

Department of Treasury and Finance  
Government of South Australia  
State Administration Centre  
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## **2016-17 SOUTH AUSTRALIAN BUDGET SUBMISSION**

The Tourism & Transport Forum Australia (TTF) welcomes the opportunity to make this submission for the 2016-17 South Australian budget. This submission makes recommendations in relation to budget funding for tourism, transport and aviation infrastructure.

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

### **The importance of the South Australian visitor economy**

Tourism has been identified as one of five super-growth sectors that have the potential to collectively add \$250 billion to the Australian economy over the next 20 years.<sup>1</sup> Positioned well to capture the demand of the emerging Asian middle class, tourism is an economic development strategy for Australia. Australian Governments have recognised this potential and are working to boost the capacity of the sector. State and Federal tourism ministers have endorsed the *2020 Tourism Industry Potential* goal for Australian tourism to increase overnight visitor expenditure by between \$115 billion and \$140 billion by 2020 and are putting in place strategies to meet this target.

As South Australia's traditional manufacturing base continues to decline, tourism is emerging as one of the sectors that can deliver sustainable growth and jobs into the future. Tourism has the potential to be a lasting economic development strategy for South Australia. The sector supports 17,000 tourism businesses across the State and 57,000 jobs (32,000 directly and 25,000 in supporting industries), and contributes 5.5% of Gross State Product.<sup>2</sup> Furthermore, the South Australian visitor economy generated \$5.6 billion in tourist expenditures over the year ending December 2015.<sup>3</sup>

### **Tourism marketing, major events and business events**

Like other States and Territories, South Australia has signed up to the target of doubling overnight visitor expenditure by 2020. In South Australia's case, that would see overnight visitor expenditure reach \$8 billion by the end of the decade and would mean an additional 10,000 direct jobs were generated.

South Australia has been widely acknowledged for its innovative advertising campaigns that have profiled Adelaide, the Barossa Valley and Kangaroo Island. While South Australia experienced an increase in domestic expenditure of 5% in 2015 – slightly below Australia's average of 6.2% - overnight

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

<sup>2</sup> Tourism Research Australia (2015), State Tourism Satellite Account 2013/14.

<sup>3</sup> Tourism Research Australia (2016), International Visitor Survey results to year ending December 2015.

trips increased by 8.6% compared to Australia's increase of 6.9%. Visitor nights also increased by 3.9%. Despite these positive results, States such as Western Australia and Tasmania are fast increasing their market share of domestic visitors. Growth in overnight trips and visitor nights in these regions increased significantly compared to South Australia.<sup>4</sup>

South Australia has experienced a notable 26% increase in international visitor expenditure, well above Australia's total increase of 19%. International visits have also increased by 9.6% in the year ending December 2015.<sup>5</sup> Despite this positive growth, South Australia trails significantly behind all the major States including Western Australia in terms of market share of international visitors.

In order to deliver greater market share, South Australia must continually capitalise on the economic benefits and job opportunities that come from rising international visitation that are being enjoyed in other parts of the country. The South Australian Government should continue to fund SATC to invest in destination marketing, major events and business events in order for the State to meet its expenditure target.

South Australia must consistently increase the flow of high-yield international visitors and further develop its appeal to the domestic market. While visitation from key Asian markets has been increasing, South Australia is lagging behind other States. South Australia experienced 5% growth in visitors from the high yield Chinese market over the year to December 2015, less than one-quarter of the 21% growth experienced across Australia.<sup>6</sup>

South Australia has had great success in building the Santos Tour Down Under into a signature international event. TTF welcomes the additional \$64.7 million over four years for tourism, major events and international education. However, this funding must be increased to grow travel and to attract and develop events.

Additionally, the South Australian Government should grow funding for business events, particularly given the recent upgrade of Adelaide Convention Centre and additional expansion in 2017. Major business events are important to the visitor economy. The Business Events Council of Australia estimates that international conference delegates spend up to almost six times more (on an expenditure per day basis) than the leisure visitor (\$554 per day versus \$94 per day). Business events also foster business investment and the exchange of new information and ideas, as well as profiling Australian know-how to the world. Business events contributed more than \$28 billion to the Australian economy in 2014.<sup>7</sup> TTF commends the State Government for providing \$5 million over two years to the Convention Bid Fund, and this should be enhanced over the forward estimates.

### **Visitor economy infrastructure**

South Australia is approaching a critical economic juncture. The progressive withdrawal of the automotive manufacturing industry by 2017 and the approaching completion of a number of large infrastructure projects will potentially see a shortfall emerge in economic activity.

As economic infrastructure generating a public return, tourism infrastructure is often delivered through a mix of public and private investment. As such, there is a role for Government to invest in

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<sup>4</sup> Tourism Research Australia (2016), National Visitor Survey results to year ending December 2015.

<sup>5</sup> Tourism Research Australia (2016), International Visitor Survey results to year ending December 2015.

<sup>6</sup> Ibid

<sup>7</sup> Ernst & Young (2015), *The Value of Business Events to Australia*



the construction and upkeep of these assets so they continue to attract visitors and deliver an economic dividend for the State.

Over the past five years, the South Australian Government has reinvested in Adelaide as South Australia's gateway. Significant investments in key visitor economy assets have included the expansion of the Adelaide Convention Centre and the redevelopment of Adelaide Oval. The Government has also paved the way for a revitalised Riverbank precinct that will host an expanded casino, hotels and cultural hubs.

Building on these significant investments, TTF recommends all parties commit to planning for and funding the next wave of critical tourism assets and demand-driving infrastructure. These include improving trail and visitor facilities at Granite Island, Flinders Ranges and Kangaroo Island; funding further infrastructure as identified in the region-by-region Destination Action Plans; funding further infrastructure to develop SA's cruise ship capability; continuing to fund the upgrade of Victor Harbor town precinct and continuing to invest in the Riverbank precinct redevelopment.

### **Priority infrastructure projects**

In particular, the State Government should work with the Federal Government to progress the sealing of the Strzelecki Track. TTF commends the State Government for securing Federal Government funding for the Kingscote Airport upgrade on Kangaroo Island. In the same vein, the State Government should continue to work with the Federal Government to ensure the sealing of the Strzelecki Track becomes a priority infrastructure project.

The State Government should also invest in supporting tourism operators to become China ready. China is one of Australia's fastest growing visitor markets, with visits up 21% and spend up 45% for the year ending December 2015.<sup>8</sup> In order to capitalise on the economic benefits and job opportunities that come from rising international visitation from markets such as China, the South Australian Government should invest resources into developing training programs for tourism operators. Other States such as Queensland and Tasmania have placed a strong focus on attracting Chinese tourists, developing training programs and resources for operators to enhance their cultural awareness of the Chinese traveller.

Moreover, tourist signage along South Australia's five touring routes should be upgraded and WiFi coverage enhanced at key tourism destinations in order to improve the customer experience. While booking methods vary between markets, the majority of visitors from Australia's key international markets, including China, the United Kingdom and United States, now rely on the internet for information more than guidebooks and friends and relatives when planning a trip.<sup>9</sup> Free WiFi is particularly needed in the Flinders Ranges and other regional destinations where mobile phone coverage is limited.

### **Incentivise new carriers**

South Australia has made considerable progress in developing additional air services and supporting existing routes from key source markets. This progress is illustrated previously by the introduction of Emirates services and the increase in Singapore Airlines services, and recently by the arrival of new direct services to Hong Kong with Cathay Pacific.

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<sup>8</sup> Tourism Research Australia (2016), International Visitor Survey results to year ending December 2015.

<sup>9</sup> PwC, (2013) Distribution 2020: Situational Analysis

Australia is more reliant on aviation access than almost any other destination due to its geographic isolation. State and Territory Governments have promoted their destinations to overseas airlines, often alongside their major airports, at international route conferences. The aviation industry fully supports the airline attraction efforts undertaken by SATC, including cooperative marketing campaigns with new and existing carriers. However, more emphasis needs to be placed on providing incentives to attract new partnerships in order to promote the destination.

### **Aviation attraction**

Destination marketing support, along with traffic expectations and airport costs, is a key factor in determining new airline routes, particularly for carriers considering international and domestic services to Adelaide. South Australia should reward committed carriers for their ongoing support to established routes and incentivise the development and retention of new carriers.

TTF is seeking commitment from all parties that funds will continue to remain available for airline attraction activities in partnership with Adelaide Airport.

Additionally, TTF urges all parties to support the lengthening and strengthening of the Kangaroo Island Airport landing strip to permit use by larger aircraft. Upgrading security screening facilities at Kangaroo Island Airport to enable larger aircraft to service the island will also be required. The South Australian Government should provide funding to attract interstate flights to Kangaroo Island Airport.

Central to growing aviation activity is ensuring a workable operating environment for South Australia's airports. Curfew-free airports are economic powerhouses and artificial constraints present a significant opportunity cost to the state economy, and the wider tourism industry, by hampering airport and air services growth. Newer planes and improved technology means aircraft noise is continually reducing, with modern aircraft 75% quieter than they were 40 years ago. Decision-makers should balance the impacts of aircraft noise on the amenity of surrounding communities with the need to ensure that residential developments or other noise sensitive areas surrounding the airport do not impact the airport's future potential. While this remains a responsibility of the Federal Government, it is critical the South Australian Government maintains strong support for an accessible aviation network.

### **Transport infrastructure**

Adelaide Airport is the fifth largest Australian airport based on passenger movements. From 6.8 million in 2008, passenger movements are expected to grow to 14.1 million over the next 20 years. However, the public transport mode share to and from the airport is only 4%.<sup>10</sup> In an effort to reduce congestion, improve the visitor experience and support the visitor economy, improving public transport links to the airport should be a priority. While in the short term an express bus service for airport users is adequate, the light rail network should be extended from the CBD to Adelaide Airport as part of the broader expansion of the network.

The O-Bahn busway provides a high capacity, fast and frequent service between the CBD and the expanding north eastern suburbs of Adelaide. However, the O-Bahn tracks stop at Hackney Road and buses are forced to intermingle with congested traffic on the approaches to the CBD. The O-Bahn extension would significantly improve travel times and reliability of bus services and should be

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<sup>10</sup> As at 2010.



regarded as a high priority project. The South Australia Government should ensure construction timeframes for this important project are maintained.

Electrified rail lines provide faster, more reliable, more comfortable and environmentally friendlier services, whilst being cheaper to operate (in comparison to diesel trains) over the long run. Following the Seaford Line, the next trunk of the network to be electrified is the Gawler line which serves Adelaide's northern suburbs. However, the electrification and associated works are on hold due to the suspension of funding. The electrification of the Gawler line is a critical step towards the modernisation of the network and should be a priority on the Government's agenda.

Building a resilient transport network cannot be achieved within one term of Government. A long-term planning and funding plan is necessary to meet the need of South Australia's growing population and to support its productivity. TTF supports the update of the 2004/5 Strategic Infrastructure Plan for South Australia. TTF also supports the establishment of an independent infrastructure advisory body for South Australia to guide long-term planning and the assessment of individual projects.

### **Growing transport demand**

Urban sprawl has a direct impact on congestion. With strong residential growth expected for the next 20 years, Adelaide is facing a significant challenge. Urban infill and densification are part of the answer to respond to growing transport demand. Transit-oriented developments (TODs) are medium to high density mixed-use development around public transport nodes. These sites maximise the potential of existing infrastructure, underpin value capture by providing an income stream, and create vibrant social and economic centres. As part of the updated Infrastructure Plan, the South Australian Government should explore TOD opportunities further.

Finally, the rental vehicle industry abides by eight different State and territory regulatory and tax regimes – with only Tasmania recognising rental vehicles within their own regulatory framework. Regulatory guidance and legislative instruments have been created without a clear national policy objective and lack the simplicity and flexibility required for a healthy operating environment.

For operators, this has stymied industry growth, hindered innovation, reduced workforce efficiency, made it difficult to determine the compliance task, created a significant administrative burden, and led to cost inefficiencies. For regulatory agencies, it has fashioned a significant knowledge gap, limited national data on the size, value and economic contribution of the industry, and created cost inefficiencies.

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

### **The sharing economy**

The quick pace of technological change has seen a dramatic shift in the provision of goods and services in the economy. These disruptors have placed enormous pressure on traditional operators and regulators, whose legislative frameworks predate the arrival and business models of new players in affected sectors.

Consumers who use sharing economy platforms have clearly expressed an interest for convenience, ease of use and affordability. Traditional operators in disrupted sectors are now seeking to adapt to this expression of consumer preference by further developing their own service offerings.

The challenge for regulators, however, is to ensure that their framework is responsive, flexible and provides a level playing field. The sharing economy is likely to transition from disruptor to mainstream operator, but this cannot be allowed to happen without these services being regulated to deliver consumer and community amenity.

Disruptive booking apps such as ingogo and goCatch, as well as the emergence of ridesharing services like Uber, have challenged the taxi industry and proved popular with consumers. Uber, in particular, has highlighted a change in consumer preferences in Australia. Uber has already been legalised in Western Australia, New South Wales (NSW) and the Australian Capital Territory, and Tasmania is working to provide a legal framework for sharing economy business operations including Uber and Airbnb. The NSW Government also established an inquiry into the adequacy of the regulation of short-term holiday letting.

TTF urges the South Australian Government to develop a ridesharing framework that is flexible enough to respond to the dynamic forces in the market and that strikes the right balance between ensuring safety and service standards while at the same time not stifling innovation. Similarly, the State Government should also review visitor accommodation regulation to ensure a more competitive environment for all tourism business operations and investment.

### **Conclusion**

The South Australian Government must continue to support the visitor economy in order to deliver sustainable growth and jobs into the future. Tourism marketing, major events and business events funding must be maintained to better capture high-yield international visitors and increase the State's appeal in the domestic market. All levels of Government should commit to planning for and funding the next wave of critical tourism assets and demand-driving infrastructure to support this.

Thank you again for the opportunity to comment and TTF looks forward to continuing our engagement in these policy areas.

Yours sincerely



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