TTF is a national member-funded CEO forum, advocating the public policy interests of the 200 most prestigious corporations and institutions in the Australian transport, property, tourism & infrastructure sectors.

Tourism & Transport Forum

SUBMISSION TO THE ABS INDUSTRY REVIEW OF STATISTICS

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TTF AUSTRALIA
Tourism & Transport Forum

Introduction

The Tourism & Transport Forum (TTF) is a national, member-based CEO forum, representing the leading corporations and institutions in the tourism, transport and infrastructure sectors.

Tourism is a significant industry and a major contributor to the Australian economy, generating 3.7% of national GDP, 4.7% of total employment and 10.4% of Australia's exports (Tourism Satellite Account, 2005-6). Indeed, the value of tourism exports ($22,350m) is close to the entire value of rural goods ($25,135m), greater than coke, coal and briquettes ($22,021) and only trails metal ores and minerals ($35,219) on export value.

TTF strongly believes that robust and timely national statistics are essential for generating informed policy and outcomes for the tourism industry. The conclusions of the Tourism White Paper (2003) are still timely:

Australia is one of the forerunners in collection and analysis of tourism statistics. As the global tourism market becomes increasingly competitive, quality research and statistics will be crucial in maintaining Australia's competitive edge.

TTF uses ABS data in three ways:

- In policy generation, such as in submissions to federal budgets or to drive legislative changes that would benefit both the tourism industry and the Australian economy.
- In our interaction with our members, in both the public and private sector. (e.g. we provide analyses of Overseas Arrivals and Departures data for some airlines to identify trends in emerging markets).
- In our membership of a number of committees and roundtable groups. For example, we are a member of the Tourism Forecasting Committee and Overseas Arrivals and Departures data are integral to the estimates of future tourist arrivals.

We believe there is a strong case for maintaining at least the status quo in the area of tourism statistics. The Federal Government has shown its commitment to the tourism industry with the development of the National Long Term Tourism Strategy (NLTTS), which will focus on supply side challenges for the sector. ABS' existing tourism and accommodation data will play a major role in the development of this strategy.

The NLTTS Committee, chaired by Margaret Jackson and involving TTF's Managing Director, Christopher Brown, is charged by the Federal Government with developing a strategic plan for tourism over the coming decade. At the very least, it seems prudent to delay a verdict on tourism related data until this committee has returned its findings and announced key directions.

Overview

This submission outlines below the main ABS data collections currently used by TTF and the broader tourism industry. In supporting these collections we make four general points about the nature of tourism and its need for data:

Tourism is an industry that is particularly subject to market failure.

Market failure exists because no single tourism enterprise can hope to realise the full value of its investment in attracting a tourist to the area. A 5 star hotel, for example, while realising the accommodation component of spending, is unlikely to realise the food, beverage, retail and transport components of spending. This creates a *free rider* effect in which organisations under-invest to benefit from the investments of others.

For this reason, without government intervention, the industry will be subject to considerable underinvestment. A broader discussion of these issues is available in Access Economics (1997), which makes the case for generic government destination marketing. We believe a similar case exists for the collection of tourism related national statistics: without bodies like the ABS and Tourism Research Australia (TRA), the industry would not have the ability to invest in these data.

Market failure in tourism can have catastrophic effects on the industry

In our submission to the Infrastructure Australia Audit (TTF, 2008) we explain the tourism supply chain which includes marketing the area to a tourist, flying them to that destination, transporting them to their hotel, accommodating them, feeding them and providing interesting and engaging attractions or events. If any of these distinct stages fails to function properly (e.g. if airlines do not provide sufficient services like during the Pilots' Strike in 1989) then the entire chain is affected.

The availability of national statistics is not only part of this supply chain (i.e. in providing comprehensive information to aid in marketing and investment) but is also a means of measuring the success of the chain itself. For example, we rely heavily on the Survey of Tourist Accommodation to quantify the underinvestment in CBD accommodation and use these data to estimate the additional supply required to meet TFC estimates or State Tourism Organisation targets (e.g. the O'Neill Review in New South Wales).

Tourism is an industry with a substantial 'public good' component

Attracting tourists to regions has benefits which go far beyond those accrued by major tourism operators like airlines or attractions but which spreads economic and employment benefits throughout the community – particularly to regional areas, small businesses, government itself and to enterprises that do not fit the superficial definition of 'tourism operators'. There are also considerable non-economic benefits, including social, educational and artistic.

Tourism is an industry subject to rapid and dramatic change

Tourism is a discretionary spending item which is highly vulnerable to external factors such as general economic wellbeing, interest rates, exchange rates, petrol prices, security and terrorism (e.g. September 11), health scares (e.g. SARs) and weather conditions. For these reasons, continual monitoring is vital to help tourism businesses and government make informed decisions to create an environment conducive to business success.

The current global financial crisis is a perfect example of the need for comprehensive national statistics to understand the impact of the crisis on visitor numbers, visitor expenditure and business profitability. For these reasons, we believe there is a strong case for robust and regular tourism data collections which are well resourced by government.

Key ABS Data Collections

The following section provides comment on a number of specific collections:

Tourism Satellite Account (TSA) – 5249.0

A comprehensive justification of the need for a Tourism Satellite Account is provided in Access Economics (1997) and the arguments provided in that report remain valid today.

Tourism is an unusual and hard to measure industry which does not appear as a conventional industry in ABS data collections. Tourism is unusual because the industry is defined not by the supply side (e.g. by the products or services being offered) but by the demand side (e.g. by the consumer who is making the purchase). To use a common example, a meal purchased in a restaurant by a local is 'not tourism' whereas the same meal sold to an overseas visitor is 'tourism'.

The availability of the Satellite Account allows us to:

- Agree a definition of tourism-related behaviour, thus removing confusion and duplication across the industry;
- Officially define tourism's share of national consumption, GDP, GVA and employment;
- Compare tourism's contribution to other industries within Australia;
- Compare Australian tourism to tourism in other countries; and
- Monitor change in Australian tourism's share of the economy and jobs over time.

The Satellite Account is the only definitive measurement of tourism in the Australian economy. Quite simply, this publication ensures accurate and agreed measures of the economic significance of tourism. The importance of the National Accounts to economic policy is self-evident and we believe the Tourism Satellite Account is a vital subset of this publication.

The Satellite Account is further used by our partners at the Sustainable Tourism Cooperative Research Centre to further model the tourism economy at the sub-national level – so far the States and Territories, but there are also plans to do so at the regional level.

Our Assessment

The loss of the Tourism Satellite Account would be catastrophic for TTF and for the broader tourism industry. It would remove our capacity to define ourselves and to understand growth or contraction of the industry over time. It would severely inhibit our capacity to present data to treasury in a format which is comprehensible and which can compare tourism alongside other industries.

In short, the danger of losing the Satellite Account is of returning to a situation where "when it comes to data about Australian tourism, we really do not know what we are talking about" (Access Economics, 1997, p6).

Survey of Tourist Accommodation (STA) – 8635.0

The STA is a quarterly census of accommodation establishments which has been conducted since 1975.

The STA is used by TTF in two ways:

1. Supply Side Quantification

The significance of tourism infrastructure is the need to supply accommodation to meet the growing demand for tourism and realise the economic benefit to Australia.

Demand for city accommodation, particularly from business travel, has seen occupancy rates in Australia's capital cities reach record levels. Perth had the world's highest city accommodation occupancy rate in 2007, with Brisbane, Melbourne Sydney and Adelaide all in the global top 15. With occupancy rates exceeding 80%, our city accommodation is essentially full from Monday to Thursday.

Across the capital cities, room supply is either declining (as accommodation is converted to residential or commercial use) or growing at a rate well below demand. Room supply growth is well short of the 26.7% increase needed by 2017 to provide 17,200 additional rooms required to accommodate tourism growth in the capital cities.

The STA has been both our means of identifying this critical problem and our principle data source for monitoring the situation over time. Thus the STA has assisted in driving a policy and business environment to alleviate the problem.

2. Demand Side Evaluation

The availability of these data allows us to understand peaks and troughs in accommodation usage and changes to room prices.

The undersupply of CBD accommodation inevitably leads to upward price pressure, reducing the overall competitiveness of Australia as a destination. For example, over the last two years capital city room rate increases range from 6% p.a. in Hobart to 19% p.a. in Perth.

Collections such as the National and International Visitors' Surveys allow us sample survey data to understand some accommodation trends; these samples do not allow the same comprehensive snapshot (including small area data) afforded to us by the STA.

Our Assessment

Inevitably, the Survey of Tourist Accommodation involves a relatively high respondent burden. We recognise that for this reason the collection is likely to come under pressure from (a) reduced scope or (b) reduced frequency.

We specifically canvassed the views of our broader hotel membership and they raised <u>no concerns about the burden of the STA</u>. Rather they expressed considerable support for the availability of independent, transparent and comprehensive data for the sector. One major hotel investor said:

We look at investing in hotels all over the world and one of the things which makes Australia stand out from the rest is the quality and transparency of their government data. You just don't have the same level of confidence in other countries.

Feedback from the Hotel, Motel and Accommodation Association (HMAA), the peak body of the Australian accommodation sector, is that its members do not believe participation to be particularly onerous or unreasonable – indeed they indicate other ABS collections like the Business Indicators' Survey to be more time consuming and intrusive.

Since these hotel owners and operators express their support both as data providers and users, this is powerful evidence for maintaining the current census approach and the quarterly collection period.

From a data comprehensiveness point of view, we also resist the need to reduce the scope of the survey from accommodation providers with 5 or more rooms. Indeed, the exclusion of providers with less than 5 rooms is already an inhibitor of our analysis capacity since it removes our ability to have a comprehensive understanding of all tourist accommodation – especially in areas like the Blue Mountains, which have high numbers of Bed and Breakfasts.

If the ABS did deem it necessary to lift this threshold to (say) 15 room hotels, at the very least, we would expect an annual stock take of small operators to provide regular measures of accommodation capacity.

Overseas Arrivals and Departures (OADs) – 3401.0

Each month TTF conducts an analysis of OAD short term arrival data which is disseminated to our membership. This monthly analysis is one of the most in-demand projects we undertake for our members, providing a rapid and comprehensive picture of inbound and outbound short term movements.

To use a recent example, these data were of critical importance to us in evaluating the importance of World Youth Day and to understand the significant change in passengers that occurred as a result (the change was not simply an increase – there was also a significant displacement effect in which 'standard' passengers were replaced by pilgrims). These data have also been an essential part of the industry's monitoring of the impact of the Global Financial Crisis.

OAD information is also vital as an input variable into secondary analyses: for example it is a critical input variable for the Tourism Forecasting Committee (TFC); it is used to weight the data collected by the International Visitor Survey (IVS), and it is one of the key data collections used to evaluate the impact of major events.

Our Assessment

We cannot imagine any serious changes to the OAD collections given their integral importance to the tourism industry and, more broadly, to the composition of population estimates between censuses and to migration programmes.

However, we would urge the ABS to reconsider, at least in the short term, the cessation of the Estimates data. In hindsight this came at a very bad time for the policy makers trying to devise Government responses to the economic crisis, as well as for the industry.

Survey of Tourism Marketing Expenditure – 8691.0

This infrequent data collection allows the industry to understand marketing expenditure beyond the investment by Tourism Australia and State Tourism Organisations.

This collection is significant because it allows us to understand the non-government component of tourism marketing expenditure in Australia. The issue of marketing expenditure is central to the industry: not least to the work of Tourism Australia, which is responsible for the overseas marketing of Australia. This collection provides a valuable snapshot of non-government investment.

In early 2009, the National Long Term Tourism Strategy Committee made a formal request of the DRET secretariat that it provide information on public and private investment in tourism marketing. This advice was required to assess the current mix of investment and to determine expected levels into the future. The Survey of Tourism Marketing Expenditure is the only known source of this information.

Hire Services – 8567.0

TTF acts as a de facto industry association for the major car rental operators – Thrifty, Hertz, Budget, Avis, Europcar and Britz Maui are all members of TTF.

The rental car industry is vulnerable to the great complexity of rules and regulations surrounding Australia's roads. In many respects, this industry is subject to the very worst aspects of the federation – different registration and licensing systems across States, different road rules and different business taxation and employment systems.

Chapter 4 of Hire Services refers to Motor Vehicles and is the only agreed quantification of the motor vehicle hiring industry.

The contained information allows meaningful discussion with government over the size and nature of the industry, including the complexity of operating across State boundaries.

TTF has a broad agenda on car rental services, including greater consistency across State boundaries, improved arrangements for toll road services and improved taxation benefits for the purchase of fleet. The availability of up to date and regular information is essential to guide these policies and to ensure an appropriate understanding of the implications for government (both in decisions about government revenue and about ramifications across the industry).

It would also greatly add to our understanding of the sector to include more detailed profiling of the industry, such as estimates of reasons for hire: e.g. leisure, business, short term or long term, domestic or international.

Gambling Services – 8684.0

TTF has a number of members directly involved in the operation of Casinos (e.g Tabcorp and Crown Limited).

Again, this publication provides the only agreed industry snapshot. However, it also informs important policy developments. Gambling is, understandably, one of the most highly regulated industries – however the development of the industry is very important to tourism.

With virtually no hotel investment in Sydney since the Olympics, Sydney's stock of tourist accommodation has all but reached capacity mid-week. The additional capacity being developed for Star City is the only 5 star investment in the CBD over the past 10 years. In short, casinos are one of the only areas of the tourism industry generating new supply.

For this reason, a comprehensive understanding of employment levels, change in gambling practices, the mix of gambling operators and the profitability of the industry is essential.

Cultural Tourism Product

As discussed above, tourism requires a comprehensive chain of products and services to transport, accommodate and entertain the tourist. Cultural tourism product has traditionally been regarded as a great driver of tourism numbers but has often not been seen as a commercial entity in itself.

Data presented in the following publications is therefore of great value to us:

Museums – 8560.0
Public Libraries – 8561.0
Commercial Art Galleries – 8651.0
Performing Arts – 8697.0
Attendance at Selected Cultural Venues and Events – 4114.0

We have discussed in some detail the vulnerability of tourism to market failure. These collections provide us with evidence of areas of underinvestment. For example, being able to identify a lack of growth in the performing arts or in attendance at cultural events can suggest that the market is failing to provide growth and opportunities in these sectors.

Accommodation, Cafes and Restaurants

The TSA shows that Accommodation, Cafes and Restaurants constitute the second largest industry (behind transport and storage) grouping within tourism. Therefore the performance of these sectors is essential to understanding the underlying strength of the tourism market.

We therefore have a particular interest in the survey collections Clubs, Pubs, Taverns and Bars (8687.0), Accommodation Services (8695.0) and Cafes and Restaurants (8655.0).

Included in TTF's membership are hotel operators (e.g. Accor, Intercontinental Hotels Group, Westin, Hilton), investors (Colonial First State, Eureka Funds Management, Thakral Holdings), venues and function space operators (Dockside Group, Doltone House, Solotel) and restaurant operators like AIH Group (including 360, Liquidity, Sydney Mint, The Pavilion, Quay, The Observatory Hotel and Otto.)

Again, an appropriate and up to date understanding of the size, complexity and change in these industries is essential to the production of good policy (especially relating to planning legislation like the zoning of land for tourism use).

Other Data Collections

While the outline above shows the main collections that are specific to the tourism industry, we also make the following brief observations about a number of other collections:

Labour Force Survey

We value industry level data concerning key tourism connected industries such as accommodation, cafes and restaurants. Labour force data is a valuable input into the TTF National Employment Atlas which is generated with the assistance of the ABS every two years. The aim of this Atlas is to analyse tourism employment at the level of State or Federal electorate or by Tourism Region. For this reason we would urge the ABS to resist any temptation to reduce the sample size or frequency of the Labour Force Survey as the employment data is already subject to high error at the small area level (e.g. it proved virtually impossible to obtain estimates of employment participation by federal electorate since the census is not an appropriate vehicle).

Census

TTF places a high value on the importance of census data to informed decision making. We encourage the ABS to continue to strive for time efficiencies in the collection and processing of census data to ensure they are available as soon as practicable.

Census data have been used to model tourism employment by federal electorate using the industry field. We have also used the Journey to Work data to identify areas of public transport neglect.

Transport Related Data

Our particular transportation interest outside aviation is in advocacy for greater investment in public transport. To this end, there are limited ABS data collections of relevance since the principle priority for this area lies with the States.

We suggest that there are opportunities to extend the Survey of Motor Vehicle Use to be of greater efficacy by boosting sample size, to allow more granular assessment of geographic areas of high car use and change over time. At the very least, we encourage the ABS to take a leading role in coordinating comprehensive and comparable public transport statistics across the states.

Of course, any transport collection which also contains relevance to tourism is also of the greatest possible relevance and interest to TTF.

Alternative Financing Approaches

We would specifically like to address two possible approaches to funding which we recognise could be considered by the ABS.

User Funding

We resist the imposition of a user pays approach for the preparation of the above collections and publication (for many of the reasons identified by Access Economics, 1997):

- The producers of the various elements that make up the tourism industry cannot be clearly or completely defined. Some of the larger operators may be obvious, however levying these larger operators will only intensify the inequity and 'free rider' problem.
- Even where operators can be identified, assessing the proportion of their business attributable to tourism is very difficult.
- Many operators, even if they could be identified, are so small and operate on such low margins that they are likely to resist any imposition of a fee.
- The primary beneficiaries of these publications are not individual operators (at least not directly). Rather, the benefit extends to the industry collectively and to the Australian economy as a whole.
- The non-economic benefits of tourism are considerable and go far beyond the operators of 'tourism' businesses.

Of course, it also goes without saying that 2009 would be a terrible time to introduce a further financial burden on an industry which is particularly susceptible to the global economic slowdown.

Shifting Burden to Tourism Research Australia (TRA)

We also strongly resist the notion that the existence of Tourism Research Australia means that the tourism industry is already well resourced for tourism statistics.

While we are strong supporters of TRA and highly commend the standard and scope of their work, we do not believe that any of the above collections should be devolved to TRA or abolished due to perceived overlap with TRA.

In short:

- Each of the publications above serves a particular need beyond the remit of TRA.
- These collections either require access to specific data, knowledge or authority which can only be provided by the national statistical agency.
- TRA already has a substantial project program including (but not limited to) the National Visitor Survey, International Visitor Survey, destination based surveys and Tourism Forecasting Committee modelling.

In Summary

TTF is a strong supporter of the ABS and the need for a robust and well supported statistical program. While the temptation to reduce sample size, scope and frequency of collections will always exist, we urge the ABS and the government not to sacrifice the overall quality of the program in the name of relatively minor financial savings. We particularly urge ABS to consider the outcome of the National Tourism Strategy before making dramatic changes to the scope of collections.

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