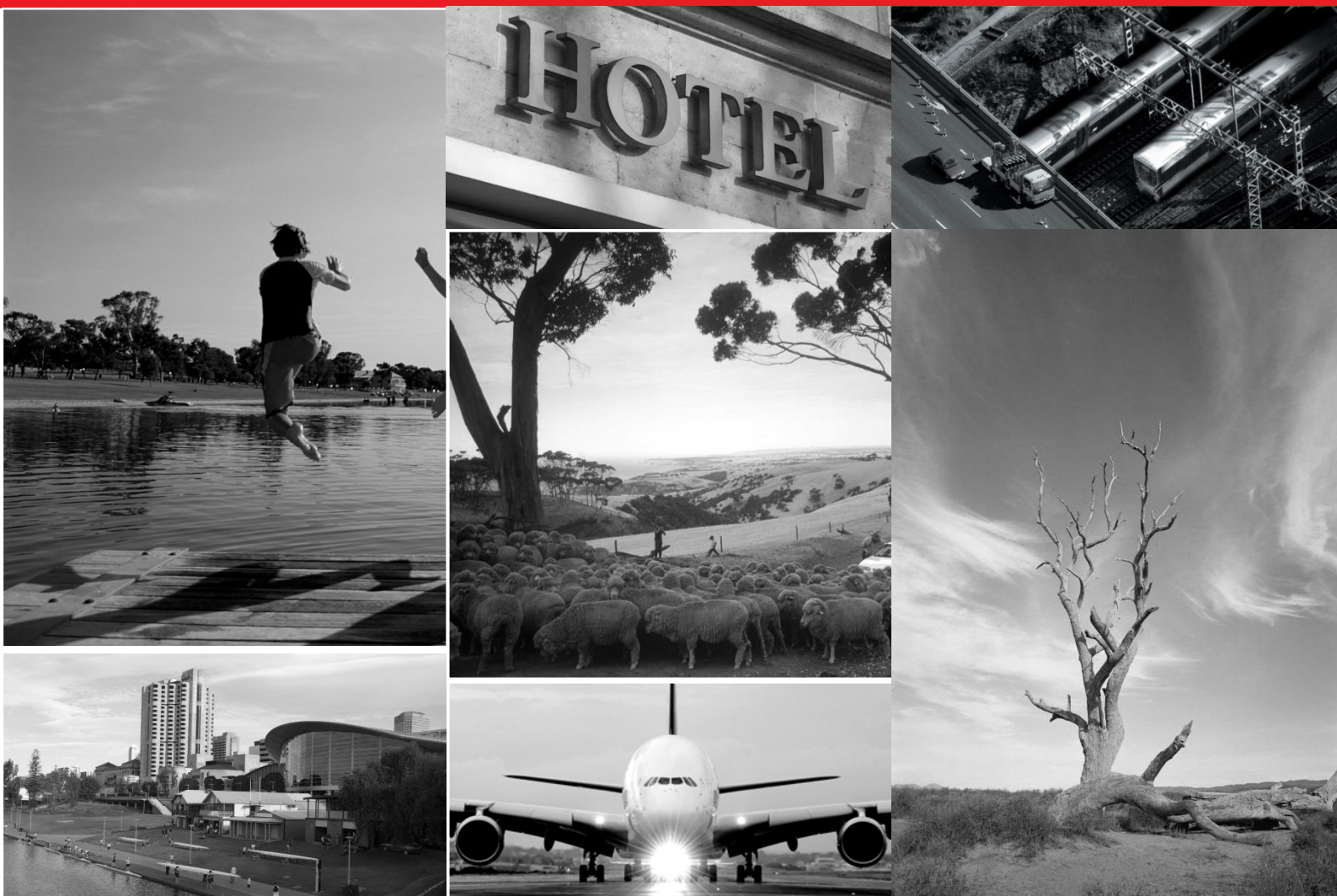


2014 SOUTH AUSTRALIAN ELECTION

Priorities for the visitor economy

FEBRUARY 2014



Tourism & Transport Forum

The Tourism & Transport Forum (TTF) is the peak national advocacy body for the tourism, transport and aviation sectors. It is a CEO forum representing the interests of 200 leading Australian institutions and corporations in the private and public sectors.

TTF uses its experience and networks to influence public policy outcomes and business practices, and to assist the delivery of major tourism, aviation and transport-related infrastructure projects. Our members' interests include tourism, accommodation, major events, aviation, land and maritime transport, investment, property development, finance, retail, hospitality and education.

For further information please contact:

Adele Labine-Romain | Executive Director | 02 9240 2014 | alabine-romain@tff.org.au

Justin Koek | Deputy Director, Tourism | 02 9240 2026 | jkoek@tff.org.au



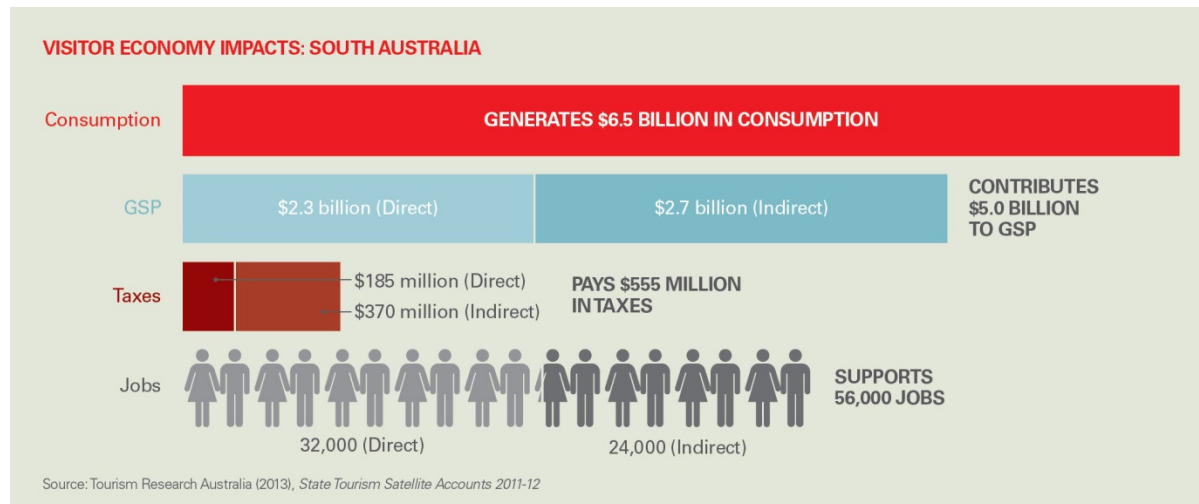
Contents

1. Prioritise tourism as an economic development strategy for SA.....	4
2. Continue to invest in marketing, major events & business events	5
3. Commit to the next wave of tourism infrastructure	6
4. Rule out any new tourism taxes	7
5. Support aviation attraction and airport privatisation	7

Prioritise tourism as an economic development strategy for South Australia

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 already supports 56,000 jobs and contributes \$5 billion to gross state product¹, but with the right support and prioritisation by government, it could deliver an even greater contribution to the state economy.



- **\$6.5 billion** – Tourism consumption in South Australia totalled \$6.5 billion in 2011-12
- **\$14 million** – Average daily spending by Australian and international visitors in SA
- **\$5.0 billion** – Tourism's contribution to SA's gross state product (GSP) in 2011-12, including \$2.3 billion in direct GSP and another \$2.7 billion in flow-on indirect GSP, representing a 5.5% share of the SA economy
- **56,000** – South Australian jobs supported by visitor expenditure, include 32,000 jobs directly in the tourism industry and another 24,000 in related industries, representing more than 1 in every 15 jobs across the state
- **\$555 million** – Tax revenue generated by visitor expenditure in South Australia
- **\$823** – Each SA household would pay \$823 more in taxes without the tax revenue generated by tourism

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 years². The industry has the capacity to capture the demand of the emerging Asian middle class and South Australia must embrace this trend or be left behind by other states and territories like Queensland, which has declared tourism one of the four pillars of its economy.

Ahead of the South Australian election on 15 March, TTF calls on all parties to commit to making tourism a major policy priority in government, including a renewed commitment to the 2020 target of doubling overnight visitor expenditure to \$8 billion by 2020 and a clear plan of funded action to achieve that target.

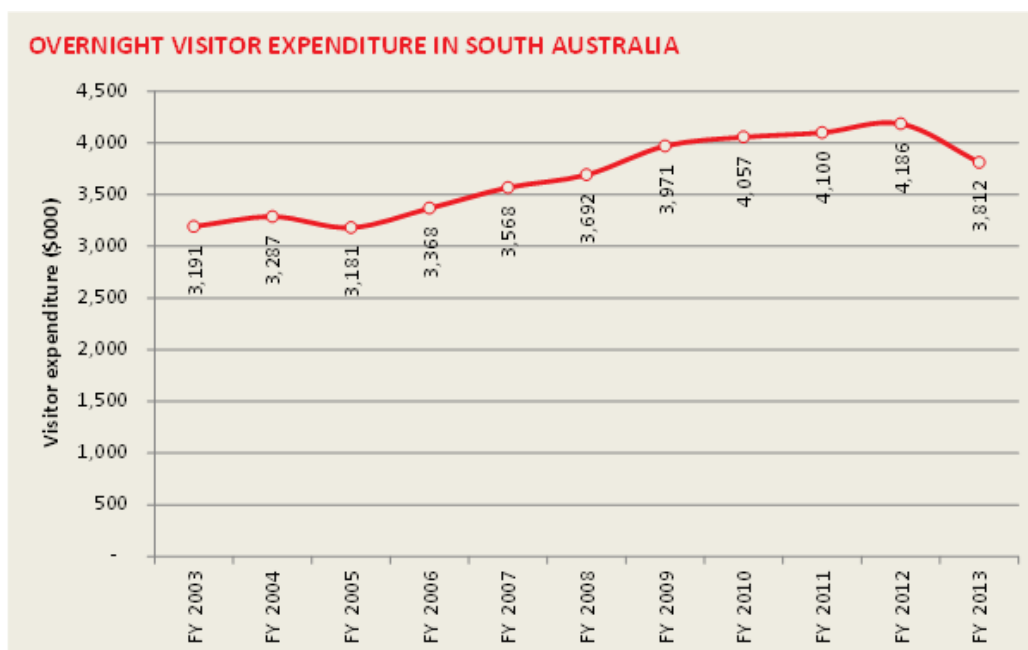
¹ Tourism Research Australia (2013), State Tourism Satellite Accounts 2011-2012

² Deloitte, 2013, 'Positioning for prosperity? Catching the next wave'

Continue to invest in marketing, major events & 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 a year by the end of the decade.

South Australia has been widely acknowledged for its innovative advertising campaigns that have profiled Adelaide, the Barossa Valley and Kangaroo Island. However, despite the positive reception of these campaigns, South Australia experienced minimal growth in overnight expenditure between 2008-09 and 2011-12 and in fact saw an 8.9 per cent

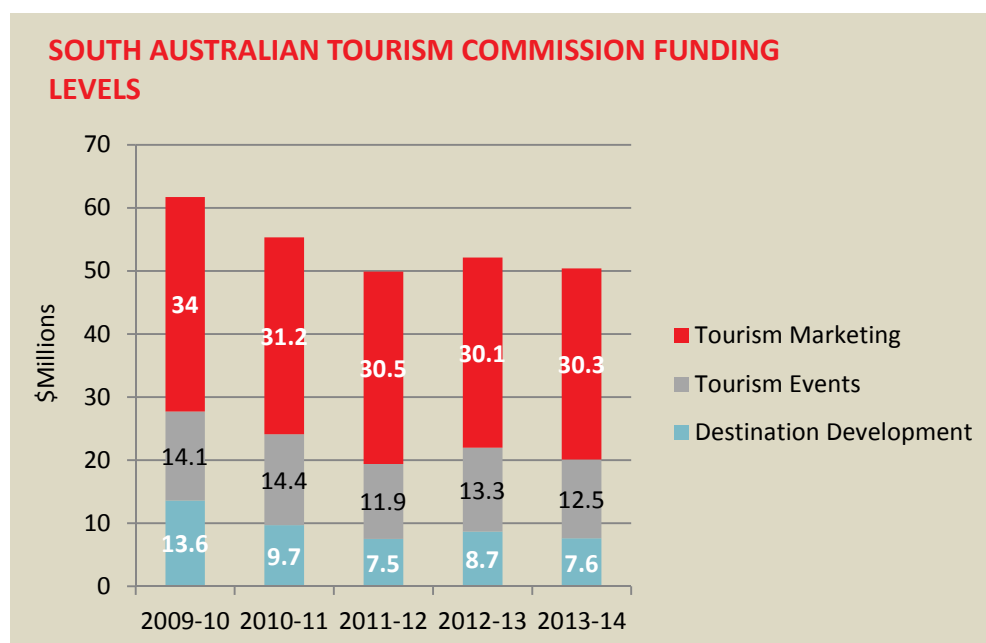


decline in the 2012-13 financial year³. These poor results mean that, at the current rate of growth, South Australia is unlikely to meet its 2020 target.

Over the same period of stagnant growth and decline in overnight visitor expenditure, funding for the South Australian Tourism Commission (SATC) has declined as the government has sought to impose a range of savings measures.

Source: Tourism Research Australia (2013) – International and National Visitor Surveys

A sustained decline in tourism marketing funding will mean South Australia misses out on jobs and economic growth. TTF calls on all parties to restore annual marketing, destination development and events funding for SATC to \$60 million. All parties should also commit to retaining SATC as a best-practice statutory authority reporting to an expert advisory board.



Source: South Australian budget papers, 2009-10 to 2013-14

³ Tourism Research Australia (2013) – International and National Visitor Surveys

South Australia must increase the numbers of high-yield international visitors and continue to appeal strongly to the domestic market if it is to reach its 2020 target. It already significantly trails the major states and Western Australia in market share of overnight visitors from key Asian markets, at only four per cent, having declined from a peak of five per cent in 2010⁴. This trend must be reversed.

South Australia has had great success in building the Santos Tour Down Under into a signature international event. However, funding for major events has declined in real terms over the past four years. More funding, above and beyond what is committed to destination marketing, needs to be devoted to attracting, developing and operating events. Efforts must also be made to strategically populate the annual events calendar to better smooth out seasonal peaks and troughs and showcase destinations.

Likewise, TTF urges all parties to commit to providing funding for business events, particularly with the expanded capacity of the upgraded Adelaide Convention Centre. Business events visitors generate higher yield, with international business events visitors spending on average 20 per cent more than the average international visitor⁵. Pleasingly, the current government has provided an additional \$2 million over two years for an Adelaide Convention Centre bid fund. This funding should be committed to by all parties and extended over the forward estimates.

Commit to the next wave of tourism infrastructure

South Australia is approaching a critical economic juncture. The withdrawal of the automotive manufacturing industry by 2017 and the approaching completion of a number of large infrastructure projects will potentially see a gap 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 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:

- Committing to the Riverbank precinct redevelopment
- Extending light rail services to Adelaide Airport
- Improving trail and visitor facilities at Granite Island, Flinders Ranges and Kangaroo Island
- Improving capacity of electricity supply to Kangaroo Island
- Upgrading Victor Harbor town precinct
- Completing the upgrade of the Penneshaw ferry terminal on Kangaroo Island
- Funding infrastructure to further develop SA's cruise ship capability
- Funding further infrastructure as identified in the region-by-region Destination Action Plans (DAPs)

4 Tourism Research Australia (2013) - International Visitor Survey

5 Tourism Research Australia (2013), International and National Visitor Surveys, December quarter 2012 editions – unpublished data

In addition, Kangaroo Island accessibility requires particular attention. Kangaroo Island is a key South Australian destination and part of the National Landscapes network. TTF calls on all parties to commit to a feasibility study into subsidies for ferry travel to Kangaroo Island, building on work previously commissioned by the Kangaroo Island Development Board. Reducing the cost of ferry travel has the potential to dramatically increase the number of visitors to the region and help South Australia reach its 2020 target.

All parties should commit to ongoing and close consultation with industry about tourism infrastructure needs. All parties should also commit to setting out credible funding plans over the forward estimates for these key infrastructure projects.

Rule out any new tourism taxes

TTF urges all parties to rule out introducing any taxes, including cost-recovery levies, for the tourism sector.

The tourism industry in South Australia already pays \$555 million in taxes⁶. Any further increase in taxes for the industry would potentially push up prices for visitors and negatively impact on the state's competitiveness.

In addition, TTF urges all parties to take a firm stand in relation to the federal government's Passenger Movement Charge (PMC). The PMC is the highest tax of its kind for short-haul passengers in the developed world. The PMC was originally introduced as a cost recovery measure for passenger processing but now collects three to four times more in revenue than is actually expended. While the current federal government has frozen the PMC, this disproportionately high tourist tax threatens Australia's competitiveness as a destination and should be reviewed by the Productivity Commission.

Support aviation attraction and airport privatisation

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

Australia is more reliant on aviation access than almost any other destination, due to its geographic isolation. In partnership with federal air services negotiations, state and territory governments have promoted their destinations to overseas airlines, often alongside their major airports, at international route conferences.

The industry fully supports the airline attraction efforts undertaken by SATC, including cooperative marketing campaigns with new and existing carriers. 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.

⁶ Tourism Research Australia (2013); State Tourism Satellite Accounts 2011-12

TTF also seeks the support of all parties to examine the existing local government model for airports, which is limiting investment in much needed infrastructure at many regional airports. The current Local Government Act prevents council-owned airports from securing necessary loans against the value of their assets, limiting access to capital. Further, many council airports are operated as facilities, with profits returned to consolidated revenue instead of reinvested into aviation infrastructure.

To address this, TTF fully endorses the use long-term leases to the private sector for council-owned airports as a means of delivering the aviation infrastructure regional South Australia needs. In particular, Port Lincoln, Whyalla, King Island, and Mt Gambier airports have all suffered from inadequate capital expenditure due to limitations placed on private investment.

Central to growing aviation activity is ensuring a workable operating environment for South Australia's airports. Arbitrary flight restrictions severely limit the state's ability to attract new services, particularly low-cost and freight services. While this remains a responsibility of the federal government, it is critical the South Australian government maintains strong support for an accessible aviation network.

8TH FLOOR
8-10 LOFTUS STREET
SYDNEY NSW 2000
PO BOX R1804
ROYAL EXCHANGE NSW 1225

T +61 2 9240 2000
F +61 2 9240 2020
contact@ttf.org.au

www.ttf.org.au

TTF 
A U S T R A L I A
Tourism & Transport Forum