend dollars to promote international tourism to this particular port.³²

12.29 Of course, Townsville is a port capable of handling international traffic although Qantas ceased operations through Townsville on 31 March 1991. The Mayor of Townsville expressed the view that Air New Zealand should be granted 'fifth freedom rights' to pick up and set down passengers in Townsville en route through Australia. If that is granted to Townsville, it would do two things:

- stimulate local economic development; and
- recognise the developing nature of tourism in north Queensland, particularly Townsville, where there is a very underdeveloped tourism infrastructure.³³

³⁰ *Evidence*, p. 999

³¹ *Senate Daily Hansard*, 9 December 1991.

³² *Evidence*, p. 1068

³³ *Evidence*, p. 1000

12.30 The Committee asked Mr Collins, General Manager Commercial, FAC about international airports. He told the Committee that in terms of international gateways, Australia is very well served with more gateways on the east coast of Australia than there are on the west coast of the United States, for example.³⁴ In relation to Broome he said:

Broome certainly has been looked at by a number of people for development into an international gateway, and the economics simply are not there. We have looked at it; Ansett and TNT have looked at it; the Broome Council has looked at it; Lord McAlpine has looked at it. While it is a very attractive tourist destination, the economics of getting international carriers in there as opposed to staging it through a domestic is not great. The internal air services in Western Australia are quite good.³⁵

12.31 The Committee did not believe that certain proposals regarding the international status of airports could be sustained. Nevertheless, while there is currently significant disincentive from an economic perspective for the granting of international status to Broome airport (for example), it may be that such decisions will require review by the mid-1990s. The Committee recognises that, given the expected significant increase in international tourism there may be a need to further diversify the pattern of aircraft movement accros Australia. In order for Australia to:

- cope with the anticipated number of tourists;
- relieve pressure on Sydney and other major airports; and
- attempt to diversify international tourism to the lesser patronised regions (such as the Kimberley),

³⁴ *Evidence*, p. 578

³⁵ *Ibid.*

it may be necessary by the year 2000 to encourage visits across slices of Australia that do not include, say, Sydney and Melbourne.

Air Service Agreements (ASAs)

12.32 Most countries restrict access by carriers from other nations. Access is usually granted only when reciprocal access, or rights considered to be of equal value, are obtained from the country of the incoming carrier. This system of landing rights ensures that the national carrier, Qantas, gains access to other countries.³⁶

12.33 International air travel is regulated through a series of Air Service agreements (ASAs) between Australia and other countries. Regulation of international aviation stems from the Chicago Convention of 1944, which recognises a nation's sovereign right to control its own airspace. Fear of monopoly control of a nation's airspace by airlines from other countries led to the adoption of ASAs which guarantee the participation of a country's national flag carrier in international aviation. Many Governments see benefits in retaining national flag carriers for reasons such as defence, employment, national prestige, promotion of consumer welfare and tourism, as well as balance of payments considerations.³⁷

12.34 Bilateral ASAs are established through negotiations between the governments involved, usually preceded by talks between their designated airlines. Australia has negotiated agreements with 28 countries, and less formal arrangements have been made with several others.³⁸ The agreements permit each country to designate one or more airlines to fly a set of specified international routes between the two countries. They generally determine such matters as ports of entry, the number of flights to be undertaken between the two countries, and the types of passengers that may be carried by each designated airline (e.g. proportions of

³⁶ *Ibid.*

³⁷ *Travel and Tourism*, p. 56

³⁸ *Ibid.*

origin/destination passengers). Foreign airlines are usually precluded from carrying domestic passengers and provision is made for governments to control prices. The agreements specify that there should be fair and equal opportunity for the carriers of both partners to compete on the specified route, and that capacity should bear a close relationship to demand.³⁹

12.35 Access by foreign carriers to Australia is both a national and State issue. It is clear that the States do not always agree with Commonwealth decisions in this area. The South Australian Department of Industry, Trade and Technology told the Committee:

Whilst of recent times ... there has been a very different and changed attitude with the Department of Transport in terms of its bilateral negotiations, at one stage it was primarily protecting Qantas' interests. It now suggests that it is protecting Australia's interests. We still have some difficulty with that, because the view and the argument that is accepted from Qantas in all of these bilateral negotiations generally, and is the turning point for those sorts of negotiations, is to preclude other airlines operating into South Australia. The perception has been that there have been Asian airlines willing to serve Adelaide, and even if Qantas believes it is not a marketable proposition we say they should be permitted to do so. In the event that Qantas is influencing those negotiations, if the Asians are not going to be permitted in then Qantas ought to be asked to take up that.⁴⁰

Costs and Benefits of ASAs

12.36 The IAC *Travel and Tourism* inquiry found that while some benefit can be argued for Air Service Agreements, they restrict competition. The IAC concluded that ASAs limit the total seat capacity available to meet demand and the extent to which airlines can compete for the available capacity. This means airfares are higher

³⁹ *Travel and Tourism*, p. 57

⁴⁰ *Evidence*, pp. 755-6

than they need be and there are fewer travellers.⁴¹ In evidence to the Committee Mr Parham of the Industry Commission considered that in the absence of restrictions on bilateral agreements there could be price reductions in the order of 20 per cent. The study completed by the IAC had concluded that the bilateral air service agreements, impose a net cost on the Australian economy by raising prices.⁴² It is important to note that higher fares can come about in an environment of restricted competition either because higher-cost airlines can remain in the market or because more efficient airlines raise prices to increase their yields. There is no incentive for airlines to offer lower prices to attract more customers, as the ASAs limit the capacity entitlements to carry extra passengers.⁴³

12.37 The IAC has found that ASAs have contrasting implications for the national economy. The community gains additional export revenue from foreigners who fly with Qantas and saves foreign exchange when Australians travel overseas with Qantas. However, higher fares and restrictions mean that fewer international visitors are coming to Australia and those making the journey have less money to spend while they are here.

12.38 IAC analysis also shows that benefits to the economy from allowing the national carrier to earn more export sales and to replace imports are offset to other industries. In fact, to the extent that they give Qantas room to operate at above minimum cost, the agreements bring about substantial reductions in Australia's GDP.⁴⁴ Australians are denied the opportunity to purchase cheaper travel and use the savings to purchase additional goods and services. The IAC's analysis suggests that higher fares reduce the spending power of Australians by \$225m a year.⁴⁵

⁴¹ *Travel and Tourism*, p. 5

⁴² *Evidence*, pp. 122-3

⁴³ *Travel and Tourism*, p. 5

⁴⁴ *Travel and Tourism*, p. 6

⁴⁵ *Ibid.*

An Alternative to ASAs

12.39 In its submission to this inquiry, Air New Zealand Ltd raised the prospect of replacing ASA's with multilateral aviation treaties. Air New Zealand based its case on the need for co-operation, co-ordination and competition within the South West Pacific (Australia, New Zealand and the South Pacific nations). The submission states that:

The 'Destination South West Pacific' strategy is based on the premise that the forces for regional co-operation are becoming so great that countries of the South West Pacific region will either, through default, be forced into a co-operative approach or, alternatively, they can adopt a pro-active approach, control their destiny and capture their share of the burgeoning international inbound tourism market.⁴⁶

12.40 This proposed regional strategy is based on the trend towards multilateralism in trade and services: the ASEAN countries are now operating on this basis and similar models also exist within the US and Europe. (p. 7) The submission suggests that an extension of the CER agreement principles of co-operation, harmonisation and removal of barriers to trade and services could be suitably extended to travel and tourism. Specifically, According to Air New Zealand "Destination South West Pacific's" aviation strategy must be to:

- bring about a multi-lateral aviation environment within the region;
- achieve this through collective negotiation of a liberalised air service regime between countries who participate in Destination South West Pacific;
- examine and develop the relationship between the region and third party countries and third party carriers;

⁴⁶ *Submission No. 99, p. 2*

- facilitate the privatisation, in compliance with the accepted definition of substantial ownership and control, of all the region's internationally designated airlines;
- move towards collective regionalism with other countries; and
- facilitate the development of common domestic aviation policies and policy settings.⁴⁷

12.41 These suggestions for international airline deregulation in these kinds of ways have already been considered. In particular, the question of trans-Tasman deregulation was examined in a report published in 1991 by a joint Australia-New Zealand team. Australia was represented by the Australian Bureau of Transport and Communications Economics.

12.42 The joint study considered two cases of deregulation:

- liberalising the trans-Tasman bilateral to allow unrestricted entry onto trans-Tasman routes by airlines of either country; and
- liberalising the requirements to allow Qantas and Air New Zealand limited rights to carry Australian domestic passengers between their international gateways in Australia.

It was found that, on cost-benefit analysis and relative to the consequences of deregulation in Australia, the following results appeared for the cases specified:

- Australia gained \$10.1 million from trans-Tasman deregulation, New Zealand gained \$7.5 million, while residents of third countries gained \$1.6 million; and
- Australia gained about \$20 million, New Zealand \$1 million and residents of third countries about \$6 million.

⁴⁷ *Submission No. 99, Strategy Section, p. 23*

12.43 The study concluded that Trans-Tasman deregulation and restricted cabotage were both estimated to result in significant net welfare gains, with the gain from the former estimated at about \$20 million and that from the latter at about \$27 million per year.⁴⁸

Current Landing Rights

12.44 In the year ending 30 June 1991, 42 airlines were licensed to operate scheduled services to and from Australian territory.⁴⁹

12.45 Qantas has pointed out that foreign airlines are attracted to Australia's best markets on the east coast, and show less interest in the weaker markets elsewhere. Significantly, there is no obligation on the international airlines to provide the actual flights allocated to them under the Air Service Agreements. There is a large amount of unutilised capacity available to airlines flying into Australia under existing traffic rights. This unutilised capacity is of two types; seats flown empty and flights not flown.

12.46 The Qantas paper *Tourism, Competition and Common Sense* reported that the unavailed rights of foreign airlines currently represent nearly 9,000 seats or 22 Boeing 747s, into and out of Australia each week. On these figures foreign airlines could bring an extra half a million tourists into Australia every year without any further approved capacity. In addition, more than 4.1 million seats flew empty to and from Australia during the year. Qantas calculates this as a waste of airline and airport resources equivalent to the operation of more than 100 empty Boeing 747s into and out of Australia every week.⁵⁰

⁴⁸ Bureau of Transport and Communication Economics and Jarden Morgan NZ Ltd., *Costs and Benefits of a Single Australasian Aviation Market*, 1991, p. 43

⁴⁹ *Department of Transport and Communications Annual Report 1990-91*, p. 386

⁵⁰ Qantas Airways Ltd., *Tourism, Competition and Common Sense*, June, 1991, pp. 21-2

12.47 Most of the unused traffic rights relate to the smaller gateways. For example, no US carrier serves Adelaide or Perth; these two gateways are also ignored by the major operators Cathay (Adelaide) and KLM (Perth); the Singapore and Thai carriers avoid North Queensland; and Lufthansa could add to its operations at Sydney and Melbourne virtually any other international gateway in Australia.⁵¹

12.48 Mr Spencer from The South Australian Department of Industry, Trade and Technology advised the Committee that South Australia has been actively pursuing the introduction of major air services to Adelaide. While seven international services use Adelaide, not all airlines with rights exercise them. Mr Spencer told the Committee that the following airlines had landing rights into Adelaide: Malaysian Airlines, Singapore, Qantas, Qantas and JAL in co-ordination through Tokyo, Air New Zealand, British Airways and Garuda. Cathay have rights and were not expected to start till later in 1991. Every American airline has rights into Adelaide but does not exercise them.⁵² When asked by the Committee to comment on the fact that airlines are not exercising landing rights, Mr Spencer replied:

Clearly there is opportunity to expand that in terms of relating tourism and industry to the environmental issues. Where I come from is primarily looking at the transport infrastructure that allows us to do that, for example, airport development and so on. Our paper does reflect that there had been a preponderance of development in the east coast on airport facilities. Sydney airport, to name one, is where most of the congestion is, of course. If you look at the relativities of expenditure on Sydney airport vis-a-vis Adelaide to achieve the same sort of movement rate, it is more economically viable to do it here. It is just a matter of attracting the airlines to come here.⁵³

⁵¹ *Tourism, Competition and Common Sense*, p. 35

⁵² *Evidence*, p. 724

⁵³ *Ibid.*

12.49 Sir Frank Moore of the Australian Tourism Industry Association gave evidence to the Committee about the need to allow international carriers to operate across Australia:

One of the ludicrous things that we have is regulations that suit us for our own internal purposes but that have nothing to do with the needs of customers. Again, if we are going to be competitive, the customer is God. You have to tailor products to suit the customer, not your own cosy comfort.

For instance, Thai International had rights to fly into Cairns and Brisbane, but once it put its passengers down in Cairns it was not even allowed to pick up its own passengers two days later to continue its own package to Brisbane. It was forced then to buy a seat either on Qantas or on a domestic carrier. The price of a ticket from anywhere in the world to Brisbane is exactly the same through most travel agents as the price to Cairns. We had a capacity to sell a customer two destinations on his ticket. We made sure through bureaucratic nonsense that airline could not do it. We have thousands of seats of capacity flying around the country every day wasting our national wealth while we play around with rules and ignore customers. If somebody buys an international ticket, he will want to be able to get on and off any international airline between any ports in this country.⁵⁴

12.50 The Committee notes that, given the size of the expected expansion in numbers of international tourists coming to Australia over the next decade, the questions raised here by Sir Frank Moore may need to be addressed as a matter of urgency. Ultimately the Australian tourism product needs to be cost-conscious in order to be internationally competitive. The question of foreign carriers moving their own passengers within Australia is an important issue in this context. The Committee is mindful of the advice on microeconomic reform from the BTR Director who stated that to the extent that these measures are effective in reducing costs and improving the quality of tourism related services through increased competition,

⁵⁴ *Evidence*, pp. 241-2

they have the potential to make the Australian tourism product more competitive with respect to both the international and domestic markets.⁵⁵

12.51 The Committee sought advice from the Department of Transport and Communications on this matter. It advised:

Australia will always sympathetically consider any request from a foreign Government for own stopover rights in Australia for its national carrier/s. The aim is to establish whether there will be net economic benefits to Australia from the proposal, including those flowing from reciprocal rights for the Australian carrier. The sorts of considerations taken account of are:

- will it strengthen the likelihood of a carrier actually commencing services to new points (or, in some cases, prevent a foreign carrier from withdrawing its services to an existing point);
- what will be the impact on Australian domestic airlines (although this consideration has diminished following Australian domestic deregulation) and Qantas, which will probably lose some on-carriage between the points in question;
- will additional tourism be generated to Australia overall and to individual gateways in particular;
- are Australian residents likely to benefit through improved levels of service.

Qantas, as the Australian international carrier, is permitted to carry its own international traffic between points in Australia. Importantly, it is also able to carry between Australian points passengers being brought to or carried from Australia by other international airlines. For example, a foreign traveller could arrive in, say, Melbourne on the services of a foreign airline. They could stopover in Melbourne and then travel on to, say, Sydney, with Qantas. (The entitlements for Qantas to carry these passengers is called interline rights). This facility provides an alternative for Australians and visitors to

⁵⁵ *Letter to Committee*, 11 July 1991

Australia to being carried between points by foreign carriers on an own stopover basis.⁵⁶

Air Traffic Management

12.52 Congestion is a major problem at Sydney's Kingsford Smith Airport. Being the preferred international gateway to Australia, it has more than half of Australia's inbound tourist arrivals; it is also a busy centre for domestic traffic. It has problems of under-capacity and also the management of that capacity. The costs of inadequate capacity show up as delays, crowding and discomfort, all costs which are placed on the visitor. The *Tourism in Australia* report quoted the Managing Director of Australian Airlines as claiming in July 1990 that take-off and landing delays had cost the airline \$4.4 million in wasted fuel and operation costs over a three month period.⁵⁷ The loss in Sydney alone is approximately \$900,000 per month.

12.53 Mr Spencer from the South Australian Department of Industry, Trade and Technology questioned whether it was necessary for all passengers travelling into Sydney to do so. He stated:

The figures, in general terms, for international travellers coming into Sydney are that 35 per cent of those travellers are actually in transit to another port. Of the 50 per cent that terminate, our estimation is 15 per cent transit to domestic flights and fly some place else. So, effectively, there are only 35 per cent terminating in Sydney. Do they really need to go to Sydney? ... What we are saying is what is the difference in taking them to Adelaide, Melbourne or Brisbane, for that matter and spread it around so that you have got a more equitable use of the resource that is already in position and reduce the impact on Sydney and its congestion.⁵⁸

⁵⁶ *Letter to Committee, 22 August 1991*

⁵⁷ *Tourism in Australia*, p.65

⁵⁸ *Evidence*, p. 725

12.54 The report *Tourism in Australia* addressed the question of congestion by aircraft having the right to use airport infrastructure. At Sydney Airport, small commuter aircraft are permitted to use the airport at peak times, even though they pay fees which are a fraction of those paid by larger international aircraft carrying tourists. That report suggested that major delays are imposed on tourists to enable a few local passengers the privilege of using the nation's largest international gateway. In seeking a solution, the report proposed a system where all users would pay similar amounts for the available capacity; this 'would be both efficient, and would make the most of Australia's tourism potential'.⁵⁹

12.55 On another aspect of congestion, the IAC's *Travel and Tourism* report noted that intense pressure on facilities is created by the bunching of flights at peak times, especially in the early morning. Domestic flights are regularly delayed by congestion, and it is claimed that 'traffic delays at Sydney now cost Ansett and Australian Airlines a cumulative \$15m per year and this is passed on to passengers'. The report also said that there has been criticism of present arrangements where the airport is available for use by all types of aircraft and the current situation breeds dissatisfaction among tourists and other travellers and thereby affects the development of tourism.⁶⁰

12.56 Mr Williams of the Industry Commission told the Committee that the then IAC devoted part of its report *Travel and Tourism* to the issue of the use of pricing mechanisms to encourage better utilisation of the current facilities. The IAC suggested that there was actually room for measures such as peak load pricing and similar mechanisms to better allocate the use of the airport. This could reduce the problem of having more aircraft attempting to land at a particular time than the facilities were capable of handling. The understanding of the Industry Commission is that FAC has in fact moved down that track to some extent.⁶¹

⁵⁹ *Tourism in Australia*, p. 66

⁶⁰ *Travel and Tourism*, pp. 90-1

⁶¹ *Evidence*, p. 121

12.57 Regional airlines which use Sydney Airport are critical of the decision to apply a surcharge to landing rights during peak periods, claiming that the charge has only changed the times when congestion is experienced.⁶² According to the paper most regional airline executives believe that the problem of congestion at Sydney had been solved by better traffic management well before the peak surcharge was introduced.

12.58 FAC confirmed to the Committee that it had devised management measures to ease congestion at Kingsford Smith Airport:

In terms of the overall capacity of Sydney Airport, the aircraft landing, a joint working group looked at a package of traffic enhancement measures. Those are broadly changes in the air traffic procedures which are the responsibility of the CAA and which include the simultaneous operations of the runways. Those are estimated to have enhanced the capacity of Sydney Airport by about 35 per cent. We ourselves are constructing rapid exit taxiways to get airplanes off the runways quicker. The airlines have voluntarily cooperated in cluster scheduling to relieve the large numbers of airplanes theoretically departing at the same time. Finally, we introduced, as a result of a recommendation, a peak period surcharge for aircraft landing to try to spread that load. That is, in fact, under review and will be reviewed at the end of April.

...

Certainly congestion has eased at Sydney Airport. Particularly, delays in landing, which are the expensive delays, have eased. Sydney is easier to get in and out of. Precisely how much of that is attributable to each of the traffic management measures is something that I do not know. But it is certainly something we are actively looking at.⁶³

⁶² *The Australian*, 22 November 1991

⁶³ *Evidence*, p. 567

12.59 Of course, two aspects of the traffic problem at Sydney Airport have received attention recently. First, contracts have been signed for a new air traffic control system. And, second, a decision has been taken about a third runway.

12.60 The option of a third runway for Sydney Airport was under consideration for a number of years. In *The House Magazine* of 24 June 1991, the FAC advised that it had just completed an Environmental Impact Study of a proposed third runway at Sydney Airport. The FAC claimed it was the most extensive EIS ever undertaken in Australia.⁶⁴ Following the consideration of the EIS in November 1991, Cabinet formalised approval for the development of the third runway at Sydney Airport. Linked with this approval is the agreement to proceed with an airport at Badgerys Creek. It is expected that this airport will be suitable for light air-freight jets as soon as it is operational, a measure designed to ease congestion at Sydney Airport.⁶⁵

Under-Utilised Capacity

12.61 A number of participants in the IAC inquiry stated that some airports were at present under-utilised (for example Hobart, Perth and Adelaide) while others are congested. This reflects, in part, that investments made in the past were not always driven by purely commercial considerations.⁶⁶ The Committee asked Mr Collins of FAC about under-utilised capacity in FAC airports. He responded:

Yes, very much so. ... Brisbane certainly has an airfield capacity to take them. It probably does not have a terminal capacity to take them yet. We are in the process of expanding the terminal there. ... Melbourne certainly has runway capacity and, again, it has simultaneous operations on its runways. We have committed \$57m in Melbourne of a \$236m project to expand that

⁶⁴ *The House Magazine*, 24 June 1991, p. 30

⁶⁵ *Canberra Times*, 11 December 1991, p. 20

⁶⁶ *Travel and Tourism*, p. 89

international terminal. Adelaide, which has had a 42 per cent increase in international traffic over the last year or so, has runway capacity but, again, we have terminal problems. ... Perth has had phenomenal growth in international traffic. The international terminal there can take additional traffic, but again we may have to expand that. That has got a single runway system, basically. Townsville most certainly has international capacity. It has an international terminal that is very heavily under utilised, and so does Hobart. ... In Darwin we are spending at the moment \$55m on a combined international and domestic terminal. ... So there is certainly a fair amount of capacity around the place. But Sydney, which is I guess broadly 60 per cent of our business in terms of international passenger arrivals, is where the market place dictates people want to go.⁶⁷

Services for Passengers

12.62 Another issue related to congestion at airports is the time taken for international travellers to pass through customs, quarantine and immigration control. Mr Joseph of the Department of Immigration, Local Government and Ethnic Affairs (DILGEA) advised:

We are working on the processing of arriving passengers, from the time they arrive to the time they actually leave the airport, of 30 minutes. That includes not only immigration, health and quarantine, but also luggage handling and luggage clearance.

...

By and large that objective is being met. There are problems to do with bunching of arriving aircraft, in which case it is not possible to achieve that. The various agencies that are involved in passenger facilitation are looking at every aspect of the process, including the question of airport design, the handling of the luggage, the bunching of the arrival aircraft, and so on.⁶⁸

⁶⁷ *Evidence*, pp. 569-70

⁶⁸ *Evidence*, p. 202

Airport Ownership

12.63 In the past, aviation infrastructure was largely provided by governments and was relatively well-funded. In 1987, the Langmore Report concluded that aviation infrastructure has not generally suffered from severe financial constraints, perhaps because of direct access to Federal funding, although political factors have adversely affected investment decisions in recent years.⁶⁹ This ownership situation has now changed. Since 1 January 1988 ownership of twenty-three airports (including all international airports except those at Cairns, Port Hedland and Norfolk Island) has passed to the Federal Airports Corporation.

12.64 The Cairns Airport is owned by the Cairns Port Authority, a body appointed by the Queensland Government. The Committee heard evidence from Councillor Pyne of the Mulgrave Shire Council, that:

When the Commonwealth owned the airport, and when it was making the decision as to whether or not the airport would go to local ownership, it said that we could either stand in line for 10 years and wait our turn or we could take it on local ownership. This was the first big airport upgraded under local ownership which we did do. Do not forget that with local ownership there is a charge every time you buy a ticket to land or take off from the airport. That is one way of helping with the funding arrangements and it is a big part of the income. ... We knew that if that airport was ever going to be upgraded, that was the quickest way to do it.⁷⁰

12.65 Mr Cummings, Secretary of the Cairns Chamber of Commerce, also gave evidence to the Committee about Cairns Airport. he stated that the initial development of \$37m was heavily financed by the Commonwealth Government, as part of the hand-over agreement. Since then it has proved too small, the growth has

⁶⁹ *Travel and Tourism*, p. 89

⁷⁰ *Evidence*, pp. 903-4

been such. The Port Authority has just invested a further \$70m in lengthening the strip and developing a separate international terminal.⁷¹

12.66 The authors of *Tourism in Australia* argue that, throughout Australia, there is scope for private sector involvement in airport development, including the expansion of airport-based facilities. Recently, however, the Minister for Shipping and Aviation Support, Senator the Hon. Robert Collins, rejected calls for a fully privatised Melbourne Airport. Previously, a Committee for Melbourne feasibility study suggested selling the airport. Senator Collins has advised:

... the Government will not be supporting any suggestion to privatise Melbourne Airport. I have also consistently said that the Federal Airports Corporation is more than happy to discuss with any proponent means of joint venturing or owning terminal facilities at the airport. ...

I understand that the Victorian Government ... will be proposing to the Federal Airports Corporation that it investigate the feasibility of some private involvement in furthering the very substantial program of capital works which the FAC already has in train at Melbourne airport. That is completely in accordance with Federal Airports Corporation policy and has the full support of the Government.⁷²

The Industries Assistance Commission Reform Strategy

12.67 The 1989 report *Travel and Tourism* proposed a reform strategy for the aviation industry. The IAC argued that the air transport industries needed effective competition in the interests of tourism and the economy in general. This would be the best means of ensuring maximum efficiency in the provision of air services and that gains will be passed on to travellers. The IAC suggested that to avoid some

⁷¹ *Evidence*, p. 960

⁷² *Senate Hansard*, 9 September 1991, pp. 1239-40

short-term adjustment costs, the strategy should be introduced gradually over a period of five years. The four phases of the IAC strategy are:

Phase 1

- . ensure that adequate access to domestic terminal facilities is available to new entrants on fair and equitable terms;
- . negotiate to relax restrictions on competition and extra capacity on international routes;
- . abandon separation between domestic and international markets for Australian carriers; and
- . make greater use of pricing to better allocate demand for airport facilities and reduce congestion.

Phase 2

- . extend the CER agreement with New Zealand to include aviation services; and
- . permit foreign carriers to interline within Australia.

Phase 3

- . remove the remaining anti-competitive restrictions within bilateral agreement; and
- . remove restrictions on charter operations.

Phase 4

- . relax special foreign investment restrictions on ownership of domestic airlines.⁷³

12.68 This strategy allows for an initial settling-in and reorganisation phase, combined with increases in capacity on international services where there is pressing demand. The broad thrust of the IAC's strategy is to induce progressively greater

⁷³ *Travel and Tourism*, pp. 103-9

competition into air transport to extend the range of services and reduce prices. How much of the benefits will be realised, the IAC stated, depends on the resolve of the Government and others in the community to dispense with costly impediments. The IAC warned that the reorganisation phase might entail some form of merger between current carriers that could encourage anti-competitive behaviour.⁷⁴

12.69 The report *Tourism, Competition and Common Sense* claimed that the IAC had recommended an 'open skies' aviation policy. It argued that giving away traffic rights unilaterally would inevitably cost Australia its international airline industry because foreign Governments would have no need to concede equal rights to Australia if they were granted free access to its markets. This has been confirmed by a study by the Centre for International Economics, commissioned by Qantas. It was assessed on 1988 figures that if Qantas were to lose even half of its market share the Australian economy would experience a net loss of more than \$200m of GDP and over 8,000 jobs.⁷⁵

12.70 Qantas said it would welcome a truly free, multilateral market to which it could have unfettered access. But in creating this 'perfect' world it would be necessary for all governments simultaneously to dissolve 1500 bilateral air service agreements, which they perceive to provide competitive advantage, and replace them with multilateral agreements which they do not perceive as beneficial. Such an eventuality, Qantas stated, is not likely to occur.⁷⁶

Road Networks and Rail Services

12.71 The Industry Assistance Commission has noted that Government involvement in the provision of surface transport services is extensive. Significant sectors of the industry are Government-owned - for example, some bus and most rail

⁷⁴ *Travel and Tourism*, p. 13

⁷⁵ *Tourism, Competition and Common Sense*, p. 33

⁷⁶ *Tourism, Competition and Common Sense*, p. 34

services, and major forms of infrastructure such as roads. Competition is restricted and costs and prices are inflated.⁷⁷

12.72 Land transport is particularly important to domestic tourists and for longer-stay international tourists. In many countries, such as those of Europe, the surface transport links are positive attractions for tourists. However, Australia has problems with the quality of infrastructure and the provision of services in some areas. *Tourism in Australia* argued that in Australia public transport has withered as the car has become the dominant means of internal transport despite poor roads. This has meant that Australia suffers as a tourist destination despite the attempts of various components of the sector, such as the coach industry.⁷⁸

The Road Network

12.73 Roads are particularly important to tourism in Australia. The majority of tourists travel by road at some stage in their visit, and most domestic tourists use private cars. In 1988/9, about 86 per cent of domestic tourist trips involved travel by road; approximately 77 per cent were made using private vehicles and about 7 per cent by coach.⁷⁹ In 1989, some 8 per cent of international visitors used a private or company car and 7 per cent used a rented self-drive car or campervan as their main mode of transport between stopovers. In the same year, about 13 per cent of international visitors used (long-distance) coach transport during their visit to travel between stopovers, while 33 per cent of international visitors took a day or half-day coach tour.⁸⁰

12.74 Nevertheless, Alderman Mooney, Mayor of Townsville, advised the Committee that the road transport system was a constraint on tourism in northern

⁷⁷ *Travel and Tourism*, p. 111

⁷⁸ *Tourism in Australia*, pp. 65, 67

⁷⁹ *Domestic Tourism Monitor Annual Summary 1989/90*, p. 44

⁸⁰ *International Visitor Survey*, 1989, pp. 65-6

Queensland. In the 1989-90 financial year 835,000 people visited Townsville. The majority drove or came by coach; only about 14 per cent of that 835,000 arrived by air. Alderman Mooney noted that the Council believed the national highway in north Queensland to be a disgrace. It has impeded tourism development efforts in the region. Alderman Mooney claimed that if domestic tourism into north Queensland and, in particular, into Townsville were to be improved substantially, there needed to be greater commitment to upgraded road transportation.⁸¹

12.75 This view was supported by many participants in the IAC inquiry *Travel and Tourism*. It was claimed that the poor quality of roads in Australia impeded travel and tourism. The Queensland Tourism and Travel Corporation noted 'serious defects' in tourist routes throughout Queensland, resulting in some attractions in North Queensland being virtually inaccessible to the average motorist. The Motor Inn and Motel Association of Australia said that the condition of roads can mean the difference between a small profit and a large loss to a motelier.⁸²

12.76 The Australian Automobile Association also informed the IAC inquiry of problem areas in addition to road quality. These included a lack of information and consistent signs, inadequate provision of rest and service areas at regular intervals, inconsistent road standards and insufficient information to guide tourists to available facilities.⁸³

12.77 The problems of the quality of roads may not be readily rectified - building roads and associated infrastructure is costly. Road grants by the Commonwealth Government in the 1991/92 budget amount to \$1,149.8m. Further, an additional allocation through untied grants will be settled in the preparation for the November 1991 Special Premiers' Conference. According to the *Budget*

⁸¹ *Evidence*, pp. 997-8

⁸² *Travel and Tourism*, p. 112

⁸³ *Travel and Tourism*, p. 112

Statements 1991-92, it is anticipated that this will result in a minimum increase of \$350m in the level of untied grants.⁸⁴

The Rail Network

12.78 As with roadbuilding, the cost of supplying rail services is high. Large financial losses are incurred by rail services, and there is a common perception that the quality of service on railways is poor. In *Travel and Tourism* the IAC reported that despite regulation and restrictions on other modes, rail services remain little used.⁸⁵ In 1989, some 3 per cent of international visitors used long-distance trains as their main transport between stopovers.⁸⁶ About 4 per cent of domestic tourist trips in 1989-90 were by rail.⁸⁷ The IAC argued, however, that the significance of rail services to tourism cannot be measured simply in terms of current usage. If action were taken to redress inefficiencies in operations there would be significant implications for the economy.⁸⁸

12.79 The importance of Australian rail services and the problems of quality of service were also discussed in evidence before the Committee. Mr Crombie of the NSW Tourist Commission stated that:

Product reliability is essential for a wholesaler overseas. If a product is not reliable it is no good. ... But the *Indian Pacific* has an important niche market; there is a part of the world and domestic markets that likes trains. *The Ghan* goes from Adelaide up to Alice Springs and seems to be to be a successful product. In New South Wales the introduction of XPT services has helped the flow of tourists that are using trains. ... But the *Indian Pacific* ...

⁸⁴ *Budget Paper No. 1*, p. 3-156

⁸⁵ *Travel and Tourism*, p. 120

⁸⁶ *International Visitor Survey*, 1989, p. 65

⁸⁷ *Domestic Tourism Monitor Annual Summary 1989/90*, p. 44

⁸⁸ *Travel and Tourism*, p. 120

There were a lot of union problems there a couple of years ago. I think they have been somewhat sorted out by now but it is not a very frequent service. ... It is a very slow journey, something like 16 or 17 hours to get to Broken Hill. Unless you are a tourist with a lot of time it takes too long. As I understand it, the people that mostly frequented the *Indian Pacific* were pensioners, people that had a lot of time on their hands.⁸⁹

Since the deregulation of the airline industry, and the availability of cheaper fares on most major routes, cuts to long distance rail services have occurred.

Future Development

12.80 The report *Tourism in Australia* recognises that the level of tourism demand is likely to prove too small to be sufficient, on its own, to warrant major upgrading of surface transport - most transport investments will be made with domestic factors dominant. The report, however, says that there will be areas where tourists form a high proportion of potential users of such transport, for example, around Queensland's Gold Coast. The report concluded:

The question then is whether Australia's rail services and road network are appropriate given this market, and there are many who think that they are not. Thus, assessments by the Bureau of Transport and Communication Economics (1987), suggest that there is considerable scope for economically justified road projects, especially in urban areas. The scope for good investments in passenger rail is more subject to debate, however, the studies for the VFT project suggest that there could be a good market in the long term for high quality rail passenger service. Overall, while it is unlikely that tourism demand itself will justify major improvements in surface transport, to the extent that such improvements came about to serve domestic

⁸⁹ *Evidence*, pp. 391-2

markets, the tourism industry will gain through having a better integrated product to offer.⁹⁰

12.81 The private sector proposal for a very fast train (VFT) would link Melbourne, Canberra and Sydney. From a tourism perspective, the IAC noted that if the claims of the VFT were realised, there would be an additional attraction and alternative form of transport for overseas and domestic travellers.⁹¹ While the Federal Government has supported the VFT concept, it had emphasised that it would not underwrite the project: the Commonwealth would seek appropriate assurances that there would be no call on public sector funds to facilitate or maintain the project⁹²

12.82 On 7 August 1991 it was reported that the Federal Government had decided against special taxation treatment for the VFT project and that the main financial backer, BHP, suspended its involvement because of federal Cabinet's decision to refuse tax concessions for the project. The report noted that while the Government acknowledged the potential commercial benefits that may arise from

the project's development, it considered there was no case for special taxation treatment for the VFT project.⁹³ The VFT Canberra office has subsequently closed.

Progress Towards Solutions

12.83 The IAC recognised the costs that regulation of the land transport sector has imposed. It noted that governments are endeavouring to reduce controls on transport services - the subsidies being paid for long-distance passenger rail services are coming under greater scrutiny. The IAC has suggested that while

⁹⁰ *Tourism in Australia*, p. 67

⁹¹ *Travel and Tourism*, p. 124

⁹² *Department of Transport and Communications Annual Report 1989-90*, p. 94

⁹³ *The Australian*, 7 August 1991, pp. 1-2

progress varies across States and transport modes, these developments are leading to greater efficiency and competition in the pricing and provision of such services. However, many regulatory constraints remain and there is considerable scope for those benefits to be increased by further reforms. It has been noted by the IAC that efforts are being made to promote greater uniformity, but progress is difficult and slow where State and Commonwealth responsibilities overlap. The Commission has perceived an urgent need for greater efforts and considers there is scope for the Commonwealth to push harder for reform initiatives through appropriate inter-governmental committees (such as the Australian Transport Advisory Council) to secure a more efficient surface transport system.⁹⁴

12.84 While progress has been slow, the Special Premiers' Conference in July 1991 saw movement on these issues. *The Australian* of 31 July 1991 recorded the following details of the conference communique expressing agreement between the Commonwealth and the States:

Roads - provision, charging and regulation:

The focal point is to establish a national road transport commission to regulate heavy vehicles on a nationally uniform basis and develop a heavy vehicle charging regime. National registration procedures would be developed by July 1992.

The national heavy vehicle standards would include vehicle weight, emission standards, traffic codes, licensing and consistent penalties for breaches.

National rail corporation:

Agreement to establish formally the national rail corporation. The Commonwealth, NSW, Victoria and Western Australia will provide the initial equity funds, estimates to be in excess of \$400 million over the next five years.⁹⁵

⁹⁴ *Travel and Tourism*, pp. 125-6

⁹⁵ *The Australian*, 31 July 1991

One Nation Statement

12.85 In the *One Nation* Statement on 25 February 1992, Prime Minister Keating announced improvements to Australia's road system:

We will be spending over \$600 million extra on roads between now and the end of 1993-94.

We will accelerate construction of city ring roads in Brisbane, Melbourne and Sydney to link national highways, and we will improve other roads to create a more effective network throughout Australia.

We are offering to develop the Sturt and Newell Highways to create first-class direct links between Adelaide and Brisbane, and Melbourne and Brisbane.

12.86 Further, the Prime Minister also announced improvements to the rail network in the *One Nation* statement; they include:

- a standard gauge national rail highway from Brisbane to Perth via Melbourne and Adelaide;
- a standard gauge port connection will be built between the Port of Brisbane and the Acacia Ridge rail terminus;
- a dedicated freight line will be built out of Enfield in Sydney to give trains clear access to the Southern line;
- a rail-road-sea terminous connection in Melbourne; and
- upgraded rail facilities at Fremantle and Adelaide ports.

The Prime Minister said:

The rail highway will also provide essential competition with road transport.

At the same time it will significantly reduce damage to roads, and make them much safer.

Recommendation

12.87 That the Federal Minister for Transport and Communications establish a task force to report by the end of 1992 on national transport infrastructure needs given that international tourist numbers have been targeted to reach up to 6.5 million by the year 2000. That the Minister consult on this matter with the Australian Transport Advisory Council.

Rosemary Crowley
Chair

MINORITY REPORT

Senator I. Campbell

Senator W. Crane

**Senator N.A. Crichton-Browne
(Deputy Chairman)**

AUSTRALIAN TOURISM: GOVERNMENT AND THE ENVIRONMENT

Introduction

1. The Senate Standing Committee on Environment, Recreation and the Arts received a reference from the Senate in May 1988 concerning the Australian Tourist Industry. Essentially the terms of reference concern the role of the Commonwealth Government in the further development of the Australian tourist industry with particular reference to the environmental impact of tourist development.

2. For the inquiry to have progressed properly, this element of the terms of reference ought not to have taken for granted that there would be a dominant role for the Commonwealth either in the industry's future development, or with regard to the environment. Rather, questions needed to be raised concerning what the proper role of the Commonwealth should be and the ways in which such a role would be exercised.

3. The Commonwealth Government has a responsibility to promote prosperity in Australia's national economic activities by providing broad parameters in which economic activity can take place, ensuring minimal regulation of economic activity by government or its agencies. In this context the Commonwealth Government needs to ensure that our most successful foreign exchange earner, tourism, is able to flourish for the national economic good. While the Commonwealth could be considered to be a participant in the tourism industry through its ownership of government business enterprises such as Australian Airlines, the tourism industry like any other commercial venture will operate best in the ownership and management of private enterprise. The Government's major

responsibility is to ensure that such a potentially beneficial industry in fact delivers those economic benefits.

4. The further development of the Australian Tourist Industry, the central subject of the Senate's reference to this Committee, is best pursued by allowing all elements of the industry to develop their product with minimal intervention on the part of the Commonwealth. Australia's present economic plight obliges national decisionmakers to ensure that the most successful method of wealth generation - free enterprise - is utilised to this end. Successful Commonwealth decisionmaking concerning tourism would address the nature of the industry, the prospects for its growth and the measures that need to be adopted to ensure the maximum national benefit.

The Tourist Industry and Commonwealth Constraints

Economic Obstacles

5. Tourism is a long-term economic operation. With regard to the criterion of return on capital invested, tourism is an industry for patient investors. Accordingly, investors in tourism, both large and small, have a sustained interest in the maintenance of economic conditions conducive to the growth of their industry. This includes a wide range of factors, from macroeconomic settings to the maintenance of appropriate infrastructure and the availability of appropriate labour on favourable terms.

6. One important aspect of the establishment of a favourable setting for the tourism industry in Australia concerns the obstacles to growth that the industry has inherited. The following are of particular relevance to tourism:

- A restricted and highly regulated labour market that has not allowed for independently negotiated employment contracts and maintains an expensive and archaic system of penalty rates.

- A national aviation policy that, in seeking to secure the future of our indigenous airlines (including Qantas), has restricted the choice of travel options for potential tourists. This has ensured that the costs of travelling within Australia have remained high in a country where, as a consequence of the distances to be travelled, it is necessary to reduce travel costs to a minimum to encourage tourists to visit as many State and Territory destinations as possible.
- The monopoly of government ownership on airport facilities, primarily the Federal Airports Corporation, has generally restricted competition in the travel industry and adversely affected Australia's ability to compete in the very competitive international tourism market.
- Restricted entry options for international tourists visiting Australia constrain the full development of potential tourist operations in areas distant from the international gateways.
- Bureaucratic delays add to the costs of tourist developments. Further, bureaucratic intervention can hinder the participation of potential investors including those with much-needed foreign capital.

7. The continuing existence of these disincentives to growth in investment in the tourism industry confirms that to date the Commonwealth Government has not done all that it could to foster the industry and reap the economic rewards. These disincentives represent major obstacles to the development of a more robust and effective tourism industry in Australia.

Environmental Concerns

8. In addition to the economic obstacles there are widely accepted beliefs and concerns about developing environmental features that are unhelpful to the tourism industry. These beliefs include the misconception that economic development and environmental conservation are inconsistent, that they represent the essence of a policy dilemma with regard to tourism developments. With regard

to the environment and tourism there is a view that development is not conducive to maintaining environmental value.

9. The Committee's terms of reference, as noted, require consideration of the environmental impact of tourism in the context of the Commonwealth's role in the future development of the industry. The Commonwealth already has an extensive influence on the industry in this respect. There are two important heresies that need to be highlighted; they are:

- The invalid impression that governments, rather than other elements of Australian society, have a unique expertise or wisdom concerning the protection of the Australian environment.
- The misconception that Governments and their agencies have a better record in environmental protection than many other sections of the community.

It is important that these heresies not be allowed to influence the Commonwealth role in environmental and development matters concerning the tourism industry. Further, the following positive points need to be borne in mind:

- The tourism industry has a direct interest in the preservation of the environment, Australia's natural attractions, on which Australian tourism is increasingly depending.
- The key objective for the Commonwealth Government and the tourism industry should be to allow for the proper influence of market forces on tourism including its approach to the preservation of the environment.
- Government controls directed at environmental protection need to be exercised through very broad guidelines that combine the best knowledge of the vulnerability of the environment and a clear understanding of the tourism industry's incentive to preserve the environment.
- The rapid increase in information and knowledge about the environment provides the basis for the utilisation of market forces in tourism developments that are environmentally sensitive.

10. Taking these considerations into account, there are several comments, reservations and dissents to record with regard to the Committee report. They concern national environment protection as a Commonwealth program, and the Committee report's recommendations.

National Environment Protection

The Commonwealth Environment Protection Agency

11. It is noted in the Committee Report that the Minister for the Arts, Sport, the Environment and Territories, Mrs Kelly, announced the establishment of a Commonwealth Environment Protection Agency (CEPA) in July 1991. The CEPA would be charged with developing uniform national environmental standards. Mrs Kelly's announcement was not unanimously welcomed by the States. The Queensland Premier was reported¹ not to have accepted the idea and the Premier of New South Wales was reported² to have said that if the States were to fund the CEPA they would want a share in its control.

12. As the Committee report states, the CEPA now has been set up as a non-statutory agency of DASET. Despite the advice of Mrs Kelly in the position paper on the CEPA that she released in July 1991, the CEPA has not been established as a Statutory authority. The objectivity and autonomy of the CEPA, accordingly, has not been guaranteed. Nor has its accessibility to the States been assured.

The National Environment Protection Authority

13. On 25 February 1992 the Intergovernmental Agreement on the Environment (IGAE) was concluded by the Territories and States with the exception

¹ *The Australian*, 20 February 1991

² *Ibid.*

of Tasmania (whose government was newly-elected). The 1990 Special Premiers' Conference had resolved to develop this Agreement to facilitate a cooperative national approach to the environment, a better definition of the roles of the respective governments, a reduction in disputes over environmental matters between the Commonwealth and the States/Territories, greater certainty in decisionmaking and better environment protection.

14. Under Schedule 4 of the IGAE, the Commonwealth and the States agreed to set up a Ministerial Council to be called the National Environment Protection Authority (NEPA). According to the IGAE, the NEPA may establish 'measures' which are defined as 'national environment protection standards, guidelines, goals and associated protocols'. These measures, according to Schedule 4 of the IGAE, may be established for:

- (i) ambient air quality;
- (ii) ambient marine, estuarine, and freshwater quality;
- (iii) noise related to protecting amenity where variations in measures would have an adverse effect on national markets for goods and services;
- (iv) general guidelines for the assessment of site contamination;
- (v) the environmental impacts associated with hazardous wastes;
- (vi) motor vehicle emissions; and
- (vii) the reuse and recycling of used materials.

Further, the IGAE provided that the NEPA 'shall monitor and report on [the] implementation and effectiveness' of the measures.

15. The NEPA, then, is not merely a consultative mechanism for the Commonwealth and the States/Territories. It is an authority for the setting and monitoring of standards; it will be chaired by the Commonwealth with decisions made by a two-thirds majority. In addition, Schedule 4 of the IGAE provides that the Commonwealth and the States will be responsible for the attainment and

maintenance of agreed national standards, and compliance with national guidelines. Notably, Schedule 4 of the IGAE specifies that standards are mandatory.

A Caution to the States/Territories

16. A mechanism has now been established for the setting of environmental standards nationally and for the monitoring of those standards. The setting up of the CEPA and the NEPA has been agreed. It needs to be emphasised, however, that because CEPA has not been established as a statutory authority there remains some uncertainty about the operation of these two bodies and the ways in which a Commonwealth Government could use them. Here the States and Territories need to be cautious about a particularly important matter: it is not clear that under present circumstances national environment standards will be set with objective advice about which the States can be confident. The States need to be satisfied about the independence of CEPA advice concerning standards for the environment.

17. The Inter Governmental Agreement on the Environment specifies (at 2.5.1.1) that:

Where there is a Commonwealth interest in an environmental matter which involves one or more States, that interest will be accommodated as follows:

- (i) the Commonwealth and the affected States will cooperatively set outcomes or standards and periodically review progress in meeting those standards or achieving those outcomes ...

Importantly, the position paper³ released by the Minister, Mrs Kelly, in July 1991 nominated the following as the 'most practicable' option for the Commonwealth and the States to set standards:

³ *Proposed Commonwealth Environment Protection Agency*, p. 19

- (b) establishment of a Commonwealth-State-Territory Ministerial body with a standard-setting role supported by complementary legislation or a referral of powers by the States to the Commonwealth for the purpose of creating standards - the precise role would depend upon the terms of any such referral; secretariat support for this body to be provided by the Commonwealth EPA.

However, the following was also considered an option:

- (c) reliance on Commonwealth powers to implement national standards, based either on agreements achieved by one of the means suggested above or, where there is no agreement, on Commonwealth decisions based on the outcome of any collaborative processes and any other relevant factors such as international developments or obligations.

18. Notably, the 'most practicable' option provides for the Secretariat servicing the NEPA to be from the CEPA. And the CEPA has been established as a non-statutory agency of the Department of the Arts, Sport, the Environment and Territories. As matters stand, the support and advice services available to the NEPA would be resourced from officers directly answerable to the Commonwealth Minister, the same officers responsible for the development of the standards being proposed. Given the importance of the environment to the States, together with the fact that the States would want objective advice (independent of Commonwealth influence) concerning the setting of environmental standards, it is highly undesirable that the CEPA has not been established as a statutory authority. It would be advisable for the States to request the Commonwealth to prepare legislation for the establishment of the CEPA as a statutory authority as a matter of urgency. A central authority such as the CEPA needs to be able to advise on environmental problems that might be unique to one State or Territory. And the States should have direct access to the CEPA to draw confidentially on its expertise.

19. Of course, were the matters being considered by the NEPA to be of a 'motherhood' type, then the process of the development of those matters (including environmental standards) would not be a matter of concern. It is envisaged, however, that NEPA issues will not be resolved at the level of lowest common denominator: this is indicated by the fact that decisions will be taken on a two-thirds majority. The NEPA will take decisions about setting environmental standards (which, the IGEA states, are 'mandatory') and the CEPA is charged with developing standards; if the States are to be assured that the Commonwealth will not use the NEPA to legitimise its views on environmental issues, then the CEPA must be established as a statutory authority to which the States have direct access. Further, the NEPA Secretariat should not be provided by the CEPA.

20. In conclusion, the very need for a National Environment Protection Authority should be seriously questioned by the States and Territories, industry, small business and local government. To the extent that national standards are made uniform and the achievement of these standards is monitored by a National Environment Protection Authority, the development and innovation of public policy at a local level where policy can reflect local regional and State circumstances would need to be encouraged.

21. The National Environment Protection Authority could, regardless of its structure, become a dangerous centralising force which effectively destroys policy innovation and private sector initiative in environmental management. Its very establishment could actually work against its stated aims. We should be very wary of establishing a National Environment Protection Authority. To this end we recommend that the legislation establishing the National Environment Protection Authority be exposed for a six month period allowing for a thorough consideration of the legislation by industry and the broader community.

The Committee Report's Recommendations

22. Given the need to enable the Australian tourist industry to flourish, and the difficulties in achieving that goal that could result from the establishment of the NEPA and CEPA, the following comments on the recommendations of the Committee's report are important.

Recommendation Five

23. The Committee has recommended that the Commonwealth Government retain responsibility for the international marketing of Australia as a tourist destination. However, this recommendation is questionable because efforts should be made to allow for the widest possible scope for marketing strategies and techniques. There will be limitations on any one body, be they financial or by way of management and marketing innovation. Consequently State and local governments as well as private individuals and companies should have far more scope to be involved in activities aimed at promoting Australian Tourism internationally. The Committee's recommendation is illconceived in that it limits the opportunities for the involvement of private enterprise in multifaceted marketing campaigns. It also ignores the need for the States and the Commonwealth to co-operate on tourist promotion. The Commonwealth should nurture an economic environment that encourages private sector promotion of tourism.

Recommendation Nine

24. The Committee has recommended that empirical studies of the likely effects of developments on environmentally sensitive sites be commissioned by developers at the concept stage of a development. This would require that developers absorb an increased expense in the drafting of a proposal; there is no provision in the recommendation for compensation for this responsibility.

25. In addition to the cost impost of this recommendation on the developer, the recommendation seems to presume that development for most sites is likely to be environmentally negative; the onus of proof seemingly is on the developer.

26. Further, before such a recommendation could be accepted, it would need to be demonstrated that the bureaucratic process entailed by such studies would not impede the progress, and possible economic viability, of development proposals.

Recommendation Ten

27. The Committee has recommended that projects likely to cause significant scarring only receive development approval conditional upon an undertaking to renovate the area. Because of the fact that it would be the developer and subsequent proprietors of the development who would benefit commercially from this recommendation, it seems appropriate. This should be a matter that is dealt with exclusively by local authorities and is a matter in which the Commonwealth has no role whatsoever. Further, it should be noted that this recommendation is consistent with the *Environmental Guidelines for Tourist Developments* developed by the Australian Tourist Industry Association.

Recommendation Eleven

28. The Committee's recommendation is that there be environmental impact statements which include an analysis of the social and cultural impacts of tourism development. However, it should be noted that any impact statement that reviews the social or cultural implications of a development necessarily would involve the application of value judgements and subjective assessments based on assumptions about the possible social and cultural effects of tourist development. It is, of course, difficult to specify the desirability of some effects without the employment of subjective judgement to a considerable extent. More specifically, Governments involved in assessing the social and cultural impact of developments

could do so on the basis of their own attitudes and priorities. This could be highly undesirable. Governments ought not to have an entrenched role in directing social and cultural change. Government does not have a role in setting social or cultural priorities or objectives, and certainly no role in applying its value judgements on the community at large.

Recommendation Twelve

29. The Committee report recommended that, before tourism developments are approved, provision be made for community consultation, including with the involvement of local government where appropriate. There is, however, a need for considerable caution concerning the establishment of a further bureaucratic step. In any case, local government should be conscious of community concern about major issues such as tourist developments and their effect on local environmental features.

Recommendation Fourteen

30. This recommendation is acceptable only in so far as it advocates *guidelines* (which are discretionary) and not *standards* (which are mandatory).

Recommendation Sixteen

31. At recommendation Sixteen the Committee has recommended that foreign investment proposals be required to demonstrate the likely economic benefits that they will provide; notably, this recommendation is inconsistent with other parts of the Committee's report. At paragraph 10.13 the Committee records that in July 1986 the Government liberalised its foreign investment policy guidelines. Essentially the Government:

- replaced the requirement that foreign interests proposing to acquire existing tourism businesses (such as hotels) should demonstrate net economic benefits to Australia;

- established the present policy that proposals are normally approved unless found to be contrary to the national interest; and
- abolished the requirement that there be at least 50 per cent Australian equity and joint Australian/foreign control in respect of all new tourism business involving a total investment of \$10 million or more.

The Committee concluded paragraph 10.13 with an endorsement of these 1986 reforms. And at recommendation Twenty the Committee recommended that 'the liberalised policy on foreign investment since July 1986 be maintained'. Inconsistently with this, at recommendation Sixteen the Committee recommends that the guidelines for foreign investment be tightened to include the pre-1986 requirement that net economic benefit be demonstrated! Recommendation Sixteen is inconsistent with recommendation Twenty and paragraph 10.13. If the FIRB is to continue, we endorse the liberalised 1986 guidelines fully.

Recommendation Twenty-Seven

32. The Committee has recommended that the Foreign Investment Review Board should request social impact statements as part of the process of reviewing foreign investment proposals. This is a most unconvincing recommendation. Social impact statements are not required before developments involving Australian investment are approved. The Committee was not presented with evidence that there was a greater adverse effect socially, or environmentally, from foreign investment in developments. Indeed, to the contrary, all evidence suggested that foreign investment in Australian tourism during the 1980s was vital in ensuring that our tourism infrastructure kept pace with rapidly increasing demand. Furthermore, this foreign investment has enabled many Australians to enter this industry boosting employment particularly in regional areas.

Recommendation Thirty

33. At recommendation Thirty the Committee has recommended that implementation of the National Tourism Strategy be expedited to achieve the most beneficial outcome. And at Recommendation Eight the Committee advocates a review of the promotion and marketing carried out by the Australian Tourist Commission to identify a program to encourage international tourism to all States. It is important to emphasise that implementation of the National Strategy must occur at State level so as to include the strategies and priorities of the State and regional communities. Were it to overlook such local priorities, a national strategy may fail to achieve the national goal of maximising the benefit of the tourism industry.

Minority Report Recommendations

34. Having considered where the Committee report's recommendations require amendments or deletion, the following recommendations need to be added to the Committee report:

Recommendation One

35. That to ensure its autonomy and the objectivity of advice, the Commonwealth Environment Protection Agency be established as a statutory authority as a matter of urgency. That the legislation establishing CEPA as a statutory authority:

- make provision for the States to consult the Agency directly as a right;
- provide the CEPA with an independent role to recommend environmental standards to the NEPA.

Recommendation Two

36. That in recognising the distinct advantages of a decentralised decisionmaking process and in keeping with the federal nature of Australia's system of Government, the National Environmental Protection Agency be renamed the "Federal Environmental Protection Agency".

Recommendation Three

37. To allow for greater public understanding and comment on the issue of the desirability of establishing a National Environmental Protection Agency, the NEPA legislation be exposed for comment by the general community and industry groups for no less than six months.

Recommendation Four

38. That in an effort to meet its objectives for environmental preservation and maintenance, the Commonwealth Government should be discouraged from using the external affairs power to impose Commonwealth treaty obligations on the States.

Recommendation Five

39. In the first instance, effective environmental management is carried out at the local level in active consultation with members of that community. Any setting of environmental standards and guidelines should reflect the demands of the local community and their ability to implement them with little or no disruption to their private or commercial interests.

Recommendation Six

40. The role of the Australian Tourist Commission in promoting Australia as a destination for overseas visitors must be recognised. However, its position

should be strengthened by freeing it from bureaucratic restraints and giving it a greater private enterprise focus. At the same time the Commission should be encouraged to co-operate as closely as possible with State authorities and private enterprise in promoting Australia.

Senator I. Campbell

Senator A.W. Crane

Senator N.A. Crichton-Browne

PART 7

APPENDIXES

APPENDIXES

Appendix 1	List of Submissions
Appendix 2	List of Public Hearings and Witnesses
Appendix 3	List of Inspections
Appendix 4	Sources of Statistics on the Australian Tourist Industry
Appendix 5	List of Legislation, Policy Statements and Publications which constitute the Commonwealth Foreign Investment Policy

APPENDIX 1

LIST OF SUBMISSIONS

1. Port Stephens Conservation Society, NSW
2. WA Tourism Commission
3. Cotton, Dr R.G.H., VIC
4. Morton, Ms J., SA
5. Hall, Mr C.M., Lecturer, Department of Geography & Planning, University of New England, NSW
6. Queensland Conservation Council
7. Beeton, Mr R.J.S., Lecturer in National Park Management, Department of Management Studies, Queensland Agricultural College
8. Australian Institute of Tourist Officers, NSW
- 9 & Mulgrave Shire Council, QLD
- 9a.
10. Gate, Mr R., WA
11. Buckley, Dr R., Senior Research Fellow, Centre for Resource and Environmental Studies, Australian National University, ACT
12. Australian Heritage Commission
13. Environment Centre NT Inc (The)
14. Dowling, Mr R., Environmental & Biological Sciences, Murdoch University, WA
- 15 & Australian Tourism Industry Association Ltd., ACT
- 15a.
16. AUSAN Pty Limited, NSW
17. Queensland Commercial Fisherman's Organisation
18. NT Department of the Chief Minister
19. Raaymakers, Mr S., QLD
20. Russell, Dr J.A., Lecturer, Centre for Environmental Studies, University of Tasmania
21. Geopeko, NSW
22. Ecology International, NSW
- 23 & Soil Conservation Service, NSW
- 23a.
- 24 & Australian National Parks and Wildlife Service
- 24a.
25. Treasury (Department of the)
26. Wilderness Society Inc. (The), ACT
27. Australian Conservation Foundation, ACT
28. National Parks Association of NSW Inc., NSW
29. National Accreditation Authority for Translators and Interpreters, ACT

30. Island Voice, QLD
 30a
 & 30b
31. Lampe, Ms G.S.G., VIC
 32. Ogilvie, Mr H.G., VIC
 33. Sperling, Ms H., VIC
 34. Robb, Ms M., QLD
 35. Hurlock, Terry, & Associates, QLD
 36. Wieneke, K.G., QLD
 37. Allen, Ms S.H., SA
 38. Kane, Mr G., NSW
 39. Nilson, Mrs D., NSW
 40. McColl, Mr H.O., QLD
 41. Bannon, The Hon. J.C., Premier of South Australia
 42. Bamford, Mr J. & Hradek, Ms J., VIC
 43. Wildlife Preservation Society of Queensland (Innisfail Branch)
 44. Tully and District Wildlife Preservation Society, Queensland
 45. Great Barrier Reef Marine Park Authority
 46 & Immigration, Local Government and Ethnic Affairs (Department of)
 46a.
47. Mackay, Mr R. & Mrs M., QLD
 48. Bell, Mr R., Environment Institute of Australia Inc., C/- Institute of Applied
 Environmental Research, School of Australian Environmental Studies,
 Griffith University, QLD
 49. Thorsborne, Mr A. & Mrs M., QLD
 50. CSIRO
 51. Wildlife Preservation Society of Queensland (Hinchinbrook Branch)
 52. Bird, Mr D.P., QLD
 53. Australasian Wader Studies Group, VIC
 54. Pannel, Kerr, Forster, Management Consultants, QLD
 55. Inbound Tourism Organisation of Australia Limited, NSW
 56. Fagence, Mr M., Department of Geographical Science, University of
 Queensland
 57. Elliot, Mr J., Lecturer in Government, Department of Government, University
 of Queensland
 58. NSW Tourism Commission
 59 & Arts, Sport, the Environment, Tourism and Territories (Department of the)
 59a.
60. Cain, Mr J., Premier of Victoria
 61. Bureau of Tourism Research
 62. Australian Tourist Commission, NSW
 63. Association of Marine Park Tourism Operators, ACT
 64. Callaghan, Sir B., NSW
 65. Industry Commission
 66. Motor Inn & Motel Association of Australia (The), NSW
 67. NSW Department of Planning
 68. ID Tours South Pacific Pty Ltd, NSW
 69. Tourism Task Force (The), NSW

70. Taylor, Mr S., QLD
71. Shearman, Professor D., Professor of Medicine, University of Adelaide
72. Hunwick, Mr D.J., SA
73. Federal Airports Corporation, NSW
74. Mr C. Hutchinson, SA
- 75 & 75a. Advance Magnetic Island Association, QLD
76. Far North Queensland Promotion Bureau Ltd.
77. Daikyo (North Queensland) Pty. Ltd., QLD
78. Magnetic Island Tourist Association, QLD
79. Cairns Chamber of Commerce, QLD
80. Cairns Regional Economic Task Force, QLD
81. Townsville City Council, QLD
82. Thuringowa City Council, QLD
83. Magnetic North Tourism Authority, QLD
84. Bromley, Mr K.B., SA
85. Frick, Mr W., WA
86. Gove, Mr R., QLD
87. Lord, Mr J.B., NT
88. Strom, Mr A.A., NSW
89. Downing, Mrs M., SA
90. Joseph Banks Group Pty. Ltd., NSW
91. North Australia Research Unit, The Australian National University, NT
92. Carlsen, Mr J., Lecturer, Tourism Economics, School of Business, Edith Cowan University, WA
93. Department of Economics, La Trobe University, VIC
94. Prosser, Mr G., University of New England - Northern Rivers, NSW
95. Valley Watch, Maclean, NSW
96. Wallcock, Ms A., ACT
97. Hawkesbury River Environment Protection Society (Threps) Inc. (The), NSW
98. Douglas Shire Council, QLD
99. Air New Zealand
100. Queensland Government
101. Tasmanian Government
102. Thoorgine Educational & Culture Centre, QLD
103. Cuthbert, Mrs Ann, WA

APPENDIX 2

LIST OF PUBLIC HEARINGS AND WITNESSES

Monday 3 December 1990
Senate Committee Room 16
Parliament House
CANBERRA ACT 2600

Bellchambers, Mr P.A., Acting Assistant Secretary, Tourism Policy Branch, Department of the Arts, Sport, the Environment, Tourism and Territories, ACT

Faulkner, Dr H.W., Director, Bureau of Tourism Research, ACT

Gentle, Dr D.G., Assistant Commissioner, Industry Commission, ACT

Parham, Mr D.J., Assistant Commissioner, Development Branch, Industry Commission, ACT

Schultz, Mr L.F., Manager, Corporate Strategy, Australian Tourist Commission, NSW

Simon, Mrs F.A., Director, Tourism Promotion and Training, Department of the Arts, Sport, the Environment, Tourism and Territories, ACT

Spurr, Mr R.J., Acting First Assistant Secretary, Tourism, Sport, Recreation and Information Division, Department of the Arts, Sport, the Environment, Tourism and Territories, ACT

Williams, Mr J.R., Inquiry Director, Travel and Tourism Inquiry, Industry Commission, ACT

Friday 8 March 1991
Committee Room 2S1
Parliament House
CANBERRA ACT 2600

Bridgewater, Dr P., Director, Australian National Parks and Wildlife Service, ACT

Duchon, Mr L., Acting Assistant Secretary, Department of Immigration, Local Government and Ethnic Affairs, ACT

Hardham, Mr I.R.S., Acting Branch Head, Foreign Investment Branch, Department of the Treasury, ACT

Joseph, Mr E., Assistant Secretary, Department of Immigration, Local Government and Ethnic Affairs, ACT

Lynch, Mr M., First Assistant Secretary, Department of Immigration, Local Government and Ethnic Affairs, ACT

Moore, Sir F.T., Chairman, Australian Tourism Industry Association, ACT

O'Clery, Mr P., Chief Executive, Australian Tourism Industry Association, ACT

Pooley, Mr F.G.H., First Assistant Secretary, Department of the Treasury, and Executive Member, Foreign Investment Review Board

Shaughnessy, Dr G.L., Senior Project Officer, Australian National Parks and Wildlife Service, ACT

***Friday 15 March 1991
Committee Room 1S3
Parliament House
CANBERRA ACT 2600***

Figgis, Ms P., Representative, Australian Conservation Foundation, VIC

Nielson, Mr K.J., Executive Director, Association of Marine Park Tourism Operators, ACT

Redhead, Dr T.D., Scientific Assistant to the Chief, Division of Wildlife and Ecology, CSIRO, ACT

Walker, Dr B.H., Chief, Division of Wildlife and Ecology, CSIRO, ACT

***Wednesday 20 March 1991
11th Floor Conference Room
Commonwealth Parliamentary Offices
ANZ McCaughan Building
56-70 Phillip Street
SYDNEY NSW 2000***

Aveyard, Mr J.M., State Director, Land Resources and Environment, Soil Conservation Service of New South Wales, NSW

Bennet, Mr W.D., Vice-President, New South Wales Council of Tourist Associations, NSW

Brown, Hon. J.J., Chairman, Tourism Task Force, NSW

Crombie, Mr P.F., General Manager, New South Wales Tourism Commission, NSW

Garrard, Dr I.M., Executive Director, Business Operations, Soil Conservation Service of New South Wales, NSW

Murrell, Ms J.S., Senior Planner, Natural Resources and Policy Unit, New South Wales Department of Planning, NSW

Sinclair, Mr J., Honorary Project Officer, Fraser Island Defenders Organisation and Managing Director, Go Bush Safaris, NSW

***Thursday 21 March 1991
11th Floor Conference Room
Commonwealth Parliamentary Offices
ANZ McCaughan Building
56-70 Phillip Street
SYDNEY NSW 2000***

Ashton, Mrs J., Chairman, Inbound Tourism Organisation of Australia, NSW

Bennison, Mr R.L., Executive Officer, National Parks Association of New South Wales Incorporated, NSW

Callaghan, Sir B.B., Chairman, Foreign Investment Review Board

Chaffe, Mr C., Member, National Parks Association of New South Wales Incorporated, NSW

Collins, Mr M.S.J., General Manager, Commercial, National Operations, Federal Airports Corporation, NSW

Farmer, Ms L.M., General Manager, Japanese Division, ID Tours South Pacific Pty Ltd, NSW

Fitzpatrick, Ms C., Research Office, The Wilderness Society, TAS

McLeod, Ms R., Board Member, Inbound Tourism Organisation of Australia, NSW

Milton, Mr J.S., Airport General Manager, Canberra Airport, ACT

Pitman, Ms T., Research Officer, The Wilderness Society, TAS

Taylor, Mr L.A., Managing Director, Inbound Tourism Organisation of Australia, NSW

Wednesday 3 April 1991
21st Floor
Rialto Building
MELBOURNE VIC 3000

Bowker, Mrs J., Chairperson, Australian Farm and Country Tourism, VIC

Fowell, Mr D.L., Education and Information Officer, Victoria Archaeological Survey, VIC

Keys, Mr G., Manager, Corporate Finance, Price Waterhouse, VIC

Lego, Mr M.R., General Manager, Marketing, Melbourne Tourism Authority, VIC

McDonnell, Mr R., General Manager, Corporate Affairs, AIDC Ltd., NSW

McIntyre, Mr M.L., Director, Victoria Archaeological Survey, VIC

O'Sullivan, Mr A., Managing Director and Chief Executive, AIDC Ltd., NSW

Russell, Mr W.D., Partner, Price Waterhouse, VIC

Thursday 4 April 1991
2nd Floor Conference Room
Parliament House
ADELAIDE SA 5000

Crinion, Mr D.M., Acting General Manager, Planning and Development, Tourism South Australia, SA

Findlay, Dr C., Economics Department, University of Adelaide, SA

Hall, Mr D., Executive Director, Adelaide Convention and Tourism Authority Ltd, SA

Hunwick, Mr D.J., Executive Member, South Australian National Parks Association, SA

Hutchinson, Mr C.F., SA

Morris, Ms M.L., Assistant to the Director-General, Department of Environment and Planning, SA

Shearer, Dr R.C., Managing Director, Bob Shearer Enterprises, SA

Shearman, Professor D.J.C., Spokesperson, The Last Resort, SA

Spencer, Mr B.E., Manager, Aviation Development, Department of Industry, Trade and Technology, SA

Tuesday 30 April 1991
Training Room
Commonwealth Centre
Grafton Street
CAIRNS QLD 4870

Bates, Mr N.J., Managing Director, Daikyo North Queensland, QLD

Berwick, Mr M.P., Chairman, Douglas Shire Council, QLD

Clyde-Smith, Mr G.S., Chairman, Cairns Regional Economic Task Force, QLD

Cummings, Mr W.S., Secretary, Cairns Chamber of Commerce, QLD

Hamer, Mr F.B., President, Cairns Chamber of Commerce, QLD

Hedley, Mr B.A., Director, Planning and Development, QLD

Pyne, Mr T.A., Chairman, Mulgrave Shire Council, QLD

Schwartz, Mr N.L., Deputy Shire Clerk, Mulgrave Shire Council, QLD

Vickary, Mr J.R.R., Elected Director and Deputy Chairman, Far North Queensland Promotion Bureau Ltd, QLD

Wednesday 1 May 1991
Townsville City Council Chambers
Walker Street
TOWNSVILLE QLD 4810

Askern, Mr P.C., Executive Assistant to the Mayor, Townsville City Council, QLD

Gleeson, Mr M., General Manager, Magnetic North Tourism Authority, QLD

Henwood, Mr R.A., City Planner, Thuringowa City Council, QLD

Kinsey, Dr D.W., Executive Officer, Great Barrier Reef Marine Park Authority, QLD

Mooney, Mr A.J., Mayor, Townsville City Council, QLD

Wednesday 1 May 1991
Arcadia Resort
Geoffrey Bay
MAGNETIC ISLAND QLD 4819

Baker, Dr J.T., Director, Australian Institute of Marine Science, QLD

Dickson, Dr I., Chairman, Island Voice Association Inc., QLD

Domelow, Mr J., Committee Member, Magnetic Island Tourist Association, QLD

Hardy, Mrs M.P., President, Advance Magnetic Island Association, QLD

Ivers, Mr I.D., President, Magnetic Island Tourist Association, QLD

Owen, Ms E.A., Secretary, Island Voice Association Inc., QLD

Thursday 11 July 1991
Conference Room No. 2
NT Legislative Assembly
Chan Building
Mitchell Street
DARWIN NT 0801

Bigg, Mr C.J., Director, Aviation, Northern Territory Department of Transport and Works, NT

Butler, Mr M., Principal Planning Officer, Conservation Commission of the Northern Territory, NT

Dunne, Mr G., Regional Director, Northern Territory Tourist Commission, NT

Jones, Mr N., Senior Assistant Secretary, Policy and Coordination, Department of the Chief Minister, NT

Smith, Mr J.L., Project Officer, Visitor Management and Recreation Planning, Australian National Parks and Wildlife Service, NT

Friday 12 July 1991
Sam Male Room
Cable Beach Club
Cable Beach Road
BROOME WA 6725

Albert, Mr S.M., Member, Mamabulanjin Resource Centre, WA

Braithwaite, Mr J.F., Private Citizen, WA

Braithwaite, Mrs L.B., Private Citizen, WA

Coulthard, Mr N.R., General Manager, Cable Beach Club, WA

Griffiths, Mr A., Deputy Vice President, Broome Chamber of Commerce, WA

Hanigan, Mrs R., Secretary, Yuwuru Corporation, WA

Haynes, Mr D.L., Shire Clerk, Shire of Broome, WA

Ifould, Ms D.M., Secretary, Mamabulanjin Resource Centre, WA

Johnston, Mr R.J., Shire President, Shire of Broome, WA

Puertollano, Mr K.G., Executive Member, Mamabulanjin Resource Centre, WA

Thursday 12 September 1991

Committee Room 2S1

Parliament House

CANBERRA ACT 2600

De Salis, Ms A.M., Assistant Secretary, Foreign Investment Branch, Finance and Investment Division, Department of the Treasury

Pooley, Mr F.G.H., First Assistant Secretary, Finance and Investment Division, Department of the Treasury, and Executive Member, Foreign Investment Review Board

Wednesday 9 October 1991

Committee Room 2S1

Parliament House

CANBERRA ACT 2600

Throsby, Professor Charles David, Chairman, Tourism Working Group, Ecologically Sustainable Development Process

APPENDIX 3

LIST OF INSPECTIONS

20 March 1991	Darling Harbour, Sydney, NSW
21 March 1991	The Rocks, Sydney, NSW
30 April 1991	Mossman Gorge, Daintree River, QLD
1 May 1991	Magnetic Island, QLD
8-11 July 1991	Kakadu National Park, NT
12 July 1991	Broome, WA

APPENDIX 4

SOURCES OF STATISTICS ON THE AUSTRALIAN TOURIST INDUSTRY

Australian Bureau of Statistics (ABS)

- Overseas Arrivals and Departures, Australia (monthly) Cat. 3401.0
- Overseas Arrivals and Departures, Australia (quarterly) Cat. 3402.0
- Overseas Arrivals and Departures, Australia (annual) Cat. 3404.0
- Tourist Accommodation, Australia (quarterly) Cat. 8635.0
- Tourist Attractions, Australia (irregular) Cat. 8661.0
- Balance of Payments, Australia (monthly) Cat. 5301.0
- Balance of Payments, Australia (quarterly) Cat. 5302.0
- Directory of Tourism Statistics 1991 (irregular) Cat. 1130.0

Bureau of Tourism Research (BTR)

- Australian Tourism Data Card
- Statistical Bulletin
- Tourism Update
- Tourism Data Book (includes BTR data and the analysis of relevant ABS data)
- International Visitor Survey (IVS) Annual Summary
- International Visitor Survey (IVS) Quarterly Report
- International Visitor Survey Major Market Report
- Supplementary International Visitor Survey (irregular)
- Domestic Tourism Monitor (DTM) Annual Summary
- Domestic Tourism Monitor Calendar Year 1990
- Australian Tourism Trends 1990
- Tourism Statistical Review 1989 (based on ABS data and various overseas tourism/statistical bodies such as World Tourism Organisation)
- Australian Tourism Forecasts - International arrivals April 1990
- Tourism and the Economy
- Hospitality Industry Labour Force Survey (1988)
- Profiles of Australian Travellers (will be undertaken for 1989-90 and 1990-91 only)

***Department of the Arts, Sport, the Environment, Tourism and Territories
(DASET)***

- **Tourism Facts Sheet**
- **Australian Tourism Investment Overview (jointly prepared by DASET, Building Owners and Managers Association and Arthur Andersen and Co.)**

APPENDIX 5

LIST OF LEGISLATION, POLICY STATEMENTS AND PUBLICATIONS WHICH CONSTITUTE THE COMMONWEALTH FOREIGN INVESTMENT POLICY

Legislation

1. Companies (Foreign Take-overs) Act 1972, No 134 of 1972-November 1972
2. Companies (Foreign Take-overs) Act 1973, No 199 of 1973-December 1973
3. Foreign Takeovers Act 1975, No 92 of 1975-August 1975
4. Foreign Takeovers Amendment Act 1976, No 93 of 1976-September 1976
5. Statutory Rules 1975, No 226-December 1975
6. Statutory Rules 1976, No 203-September 1976
7. Commonwealth Functions (Statutes Review) Act 1981, No 74 of 1981-June 1981
8. Foreign Takeovers Amendment Act 1989, No 14 of 1989-August 1989.
9. Foreign Acquisitions and Takeovers Regulations (Amendment), No 302 -24, September 1991

Policy statements

1. Statement by the Treasurer, the Hon Paul Keating, MP - Review of Foreign Investment Policy - 20 December 1983
2. Statement by the Treasurer, the Hon Paul Keating, MP - Foreign Investment Policy and Stockbroking -18 April 1984
3. Statement by the Treasurer, the Hon Paul Keating, MP - Participation in Banking in Australia and Other Issues of Financial Deregulation - 10 September 1984
4. Statement by the Treasurer, the Hon Paul Keating, MP - Foreign Investment Policy and Stockbroking - 18 December 1984
5. Statement by the Treasurer, the Hon Paul Keating, MP - New Banking Authorities - 27 February 1985
6. Statement by the Acting Treasurer, the Hon Chris Hurford, MP - Review of Foreign Investment Policy - 29 October 1985

7. Statement by the Acting Treasurer, the Hon Chris Hurford, MP - Economic and Rural Policy Statement - 15 April 1986
8. Statement by the Treasurer, the Hon Paul Keating, MP - Foreign Investment Policy Relaxations - 28 July 1986
9. Statement by the Treasurer, the Hon Paul Keating, MP - Further Liberalisation of Foreign Investment Policy - 30 April 1987
10. Statement by the Treasurer, the Hon Paul Keating, MP - Thin Capitalisation and Corporate Restructures in relation to Foreign Investment Policy - 30 April 1987
11. Statement by the Treasurer, the Hon Paul Keating, MP - Foreign Investment Policy: Developed Residential Real Estate - 29 September 1987
12. Statement by the Treasurer, the Hon Paul Keating, MP - Foreign Investment Policy: New Oil and Gas Developments - 20 January 1988
13. Statement by the Treasurer, the Hon Paul Keating, MP - Proclamation of Foreign Takeovers Amendment Act 1989 and Gazettal of Foreign Acquisitions and Takeovers Regulations - 6 July 1989.
14. Statement by the Treasurer, the Hon. J. Kerrin MP - Foreign Investment Policy: Integrated Tourism Resorts - 25 July 1991.

Publications

1. Foreign Investment Review Board Reports: 1977 to 1990
2. Australia's Foreign Investment Policy - A Guide for Investors, third edition, 1989, reprinted with amendments 1990.¹

¹ *Foreign Investment Review Board Report 1990/91*, pp.28-29