



Tourism & Transport Forum (TTF)

SUBMISSION TO THE

NSW Industry Action Plan: Tourism & Events

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TOURISM & TRANSPORT FORUM

The Tourism & Transport Forum (TTF) is a national, member-funded CEO forum, advocating the public policy interests of the 200 most prestigious corporations and institutions in the Australian tourism, transport, aviation, and investment sectors.

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CONTENTS

EXECUTIVE SUMMARY	4
TTF RECOMMENDATIONS TO THE VISITOR ECONOMY TASKFORCE	5
SIGNIFICANCE OF THE NSW VISITOR ECONOMY	8
CREATING DEMAND DRIVERS	9
Destination NSW funding	9
Facilitating business events	9
INVESTING IN CRITICAL INFRASTRUCTURE	11
A two precinct approach: Upgrade to Sydney Olympic Park	11
Light rail	11
Cruise shipping infrastructure	12
ENSURING SUFFICIENT SUPPLY	13
Addressing accommodation capacity constraints	13
Review state-based taxes to assist hotel operators	15
Increasing aviation capacity	18
REVITALISING NSW'S TOURISM PRODUCT OFFERING	21
Identifying the state's iconic natural experiences	21
Developing 'must-do' attractions	23
Improving the transport visitor experience	25
Facilitating indigenous tourism experiences	27
World-class shopping and hospitality experiences	27

EXECUTIVE SUMMARY

The Tourism & Transport Forum (TTF) welcomes the opportunity to provide input to the Visitor Economy Taskforce to inform the New South Wales Government's Tourism and Events Industry Action Plan. TTF commends the NSW Government for its renewed focus on tourism and events and recognition of this critical industry sector.

TTF is a national not-for-profit CEO forum representing the leading corporations and institutions in the Australian tourism, transport, aviation and investment sectors. TTF develops and advocates industry policy for the sustainable long-term growth of Australian tourism.

The government's *NSW 2021: A plan to make NSW number one* sets ambitious targets for economic development and reform in the state, including doubling overnight visitor expenditure by 2020. TTF believes that achieving this target will require a whole-of-government approach with a focus on three key areas:

- Creating demand drivers;
- Investing in critical visitor infrastructure; and
- Addressing capacity constraints on tourism supply.

There has been significant progress in many areas since the election, key among them the delivery of an Expressions of Interest process for the Sydney International Convention, Exhibition and Entertainment precinct. TTF believes this is the most vital single project for fostering growth in the visitor economy and offers great opportunities to increase visitation and tourism expenditure in the state. This is provided the government's investment is accompanied by measures to further stimulate demand through marketing and attracting events, and sufficient accommodation supply and aviation capacity are ensured to cater for that additional visitation.

Prioritising our industry development needs through the Visitor Economy Taskforce will help to get things moving again. TTF has set out its recommendations for priority action in the following section of this submission, and then provides further detail and comment regarding other tourism product and transportation needs for NSW. Many of these recommendations can be implemented relatively quickly and at little or no upfront cost to government. Of those with a fiscal impact, TTF believes that any cost will be rewarded through additional tourism demand, which will drive economic activity and support employment state-wide.

TTF RECOMMENDATIONS TO THE VISITOR ECONOMY TASKFORCE

CREATING DEMAND DRIVERS

Destination NSW funding

- Increase funding for Destination NSW to \$160 million in forward estimates to deliver tourism marketing and major event campaigns.

Business Events Sydney funding

- Increase funding for Business Events Sydney to \$8.5 million to support international event bids required to fill expanded facilities at Darling Harbour in 2016.
- The Department of Premier and Cabinet should coordinate a whole-of-government approach to help secure support from relevant ministerial portfolios and government agencies necessary to mount successful international event bids.

INVEST IN CRITICAL INFRASTRUCTURE

Upgrades to Sydney Olympic Park

- Commit to a timeline to expand facilities at Sydney Olympic Park.

Light rail

- Expand the CBD light rail network integrating key attractions and precincts in the Sydney CBD.

Cruise Shipping

- The NSW Government should continue to work with cruise ship operators and the Royal Australian Navy to put in place a passenger management plan to minimise the impact of cruise ships berthing at Garden Island.

ENSURING SUFFICIENT SUPPLY

Accommodation capacity constraints

- Complete a detailed supply and demand study to determine exactly how many hotel rooms are required by 2020 at a level that can accommodate proposed growth, and still ensure stable occupancy levels for existing hotel operators;
- Identify government-owned land and sites that may be suitable for hotel development including heritage buildings. These sites are likely to be those that are located near major demand generators (such as office buildings, major tourist attractions);
- Offer suitable sites for bidding through an expression of interest process in stages to match demand growth;
- Work with the City of Sydney to provide increased floor space ratio allowances and/or building heights to assist hotel development being feasible; and
- Mandate hotel development in precincts within or adjacent to major demand-generating land uses such as major convention and exhibition centres, stadia, theatres and commercial developments such as Barangaroo.

Payroll tax

- Recognising the current constrained fiscal environment, industry is seeking a phased reduction in payroll tax from 5.45% to 4.5% in NSW.

Land tax

- Provide land tax exemptions for hotels to provide a level playing field. Recognising the current constrained fiscal environment, a more immediate reform would be to reduce the rate to the lowest rate of all the states.

Stamp Duty

- Reduce stamp duty to the lowest rate across the states, with a view to eventually exempting the purchase of hotels from stamp duty.

Capital works deduction incentive

- Encourage the federal government to implement a 50% capital works deduction bonus, with the remaining 50% spread over 12.5 years at 4% to stimulate new development and existing accommodation refurbishment.

Furniture, fittings and equipment depreciation

- Encourage the federal government to implement accelerated depreciation on Furniture, Fittings, and Equipment (FF&E), with 50 per cent of the expenditure on FF&E items deducted in the first year and the balance spread over the applicable timeframe in the depreciation schedules (i.e. seven years for carpets, seven years for bed mattresses).

Increasing aviation capacity

- Champion Sydney Airport's efforts to incentivise quieter aircraft including the increasing use of new generation Chapter 4 aircraft, such as the Airbus A380, Boeing 777-300ER and Boeing 787-800. The NSW Government should allow some of the existing suite of artificial regulatory constraints to be reviewed and, where appropriate, reformed in a way that does not result in unacceptable noise impacts;
- Sydney Airport needs greater flexibility on arrival and departure times to provide NSW with increased passenger and feeder connectivity to key points in the Middle East, Africa and Europe. Such a measure will reduce the risk profile of Sydney Airport among some carriers in terms of being grounded or passengers missing connections due to curfew. The NSW Government should advocate to the federal government increased dispensation parameters for the curfew to include weather and technical events;
- Support Newcastle and Canberra airports in the delivery of their international growth plans;
- Work with the federal government to ensure all aeronautical assets of the Sydney basin are taken into account during the final stages of the Sydney basin capacity review. It should work with Bankstown Airport on its runway extension plans and business aviation facilities;
- Remove the station access fee at Sydney Airport train stations, encourage new bus routes and further integrate public transport provisions at the airport to ensure the airport remains competitive nationally. Public transport needs at other airports, such as Newcastle need to be investigated; and
- Match the efforts of other states in operating an airline attraction fund, particularly to attract airlines interested in arriving at non-peak times (Asian low-cost carriers).

REVITALISING NSW'S TOURISM PRODUCT OFFERING

Natural and heritage experiences of National Significance

- Prioritise nature-based tourism and heritage development in regions identified as nationally significant through Tourism Australia's *National Landscapes* program.

Barriers to natural and cultural investment

- Continue to streamline approvals and information available to reputable nature-based tourism operators to encourage greater investment in nature-based tourism.

Heritage tourism investment

- Conduct an audit of state-owned heritage buildings to identify appropriate assets for tourism adaptive re-use and interpretation. Review regulation impeding the adaptive re-use of heritage assets in NSW.

Harbour Hopper Ferry Service

- Develop a Harbour Hopper ferry service linking major attractions around Sydney Harbour.

The Great Harbour Walk

- Develop a Great Harbour Walk linking major attractions around Sydney Harbour in conjunction with the development of the NSW Walking Strategy.

Harbour Helicopter Service

- Establish a Sydney Heliport Taskforce to identify appropriate sites, conduct feasibility studies and recommend to government the most appropriate site for the development of a Sydney Heliport.

Information & Ticketing

- Destination NSW should work with the Customer Experience division of Transport for NSW to improve information on public transport and way-finding around major attraction and precincts.
- Make available a tourist Opal ticket from the commencement of the new ticketing system.

Rental vehicles

- Support the roll-out of multi-lingual GPS devices in rental vehicle fleets.

FACILITATING INDIGENOUS TOURISM EXPERIENCES

- Progress recommendations of the Aboriginal Tourism Action Plan including indigenous product development and indigenous tourism training programs.

WORLD-CLASS SHOPPING AND HOSPITALITY EXPERIENCES

- Work collaboratively with city-based land managers including the City of Sydney and the Sydney Harbour Foreshore Authority to deliver greater visitor access to retail and hospitality experiences.

SIGNIFICANCE OF THE NSW VISITOR ECONOMY

In the 2010-11 financial year, the state welcomed 2.8 million international visitors, 24 million domestic overnight visitors and 50 million day visitors, representing almost 150 million visitor nights¹. The tourism industry in NSW accounts for a total of \$28.7 billion in annual consumption², which:

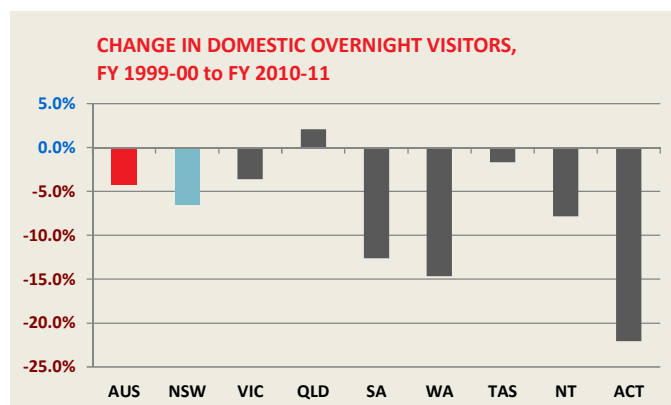
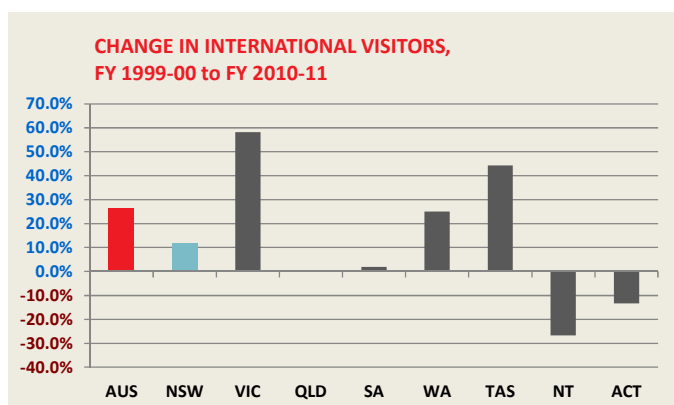
- contributed \$11.1 billion to gross state product (2.7 per cent of total GSP);
- directly employed 160,300 people (4.7 per cent of total state employment); and
- generated \$6.1 billion in export earnings for the state.

In addition, the tourism industry indirectly contributed:

- an additional \$12.4 billion in gross state product (3.1 per cent of total GSP); and
- an additional 129,000 jobs (3.8 per cent of total state employment).

This brings the overall contribution of tourism to \$23.5 billion in gross state product (5.8% of total GSP) and 289,300 jobs (8.5% of total state employment).

Over the last decade, however, tourism in NSW has underperformed relative to other states that have invested additional resources and developed initiatives to grow their visitor economies. International visitation in NSW has increased just 12 per cent over the 11 years to 2010-11, while domestic travel is down almost 7 per cent over the same period.



Over the past decade, NSW has experienced a loss in market share in both the international and domestic market. For example, there is a distinct contrast in the performance of the capital cities of NSW and Victoria between 2000 and 2010:

SYDNEY v MELBOURNE, GROWTH BETWEEN 2000 AND 2010

	Sydney	Melbourne	Difference*
International visitors	8.3%	40.5%	-32.2
International visitors – leisure	-9.6%	22.6%	-32.2
International visitors – business	13.2%	34.4%	-21.2
Domestic visitors	-13.4%	9.3%	-22.7
Domestic visitors – leisure	-3.9%	31.3%	-35.2
Domestic visitors – business	-24.2%	-0.7%	-23.5

* Percentage points

¹ Tourism Research Australia – *International and National Visitor Surveys*, June quarter 2011 editions

² Centre for Economics and Policy – *State Tourism Satellite Accounts 2008-09*

CREATING DEMAND DRIVERS

Destination NSW funding

TTF welcomes the establishment of Destination NSW in providing effective integrated tourism and major event promotion in the state. In order to achieve the state's target of doubling visitor expenditure by 2020, Destination NSW must have funding comparable to the other states to deliver tourism marketing campaigns.

Currently the Victorian State Budget commits approximately \$157 million for tourism and events, compared to the government appropriation to Destination NSW of \$133 million. New South Wales must at least match Victoria's investment in tourism marketing and events or this disparity will continue to give Victoria an advantage in attracting major events, tourism investment and aviation capacity.

TTF recommendation

Increase funding for Destination NSW to \$160 million in forward estimates to deliver tourism marketing and major event campaigns.

Facilitating business events

TTF commends the state government's commitment to deliver expanded exhibition and convention facilities at Darling Harbour. The expansion will be a key driver of the visitor economy, and is expected to deliver \$270 million in economic activity each year.³ International convention and business events delegates are high-yielding, spending on average five times more than that of an international leisure tourist to Australia⁴.

Business Events Sydney funding

Funding for Business Events Sydney (BESydney) trails that of competitor state Victoria. Funding for business event attraction in NSW totalled \$5.7million in 2011-12, compared to \$8.5 million for the Melbourne Convention + Visitors Bureau. As a result, Sydney is more constrained in its ability to mount competitive bids than other rival Australian and international destinations. For example, Melbourne recently secured the International World Aids Conference for 2014. This conference will bring 14,000 medical professionals and inject \$80 million into the Victorian economy.

The new convention and exhibition facilities centre alone will not be enough to realise the true economic value of this investment. Lead times to secure business events occur well in advance of the event itself (3-6 years), often requiring financial incentives and government support to compete against other highly incentivised Asian-Pacific bids. Hence it is critical that BESydney is sufficiently funded and appropriately structured not only to

³ Price Waterhouse Coopers, *A World class convention and exhibition centre for Sydney: Pre-feasibility study*, September 2010, p26

⁴ Business Events Council of Australia, (2005), *National Business Events Study*

secure events for the facility when it opens in 2016, but actively promote the new precinct at Darling Harbour to potential business event delegations and conventions.

Furthermore, BESydney must remain a separate and independent entity operating at arm's length from government in order to effectively pursue business event bids. This is necessary to ensure the organisation can respond to changes in the marketplace, as well as maintain private sector support for business event initiatives. The private sector is less likely to partner with BESydney if the organisation's business decisions are not based on return on investment but rather influence from government.

TTF recommendation

Increase funding for Business Events Sydney to \$8.5 million to support international event bids required to fill expanded facilities at Darling Harbour in 2016.

A whole-of-government approach to facilitating business events

Business events generate economic wealth and exports in industry sectors other than tourism. NSW benefits from international delegations brought together to discuss agricultural practices, medical and scientific research, foreign affairs and education by providing access to the world's thought-leaders and profiling the state's achievements in these sectors.

Business events require the active engagement and support from ministerial portfolios other than tourism including health, agriculture, finance, innovation, science and education to secure event bids. There is a need to coordinate buy-in from relevant government departments and agencies to actively participate in and support international business event bids relevant to their portfolios. Given the wide ranging content of international business events as outlined above, it is therefore appropriate that this facilitation occur within the Department of Premier and Cabinet.

TTF recommendation

The Department of Premier and Cabinet should coordinate a whole-of-government approach to help secure support from relevant ministerial portfolios and government agencies necessary to mount successful international event bids.

INVESTING IN CRITICAL INFRASTRUCTURE

New South Wales has suffered from a lack of investment in critical visitor infrastructure, including our convention and exhibition facilities, airport and cruise ship terminals. By way of example, the state loses the equivalent of \$65 million each year due to inadequate facilities at the Sydney Convention & Exhibition Centre⁵. Capacity constraints must be addressed, including thought leadership on a two-precinct approach to expand facilities at Sydney Olympic Park in order to address displaced demand that will occur as a result of construction at Darling Harbour.

A two precinct approach: Upgrades to Sydney Olympic Park

Expanded facilities at Sydney Olympic Park are necessary to accommodate future growth in exhibitions and conventions. These facilities will also be required to service the increasing urban and business population in Western Sydney. This expansion must occur in conjunction with, or as a precursor to, expanded facilities at Darling Harbour. Consideration must be given to interim arrangements for major exhibitions already booked at Darling Harbour that may not be able to be accommodated during construction.

Inadequate facilities at Sydney Olympic Park reduce the state's ability to accommodate these events, placing strain on our reputation and relationships with international convention and conference organisers. The NSW government should also consider incentivising upgrades to, and the development of, supporting private event venues at Walsh Bay, Campbell's Cove, Pyrmont and Barangaroo. These venues are necessary to host unique pre and post event activities associated with conventions and congresses held at Darling Harbour.

TTF recommendation

Commit to a timeline to expand facilities at Sydney Olympic Park.

Light rail

The connectivity and effectiveness of Sydney's transport system will determine the ability of the destination to provide a world-class visitor experience, particularly for international business and major event delegations. The proposed Sydney CBD light rail network will provide a seamless public transport spine linking major entertainment, cultural, retail and accommodation precincts. While the final alignment of the network is yet to be determined, TTF believes it is critical for the network to link Barangaroo, Walsh Bay, The Rocks and the new convention and exhibition centre with the city's other major tourist attractions and key transport hubs such as Central and Town Hall Stations.

TTF recommendation

Expand the CBD light rail network integrating key attractions and precincts in the Sydney CBD.

⁵ Price Waterhouse Coopers, *A World class convention and exhibition centre for Sydney: Pre-feasibility study*, September 2010, p10

Cruise shipping infrastructure

Cruise shipping is the fastest growing sector in the tourism industry. In 2007-08, the sector's contribution to gross domestic product grew by 54 per cent at a time when the rest of the tourism industry realised modest growth. Its economic contribution was estimated at \$1.2 billion in 2007-08⁶ and current projections have passenger numbers tripling by 2020.

Current cruise facilities are inadequate to cater for the future growth of cruise ship arrivals, and to cater for larger cruise ships that will be arriving in Sydney. The Overseas Passenger Terminal (OPT) will reach capacity in the near future and new facilities at White Bay will not be able to accommodate the growing number of ships that cannot travel under the Sydney Harbour Bridge.

The federal government is currently reviewing cruise ship access to Garden Island. Allowing reasonable access to this facility during the peak of the cruise ship season is the only viable option for larger ships that cannot be accommodated at the OPT or west of the bridge. The NSW government has supported the review and should continue to advocate for the sharing of facilities at Garden Island.

If increased cruise ship access to Garden Island is provided, the NSW government should ensure, in partnership with the City of Sydney and the cruise ship sector, that a comprehensive plan is put in place to manage the arrival and departure of passengers at Woolloomooloo.

TTF recommendation

The NSW Government should continue to work with cruise ship operators and the Royal Australian Navy to put in place a passenger management plan to minimise the impact of cruise ships berthing at Garden Island.

⁶ Access Economics, *The Australian Cruise Sector*, December 2009, pi.

ENSURING SUFFICIENT SUPPLY

Addressing accommodation capacity constraints

There is a looming shortage of short-term tourist and visitor accommodation in Sydney. Tourism Australia's 2020 Tourism Industry Potential indicates an additional 40,000-70,000 hotel rooms will be required in Australia to reach the target of doubling visitor expenditure to \$140 billion⁷. Of this estimate, approximately 28,000 rooms will be required in Sydney. A lack of accommodation will limit the state's ability to bid for high-yielding conventions and exhibitions driven by Sydney's new convention and exhibition centre, at the same time as servicing the international and domestic leisure market.

TTF believes three key issues affect the industry's ability to deliver additional accommodation stock:

1. Competition for land in the Sydney CBD: hotel development competes with other asset class development in Sydney, where available land is scarce. Depending upon the economic and property cycle, these competing land uses often represent the highest and best use of the land and provide higher immediate returns for private developers and landowners;
2. Loss of existing hotel stock due to hotel closures (such as the mooted closure of the Menzies) and the conversion of hotels into serviced apartments and residential units; and
3. Private investment in tourism infrastructure development is often discouraged by the higher return on investment from competing land uses, such as residential or commercial office development.

Government intervention is required to ensure Sydney has sufficient hotel capacity to accommodate projected growth and to reach its projected targets. Government intervention must also be controlled so as not to distort market dynamics, resulting in a large number of hotel rooms coming to the market all in one year.

To successfully bring new hotels to market without flooding the market, TTF suggests the government gradually release government land and buildings for hotel development a solution to tourism's limited ability to compete for scarce, high-value land and can improve the economics of short-term accommodation development (through Government providing concessional lease terms). The government should identify Crown-land sites for hotel accommodation development, or alternative mixed-use development with a minimum hotel component, similar to the recent initiatives announced in Western Australia. The proposed incentives in Western Australia include:

- Crown-land release for hotel development through an expression of interest process;
- Designate land, property or buildings currently under government control for future hotel use or conversion;
- Longer-term Crown leases for short-stay accommodation development; and
- Concessional lease payments for hotel development made on Crown land.

⁷ Tourism Australia, *2020 Tourism Industry Potential*

TTF recommendations

Government should intervene in the market, providing a range of mechanisms to encourage investment hotel accommodation development in Sydney including:

- Complete a detailed supply and demand study to determine exactly how many hotel rooms are required by 2020 at a level that can accommodate proposed growth, and still ensure stable occupancy levels for existing hotel operators;
- Identify government-owned land and sites that may be suitable for hotel development including heritage buildings. These sites are likely to be those that are located near major demand generators (such as office buildings, major tourist attractions);
- Offer suitable sites for bidding through an expression of interest process in stages to match demand growth;
- Work with the City of Sydney to provide increased floor space ratio allowances and/or building heights to assist hotel development being feasible; and
- Mandate hotel development in precincts within or adjacent to major demand-generating land uses such as major convention and exhibition centres, stadia, theatres and commercial developments such as Barangaroo.

Review state taxes to assist hotel operators

Tourism development, in particular hotel development, is often unviable as the return on investment is not competitive with other land uses such as commercial or residential development. TTF recommends that the Visitor Economy Taskforce identifies a range of taxation reforms government could use to place tourism on an equal footing with other industries, and to incentivise investment in accommodation supply.

Payroll tax

Tourism accounts for 2.6 per cent of Australia's gross value added but 4.5 per cent of total employment, with the disparity due to the labour-intensive nature of the industry.⁸ TTF highlights that labour costs represent approximately 35 per cent of a tourism accommodation provider's total operating cost. As such, tourism is at a significant disadvantage when competing for investment dollars due to its labour-intensive nature particularly because no payroll tax concessions are provided.

For other asset classes, the payroll tax burden can be split over multiple tenants each using the payroll tax-free threshold increasing the viability of investment in office or retail buildings. Hotels, in contrast, attract payroll tax for their labour-intensive operations and only have the one payroll tax-free threshold.

Further, many tourism businesses operate across multiple jurisdictions and the differing payroll regimes across states creates an additional burden on tourism operators. Lower payroll tax would significantly improve hotel and other tourism businesses returns by decreasing the tax liability of the operators.

TTF recommendation

Recognising the current constrained fiscal environment, industry is seeking a phased reduction in payroll tax from 5.45% to 4.5% in NSW.

Land tax

Tourism is primarily property-based. Tourism and leisure property includes hotels, motels, resorts, caravan parks, theme parks, attractions and hospitality and retail outlets. Land tax typically applies to these properties and tourism does not benefit from any exemptions. As tourism is essentially a combination of (labour-intensive) customer service and value-added improvement to property, the tourism industry bears a disproportionate burden of state taxation from land tax, in addition to payroll tax.

Current tax arrangements distort investment and efficiency through land tax exemptions being provided to agricultural land use if all or part of the land is used only for the business of primary production (agriculture, pasturage or dairy farming). Despite its need for prime locations, tourism receives no such exemption.

⁸ ABS Cat No, 5249.0, Tourism Satellite Account, 2009-10.

TTF recommendation

Provide land tax exemptions for hotels to provide a level playing field. Recognising the current constrained fiscal environment, a more immediate reform would be to reduce the rate to the lowest rate of all the states.

Stamp Duty

Stamp duty, or transfer duty, is payable on the transfer of ownership of real property (such as land or buildings) and of non-real property (such as copyrights, goodwill, patents, partnership interests, options to purchase and units in a trust). In addition, conveyance duty rates and additional premiums on business transactions inhibit tourism product development and, as such, adversely impact on the attractiveness of Australia as an investment market.

Stamp duty represents a significant impediment to investment and innovation in the tourism industry. As an example, a major five-star hotel in the Sydney CBD can sell for up to \$200 million. This transfer of ownership would attract stamp duty of approximately \$11 million (with stamp duty calculated at a rate of 5.5 per cent), adding a significant cost to the transaction. An investor would only purchase such a hotel if they could extract greater value from the property asset than the value the current owner extracts (which is reflected in the sale price). This greater value would need to be achieved through enhanced productivity and innovation which are desperately needed in a competitive hotel market facing labour shortages. However, the new owner must be able to extract greater value than the first \$11 million which will be lost to stamp duty. Investors seek to balance transactional cost against investment gain, and if cost outweighs gain, then the investment will not occur.

TTF recommendation

Reduce stamp duty to the lowest rate across the states, with a view to eventually exempting the purchase of hotels from stamp duty.

Capital works deduction incentive

As previously mentioned, the Australian 2020 Tourism Industry Potential estimates that between 40,000 and 70,000 additional hotel rooms will be required across Australia by 2020. Of this target, 28,000 rooms will be required in Sydney. Given the existing strong demand for accommodation and the looming shortfall of rooms, particularly in capital cities, incentives to encourage new accommodation construction are recommended to ensure visitors do not choose a destination other than Australia due to lack of suitable accommodation.

A capital works allowance is a tax deduction available for the structural element of a building including fixed, irremovable assets; it does not cover plant and equipment. In respect to tourism property, it covers the hotel/motel or resort building but not the furniture, furnishings and equipment (FF&E). It is not limited to new buildings, but includes any redevelopment with building works. Currently, residential and other

property types have an allowance of 2.5 per cent per annum which means the building is written off over 40 years.

Manufacturing and tourist accommodation has a capital works allowance of four per cent, with a hotel currently written off over 25 years. The tourism industry has consistently argued that hotels have a shorter operational life than 25 years because they are in use 24 hours a day and depreciate much faster than other properties, making the current four per cent allowance insufficient.

L.E.K. has produced a report for the Investment and Regulatory working group under the National Long-term Tourism Strategy, which recommends a 50 per cent capital works deduction bonus as a short term incentive (for three years) for tourist accommodation development. This would see the investment in the accommodation property being written off over 12.5 years instead of 25 years. L.E.K. has completed modelling which suggests that this incentive will significantly improve the economic return, and ability to obtain finance, for hotel operators and facilitate much needed investment in accommodation room stock and ancillary meeting spaces within accommodation properties. To ensure that a supply bubble does not occur as a result of this incentive, however, TTF recommends that the incentive should be for a limited period, for example three years.

TTF recommendation

Encourage the federal government to implement a 50% capital works deduction bonus, with the remaining 50% spread over 12.5 years at 4% to stimulate new development and existing accommodation refurbishment.

Furniture, fittings and equipment depreciation

Resort, hotel and other accommodation product is a combination of guest services and furniture, fittings and equipment (FF&E). Accommodation product is unique and FF&E is essential to the product's appeal. In a 24/7 tourist accommodation establishment, assets rapidly wear out and FF&E must be upgraded frequently to ensure the establishment continues to offer quality and innovative product. To provide an incentive to hotels to refurbish their properties, accelerated depreciation on FF&E should be made available.

TTF recommendation

Encourage the federal government to accelerate depreciation on Furniture, Fittings, and Equipment (FF&E), with 50% of the expenditure on FF&E items being deducted in the first year and the balance spread over the applicable timeframe in the depreciation schedules (i.e. seven years for carpets, seven years for bed mattresses).

Increasing aviation capacity

Enhancing New South Wales's aviation access will be crucial to reaching the target of doubling visitor expenditure by 2020, with the state almost solely reliant on aviation for international visitor arrivals. The aviation sector's share of domestic tourism has grown rapidly over the past decade, from 14 per cent in 1999 to 23 per cent in 2010, a 60 per cent increase in share. Growth in both domestic and international visitor movements will be required well in excess of current growth trends if the state's targets are to be met.

Aviation capacity must form a key focus of the activities of the Visitor Economy Taskforce. TTF believes aviation reform is required in three geographic areas: Sydney Airport, the greater Sydney basin and regional NSW.

Sydney Airport

New South Wales will not reach its visitor targets without addressing capacity constraints at Sydney Airport, which is the state's major gateway and the country's busiest airport. New South Wales has already begun to fall behind interstate counterparts Brisbane and Melbourne in the rapid growth of their airports, coupled with a whole-of-Government approach to international airline attraction.

As the new terminal redevelopment plans show, Sydney Airport is working hard to retain its position as Australia's premier gateway. In redesigning its terminals and co-locating alliance partners, the airport is proactively working towards alleviating some of the runway congestion at the airport. It will also significantly improve the seamlessness of the visitor journey for passengers.

Planning for the next Sydney Airport master plan and associated long-term leases gives the NSW Government an unprecedented opportunity to once again become a champion for the country's largest aeronautical asset. After a prolonged period of fraught relations between the airport and the state, Sydney has lost ground to Melbourne and Brisbane, where state government partners with industry in airline attraction efforts led by their airports.

Sydney Airport cannot grow without the state government leading the difficult process of ensuring this growth while providing local communities with the opportunity to engage in the process. The arbitrary cap of 80 movements per hour is the single biggest capacity constraint at Sydney Airport. During peak hours this limit is consistently met, leading to an increase in aircraft delays, which build up during the peak hour. The cap also limits the attractiveness of Sydney Airport as a destination to new entrant airlines.

TTF is aware there are a range of technological, aeronautical and air traffic management solutions which could potentially mitigate increased aircraft noise over affected communities. TTF believes the government must be bold enough to reopen the debate and broker discussion between local communities, the Federal Government and the airport in addressing this issue.

The Sydney basin

One possible solution to appease resident concern over increased air-traffic noise in Sydney is the separation of freight and business aviation. Elsewhere in the world, cargo operations and private aviation are no longer accommodated together at the main commercial aviation hubs as capacity constraints have reduced the ability to do so. In the US, for example, express couriers have relocated to airports such as Memphis, Tennessee or Louisville, Kentucky away from the major metropolises. Similarly, private jets in Europe fly to dedicated terminals in Paris' Le Bourget or London's Farnborough rather than face the congestion at Charles de Gaulle or Heathrow respectively. Melbourne's use of Essendon for corporate aviation is another example.

Currently there are existing aviation assets within the Sydney basin that are well placed to ease congestion at Sydney Airport by operating services other than scheduled passenger flights. To this end, the NSW Government should support efforts by Bankstown Airport to upgrade its runway to accommodate Boeing 737-sized freighters and larger business jets.

Business aviation should also be encouraged to relocate to Bankstown Airport once leases at Sydney Airport expire. The land currently occupied by business aviation fixed-base operations at Sydney Airport could then be used to accommodate regional aircraft.

Regional NSW

Another constraint at Sydney Airport is the regional ring-fence, through which services to key regional cities are guaranteed access to Sydney. TTF believes the ring fence should remain, however greater flexibility must be introduced.

The type of aircraft used by the majority of regional services means these aircraft movements are not the highest or best-use of the limited landing capacity of Sydney Airport. The NSW Government should incentivise runway upgrades at key regional centres such as Wagga Wagga to encourage the replacement of turboprops with larger jet aircraft. In addition to the scheduling benefits this will bring to Sydney Airport, there will be additional aircraft seats at lower fares available for regional passengers, where high-fare business traffic currently dominates.

The NSW Government must also consider the state's need for a second and third international gateway. Queensland has four international airports and Western Australia has two. The Victorian Government has indicated its intention to open Avalon Airport to trans-Tasman flights as a pre-cursor to future international services. TTF contends there is a similar case to be had in NSW; with medium-haul international services operating from Newcastle Airport, and Canberra Airport championed as a similar gateway to the south.

TTF recognises the obvious sensitivities in providing civilian airport access to RAAF Williamtown, but believes the economic benefit to regional communities through increased visitor access to Newcastle Airport exceeds the costs. Newcastle Airport has already begun the process of improving international visitor access from New Zealand, including streamlined border processing activities for low-risk arrivals. This initiative would benefit from NSW Government support in facilitating greater international access and visitor experiences in regional New South Wales.

TTF recommendations

- Champion Sydney Airport's efforts to incentivise quieter aircraft including the increasing use of new generation Chapter 4 aircraft, such as the Airbus A380, Boeing 777-300ER and Boeing 787-800. The NSW Government should allow some of the existing suite of artificial regulatory constraints to be reviewed and, where appropriate, reformed in a way that does not result in unacceptable noise impacts;
- Sydney Airport needs greater flexibility on arrival and departure times to provide NSW with increased passenger and feeder connectivity to key points in the Middle East, Africa and Europe. Such a measure will reduce the risk profile of Sydney Airport among some carriers in terms of being grounded or passengers missing connections due to curfew. The NSW Government should advocate to the federal government increased dispensation parameters for the curfew to include weather and technical events;
- Support Newcastle and Canberra airports in the delivery of their international growth plans;
- Work with the federal government to ensure all aeronautical assets of the Sydney basin are taken into account during the final stages of the Sydney basin capacity review. It should work with Bankstown Airport on its runway extension plans and business aviation facilities;
- Remove the station access fee at Sydney Airport train stations, encourage new bus routes and further integrate public transport provisions at the airport to ensure the airport remains competitive nationally. Public transport needs at other airports, such as Newcastle need to be investigated; and
- Match the efforts of other states in operating an airline attraction fund, particularly to attract airlines interested in arriving at non-peak times (Asian low-cost carriers).

REVITALISING NSW'S TOURISM PRODUCT OFFERING

New South Wales has some of Australia's most promoted and iconic natural and man-made attractions. However, the state has come to rely too heavily on static attractions to satisfy a visitor's desire to visit a destination. The result is a reduced length of stay in many of our major tourist destinations. There is an opportunity to offer more immersive experiences, including nature-based and indigenous, that encourage visitors to stay longer.

Identifying the state's iconic natural experiences

NSW's natural attractions incentivise travel, attracting visitors to regional destinations, which supports regional employment and economic activity. The Visitor Economy Taskforce should look to identify tourism investment opportunities in priority regional destinations that deliver the greatest return on investment and support the branding of the state.

Natural and heritage experiences of national significance

TTF strongly supports the development of natural and heritage experiences that are both world-class and unique to NSW. Tourism Australia and Parks Australia's *National Landscapes* program identifies the country's best natural areas that provide unique experiences for international visitors. New South Wales has the highest concentration of these landscapes with five destinations included in the program, the majority in regional areas. These include:

- The Green Cauldron – encompassing Lamington National Park, Byron Bay
- The Coastal Wilderness – encompassing Ben Boyd National Park, Bega, Montague Island, Merimbula, Eden
- The Australian Alps – encompassing Kosciuszko National Park, Thredbo, Jindabyne, Tumut, Cooma
- The Blue Mountains – encompassing Blue Mountains National Park, Hunter Valley, Lithgow, Katoomba, Leura, Pokolbin
- Sydney Harbour - boundary yet to be determined

The *National Landscapes* program provides the state with the opportunity to leverage marketing efforts of Tourism Australia in promoting these destinations, as well as align marketing and product development activities to ensure the delivery of world-class experiences in regional NSW. The *Experience Development Strategies* for each landscape will provide the Visitor Economy Taskforce with the foundation to identify product gaps within these destinations and strengthen the product offering in each region.

TTF recommendation

Prioritise nature-based tourism and heritage development in regions identified as nationally significant through Tourism Australia's *National Landscapes* program.

Barriers to natural and cultural investment

Recent reforms to the *NSW National Parks & Wildlife Act 1974* will deliver a regulatory environment that encourages greater investment in low-impact natural and cultural tourism within national parks and protected areas. These reforms have been instrumental in unlocking opportunities for visitor engagement with natural and cultural locations across NSW.

TTF recognises the importance of protecting the biodiversity value of national parks and conservation areas. Visitor management plays an important role in promoting engagement and appreciation of the natural environment while ensuring the biodiversity of a region is protected. Ongoing industry engagement is needed to ensure that the visitor experience is balanced with conservation efforts, while ensuring regulations for land use in national parks and protected areas are not onerous to the point of discouraging investment in interpretive product.

TTF recommendation

Continue to streamline approvals and information available to reputable nature-based tourism operators to encourage greater investment in nature-based tourism.

Heritage tourism investment

New South Wales has some of the country's most significant heritage assets, however many are currently underutilised in enhancing the visitor experience. The Visitor Economy Taskforce should look to identify ways the economic potential of heritage assets can be leveraged through visitor and education participation, while reducing the ever-increasing cost to maintain neglected assets. The Visitor Economy Taskforce should identify assets being managed by government or its agencies, as well as those in private ownership that can enrich the visitor experience through active use and interpretation.

The government should seek the highest and best value for the state and the visitor economy through leasing state-owned heritage assets for tourism use including accommodation and retail. A review of the regulations applied to government and privately owned heritage buildings should also be conducted to reduce the red tape that currently impedes reasonable adaptive re-use.

TTF recommendation

Conduct an audit of state-owned heritage buildings to identify appropriate assets for tourism adaptive re-use and interpretation. Review regulation impeding the adaptive re-use of heritage assets in NSW.

Developing 'must-do' attractions

There is a lack of consistency and delivery of the visitor experience for Sydney's natural and man-made attractions. Sydney needs to continue to develop its appeal by building on existing assets to offer 'must-do' experiences that drive increased and repeat visitation.

Harbour Hopper Ferry Service

Sydney Harbour is vastly underutilised as a transport asset, particularly for tourists. While the journey from Circular Quay to Manly features on many tourists' itineraries, many more attractions are accessible by ferry but have no regular services connecting them to the CBD and other parts of the harbour. TTF advocates the establishment of a hop-on, hop-off ferry shuttle between the major attractions and precincts around the harbour, as outlined in TTF's 2010 *HarbourView* document.

A potential route for the 'Harbour Hopper' could be as follows:



TTF recommendation

Develop a Harbour Hopper ferry service linking major attractions around Sydney Harbour.

The Great Harbour Walk

Sydney is renowned for its beautiful harbour, yet lacks a consistent and dedicated trail that links experiences along the foreshore providing a continuous walking journey around the harbour. The *NSW 2021 Plan* identifies the need to develop and implement a NSW Walking Strategy to encourage and promote walking travel and recreation. A three to five day Great Harbour Walk should be a priority of this plan, joining natural bushland, heritage sites, city streetscapes and the unique experiences of Sydney Harbour together as one integrated visitor experience .

The walk could commence from the Royal Botanic Gardens and World Heritage-listed Sydney Opera House then cross the Sydney Harbour Bridge, continuing on to the northern shore of the harbour through Sydney Harbour National Park. The walk would take in Taronga Zoo, Balmoral, the Spit and Manly.

The Great Harbour Walk would be connected by the Harbour Hopper ferry service from North Head to Watsons Bay, allowing the walk to continue along the southern foreshore to complete the circuit. The Great Harbour Walk would include historic pubs, unique dining experiences and overnight stays such as Q Station, harbour island camping, heritage cottages and luxury hotels with harbour views. The walk would be connected to the Great Northern Walk, Western Harbour Walk and the Bondi to Coogee Coastal Walk for more extensive journeys.

The route of the Great Harbour Walk would cross through local, state and federal government land. Cooperation is needed to clearly define and mark the 'official' route which can be consistently marketed to the world.

In order to make this attraction a reality the following steps are required:

- Upgrade and connect the dozens of walking trails across local council, state and federal land;
- Provide clear, consistent and themed signage throughout the walk; and
- Deliver a high quality interpretation along the walk through an audio-visual GPS iTour.

TTF recommendation

Develop a Great Harbour Walk linking major attractions around Sydney Harbour in conjunction with the development of the *NSW Walking Strategy*.

Harbour Helicopter Service

Sydney is one of the few global cities without a helicopter service. New York, Los Angeles, London, and Paris all have dedicated helicopter services operating from their harbour foreshores. Closer to home, Melbourne has a floating helipad on the Yarra River in the CBD. There is also a dedicated heliport within the Pier 35 complex at Docklands, adjacent to the Melbourne CBD.

A Sydney Harbour heliport has the potential to service business, commercial and event clientele while providing a unique transport link to regional NSW for time-sensitive visitors. A large proportion of international visitors to Sydney tour other parts of New South Wales. A Sydney Harbour heliport would benefit regional economies in particular, making areas like the Hunter Valley and Blue Mountains immediately accessible to high-end leisure visitors.

Presently, Sydney's heliport facilities are located at Sydney Airport and Bankstown Airport. The time taken to travel to and from the airport in comparison to the trip itself often makes the experience unattractive for visitors. A Sydney Heliport Taskforce should be established to identify suitable sites, conduct feasibility studies and provide a recommendation to government on a short-list of sites for development. Members of the taskforce should include senior members of government departments and agencies, the private sector and industry organisations with a wide range of knowledge and expertise.

TTF recommendation

Establish a Sydney Heliport Taskforce to identify appropriate sites, conduct feasibility studies and recommend to government the most appropriate site for the development of a Sydney Heliport in Sydney.

Improving the transport visitor experience

Transportation is an integral link in the visitor experience. Given that our transportation system is mainly used for domestic or commuter travel, nuances associated with international visitation are often not considered in the delivery of the visitor experience. The following two recommendations to the Visitor Economy Taskforce pertain to creating more efficient and visitor-friendly transport.

Information & Ticketing

The recent creation of the Customer Experience division of Transport for NSW (TfNSW) provides the ideal opportunity to identify and remedy aspects of the state's transport network that may be confusing or inhibiting to visitors. The Visitor Economy Taskforce should recommend that TfNSW develop a Tourism and Transport Plan to ensure that the needs of tourists and visitors are given appropriate priority by transport agencies. The plan should include measures to ensure that:

- Visitors have easy access to seamless information in multiple languages about transport options and journey plans;
- Way-finding signage in multiple languages is designed to assist visitors who have limited or no experience with the NSW public transport system; and
- Future smartcard ticketing includes options for tourists and visitors.

It is particularly important that the new smartcard, the Opal card, includes a product designed specifically for tourists and that this be available from the commencement of the Opal roll out. Other jurisdictions

placed a low priority on ensuring that the needs of the visitor economy were met by new smartcard technologies and the result has been a delayed 'catch up' to meet tourists' needs.

Ideally, tourists should be able to purchase a disposable Opal card that provides unlimited travel on NSW public transport for specific periods, for example a three-day pass or a week pass. The tourist Opal pass should be readily available at airports, hotels and other tourist hot spots. It should also be available for purchase online and from travel agents in major markets for inbound visitors. The Queensland Government is currently preparing for the roll out of a tourist GoCard. This initiative could provide a template for a similar program in NSW.

The NSW Government should, in the longer term, explore with other states the possibility of a national tourist public transport smart card that can be used in every state that has smartcard technology in place.

TfNSW should also work with tourist attraction operators and event organisers to ensure that the Opal includes the capacity to incorporate integrated ticketing for events and attractions.

TTF recommendation

Destination NSW should work with the Customer Experience division of Transport for NSW to improve information on public transport and way-finding around major attraction and precincts. Develop a tourist Opal ticket to be available from the commencement of the new ticketing system.

Rental vehicles

Regional destinations depend heavily on self-drive tourism, which for many interstate and international tourists entails the use of rental vehicles. There is strong evidence to suggest that the emerging international markets for Australian inbound tourism have a much higher propensity for self-drive trips than was previously assumed. The advent of GPS navigation technology enhances the ability of non-English speaking visitors to navigate the state's roads and visit regional areas in rental vehicles. TTF recommends a trial of subsidised multi-lingual GPS devices for the rental vehicle industry to encourage greater international tourism in regional NSW.

TTF recommendation

Support the roll-out of multi-lingual GPS devices in rental vehicle fleets.

Facilitating indigenous tourism experiences

There is currently little opportunity to learn of indigenous heritage or to engage with modern indigenous culture in NSW, particularly in Sydney, Australia's major gateway for international visitors. A survey conducted by Tourism Research Australia and Tourism Northern Territory highlighted that the vast majority of visitors (84 per cent) were seeking opportunities for authentic interaction with indigenous Australians. However, the research highlighted a perceived "lack of information in knowing where to go to meet and interact with Aboriginal people"⁹. There is a greater need to incorporate indigenous culture into current visitor experiences as well as identify dedicated spaces for engagement with indigenous culture.

TTF supports in principle the aim of Destination NSW's *Aboriginal Tourism Action Plan* to provide possible areas of scope for consideration by the Visitor Economy Taskforce Indigenous Advisory Group. TTF believes this list of recommendations should be prioritised with a focus on:

- Identifying priority indigenous tourism product to bring to market providing mentoring assistance before and after establishment to ensure the longevity of these businesses; and
- Incorporating indigenous content and experiences into existing tourism activities including training programs such as the NSW Parks & Wildlife Service Aboriginal Cultural Tourism Training Program.

TTF recommendation

Progress recommendations of the *Aboriginal Tourism Action Plan* including indigenous product development and indigenous tourism training programs.

World-class shopping and hospitality experiences

Shopping for pleasure is one of the most popular tourist activities for international visitors to Australia. In 2010-11, 4 million or 74% of all foreign visitors participated in recreational retail, spending \$2.3 billion¹⁰. Our capacity to encourage greater expenditure in the local economy will largely be determined by our ability to make this sector more accessible and attractive to visitors.

There is a particular opportunity to increase demand for shopping through extended trading hours and at certain times of the year. This is particularly true for the holiday season as well as major international events. These events, including large business conventions (such as Amway China) and cruise ship arrivals, often warrant the extension of opening hours to provide visitors with greater access to retail experiences.

⁹ Tourism Research Australia, *Destination Visitor Survey, Strategic Regional Research – Northern Territory, Indigenous Cultural Experiences: Summary of Results*, February 2008

¹⁰ Tourism Research Australia, *International Visitors Survey*, Year Ending June 2011

Waikiki, in Hawaii, for example, offers shopping for tourists until 11pm, significantly improving precinct activation and the nightlife experience for visitors. As a result, retailers can capture a greater proportion of visitor expenditure.

TTF recognises the significant work currently being conducted by the City of Sydney on the Late Night Economy, including the extension of the city's retail and hospitality offering at night. TTF recommends that activities of the Visitor Economy Taskforce take place in conjunction with this significant piece of work to improve access to retail and hospitality for both international and local visitors in the CBD, the state's premier shopping destination.

TTF recommendation

Work collaboratively with city-based land managers including the City of Sydney and the Sydney Harbour Foreshore Authority in delivering greater visitor access to retail and hospitality experiences.

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