

# GROWING THE VISITOR ECONOMY

Submission to the West Australian Government  
2015-16 Budget

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# Tourism & Transport Forum

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Tourism & Transport Forum (TTF) is a national, member-funded CEO forum, advocating the public policy interests of leading corporations and institutions in the Australian tourism, transport and aviation sectors.

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# Executive Summary

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With the continuing decline of sectors like manufacturing and the mining investment boom waning, Australians are looking to the sectors that can deliver sustainable growth and jobs into the future. Against the backdrop of an economy in transition, tourism continues to emerge as one of the foundations of Australia's future prosperity.

Tourism has been identified as one of five super-growth sectors that have the potential to collectively add \$250 billion to the Australian economy over the next 20 years<sup>1</sup>. Positioned well to capture the demand of the emerging Asian middle class, tourism is an economic development strategy for Australia. Australian governments have recognised this potential and are working to boost the capacity of the sector. State and federal tourism ministers have endorsed the 2020 Tourism Industry Potential goal for Australian tourism to increase overnight visitor expenditure to \$140 billion in 2020 and are putting in place strategies to meet this target.

Western Australia has signed up to the 2020 goal of doubling overnight visitor expenditure, from \$6 billion to \$12 billion. To achieve that goal, Western Australia must now devote more resources to increasing its share of international visitors, particularly from key Asian markets.

In pursuit of this strategy, TTF recommends the Western Australia government renew and increase funding for Tourism Western Australia, boost investment in essential tourism infrastructure that will help to drive demand and continue to work to improve the industry's competitiveness by removing regulatory barriers.

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<sup>1</sup> Deloitte, 2013, 'Positioning for prosperity? Catching the next wave'

# Recommendations

## Growing demand for travel to Western Australia

### Increase funding for Tourism Western Australia

- Maintain funding for Tourism Western Australia in real terms over the forward estimates
- Fulfil election commitment to increase marketing funding by an additional \$24 million over four years

### Attract major and business events

- Maintain in real terms recurrent funding for Eventscorp to ensure that Western Australia has a well-developed and diversified calendar of major events into 2017-18
- Invest in an additional pool of money to secure a pipeline of major events for the new Perth Stadium
- Provide ongoing funding certainty to the Perth Convention Bureau to ensure that Perth and Western Australia continue to attract business events in a highly competitive regional market

### Retain and attract domestic and international air services

- Grow aviation capacity through airline marketing partnerships which attract and retain targeted airlines, routes and services
- WA Department of Planning to support goals of National Airports Safeguarding Framework in ensuring Perth Airport's 24-hour status is not compromised by residential development under its flight path

## Boosting visitor economy investment

### Invest in regional aviation and dispersal

- Publish the final state aviation strategy document outlining regional aviation access
- Commit to an upgrade of Busselton Airport to allow trans-Australian flights
- Explore amendments to the Local Government Act to permit greater private sector involvement in regional airports

## Increasing the connectivity and liveability of precincts

### Improve transport infrastructure

- Commit to fully fund the construction of MAX light rail and maintain announced timeframes for its construction
- Maintain funding and timeframes for the construction of a rail link between Perth CBD and the airport

## Improving the visitor experience

### Enhancing the visitor retail experience

- Encourage the federal government to commit to allowing private sector operators to provide refunds through the Tourist Refund Scheme

## Removing regulatory barriers

### Improve rental car regulation harmonisation

- Engage the federal government to harmonise state and territory taxes and regulation for the rental vehicle sector.

### Build cruise tourism capacity

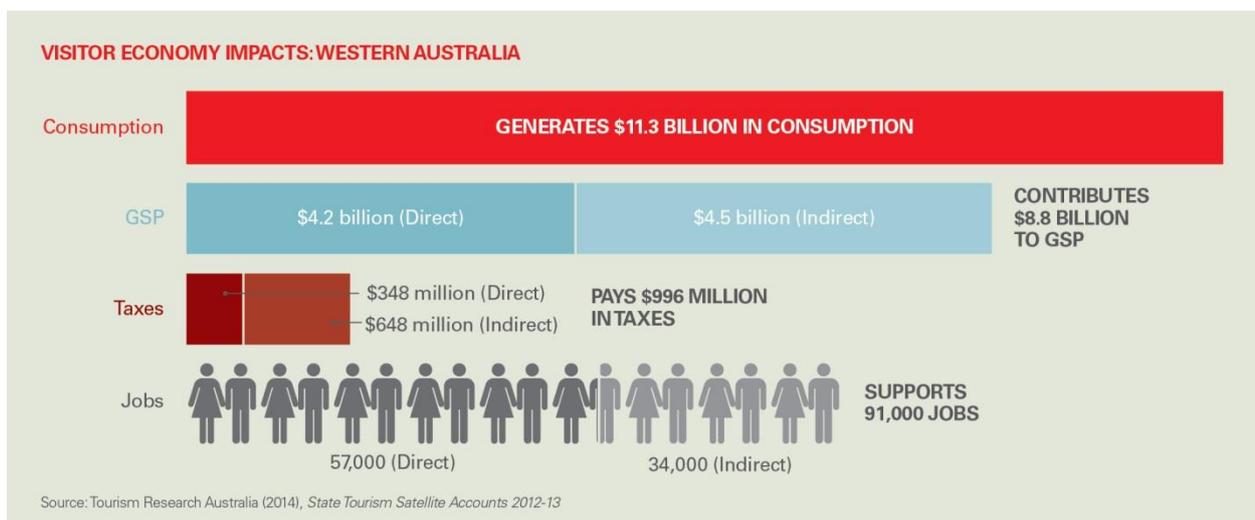
- Encourage the federal government to exempt expedition cruising from the Coastal trading Act

# The visitor economy is critical to Western Australia

## 1. The economic impact of tourism

As business investment associated with the resources boom eases, the visitor economy is emerging as one of the sectors that can deliver sustainable growth and jobs into the future. Tourism already plays a critical role in the West Australian economy, supporting 26,800 businesses and employing 57,000 people directly and contributing \$8.8 billion to gross state product (GSP)<sup>2</sup>.

- **\$11.3 billion in consumption** – Tourism consumption in Western Australia in 2012-13
- **\$8.8 billion in GSP** – Tourism’s contribution to gross state product (GSP) includes \$4.2 billion in direct GSP and another \$4.5 billion in flow-on GSP, representing a 3.6% share of the WA economy
- **91,000 jobs** – Tourism consumption directly underpins 57,000 West Australian jobs and indirectly supports another 34,000, representing more than 1 in 15 jobs across the state
- **26,800 businesses** – West Australian businesses supported by tourism, including 12,900 in tourism-characteristic industries and 13,900 in tourism-connected industries
- **\$996 million in taxes** – Tax revenue generated by visitor expenditure in Western Australia
- **\$1,068 saved per household** – Each West Australian household would pay \$1,068 more in taxes without the tax revenue generated by tourism



<sup>2</sup> Tourism Research Australia (2014) – State Tourism Satellite Accounts 2012-13

## 2. Towards Tourism 2020

The significant potential of Australia's tourism industry was highlighted in the recent Deloitte Access Economics report, *Positioning for Prosperity? Catching the next wave*. The report identified tourism as one of Australia's five super growth industries, capable of collectively delivering an additional \$250 billion to the national economy over the next 20 years<sup>3</sup>. The report notes that the intersection of global opportunity and national advantage is crucial to prosperity – and that Australian tourism is well positioned to be part of the next wave of wealth creation. Australian governments have recognised this potential and are working to boost the capacity of the sector.

State and federal tourism ministers have endorsed the 2020 Tourism Industry Potential goal for Australian tourism to increase overnight visitor expenditure to \$140 billion in 2020 and are putting in place strategies to meet this target. Like other states and territories, Western Australia has signed up to the 2020 goal of doubling overnight visitor expenditure, from \$6 billion to \$12 billion.<sup>4</sup>

Total visitor expenditure in Western Australia reached \$9.2 billion in FY 2013. Given the original target of growing total visitor expenditure to \$12.0 billion in 10 years, there is a required average growth of 7.2% per annum. With the right level of support and policy prioritisation by government, tourism is well-positioned to become a sustainable economic development strategy for the state.

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<sup>3</sup> Deloitte Access Economics, *Positioning for Prosperity? Catching the next wave*, 2013

<sup>4</sup> Tourism Western Australia, *State Government Strategy for Tourism in Western Australia 2020 – Detailed Strategy*

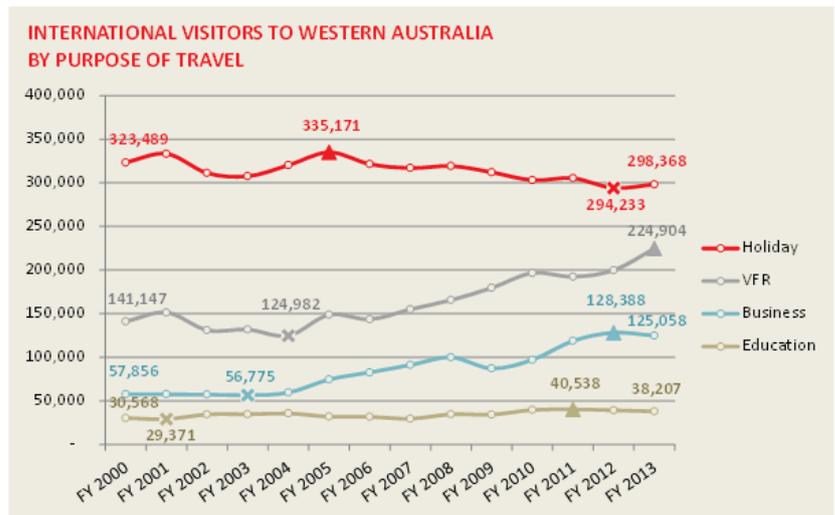
# Growing demand for travel to Western Australia

The economic benefit of tourism in Western Australia extends well beyond the sector itself. Public sector investment in destination marketing is necessary to foster private sector investment in tourism product.

## 1. Promoting Western Australia

### a. Tourism Western Australia

In conjunction with private sector partners, destination promotion by a single agency such as Tourism Western Australia provides consistent messaging to prospective visitors and contributes to building the brand and appeal of Western Australia. Recent research indicates that an additional \$1 million in marketing expenditure at a national level generates an additional \$14 million in total inbound economic value.<sup>5</sup>



The West Australian tourism strategy identifies the need to “firmly establish the *Experience Extraordinary* brand” as a strategic pillar to assist in achieving the goal of doubling overnight visitor expenditure.<sup>6</sup> The *Extraordinary Western Australia* campaign, launched in 2010, has played an important role in raising

awareness of Western Australia and driving visitation among both domestic and international travellers.

To ensure this brand builds on momentum and remains competitive in key source markets, sustained and consistent funding for Tourism Western Australia will be required. Current forward estimates indicate Tourism Western Australia’s funding will drop from



<sup>5</sup> Dwyer et al, Destination Marketing of Australia: Return on Investment (2013).

<sup>6</sup> State Government Strategy for Tourism in Western Australia 2020, Government of Western Australia, Perth (2014)

\$89 million in 2014-15 to \$54 million in 2017-18. As the non-leisure markets soften with the wane of the mining boom, investment in tourism marketing is critical to create intention to travel, promote major events, and stimulate tourism investment and aviation capacity to the state.

At the 2013 election, the West Australian government committed to investing an additional \$24 million over four years to market Western Australia to both domestic and international travellers. However, in the following state 2013-14 and 2014-15 budgets, funding fell significantly short of this commitment, with only an additional allocation of \$13 million over four years.

The state government must fulfil its election commitment to ensure the sector's continued growth. While WA is currently the best-performing state against its Tourism 2020 targets, this growth in overnight expenditure cannot be expected to continue if funding for marketing is not maintained at appropriate levels. A sustained stagnation or decline in the real value of tourism marketing funding will mean Western Australia misses out on jobs and economic growth.

## RECOMMENDATIONS

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- Maintain funding for Tourism Western Australia in real terms over the forward estimates
- Fulfil election commitment to increase marketing funding by an additional \$24 million over four years

## 2. Major events calendar and business events

### Major sporting and cultural events

Major events are a significant driver of demand in the visitor economy and a key strategic priority for Western Australia if the state is to meet its 2020 target of doubling overnight visitor expenditure. Events drive consumer decisions to travel, giving visitors a timeframe in which they must act or miss out. While many destinations around the world are highly aspirational, if there is no sense of urgency, they will remain an aspiration and not be converted into a trip.

The WA tourism strategy seeks to position WA as “a recognised events destination for locals and visitors”, with a world class events calendar which supports and complements the marketing activities of Tourism Western Australia. The Perth International Golf Tournament is an ideal example of an event which compliments Tourism Western Australia's marketing efforts, shown in over 50 markets, including priority Asian markets, with a broadcast value of \$23 million<sup>7</sup>. Major sporting and cultural events drive visitation and provide high-profile opportunities to promote Western Australia as a destination.

As the WA government's events agency, Eventscorp has developed a robust calendar of major events that provide a compelling reason for interstate travel, enhance the experience of international visitors, and encourage the regional dispersal of tourism expenditure. A strong and consistent events calendar assists in mitigating the seasonality of tourism demand, improving certainty of patronage for tourism operators, and provides a strong incentive for private sector investment in event campaign funding.

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<sup>7</sup> Tourism Western Australia (2013) - Annual Report 2012-13

The West Australian government already makes a significant commitment to events acquisition, development and management and needs to maintain this spending in future years to support the state's tourism growth targets. In a tight fiscal environment governments are coming under pressure to reduce spending in a variety of areas, but continued investment in tourism marketing and major events is essential to maintain competitiveness. To continue to deliver existing events and attract new events to the state in an increasingly competitive market, Eventscorp requires dedicated and consistent recurrent funding into 2017-18.

## **New Perth Stadium**

The importance of investment in major events will increase with the new Perth Stadium coming online in late 2017. The 60,000-seat stadium will be a significant increase on the current capacity of stadia infrastructure in Perth. Specialised planning for a pipeline of major events to fill the stadium is required to realise its full potential and ensure the precinct is an active and lively place to visit. The football seasons will be critical in forming the base of the stadium's calendar of events, however additional investment is needed to ensure the asset is fully utilised and attracts other major events. TTF recommends the government invest in an additional pool of money to secure a pipeline of major events for the new Perth Stadium

### **RECOMMENDATION**

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- Maintain in real terms recurrent funding for Eventscorp to ensure that Western Australia has a well-developed and diversified calendar of major events into 2017-18
- Invest in an additional pool of money to secure a pipeline of major events for the new Perth Stadium

## **Business events**

Business events visitors generate higher yield, with international business events visitors spending on average 20 per cent more than the average international visitor.<sup>8</sup> Due to the long lead time and nature of securing large-scale business events, it is important that the Perth Convention Bureau's (PCB) funding is increased to enable them to build a pipeline of business events for the state for years to come. The state government is commended for providing a five-year funding envelope for the bureau which provides certainty and enables them to effectively bid for upcoming events. TTF is seeking maintenance of the funding commitments for the Perth Convention Bureau to enable growth in Perth's share of the business event market.

### **RECOMMENDATION**

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- Provide ongoing funding certainty to the Perth Convention Bureau to ensure that Perth and Western Australia continue to attract business events in a highly competitive regional market

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<sup>8</sup> Tourism Research Australia (2013), International and National Visitor Surveys, December quarter 2012 editions – unpublished data

### 3. Aviation attraction and retention

Aviation activity in Western Australia has undergone unprecedented growth in the past decade. Perth Airport is the fastest growing capital city airport in Australia and the Pilbara regional airports are the fastest growing of any in the country. With more than 90 per cent of international visitors travelling to Western Australia via air, ensuring the state has accessible and affordable aviation network is essential.

To ensure tourism can continue to grow and it is not priced out of aviation by the resources sector, there needs to be consideration of tourism-specific air routes. Part of this consideration is the provision of an aviation development fund to both help offset airline start-up costs and also to assist existing routes. This would replace the ad hoc situation currently where additional funding to support routes is provided on a case-by-case basis, providing certainty for airlines, airports and Tourism Western Australia.

Western Australia's geography, comprising Perth as a major coastal city surrounded by an isolated interior, make it even more reliant on aviation access than elsewhere. This included regional routes as well as domestic and international. Any fund would have to be available to underwrite marginal regional routes, tourism expansion routes from the rest of Australia as well as help Western Australia compete with eastern states.

The substantial underfunding of Tourism Western Australia has a significant impact on Western Australia's ability to undertake route development activities. In order to fully undertake the aims of the draft strategy in regards to route development, the West Australian government should fulfil its commitment to additional funding for Tourism Western Australia as a key priority.

The West Australian government also needs to prevent incompatible development under current or future flight paths for Perth Airport to maintain its curfew-free status that enables the airport to attract international flights during night time hours. The West Australian Department of Planning has been a driver of the National Airports Safeguarding Framework to ensure development does not encroach on air corridors and TTF would encourage the state to continue in its support of these goals.

#### **RECOMMENDATIONS**

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- Grow aviation capacity through airline marketing partnerships which attract and retain targeted airlines, routes and services
- WA Department of Planning to support goals of National Airports Safeguarding Framework in ensuring Perth Airport's 24-hour status is not compromised by residential development under its flight path

# Boosting visitor economy investment

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As economic infrastructure generating a public return, tourism infrastructure is often delivered through a mix of public and private investment. As such, there is a role for government to invest in the construction and upkeep of these assets so they continue to attract visitors and deliver an economic dividend for the state.

## 1. Encourage regional aviation dispersal

TTF inputted into and welcomed the publication of the draft West Australian State Aviation Strategy in 2013, in which many aviation access issues were outlined including airline capacity and attraction. We would welcome the publication of the final strategy, originally scheduled for 2014.

Much of the focus in the draft strategy is in ensuring adequate access to regional Western Australia. For airports in regional Western Australia, such as Busselton or Kununurra, inter-Australian flights could be a game-changer, while Broome could welcome an increase in trans-continental services.

### RECOMMENDATION

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- Publish the final state aviation strategy document outlining regional aviation access

#### a. Busselton airport

Busselton Airport remains one of the key opportunities for an expansion of Western Australia's regional aviation network. Located 55km from the Margaret River, Busselton Airport is well placed to facilitate a growth in aviation activity to some of the state's key tourism destinations. Expansion of Busselton airport would encourage airlines to operate additional direct services between capital city airports, reducing the need for passengers to transit through Perth Airport. This would present an important opportunity to not only improve the experience for flyers, but also reduce congestion at Perth Airport.

An estimated \$50-80 million investment in capital works for terminal and runway upgrades would enable code C aircraft such as Boeing 737 and Airbus A320 family aircraft, which are required for interstate routes, to land at the airport. This would give the Margaret River region direct access to eastern markets.

### RECOMMENDATION

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- Commit to an upgrade of Busselton Airport to allow trans-Australian flights

#### b. WA regional airports ownership and governance

The existing local government model for airports is limiting investment in much needed infrastructure at many regional airports. Specifically, the West Australian *Local Government Act* prevents council-owned airports from securing necessary loans against the value of their assets, limiting access to capital.

Further, many council airports are operated as facilities, with profits returned to consolidated revenue instead of reinvested into aviation infrastructure. To address this, TTF fully endorses the use of long term leases to the private sector for council-owned airports as a means of delivering the aviation infrastructure regional Western Australia needs. This is particularly relevant in cities such as Port Headland.

## **RECOMMENDATIONS**

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- Explore amendments to the Local Government Act to permit greater private sector involvement in regional airports

# Increase the connectivity and liveability of precincts and cities

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Congestion costs in Perth were estimated at \$900 million in 2005, forecasted to reach \$1.6 billion in 2015 and more than \$2 billion in 2020<sup>9</sup>. To preserve Perth's economic productivity, liveability and appeal to visitors, a shift from car travel to public transport must be encouraged. To facilitate this shift, the West Australian government must invest in public transport infrastructure within the metropolitan area and to Perth Airport.

## 1. Improve transport infrastructure

### a. Perth light rail

Perth is expected to experience strong population growth over the next decades. Population forecasts indicate that Perth will reach between 3 and 3.5 million residents by 2031 and between 4.4 and 6.6 million by 2061<sup>10</sup>. As travel demand grows, congestion levels increase and the liveability of the city is threatened.

Transperth patronage (train, bus and ferry services) is growing at an even faster pace with an increase of 63 per cent from 2003-04 to 2013-14<sup>11</sup>. This spectacular increase is in part due to the relatively recent expansions of the rail network.

However, while the travel demand continues to grow, there are limited opportunities to further develop the rail network within 15 kilometres of the CBD. To respond to this challenge, the West Australian government started the planning process for Perth's light rail network (MAX) as an alternative to heavy rail and tunnels.

MAX is Perth's proposed 22 kilometre light rail network that will run from Mirrabooka in the north to the CBD, before splitting into two branches to Victoria Park Transfer Station in the east and to QEII Medical Centre in the west. The proposed route, which links major education, retail and leisure centres is one of Perth's busiest public transport corridors but currently has no mass-capacity transport options. Combined with bus feeder services and integrated land planning, light rail has the potential to support and stimulate Perth's economic and population growths while improving the city's amenity and appeal to visitors.

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<sup>9</sup> Bureau of Infrastructure, Transport and Regional Economics – *Estimating urban traffic and congestion cost trends for Australian cities* (2007).

<sup>10</sup> Australian Bureau of Statistics - Population Projections, Australia, 2012 (base) to 2101.

<sup>11</sup> Transperth Patronage – [www.pta.wa.gov.au](http://www.pta.wa.gov.au)

Following the withdrawal of federal funding for the project, MAX has been deferred with procurement expected to start in 2017 and construction to commence in 2019.

TTF strongly supports the MAX light rail project and recommends the West Australian government to commit to funding the project in its 2015-16 budget.

#### **RECOMMENDATION**

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- Commit to fully fund the construction of MAX light rail and maintain announced timeframes for its construction

### **b. Forrestfield-Airport Rail Link**

Another key transport challenge for Perth is access to Perth Airport. Perth Airport is the fastest growing capital city airport in Australia. Passenger movements through Perth Airport last financial year were 25 per cent higher than expected, with the 2009 Airport Master Plan's projections being reached five years faster than predicted. This underestimation has subsequently led to delays in investment in aviation-related infrastructure and services.

Following the consolidation of Perth Airport terminals and the construction of a business park at the domestic terminal by 2020, Perth Airport will require a dedicated passenger rail line linking to the metropolitan network. Perth Airport has the lowest public transport mode share of any mainland capital. This will place an increasing strain on the surrounding road network as Perth's freight task and passenger air travel is expected to double by 2031. While the Legacy Way upgrade will mitigate the congestion impacts of some of this growth, Perth Airport will inevitably require a direct rail service to serve unprecedented levels of demand.

Scheduled for completion in 2020, the 8.5 kilometres rail link will provide a rail solution that improves transport connectivity to and from Perth Airport, the eastern suburbs and regional centres. Enabling an Airport-to-CBD journey of less than 20 minutes will considerably improve the visitor's experience and prove to be a viable alternative to car travel.

The West Australian government should confirm its commitment to fund the \$2 billion Forrestfield-Airport Rail link and maintain existing timeframes.

#### **RECOMMENDATION**

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- Maintain funding and timeframes for the construction of a rail link between Perth CBD and the airport

# Improving the visitor experience

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Western Australia continues to face increasing domestic and international competition for share of the visitor market. The visitor experience is of critical importance in ensuring visitor satisfaction and encouraging repeat visitation.

## 1. Enhancing the visitor retail experience

### a. Tourist Refund Scheme

Australia's retail offering is a key attraction for international visitors, particularly those from the growing Asian visitor markets. It is also a key part of achieving the yield targets associated with growing overnight visitor expenditure. To increase competitiveness in this area, Australia needs to reform its Tourist Refund Scheme (TRS). The TRS is the program under which departing travellers can claim back either the Goods and Services Tax (GST) or the Wine Equalisation Tax (WET) on purchases.

However the current system, administered by the Australian Customs and Border Protection Service, can be cumbersome and time consuming. This provides a negative impression of Australia to travellers as they depart, making them less likely to recommend Australia to their friends and them less likely to return. There has been significant reform to the TRS process in recent years, notably with the introduction of online claim forms and through a revision of the rules around multiple purchases and the minimum claim amount. TTF believes that opening up the TRS to a private provider would deliver benefits to Australian tourism, including promotion of Australia as a shopping destination in key source markets and an improved visitor experience leading to increased visitor spending. This is the model adopted very successfully by other destinations in our region, such as Singapore, and used in more than 40 countries worldwide.

The administrative costs of Australia's TRS are currently funded by state and territory taxpayers under the GST agreement. In other countries, the scheme operates on a user-pays basis. The Victorian government is leading the proposal to enhance the TRS through the GST administration sub-committee (GSTAS) of the Heads of Treasuries inter-governmental committee. TTF recommends the West Australian government continue to support to the privatisation of TRS administration. This will deliver benefits to visitors, retailers, duty-free operators and the broader West Australian visitor economy.

#### RECOMMENDATION

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- Support, and continue to encourage the federal government to commit to the privatisation of Tourist Refund Scheme (TRS) administration

# Remove regulatory barriers

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## 1. Facilitate the harmonisation of car rental regulation

The rental vehicle industry abides by eight different state and territory regulatory and tax regimes – with only one state recognising rental vehicles within their own regulatory framework. Regulatory guidance and legislative instruments have been created without a clear national policy objective and lack the simplicity and flexibility required for a healthy operating environment. For operators, this has stymied industry growth, hindered product innovation, reduced the efficiency of the workforce, made it difficult to determine the compliance task, created a significant administrative burden, and led to cost inefficiencies. For regulatory agencies, it has fashioned a significant knowledge gap, limited national data on the size, value and economic contribution of the industry, and created cost inefficiencies.

TTF calls for regulatory and tax reform to ensure the industry has a streamlined national framework that allows it to invest in the innovation required to drive the sector forward.

### RECOMMENDATION

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- Engage the federal government to harmonise state and territory taxes and regulation for the rental vehicle sector

## 2. Build on the success of cruise tourism

### a. Amendment to the Coastal Trading Act

Cruise shipping is the fastest growing segment of Australian tourism and Western Australia has been a major beneficiary. In 2013, Western Australian ports, led by Fremantle, Broome and Port Headland, welcomed 73 cruise ships. The cruise shipping sector generated \$41.1 million in direct expenditure<sup>12</sup>.

Growth in the sector has been facilitated by a ministerial exemption from the licensing provisions contained in the Coastal Trading Act issued by the federal government to large cruise ships. This has ensured that cruise shipping is competitive in what a highly contested international market.

However, that exemption has not been extended to the high-value expedition cruise ship market. These smaller traditionally visit remoter ports and coastal locations and Western Australia is an obviously destination for ships in this class. The regulatory hurdles of the Coastal Trading Act have meant that Australia has not been able to secure the benefits of this part of the market despite impressive growth internationally.

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<sup>12</sup> The Contribution of Cruise Tourism to the Australian Economy in 2013 – CLIA Australasia – November 2014.

Regional ports such as Broome, Geraldton, Bunbury and Albany are especially missing out. Bringing international tourists to these regions should be actively supported by both the Western Australian and federal governments.

TTF believes that the federal government's review of the Coastal Trading Act provides an opportunity to either extend the current ministerial exemption to all cruise ships or, as part of broader reforms, lift the licencing requirements of the Act that serve as a deterrent for smaller expedition cruise ships.

The West Australian government should continue to advocate for federal reforms that will encourage growth in the expedition cruise ship market to Australia.

#### **RECOMMENDATION**

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- Engage the federal government to reform the licensing provisions contained in the Coastal Trading Act to support expedition cruise shipping.

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