

GROWING THE VISITOR ECONOMY

Submission to the Northern Territory Government
2015-16 Budget

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Tourism & Transport Forum

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

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Executive Summary

With the continuing decline of sectors like manufacturing and the mining investment boom waning, Australians are looking to the sectors that can deliver sustainable growth and jobs into the future. Against the backdrop of an economy in transition, the visitor economy continues to emerge as one of the foundations of Australia's future prosperity.

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 years¹. 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 and competitiveness of the sector. Some of this work to improve the competitiveness of industry is already underway, with the government tasking the Productivity Commission to review into Australia's industrial relations framework, which we expect will address the needs and challenges of the 24 hour, seven day a week tourism industry.

The Federal, state and territory tourism ministers have also endorsed the 2020 Tourism Industry Potential goal for Australian tourism to increase overnight visitor expenditure to between \$115 billion and \$140 billion in 2020 and are putting in place strategies to meet this target.

The Northern Territory is home to some of the greatest natural wonders and experiences in Australia – and indeed the world. Through effective destination branding and investment in visitor infrastructure the territory can leverage these unique assets to support growth in the visitor economy. There has never been a more critical time to capitalise on the economic potential of the Territory's tourism offering.

The Northern Territory government has set growth targets through the Tourism Vision 2020 Strategy to deliver a \$2.2 billion visitor economy by 2020². The Territory's tourism industry can achieve this target if it responds to rising wealth in our emerging international tourism source markets in Asia, while maintaining market share in mature visitor markets. In pursuit of this strategy, the Tourism & Transport Forum (TTF) recommends the Territory government builds on the support shown to the sector, by increasing funding for Tourism NT so that the existing funding level is maintained in real terms. Also needed is investment in essential tourism infrastructure that will help to drive demand and continued work to improve the industry's competitiveness by removing regulatory barriers.

¹ Deloitte Access Economics (2013) - *Positioning for Prosperity? Catching the next wave*

² Tourism NT (2013) - *Tourism Vision 2020: Northern Territory's Strategy for Growth*

Recommendations

TOURISM AND TRANSPORT RECOMMENDATIONS

Growing demand for travel to the Northern Territory

Increase funding for Tourism NT

- Increase funding level for Tourism NT in real terms for 2015-16 and in the forward estimates to provide funding certainty, with a focus on the leisure market and business events.

Attract and retain international air services

- Maintain budget funding for airline marketing partnerships to attract and maintain targeted airlines, routes and services.

Boosting visitor economy investment

Invest in nature-based tourism infrastructure

- Maintain funding support for tourism visitor infrastructure in key national parks and reserves.
- Investigate opportunities to work with the private sector to develop new products in and around national parks

Build cruise tourism capacity

- Invest in transport links to and from Darwin Port, and marina infrastructure, to service the harbour cruise market.
- Engage the federal government to reform the licensing provisions contained in the *Coastal Trading Act* to support expedition cruise shipping in the Northern Territory.

Improve road access in tourism regions

- Upgrade all-weather road access to Kakadu National Park and along the Red Centre Way.

Northern Australia Policy

- Northern Territory government to continue to work closely with the federal government through the Northern Australia policy development process to ensure that tourism is given high priority and to examine opportunities for additional streamlining and reduction of regulation.

Improving the visitor experience

Improve rental car regulation harmonisation

- Engage the federal government to harmonise state and territory taxes and regulation for the rental vehicle sector.

Improve public transport access

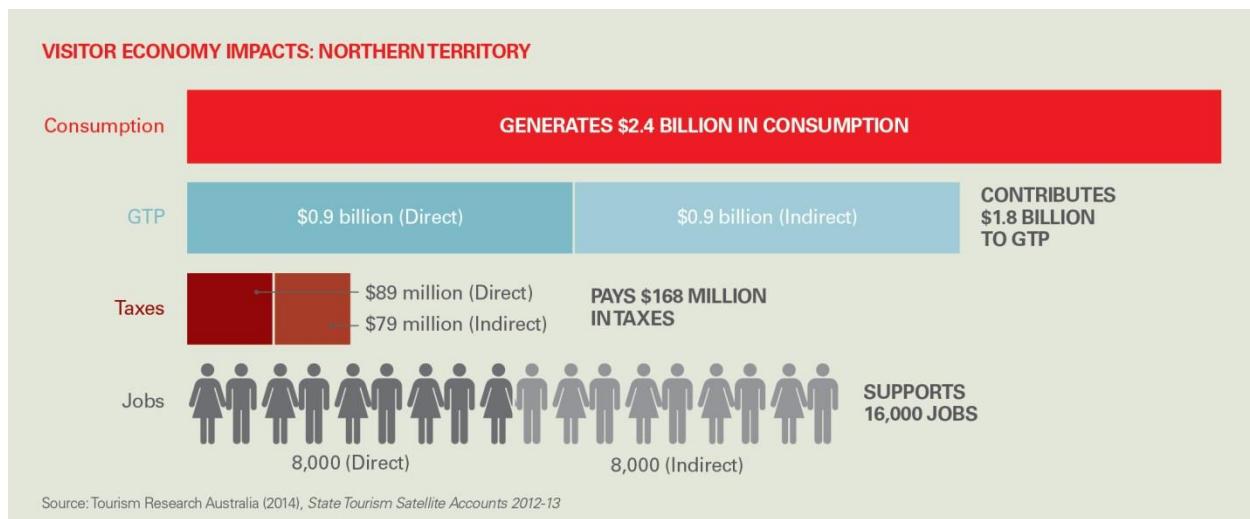
- In the short term, the Northern Territory government should conduct a review of ferry infrastructure to identify critical upgrades of existing facilities.
- In the medium to long term, the federal and territory governments should consider funding a new ferry terminal in central Darwin.

Growing the Northern Territory's visitor economy

1. The economic impact of tourism

Tourism is a vital component of the Northern Territory economy, supporting 2,300 businesses³, employing 16,000 people and contributing \$1.8 billion to gross Territory product. The tourism industry is a key driver of economic activity, export earnings and employment across the Territory, contributing up to a quarter of local economic output in some communities⁴.

In partnership with the private sector, strategic investment by the Territory government in tourism marketing, major events and infrastructure provide a foundation for the growth of the NT visitor economy. If supported and strengthened appropriately, the tourism industry can broaden the Territory's economic base and deliver strong and sustainable growth.



- **\$2.4 billion** – Tourism consumption in the Northern Territory in 2012-13.
- **\$1.8 billion in GTP** – Tourism's contribution to gross territory product (GTP) includes \$0.9 billion in direct GTP and another \$0.9 billion in flow-on GTP, representing a 9.1% share of the NT economy.
- **2,300 businesses** – Northern Territory businesses supported by tourism, including 1,300 in tourism-characteristic industries and 1,000 in tourism-connected industries.
- **16,000 jobs** – Territory jobs supported by visitor expenditure include 8000 jobs directly in the tourism industry and another 8000 in related industries, representing more than 1 in every 8 jobs across the Territory.
- **\$168 million in taxes** – Tax revenue generated by visitor expenditure in the Territory.
- **\$2,244 saved per household** – Each Territory household would pay \$2,244 more in taxes without the tax revenue generated by tourism.

³ Tourism Research Australia (2014) – *Tourism Businesses in Australia June 2010 to June 2012*

⁴ Tourism Research Australia (2011) – *The Economic Importance of Tourism in Australia's Regions*

2. Towards Tourism 2020

The significant potential of Australia's tourism industry was highlighted in the recent Deloitte Access Economics report, *Positioning for Prosperity? Catching the next wave*. The report identified tourism as one of Australia's five super growth industries, capable of collectively delivering an additional \$250 billion to the national economy over the next 20 years⁵. The report notes that the intersection of global opportunity and national advantage is crucial to prosperity – and that Australian tourism is well positioned to be part of the next wave of wealth creation.

Already, tourism is Australia's largest service export, employing almost twice as many people as the mining industry and generating more than \$100 billion in economic activity every year - more than all our primary industries combined. However, there is still significant room for improvement, driving the next generation of economic growth.

Tourism Vision 2020: Northern Territory's Strategy for Growth sets the direction for the Northern Territory tourism sector outlining a vision "To grow the visitor economy in the Northern Territory to \$2.2 billion by 2020 as measured by overnight visitor expenditure".

The Northern Territory in particular, with its location and natural beauty, stands at the forefront of Australia's tourism potential to be a world leader in tourism. However, success is not a *fait accompli*. Increased competition both domestically and abroad, the strength of the Australian dollar over a long period of time and high labour costs have all been considerable challenges. As a result, to fully leverage the Northern Territory's potential, adequate funding for destination marketing and visitor infrastructure, combined with a more competitive regulatory framework, will be critical.

⁵ Deloitte Access Economics (2013) - *Positioning for Prosperity? Catching the next wave*

Growing demand for travel to the Northern Territory

The economic benefit of tourism in the Northern Territory extends well beyond the sector itself. Public sector investment in destination marketing is necessary to foster private sector investment in tourism product.

1. Promoting the Northern Territory

a. Tourism NT

Tourism NT plays a critical role in generating visitation to the territory through tourism marketing. In order to achieve the territory's target of doubling overnight visitor expenditure to \$2.2 billion by 2020, funding must be increased to deliver campaigns already in market and build exposure in emerging Asian markets.

TTF commends the Northern Territory government for maintaining its additional \$8 million injection from the previous budget and funding commitments within this envelope for business events, cooperative airline marketing and regional product development. Tourism NT must be in a position to compete with interstate and international destinations to create intention to travel, attract major events, and stimulate tourism investment and aviation capacity to the Territory. The need for effective, well-resourced destination promotion is especially important given the Territory is dominated by small to medium sized businesses that are dependent on Tourism NT to market the destination to potential visitors.

TTF recommends the Northern Territory government increase funding for Tourism NT in recognition of its importance as a key demand driver for visitation.

b. Business events

Conferences, conventions, exhibitions and trade fairs – business events – attract high-yield visitors. There is a 20 per cent differential in per-trip expenditure between the average international business events visitor and the average international visitor and a 40 per cent differential for domestic overnight business events visitors.⁶ These visitors have the capacity to make an important contribution towards the Territory meeting its 2020 targets.

Darwin Convention Centre is well positioned to capitalise on increased activity from the Asia-Pacific region, including the lucrative convention, conference and incentive markets. The Northern Territory should seek to attract niche international events, leveraging Darwin's proximity to South East Asia. Further, additional domestic events can be won utilising the significant urban renewal that has occurred around the convention centre. Adequate funding, and certainty of the funding timeframe, is imperative for the Territory to attract and plan for international business events.

RECOMMENDATION

- Increase funding level for Tourism NT in real terms for 2015-16 and in the forward estimates to provide funding certainty, with a focus on the leisure market and business events.

⁶ Tourism Research Australia (2013) - International and National Visitor Surveys, December quarter 2012 editions – unpublished data

c. Aviation attraction and retention

Aviation activity in the Territory has undergone significant overall growth in the past decade. This rapid expansion represents a substantial windfall to the Territory's economy, which has been supported in part by the resources boom. As a result, the frequency and number of destinations available across the Territory's aviation network has also expanded, unlocking new visitor markets and broadening existing ones.

Some notable recent successes include the expansion of SilkAir services from Singapore and the re-entrance of Malaysia Airlines. Notwithstanding the latter airline's wider financial issues, the routes from Singapore and Malaysia attest to the attractiveness of Darwin as a destination for Asian travellers.

This success is due in part to the Territory government's aggressive targeting and strong marketing support for aviation attraction. Destination marketing support, along with traffic expectations and airport costs, is a key factor in determining new airline routes. TTF applauds this approach, which has delivered additional air services and routes from key source markets. In order to see growth continue, the tourism industry is seeking government commitment to ensure aviation business development support continues.

Despite the success of the Territory government's aviation attraction initiatives, TTF believes there may be an opportunity to use funding more efficiently. In many cases airline attraction funding focuses too heavily on attracting new carriers and routes, some of which may not be sustainable in the long-term. Instead, airline business development that primarily concentrates on maintaining existing capacity and expanding routes of existing carriers could lead to better and more sustainable returns.

Another area of opportunity would be supporting Darwin as a stopover location. Encouraging airlines to offer two or three day stopovers in Darwin to or from Australian eastern seaboard destinations represents a real opportunity to open up the Territory to untapped markets.

Additionally, support needs to be maintained for airlines beyond the start-up phase, specifically to promote the Northern Territory in key source markets. Currently, approximately 70 per cent of international seats to and from Darwin Airport are dedicated to outbound travel by Territorians. Given the Territory's relatively small population, this proportion is unsustainable if growth is to continue at targeted rates. It is therefore vital for the Northern Territory government to support the drive for further inbound growth.

RECOMMENDATION

- Maintain budget funding for airline marketing partnerships to attract and maintain targeted airlines, routes and services.

Boosting visitor economy investment

As a form of 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 tourism assets so they continue to attract visitors and deliver an economic dividend for the Territory.

1. Invest in nature-based tourism infrastructure

The Northern Territory is well-positioned to capitalise on the economic benefits of nature-based tourism as it is home to some of the world's most recognisable natural landscapes, including Uluru-Kata Tjuta National Park and Kakadu National Park. Tourism also contributes to broader environmental and social outcomes, providing funding sources and points of engagement for the Territory's natural and indigenous heritage.

A recent study by Tourism Australia found consumers from some of Australia's key inbound markets viewed its world-class beauty and natural environment as the third most important factor in selecting a holiday destination, behind only safety and value for money⁷. However, capitalising on the potential benefits of nature-based tourism requires a supportive legislative framework and strategic public investment in critical visitor infrastructure.

The industry supports the Territory government's ongoing commitments to developing and promoting nature-based experiences through Tourism NT and the NT Parks & Wildlife Commission. The government's call for expressions of interest for tourism investment opportunities in Territory parks and reserves have been a positive step forward as well as its partnership with the federal government in the development of a one-stop shop for environmental assessments and approvals under the Environment Protection and Biodiversity Conservation Act. Funding to date for bushwalking trails, viewing platforms and visitor amenities has helped to increase nature-based visitation and expenditure within the Territory.

Consistent funding over the forward estimates for the NT Parks & Wildlife Commission to continue their work in conservation, national park visitor infrastructure and marketing is critical in supporting regional dispersal and economic activity. Further, facilitating private sector investment in new product and experiences within the natural estate – including iconic nature-based accommodation – will also ensure the Territory is well positioned to capitalise on the benefits of nature-based tourism.

To deliver quality tourism projects that drive high-yield international visitation, the industry requires certainty of land use, planning, inter-agency cooperation and long-term lease arrangements to facilitate private investment in the Territory's natural estate. The *Signature Lodges* initiative, which facilitates the pre-approvals necessary to foster investment in protected areas, provides an opportunity for identifying, prioritising and presenting appropriate Crown land sites, reserves and indigenous lands to the private sector for investment. The industry supports such initiatives to drive private sector investment in iconic sustainable tourism development.

RECOMMENDATIONS

- Maintain funding support for tourism visitor infrastructure in key national parks and reserves.
- Investigate opportunities to work with the private sector to develop new products in and around national parks.

⁷ Tourism Australia (2013) – Consumer Demand Project

2. Build cruise tourism capacity

Cruise shipping in Australia continues to register double-digit annual growth, with more cruise itineraries including Northern Territory port calls each year. In addition to the rapid growth in cruise ship movements, the size of ships visiting the territory is also increasing. The cruise ship sector contributes approximately \$66.8 million to the NT economy annually, with \$9.2 million of this from direct passenger and crew expenditure⁸.

Connectivity with land-based tourism operators continues to be one of the biggest issues impacting the visitor experience. Appropriate planning must occur for the arrival of increasingly large vessels to create a more seamless visitor experience for the large groups of visitors currently disembarking in a predominantly industrial port.

The industry welcomed the Territory's Cruise Industry Strategy in 2012. Implementation of this strategy should include investment in visitor infrastructure at Darwin Port to facilitate the flow of passengers, including transport links to and from the port. Over time, additional investment will be required in wharf infrastructure to accommodate larger ships and to house additional customs and immigration facilities.

a. Cruise facilities at the Darwin Waterfront

The development of additional cruise and passenger facilities at the Darwin Waterfront will be necessary to support the Territory's burgeoning harbour cruise market. Investment in berthing infrastructure will help ensure small to medium size tourism businesses can benefit from the influx of visitors in the Darwin area while complementing the significant urban renewal that has already occurred around the foreshore, including the Darwin Convention Centre, cruise ship facilities at Darwin Port, and associated hospitality and residential developments.

Despite the opening of Darwin Port's dedicated deep water berth and cruise ship terminal at Fort Hill, vessels occasionally still have to be processed at East Arm Wharf. The current congestion at peak periods of the year can be avoided with the construction of a second major berth and additional smaller berths as the Waterfront development continues.

b. Amendment to the *Coastal Trading Act*

Growth in the cruise sector has been facilitated by a ministerial exemption from the licensing provisions contained in the *Coastal Trading Act* issued by the federal government to large cruise ships. This has ensured that cruise shipping is competitive in what is a highly contested international market.

However, that exemption has not been extended to the high-value expedition cruise ship market. These smaller vessels traditionally visit regional and more remote ports and coastal locations and the Northern Territory is an obvious destination for ships in this class. The regulatory hurdles of the *Coastal Trading Act* have meant that Australia has not been able to secure the benefits of this part of the market despite impressive growth internationally.

Regional ports are especially missing out. Bringing international tourists to regional areas should be actively supported by both the Northern Territory and federal governments.

⁸ Tourism NT

TTF believes that the federal government's review of the *Coastal Trading Act* provides an opportunity to either extend the current ministerial exemption to all cruise ships or, as part of broader reforms, lift the licensing requirements of the Act that serve as a deterrent for smaller expedition cruise ships.

The Northern Territory government should continue to advocate for federal reforms that will encourage growth in the expedition cruise ship market to Australia.

RECOMMENDATION

- Invest in transport links to and from Darwin Port, and marina infrastructure, to service the harbour cruise market.
- Engage the federal government to reform the licensing provisions contained in the *Coastal Trading Act* to support expedition cruise shipping in the Northern Territory.

3. Improve road access in tourism regions

a. Priority tourism infrastructure and development projects

Visitor access from the gateways of Darwin and Alice Springs to the Territory's natural attractions is crucial in delivering the greatest economic returns from visitor expenditure and brand resonance domestically and abroad. In particular, all-weather road access in and around Kakadu and to tourism assets along the Red Centre Way continues to be a significant concern, requiring upgrade funding to support visitation.

Priority should also be given to regular transport services from Darwin to iconic locations such as Litchfield and Kakadu, including a possible transit centre at Darwin Airport which would make it easier for visitors to disperse into these regional areas. Consideration should also be given in future transport strategies for improving access across the East Alligator River and upgrading Oenpelli Road.

RECOMMENDATIONS

- Upgrade all-weather road access to Kakadu National Park and along the Red Centre Way.

4. Northern Australia Policy

The Joint Select Committee on Northern Australia has released its final report, *Pivot North – Inquiry into the Development of Northern Australia*, the conclusion of over a year's consultation. The federal government is now in the process of finalising the Northern Australia White Paper, which is due to be released in early 2015.

The Northern Australia framework provides one of the best opportunities to level the playing field with southern states and the NT government and Tourism NT is to be congratulated for its proactive approach towards the process.

In its submission to and evidence before the Joint Select Committee, TTF made several recommendations as to the removal of federal government barriers to Territory tourism growth. Many of these have been embraced by the Territory government.

TTF recommends that the Territory government work cooperatively with the governments of Western Australia and Queensland to identify ways to overcome the barriers to doubling visitation to Northern Australia by 2030.

RECOMMENDATION

- Northern Territory government to continue to work closely with the federal government through the Northern Australia policy development process to ensure that tourism is given high priority and to examine opportunities for additional streamlining and reduction of regulation.

Improving the visitor experience

1. Rental car regulation harmonisation

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.

RECOMMENDATION

- Engage the federal government to harmonise state and territory taxes and regulation for the rental vehicle sector.

2. Improve public transport access

As Darwin continues to grow, demand for public transport will increase. A coherent public transport strategy will be required to ensure that both visitors and residents are able to move around easily and to avoid the traffic congestion problems seen in other Australian cities.

With a relatively sparse population, expansion of the existing Darwin bus network that operates in greater Darwin, Casuarina and Palmerston remains the most feasible mode of transport in the short and medium term. Longer term, the city has the opportunity to capitalise on its harbour to activate public transport ferries to the Cox Peninsula as well as the planned waterfront suburbs of Weddell and Murrumujuk.

As the services expand, there should be consideration of the Territory's Department of Transport proposal to develop a ferry terminal in the central business district close to Knuckey Street on the Esplanade. A visible ferry terminal would also encourage day trips to the Tiwi Islands and other points in the harbour by visitors.

Given the lead time to develop a ferry terminal, the Territory government should consider conducting a review of ferry infrastructure in the shorter term to identify critical upgrades of existing facilities. Aging facilities can affect the customer experience and put the reliability, comfort and safety of ferry services at risk.

RECOMMENDATIONS

- In the short term, the Northern Territory government should conduct a review of ferry infrastructure to identify critical upgrades of existing facilities.
- In the medium to long term, the federal and territory governments should consider funding a new ferry terminal in central Darwin.

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