



DRIVING TOURISM DEMAND

LAYING THE FOUNDATIONS FOR A PROFITABLE FUTURE

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EXECUTIVE SUMMARY

There is perhaps no other business sector in Australia as vulnerable to external shocks as tourism. Other sectors that are susceptible to external influences, such as the agricultural or car manufacturing sectors, benefit from substantial government support or protection. Exchange rate fluctuations, weather variables (including droughts and floods), oil price fluctuations and issues of global security and biosecurity all have the potential to threaten the livelihood of the nearly 500,000 people directly employed in Australia's \$85 billion tourism industry. Many tourism businesses are doing it tough, and there is, unfortunately, no sign of respite in the immediate future. The Tourism Forecasting Committee has significantly downgraded its forecasts for the domestic and inbound markets, while outbound forecasts show that in coming years the number of Australians travelling overseas will outstrip the number of international visitors arriving here – meaning that Australia is fast becoming a net importer of tourism.

It is no secret that the industry is reeling from the impacts of escalating fuel prices and a strong Australian dollar – but these are external influences that the industry itself cannot control. However, Tourism & Transport Forum (TTF) – in its landmark *Project X* report - released earlier this year, identified a number of impediments to tourism growth that the Federal Government and the tourism industry can address together. These issues must be tackled now to ensure that tourism remains a major contributor to Australia's economy, productivity, employment and global reputation.

Australian tourism has received international accolades for the range and attractiveness of its products. However, there is a considerable risk that, without increased investment in the sector, its capacity to deliver the quality of service expected will be compromised severely.

The National Tourism Investment Strategy (NTIS) Consultative Group, which handed down its report *Investing in our Future* in March 2006, identified

a number of areas of opportunity for reform and change, as well as bottlenecks that could prevent the industry taking full advantage of expected growth over the next decade.

The report found that a history of low rates of return, the cyclical and seasonal nature of tourism, complexities dealing with multi-level government approval processes and the lack of a coherent vision has led to sub-optimal development within the tourism sector. Over the past 15 years, tourism return on investment has averaged 11.8 per cent compared to 14.9 per cent for all industries. The previous Federal Government's response to the report released in January 2007 failed to address many of the issues and challenges raised by the Consultative Group.

TTF believes that a number of the issues raised by the NTIS continue to be a barrier to investment and innovation in the tourism industry and an obstacle to its export capabilities, and that these issues should be addressed in the National Long Term Tourism Strategy currently under development.

In this paper, TTF recommends a series of regulatory reforms, program enhancements and new initiatives to address issues raised by a range of papers, including the NTIS, the National Tourism Emerging Markets Strategy (NTEMS) and the Parliamentary Economics Committee's *Servicing our Future* report – issues that are hampering investment in the tourism sector and/or Australia's tourism export potential. The list set out here is not exhaustive; *Project X* highlights a number of other impediments to growth. TTF will ensure that these issues are also addressed during the development of the National Long Term Tourism Strategy.

The Federal Government has made a commitment to responsible economic management, recognising that Australia is operating in a challenging economic environment and must practice fiscal restraint, particularly with regard to government spending. However, responsible economic management should also mean investment in sectors that will deliver a strong return in terms of employment, exports and productivity. As Prime Minister Kevin Rudd acknowledged in his pre-election speech at TTF's Infrastructure, Transport and Tourism Industry Luncheon last year, the success of the national economy will increasingly depend on the performance of the tourism and infrastructure sectors, especially in a post-resources boom scenario.

The tourism industry, the Federal Government and state and territory governments have an important opportunity, through the National Long Term Tourism Strategy and through cooperative federalism, to lay the foundations for the future success and profitability of Australian tourism. Industry is looking to the Federal Government for leadership in creating an environment conducive to business growth, attracting private sector investment, fostering a culture of innovation among tourism businesses and providing jobs for the future. Only once this framework has been established can tourism businesses step up to the plate.

This paper focuses on three themes:

- Creating a business environment to increase productivity;
- Boosting competitiveness and service exports growth; and
- Enhancing Australia's reputation and building a country brand.

These topics have been chosen on the basis of interest to a wide range of TTF Members attending the Summit. It will also be important for these issues to be addressed as part of the National Long Term Tourism Strategy.

Under the main themes, the paper recommends:

- The introduction of tax averaging for rural and remote tourism operators;
- Revision of the Export Market Development Program;
- The development of a national Cultural Tourism Action Plan; and
- The establishment of a Brand Australia Council.

TTF is a national member funded CEO forum advocating the public policy interests of the 200 most prestigious corporations and institutions. TTF represents the most significant organisations and institutions in Australian tourism, transport, aviation and investment sector.

KEY ASKS

1. Key Ask -

The Hon Martin Ferguson AM MP, Minister for Energy & Resources;
Minister for Tourism

TTF calls on the Minister to:

- 1. Take a lead role with the Prime Minister to establish a Brand Australia Council;**
- 2. Take a lead role in working with the Treasurer to investigate taxation measures that are hindering the development of the Australian tourism industry including tax averaging, depreciation of fixtures/fittings and payroll tax, particularly in light of the tax review; and**
- 3. Work with the Minister for Trade to ensure tourism businesses are able to access the Export Market Development Grant program.**

1. CREATING A BUSINESS ENVIRONMENT TO BOOST PRODUCTIVITY

Riding the tourism highs and lows

The performance of the tourism industry and individual businesses within it fluctuates from year to year, according to a range of external factors. In 2007, for example, domestic tourism in rural and regional areas contributed \$34 billion to the Australian economy (14.5% more in regional Australia than in city centres), accounting for 53.4% of all domestic tourist expenditure in Australia.

DOMESTIC TOURIST EXPENDITURE IN CITY AND REGIONAL AREAS

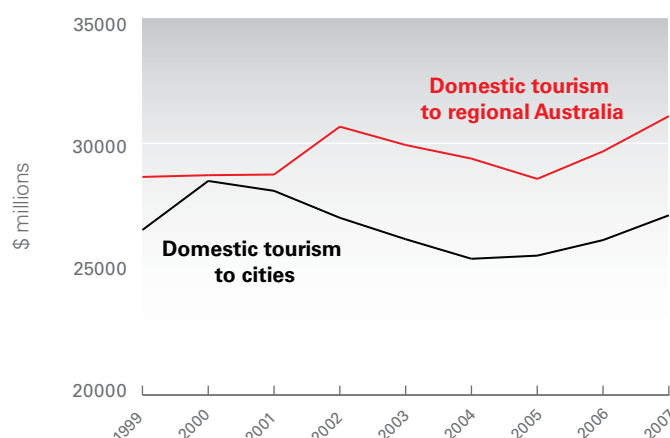


Table 1: Domestic tourism expenditure in city and regional areas, Tourism Research Australia, Travel by Australians time series data.

There have been significant fluctuations in tourism performance from year to year. For example, 2002 was quite a strong year, while 2005 was a particularly bad year, as shown in Table 1. During the period from 2002 to 2005, regional areas fared worse than cities. Capital cities experienced a decline in total tourist expenditure of 4.98%, while regional areas suffered a 6.32% decline (over \$2 billion) in expenditure. However, this figure is an average. For many, particularly smaller, businesses in regional areas, the decline in tourism expenditure had a much greater impact on profitability.

Government assistance for tourism

Tourism is essentially a self-reliant industry, built largely with private capital. Government assistance is directed primarily toward tourism promotion and driving demand; in other words, attracting tourists to Australia or to specific regions. The Productivity Commission notes that this form of assistance is different from that allocated to most other industries, where support is via tax concessions, subsidies, R&D grants or tariff protection. The Productivity Commission has calculated that when industry policy related tax measures are deducted from direct budget outlays, the 'net subsidy equivalent' granted to tourism by the Australian Government is estimated at an average of \$145 million per annum¹.

When compared to other industries, net assistance to tourism is relatively low. For instance, manufacturing receives a net subsidy equivalent of \$5.4 billion and primary production receives \$1.18 billion. Tourism compares favourably where the subsidy equivalent is compared to gross value added. The net subsidy equivalent is 1.4% of tourism gross value added, while manufacturing is 7.0% and primary production is 4.9%².

It is TTF's view that this measure, albeit low, is overstated, as the Productivity Commission took a far narrower definition of tourism as its base. That is, the 'net subsidy equivalent' would be a much lower figure if a larger gross value added figure was used.

Additionally, the tourism industry receives relatively little government assistance in "down times". Tourism industry "down times" can range from a season of low snow falls or excessive rain to major international incidents, such as the September 11, 2001 terrorist attacks.

Following the September 11 attacks and the collapse of Ansett Airlines, a Tourism Industry Working Group was established to assess the impact of these events on tourism. The group

¹ Productivity Commission (2005) Assistance in Tourism: Exploratory Estimates, p. 78.
² Productivity Commission (2005) Assistance in Tourism: Exploratory Estimates, p. 79

predicted that the economic effect would be significant and foreshadowed an expected loss of 0.6% of GDP for the December 2001 quarter – which would have meant a \$1 billion loss to the Australian economy.

In response to the group's recommendation of Federal Government assistance, the then Federal Government announced a \$20 million assistance package, with a \$15 million focus on assisting small businesses to honour components of Ansett's holiday packages³. When compared with the agriculture industry, to which \$500 million was provided in drought assistance through to the financial year ending June 2004⁴, owing to exceptional circumstances, the \$20 million provided to the tourism industry was relatively small.

The tourism industry can be defined as seasonal, dependent on external and uncontrollable factors and, to an extent, vulnerable. This vulnerability, or the perception of it, can inhibit investment. There is no structural safety net that might give confidence to investors, and the industry has had to weather shocks on its own. It is difficult for tourism operators to recover from a 'bad season'; there is plenty of down-side risk, but very little up-side incentive.

Governments could give greater certainty to potential investors by introducing mechanisms through which safety nets or modified tax arrangements, such as tax averaging, would offset shocks or down times.

Tax averaging for rural and remote tourism operators

Tax averaging enables individuals to even out income and tax payable over a maximum of five years, to allow for good and bad years. This ensures that they do not pay more tax over a number of years than taxpayers on comparable

but steady incomes.

When average income is less than taxable income (excluding capital gains), the individual receives an averaging tax offset. When average income is more than taxable income (excluding any capital gains), the individual must pay extra income tax on the averaging component of his or her basis taxable income, in the form of a surcharge.

The amount of the averaging tax offset or extra income tax is calculated automatically.

The NTIS recommended that "the Australian Government introduce tax averaging arrangements for rural and remote tourism operators, similar to arrangements available to primary producers, to ensure the tax paid by these operators is comparable to tax paid by those on similar but regular incomes"⁵.

The same recommendation was made by the Standing Committee on Employment, Workplace Relations and Workforces Participation when it handed down its report *Current Vacancies: Workforce challenges facing the Australian tourism sector*.

Seasonal work often involves extended hours in peak periods, followed by long down times. The introduction of tax averaging would offer both employers and employees greater flexibility, and would encourage business growth and employee retention.

Tax averaging for the agricultural sector - a comparison

The first Royal Commission into taxation in 1920 recommended the introduction of a five-year tax averaging arrangement for primary producers, whereby they paid tax on their income at an average rate of tax, in response to losses relating to bad weather conditions. This system continues to be available to primary producers today.

3 Productivity Commission (2005) Assistance in Tourism: Exploratory Estimates, p. 79.

4 Department of Industry, Tourism and Resources (2002), Annual Report 2001-02.

5 Australian Government Response to the National Tourism Investment Strategy, Department of Industry, Tourism and Resources, January 2007, pg 48.

As in the tourism sector, fluctuating prices, rising costs and drought all have a major impact on farm performance.

Both state and Federal Governments have announced a raft of measures to safeguard primary producers, including income support and subsidies, yet no comparable measures have been introduced for tourism businesses. This means tourism businesses are disadvantaged compared to other sectors subject to similar external impacts.

Recommendations

- The Federal Government introduce tax averaging arrangements for rural and remote tourism operators, similar to arrangements available to primary producers, to ensure the tax paid by these operators is comparable to tax paid by those on similar but regular incomes.
- The Department of Resources, Energy and Tourism form a joint committee with Treasury and the Australian Taxation Office to investigate taxation measures that are hindering the development of the Australian tourism industry including tax averaging, depreciation of fixtures and fittings and payroll tax.



2. BOOSTING COMPETITIVENESS AND SERVICE EXPORTS GROWTH

The importance of tourism as an export industry

Tourism is the second largest export earning sector in Australia, behind metal ores and minerals⁶. In 2006/07, tourism's export earnings increased by 9.8% to contribute \$22.4 billion to the Australian economy. Tourism now represents 10.4% of total exports of goods and services from Australia⁷.

Tourism contributed \$38.9 billion or 3.7% to Australia's total Gross Domestic Product (GDP) in 2006-07, including \$32.3 billion in Gross Value Added (GVA) – an increase of 7.9%, representing the highest rate of growth since 1998-99. In GVA terms, the tourism industry has a greater value within the Australian economy than electricity, gas and water (\$22.2 billion), agriculture, fishing and forestry (\$22.3 billion) and communication services (\$24.4 billion)⁸.

TOURISM'S SHARE OF NATIONAL GVA & GDP

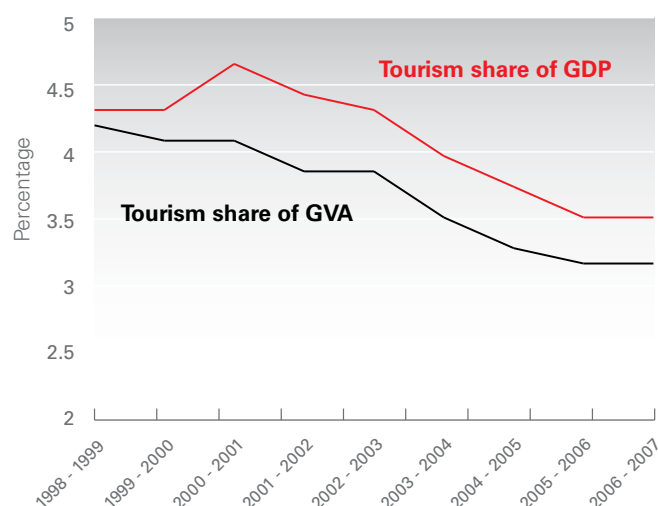


Table 2: Tourism's share of national GVA and GDP, ABS Cat.No. 5249.0, Tourism Satellite Account, 2006-07

International visitor expenditure continues to grow, increasing by 7.0% in 2007 to reach \$14.6 billion (excluding package expenditure). Emerging markets such as India and China were among the most

improved markets by expenditure in 2007, recording growth of 42.7% and 24.8% respectively⁹.

Australia's declining tourism export market performance

In 2005/06, for the first time since the early 1980s, Australia became an importer of tourism services, with Australians going overseas spending more money than visitors to the country (\$20.5 billion compared with \$20.3 billion).

This situation was reversed in the calendar year 2007, during which tourism exports again exceeded imports, as shown in Table 3. However, the gap between inbound expenditure and outbound expenditure is increasingly narrow, with outbound consumption set to outstrip inbound consumption again within the next few years.

TOURISM IMPORTS V EXPORTS

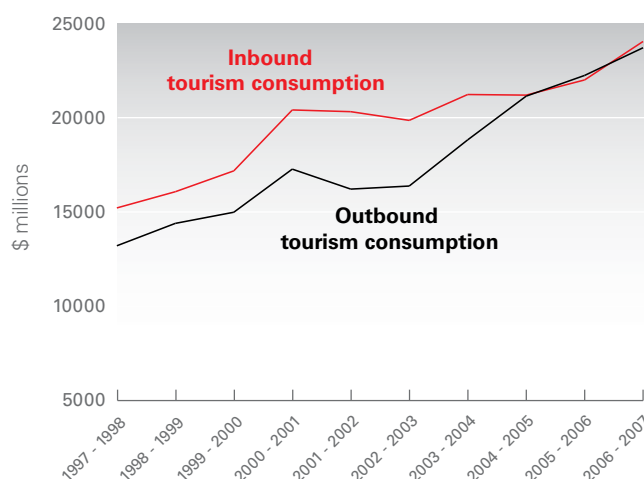


Table 3: Tourism imports vs exports, ABS Cat. No. 5249.0, Tourism Satellite Account, 2006-07

Correspondingly, tourism's share of GDP and GVA has deteriorated since the 2000 Sydney Olympic Games, with the industry's share of GDP remaining static at 3.7% in 2006-07, down from the peak of 4.7% recorded during the Olympics¹⁰.

6 ABS Cat. No. 5368.0 - International Trade in Goods & Services 2006/07 and ABS Cat. No. 5249.0, Tourism Satellite Account, 2006-07

7 ABS Cat. No. 5249.0, Tourism Satellite Account, 2006-07

8 ABS Cat. No. 5249.0, Tourism Satellite Account, 2006-07 and 5204.0 - Australian System of National Accounts, 2006-07

9 International Visitors Survey, December 2007

10 ABS Cat. No. 5249.0, Tourism Satellite Account, 2006-07

Australia's international competitiveness is also declining. Since 2000, Australia's share of world international arrivals has declined by 12%, as shown in Table 4. During this period, world arrivals grew by 32%, while arrivals in Australia only grew by 14%¹¹. Alarming, international holiday visitors to Australia have remained flat since 2000, with minimal growth of only 0.35 percent.

AUSTRALIA'S SHARE OF WORLD ARRIVALS

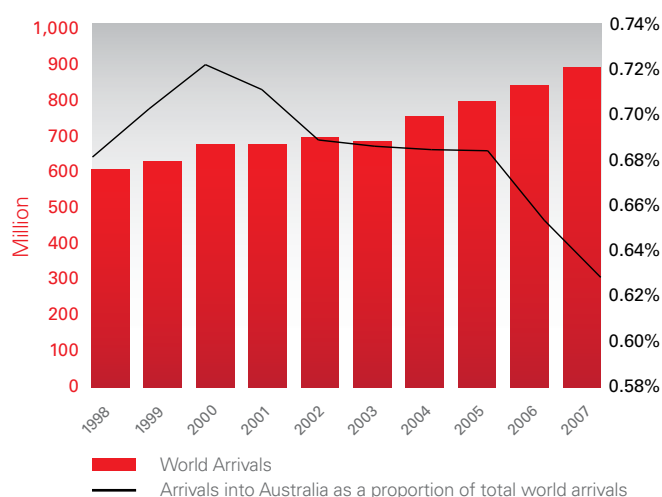


Table 4: Australia's share of world arrivals, UNWTO Barometer Statistics, 1998-2007 and ABS Cat. No. 3401.0 - Overseas Arrivals and Departures, Australia

Despite Australian tourism's sluggish performance over the past seven years, the industry has a real opportunity to mount a recovery. Australia is located in the region forecast to see the biggest increase in international arrivals over the next 10 years. The UNWTO predicts that inbound tourism to the East Asia and Pacific region will experience a growth rate of 6.5% per annum and will increase its total share of the world market from 14.4% to 25.4% by 2020¹². Australia must position itself to take advantage of this growth: the cost of inaction will be significant.

The Export Market Development Grant Scheme

The Export Market Development Grant (EMDG) Scheme is a critical program that encourages export promotion and improves the sustainability and export-readiness of small and medium sized enterprises.

The EMDG scheme assists tourism service providers, inbound tourism operators and event promoters by reimbursing some of the costs incurred by international marketing activities. Expenses such as overseas marketing visits, familiarisation trips, attendance at trade fairs, website costs, market research and promotional literature are eligible under the scheme.

Furthermore, the EMDG is also used to support the Trade Mission activities of new market entrants and tourism-related associations in areas where there is not an active federal or state tourism agency presence. This function of the EMDG is particularly important for emerging markets where distribution networks and trade relationships are yet to be established.

Business event operators, particularly the state-based convention bureaux, rely on the scheme to alleviate the costs incurred in attracting large business events to Australia.

Changes required for the EMDG to better assist the tourism sector

The Federal Government is currently undertaking a review of Australia's Export Policies and Programs.

The review, being carried out by Mr David Mortimer AO together with Dr John Edwards, is tasked with assessing Australia's export and investment performance. It will make recommendations on future policies and programs to promote exports and investment flows, develop export capacity and enhance Australia's international competitiveness.

¹¹ UNWTO Barometer Statistics, 1998-2007

¹² UNWTO Tourism Highlights 2007 Edition

TTF is concerned that the gradual reduction in the maximum grant threshold under the EMDG to \$150,000 has eroded opportunities for export growth, at a time when tourism exports are under considerable economic pressure¹³.

The proposed cuts to second tranche payments under the EMDG would have specific impacts on the businesses that apply for these grants – especially in the high-yielding business events sector, which includes business meeting, convention, incentives and exhibition organisers.

Reducing the expected payment for businesses that have applied for grant assistance of more than \$70,000 to 10-15% of their provisional entitlement would have a further impact on the business events sector.

Operators are required under the rules of the grant to pre-commit funding and marketing activities and, once the grant is received, it is fed back into future projects.

Limiting the expected second tranche grant would restrict applicants' ability to continue marketing Australia to international buyers. Lower than expected grants would result in operators reallocating current marketing funds to address shortfalls, which would in turn result in the less effective promotion of Australia as a desirable destination.

TTF understands the fiscal constraints faced by the Federal Government and is cognisant of the need to prioritise budget expenditure. Should the committed funds be unavailable for allocation to the EMDG, TTF recommends that the eligibility criteria for the scheme be reviewed to determine priority cases for funding.

TTF Recommendations

- The EMDG should remain open to tourism-related businesses to maintain a presence in existing markets and to fund the Trade Mission activities of new entrants in emerging markets.
- Second tranche payments for the EMDG scheme should be maintained at existing levels or, alternatively, priority criteria for funding should be developed.
- The grant threshold for larger payments should be increased to \$200,000 in consideration of the outlays experienced by business events participants in attracting international delegations to the country.

¹³ The Parliament of the Commonwealth of Australia, *Servicing our Future: Inquiry into the current and future directions of Australia's services export sector*, May 2007 Canberra, p47

3. ENHANCING AUSTRALIA'S REPUTATION AND BUILDING A COUNTRY BRAND

The development of a National Cultural Tourism Action Plan

A healthy, vibrant and distinctive Australian culture is crucial to both tourism and Australia's overall image – a fact acknowledged by the National Tourism Investment Strategy (NTIS). Cultural tourism is an increasingly important sector of the tourism industry, having experienced an annual rate of growth of 4% from 1999-2006¹⁵.

Approximately 2.7 million international cultural visitors travelled to Australia in 2007, spending a total of \$9.6 billion – an increase of 7% on 2006 figures. Domestically, overnight visitors spent a total of \$10.4 billion on cultural and heritage experiences¹⁶.

Domestic and international cultural visitors stay longer at their destination and spend more than the average traveller. International cultural and heritage visitors spend over \$3,500 per person while in Australia, more than five times as much as domestic overnight visitors¹⁷.

There is a strong case for bringing cultural tourism to the forefront of Australian tourism's strategic agenda, given that the sector not only offers economic benefits in terms of increased visitation, but also plays a significant role in strengthening Australia's social fabric and global reputation.

Challenges for the cultural tourism sector

Consumers are moving away from mass tourism experiences in favour of experiential tourism. This has, in turn, increased tourists' interest in arts and culture¹⁸.

According to the World Tourism Organisation, cultural tourism accounts for 37% of world travel and is growing at a rate of 15% a year¹⁹. The number of international visitors to Australia who attended festivals, fairs and cultural events increased by 4.5% in 2007 to reach almost 500,000, and those visitors spent \$3.2 billion while in Australia.



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¹⁵ Cultural & Heritage Tourism in Australia, Tourism Australia, 2006

¹⁶ International & National Visitors Survey, Tourism Research Australia, June 2007

¹⁷ Cultural & Heritage Tourism in Australia, Tourism Australia, 2006

¹⁸ Victoria's Arts, Theatre, & Cultural Heritage Plan 2002-2006, Tourism Victoria

¹⁹ Journey Further: An Arts & Cultural Tourism Strategy for Western Australia, Tourism Western Australia 2004-2008

However, it has proved difficult for the industry to articulate a clear vision for cultural tourism, for a number of reasons. The lack of a clear definition of cultural tourism and the segregated nature of the cultural product available has resulted in a fragmented approach to development and promotion.

Defining cultural tourism

Despite Australia having a rich variety of heritage, indigenous and natural tourism attractions, there is still no nationally recognised definition of cultural tourism in Australia. As a result, the appropriate promotion and interpretation of cultural tourism has been left open to debate.

Individual states have outperformed the Commonwealth in recognising the significance of cultural tourism. States such as Victoria, Queensland and Western Australia, and regional centres such as Parramatta, have developed cultural tourism plans to guide the development of the sector.

Consistent with the World Tourism Organisation's definition, and in keeping with the definitions adopted by Tourism Research Australia and the Department of Communications, Information Technology and the Arts, cultural tourism is defined according to visitors' attendance at one or more of the following cultural attractions²⁰:

- Festivals or fairs (music, dance, comedy, visual, arts, multi-arts and heritage);
- Performing arts or concerts (theatre, opera, ballet, and classical and contemporary music);
- Museums or art galleries;
- Historic or heritage buildings, sites, monuments;
- Art or craft workshops or studios; and
- Aboriginal sites and cultural displays.

To use an international example, the Canadian city of Saskatoon, in its *Cultural Tourism & Marketing Strategy*, defines cultural tourism as:

Tourism motivated wholly or in part by interest in the historical, artistic or lifestyle/heritage offering of the tourism destination, be it a community, region, group or institution.

Cultural tourism product is defined as:

Events such as a performance or exhibition, places such as heritage facility or gallery, and commercial products such as craft, paintings, sculpture, recordings, film, books etc.

Australia needs a clear national definition of cultural tourism to provide a foundation for the strategic development of the sector.

Australia's cultural tourism offerings and 'Brand Australia'

Australia has a rich history comparable to that of the most popular tourism destinations in Europe – particularly in terms its 40,000+ year-old Indigenous culture. From the Australian War Memorial in Canberra to Uluru in the Northern Territory and the convict settlements in Tasmania, Australia offers a range of destinations steeped in cultural history.

However, Australia trails European countries in its ability to integrate its cultural heritage into mainstream society, and therefore into its tourism offering.

Market research suggests that visitors from our core markets are disappointed with the tourism product currently available in Australia. Travellers are no longer satisfied with just 'flagship' attractions that can be viewed on a single tour. A holistic approach to tourism development and promotion is needed, bringing together both flagship attractions and the cultural heritage behind them.

²⁰ Occasional paper No.27 Cultural Tourism in Australia: Characteristics and motivations, 1998 pg 5-7

Encouraging collaboration among industry bodies and tourism providers

Both the tourism and cultural sectors are characterised by a large number of small businesses, working largely in isolation from one another. As a result, stakeholders are unclear as to who is, or should be, responsible for cultural tourism development in Australia. The lack of a coordinating body inhibits information sharing and development. Investment is required to consolidate Australia's cultural tourism product under a single banner, and to incorporate cultural tourism into the promotion of 'Brand Australia'.

TTF recommends that an advisory committee be formed, led by the Department of Resources, Energy and Tourism and Tourism Australia in conjunction with the Department of the Environment, Heritage and the Arts, to encourage greater working networks between tourism and cultural stakeholders. The committee would operate in a similar way to the National Tourism and Aviation Advisory Committee (NTAAC).

This single body would be responsible for identifying and defining market-ready cultural heritage products (events, attractions and facilities) likely to appeal to tourists. It would also look at ways to integrate existing cultural programs with tourism promotions, as part of a strategic action plan.

Recommendation

- A Cultural Tourism Advisory Committee should be established by the Department of Energy, Resources and Tourism and Tourism Australia, in conjunction with the Department of Environment, Heritage and the Arts, to develop and implement a National Cultural Tourism Action Plan.

The establishment of a 'Brand Australia Council'

Whether or not we like to think of it in these terms, Australia is a brand, perceived in terms of a series of positive and negative attributes. The activities and actions of our government, companies and citizens contribute to the development of that brand – either strengthening or weakening it.

One of the Federal Government's core interests is in establishing a good reputation for (and perception of) Australia in the world, thus boosting exports and attracting investment. This, in effect, is brand management. The performance of the Australian brand is pivotal in helping the Government achieve its economic and investment objectives.

In general, most countries do not strategically or proactively use their brands to unify their marketing resources (tourism, trade, foreign affairs, film and so on), and there is an over-reliance on tourism to project a country's image.

Very few countries around the world have an agency dedicated to managing national brand across government departments, and there is little or no brand image consistency across communication types. This absence of consistency is unheard of in the corporate world, where companies go to great lengths to ensure the streamlined communication of brand messages.

The brand valuation consultancy Brand Finance produces annual rankings of corporate brands. Its highest ranked corporate brand is Coca Cola, which it values at close to \$50 billion. It also ranks country brands, with the highest ranked country brand being the USA, valued at approximately \$18,000 billion. Australia ranks ninth, at over \$800 billion. By this measure, 'Brand Australia' is many times more potent than the Coca Cola brand.

Given the economic strength of Australia's country brand, and its impact on the country's economic and financial well being, it seems obvious that Australia should put as much resources into developing, communicating and adding value to its brand as do major private sector companies.

TTF believes that the creation of a Brand Australia Council would contribute greatly to the more effective management of Australia's country brand in international markets.

The overall purpose of the Brand Australia Council (BAC)

The BAC should oversee and guide:

- The establishment of an Australian brand that positions the country in terms of its investment and credit worthiness, exports, tourism and other sectors.
- The establishment of an integrated approach within government and the private sector to the international marketing of the Australian brand.
- Building support for the brand within Australia. In this the BAC would seek the cooperation of government departments, public entities, the private sector and non-governmental organisations.

Possible governance and composition of the Brand Australia Council

TTF believes that for a Brand Australia Council to be effective, it must rest within the Department of the Prime Minister and Cabinet, to ensure a whole-of-government approach.

It is also critical that the BAC gains endorsement from both the public and private sectors. TTF recommends the following composition.

Permanent Members

1. Chair
2. CEO, Tourism Australia
3. CEO, Austrade
4. Departmental Secretary, Department of Foreign Affairs and Trade
5. CEO, Brand Australia Council (managing a small, commercially oriented, secretariat)

Rotating Members

6. A sports body (e.g. Australian Olympic Committee, Australian Rugby Union)
7. An education body (ie. Education Australia or the VC's Committee)
8. An arts organisation (e.g. Australia Council for the Arts, Screen Australia)
9. An internationally traded corporation (e.g. Foster's, Billabong, RM Williams)

Recommendation

- A Brand Australia Council be established, reporting to the Department of the Prime Minister and Cabinet.

CONCLUSION

The tourism industry – Australia’s biggest services export sector – is in for a bumpy ride. While the industry itself cannot affect external influencers, such as escalating fuel prices and a strong Australian dollar, it can work with the Federal Government to address internal impediments to growth.

However, before industry can step up to the plate, the Federal Government must set and dictate policy that enables it to take on a leadership role. It must review current policies that disadvantage the tourism sector compared to other sectors, and create a more level playing field. A long term National Long Term Tourism Strategy, with measurable outcomes that are accountable against delivery, is the only way to achieve this.

The Australian tourism industry and the Federal, state and territory governments have an important opportunity, through the National Long Term Tourism Strategy and through cooperative federalism, to lay the foundations for the industry’s future success and profitability.

This paper explores some of the solutions to the challenges facing the tourism industry, within a broader Federal Government policy framework, with a focus on:

- Creating a business environment to increase productivity;
- Boosting competitiveness and service exports growth; and
- Enhancing Australia’s global reputation and building an Australian country brand.

As the leading advocacy voice for Australia’s tourism industry, TTF is committed to achieving these objectives in partnership with the Federal Government.



