

9 May 2008

Secretariat
Review of Export Policies & Programs
c/- Department of Foreign Affairs and Trade
BARTON ACT 0221

Dear Secretary

RE: Review of Export Policies & Programs

The Tourism & Transport Forum (TTF Australia) welcomes the opportunity to make a submission to the *Review of Export Policies & Programs*.

Australia's export policies and programs have a critical impact on our ability to attract crucial investment to grow our economy. TTF Australia commends the Australian Government's commitment to the continual improvement of our export policies to garner greater interest in Australia's export markets.

TTF Australia Limited is a national Member-funded organisation representing the top 200 owners, operators and investors in Australia's tourism, transport, investment, infrastructure, and education sectors.

TTF Australia's membership comprises the most significant players in the tourism, investment and transport industries including all major domestic and international airlines, major airports, major hotels, attractions and major event venues, investment banks, other tourism and hospitality operators, transport operators and service providers to these sectors.

In referring to the Issues Paper for the Review of Export Policies and Programs, TTF Australia has addressed the following issues in its submission, with particular reference to the tourism industry:

- The international trade development needs of the tourism sector;
- The continuation of the EMDG Scheme; and
- The effective alignment of Government resources to assist in product development for tourism exporters.

TTF has addressed the issues under the following subject areas:

- The importance of tourism to our export industry;
- The state of the Australian tourism industry;
- The International trade development needs of the tourism sector;
- The EMDG scheme - benefits to the tourism industry; and
- Government support for export policies and programs.

The importance of tourism to our export industry

Tourism is the second largest export earner in Australia, second only to coal. 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 in Australiaⁱ.

National tourism contributed \$38.9 billion or 3.7% to total GDP in Australia, including \$32.3 billion in Gross Value Added (GVA). In 2006-07 tourism achieved an increase in GVA of 7.9% - the highest rate of growth since 1998-99. The tourism industry is now valued higher than electricity, gas and water (\$22.2 billion), agriculture, fishing and forestry (\$22.3 billion), and communication services (\$24.4 billion)ⁱⁱ.

International visitor expenditure continues to perform well increasing by 10.2% on year end December 2006 to reach \$15.4 billion (including package expenditure). Emerging markets such as India and China were among the most improved expenditure figures on last year growing by 42.7% and 24.8% respectivelyⁱⁱⁱ.

The state of the Australian tourism industry

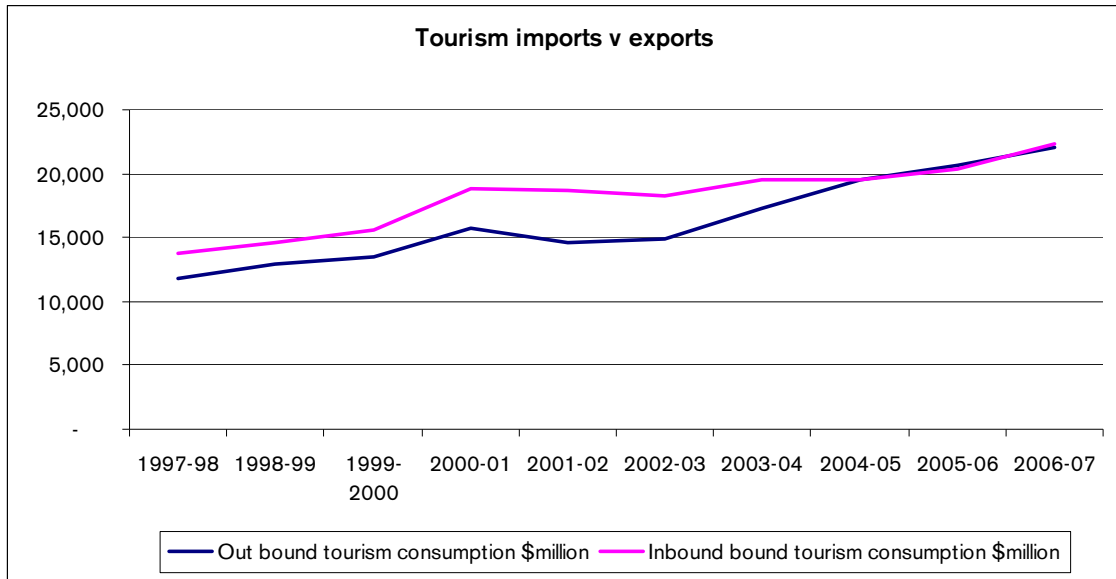
Tourism is undoubtedly one of the greatest contributors to GDP. The figures above are a testament to the significant contribution the tourism industry makes to the Australian economy.

However, the tourism industry does face challenges.

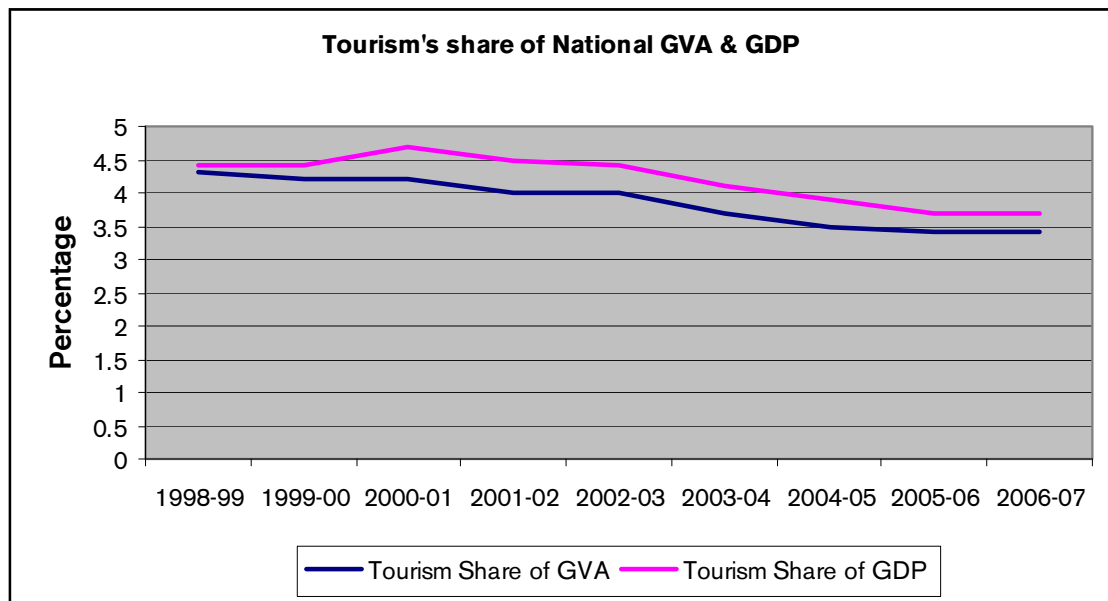
Australia's declining tourism market performance

For the first time since the early eighties Australia became an importer of tourism services in 2006, with Australians going overseas spending more money than visitors to the country (\$20.5 billion compared to \$20.3 billion).

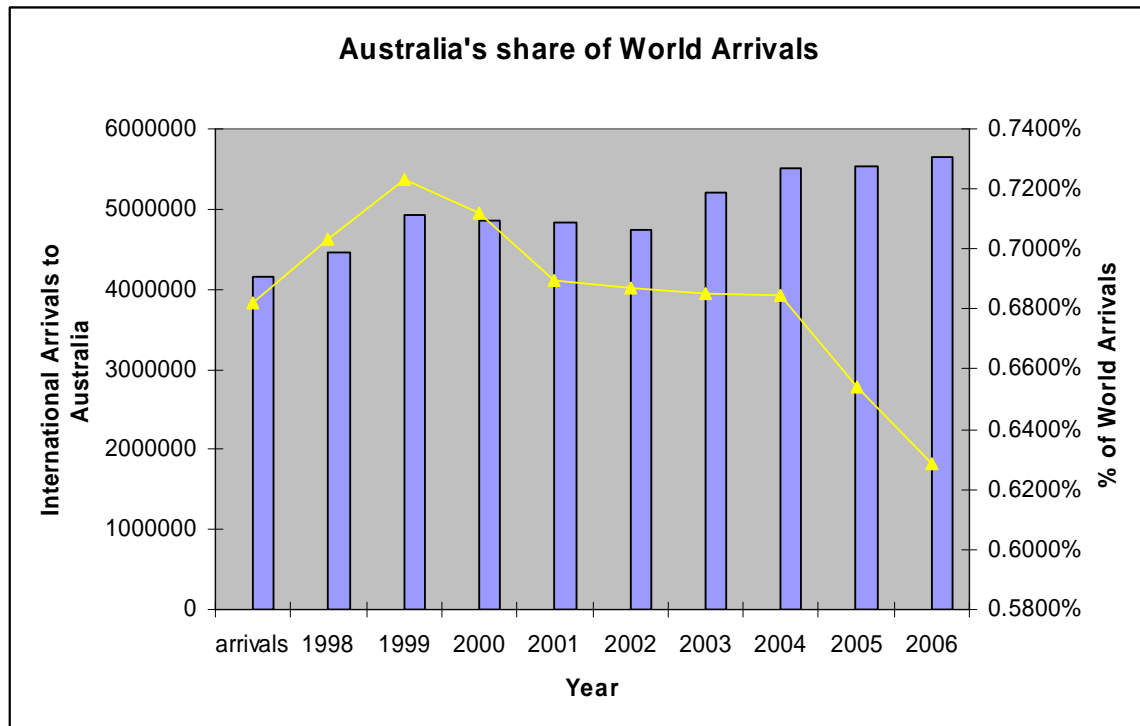
Whilst 2006-07 saw the return of Australia to a net exporter of tourism services, it highlights an ongoing trend pointing towards the declining health of the tourism industry. The gap between inbound expenditure and outbound expenditure is becoming increasingly small, with outbound consumption set to outstrip inbound consumption within the next few years.



Tourism's share of total GDP and GVA since the 2000 Olympic games has also consistently deteriorated, with tourism's share of GDP remaining static at 3.7% in 2006-07 down from a peak of 4.7% experienced during the Olympic games^{iv}.



Australia's international competitiveness at a world level is also declining. Since 2000, Australia has experienced a 12% decrease in its share of World International Arrivals. During this period, world arrivals grew by 32%, while Australia's arrivals only grew by 14%^v.



What the above analysis indicates is that whilst a first glance at the economic assessment of our tourism industry seems favourable, Australia's tourism figures are not improving at a comparable rate to the rest of the world.

Australia is located in the region that has the highest forecasted growth in International arrivals over the next ten 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 2020^{vi}.

As such the tyranny of distance and poor exchange rates will no longer be an excuse for lacklustre tourism performance. Industry and Government must now come to the table with suitable ideas of how to address our failing tourism performance.

Failure to develop appropriate policies and programs to remedy the situation will see Australia lapped by our competitors and the potential opportunity to capitalise on regional growth misspent. This has serious implications for the value of the tourism industry and the contribution tourism makes to Australia's net exports.

What we now need is a greater focus on the changing nature of tourism within Australia and consistent policies and export programs to effectively deal with these changes.

International trade development needs of the tourism sector

Given the current state of Australia's tourism industry, literature outlining the reasons and catalysts for these particular trends has increased in recent times. Reports such as the *National Tourism Investment Strategy*, *Servicing our Future*, and the *Emerging Markets Strategy* highlight the development needs of the services export sector given the current economic climate affecting the industry.

The key development issues for the sector, as identified by the above reports and TTF Australia's own independent analysis include:

- The lack of skilled labour and incentives to participate in the Australian tourism industry;
- The lack of suitable hotel investment opportunities and investor confidence to encourage new tourism infrastructure development;
- The segmented promotion of Australia's exports and leisure market overseas; and
- The lack of coordinated government approach to export assistance and grant approval.

Whilst TTF Australia acknowledges that all of the above areas have ramifications for export policies and programs, TTF Australia has limited the scope of this paper to the following priority tasks in order to aid the export development of the industry.

Establishment of a Brand Australia Council

The core international agenda for the Australian Government is to establish a strong and positive reputation for Australia around the world – to boost exports, attract investment and entice overseas visitors. The overall performance of Australia's country brand and the way Australia is perceived internationally is essential to achieving this.

Australian tourism adds value to other export industries through the goodwill the brand creates with countries overseas. The images of our country, our people and our unique attractions are of significant value to the Australian economy, particularly the resonance of the Australian tourism leisure brand.

According to the company *Brand Finance*, Australia's country brand is ranked 9th in the world, valued at \$800 billion. This positions the brand of 'Australia' as being 16 times more valuable than the Coca Cola brand (\$50 billion).

However at present, Australia's international recognition as a brand has predominantly focused on leisure tourism and our main export earners of mining and agriculture. Whilst we are well regarded in these fields, our capability as an exporter of business-related services and education are not well recognised despite our ability to excel in these areas.

Australia is a consistent performer on many levels of export trade besides tourism – the finance and education sectors are all integral parts of trade that shape the image of Australia with investors. They are also strong performers in terms of export worth - education is one of our best performing export sectors, contributing \$12.5 billion to the economy in 2007, an increase of 21% on 2006 figures^{vii}.

Australia is lacking a brand that makes the goodwill of our tourism sector synonymous with the image of our other export industries. Australia needs an overall international brand which can be used by all sectors to enable them to cross-sell each other's product and services – particularly at an export level.

There are currently a range of Government bodies which promote Australia to the rest of the world. Austrade is charged with promoting and assisting exporters from all industries; Invest Australia promotes Australia as a possible home for international businesses; and

Tourism Australia promotes Australia as a leisure destination. Additional organisations like Axiss Australia, Ausfilm, and Australian Educational International all have a role in promoting Australia's export capabilities to the rest of the world.

The result however is a large number of independent voices communicating different messages to our export markets rather than a consistent all-encompassing image being projected to the world. To ensure the success of all our export sectors in the future, it is important that we broaden our international brand to encompass all aspects of the Australian economy.

TTF Australia recommends the creation of a Brand Council to guide the effective development and management of Australia's international brand – with particular reference to the development of an export trading brand which can be used by export ready businesses.

Purpose of the Brand Council

TTF Australia does not envisage that the Brand Council should replace the operations of the government agencies listed above. All of these agencies have a critical role in supporting the interests of their particular sector and therefore should remain independent of one another.

Instead, the Council would allow these agencies to communicate, to work together collectively on promotion, and to investigate how our brand can be improved across all export sectors. The Council would harness synergies that exist between all export industries to provide a collective image of Australia's assets to the rest of the world.

The main purpose of the Brand Council would be to:

- Establish a brand for Australia which positions the country in terms of our investment and credit worthiness, and the strength of our export sectors;
- Establish an integrated approach within respective government departments and the private sector to the international marketing of Australia; and
- Streamline branding across all sectors of the economy including engagement at the export level.

Recommendation:

The Commonwealth Government should establish a Brand Australia Council, consisting of representatives from a cross-section of Government agencies and the private sector, to manage Australia's overall country brand and the way it is perceived internationally.

Export Market Development Grant Scheme

The Export Market Development Grant (EMDG) Scheme is a critical program that encourages the market readiness of our exporters. The scheme encourages export promotion, boosts exports, and improves the sustainability of small and medium enterprises.

TTF Australia warmly welcomed the Government's \$50 million pre-election commitment to address imperfections in the EMDG and further supports the continuation of the Scheme until 2010 as committed by the former Australian Government.

There has been an increasing call within the tourism industry for innovative product development to be brought to the market. However, ensuring the market readiness of our tourism product is one of the great challenges facing the industry, given it is characterised by many small to medium business operators.

The areas of Indigenous tourism, nature-based experiences and cultural and heritage tourism have all been hallmarked as key niche markets that have the potential to revitalise our tourism offering for overseas visitors. The EMDG scheme provides these niche areas an opportunity to bring these offerings to the market. Without this support, small to medium enterprises with innovative ideas will suffer and the growth of the industry will stifle as a whole.

Recommendation:

The Australian Government should maintain funding commitments to the EMDG scheme, and the commitment should be honoured beyond the initial 2010 date.

TTF Australia does however have concerns regarding the thresholds of the scheme and the ramifications to particular areas of the tourism sector.

The proposed cuts to second tranche payments of the EMDG have specific impacts on the businesses that apply for these grants, in particular Business Events which includes business meeting, convention, incentives and exhibition organisers.

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

The EMDG also needs to remain available for tourism-related associations who participate in such events such as G'Day LA and European Trade Shows which are critical in maintaining our global presence in an increasingly competitive market.

TTF Australia is concerned that the gradual reduction in the maximum grant threshold to \$150,000 has eroded opportunities for export growth in a period when tourism exports are under considerable economic pressure^{viii}.

Furthermore, reducing the expected payment for businesses that have applied for grant assistance of more than \$70,000 to 10-15% of their provisional entitlement has implications for one of our highest yielding tourism earners, Business Events.

Business Event operators, particularly our state based Convention Bureaus, largely rely on the scheme to provide significant reprieve from the effects of the significant budget outlays required to attract large business events to Australia.

Business Events operators are required under the rules of the grant to pre-commit funding and marketing activities and once the grant is received, this is then fed back into future projects.

By limiting the expected second tranche grant, applicants are severely restricted in their ability to continue marketing Australia to international buyers. Lower than expected grants will result in Convention Bureaus reallocating current marketing funds to address shortfalls, which in turn will result in lacklustre promotion of Australia as a desirable business events destination.

The Business Events sector of the tourism industry has been under considerable stress in recent years, suffering an 11% decrease in total number of delegates over the past 10 years, despite the international meeting market growing by 51% over the same period. Australia has experienced a 32% fall in International meetings between 2001 and 2005, falling from 295 international meetings in 2001, to 200 meetings in 2005. The result is a decline in total market share from 3.1% to 2.2% for the same period^{ix}.

Changes to the threshold of the EMDG restricts the financial assistance needed by the business events sector to effectively promote Australia as a business events destination overseas.

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

Recommendation:
The EMDG should remain open to tourism-related associations to maintain a presence in existing markets and to fund the Trade Mission activities of new market entrants in emerging markets.

Recommendation:
Second tranche payments for the EMDG scheme should be maintained at existing levels or alternatively, priority criteria to receive funding should be developed.

Recommendation:
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.

Government support for export policies and programs

As mentioned above, there are many government bodies that have interests in the performance of our export sector. Austrade, Invest Australia, Tourism Australia, Axiss Australia, Ausfilm, and Australian Educational International all have a role in assisting the development of Australia's export capabilities.

Whilst the proposed Brand Australia Council will open communication lines between these agencies on the collective promotion of our export industries, greater coordination is needed between these institutions and other federal agencies that provide funding assistance to small to medium businesses, particularly tourism operators.

At current there are a range of grants and schemes available for businesses which can assist with further research or development of their product base. TTF Australia believes there needs to be greater coordination between grant schemes that assist tourism exporters from development to market entry.

The services sector has traditionally received a smaller proportion of government assistance than other established sectors. Research and development grants have particularly favoured traditional industries such as mining and manufacturing sectors. The finance industry accounts for 10% of business R&D and 'property and business services' almost 20%. The remainder of the services sector, including tourism, accounts for around 15% of all grants^x.

TTF Australia understands that the Australian Government will continue to provide assistance to the service sector where appropriate, but it remains the responsibility of the private sector to show initiative and drive the expansion of the services exports.

The tourism market will readily accept this challenge if the grants and schemes available to them are consolidated in a way that allows access to these grants as their products mature and become export ready.

Programs such as the Australian Tourism Development Program (ATDP) and Business Ready Program for Indigenous Tourism must be better linked to the EMDG scheme to provide consistent support to Australian exporters trying to introduce innovative products to the international export market.

Greater affiliation between ATDP and the EMDG scheme will ensure that key tourism projects are supported from conception through to fruition. TTF Australia does not suggest that these programmes should all be administered by a single body, but information regarding the grants and schemes should be streamlined in a coordinated manner to improve the ease of applying for these grants.

Better coordination and affiliate links would reduce confusion amongst applicants applying for additional funding at different stages in their development lifecycle and would also reduce lead times for developers getting their products into riskier emerging markets.

TTF Australia understands however, that the Department of Tourism is currently undertaking a review into the ATDP.

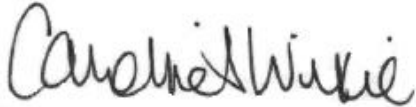
Recommendation:

Greater coordination and affiliation is required between all government agencies that assist and administer grant schemes that support export ready businesses. ATDP and the EMDG scheme need to be streamlined in order to improve access to funding at different points of the product development lifecycle.

TTF Australia is proud to support the review of our export policies and programs and is confident the review will provide the opportunity to improve the system for the benefit of our industries.

Should you require any additional information regarding this submission, please contact me on 02 9240 2016 or at cwilkie@tff.org.au.

Regards



CAROLINE WILKIE
National Manager – Tourism & Events

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

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

ⁱⁱⁱ International Visitors Survey, December 2007

^{iv} Tourism's contribution to the Australian economy 1997-1998 to 2005-2006, Tourism Research Australia, p4

^v UNWTO Barometer Statistics, 1998-2007

^{vi} UNWTO Tourism Highlights 2007 Edition

^{vii} Department of Foreign Affairs & Trade, *Trade Topics: A Quarterly Review of Australia's International Trade, Autumn 2008*, p7; IDP Website, accessed 28/04/08, http://www.idp.com/about_idp/media/2008/february/tourism_no_1_services_export.aspx

^{viii} 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

^{ix} Business Events Council of Australia, Pre-Budget Submission 2007-08, p24-25

^x 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, p9