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Abstract

A scoping study was undertaken to verify identified current issues for tourism investment in Australia. The study was underpinned by background research on economic conditions for tourism and issues for investment, as identified in published documents and complemented by discussions with key informants from tourism industry bodies and tourist operators. The study was particularly aimed at verifying the degree to which previously identified impediments to tourism investment are relevant for metropolitan, regional and remote areas. This was undertaken by conducting case studies in five tourism destination regions:

- Melbourne
- Tasmania
- Townsville
- Mandurah
- Kakadu.

Another aim was to identify recent innovations as to how the public and private sectors can cooperate in developing tourism infrastructure.

Two innovation case studies are presented. Key impediments identified for at least some of the case study locations were:

- low profitability
- variable demand (especially seasonality)
- higher costs of materials and services in remote areas
- costs of training and retaining skilled labour
- lack of high end accommodation and attractions able to charge higher prices
- relatively high taxation levels
- the complexity and length of project assessment processes, particularly in areas of high environmental, cultural and/or historic value
- the need for local transport infrastructure
- lack of, or uncertainty about, supply of land in some locations.

A number of solutions are suggested arising from the views put forward in the case study areas and the recent innovation examples. Melbourne in particular provides a good example of how a number of elements are working together to support a successful tourism destination. Initiatives pursued by Tourism Western Australia to address long and costly delays associated with navigating development and planning approvals processes goes some way towards reducing the transaction costs of developing a Greenfield site. The development of the Melbourne Convention Centre illustrates the successful use of a Public Private Partnership approach to creating new tourism infrastructure. Recommendations include: providing existing and potential investors with more information to benchmark profitability and productivity in tourism businesses; and the identification, monitoring and publicising of best practice models in areas of project assessment, infrastructure funding, land supply and
destination planning.
SUMMARY

Objectives of Study
This is a scoping study aimed at identifying contemporary issues for, and barriers and impediments to, tourism investment in Australia. The first objective of the study was to integrate the many issues for tourism investment to provide a platform for the scoping study. This was undertaken via background research, compilation of economic statistics and discussions with people identified as key informants who were associated with tourism in Australia.

A second objective was to identify priorities for metropolitan and regional destinations. A regional case study approach was taken in order to look in some detail at metropolitan, regional and remote destinations. A third objective was to identify positive examples of public and private sector investment in building and maintaining competitive tourism destinations. This was also addressed via case studies of some recent innovative approaches. The final objective was to provide recommendations on approaches to promote beneficial tourism investment. Observations and recommendations are drawn from the study. Due to time and resource constraints, this project has focused on public and private sector investment in ‘hard infrastructure’.

Methodology
The study was undertaken using both background research and interviews with key informants—tourism operators and representatives of tourism industry bodies and governments. The case studies of five regional tourism destinations and two recent innovations in investment approaches were based on semi-structured interviews with key informants.

Key Findings
The regional case studies showed that potential for investment in tourism, and the strengths of barriers and impediments to investment, differ in each region in line with broader economic conditions, local planning controls and regulations as well as issues specific to tourism such as location and natural and/or cultural attractions. However, there was commonality amongst destinations investigated on the major impediments to tourism investment. Some solutions proposed were relatively generic and some reflected the strengths or aspirations of the locations.

Impediments identified
The majority of the people interviewed for the regional case studies nominated low profitability and variable demand (especially seasonality) for businesses in the tourism industry as the most significant impediments to investment.

Elements that were mentioned as contributing to low profitability were:

- short and unpredictable tourism seasons
- higher costs of materials and services in remote areas
- costs of training labour and retaining skilled labour
- lack of high end accommodation and attractions able to charge higher prices
- relatively high taxation levels.

Other impediments to tourism investment raised by respondents in the regional destinations were:

- the complexity and length of project assessment processes, particularly in areas of high environmental, cultural and/or historic value
- the need for local transport infrastructure, both for access to as well as access within a tourist area
- lack of, or uncertainty about, supply of suitable land in some locations.
Solutions suggested
Solutions suggested from the regional case studies and studies of recent innovations included:

- research into benchmarking tourism businesses and into productivity
- targeting investment in high quality accommodation and cultural and eco-tourism experiences
- increasing the number of events to address seasonality
- develop differentiated tourism products for regions
- improve the efficiency of the project assessment process and information available to project proponents
- government investment in infrastructure for transport, conventions, cultural and sporting facilities
- Public Private Partnership approach to tourism infrastructure investment
- facilitate project assessment of land for development
- assess and release land ready for low-impact tourist development, particularly in areas culturally and environmentally sensitive
- identify elements of Destination Development Plans that are most successful in attracting tourism investment
- identify, research and monitor approaches and to make information widely available on best practice models of planning, assessment and investment approaches.

Future Action
Based on the work undertaken for and input to this scoping study, we have formulated a number of recommendations. Some of these are directed to provide an agenda for targeted supply-side research, and may inform the National Long Term Tourism Strategy and subsequent research efforts. A number of practical issues are identified where governments—local, state and national—could cooperate in improving practice in supporting tourism investment. In particular, these recommendations emphasise the identification, monitoring and publicising of innovative approaches and solutions to impediments. A final recommendation on taxation review is directed to the Australian Government.

Recommendations for a supply-side research agenda
1. Benchmarks for profitability and return on investment that can be expected for different types, scales and locations of tourism businesses should be developed and published in the public arena.

2. Research should be undertaken into the productivity, and potential for productivity improvements, of the elements that make up costs of tourism businesses (labour, energy etc.) and information on best practice approaches should be made available in the public arena.

3. Financial analysis should be undertaken of costs of building and running four and five star accommodation and attractions (including cultural and eco-tourism attractions and accommodation and attractions in remote areas) and potential returns on this investment and this information should be published in the public arena.

4. Research should be undertaken into the success or failure of events targeted at lengthening the tourism seasons at the margins or held in traditional low seasons, and this information should be published in the public arena.

Recommendations to governments—local, state and national

5(a). Models of innovative approaches to processes including environmental assessment for tourism projects, negotiations with traditional owners for tourism projects and community consultation for tourism projects should be identified and information should be made available to all jurisdictions and in the public arena.

5(b). Research, which monitors the implementation over time of the identified approaches to project assessment, should be supported and information should be made available on best practice approaches to all jurisdictions and in the public arena.
6. Transport and tourism specific infrastructure proposals should be subject to Cost Benefit Analysis assessment and governments should assess proposals against other priorities.

7(a). Opportunities for Public Private Partnerships should be investigated (i.e. if there is an opportunity to capture returns to the private sector, for example through tolls, land development) where major tourism infrastructure investment is being considered.

7(b). Research, which monitors the implementation over time of the Public Private Partnership approach to transport and tourism specific infrastructure, should be supported and information should be made available on best practice approaches to all jurisdictions and in the public arena.

8(a). Initiatives such as Western Australia’s Landbank and any other cases where governments release land for tourism development, which can benefit the local or regional economy, should be identified and information should be made available to all jurisdictions and in the public arena.

8(b). Research, which monitors the implementation of the identified approaches to address the supply of land, should be supported and information on best practice approaches should be made available to all jurisdictions and in the public arena.

9(a). Innovative approaches to consideration of tourism investment in high environmental, cultural and/or heritage value areas (such as Naturebank and the new Kakadu Tourism Master Plan), which provide useful models for such approaches, should be identified and information should be made available to all jurisdictions and in the public arena.

9(b). Research to monitor the implementation over time of the identified approaches to tourism investment in areas of high environmental, cultural and/or heritage value should be supported and information on best practice approaches should be made available to all jurisdictions and in the public arena.

10(a). Research should be undertaken into what elements of Destination Development Plans make them successful in being implemented and to monitor their contribution to the provision of more certainty to existing and potential investors.

10(b). Research, which monitors the implementation over time of Destination Development Plans, should be supported and information on best practice approaches in terms of providing certainty for tourism investment should be made available to all jurisdictions and in the public arena.

**Recommendation to the Australian Government**

11. The Australian Government should undertake the reviews recommended in the Australia’s Future Tax System Review (Henry et al. 2010) and makes changes to taxation arrangement that would put tourism on a level playing field with other industries.
Chapter 1

INTRODUCTION

This is a report on a scoping study undertaken to verify and build knowledge of issues affecting tourism investment in Australia. The Jackson Report (Jackson, Brown, Hywood, Collins, Jacobs, Eslake, Kennett, Hingerty & Lambert 2009, p 28) stated that ‘greater investment in the tourism industry will be essential to build productive capacity and drive long term profitability, innovation and growth in the sector’. A focus of this report is on regional perspectives, to present an understanding of the drivers and impediments for tourism investment in metropolitan, regional and remote tourism destinations. This report also illustrates some recent innovations in approaches to tourism investment linking private and public sector interests.

The issues for tourism investment in Australia are not well covered in the literature and are rarely brought together in an integrated manner. An exception is the Jackson Report published in mid 2009, which was the result of nationwide consultation on supply side issues for tourism. This scoping study drew on the Jackson Report and provides ‘ground-truth’ of its findings. It also provides additional comment on contemporary issues for tourism investment in Australia.

- Chapter 2 of this report outlines the methodology employed for this scoping study, which included background research and the conduct of several case studies.
- Chapters 3 to 6 of this report scope out issues identified via the background research phase of the study.
- The case studies are reported in Chapters 7 and 8.
- Chapter 9 presents observations and recommendations arising from this scoping study.

Project objectives

This is a scoping study aimed at identifying contemporary issues for, and barriers and impediments to, tourism investment in Australia. The first objective of the study was to integrate the many issues for tourism investment articulated in the literature to provide a platform for the scoping study. This was undertaken via background research, compilation of economic statistics and discussions with persons identified as key informants who were tourism stakeholders in Australia. A second objective was to identify priorities in investment for metropolitan and regional destinations. A regional case study approach was taken in order to examine in some detail metropolitan, regional and remote destinations. A third objective was to identify examples of innovation in public and private sector investment in building and maintaining competitive tourism destinations. This was also addressed via case studies of some recent innovative approaches. The final objective was to provide recommendations on approaches to promote beneficial tourism investment. Observations and recommendations are drawn from the study.

Project scope

The scope for this project is described by adopting the following definitions for tourism, the tourism industry and tourism investment.

Tourism

As defined by the United Nations World Tourism Organisation, ‘tourism’ comprises the activities of persons travelling to and staying in places outside of their usual environment for not more than one consecutive year for leisure, business or other purposes. The usual environment consists of a certain area around his/her place of residence plus all other places s/he frequently visits (World Tourism Organisation 1995). Included in the Australian economic statistics on tourism are international tourism to Australia, domestic overnight tourism and...
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day trips. Day trips or same day visitors are defined to include trips of a round trip distance of at least 50 kilometres, where the visitor is away from home for at least four hours and excluding commuting between work/school and home (Tourism Research Australia 2010a). This project includes all investment that relates to providing for international, domestic overnight and day trip tourism.

Tourism industry

In the Australian Tourism Satellite Account (TSA), tourism characteristic industries are defined as those industries that either would cease to exist in their present form, or would be significantly affected if tourism were to cease. For an industry to be ‘characteristic’, visitors must consume at least 25 per cent of its output. Tourism connected industries are those industries other than tourism characteristic industries, for which a tourism related product is directly identifiable and where the products are consumed by visitors in volumes which are significant for the visitor and/or for the producer (United Nations, World Tourism Organisation, Commission of European Communities, Organisation of Economic Cooperation and Development 2008). In the Australian TSA six industries are classified as ‘characteristic’, and thirteen are classified as ‘connected’ as shown in Table 1 (Australian Bureau of Statistics 2009a). All remaining products and industries are classified as ‘all other goods and services’ or ‘all other industries’, respectively.

<table>
<thead>
<tr>
<th>Tourism characteristic industries</th>
<th>Tourism connected industries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Travel agency and tour operator services</td>
<td>Clubs, pubs, taverns and bars</td>
</tr>
<tr>
<td>Taxi transport</td>
<td>Other road transport</td>
</tr>
<tr>
<td>Air and water transport</td>
<td>Rail transport</td>
</tr>
<tr>
<td>Motor vehicle hiring</td>
<td>Food manufacturing</td>
</tr>
<tr>
<td>Accommodation</td>
<td>Beverage manufacturing</td>
</tr>
<tr>
<td>Cafés, restaurants and food outlets</td>
<td>Transport equipment manufacturing</td>
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<tr>
<td></td>
<td>Other manufacturing</td>
</tr>
<tr>
<td></td>
<td>Retail trade</td>
</tr>
<tr>
<td></td>
<td>Casinos and other gambling services</td>
</tr>
<tr>
<td></td>
<td>Libraries, museums and arts</td>
</tr>
<tr>
<td></td>
<td>Other entertainment services</td>
</tr>
<tr>
<td></td>
<td>Education</td>
</tr>
<tr>
<td></td>
<td>Ownership of dwellings</td>
</tr>
</tbody>
</table>

Source: Australian Bureau of Statistics (2009a)

Tourism investment

The original project brief for this project stated that, ‘the project needs to take account that tourism investment refers to investments in land, capital and machinery (e.g. marine vessels) as well as public sector infrastructure upgrades’. This implies that the project should be directed to look at investment in ‘hard infrastructure’ both by the private and public sector.
The Jackson Report (Jackson et al. 2009) focused on supply side issues influencing tourism in Australia. The range of supply side issues or impediments identified in that report is broader than the provision of hard infrastructure. Issues are identified and discussed in the report under the following headings:

- Infrastructure
- Research and statistics
- Labour and skills
- Digital technology, distribution and market access
- Regulations, planning and approval processes
- Investment
- Leadership.

Due to time and resource constraints, this project has focused on public and private sector investment in ‘hard infrastructure’, however where the other issues in the range identified in the Jackson Report were seen as significant by respondents interviewed for this project, they are also mentioned or discussed in this report.
Chapter 2

METHODOLOGY

The project was conducted using both background research based on published information and interviews of key informants in the tourism industry and in government positions related to the tourism industry. A case study approach was taken to provide contemporary information. An Industry Reference Group (IRG) comprising a tourism industry body representative, a tourism operator and two tourism researchers assisted the researchers with the project.

The research adopted an exploratory approach research design, which incorporated a three-stage data collection process. The background research stage accessed literature in peer-reviewed journals, industry body publications (reports, submissions, newsletters etc.), government publications (reports, discussion papers, information resources etc.), industry and government web sites, and economic reports. Industry and government publications and web sites proved to be important sources of contemporary information on tourism investment issues. These published sources provided the bases for information presented in Chapters 3 to 6 and the background information on the case studies.

A second stage was to hold discussions with key informants who were representatives of tourism industry groups, tourism operators and others with experience of the tourism industry. These were unstructured interviews, conducted early in the research to establish issues as nominated by these key informants.

Thirdly, a multiple case study approach (Gummesson 1991; Yin 2003) was undertaken in order to draw out more detail on issues identified in the background research. The adoption of a case study approach was specified in the project brief and the researchers supported the case study approach as an appropriate way to address the need for in-depth focus on issues. This approach also aligned with the time and resource limits for the project. The case study approach has been widely used by researchers seeking to understand tourism investment phenomena within a tourism setting (e.g. Selby & Morgan 1996; Mahony & Van Zyl 2002; de Oliveira 2003). Some advantages of a case study design are:

- that in-depth data are collected and evidence is grounded in the social setting being studied (Jennings 2001)
- case study researchers typically interact with people about their perceptions and experiences to gather rich, quality data and to explore deeper meanings (Merriam 1988; Patton 1990; Yin 2003). A common case study method is a semi-structured interview (Merriam 1988; Jennings 2001; Yin 2003).

The selection of case studies was designed to focus on both the regional theme and the investigation of recent innovations. The regional theme was addressed by selecting case studies in metropolitan, regional and remote tourism destinations. The destinations represented in case studies are: Melbourne (metropolitan), Tasmania (metropolitan/regional), Mandurah (regional), Townsville (regional) and Kakadu (remote). Originally, a case study in Hobart was planned to represent a smaller metropolitan area but it became clear during the case study that information and effort in tourism investment attraction was geared to address Tasmania as a whole.

Further information to address the regional theme was obtained by interviews with key informants that addressed regional issues in other destinations that were not developed as full case studies. For example, interviews undertaken in metropolitan Sydney and Perth are drawn on in the discussion in Chapter 9. The selection of case study sites was aimed at distribution across states and territories. All of the case study sites are included in Australia’s top 20 regional tourism sites in terms of expenditure (Tourism Research Australia 2010a, b). The number of case studies able to be undertaken was limited by the time available for the study. The case study areas selected are not claimed to represent the full diversity of regional destinations in Australia. The two case studies investigated for the recent innovation examples were nominated by members of the IRG.
Each of the regional case studies involved interviewing six to eight key informants. For each case study, the informants included:

- tourism operators (accommodation, attractions)
- tourism industry body representatives
- state and/or local government officers responsible for tourism policy/planning (not represented in one region).

The recent innovations case studies involved interviews with key informants directly associated with the examples. A number of other key informants provided information at the background stage of the study and several others were interviewed during the case study stage but were not identified with any particular case study. These other key informants represented:

- tourism operators
- tourism industry bodies
- the banking industry
- tourism researchers.

The technique of using key informants (Seidler 1974) was selected to maximise efficiency in locating and interviewing people who were key decision makers or actually operated a tourism business in the case study regions or who were identified as knowledgeable in tourism investment issues. Key informants were identified by: direct approaches to tourism businesses in the case study regions; contacts provided by tourism operators in the case study regions; approaches to industry bodies; contacts organised by industry bodies with their members; and approaches to relevant government agencies. In many cases, industry bodies were very helpful in arranging for us to speak to members. Very often, we were referred to the same potential key informant by a number of contacts. Informants were purposively selected to ensure representation from key informants of tourism investment in each of the five regional destinations.

A limitation of the key informant approach is that the most vocal or active people are likely to be identified and agree to participate. The approach may not identify the full range of views or experiences existing in the region or industry. Thus, the results should be interpreted with these limitations in mind, which is that it is not necessarily a fully representative collection of views. In one case, a potential key informant referred to us by several stakeholders, declined to have their views included in the study.

A critical feature of the success in attaining the level of participation achieved was in assuring key informants that they would not be identified in the report and that views would not be identified as representing an organisation. While some participants were happy to be identified, others were not. The project design anticipated this and adopted a uniform approach of not identifying key informants or the views of organisations. Views of organisations are identified when drawn from a referenced published source. Thus, the case studies are written in a manner to capture views expressed, but without attribution.

In line with case study research, a qualitative methodology in the form of semi-structured interviews was used to collect the data for this report. Semi-structured interview format was chosen because:

- it does not constrain the interviewee to follow the interview’s a priori reasoning; and,
- follow up questions can be framed to further extend responses (Jennings 2001).

The semi-structured interview approach involved asking respondents to respond to a list of potential barriers to tourism investment identified from the Jackson Report (Jackson et al. 2009). The list used is replicated in Figure 1. The approach taken was to allow the interviewees to focus on which ones they thought were the most significant for them and their region to draw out experiences or views on those, or to nominate other issues. The case studies on recent innovations involved directed questions, informed by background research from published sources on the specific examples. To evaluate the usefulness of the case study protocol, the first interview was used to pilot test the research instrument. Outcomes of the first interview suggested that further pilot interviews were not needed. Rather, the depth of information generated in the first interview adequately justified its inclusion with the other interviews for analysis.
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Figure 1: List of issues used for the semi-structured interviews

- low profitability
- variable market demand
- need for supporting infrastructure
- need for information for investors on opportunities and performance benchmarks and to support applications
- poor understanding of tourism sector and its needs and benefits in government planning processes
- complexity and length of approval process
- conflict between high natural or cultural value and high tourism value
- lack of appropriately zoned land
- conflict with community groups
- taxation arrangements that disadvantage tourism
- (poor) availability of government support

Source: Jackson et al. 2009

Initial contact was made with the interviewees via telephone or email to identify their interest in and/or suitability for the research. In certain instances, the respondent needed to obtain gatekeeper approval from their superior official prior to accepting an interview (required by University ethics protocol). When respondents agreed to participate in the research and a meeting time was scheduled, respondents were asked to sign a consent form (required by University ethics protocol) which outlined their acceptance of the purpose of the research. This form also provided respondents with the solace of confidentiality that their name and/or organisation would not be identified in this research. Interviews lasted for approximately 25 minutes to 60 minutes. The majority of interviews were conducted in person, with the remainder by telephone. These interviews were conducted between January and March 2010.

Data was analysed using iterative thematic content analysis to determine key issues emanating from the interviews. This was guided by the list of issues used in the semi-structured interviews.

A number of limitations to this research are evident. The number of case studies undertaken was constrained by the time available for the study. It is noted that one regional case study did not have a government representative amongst the respondents. Consequently, this destination does not have a complete representation of all of the relevant tourism representatives. It is also noted in one case (Kakadu) that the latest tourism plan was released a month after the interviews were conducted. Consequently, responses may have been different if respondents had been exposed to this document prior to the interviews.

The IRG participated in the research via initial individual interviews with research team members, contributing reports, and other published information. An interim report containing background research and information on the proposed case study phase was prepared for the IRG by the research team. IRG members provided comments to the research team on this interim report. The IRG was involved in providing comments on the draft final report. The final report does not necessarily reflect the views of the IRG members.
Chapter 3

TOURISM INDUSTRY ECONOMIC PERFORMANCE AND INVESTMENT

The Tourism Industry

This section follows the economic profile and assessment of the contribution of tourism, as an industry, to the Australian economy provided in the Jackson Report (Jackson et al. 2009) and also draws Tourism Satellite Accounts (Australian Bureau of Statistics 2009a, Pambudi, Van Ho, Spurr, Forsyth, Dwyer & Hoque 2009). It is a compilation of statistics, which demonstrate the relatively significant contribution this activity makes to the Australian economy, and the risky nature of investment in tourism.

Tourism is commonly thought of, and referred to, as an ‘industry’. An industry is generally regarded as a group of establishments engaged in the same kind of productive activities. Typically, industries are classified in accordance with the goods and services that they produce. However, all industries are in some degree part of the aggregate activity of tourist expenditure, because tourists purchases goods and services from firms in all sectors of the economy. Problems with defining tourism as an industry are due to its being a consumption-based activity (consumption of final goods and services) rather than production-based. It is based on expenditure on finished goods and services, which for the most part, is regarded as discretionary. Thus, we note that:

- The tourism ‘industry’ comprises outputs from a wide variety of different industry activities.
- Tourism is not classified as a specific industry in the Australian and New Zealand Standard Industry Classification (ANZSIC).
- In the case of tourism, the defining element is not the type of commodity produced, but the type of consumer. Visitor consumption is not restricted to a set of predefined goods and services produced by a predefined set of industries. Thus, whether the same product or service is or is not a tourism related economic activity is based on certain characteristics of the consumer, rather than anything inherent in the product or service. This implies that tourism is best seen statistically as a ‘demand’ side activity and is not an industry in the traditional sense.

Tourism is described as diverse—arising from the broad diversity of expenditure, the wide range of businesses which directly and/or indirectly contribute to meeting the market demand for final goods and services servicing expenditure as well as the diversity of tourism providers. The diversity of the industry is further highlighted by the fact that small to medium sized tourism enterprises (employing fewer than 20 staff) represents the highest proportion (90%) of tourism operators in Australia. Both the discretionary nature and the broad diversity of tourism expenditure and providers have implications for the stability of the industry.

Information about tourism is provided by the ABS in the Tourism Satellite Accounts (TSA) (Australian Bureau of Statistics 2009a). One of the major features of a TSA is that it is set within the context of the whole economy, so that tourism’s contribution to major national accounting aggregates can be determined, and can be compared with other industries. Additional information is provided by Pambudi et al. (2009) where they estimate the direct and indirect or flow-on contribution of the tourism industry to the Australian economy using the demand generated by visitors and the supply of tourism products by domestic producers.
A Scoping Study

Contribution to GVA and employment
Tourism makes substantial contributions to the Australian economy. In 2007–08, tourism, contributed $33.7 billion in Gross Value Added and employed 498,000 people (Australian Bureau of Statistics 2009a). Tourism has a relative low capital requirement but is labour intensive. The labour intensity of tourism is a matter of concern to tourist operators who have experienced increased wages bills. Tourism in Australia is dominated by a relative large number of small to medium sized firms (Jackson et al. 2009).

Indirect or flow-on contribution of tourism to the Australian economy
The TSA compiled by Pambudi et al. (2009) have extended the contribution of tourism to the Australian economy to estimates of the indirect or flow-on contribution. Direct contributions are generated where there is a direct relationship between the visitor and the producer of final good and services, for example, purchase of accommodation or a meal at a restaurant. In short, the direct contribution of tourism is valued according to expenditure on final goods and services produced in Australia. In addition to the direct contribution, there is a flow-on or indirect contribution as industries from which tourists purchase final goods and services in turn purchase goods and services as intermediate inputs to the production process. These flow-on linkages generate additional production beyond the production of final goods and services.

The total contribution of tourism to GVA in the Australian economy in 2007–08 was $62.9 billion. This includes the flow-on contribution of tourism to the Australian economy, which is estimated to be $29.2 billion (Pambudi et al. 2009).

Trends for tourism in Australia
While the tourism industry in Australia not entirely reliant on the export market (overseas visitors to Australia), the export market is impacted by global health scares, security threats and by financial crises. Figure 2 shows that although there have been a number of periods when the number of international visitor arrivals has fallen in response to global crises; there has been an overall upward growth trend since the 1980s.

Figure 2: International visitor arrivals to Australia, 1981 to 2008

Interestingly, there has been an increased tendency since the turn of the century for domestic tourism to decline while the numbers of outbound tourists has experienced increased growth (see Figure 3). The Jackson Report (2009) reports that this decline in domestic tourism is accompanied by a significant decline in household consumption of domestic tourism as a percentage of total expenditure (falling from 10.9 per cent to 8.6 per cent, between 1998–99 and 2007–08). This fall in domestic tourism is a matter of concern for regional tourism, which is reliant on the domestic market.
The Jackson Report (2009, p. 13) offers an explanation for this downward trend by referring to research by Tourism Research Australia (TRA), suggesting that ‘Australians no longer regard a domestic tourism experience as compelling, particularly compared to the more immediate and tangible value they derive from items such as big screen TVs’.

Figure 4 shows projections for numbers of visitors and expenditure to 2030. Of concern is that both the number of visitors and the value of tourism expenditure from domestic sources are projected to grow at a decreasing rate over the projection period. Moreover, the numbers of outbound tourists and their expenditure is estimated to increase over the same period.
**A Scoping Study**

**Investment trends**

It is noted in the Jackson Report (2009) that investment in tourism as measured by private capital formation has grown strongly in recent years and has kept pace with growth in total investment in Australian industry (Figure 5). However, these figures are before the impacts of the Global Financial Crisis (GFC) are evident. The authors of the Jackson report were more concerned with prospects for future investment, given trends and projections discussed above, than recent performance (pre GFC impact). It is worth noting that transactions observed since the onset of the GFC largely involve transfer of assets rather than new capital investment increasing the supply of accommodation or other tourism assets (see next section).

**Figure 5: Private capital formation—tourism and total industry 1998–2008**

![Graph showing private capital formation for tourism and total industry from 1998 to 2008](source: ABS and ACCESS Economics, reproduced from Jackson et al. 2009.)

**Comparison of tourism with other industries**

A brief comparison with other industries shows that tourism contributed around 3.2 per cent of Gross Value Added in 2007–08. The relative contribution to GVA of selected industries is shown in Figure 6. The tourism value is taken from the TSA whereas the other industry values, including for Accommodation, cafes and restaurants, are from the National Accounts, so direct comparisons should be made with caution.
The contribution to employment by tourism is a higher proportion, at 4.7 per cent of all Australian employment. As above, the tourism value is taken from the TSA whereas the other industry values are from the Australian Bureau of Statistics Industry Statistics series. Along with retail trade, tourism has a high level of employment relative to the GVA compared with the primary and secondary industries illustrated (Figure 7).

Further comparison with mining, another export oriented industry, illustrates a very different industry structure of these two industries. In 2007–08, mining activities in Australia contributes $82.6 billion in GVA to the Australian economy and employed 128,000 people (Australian Bureau of Statistics 2009b). Tourism, in the same period, contributed $33.7 billion and employed 498,000 people. Figure 8 demonstrates the contrast between the GVA of mining and that of tourism. The value of GVA from mining is more than twice that of tourism whereas employment in mining less than a third of those employed in tourism.
The mining industry is capital intensive, dominated by a relatively small number of large corporations and reliant on a substantial export market and therefore susceptible to factors exogenous to the Australian economy for its continued prosperity. While the tourism industry has a contrasting structure of many small to medium businesses and high employment, it too is exposed to international economic conditions.

**Figure 8: Performance indicators, mining and tourism 2007–08**

Source: Australian Bureau of Statistics 2009a Cat. No. 5249.0; Australian Bureau of Statistics 2009b Cat. No. 8417.0

### Impact of the Global Financial Crisis (GFC) on Australian Tourism

**Impacts on demand**

The GFC developed in mid 2008 and has resulted in a worldwide decline in travel activity in both the leisure and corporate markets (Jones Lang LaSalle 2009a). This decline in travel activity and related expenditure is to be expected as expenditure on tourist activities is discretionary and is likely to be adversely impacted by a worldwide financial crisis.
For Australia, the year ended December 2009, compared with the previous year, showed a mixed result for international and domestic overnight visitors and day visitors. The most marked negative impact has been in the domestic overnight tourism market which is also the largest by dollar value.

- domestic overnight travel: number of overnight trips down by six per cent, number of visitor nights down by six per cent and expenditure down by five per cent (at $42.4 billion) (Tourism Research Australia 2010a)
- day trips: number of trips six per cent higher and expenditure $300 million higher (at $14.7 billion) (Tourism Research Australia 2010a)
- international visitor travel: number of visitors steady, number of visitor nights up by six per cent and expenditure up by five per cent (at $17.0 billion) (Tourism Research Australia 2010b).

Tourism Research Australia (2009c, page 2) reported in November 2009 that:

Globally, there are indications that a turning point has been reached. The United Nations World Tourism Organization Confidence Index, which surveyed 330 industry experts, found that confidence is improving. The downturn in international tourist arrivals worldwide which started in September 2008 may have begun to bottom out. Arrivals in July and August declined by three per cent compared with a decrease of eight per cent in the first half of the year.

A recent outcome of global economic conditions is a strong Australian dollar. The October 2009 issue of the TTF MasterCard Tourism Industry Sentiment Survey noted that:

Tourism businesses indicated that the industry is now facing the fresh challenge of the rising Australian dollar, hot on the heels of the global financial crisis and the H1N1 outbreak. Various respondents noted the double impact of the dollar, making it more expensive for international visitors to come to Australia, while making it cheaper for Australians to travel overseas (Tourism and Transport Forum 2009b, p. 1).

Some regions in Australia appear to be impacted more significantly than others. The Mayor of Cairns recently noted that the region is being ‘battered by the lack of tourists’ and an industry expert noted that a quarter of hotels on the Gold Coast are being financially monitored (Weekend Australian Financial Review 19–20 December 2009).

Impacts on supply

Globally the impact of the GFC has been a dampening of demand for tourism and a tightening of availability of funds for investment. These two influences have had an impact on the supply side for Australian tourism. Most information available is for the hotel and resort sector, so this will not represent the full range of tourism businesses.

A report on the global hotel investment outlook (Jones Lang LaSalle 2009a) reveals a substantial drop in hotel investment transactions from $113 billion in 2007 to only $24 billion in 2008. This report notes some sources of investment funds abandoning tourism, a tightening of debt to equity ratios, investors rationalising portfolios but also opportunities emerging to pick up distressed assets. Transactions focus on existing stock and therefore investment in new stock has slowed in most markets. A trend noted for all markets is for investment to become more domestic focused. For Australia, the report notes the lowest interest rates for many years. However, it predicts that hotel owners will seek to dispose of assets due to distress and a realignment of debt levels.

Another relevant report is the Australian Hotel Development Register (Jones Lang LaSalle 2009b). This report focusses on new investment in hotel rooms in Australia. It notes that new hotel rooms under construction are at the highest number since 2003. Once rooms under construction at the end of 2008 are complete, this will lead to a 4.2 per cent increase in supply for Australia. Melbourne and Darwin are notable sites of construction.

However, prospects for further new developments in the next few years are stalled as approvals have fallen and projects are being postponed. The report notes that

Proposed projects scheduled to open in 2010 and beyond are unlikely to materialise unless financing has been secured and construction is imminent. Lenders are more likely to direct restricted capital toward existing product rather than riskier new-build developments (Jones Lang LaSalle 2009b, p. 1).
Investment in serviced apartments has also stalled.

Occupancy rates are high in the cities (Tourism and Transport Forum 2010). However the profitability of hotels is projected to be an issue with revenue per average room growth being only around 1.6 per cent per annum compared with growth of 8.6 per cent per annum from 2004 to 2007. The report notes that investors will be concentrating on repositioning assets and paying down debt. It predicts that growth plans for new stock will only recommence once the current financial issues are addressed (Jones Lang LaSalle 2009b).

A case study of recent Australian hotel and resort sector activity is that of the GPT Group. GPT Group (an ASX listed property company) in 2009 sold tourism assets including the Four Points by Sheraton Hotel to an overseas private investor, Great Barrier Reef island resorts and nature based resorts in Western Australia and the Northern Territory to United States based Delaware North, other Great Barrier Reef resorts to Swiss-based Pamoja Capital. Two other resorts were sold to Australian private investors. The Australian Financial Review reports that the properties changed hands at up to a 40 per cent discount on December 2008 valuations (Carapiet & Allen 2009, Wilmot 2009, GPT Group 2009).
ISSUES FOR TOURISM INVESTMENT IN AUSTRALIA: OVERVIEW OF AUSTRALIAN GOVERNMENT REPORTS

A useful place to start in identifying issues for tourism investment in Australia, is with processes run by the Australian Government to review issues and develop policy for tourism. Processes run by the former government from 2006 to 2007 and by the present government from 2008 and still underway, are discussed in turn below. These have resulted in reports that have drawn on extensive input from industry and other stakeholders and have taken a comprehensive view of issues for tourism investment. Some potential solutions to barriers to investment have also been identified.

National Tourism Investment Strategy, 2006 to 2007

The former Department of Industry, Tourism and Resources sponsored steps towards a National Tourism Investment Strategy (NTIS) via three reports:

- ‘Investing in our Future’, a report to the Minister for Small Business and Tourism by the National Tourism Investment Strategy Consultative Group (Department of Industry Tourism and Resources 2006)

However, this process did not result in an actual strategy being released.

Investing in our Future, 2006

Issues were generically summarised in the following passage from the report Investing in our Future:

The research [including industry consultation] showed that factors such as a history of low rates of return, a lack of basic market data, the inherent cyclical and/or seasonal nature of tourism, complexities dealing with multi-level government project approval processes, and a lack of a coherent vision and direction by governments, all lead to less than optimal development within the sector’ (Department of Industry Tourism and Resources 2006, p. 1).

Specific issues identified were listed under the following headings:

- national development and enhancement—civil and social infrastructure, tourism facilities, infrastructure investment
- taxation and depreciation
- growing the Australian economy—regional development
- regulation issues—accommodation, air transport
- efficiency of asset utilisation—airports, seaports
- border and security issues
- niche market development—national parks
- information and research for planning and innovation
- workforce and training

The report contained 44 recommendations.
**Australian Government Response, 2007**


The Australian Government Response included a discussion for each of the recommendations. Most responses referred to processes ongoing in areas such as destination planning and skills development and did not announce any new actions by the Australian Government in response to the report. A number of responses pointed out that the issue is a state or territory or local government responsibility.

An exception is in the area of tax, where the response stated explicitly that:

In its 14 March 2006 interim response to the NTIS, the Australian Government announced that after careful consideration of the tax-related recommendations in the NTIS, it had decided not to pursue them (Department of Industry Tourism and Resources 2007 p. 49).

Several recommendations in the area of aviation were supported by changes in the Australian Government’s approach as announced in February 2006:

To attract more services to regions and smaller states by offering unlimited access for airlines to all airports other than the four gateways of Sydney, Melbourne, Brisbane and Perth (the Regional Package) (Department of Industry Tourism and Resources 2007 page 52).

**National Long Term Tourism Strategy, 2008 to present**

The current Australian Government announced the development of a National Long Term Tourism Strategy (NLTTS) in May 2008. A discussion paper was released in 2008 (Department of Resources Energy and Tourism 2008). A Steering Committee, chaired by Margaret Jackson AC, was appointed and the Committee delivered the Jackson Report to the Minister for Tourism in mid 2009 (Jackson et al. 2009). The Jackson Report focused on supply-side issues for tourism development in Australia. In December 2009, the Australian Government released the National Long Term Tourism Strategy (Department of Resources Energy and Tourism 2009a) and Work Plan (Department of Resources Energy and Tourism 2009b).

**The Jackson Report, 2009**

The Jackson Report lists the following as supply-side impediments for tourism development in Australia.

**Figure 9: Supply-side impediments identified in the Jackson Report**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Research and statistics</td>
<td>The existing information base is geared toward demand stimulation and promotion and needs realigning with supply-side and industry development needs.</td>
</tr>
<tr>
<td>Labour and skills</td>
<td>There are imbalances between labour supply and demand, and skills portfolios.</td>
</tr>
<tr>
<td>Digital technology, distribution and market access</td>
<td>The tourism sector appears slow to adopt online technologies and e-commerce as a means of conducting its business.</td>
</tr>
<tr>
<td>Regulations, planning and approval processes</td>
<td>These are often seen as too complex and lacking transparency, and are inconsistent in their application.</td>
</tr>
<tr>
<td>Investment</td>
<td>The private sector is ambivalent about investment due to incomplete information about tourism investment opportunities.</td>
</tr>
<tr>
<td>Leadership</td>
<td>Fragmented leadership is leading to missed opportunities for productivity improvements.</td>
</tr>
</tbody>
</table>

Source: Jackson et al. 2009
Impediments

Impediments to investment were described in the report. All the impediments identified are summarised in the following list:

- low profitability
- seasonal demand cycles
- need for supporting infrastructure - public and private, outside the scope or control of tourism operators
- limited investor awareness about investment opportunities
- absence of tourism specific performance benchmarks
- poor understanding of the tourism sector and its needs in government planning processes
- complex and lengthy approvals processes
- difficult to predict the length of time for a decision
- conflict between high natural or cultural value and high tourism value
- lack of understanding at the regional level of positive economic benefits
- concerns by local residents about amenity etc.
- statutory zoning which restricts land use
- government incentives (land tax exemption) disadvantages tourism in relation to other land uses

This list of impediments was used as a starting point for the case studies undertaken for this scoping study.

Solutions

Potential solutions are contained in the Jackson Report recommendations 5 and 6 which address investment.

Recommendation 5

Improve the case for tourism investment through developing integrated destination development plans and creating a national visitation priorities list:

- identify ‘national visitation priorities’
- produce tourism destination development plans and link to regional development plans – infrastructure, planning and approval processes
- case management and major project facilitation
- tourism infrastructure fund.

Recommendation 6

Incorporate a stronger recognition of tourism in government planning and approval process, taxation and infrastructure investment planning. The Steering committee recommends that the Council of Australian Governments (COAG) undertake an urgent systemic review of planning and regulatory regimes and the Henry tax review take account of issues that impact tourism investment.

- States and territories need to review planning and approval processes urgently and align plans across the country—provide an efficient, predictable and systemic investment environment.
- Industry associations and state and territory government tourism development organisations need to collaborate on planning, providing resources to specific project teams.
- COAG is an appropriate forum. Better links with local government are required.

The National Long Term Tourism Strategy was released on the 15 December 2009.

Statements of vision and actions in the following areas are presented in the NLTTS:

- Positioning for long term growth—stimulating demand, marketing
- Leadership—Tourism Minister’s Council and advisory bodies revitalised
- Informing industry and government—research and development agenda
- Facilitation investment and regulatory reform—addressing regulatory barriers
- Labour and skills—increasing skills and portability of qualifications
- Responding to challenges—responding to climate change and other external shocks
- Excellence in product and service delivery—a national tourism accreditation framework
- Strengthening our competitiveness with industry and product development—destination planning and developing Indigenous tourism
- Measuring our performance—of the tourism industry and the NLTTS.

The strategy document was accompanied by a work plan that sets out tasks and milestones for Actions. Issues of ‘Strategic Industry Development’ include:

- labour and skills development
- investment and regulatory reform
- destination management planning
- transport access and associated infrastructure
- industry resilience (e.g. to climate change).

Each of these topics is to be addressed by a working group. The working group most relevant for this project on Tourism Investment in Australia is the working group on ‘Investment and regulatory reform’. The Working Group is chaired by Tourism Victoria and includes officials from the Australian Government, state governments, and industry representatives. At the time of writing this report, the Working Group was active in addressing identified tasks.

While this is not explicitly stated, the Work Plan requires the group to address both impediments and opportunities for investment. The full list of issues to be addressed is:

Impediments

To address potential taxation, regulatory and planning process impediments, the Working Group is to:

- Identify current impediments to investment in the tourism industry and develop strategies for addressing these impediments.
- Review existing taxation requirements including depreciation rates applying to investment in the tourism industry.
- Work with COAG to reform any regulations that may impede investment in the tourism industry.
- Establish a working model to streamline new tourism development proposals through Commonwealth, state and local government approvals processes.
- Audit current planning codes and determine if there is a business case for developing a voluntary National Tourism Planning Code.
Opportunities
To address opportunities, the Working Group is to:

- Complete a product gap audit of tourism experiences to establish potential areas of opportunity for world class Australian tourism development.
- Review state and Commonwealth development funds and industry assistance programs to determine whether these appropriately assist investment in the tourism industry.
- Investigate the potential of a registry of future tourism investment opportunities including workforce projections.
- Explore opportunities for a national annual event to highlight investment opportunities and bring projects and investors together.
Chapter 5

ISSUES FOR PRIVATE SECTOR INVESTMENT

The tourism private sector consists of businesses distributed amongst a number of the different traditional industry sectors, brought together and classified as tourism businesses because they rely in whole or part on expenditure by tourists. A large majority of these are small to medium businesses (employing fewer than 20 people) (Jackson et al. 2009). Due to this economic structure, government will inevitably have a role in providing infrastructure and facilitating planning and cooperation amongst the individual tourism businesses to develop coherent tourism destinations.

The role of government is a topic of the next chapter, but in many ways it is difficult to separate the private and public sector issues for tourism investment. This chapter focuses on issues identified for the private sector through discussions with tourism industry representatives and operators and background research. It begins with a brief discussion of economic criteria for businesses operating and making investment decisions. Trends and gaps in investment raised in background discussions are reported. A number of issues raised in discussions and research are then presented in more detail: low profitability, trends in accommodation stock and taxation. Lastly, the need for more information and research on supply side issues is emphasised.

Economic Criteria for Private Sector Investment

Tourism businesses are no different to other businesses when it comes to the criteria that the businesses must consider in deciding to invest in and operate the business. Ultimately, businesses must earn a rate of return which will allow them to cover capital and operating costs and to justify operating that particular business, rather than investing in something else. There are many complicating factors for businesses in the tourism industry, just as there are for all other industries.

On the cost side of operations, tourism businesses are subject to the same general economic conditions as other businesses in terms of the cost of borrowing money and prices of inputs. However, there are some characteristics of tourism business that will affect tourism business costs:

- Tourism businesses are relatively labour intensive and therefore labour costs make up the largest proportion of operating costs for many tourism businesses.
- The cost of inputs for capital investment and operation are higher for remote locations.
- The cost of capital will attract a premium if there is uncertainty about returns from investment in tourism.
- The price of land in tourist-desirable locations will be governed by competition with other land uses which may be able to pay more (due to higher returns).
- Project planning and approvals cost—will be high if assessment is lengthy or complex.
- Labour and land make up a high proportion of inputs and are subject to payroll tax and land tax.

On the income side, key issues include:

- Variable demand—seasonality, economic cycles and events that particularly impact tourism demand.
- Price competition from within a destination area and other destinations that determine what prices can be charged.

While not all these characteristics are unique to tourism, the cumulative impact of these characteristics forms the environment for tourism investment.
Decisions by investors on what are required levels of return from tourism will vary with the ownership pattern and perceived risk and opportunity cost. On the one hand are small to medium businesses that have chosen to work in tourism as a lifestyle investment. These business operators may accept a return at the low end of the range. However, this may limit their ability to weather seasonal and/or economic downturns or reinvest in their businesses.

At the other end of the spectrum are large hotels that are owned by investors and operated by another business under a management agreement. It is reported that these owners are looking for the highest returns in the tourism industry (AEC Group 2006). The recent levels of change in ownership noted in the discussion of the GFC reflect that these investors are very sensitive to returns. There are many other ownership and investment arrangements within the tourism industry and returns required by individual businesses will reflect their own arrangements. The AEC Group (2006) reported results of a survey of tourism operators conducted in 2005, where their motivation for investment in tourism accommodation was sought. Nine percent were motivated by lifestyle only, 65 per cent were motivated by business and lifestyle and 26 per cent were business oriented only. The discussions below highlight these issues further.

It is relevant here to explore the factors that influence decisions to invest in private sector tourism businesses. While tourism businesses operate in a number of sectors, it is the accommodation sector which is often most identified with tourism and for which most information is available. A study on factors affecting investment decisions for major hotels sheds light on investment decision making for this sector (Newell & Seabrook 2006).

The study was based on the views of 15 people, representing major hotels in Australia, roughly half being hotel investors and half hotel operators/owners. In addition 60 per cent of the respondents represented publically listed businesses and 40 per cent represented unlisted businesses. The study used a two stage process to firstly identify a shortlist of factors likely to be important to decision making and then use a multi-criteria decision making procedure (analytical hierarchy process [AHP]) to weight the factors. Table 2 shows the weightings assigned by all respondents. In order of importance, the factors were financial (37.0 per cent), location (29.9%), economic (14.5%), diversification (12.0%) and relationship (6.6%).

<table>
<thead>
<tr>
<th>Factors</th>
<th>Factor weight (%)</th>
<th>Sub-factors</th>
<th>Sub-factor weight (%)</th>
<th>Sub-factor rank</th>
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<td>Forecast RIO (5 years)*</td>
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<td>Gross operating profit</td>
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<td>Economies of scale advantage</td>
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<td>Volatility of demand</td>
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<td>Factors</td>
<td>Factor weight (%)</td>
<td>Sub-factors</td>
<td>Sub-factor weight (%)</td>
<td>Sub-factor rank</td>
</tr>
<tr>
<td>--------------------</td>
<td>-------------------</td>
<td>------------------------</td>
<td>-----------------------</td>
<td>-----------------</td>
</tr>
<tr>
<td>Diversification</td>
<td>12.0</td>
<td>Segment diversification</td>
<td>4.8</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Geographic diversification</td>
<td>3.0</td>
<td>14</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Link to target property</td>
<td>2.2</td>
<td>20</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Brand diversification</td>
<td>2.0</td>
<td>23</td>
</tr>
<tr>
<td>Relationships</td>
<td>6.6</td>
<td>Alignment with stakeholders</td>
<td>3.5</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Independent asset management</td>
<td>2.1</td>
<td>22</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Regulatory influence</td>
<td>0.9</td>
<td>25</td>
</tr>
</tbody>
</table>

*Return on investment **Revenue per average room
Source: Newell & Seabrook 2006

**Investment Trends and Gaps**

Current investment trends and gaps for private sector investment identified in background discussions with key informants are outlined in this section.

In metropolitan areas, the challenge is to have sufficient investment in new hotel capacity to meet future growth in demand. In the major cities the room stock is currently insufficient and there is a capacity constraint at peak times. In Sydney and Perth, hotels are trading at high occupancy rates. It is difficult for hotels to compete with commercial developments for land in the CBD. Since the GFC, activity has focused on operators selling assets to reduce debt, hotels changing hands, refurbishment, but limited new developments in the pipeline. There may be no new supply in Sydney for the next five years. New hotels are still being developed in Melbourne. The consumer point of difference for different cities needs to be identified and accommodation and attractions developed to support this.

In regional areas the main investment challenge is identifying a consumer point of difference/comparative advantage in a brand and then developing attractions and product that suit that brand. In regions the mix of tourism accommodation might be wrong, requiring new development or upgrades of existing product but overall they don’t have a short fall of rooms. Cairns was cited as an example of an area which has successfully capitalised on local leisure requirements with the result that the accommodation industry is still growing.

Serviced apartments are supplying tourism accommodation but there will be issues in the future with product renewal within the strata title arrangements. In some regional areas e.g. Kingscliff NSW, the serviced apartment market has collapsed.

Diversification of services within the market for attractions has brought considerable benefits. For example, Luna Park (Sydney) which now offers a diversified product including not only the traditional theme park but also convention facilities and restaurants, is regarded as successful. The need to comply with different building and safety regulations hinders the move to diversification.

**Low Profitability**

Low profitability is often cited as the number one problem for the tourism industry. As tourism is not an industry sector (see Chapter 1), information is not readily available for all the types of tourism businesses to allow a full illustration of profitability. Comparative data are available for the accommodation and food industry and other industries. Information is available on profit margins, which is one indicator of performance. The Accommodation and Food Services Sector showed a profit margin of 9.6 per cent in 2006–07, which dropped to 6.8 per cent in 2007–08. This was lower than the average for all industries of 12.8 per cent and 12.5 percent for those years.
There were much higher margins in the rental, hiring and real estate services sector (44.1%) and in mining (37.9%) for 2007–08. Wholesale trade (4.8%) and retail trade (4.2%) had the lowest margins in that year and significantly, there are many tourism businesses operating in retail trade (Australian Bureau of Statistics 2009c Cat. No. 8155.0). The accommodation sector on its own had a slightly better performance with an operating margin of 11 per cent in 2006–07 (Australian Bureau of Statistics 2008a, Cat. No. 8695.0).

In 2007–07, in the accommodation and food services industry, the majority of businesses (67.9%), made a profit, 0.1 per cent, broke even, and 32.0 per cent realised a loss. However, this was a worse performance than the previous year where 76.6 per cent of businesses made a profit, 0.2 per cent broke even and 23.2 per cent made a loss. The performance of the accommodation and food services industry in 2007–07 was also worse than for the average for all industries which saw 74.8 per cent of businesses making a profit, 1.6 per cent breaking even, and 23.6 per cent making a loss (Australian Bureau of Statistics 2009c Cat. No. 8155.0).

Reasons for lower than industry average profitability and performance include the influences on costs and income listed earlier in this chapter. Of particular note on the cost side is that tourism is labour intensive and has a high proportion of labour costs, but seemingly low labour productivity. A comparison of labour costs as a proportion of total costs across some industries show the accommodation and food services sector has the highest proportion of labour costs which is higher than the average for all industries, see Table 3. However, the accommodation and food services sector has the lowest industry value added per person employed. This is a difficult structural issue for tourism. There will always need to be many people working in tourism, therefore there appears to be a need to focus on labour skills and productivity. A further issue for tourism in Australia is that it is competing with tourism in other countries, in particular with destinations in Asia and the Pacific where labour costs are lower.

It is not possible to examine the relative impact of any of the other cost influences at this macro level. They will impact differently, depending on the type of tourism business, location and stage of development.

### Table 3: Comparative labour costs and valued added per person employed 2007–08

<table>
<thead>
<tr>
<th></th>
<th>Rental, hiring and real estate services</th>
<th>Mining</th>
<th>Wholesale trade</th>
<th>Retail trade</th>
<th>Accommodation and food services</th>
<th>All industries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating profit</td>
<td>44.1%</td>
<td>37.9%</td>
<td>4.8%</td>
<td>4.2%</td>
<td>6.8%</td>
<td>12.5%</td>
</tr>
<tr>
<td>Labour costs as % of expenses</td>
<td>17.6%</td>
<td>15.2%</td>
<td>8.4%</td>
<td>11.9%</td>
<td>26.6%</td>
<td>19.5%</td>
</tr>
<tr>
<td>Industry value added per person employed</td>
<td>$123,500</td>
<td>$557,200</td>
<td>$98,200</td>
<td>$41,400</td>
<td>$36,400</td>
<td>$77,100</td>
</tr>
</tbody>
</table>

Source: Australian Bureau of Statistics 2009c Cat. No. 8155.0

On the income side, variability in takings is a major issue for some tourism businesses. In locations where there is strong seasonal variability, there will be a difference in takings for high and low seasons with some areas nearly dormant for part of the year. These businesses depend on the high season takings for their overall viability. The discretionary nature of tourism expenditure will be highly susceptible to other economic cycles and shocks such as disease scares and the GFC which can affect all tourism businesses.

Positive shocks such as those associated with events may add to variability of takings. Price competition is an issue that has arisen in discussions with industry representatives and operators. There is a view that prices are suppressed even in locations in demand with high occupancy, such as CBD hotels, due to competition with other Asia Pacific locations where costs are lower. One potential solution often proposed to the issue of low earnings is to move tourism stock and operations to a higher level of quality (including higher star ratings). Certainly takings per room are higher for higher rated properties, see Table 4. However the analysis needs to include the higher capital and operating costs in order to conclude impact on expected profitability and financial yield.
Table 4: Impact of star ratings on accommodation takings, hotels, motels and serviced apartments, December quarter 2009

<table>
<thead>
<tr>
<th>Establishments with 5 to 14 rooms</th>
<th>1-star</th>
<th>2-star</th>
<th>3-star</th>
<th>4-star</th>
<th>5-star</th>
<th>ungraded</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average takings per room night occupied ($)</td>
<td>66.08</td>
<td>74.45</td>
<td>95.78</td>
<td>160.26</td>
<td>254.09</td>
<td>101.33</td>
</tr>
<tr>
<td>Average takings per room night available ($)</td>
<td>21.22</td>
<td>28.63</td>
<td>48.94</td>
<td>79.94</td>
<td>123.03</td>
<td>42.21</td>
</tr>
<tr>
<td>Establishments with 15 or more rooms</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average takings per room night occupied ($)</td>
<td>74.29</td>
<td>86.03</td>
<td>111.41</td>
<td>160.28</td>
<td>238.38</td>
<td>125.21</td>
</tr>
<tr>
<td>Average takings per room night available ($)</td>
<td>27.50</td>
<td>42.96</td>
<td>63.68</td>
<td>111.71</td>
<td>182.18</td>
<td>63.82</td>
</tr>
</tbody>
</table>

Source: Australian Bureau of Statistics 2008a Cat. No. 8635.0

Ultimately, it is financial yield which determines the attractiveness of tourism as a private sector investment. Conceptual development of the measurement of yield in tourism has been advanced (Dwyer, Forsyth, Fredline, Jago, Deery & Lundie 2006, 2007, Dwyer and Forsyth 2008). It is noted that financial yield can be measured as a rate of profit or a rate of return on capital and that yield can be measured at a firm level, industry level or for different visitor markets types.

It is difficult to unpack the issue of low profitability for tourism businesses from the limited data available at the macro level. More detailed research on the different types of tourism businesses, in different locations would allow issues to be pinpointed more accurately and solutions proposed. Due to limitations in the data, the tourism industry has an overall reputation for low profitability and this will be an impediment to investment.

Trends in Investment in Accommodation Stock

Current prospects for investment in new hotels were discussed in the section about the GFC in Chapter 3. Plans for new investment have been shelved or delayed. However even when economic conditions improve, there is an issue for the capital city CBD areas in particular, that it is difficult for tourism to compete for land with commercial and residential sectors. The Tourism and Transport Forum state that constrained capacity of city accommodation and the potential that growth in tourism demand may not be accommodated ‘is the most critical private infrastructure constraint on tourism growth’ (Tourism and Transport Forum 2009a, p. 5).

A significant trend in recent years has been investment in strata titled properties, where units are individually owned. In the tourism accommodation sector, this is a departure from the model where an entire hotel is owned by one investor. This trend has been embraced by investors and has allowed smaller investors to enter the tourism investment market.

The use of strata titled properties for tourism accommodation takes many forms. Cassidy, Guilding & Warnken (2008) have identified a typology of forms with at least nine different sub types. They have described the top level of the hierarchy as; Independent operators (one management team, one property), Branded hotels (look and operate like traditional hotels) and Emerging Strata Title Operators (this includes chains of serviced apartments).

There has been an increase in the number of serviced apartments in recent years and these have provided for most of the growth in accommodation stock. Table 5 shows trends in establishments and rooms in hotels, motels and serviced apartments with five or more rooms, from December 2005 to December 2009 while Figure 9 illustrates the trends for rooms. Prior to 2005, information was only collected for establishments with 15 or more rooms.
Table 5: Number of licensed hotels, motels and guest houses and serviced apartments, with five or more rooms, 2005–2009

<table>
<thead>
<tr>
<th>December quarter</th>
<th>Licensed hotels</th>
<th>Motels and guest houses</th>
<th>Serviced apartments</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No. establishments</td>
<td>No. rooms</td>
<td>No. establishments</td>
</tr>
<tr>
<td>2005</td>
<td>1290</td>
<td>84621</td>
<td>3697</td>
</tr>
<tr>
<td>2006</td>
<td>1268</td>
<td>84809</td>
<td>3635</td>
</tr>
<tr>
<td>2007</td>
<td>1275</td>
<td>85600</td>
<td>3628</td>
</tr>
<tr>
<td>2008</td>
<td>1280</td>
<td>86646</td>
<td>3583</td>
</tr>
<tr>
<td>2009</td>
<td>1279</td>
<td>89245</td>
<td>3538</td>
</tr>
</tbody>
</table>

Source: Australian Bureau of Statistics 2008a, Cat. No. 8635.0

Figure 9: Room numbers in licensed hotels, motels and serviced apartments, Australia, 2005–2009

There is some concern in sectors of the tourism industry that the rise of strata titled properties will have negative impacts on the industry. Issues include that the standards for strata titled properties are not as high in terms of space provided for access and safety. Standards are controlled by state government legislation and vary around Australia (Reid, Ruhanen & Davidson 2010). These standards have the effect of directing investment in accommodation away from hotels and towards serviced apartments. There are concerns that the overall image of tourism accommodation and therefore attractiveness to visitors and investors may suffer if standards of accommodation offered are below par. Concerns for the longer term are that as properties age and need to be refurbished, there is no structure to ensure that standards will be maintained. The complex structure of ownership and operation will mean that standards offered and maintained will vary across the stock of such properties.

A further factor is that returns on investment for strata titled properties have not all lived up to expectations. It has been noted that strata titled units have been sold with limited period rental guarantees (which are well below the expectations of institutional investors), and investors may find disappointing returns once the guarantee period is over (AEC Group 2006). Industry representatives and operators interviewed noted that demand for serviced apartments in regional areas has dropped and this is impacting on many individual investors. The effects of the GFC are still making their way through this market. Jones Lang LaSalle (2009b) report that investment in the serviced apartment market has stalled.
Taxation

The Jackson Report noted that taxation issues were a potential impediment to tourism investment.

The tourism industry body, the Tourism and Transport Forum (TTF), has provided a detailed discussion of what it sees as taxation issues affecting tourism investment, via its submission to the Australian Government’s ‘Australia’s Future Tax System Review’ (Tourism and Transport Forum 2008). In particular, the submission highlights that tourism is a labour intensive and property based industry. A significant proportion of the taxation burden (40% of direct taxes in Australia) falls on labour in terms of income tax and state payroll tax. It is argued that the tax burden of state payroll tax encourages investment away from labour intensive industries such as tourism. State land tax and stamp duty affect tourism as a property based industry. There are some arrangements that in effect provide a disincentive to tourism investment such as the depreciation schedule for furniture and fittings which do not recognise the need to refurbish at a three to four-year cycle rather than seven years of ‘effective’ life. There is also a call to allow tax averaging for regional and remote operations. The submission argues that tax systems should be reformed so that tourism is on a level playing field with other industries. Detailed recommendations are contained in the submission.

The Australia’s Future Tax System Review report (Henry, Harmer, Piggott, Ridout & Smith 2010) and elements of the Australian Government’s response were released on 2 May 2010. The government signaled the intention to cut company tax to 28 percent by 2014–15, with this accelerated for small business to occur by 2012–13. Of advantage to small tourism businesses is the intention to allow instant write offs of assets up to the value of $5000 and to depreciate all other assets (other than buildings) in a single pool at 30 percent (Australian Government 2010).

However, many of the other issues identified by industry have not been identified for change in the Australian Government’s response. The government has ruled out broadening the base for land tax; it is not to be applied to owner occupied residential property (Tourism and Transport Forum 2010b). The government has not indicated any changes to payroll tax. While the Australia’s Future Tax System Review report has made recommendations on issues including: support for a form of company tax averaging; a review of user charges and minor taxes including the Passenger Movement Charge; and review of aspects of the asset life depreciation system (Tourism and Transport Forum 2010b), these have not been taken up in the Australian Government’s initial response.

Limited Information on Private Sector Performance and Investment

Our ability to understand of the issues from a private sector perspective is limited by the data available on the tourism industry. At a macro level, the Tourism Satellite Accounts do draw together the various parts of the tourism industry and report on performance in the context of the whole economy. Apart from this macro level analysis, there are no statistics on the ‘tourism industry’. Useful information is available on tourism accommodation (representing 5891 establishments) and the accommodation and food services industry; however these represent only part of the range of tourism businesses and do not include attractions, tours, retail, transport etc.

As many tourism businesses are small to medium in size and few are publically listed companies, there is no likelihood of economic performance information on these businesses being in the public arena. More information on performance benchmarks for different types and scales of tourism businesses needs to be available to existing businesses and potential investors. In addition, there is a need for more research on the various elements of costs and potential for improvement in productivity.
Chapter 6

THE ROLE OF GOVERNMENT IN TOURISM INVESTMENT

This chapter addresses a range of issues around government involvement in and support for tourism investment. Governments at all levels in Australia currently have several roles in influencing supply side issues and tourism investment in Australia. These include:

- funding transport and tourism infrastructure
- Public Private Partnerships to provide infrastructure
- developing and implementing policy to promote tourism investment
- funding planning processes e.g. destination development plans
- regulating planning and project assessment processes
- supporting a range of soft infrastructure programs, e.g. digital technology development
- funding and managing National Parks and other natural and cultural resources.

This chapter first looks at the economic rationale for government involvement in tourism investment. This provides a perspective by which to view government support and government regulation. A major role taken by government is providing major transport infrastructure and tourism oriented infrastructure. An assessment of priorities for infrastructure investment provided by the tourism industry body the TTF is included here. It is included in this chapter because most priorities listed are historically the type provided by government or by government in partnership with the private sector. The next issue addressed is government regulatory processes for tourism planning and project assessment. This is an issue of contention amongst tourism industry stakeholders. Governments have taken a key role in facilitating tourism destination plans as a means of promoting development of destinations and the potential of these to promote tourism investment is addressed briefly. The final sections of the chapter outline the roles taken by the Australian Government, state governments and local governments.

The Economic Basis for the Role of Government in Tourism Investment

Government support for tourism investment

The arguments put forward by tourism stakeholders for government support for tourism investment typically are based on the standard economic justifications of government support for private sector activity in circumstances of market failure, i.e. externalities/non-appropriability of benefits, risk and uncertainty, and indivisibilities (Dwyer and Forsyth 1992, 1994).

The externalities/non-appropriability argument recognises that private firms undertake investment activity when confident that they can appropriate sufficient revenues to earn an adequate return on their investment. A major cause of under-investment is that although the overall community benefits may exceed the costs, the individual operator often cannot appropriate enough of the benefits from investment to make it a profitable undertaking. This provides a reason for governments fund investment in community facilities such as convention centres that attract tourism and where benefits flow-on to other sectors of the economy. Further, there are arguments for governments taking steps to facilitate private sector investment, such as strategic release of government owned land for tourism facilities, where tourism will produce flow-on benefits to the community that cannot be fully captured by the private sector investor.
A Scoping Study

The risk and uncertainty argument recognises that commercial uncertainty and inability to predict the commercial results may lead to under-investment in tourism products. Additionally, long lead times between expenditure on investment and subsequent tourism flows may contribute to the under-investment by the private sector, particularly if there are differences in time preferences between the private sector and society as a whole.

One way that government can assist in addressing these issues is by provision of better information to the market. The aim to provide more research on supply side issues under the NLTTs is consistent with addressing this form of market failure.

The indivisibility problem occurs when the minimum outlay required to undertake an effective investment is beyond the resources of individual firms particularly within a highly fragmented industry. There may well be a threshold level below which it is not possible to conduct effective investment activity. The provision of transport infrastructure is a classic example of addressing this form of market failure. The efficient solution to free-riding by tourism businesses on infrastructure provided by government is for the government to fund the investment, and it may choose to tax the tourist industry to pay for the supporting investment undertaken.

Importantly, the Discussion Paper for the NLTTS notes that ‘market failure in itself is a necessary but not sufficient condition for government intervention. Unless the benefits of the intervention exceed the costs, the welfare of the community will not be maximised’ (Department of Resources, Energy and Tourism 2008, page 4). Thus it is necessary for government to carefully evaluate and prioritise forms of assistance and intervention. Economic analysis such as Cost Benefit Analysis can be used to inform investment decisions.

Government investment in facilities normally provided by government, or even in facilities normally provided by the private sector such as accommodation, may be justified where these are expected to form a catalyst for future private sector investment in tourism and growth of a destination. These options would need to be carefully evaluated in terms of the projected positive spillover effects in an economy over time (measured as net economic, social and environmental benefits) justifying government expenditure.

Government assistance to tourism in the form of generating demand (e.g. marketing) and ensuring supply (e.g. investment) is aimed in part to increase the net benefits to Australia by attracting international tourists to Australia and keeping Australians holidaying at home. An issue worth raising is that governments at the state and local level are competing against each other for the same slice of the tourism pie when trying to attract domestic tourists to their locality. There will inevitably be inefficiencies in the use of taxpayers’ funds in investment in tourism infrastructure when looked at from a national perspective. However, transport infrastructure usually services the entire local economy and tourism infrastructure may service local residents, domestic tourists and international tourists, so government investment may be justified regardless of potential broader inefficiencies.

**Government regulation of tourism investment**

A further source of market failure is where negative externalities arise from private sector actions, for example environmental impacts of tourism development. This is the reason for government to be involved in planning and regulating development to minimise negative environmental, cultural or social impacts. However inefficiencies arise where the processes aimed at addressing the negative externalities involve high transaction costs. The discussion of the multilayered planning and assessment processes later in this chapter points to a form of government failure or at least to areas where greater efficiencies could be realised.

Government may, through regulation meant to address issues, cause distortions in investment if all industries or sectors of industries are not treated in a way that provides a ‘level playing field’ for investment. Key informants from the tourism industry noted distortions favouring investment in residential building over tourism building in the form of exemptions from land tax, stamp duty, capital gains tax and GST and also in various building standards. These key informants also noted that building standards lead to it being less costly to build serviced apartments than hotels.
Infrastructure Investment

The tourism industry body the Tourism and Transport Forum (TTF) has produced a report entitled ‘Tourism Infrastructure Policy and Priorities’ (2009a). In this report, the TTF makes the statement that under-investment in tourism infrastructure has emerged as a major issue for the future growth of tourism and capacity constraints have already arisen in several key areas. Infrastructure gaps in the tourism supply chain differ between destinations.

The following are identified as key tourism infrastructure gaps and constraints:

- **Airport and transport linkages** (public and private infrastructure). The report states that ‘immediate and critical is the provision of major road and rail linkages from the gateway airports to inner cities and regional destinations’ (p.4).
- **Convention and exhibition centres** (public infrastructure). State governments have provided and expanded infrastructure in Perth, Canberra, Darwin, Gold Coast, Brisbane and Melbourne, however gaps remain in Sydney and Adelaide.
- **City accommodation** (private infrastructure). Perth, Melbourne, Sydney Brisbane and Adelaide all have high hotel occupancy rates and hotels are virtually full during the week. Investment in new infrastructure is limited due to the competition for land by the commercial and residential sectors. Constrained capacity is pushing up prices and potential growth in tourism demand may not be accommodated. The TTF states that ‘This is the most critical private infrastructure constraint on tourism growth’ (Tourism and Transport Forum 2009a, p.5).
- **Cruise shipping facilities** (public infrastructure). The potential growth in cruise shipping may be constrained by a shortfall in facilities that are equipped to handle cruise ships.
- **(National) Park and reserve facilities** (public and private infrastructure). The report notes public visitor facility infrastructure constraints and limited capacity for private sector development in or near parks.
- **Public precincts, attractions and recreation assets** (public infrastructure). The report states that:

  infrastructure constraints in these state assets vary from destination to destination. These constraints typically relate to a lack of capacity or adequate refurbishment and maintenance. The impact of these infrastructure problems is typically to reduce or constrain demand and thus economic activity throughout the destination (Tourism and Transport Forum 2009a, p. 6).

The TTF report identifies five causes of these constraints:

- **Supply chain uncertainty**—successful tourism destination development is dependent on all parts of the supply chain, e.g. attractions, accommodation, transport, provided by public and private sector investment. This leads to inherent uncertainty for tourism
- **Transport infrastructure uncertainty**—government transport prioritisation rarely accounts for tourism.
- **Planning, approval and regulatory barriers**—there are three levels of government, with a variation of processes between jurisdictions, not including tourism.
- **Public asset constraints**—there are competing demands for public funds.
- **Untargeted government funding**—funding is not coordinated across government or targeted to critical needs in destination supply chains. It therefore fails to maximise return on public investment or maximise private tourism investment’ (Tourism and Transport Forum, 2009a page 7).
The TTF recommends that:

- Priority tourism destinations should be identified and that government funding should be targeted to these. TTF has identified 20 priority tourism regions. These are ranked by economic criteria including tourism exports and tourism GDP. The infrastructure priorities for each of the 20 destinations, as identified by TTF, are listed.
- Transport infrastructure priorities of the top 20 destinations should be assessed for inclusion in Infrastructure Australia’s national infrastructure priority list.
- Federal and state public tourism infrastructure investment should be coordinated through a Tourism Infrastructure and Development Fund to focus on the priority regions.
- Private sector investment should be enabled by:
  - planning for sufficient zoned land in cities to meet tourism accommodation growth; and,
  - reforming planning, regulatory and approval regimes to allow for sustainable private tourism infrastructure in national parks and other reserves.

### Planning and Project Assessment

Governments in Australia regulate development via planning legislation and development assessment processes. This does not single out tourism, but applies to all land uses and project proposals. A study for the STCRC on The Legal Basis for State and Territory Tourism Planning found that:

the legislative frameworks that impact upon tourism, both directly and indirectly, are diverse and complex with over 175 Acts identified (Reid, Ruhanen & Davidson 2010).

The Acts identified covered four areas, as set out below.

**Land use and development for tourism** comprises regulations relevant to the following subcategories:

- land use planning and development
- coastal management
- building design, construction and use
- operation and management of accommodation modes (particularly caravan and camping grounds and strata titled tourism accommodation [STTA])
- infrastructure (specifically transport)
- local government.

**Nature based tourism** includes regulations relevant to the following subcategories:

- national and state parks, wildlife and nature conservation
- marine parks, lakes and other waterway activities
- forestry
- crown land
- heritage (including Aboriginal and Torres Strait Islander heritage protection)
- fisheries.

**Tourism organisations regulated:**

- statutory bodies/authorities (State Tourism Offices [STOs])

**Miscellaneous tourism operations and services** include regulations relevant to the following subcategories:

- casino and gaming
TOURISM INVESTMENT IN AUSTRALIA

- liquor supply and licensing
- major events
- tourism services.

Background discussions and research has identified that the tourism industry representatives and operators are most vocal about concerns with the project assessment process. That is, seeking approval within the regulatory structure to develop new or extended tourism infrastructure. Claims are that the process is complex—involving up to three levels of government, lengthy, uncertain and ultimately expensive. Processes are different in each state, as each state has its own land use planning legislation. Under this legislation, local planning and assessment is generally delegated to local government. State governments may become involved in project assessment when state legislation, for example for heritage or nature conservation is triggered. The Australian Government may become involved where national legislation such as the Environment Protection and Biodiversity Conservation Act (1999) is triggered. In addition tourism projects may need to gain permits for building and services such as liquor services. There are different arrangements in each state to deal with special projects such as large public infrastructure or private sector developments that are, for example, large or proposed in sensitive areas.

The NLTT strategy has recognised this as an issue by addressing it in the Work Plan. Specifically the task is to: ‘Establish a working model to streamline new tourism development proposals through Commonwealth, state and local government approvals processes’.

Destination Development Plans
Destination development plans (DDP) provide the format for an integrated approach to defining a vision and future actions to develop tourism in a destination. In a study of tourism strategies and plans in Australia, it was noted that ‘many of the strategies that emerged were sourced from local or state/territory government bodies, a result of strong government involvement in the tourism industry at the regional or local level’ (McLennan & Ruhanen 2008, p. iv). A major observation by Reid, Ruhanen & Davidson (2010) is that few of these DPPs have a statutory basis. While the concept of DDPs was supported in the background discussions held with key informants, some comments point to perceived limitations of DDPs, as follows:

- Most of the developments identified in [a named plan] would not be commercially viable.
- Need to know that the government infrastructure indicated will be provided—action and timeframe commitment is needed.
- Plans are often developed by local government but need the three levels of government involved and committed.
- Timeframes (for example four years) are too short for planning investment.

The Roles Played by the Three Levels of Government

Australian Government
The Australian government’s involvement in tourism industry development is undertaken directly via the Department of Resources, Energy and Tourism and Tourism Australia and indirectly via a range of responsibilities that impact on tourism including Infrastructure Australia, Aviation and Parks Australia.

The Department of Resources, Energy and Tourism
The major responsibility of the Tourism Division relevant to this project is the development of policy on tourism investment. The current focus is on the Work Plan to implement the 2009 National Long Term Tourism Strategy. Until recently, the research body, Tourism Research Australia (TRA) was incorporated in Tourism Australia and focused on demand side research with its international and national visitor surveys. The NLTTTS reports that TRA has been reintegrated into RET and will expand its focus to cover issues such as investment and product development (Department of Resources, Energy and Tourism 2009a, c).
Tourism Australia

‘Tourism Australia is a statutory authority of the Australian Government, which promotes Australia as a tourism destination internationally and domestically and delivers demand side research and forecasts for the sector. Tourism Australia reports to the Cabinet Minister with responsibility for tourism, the Hon Martin Ferguson AM, MP.’ (Tourism Australia 2009a). As noted in the Jackson Report (2009) the role of TA is primarily demand side focused through promotion of Australia as a tourism destination. The NLTTS (Department of Resources, Energy and Tourism 2009a) reports that the role of TA will be expanded to include online product distribution and building Australia’s indigenous tourism capacity.

Parks Australia

Parks Australia manages the Australian Government’s national parks and reserves and provides significant infrastructure to support nature based tourism. The National Landscapes program is a partnership between Parks Australia and Tourism Australia (Tourism Australia 2009b). It brings together demand and supply side effort to promote key natural destinations. There are currently nine National Landscapes in the program:

- Australian Alps
- Australia’s Coastal Wilderness [NSW-Vic]
- Australia’s Green Cauldron [South East Qld, North NSW]
- Australia’s Red Centre
- Flinders Ranges
- Greater Blue Mountains
- Great Ocean Road
- Kakadu; and,
- Kangaroo Island.

The National Long Term Tourism Strategy has identified this program as providing a benchmark for destination management planning (Department of Resources, Energy and Tourism 2009a).

Infrastructure Australia

Infrastructure Australia (IA) was established in 2008 to advise Australian governments on infrastructure gaps and bottlenecks and priorities for major infrastructure development and regulatory reform. Allocations from the Building Australia Fund, announced in the 2008–09 budget, ‘will be guided by Infrastructure Australia’s national audit and infrastructure priority list’ (Infrastructure Australia 2009a). Infrastructure Australia consists of a board of representatives of the three levels of government plus private sector advisors. It is supported by the Office of Infrastructure Coordination within the Australian Government’s Infrastructure, Transport, Regional Development and Local Government portfolio.

A major focus has been the development of national infrastructure priorities. An interim report from Infrastructure Australia on national priorities was published in 2008 (Infrastructure Australia 2008). The Jackson Report commented that this interim report ‘had only limited mention of transport initiatives that would benefit tourism’ (Jackson et al. 2009, p. 35). The ‘National Infrastructure Priorities’ report (Infrastructure Australia 2009b) has a focus on three areas;

- gateways
- freight corridors
- urban public transport/urban roads.

The broad criteria for determining priorities set in this report do not include any specific reference to tourism. Of the nine priority projects nominated, only the Gold Coast rapid transit project would have a direct link to tourism.
TOURISM INVESTMENT IN AUSTRALIA

Aviation

The Australian Government has a key role in managing aspects of aviation and this has implications for the capacity of aviation infrastructure. The Australian government released its White Paper on Aviation on the 16th December 2009 (Australian Government 2009). Of note for infrastructure development is recognition that Sydney airport will not be able to meet future growth and that additional capacity will be required. A taskforce will be set up to look at options including regional airports and air force bases.

State and territory governments

State and territory governments also have a variety of roles that impact on tourism investment and infrastructure provision. The Jackson Report notes that the majority of states and territories combine tourism promotion and industry development in the responsibilities of their State Tourism Organisations (STOs), but that Queensland allocates industry development to its Industry portfolio and Victoria ‘integrates overall responsibility within its ministry’ (Jackson et al. 2009, p. 7). For purposes of illustration of the roles of this level of government, short discussions of the Queensland model and the Western Australian model follow.

Queensland

The Queensland Government supports tourism through policy and planning approaches. Demand side promotion is a major aspect of its involvement through Tourism Queensland and support of regional tourism organisations. The Queensland government also addresses the supply side through the provision of regional infrastructure grants, tourism infrastructure in national parks and through strategic partnerships with the private sector in development of cruise ship terminals and convention centres. This section does not discuss the provision of roads and rail transport, although this is an important aspect of infrastructure for tourism.

Department of Employment and Economic Development

Functions of the tourism arm of the Department include tourism policy development and implementation and administration of regional minor tourism infrastructure grants. The Queensland Tourism Strategy (Department of Tourism, Fair Trading and Wine Industry Development and Tourism Queensland 2006) sets out a range of actions; some of which are the responsibility of the state government. Included in these are funding of regional tourism office network and appointing regional destination managers—to undertake regional tourism promotion and tourism planning. Many of the other actions revolve around destination management planning and integrating tourism planning into broader planning processes run by the state and local governments. The department has oversight of implementation of the Queensland Tourism Strategy.

The regional minor tourism infrastructure grants program was allocated $1.8 million in the 2009–10 budget. It ‘supports minor infrastructure projects with a focus on roadside facilities such as directional signage, toilets, refuse bins, shaded picnic areas, public art and waste management points for travellers to utilise and experience on their journey.’ Funds are available to local government and regional community groups (Department of Employment and Economic Development 2009).

Tourism Queensland

Tourism Queensland is primarily a tourism promotional and marketing agency, but it also supports tourism research and some policy development. Tourism Queensland also provides support for the 14 regional Tourism Organisations in Queensland. Tourism Queensland has also been active in developing Tourism Opportunity Plans for regions and in offering funding for ‘pre-feasibility studies’ of projects identified in these plans (Tourism Queensland 2009c).

Department of Environment and Resource Management

The Department includes the Queensland Parks and Wildlife Service (QPWS) which manages over 500 national parks in the state. This is a significant component of the public infrastructure that supports tourism in Queensland. Commercial tourism operators wishing to access national parks to run tours are licensed and monitored by the QPWS (Department of Environment and Resource Management 2009). Historically, no commercial accommodation has been permitted to be established in national parks. In November 2009, the
Queensland Government announced a new initiative to seek commercial operators to establish environmentally sensitive eco-tourism accommodation at seven national park sites. The arrangement would retain the land in state ownership and lease the opportunities through an expression of interest approach (Bligh, Lawler & Jones 2009).

Department of Infrastructure and Planning
Roles of this department include infrastructure development, regional planning and assessment of major projects. The department web site includes a section on Key Infrastructure, which includes the heading of ‘Tourism, recreation and the arts’. This section lists all the private sector major projects currently under review by the coordinator general, including those conducting environmental impact assessments. There are currently seven private sector resort/residential projects and three private sector marina/resort/residential projects under review (Department of Infrastructure and Planning 2009).

Western Australia
Tourism Western Australia is the lead agency within the Western Australian State Government promoting both supply and demand for tourism in the state. Tourism Western Australia’s Strategic Plan—Building for the Future was delivered in 2008 (Tourism Western Australia 2007a). The strategy presents the direction for Tourism Western Australia and the Western Australian tourism industry to the year 2013. The tourism industry offers WA an economic hedge against reliance on the resources boom and a viable source of employment and investment in the future. Moreover, Tourism Western Australia acknowledges the market generated for tourism resulting from the resources boom—particularly in the provision of accommodation for business travellers—is substantial.

A number of supply-side issues were identified with respect to the future growth and sustainability of the tourist industry in WA, which the Strategy aims to address. These include, securing the future of regional tourism, better-coordinated investment attraction, and environmentally and socially responsible tourism. An important role for the State government is ensuring the appropriate infrastructure exists to support tourist destinations and to establish a positive environment to promote investors to engage in tourism development.

Regional economic and employment outcomes
The geographical dispersal of tourism attractions throughout the state requires a focused development of the tourism industry (destination planning, supported by Landbank and Naturebank—see case study). Tourism Western Australia has embarked on a marketing campaign (The Real Thing) to generate and contribute to economic activity from Western Australia’s environment and social assets such as national parks. To facilitate socially and environmentally sustainable investment that develops the tourist potential of national parks, Naturebank has been instigated.

Aside from helping to facilitate investment by increasing marketing directed towards attracting investor capital and assisting with developing business plans, the WA government has stated that it will work to support both public and private sector investment in tourism products and infrastructure, including consideration to investment partnerships.

Tourism development priorities
Destination Development Plans (DDP) have been developed for all five tourist regions (Tourism Western Australia 2007b). They provide guidelines for future public and private sector investment in tourism product and infrastructure for the next five years. It is expected that the DDPs will determine and drive Tourism WA’s underlying development activity in each of the state’s five tourism regions.

The objective is to focus regional development resources on enhancing tourism product in iconic experience areas and collaborating with key stakeholders to formulate and implement strategies that develop WA’s destinations (Tourism Western Australia 2007b). It is expected that the DDPs will result in investors actively seeking opportunities as a result of government facilitation and support. Responsibility for implementation of the DDPs will lie with a broad range of stakeholders including state government agencies, industry groups, local and regional tourism bodies and other tourism operators and developers.

Infrastructure development
The development of tourism in Western Australia relies on the development of appropriate infrastructure, which services a tourist’s needs and encourages investment by the private sector in competitive tourism product.
Infrastructure such as accommodation, restaurants, built attractions, tours and transport are primarily developed by the private sector. Private investors are unwilling to invest in tourism facilities without good airport and road infrastructure and the availability of affordable basic services such as power, water, sewerage, electricity and telecommunications, which together make tourism investments economically viable.

Tourism Western Australia facilitates infrastructure development through the preparation of DDPs, which identify key infrastructure priorities for tourism destinations across the state. Tourism Western Australia liaises with other government agencies such as Main Roads WA, the Department for Planning and Infrastructure and local government authorities to ensure tourism infrastructure projects are given priority in capital works programs. The state government is currently undertaking a major review of state infrastructure development. Tourism Western Australia has prepared a submission to that process that summarises the tourism industry’s key infrastructure priorities for the coming 20 years. Priorities have been ranked according to the ability of public infrastructure projects to facilitate private investment in high-priority existing and emerging tourism destinations; create new experiences with high domestic and international appeal; achieve strong economic, social and environmental outcomes; improve current visitor satisfaction; and address areas of market failure.

Local governments

Australia has around 560 local government bodies and these represent metropolitan, regional, rural, and Indigenous communities. The majority of the local government bodies, 539, are regional and rural based. Spending by local government bodies on infrastructure, economic and community services to residents is more than $20 billion per year (Australian Local Government Association 2010). Reid, Ruhanen and Davidson (2010) say that

‘local government … has considerable influence over tourism within its constitutional responsibilities of land-use planning, development applications for tourism-related land uses, and provision of local infrastructure and public amenities’.

It is beyond the scope of this project to comment in detail on the roles of the diverse range of local government bodies in tourism investment. However, local governments have roles in:

- local, regional and tourism planning
- development assessment
- providing minor transport infrastructure
- providing other infrastructure that supports tourism
- promotion and providing visitor information.

In particular, local government generally has responsibility for statutory land use planning, and this has the major influence on the amount and location of land zoned which allows establishment and operation of tourism businesses. It is therefore important for local government to be involved in development of tourism plans such as Destination Development Plans. As noted above, a potential limitation to tourism planning is that most DDPs do not have a statutory basis.

Local government is usually the body responsible for managing rezoning, project assessment processes and building approvals under statutory land use plans and regulations. Unless state or national levels of government involvement are triggered, an entire project assessment process will be managed by a local authority.

Local government is a provider of investment in smaller scale tourism facilities such as local roads, information centres, signage, walking paths and public amenities. Often, local government combines with state government to fund large-scale tourism facilities. The case studies include the examples of the Melbourne Convention Centre and redevelopment of Townsville’s Strand where local government has contributed to investment.

The case studies give further insight into tourism investment issues at the regional level, where local governments potentially have a high level of involvement on the ground where tourism investment occurs.
Chapter 7

REGIONAL TOURISM INVESTMENT ISSUES

These five regional case studies illustrate contemporary issues for tourism investment in the regions. Each region has unique characteristics. These case studies are not claimed to be representative of all metropolitan, regional and remote regions. The benefit of the case studies is to draw out issues most significant to tourism investment in the regions studied. Each case study concludes with views from participants on the best ways forward for the region.

Melbourne Metropolitan Case Study

Background

The statistics for tourism to Melbourne for the year ended December 2009 show that Melbourne is the highest ranking region in Australia for spending by domestic overnight visitors, and second highest for international and day trip visitors. Victoria has reached its highest ever percentage share of international visitors to Australia at 30 per cent. Expenditure by tourists to Melbourne increased by ten per cent from 2007 to 2008. From 2008 to 2009, expenditure by domestic overnight visitors fell by eight per cent but this was countered by 9.6 per cent growth in spending by international visitors, and the overall effect since the onset of the GFC was a slowdown in growth to a one per cent increase in visitor spending. Melbourne attracts around 60 per cent of all tourism expenditure in Victoria. Growth in spending in regional Victoria was a slower 3.8 per cent from 2007 to 2008 and fell by 1 per cent to 2009 (Tourism Research Australia 2008a, b; 2009a, b; 2010a, b). Melbourne tourism therefore has been growing significantly in recent years and is holding onto the levels achieved, under the overall economic conditions.

The vitality of tourism to Melbourne is underpinned by efforts by the Victorian Government, local governments and industry bodies. For many years the Victorian Government has supported tourism in Melbourne by investing in major infrastructure and the attraction of events. This approach is currently formalised in the Ten-Year Tourism and Events Industry Strategy (Victorian Government 2006). Notable components include a continuation of a focus on marketing, events, aviation policy and investment facilitation and attraction. The strategy of attracting cultural and sporting events to provide year round attractions to Melbourne and Victoria is implemented by the Victorian Major Events Company, which was set up by the Victorian government in 1991 (Victorian Major Events Company 2010). In the area of aviation policy, the Victorian Government facilitated an additional 30 flights per week into Victoria from existing and new carriers in 2008–09 (Tourism Victoria 2009). Tourism Victoria has an investment attraction unit that works with prospective private sector investors and which published Tourism Investment Guidelines: Your Guide to Tourism Investment in Victoria (Tourism Victoria 2008).

Tourism is concentrated in around 13 of Melbourne’s municipalities, including the City of Melbourne, which includes the CBD and major tourism development on the south bank of the Yarra River. The City of Melbourne Tourism Plan 2007–2012 (City of Melbourne 2007) emphasises partnerships between municipalities, the Victorian Government and tourism industry bodies in progressing tourism development. Destination Melbourne is Melbourne’s Regional Tourism Organisation and marketing is its major function (Destination Melbourne 2010). This combines with the strong marketing thrust of Tourism Victoria to enhance Melbourne’s visibility to potential tourists.

A number of the people interviewed commented on a tendency for visitors to Melbourne to stay in the city and make day trips to regional Victoria. Attractions such as Phillip Island, Sovereign Hill at Ballarat and even the snowfields can be visited in a day. This enhances the economic impact in Melbourne at the cost of regional areas.
TOURISM INVESTMENT IN AUSTRALIA

Current status of investment in tourism

Melbourne has been a notable centre for hotel and apartment construction in recent years. In early 2009, Melbourne had 15,911 accommodation rooms (hotels and serviced apartments), the second highest number in Australia after Sydney. Melbourne had 2,186 rooms under construction, representing a 13.7 per cent increase, the highest in Australia (Jones Lang LaSalle 2009b). Since that time the Hilton South Warf (396 beds) and Crown Metropol (658 beds) have opened. A number of major hotels have also been refurbished recently (Tourism Victoria 2009). It is not likely that that level of increase will continue in the short term; Jones Lang LaSalle (2009b) notes that for all Australia, investment in new accommodation is likely to be on hold due to the GFC.

The Victorian Government has a history of investing in tourism infrastructure. It committed $370 million in funding to develop the Melbourne Convention Centre, which opened in 2009 (see case study). Redevelopment of the Southbank Cultural Precinct is in progress, with $128 million committed by the Victorian Government (Major Projects Victoria 2010). In January 2010, the Victorian Premier announced a $363 million commitment to redevelopment of tennis facilities at Melbourne Park aimed at keeping the Australian Open Tennis event in Melbourne (Brumby 2010).

Specific impediments to investment in tourism

Most, but not all, people interviewed said that low profitability was an issue for investment. A small hotel operator noted the need to drop prices during the GFC in order to stay competitive, but even given that, the respondent was not particularly concerned with low profitability. An owner of a new large hotel did note that it would take a while until it is known if the business will be successful, but this was compounded by the GFC. An operator of an attraction noted that new markets such as China exhibit low spending per visitor in Australia and that if growth is to come largely from these markets, low profitability will be an issue. It was also noted that where government provides free or subsidised entry to historical, cultural and environmental sites, this limits the ability of the private sector to charge reasonable prices for attractions.

All people interviewed commented positively on the events strategy promoted by government and industry for Melbourne. Because of this, seasonal variability in demand was not seen as an impediment to investment in Melbourne. This strategy was seen as an incentive for investment and had strong support from all interviewees.

The GFC and swine flu were issues commented on in terms of variability in demand outside normal fluctuations. One person interviewed commented positively that the Victorian Government responded quickly to the perceived problem of swine flu being more prevalent in Victoria, with a tourism marketing effort.

The availability of transport infrastructure in terms of the Melbourne Airport was favourably commented upon; particularly that it has sufficient capacity for growth in services and no curfew. The importance of good transport infrastructure between the airport and city was noted but not raised as an impediment. In contrast, traffic in inner Melbourne was noted to be constricted and potentially an impediment to investment in the future.

Many respondents remarked favourably about government investment in tourism infrastructure. This included large projects such as the Melbourne Convention Centre, and the Tennis Centre upgrade. It was also noted that the City of Melbourne funds small-scale tourism infrastructure including signage and walkways.

There were mixed views about the availability and the role of other government support. Victorian Government support for the events program had support from all people interviewed. It was noted that the city of Melbourne has developed a tourism plan and provides a visitor information service. Conversely, some respondents noted a lack of Australian Government support for tourism investment.

No one interviewed had experienced problems with approvals processes in Melbourne. However, delays in liquor licensing were noted. It was noted that the planning provisions were modified some time ago to revitalise inner Melbourne and allow for refurbishment of building but retain the character of the area (e.g., laneways) and allow for layered development (e.g. retail/office/hotel). People interviewed who also had experience in regional Victoria did express the view that the approvals process was an impediment to developing high standard accommodation in high amenity areas including adjacent to or in national parks.
A Scoping Study

No one interviewed had experienced any conflict with community groups in developing or operating tourism facilities. It was noted that there was some conflict in Melbourne in respect of development of transport corridors where they impinging on open space.

The availability of suitable land for development of tourism facilities is not seen to be a problem in Melbourne. It was noted that there was supply of former industrial or manufacturing land near inner Melbourne. Redevelopment of these areas such as Docklands and South Wharf made land available for tourism and other uses. Commercial office space is much cheaper in Melbourne than in Sydney and this allows tourism to be more competitive as a land use. One person interviewed noted there were still three to four good hotel sites left in inner Melbourne

Future direction for investment
The interviews told a mainly positive story about Melbourne as a location for tourism investment. Melbourne has attained the status of an in-demand attraction for domestic and international tourists. The contrast with regional Victoria illustrates the strong pull of a destination with many attractions.

Melbourne also has the advantage of a good supply of land, which will make it competitive with other Australian capital cities, which are facing more competition in inner city land. In addition, there is no capacity constraint with the airport.

The relative success of Melbourne appears to be underpinned by targeted government support in marketing, events and infrastructure provision. While more of the same is going to be positive in supporting tourism going forward, governments will need to continue to evaluate the economic benefits of use of their funds in supporting tourism within the whole budget context.

One of the issues commented upon by many people interviewed was that there is a sense of cooperation between major players in state and local government and industry that supports the effort in attracting tourists and tourism investment.

Tasmania Regional Case Study

Background
The original intention regarding selecting a case study in Tasmania was to look at Hobart as a small metropolitan destination, however all respondents took the view that Tasmania needed to be seen as a whole with regard to tourism investment issues and potential, thus Tasmania is presented as a case study of a regional destination.

Tasmania is an island and the southernmost state of Australia. As of 30 June 2008, the estimated resident population of the state was 497,500 with the majority (nearly 80%) living in the major population regions of Hobart, Launceston and Burnie-Davenport (Australian Bureau of Statistics 2009d). Tasmania can be accessed via air through Virgin Blue, Jetstar, Qantas, or Tiger Airways, or by boat transport from Victoria. The capital city of Hobart is approximately 609 kilometres or a seventy minute flight from Melbourne (Tourism Tasmania 2010b).

The Australian Bureau of Statistics (2009d) estimated that there were 1.4 million guest arrivals in Tasmania during 2008-09. It was noted that this was a slight decrease of 2.1 per cent from the previous year and an increase of 6.1 per cent since 2004-05. Takings from tourist accommodation establishments increased over a five year period to 2008-09 by 28 per cent, from $150 million to $192 million, with the average takings per room per night rising from $114 in 2004–05 to $132 in 2008–09 (Australian Bureau of Statistics 2009d). In 2008, it was estimated that tourism represented seven per cent of the Gross State Product (Local Government Association of Tasmania 2008b). As at February 2010, it was estimated that approximately 16 per cent of the labour force was employed in accommodation and food services (Australian Bureau of Statistics 2010).

Data from the Tasmanian Visitor Survey (TVS) identified that there was a two per cent increase in total visitors to Tasmania on scheduled air and sea services in the year ending December 2009 compared to the year
ending December 2008. This resulted in 912,100 visitors to Tasmania (Tourism Tasmania 2009). For the year ended December 2009, the total number of nights spent by visitors in Tasmania increased by 16 per cent to 8.59 million nights and the average length of stay rose to 9.4 nights (up from 8.2). Visitor expenditure in Tasmania also grew marginally to $1.47 billion (Tourism Tasmania 2009).

Public Private relationship
Tourism Tasmania is a state government organisation whose role is to lead the industry in jointly delivering marketing and development programs that drive benefits for Tasmania from domestic and international tourism (Tourism Tasmania 2010a). Tourism Tasmania delivered a blueprint for the period 2006-09 entitled New Directions for Our Island: Three-year Business Strategy, which provided Tourism Tasmania with its agenda for change. This was developed as it was argued that there was a need for Tourism Tasmania to change as an organisation to better meet the challenges of tourism (Tourism Tasmania 2006). Projected investment in tourism over the three year period came from Tourism Tasmania (roughly $41 million), Tourism transformation funding (roughly $16 million) and co-operative marketing funding (approximately $30 million).

The Tourism Industry Council Tasmania (TICT) is also a key player in the tourism industry for Tasmania. TICT acts as a facilitator for tourism policy in Tasmania and briefs Members of State Parliament on key issues. TICT in collaboration with Tourism Tasmania released the Tourism 21 Strategic Business Plan 2007–2010. This plan aims to build tourism for the Tasmanian tourism industry, the community and the wider economy. Key drivers included increasing:

- interstate visitors from its current 4.2 per cent to five per cent by 2010; and,
- international visitors from three per cent to four per cent by 2010.

These new targets also aim to increase the annual visitor expenditure to $2.7 billion with a further projection by 2017 to $4.3 billion (Tourism Tasmania 2007).

Current status of investment in tourism
In recent years several tourism proposals were outlined which aimed to facilitate investment. With the release of the Tourism 21 Strategic Business Plan 2007–2010, Tourism Tasmania and TICT outlined their combined approach to tourism investment in Tasmania over this three year period. Within this plan, it was argued that new infrastructure must be created that adds to the beautiful natural surroundings or rich heritage on which visitors can come to enjoy (Tourism Tasmania 2007). This report outlined many approaches that will be utilised by the two organisations to further tourism investment in Tasmania. Examples include:

- play a more active role in identifying future tourism infrastructure needs and opportunities;
- develop and strengthen strong partnerships with commercial operators to provide contemporary experiences for travellers; and,
- create a smoother pathway through government for potential investors to make sure they have access to the best available investment information.

In July 2008, Tourism Tasmania developed a new marketing approach that identified five marketing zones of Tasmania which were labelled as:

- Launceston, Tamar and North-east
- the North-west coast
- the Western Wilderness
- Hobart and surrounds
- the East coast.

These zones were prioritised as the major holiday zones to be marketed and the Tasmanian government will match regional tourism industry marketing funds on a dollar-for-dollar basis (Local Government Association of

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1 Tasmania has three regional tourism bodies. It is argued that because of the small population and geographical size of the state, it was perceived as more value to not have the usual divisions and boundaries identified in the other Australian states.
In mid 2008, Tourism Tasmania also launched the Tourism Infrastructure and Investment Project which aimed to identify opportunities for alignment with the other local government and regional infrastructure plans (Local Government Association of Tasmania 2008a). This project was argued to benefit Tasmania’s tourism industry through the creation of a consistent government approach to prioritise tourism infrastructure and investment.

In September 2008, the Tasmanian Food and Beverage Industry Strategy 2008–2011 was launched to address key issues such as climate change, the carbon footprint of food production, branding and access to water. This report was developed by the Food Industry Council of Tasmania in conjunction with the Departments of Economic Development and Tourism, and Primary Industries and Water, and in consultation with industry. This report was developed to help tourism personnel to maximise the investment into innovation such as the best utilisation of resources that will enable the whole industry to benefit (Department of Economic Development Tourism and the Arts 2008).

Respondents unanimously argued that Tasmania’s level of tourism investment was limited. Many respondents suggested that outcomes such as the creation and refurbishment of accommodation resources and the development of roads linking attractions were required. It was also concluded that tourism operators and investors are not reinvesting in tourism, which will cause quality issues in the coming years. Therefore, tourism investment is perceived as a pressing issue. The major reason noted for the lack of investment is the high risk involved with tourism which limits profitability; respondents suggested that industries such as mining and property development were more attractive to public and private investors. A few respondents argued that tourism throughout the years has been largely a ‘passion’ business where wealthy locals have aimed to put something back into the community. Despite the lower level of tourism investment, respondents suggested that in the past three years tourism has been acknowledged as an option for future economic development.

On a positive note, some respondents suggested that tourism investment progressed very recently in the capital city of Hobart. There has also been some recent accommodation development and a cultural centre called Museum of Old and New Art (MONA) on the outskirts of the city presents an excellent opportunity for tourism.

Respondents generally argued that there needed to be a balance between new investment and refurbishment. Despite recent growth in tourism and development such as the MONA, new investment is required to encourage new tourists to come to the region. Whilst developing the accommodation at the high star level is relevant, new investment in other attractions and access is required to ensure that the tourism experience is not mismatched. Some other respondents commented that new investment is required to diversity what is on offer. It was suggested that some of the major players have considerable control and if new players are able to invest in tourism this spreads the tourism development further. Representatives suggested that tourism operators needed to also ‘reinvent’ themselves frequently to offer an excellent experience to tourists. A conclusion noted was that if products and services are not refreshed, tourists will become bored and may not return to Tasmania. It was also noted that refurbishment was required because if accommodation (especially at the higher star level) is below the standard expected, tourists can be upset with the quality they receive.

**Current areas of concern for Tasmania’s tourism**

Respondents unanimously argued that the quality and volume of accommodation was a concern for tourism investment within Tasmania. This was largely due to the unavailability of high-end (above four-star standards) accommodation in Hobart and greater Tasmania in peak periods. One respondent suggested that there were roughly 700 rooms at this level with the number needing to be increased. Some representatives argued that despite a recent growth in tourism, the demand for high quality accommodation is exceeding supply in the peak tourist periods. A respondent suggested that if the growth of tourism remains constant in the upcoming years, Hobart (and Tasmania) is going to reach a point where they will be unable to service all tourism demand. Other respondents similarly argued that Tasmania needs approximately 200 new rooms, each year, for the next decade to cater for expected demand in the peak periods. Respondents argued that whilst the destination may appear attractive, people will not travel to Hobart (and Tasmania) if accommodation is not available, and will alternatively choose other areas.

Access was listed as an issue for tourism development in Tasmania. Due to Tasmania being an island accessible by air or ferry; entry to the state has proven difficult, with the cost of airlines and sea access being considered high by respondents. Furthermore, in times of off-peak seasons, some organisations (e.g. Qantas and
Virgin Blue) have limited flights to Tasmania. The lack of access has also been noted from a tourism developer’s perspective; respondents suggested that many of the building materials are transported from the Australian mainland via ferry. This increases the price of construction due to the attachment of freight charges to any development.

Respondents suggested that the road access and ferry access was a concern for tourism developers. Some tourism representatives perceived that the roads needed upgrading and some of the major tourism attractions such as the Tasman Peninsula and Port Arthur needed greater linkage. Ferry access has also been considered limited as the river in Hobart is under-utilised. Some respondents suggested that Hobart has very poor jetty infrastructure for ferry access, which could be improved.

The lack of retail options within Tasmania was considered a tourism impediment by the representatives. Several representatives concluded that Tasmania is not a shopping destination, and further development in areas such as art galleries and major shopping precincts should be considered. A further limitation of retail is that because of the relatively short flight to Melbourne from both Hobart and/or Launceston respondents suggested that many Tasmanians are choosing the fly to the Victorian capital for shopping.

**Specific impediments to investment in tourism**

Most but not all respondents argued that low profitability is one of the hardest aspects for investing in tourism in Tasmania. Representatives suggested that tourism has a low profit margin and it was not an industry that an investor would choose to enter for the aim of earning significant income. It was concluded that many of the tourism operators are sole operators and family orientated businesses that are in tourism for the love of the industry, rather than making a substantial profit. Consequently, tourism investment was perceived as a luxury, with many tourism operators struggling to break-even.

The seasonality of Tasmania was considered a major deterrent to tourism investment. The state’s peak tourism period was suggested to be between November and April (the extended summer period), and many respondents commented that tourists do not choose to come to Tasmania in the winter months due to its coldness. However, it was also concluded that it is not cold enough for activities such as skiing and snowboarding so the winter market captured by New South Wales and Victorian snowfields could not be challenged. Thus, respondents commented that the tourists will travel for the six months of good weather, as this is the best season to experience what Tasmania has to offer.

Based on this highly seasonal nature of Tasmania, investors suggest contributing money to tourism development is not a profitable option. Operators were perceived to be losing money over the winter periods, and investors are interested in injecting money into industries such as mining, which are less seasonal. The tourism owners/operators realise the difficulty of the seasons and are trying their best to break-even in the winter periods, but this was considered a financially unwise option by some respondents. This problem with seasonality also relates back to tourism being a passion business; unless the people have an interest in providing services to tourists because they enjoy this industry, most tourism investors will look elsewhere for the utilisation of their resources.

Respondents unanimously argued that the complexity and length of approval process was a huge limitation to tourism investment in Tasmania. Based on examples of approvals taking up to five years to be accepted, all respondents suggested that tourism investors were deterred by the length and complexity of the Tasmanian legal framework. It was noted that bureaucracy was a major issue and the state government was not providing investors with a positive opportunity to choose Tasmania as an option. Respondents noted that in some areas in Tasmania, local councils, town planning approvals, Aboriginal areas protection authority, sacred site approvals, and conservation groups all need to be satisfied before a tourism investment project is approved. It was noted that this experience was incomparable to other Australian states which are perceived to simplify and speed the approval process. Respondents decreed that patience for tourism investment was required for potential Tasmanian investors and/or developers.

Tasmania’s remoteness from mainland Australia was identified as a barrier to tourism investment by respondents. From a building perspective, noted iconic locations such as Cradle Mountain and Bay of Fires were expensive to develop; materials would need to be distributed by helicopter because this was the only accessible option. Furthermore, many of the building resources are transported by barge from Victoria which means extra
freight charges to tourism investors. This impediment also ties with seasonality; respondents suggested that because the tourism industry in Tasmania is largely dormant for six months of the year, airlines and ferries will limit their passenger flights for this time period.

Some respondents argued that there was a lack of government support for tourism in Tasmania. These respondents had the view that the industry is given very little in the way of finance and the tourism personnel have a 'shoestring budget' each year in resourcing Tasmanian tourism. Further, it was noted by these respondents that the Tasmanian government is largely bureaucratic and distances itself from tourism. Options such as support for applications and planning mechanisms for tourism were noted as being limited amongst respondents. This causes significant confusion for investors.

Several respondents also commented that the state government needs to be more proactive in stabilising air services to Tasmania. It was concluded that the airlines have considerable power in determining whether flights should proceed or not, and this caused concern for tourism operators who were unable to effectively plan for the upcoming season. This uncertainty of flight scheduling was thought to provide a lack of confidence for Tasmanian tourism investors.

Respondents argue that there has been a conflict between high natural or cultural value and high tourism value. Many respondents suggested that before any development is considered, a tourism investor would need to consult the National Trust and the Cultural and Heritage group from within the state government. Many respondents suggested that whilst they do not support irresponsible development such as a new hotel in the middle of a protected area, it was very difficult to overcome community resistance to tourism, often by environmental lobbies. Whilst it was acknowledged that tourism development options such as walking parks through bush-land, and accommodation in secluded locations have promise, many areas are World Heritage protected areas that cannot be easily developed without a drawn-out process. Further, these developments may be hindered by community resistance.

The seventh impediment deals with the issue that key community groups within Tasmania are resistant to tourism development. It was concluded that many people choose to retire to the state from other areas in Australia and desire Tasmania to remain the same as when they first arrived in the location. Respondents suggested that many tourism investment initiatives have been dismissed by the community groups based on opposition to development.

Several respondents suggested that land use zoning was an issue for Tasmanian tourism investment. They argued that the statutory planning schemes are extraordinarily out of date and were developed before the current priority for tourism development. Respondents suggested that zoned land (e.g. east coast of Tasmania) has not been re-evaluated for at least twenty-five years. Therefore, there is an opportunity for tourism growth, but because of the zoning this cannot be developed.

The final impediment noted by a few tourism representatives was the high cost of training staff. These personnel commented that many new workers are being employed with no or little experience in hospitality and tour guiding. Tourism operators are, therefore required to train the staff to perform basic activities. Further, because of the remoteness of Tasmania, the cost of attracting hospitality staff such as qualified chefs was very expensive for restaurant owners.

**Effect of the Global Financial Crisis on tourism investment**

Respondents unanimously argued that the GFC did not affect Tasmania as badly as expected. They suggested that a slight decrease was noted; this decrease was largely due to the limited access to Tasmania by air due to the lower demand experienced by the airlines. It was concluded that because Tasmania is not heavily reliant on international tourism (roughly 15% of the market), the state did not feel the effects as badly as other cities and states in Australia. Respondents suggested that repeat tourism is a large market for Tasmania and people with special interests (e.g. experiential based) with higher levels of disposable income were still travelling to the state.

**Future directions for tourism investment**

Three key opportunities for tourism investment in Tasmania were noted by the representatives. Each will be discussed.
Providing tourism investors with an incentive to invest in Tasmania via a more positive government and community approach to tourism was perceived as the greatest opportunity by many representatives. A conclusion from the interviews was that investors have little confidence in tourism development in Tasmania due to perceived opposition to development and the extended length of government approval processes.

A second opportunity is the development of further accommodation. It was identified earlier that the lack of accommodation at the four and a half to five-star levels was a major concern in Hobart. This needs to be developed to ensure that there is adequate accommodation for tourists when coming to Tasmania. It was also acknowledged by a few of the respondents that providing options such as eco-resorts in some of the eastern or southern areas of Tasmania would be a very viable option. Furthermore, with a large size hotel opening in Launceston soon, this presents a great opportunity for further accommodation of this type in Tasmania.

The final opportunity for tourism investment in Tasmania is the development of cultural services and activities. Respondents suggested that because the state is attracting many high end users that are aiming to experience high-end experiential tourism, offering them a high quality, cultural service was considered an option by representatives. It was perceived that this type of product would be desired by tourists. It was noted by some respondents that Melbourne, which they considered is unofficially the cultural capital of Australia, has some residents that have a high probability of being attracted to Tasmania based on the high quality experiential services that it can provide. This will become more prevalent and relevant when the MONA cultural centre opens and attracts tourists to the destination. This may attract people from Melbourne to visit this cultural exhibition due to the short distance between locations. These tourists can then visit other tourist attractions in places such as Hobart or Launceston which increases tourist expenditure within the state.

### Townsville Regional Case Study

#### Background

The region of Townsville is located approximately 1100 kilometres north or a two-hour flight from Brisbane, Queensland. In 2008, it was estimated that the region had a population of 225,582 with the majority based in either Townsville or the rural area of Thuringowa (Planning Information and Forecasting Unit 2008). With the amalgamation of the Queensland local councils in 2008, the Thuringowa and Townsville councils merged to form the Townsville City Council (Townsville City Council 2010). The state tourism authority of Tourism Queensland uses the same local government boundaries in their marketing of the destination. Some of the destination’s major attractions include:

- the Strand, which is located along the foreshore
- Magnetic Island, which is approximately eight kilometres from the main Townsville ferry
- the Billabong Wildlife Sanctuary
- the Reef Headquarters Aquarium.

Townsville is also an access port for trips to the Great Barrier Reef. The Flinders Street Mall, located in the Central Business District (CBD) is currently in the process of a $16.2 million redevelopment which will provide the region with a further attraction (Tourism Queensland 2009a).

Townsville has been acknowledged as a tourism destination with great potential opportunity for tourism investment and infrastructure development (Department of Infrastructure and Planning 2007). In 2007, tourism accounted for five per cent of the region’s economic value and seven per cent of its regional employment (Department of Infrastructure and Planning 2007). Despite encouraging tourism trends, there was an eight per cent decline from the previous year in the total number of overnight visitors to the year ending September 2009 (Tourism Queensland 2009b). Townsville experienced a decline in domestic visitation within the time period, with a notable decline in visitors from regional Queensland, holidaying and visiting friends and relatives (VFR). Business tourism to Townsville was conversely strong with the domestic market growing by eight per cent for the year ending September 2009 (Tourism Queensland 2009b).
Public Private Relationship

Townsville Enterprise is one of the 14 regional tourism organisations (RTOs) that are responsible for the marketing and promotion of tourism destinations in Queensland (Tourism Queensland 2009a). This organisation is responsible for managing and coordinating tourism projects in partnership with the state tourism authority and the local government. Therefore, despite the Townsville City Council and Tourism Queensland being key stakeholders and active participants in tourism, Townsville Enterprise deals with the daily tourism activities. As discussed in the interviews, Townsville Enterprise is a not-for-profit membership based organisation that performs many tasks. As well as being the RTO, Townsville Enterprise is the regional development organisation (economic development) and is also the convention bureau for greater Townsville. Townsville Enterprise is funded by the Department of Employment, Economic Development and Innovation (DEEDI) and Tourism Queensland.

Current status of investment in tourism

Townsville has experienced growth in tourism investment in the recent years. Whilst the region has not aimed to actively target tourism as heavily as its’ neighboring regions of Cairns or the Whitsunday Islands, tourism projects are evident. The first major piece of investment infrastructure was the redevelopment of the Townsville city north shore (The Strand) in 1999. Following significant erosion damage from Cyclone Sid and other storms in 1998, the Townsville City Council invested $30 million into the redevelopment of the location (Muller, Wust & Hearty 2006). Whilst this was not redeveloped specifically for the attraction of tourists, it serves as a popular location for residents and visitors to Townsville to visit. After attracting an initial crowd of 80,000 for the opening weekend, this investment has proven a success with many events and attraction held at this location such as Stable on the Strand enjoyed by both tourists and residents (Tourism Queensland 2007).

The value of tourism to Townsville has been further underpinned by recent efforts by the Queensland State Government, local government and industry bodies. Following the Queensland State Government launching the Queensland Tourism Strategy (QTS) in November 2006 (Department of Tourism, Fair Trading and Wine Industry Development and Tourism Queensland 2006), there was a far greater emphasis on promoting investment in the city of Townsville. This strategy was the basis of the recently developed Townsville North Queensland Regional Tourism Opportunity Plan (TOP). This plan provides guidance for the sustainable development of tourism in the Townsville region from 2009 until the end of 2019. The targeted audience for this investment plan includes the three tiers of government, tourism organisations, tourism investors and developers, and tourism industry operators (Tourism Queensland 2009a).

It was noted from the interviews that the TOP identifies 13 catalyst projects for the region, which provide significant financial and employment opportunities based on tourism investment within Townsville. These thirteen catalyst projects include:

- the Greater Townsville CBD Tourism Precinct
- Townsville Cruise and Military Ship Terminal
- Townsville Business Events Centre
- Townsville Artificial Reef
- Magnetic Island as a Sustainable Destination
- White Mountains National Park Wilderness Camping and Walking
- Off-road Adventure Park
- Palm Island Adventure Trek
- Wallaman Falls EcoResort
- Tourist Parks cluster
- Coast and Islands Boating Trail
- Indigenous Rock Art and Relics Trail; and,
- Cromarty Wetlands/North Queensland Wetlands Network.
There are differing views from respondents of the level of tourism investment in Townsville. A common conclusion was that neighboring cities such as Cairns and the Whitsunday Islands were more proactive in tourism development from a holiday/leisure perspective. However, it was noted that recent developments such as the Jezzine Barracks, Palmer Street and the current redevelopment of Flinders Street Mall were relevant to tourism development. It was concluded that 300 new rooms had been opened on Palmer Street within the last year and over 200 rooms were added on Magnetic Island in the recent years.

Townsville was concluded to have a largely diversified industry with mineral processing, manufacturing, defence and education as the major income generators for the region. Tourism was estimated to contribute less than five per cent to the Townsville economy, and consequently, there has been less focus on investment in tourism than in these larger industries. However, based on economic contributors such as defence and manufacturing, it was acknowledged that ‘business tourism’ is a growing industry in Townsville with many conferences and business meetings being conducted within the city. It was estimated by several respondents that business tourism represents approximately a third of the tourists to Townsville. There are also approximately a third holiday/leisure tourists and a third of the VFR market.

It was argued by most respondents that there should be a balance between new investment of tourism stock (e.g. accommodation, infrastructure access, and attractions) and the refurbishment of current tourism offerings. The major area in which new tourism should be developed was within the centre of Townsville where more attractions are required. It was also concluded that the current convention centre, whilst a useful basketball stadium, is not a convention stadium. Therefore, development of a new convention centre was required to attract larger and the high-end business events to Townsville. Several respondents suggested that several accommodation locations at the different star levels need refurbishing. It was noted that many of the hotels within the CBD have been undergoing refurbishment, which was perceived positively by the Townsville representatives. A few respondents commented that Townsville has 14 heritage listed railway sheds and a cultural centre that require refurbishment.

Current areas of concern for Townsville’s tourism

The availability of accommodation was perceived as a major area of concern within this case study. This was most noticeable during sporting events when occupancy levels are extremely high. Townsville is heavily reliant on sports tourism due to its three national teams for rugby league (North Queensland Cowboys), basketball (Townsville Crocodiles), and soccer (Townsville Fury). It was acknowledged that an average traveller to Townsville for business with no interest in sport would find it difficult to obtain a room when one of these events is run. Alternatively, the level of accommodation they require (e.g.four-star) may not be available and they would need to stay in accommodation such as motels. A further concern is that the lack of land capacity for tourism development in the CBD makes it difficult for investors to build new accommodation. Thus, refurbishment has been noted as an option to attract tourists.

The level of hospitality offered in Townsville was considered a concern for tourism investors. As Townsville is not in the same brand as destinations such as the Gold Coast and Melbourne, the destination finds it difficult to offer services to the top end tourists. It was suggested by several respondents that the region offers hospitality services that are at a lower quality standard than major tourism destinations. Additionally, the fact that most restaurants are closed on a Sunday and/or Monday night was perceived negatively. It was argued that Townsville cannot be classified as a genuine tourism destination if restaurants only operate five days a week.

Transport infrastructure was perceived as not favouring Townsville tourists with public transport and drive access limited. With Townsville’s heat in the summer season, tourists are often then required to use a taxi to travel to a destination because it is too hot to walk. This is a costly experience that respondents suggested tourists were unhappy with. In regards to drive access, representatives suggested that a new road for the drive market which provides a loop that circulates throughout Townsville is required.

The number (or lack) of attractions for tourists was a limitation noted by representatives. Despite developments such as the Reef Headquarters Aquarium and the Jezzine Barracks, new investment specific to tourism attractions in Townsville was limited. A grave limitation was the current lack of shopping in the CBD. It is argued that currently the centre is run-down and old, and is a major detraction and a disappointment for
tourists. Most respondents argued that the $96 million upgrade of the existing Flinders Street Mall will provide a revitalisation of the CBD with new tourist attractions such as shopping and bars for residents and tourists and that this option will hopefully attract business tourists from locations such as Rockhampton and Mt Isa to spend money whilst in the city.

**Specific impediments to investment in tourism**

Most, but not all people interviewed said that low profitability was an issue for investment. Most investors argued that investors were worried about the financial return in tourism. Respondents suggested that investors would prefer to invest in an industry where they can gain a substantial return in investment; the ‘safer’ industries such as mining and agriculture were deemed to be more attractive to investors. It was also noted that the marginal return on tourism caused by the increasing costs of labour, insurance and taxes were perceived to make tourism a marginal business for investors.

The distance from South-east Queensland was deemed an impediment to tourism for local investors. Some respondents believed that it was difficult to try and get the state government to recognise Townsville as a tourism destination in its own right because it is often grouped with Far North Queensland (e.g. Cairns) and is a long distance from Brisbane. It should be noted; however, that other respondents argued that whilst the level of government investment in Townsville may be incomparable to Brisbane and the Gold Coast, the region’s Gross Domestic Product (GDP) is much smaller than the major tourist attractions. Consequently, these respondents believed that the state government focusses their funding on their most profitable areas.

The variable market demand caused by seasonality is an impediment unanimously agreed upon by Townsville respondents. As Townsville is known for its extreme heat and monsoon rain for the summer months, respondents suggested that the destination is perceived by many tourists to be only a holiday destination for the winter months. Thus, tourism investors have little confidence in a region that will only provide a return on investment for roughly six months of the year. Respondents suggested that year long investments in safer industries such as education or defence may prove a more viable option.

The lack of supporting infrastructure in Townsville from a tourism perspective was an impediment noted by several investors. Infrastructure in areas such as marine parks, roads, and signage, was required for Townsville to have better access by tourists and business personnel. An example of when supporting infrastructure has been used in a competing industry, was the development of rail corridors for the mining industry in Mt Isa.

Community group opposition has presented a barrier to tourism investment in the Townsville region. The current redevelopment of Flinders Street Mall, Mariners North and a proposed investment in Castle Hill were met with community opposition. It was suggested that this opposition has lengthened the process for development to be approved. It was noted, however, that community opposition was not necessarily a totally negative outcome as this makes the tourism investors accountable. Respondents also suggested that the community did not want Townsville to become another tourism focused city such as Cairns. A challenge faced by the tourism representatives was to educate community groups on what is being considered as appropriate development options from an investment perspective.

Conflict between high natural, or cultural value, and high tourism value, was an issue raised by a few respondents. This was most prevalent in the development of Magnetic Island. Representatives suggested that the island has a small residential population that feel threatened by the development of the island. The high rise accommodation and harbour development along the Nelly Bay foreshore caused some concern amongst residents of Magnetic Island. For example, respondents suggested that residents perceived the development of high rise accommodation to destroy the focus of nature that the island is known for. It was noted, however, that progress has been made with the community and most people are in favour of tourism development if it is sensitive to the environmental needs of the island. A key concern is that developers should not be able to come onto the island, then develop it for their own best profit and then leave.

The relatively low availability of government support was considered an impediment to tourism investment. This issue was noted by all respondents. It was suggested that because agriculture, defence and mining are considered more profitable and larger than tourism, government support for these industries is stronger. It was also suggested by a few respondents that the RTO (Townsville Enterprise) doesn’t necessarily receive enough funding but works with the resources that are available. This is despite Townsville having many natural
attributes attractive to tourism.
Some respondents however, did argue that the major redevelopment of the Flinders St Mall is an important form of government support that has recently materialised.

**Effect of the Global Financial Crisis on tourism investment**

All respondents argued that the GFC affected the level of tourism investment in Townsville. For example, the speed and the development of tourism decreased over this period and this limited the income of tourism operators and builders. However, there was unanimous agreement that GFC effected Townsville minimally in comparison to the neighbouring Cairns and the Whitsunday Islands who are heavily reliant on tourism as the major industry. This was for two major reasons. Firstly, as Townsville has a diversified economy, it was able to largely shoulder the effects of the GFC on holiday tourism as people were travelling to Townsville for work purposes. Further, the sports season remained and the occupancy rate of accommodation remained 100 per cent when the main sporting events were on. Secondly, as Townsville does not have a large international market (approximately 15% of total visitation); it was argued that the domestic tourism ensured that the city still had high levels of visitations. Competing regions such as Cairns which are heavily reliant on international tourism felt the GFC impacts on international travel.

It was noted that the GFC had the effect of decreasing the number and length of business conferences. Business tourists were also not staying longer in Townsville than the length of their business; therefore, the additional leisure travel to Townsville was minimised resulting in a decrease in expenditure. There were also fewer ‘fly-in,fly-out’ miners. But because Townsville has a strong Monday to Friday business, the city was able to rise above the financial issues of the GFC.

**Future directions for tourism investment**

Many opportunities for future investment have been suggested by the respondents. Most of the opportunities deal with improving the product development for the region. The opportunities that were frequently considered in the scoping study are listed.

- The first opportunity was the development of transport infrastructure throughout the Townsville region. One option offered was an estimated $4.4 million path which could serve as a link between the different bays on Magnetic Island. It was argued that the current roads and pedestrian paths are dangerous and need to be improved to provide greater safety for tourists and residents. A second option is to develop a better transport service throughout Townsville. It was suggested by respondents that bus services should be further expanded through a two or three kilometre radius of the city to create greater connectivity between locations such as the Strand, the CBD and the Stocklands Shopping Centre. This would serve Townsville well and may encourage people to visit different attractions in Townsville and not feel pressured by the weather.

- The development of a cruise ship terminal was considered another piece of infrastructure that Townsville respondents wished to further explore. These respondents suggested that this is significant infrastructure that will attract tourists to the region. It was suggested that if Townsville wished to compete effectively with the northern Cairns and the southern Whitsunday Islands, the city needs this higher end product. Respondents suggested that cruise shipping was a high growth industry on which Townsville developers should focus.

- Event tourism was perceived as an area for future growth. Respondents unanimously agreed that events will attract tourists to the city. It was argued that a strong events calendar throughout the year would be preferable. Aiming to have attractive events in the calibre of ‘the V8 Supercars Sucrogen Townsville 400’, ‘Groove In The Moo’, ‘Australian Festival of Chamber Music’ would influence people to travel and stay within Townsville for an extended period. Whilst business events should also be considered, it is noted that Townsville’s convention centre only comfortably holds 400 people. Some respondents hope that Townsville can be the event capital of Queensland for the winter months.

- The fourth opportunity was the upgrade of the Townsville Entertainment and Convention Centre. Respondents perceived that the centre was useful as a sporting facility but was not functional as a convention centre. This opportunity was emphasised in the TOP and representatives stated that this should be treated as a high priority.

- Further collaboration in the marketing effort was an opportunity for tourism operators and government officials in Townsville which would also assist in attracting tourism investment. It was
noted that with the recent amalgamation of the Townsville and Thuringowa councils, tourism investors felt some confusion in regards to development issues. It was considered by several respondents that as the Townsville City Council is well established, it, and the other city tourism stakeholders such as Townsville Enterprise should work together to present a better product. It was concluded by several respondents that currently the message of collaboration is not strong enough. Developing a full package instead of different operators promoting their own services was seen as a more viable option for tourism in the Townsville region. It was also noted that for greater collaboration to exist, tourism operators needed to further invest in Townsville Enterprise and restructure their marketing accordingly.

Mandurah Regional Case study

Background

Mandurah, located approximately 74 kilometres south of Perth, has a population of around 62,000 (estimated to be growing at 5.9% per annum). Situated on the coast, it is the capital of the Peel region and encompasses the Peel Inlet, which provides vast protected waterways, natural protected wetland areas scenic amenity together with large areas of natural vegetation. The area offers tourists a full range of water sports and eco-tourism based activities.

Mandurah has a substantial cultural history with the traditional owners who still have a strong presence in the area. The name Mandurah was derived from the Aboriginal word, ‘mandjar’, meaning the ‘meeting place’. There is some interest from local developers to take advantage of the cultural history of the area and the unique ecology in the area to seek support from the state government to assist culture-based and eco-tourist ventures in the area. Promotion of indigenous culture-based tourism in the area would be consistent with the stated Strategic Plan for Tourism WA (Tourism Western Australia 2007a).

Early development of Mandurah in the 1950s’ and 196’s was as a holiday and fishing-based community. It has developed rapidly in very recent years into a substantial tourist-based economy. A substantial proportion of investment has been in the form of strata title accommodation attracting domestic middle-income earners rather than large scale commercial foreign investors.

In 2009, Tourism Western Australia estimated there were 82 hotel/motel units with accommodation facilities in the Mandurah and that there were 362 self-catering units available for rental. Interestingly, Mandurah has a high proportion of relatively low-cost let-able units available to tourists or visitors. In 2009, Mandurah had 919 caravan bays/on site vans available for rental (which is nearly twice the low cost accommodation facilities as any other town or shire in Western Australia). Current status for investment in tourism.

According to Tourism Western Australia, Mandurah averaged, between 2001 and 2008, approximately 302,600 overnight visitors and is second to the City of Perth for visitors—overnight and day-trippers. Over the last year or so (2009–2010), the area has been experiencing a glut in tourist accommodation and a substantial decline in demand for residential accommodation servicing a permanent residential population, as well as short-term visitors. Much of Mandurah’s residential area is retained by absentee homeowners who have a house at Mandurah for holiday stays and as an investment. This situation has affected heavily on local retailers and the local building industry.

Tourism Western Australia has taken up the ‘tourism area lifecycle concept’, developed by Butler in the 1980s (Butler 2006) which provides a sound theoretical foundation for analysis of the development of tourism in an area over time. Applying the Butler approach suggests that Mandurah has reached a development peak in its lifecycle, evidenced by the recent glut in accommodation, and that the next phase in its development is consolidation.
The nature of consolidation of tourist development in Mandurah is likely to depend on market demand and on how local authorities accommodate tourist development in the future.

The recent apparent decline in visitor numbers has impacted heavily on main street retailers and on a number of the dated tourist developments. The completion of construction of a major highway, linking Perth with towns such as Busselton and Bunbury and town in the wine producing area in the Margaret River area, in the south west of the state, which by-passes Mandurah, was expected to reduce trade in Mandurah by approximately 20 per cent but retailers are suggesting that an 80 per cent decline has been experienced. Retailers claiming a substantial decline in trade have been unable to provide credible information to verify the loss to the economy of the region; they are poorly equipped to undertake the required impact assessment.

All investment in Mandurah is currently a matter of concern, but to strengthen the inter-industry linkages in the economy of the area and to dampen the effect of reduced visitor numbers, there has been a move to attract residents that are more permanent. Improvement in the level of service facilities available to permanent residents, including education and medical facilities has been identified as a future development requirement for the area.

Currently, Mandurah residential suburbs have tended to become dormitory suburbs with as many as 20,000 people commuting every day to take advantage of employment outside the area. Local developers envision the area becoming less reliant on visitors if/when there is a substantial permanent population (living and working in the area).

An interesting perspective on tourism development in the Perth region, which includes Mandurah, is the comprehensive ‘Tourism Development Priorities 2010–2015’ (Tourism Western Australia 2010a). This study sets out each sub region’s strengths, and provides a comprehensive analysis of the current status and potential gaps in a range of factors impacting on tourism investment.
Specific impediments to investment in tourism

All impediments to tourism investment identified in the Jackson Report were confirmed as issues for investment in Mandurah by all persons interviewed. Low profitability and seasonal variation in demand were the most commonly identified constraints, but it was generally acknowledged that measures to address these constraints lay outside the ability of local authorities. The issues most commonly identified as of greatest concern, and which had the possibility of being addressed at the local level, were those associated with planning controls and administrative red tape. In particular, the complexity and length of the approval process, the lack of appropriately zoned land and the conflict between high natural or cultural value and high tourism value land, were cited as impeding tourism related investment in the area. Situations were recalled by a number of interviewees about the lack of support from both state and local authorities to speed up the approvals process. The time between submission of an application for a development and final approval was cited as being long and expensive and had resulted in an unwillingness to invest.

The length and complexity of the approval process was also suggested as an issue with division of responsibility lying at the state level rather than at the local level. Given that tourism development in Mandurah has entered a period of consolidation, the role of both Landbank and Naturebank to facilitate development through the complex approval process could be critical. In particular, navigation of the development and approval process for investors in eco-tourism and culture-based tourism developments is complex and the experience and support of Landbank and Naturebank would be valuable.

One issue for investment in tourism developments in Mandurah and which has been identified for many other areas, including Fremantle, close to Perth city, and to Byron Bay on the far north coast of NSW, is a conflict between promotion of tourist and tourist development projects and permanent resident population needs. To some extent, this conflict could be a result of poor information demonstrating to the permanent residents of an area what tourism contributes to an economy in terms of provision of local infrastructure, community services and employment opportunities.

Increasing demand for land for residential development to meet the growing population in Mandurah has increased the price of land, which has led to a conflict between residential investors and potential investors in tourism developments.

Sustainable management of the waterways, balancing the needs of tourists, residents as well as agricultural users without damaging the environment has proved to be a source of delay for planning permission. The Peel inlet has had a long history of water quality issues arising from nutrient run-off from urban development and agriculture industries up-stream. Although substantial infrastructure investment has been made to reduce the level of nitrification of the waterways, management of sensitive areas by the Department of Environment and Conservation is seen by residents as a necessary restriction to protect the environment from inappropriate tourist developments.

Although Mandurah is well serviced via the suburban transport network from Perth, transport within the region is poor with many parts of the area difficult to access without a car. Local, main-street retailers in Mandurah were particularly vocal about transport infrastructure, particularly the newly constructed by-pass of Mandurah, which has apparently taken substantial income away from Mandurah. In addition, local retailers expressed concern that the rail network (opened in 2007) linking Mandurah to nearby centres such as Rockingham and Kwinana stops short of Mandurah town centre, requiring passengers to be bussed into town.

In contrast, Byron Bay is, according to many tourists and investors in tourism facilities in the area, poorly serviced by transport networks into and within the area. As car access is therefore a necessary requirement for visitors, parking around the town centre is at a premium, a situation particularly evident during local major events such as the annual Blues festival or during peak tourist season around Christmas, New Year and Easter. This situation has resulted in a high level of antagonism between permanent residents and visitors.

Fremantle, only 20 kilometres from Perth city, is very well serviced by rail and bus networks. However, given that Fremantle boasts a unique historical record with over 150 buildings classified by the National Trust, space for car parking is at a premium and, like Byron Bay, parking is a source of contention between permanent
residents of Fremantle and visitors to the area.

**Future direction for investment**

Investment in both new and in refurbishing existing but dated developments is required to boost the tourist industry and tourism-related industries in Mandurah. However, producing more of the same in a market already experiencing a glut would not provide a viable panacea for the recent downturn.

It has been suggested by industry sources that a differentiated product on the tourist market might fill a possible niche market. Both eco-tourism and culture-based tourism prospect are currently under investigation. Interestingly, Naturebank, one of the initiatives implemented through Tourism Western Australia, has undertaken preliminary feasibility investigations in the area in response to local industry inquiries.

Some scepticism was expressed in Mandurah in relation to destination development plans. For the most part the scepticism surrounds a perception on behalf of local investors that, given that Mandurah caters for the relatively low-priced end of the tourist market, investment will be targeted towards the high end of the market, Perth or northern, more remote areas of the state.

Tourism investment in Mandurah has entered a period of slow growth, requiring consolidation to further strengthen attributes recognised as strengths for investment in the area. Tourism is just one source of expenditure in the regional economy, and, as demand from visitors to the region declines or plateaus, other sources of market demand will be required to fill the gap. Expenditure sourced from a permanent resident population has been identified by investors in the region as likely to fill at least some of the gap.
Kakadu National Park Remote Area Case Study

Background

The national park of Kakadu in the Top End of the Northern Territory was chosen as a remote region case study to explore for this scoping study. On April 20, 2010, the Department of the Environment, Water, Heritage and the Arts (DEWHA) launched the Kakadu National Park Tourism Master Plan 2009-2014 which presented opportunities for new tourism experiences and visitor infrastructure at the Kakadu National Park over the time period (Department of the Environment Water Heritage and the Arts 2010). The interviews for this case study were conducted before the launch of the Tourism Master Plan.

Kakadu is located approximately 260 kilometres east of the capital of Darwin in the Northern Territory. It can be accessed on the sealed Arnhem Highway which equates to roughly a three hour drive (Northern Territory Visitors Bureau 2010). The 19,000 square kilometre park has six unique seasons (Gunumeleng, Gudjewg, Bannerreng, Yegge, Wurrgeng, and Gurrung) and is World Heritage Listed (Tremblay 2007). Kakadu National Park is most accessible during the dry season from May to September, which is also the best time to experience the birdlife and the nature walks (Northern Territory Visitors Bureau 2010).

Based on data gathered from the state tourism authority, Tourism Northern Territory (NT), it is estimated that approximately 500 residents (all of Aboriginal descent) reside in the National Park (Department of the Environment Water Heritage and the Arts 2010). Many of these people are classed as descendents of the traditional owners of the land (Tourism Northern Territory 2010). The township of Jabiru, located within the boundaries of Kakadu, but owned as freehold by the Director of National Parks and Wildlife was established in the 1980s with the commencement of mining operations in the region. The Northern Territory Visitors Bureau (2010) claims that the township has under 3000 people and has some tourism facilities such as the Crocodile Hotel, a sports and social club and several catering services.

Tourism has been considered a vital economic contributor to the Kakadu National Park and the Northern Territory (Morse, King & Bartlett 2005; Northern Territory Visitors Bureau 2010; Tourism NT 2009a, 2010; Tremblay 2007). The NT Tourism Satellite Account 2007–08 identifies that tourism’s direct and indirect value-added contributes $1.526 billion to the Territory’s economy; this represents 10.3 per cent of the total Gross Value Added of the Northern Territory (Tourism NT 2009a). The largest areas were air and water transport ($132 millions) and accommodation ($129 million). Tourism’s contribution to the NT’s Gross State Product (GSP) totalled $1.738 billion (Tourism NT 2009a). Its total contribution to employment in the Northern Territory and Australia was 16.3 per cent and 8.3 per cent respectively.

Recent data collected by Roy Morgan (2009) conducted for interstate holiday visitors to Kakadu from June 2006 to June 2009 identified that visitors are most likely to be aged over 50 (72%), and are looking for a total ecotourism experience. This study also determined that 88 per cent of Kakadu travellers agreed with the attitude ‘I prefer to holiday where I can see nature or be in a natural setting’ and 86 per cent also agreed with the statement ‘I’d like to holiday where I can experience the local culture’.

Data extracted from the International Visitor Survey (IVS) and the National Visitor Survey (NVS) from the time periods of 2005/06 to 2008/09 indicate that an average of 239,000 tourists visited Kakadu each year over the three year period (Tourism NT 2010). On average 179,000 domestic visitors came each year to the Kakadu Arnhem region with an average length of stay of 3.4 nights; this equates to 605,000 total nights. In addition, an average of 60,000 international visitors visited Kakadu each year between 2005/06 and 2008/09. International visitors spent an average of 144,000 nights per year in the region, with an average length of stay of 2.5 nights (Tourism NT 2010). In terms of accommodation, Kakadu recorded the highest growth in demand for room nights occupied of any NT region (up 23.9% to 85,000 nights for the 2007/08 financial year (Tourism NT 2010). This correlated with an increase in room occupancy (62.2%) and expenditure (up 24.4% to $11.9 millions) (Tourism NT 2010).
Tourism Australia identifies the ‘experience seeker’ as the target market for the Kakadu National Park. This segment showcases eight characteristics that they:

- are experienced international travellers;
- seek out and enjoy authentic personal experiences they can talk about;
- involve themselves in holiday activities;
- are sociable and enjoy engaging with the locals;
- are active in their pursuits and come away having learnt something;
- are somewhat adventurous and enjoy a variety of experiences on any single trip;
- place high importance on value and hence critically balance benefits with costs; and,
- place high value on contrasting experiences (i.e. different from their day-to-day lives).

(Tourism Australia 2009).

Public Private Relationship

The Kakadu National Park is proclaimed as a Commonwealth reserve under the Environment Protection and Biodiversity Act 1999 and is jointly managed by its Aboriginal traditional owners (Bininj/Mungguy) and the Australian Government Director of National Parks (Department of the Environment Water Heritage and the Arts 2010). It is argued that as at April 2010, approximately half of the Kakadu National Park is Aboriginal land held by three Aboriginal land trusts within the meaning of the Aboriginal Land Rights Act 1976 (Northern Territory) (Department of the Environment Water Heritage and the Arts 2010)2.

In 2008, Kakadu was listed as one the eight National Landscapes in the National Landscape program. This is a partnership program between Tourism Australia and Parks Australia which has aimed to identify landscapes which capture the essence of Australia and offer distinctive, natural and cultural experiences (Tourism Australia 2009). Kakadu is qualified as a National Landscape based on its topography, cultural and/or environmental significance (Department of the Environment Water Heritage and the Arts 2010).

From a public-private relationship perspective, the National Landscapes program aims to encourage regional planning, including the appropriate provision of access and infrastructure in balance with natural and cultural conservation outcomes (Tourism Australia 2009b). The value of tourism to the regional economy and the role of protected areas in the economy are enhanced through this program.

There are three key outcomes from the National Landscapes:

- it ensures that tourism agencies, conservation agencies, infrastructure agencies, industry players and local government are collectively responsible for the conservation and enhancement of cultural experiences such as the Kakadu National Park;
- to raise awareness and encourage visitation to each landscape by Australia’s global target market to achieve positive social, economic and environmental outcomes; and
- to ensure that each landscape’s natural and cultural experiences meet the target markets expectations (Tourism Australia 2009b).

The state tourism authority (Tourism NT) also promotes Kakadu and markets it as part of the Kakadu and Arnhem land region. This region is promoted heavily on experiential tourism which includes nature, culture and adventure (Department of the Environment Water Heritage and the Arts 2010; Tourism NT 2010). In January 2007, Tourism NT developed and promoted a global Kakadu campaign, with the aim to make Kakadu a must see destination for international and domestic travellers (Tourism NT 2009b). In their promotion, Tourism NT has aimed to promote Kakadu to achieve three objectives which are listed as follows:

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2 Further details on the land tenure can be found in the Kakadu National Park Tourism Master Plan 2009-2014 (Department of the Environment, Water, Heritage and the Arts 2010).
• position Kakadu National Park as a world class holiday destination with a range of nature, culture and adventure experiences, amidst striking landscapes;

• increase awareness and interest in Kakadu amongst the global target market of the United States of America, the United Kingdom, Germany, Italy, and France; and

• increase visitation (Tourism NT 2009b).

Current status of investment in tourism

Tourism investment has increased in recent years within the Kakadu National Park. In 2005, the Australian Government released a report entitled Kakadu: Walking to the Future … Together (Morse, King & Bartlett 2005) which was used as a scoping study. It showcased many limitations in the promotion of Kakadu’s tourism investment potential that needed addressing. For example, the report suggested that the destination was promoted and perceived as a dry season destination. It was noted that existing businesses find it difficult to achieve adequate returns on investment with such a short season, and as a result there is a lack of willingness to invest in refurbishment and infrastructure (Morse, King & Bartlett 2005).

In 2007, Tourism NT produced the Destination Development Blue Print 2007–2009 which focused on identifying the key tourism experiences to be nurtured as a priority for the three year period (Tourism NT 2007). One of these key activities was to provide a sustainable and competitive nature-based tourism product with an emphasis on Kakadu National Park. This report suggested that much more investment in tourism is required for Kakadu to reach its full potential. For this to happen, a key task listed was to encourage investment (both public and private) in infrastructure that will add to the appeal of tourism destinations within the Territory as well as reduce the impacts of seasonality. A focus on encouraging nature-based or wilderness accommodation was suggested (Tourism NT 2007). In the same year, the Australian Government released the Kakadu National Park Management Plan 2007-2014 (Director of National Parks 2007).

The new Kakadu National Park Tourism Master Plan (launched on 20 April 2010) (Department of the Environment, Water, Heritage and the Arts 2010) outlines the opportunities to attract the experience seeker target market. Within this document, strengths and weaknesses for tourism in the park were listed. Strengths included (but were not limited to):

• increasing the number of businesses offering cultural experiences; and,

• increasing cultural content in visitor experiences.

Limitations noted include that tourism in Kakadu has not focused on visitors experiences that offer cultural appreciation. Additionally, the promotion of a six-season destination was limited and a further range of accommodation was required.

The Kakadu National Park Tourism Master Plan 2009–2014 (Department of the Environment, Water, Heritage and the Arts 2010) outlines the permit requirements for tourism operators. It is argued that applicants for leases, licenses and/or permits relating to tourism developments may be required to demonstrate benefit to traditional owners including Indigenous ownership, capacity to integrate the operation/development with existing Indigenous owned enterprises and/or employment opportunities for Bininj (Director of National Parks, 2007).

Kakadu respondents suggested that the level of tourism investment in the National Park has been limited. This level was incomparable with Darwin, which was perceived to have experienced considerable tourism investment in the last few years. One reason given for the low level of tourism investment in the Kakadu National Park has been the lack of a clear strategy for tourism until recently. Additionally, due to the complexity of the park being jointly managed and having Aboriginal land tenure, it was perceived as difficult for investment due to the differing policies and procedures from DEHWA and the Aboriginal elders.

Areas where tourism investment was evident in the Park included the development of cultural outlets (e.g. the development of the Warradjun Cultural Centre and signage in key tourist attractions such as the Nourlangie Rock. Upgrades of tree walks and waterfall trails (e.g. the Twin Falls and Jim Jim Falls) were also noted. Several attraction operators and accommodation organisations have redeveloped their services to better serve tourists.

Respondents suggested that there should be a mixture of new tourism investment additional to current stock
and an option for refurbishment of current accommodation in the Kakadu National Park. Several respondents suggested that there was a shortage of rooms in the park, particularly at the high-end eco-tourism level and that accommodation needs to be built to cater for demand for this type of tourist. A few respondents suggested that new investment should be provided for energy services within Kakadu. Respondents also suggested both new options for generating energy and providing facilities that do not require a high volume of energy. Proponents of refurbishment argued that many of the accommodation places need to refurbish because this was the best financial option available.

It was noted that to build new accommodation was highly costly as the building materials would need to be transported from locations such as Darwin. Therefore, the best option was considered by many to refurbish or extend the current properties by building low cost structures of high experiential value such as safari camps in the wilderness area. A final consideration noted was that the traditional owners (Bininj/Mungguy) would need to approve all potential use of land for private sector investment.

Current areas of concern for Kakadu’s tourism

Difficulty with accessibility to, from and around the Kakadu National Park was noted by all respondents as a major limitation to tourism investment. As Kakadu is a highly seasonal destination with six seasons, certain attractions cannot be viewed during certain times of year due to the flooding of roads. Thus, major attractions such as the Twin Falls are only accessible to private air tourists for several months of the year. Several respondents also noted that the lack of road infrastructure was a major impediment for tourism development. It was considered that bitumen roads needed to be built to link an attraction path for private tourists. Some respondents suggested that a bushwalking strategy is required for people who wish to walk through the park and to limit the difficulties caused by the wet season. A final issue with accessibility is that many areas of the park are protected by the Aboriginal land tenure. It was concluded that many areas of the Kakadu National Park are not opened to the public, despite their tourism potential.

The level of accommodation services provided was also considered a concern. Whilst it was acknowledged that the park has a range of hotels, caravan parks and camping grounds, there is a view that the level of services within these places is lower than the standard of the services offered at traditional tourist destination. For example, the cost of accommodation in Kakadu is at the four stars and higher level, yet respondents perceived that tourists do not receive this level of service. It was concluded that due to the long distance from Darwin (over three hours) and the high price of accommodation in the mining town of Jabiru, accommodation providers have been able to set the higher prices due to the remoteness of the destination.

Hospitality is listed as a major concern for the Kakadu National Park. Respondents argued that whilst accommodation providers/restaurants may wish to offer high quality food and beverage services, it was commonly noted that most tourists do not travel to Kakadu to experience high quality dining; it is more to experience a natural experience. This focus has driven high-end chefs out of the region due to the lowered demand for their services. A further issue associated with hospitality is the inconsistency of service provided to tourists. It was noted that variability of the quality of service and quality of food in the Northern Territory was a major concern. It was also suggested that because of the seasonality of Kakadu, the length of employment for staff in hospitality is very short-term. A large proportion of the employees are backpackers who are employed for the season and stay approximately three to four months. Based on this high turnover the costs of employing new staff can be substantial and the service level is variable.

Specific impediments to investment in tourism

All respondents argued that the variable market demand due to seasonality of weather in Kakadu National Park was the greatest impediment to tourism investment. It was noted that because of the great variability of the seasons, tourism operators only received significant financial income for six months of the year; as during the wet season, very few tourists travel to the destination. Whilst tourism operators have researched ways to lengthen the season, it was noted that the cost of infrastructure and the fear of destroying the authenticity of the Kakadu National Park, limited tourism development to cater for the ill effects of the wet season (for example, all weather roads) has materialised.

The impediment of low profitability was also considered extremely significant for tourism investment and related to the variable market demand. All respondents suggested that because of the seasonal nature of tourism in the Kakadu National Park, investment in areas such as accommodation, activities and road infrastructure

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would make it very unlikely for any investment of a major scale to be profitable. This limitation was further highlighted by the inconsistency of when the seasons change.

It was noted that tourism operators would aim to organise packaged tours weeks in advance and discover that Kakadu is inaccessible due to the flooding not decreasing as quickly as usually expected. This level of uncertainty has caused panic amongst the tourism respondents who are uneasy to promote tours or organise alternative tours. All respondents suggested that banks perceive tourism investment as highly risky and the low return to the owner makes it difficult to obtain finance for potential operations.

The conflict between high nature or cultural value and high tourism value was highlighted by respondents due to the Aboriginal land tenure of Kakadu National Park. All respondents suggested that this is a very sensitive issue; largely a balancing act between the benefits and limitations of tourism that requires careful consideration between the traditional owners, local community, government and tourism investors. Respondents had differing views on whether tourism investment should proceed on Aboriginal land.

Appropriately zoned land, which relates to the previous impediment, was perceived as a major inhibitor for tourism investors. It was concluded that Aboriginal land ownership (the Northern Territory Aboriginal Land Rights Act 1976) has limited tourism opportunities such as on the north-west side of the park. To gain approval from the traditional owners was perceived as extremely difficult with the traditional owners being often resistant to the development of their land. It was noted that the Kakadu National Park Tourism Master Plan 2009–2014 (Department of the Environment, Water, Heritage and the Arts 2010) is aiming to rectify this issue by providing guidance to potential tourism investors on ways to be successful in a development proposal. It was noted that it was complicated to gain permits in Kakadu because tourism investors and/or operators need to ensure that their development of tourism in Kakadu provides social and economic benefits to traditional owners and the wider Indigenous community. A further issue noted with this legislation is that any commercial tour operators or land-based accommodation providers wishing to seek to tenure in excess of twelve months need to be accredited by Parks Australia and the traditional owners. Further, as traditional owners own and operate many of the camping grounds; some respondents suggested that they might be resistant to overt competition from outside sources.

The lack of supporting infrastructure was a barrier to tourism investment. It was argued that due to the limited road access, tourists and tour operators were unable to visit certain locations. Therefore, there was less incentive to build in areas that were inaccessible regardless of their attraction value. Some respondents implored that the infrastructure for access needs to be improved. With a major aim to focus on experience tourism, buses and cars were perceived to need access to drive around for the tourists ‘get close to nature’. However, other respondents suggested that roads countered the natural experience. Kakadu respondents also mentioned that the National Park needs further galleries, restaurants and a small number of retail stores to improve the tourist experience; this would make the visitors stay longer and spend more.

The remoteness of Kakadu referred to as the ‘tyranny of distance’ has been listed as a major impediment to tourism investment. It was acknowledged that the park’s huge size and the substantial distance from Darwin made Kakadu a remote destination, which limited tourism investment. Firstly, from a tourist perspective, it was argued that because of the size and lack of facilities of the park, many tourists were taking daily tours from the well-developed Darwin. As these tourists were spending a very short-time in particular locations in Kakadu, respondents suggested that tourism operators may not invest in options such as galleries, because the tourists will not have enough time to adequately experience them. Thus, tourists would choose to save their money or spend it on necessary options such as food and beverages.

The second issue relates to the high cost of the transportation of goods (e.g. building materials and food and beverages) and services (e.g. maintenance workers). It was noted that the cost of food and beverages is higher in the Northern Territory because they needed to be transported from cities such as Brisbane, Melbourne, Adelaide or Sydney. Further, most on-site tourism operators utilise their own generator plants and systems (e.g. sewerage and/or water). If these resources fail and new parts or personnel are required, tradespeople or products from Darwin will need to be sent to Kakadu to alleviate the problem. This was perceived as highly expensive by a few respondents.

The issue of training and labour was suggested as a major impediment for providers of accommodation and hospitality services. These respondents argued that the Northern Territory has an extremely high level of transient tourism employment that has employees unskilled when commencing employment. Many of the
employees such as backpackers will work for the peak tourism season and then leave when the wet season begins. Representatives noted that this high turnover of staff causes difficulties in training and maintaining quality staff. Respondents also mentioned that training programs are being run by the state government for Kakadu residents in an attempt to lower the high unemployment level amongst the Aboriginal people.

All respondents acknowledged that investing in tourism is a complex and lengthy process. Due to the Kakadu National Park being World Heritage listed, and under Aboriginal land tenure, it was claimed by some respondents that developing tourism in the destination is overly difficult. It was argued that for tourism investment to be considered on Aboriginal land, the traditional owners need to be identified and consulted. This may be a very lengthy, costly process. Further, several respondents suggested that there is considerable ‘red tape’ which has caused complexity and confusion for tourism investors.

Effect of the Global Financial Crisis on tourism investment
Kakadu National Park respondents agreed that the GFC affected tourism levels in the region minimally. It was concluded that operators planned for the decrease and developed contingency plans. It was estimated that the decrease in visitor numbers over this time period was roughly eight per cent which was significantly lower than the expected 15 to 20 per cent drop. It was considered that international tourism decreased, with tourists from South East Asia decreasing substantially. Respondents were also unanimous in suggesting that Kakadu was not affected as badly as the capital city of Darwin. The respondents commented that the decrease in the city was due to the reduced international travel from Asia and Europe. Further, these respondents claimed that the Northern Territory did not experience the problems of traditional tourist destinations such as Cairns and the Gold Coast.

Future directions for tourism investment
Several opportunities for tourism investment were noted by the interviewees. However, most of these related to the two key areas of:

- focusing on experiential nature-based tourism; and,
- further focus on culture.

It should also be noted that at the time of the interviews, the Kakadu National Park Tourism Master Plan 2009–2014 (Department of the Environment, Water, Heritage and the Arts 2010) had not been released. It is assumed that further opportunities may become evident amongst tourism respondents once this report was released. Alternatively, the respondents will know of the opportunities that are available to potential tourism investors.

Respondents were largely supportive of focusing on experiential nature-based tourism. Many representatives wanted options where tourists can visit Kakadu for several days as opposed to the prevalent day trip option. This was noted for two major reasons. Firstly, because tourists are spending little time in the park when day tripping, they have a limited opportunity to spend money whilst within the Kakadu National Park.

Secondly, respondents suggest that it is impossible to properly experience the destination in this short time period. Therefore, the respondents suggest that there should be a greater focus on the two or three day packages to gain a better experience of what Kakadu has to offer. A respondent noted that there are several exclusive group tours that are being considered (and were noted in the Kakadu National Park Tourism Master Plan 2009–2014 (Department of the Environment, Water, Heritage and the Arts 2010)) that will take high yield visitors to wilderness camps and touring around the area. Respondents suggested that there will be opportunity within the next decade or so to further this type of tourism considerably.

The focus on nature-based tourism also presents the opportunity to focus more heavily on developing camping grounds of a high standard. As it stands, respondents argued that there was not enough of this form of accommodation despite expected demand. It is also suggested to develop further eco-tourism friendly developments such as improved pathways to allow visitors to easily access the different areas of Kakadu. Respondents do not want development to exist for the sake of gaining a quick profit; it should be developed according to guidelines and to cater for the eco-tourism market.

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3 As mentioned previously, the report was released on April 20, 2010
Several respondents argued that there should be a further emphasis on culture in the promotion of the Kakadu National Park. These respondents argued that people are coming to the park to experience the nature and the cultural options that makes Kakadu unique. It was suggested that this cultural experience option presents many opportunities for collaboration between investors and the traditional owners. This focus on culture could also help the traditional owners’ capacity to embrace tourism. It was commented that the Aboriginal people, who at the end of the day are the owners of the area, are slowly accepting tourism as a means of income, building assets as a way of training and providing working opportunities for their people.
A Scoping Study

Chapter 8

RECENT INNOVATIONS

Two recent innovations for tourism investment are presented in this chapter. The case study of the Melbourne Convention Centre illustrates how government and the private sector have combined to finance and deliver a significant investment in tourism infrastructure via a public private partnership. This is innovative as it is the first example of this approach to infrastructure investment being applied to tourism infrastructure in Victoria. The Landbank and Naturebank example is provided as an innovative approach to the difficult issue of identifying and securing sites for tourism infrastructure and negotiating approvals in often-sensitive environmental and cultural sites. Both these examples have been included in this scoping study due to their innovative approaches to overcoming barriers to tourism investment. However, both examples are in their infancy in terms of operation, and thus it is too early to evaluate the long-term success of either example.

Melbourne Convention Centre Case Study

Background

The new Melbourne Convention Centre (MCC) opened in July 2009. It is located at South Wharf on the banks of the Yarra River, close to Melbourne CBD and adjacent to the Crown Casino. The MCC is located in the same complex as the Melbourne Exhibition Centre. The new MCC features a 5000 seat main hall, which can be divided into three self-contained halls, plus meeting rooms and up to date communications equipment. The MCC has a six-star green star rating from the Green Building Council of Australia and has earned a number of awards for design and operation (Major Projects Victoria 2010).

The MCC was developed by the Victorian Government as a Public Private Partnership. The Victorian Government contributed $370 million to the project. New private sector development that occurred as part of the overall project includes an office tower, a 396 bed Hilton hotel, retail space and a food and leisure precinct. The entire investment in the precinct, including the MCC, was $1.4 billion (Plenary Group 2010). The City of Melbourne also contributed $43 million to provide a footbridge, public space works and marketing (Major Projects Victoria 2010).

In many cities, governments invest in the development of convention and exhibition facilities as a catalyst for other tourism and community benefits. Where governments decide to invest in building convention and exhibition facilities, the rationale is that these are attractions that have flow-on benefits in an economy, but would not be built on a purely commercial basis. Where governments decide to have continuing involvement in operating such a facility, the rationale is that priority can be placed on attracting business that has the highest flow-on benefits, for example conferences with international attendees. This might not be the case if the facility were operated on a purely commercial basis and may therefore involve operating subsidies.

History of the development

The Melbourne Exhibition Centre was opened at the South Wharf site in 1996. At that time, the 1500 seat Melbourne Convention Centre operated at a separate site north of the Yarra. The Melbourne Convention and Exhibition Trust (MCET) operated both centres on behalf of the Victorian Government and was keen to build a new convention centre and expand the exhibition centre.

Between 1996 and 2004, a business case was developed by the MCET. This included consultancies projecting a positive economic impact on Victoria of attracting spending into the state by conference attendees from interstate and overseas. For example, it was projected in 2002-3 that if the government supported a 5000 seat centre, the predicted flow-on to Victoria (mostly Melbourne) was $197 million per annum.
In 2004, the Victorian Government announced that it would commit to the development of a new convention centre (but not additional exhibition space). At that stage, the project was subject to analysis by Major Projects Victoria (MPV) as to whether it was suitable for a Public Private Partnership (PPP). MPV is an arm of the Victorian Government, which manages projects, in this case on behalf of the Department of Innovation, Industry and Regional Development (DIIRD). This would be the first Victorian PPP to create tourism infrastructure. The Victorian Government decided on a PPP process and committed $370 million over 25 years to the project.

The project went to tender in 2005. Two bids were shortlisted. The successful bidder was Plenary Group with Austexx. Their proposal was for a compact MCC leaving much of the site available for private sector development, while leaving space for the exhibition centre to expand in the future. The proposed density of development was much greater than expected at the time the project was put to tender. The other proposal featured a more spread out convention centre and less space for other development.

Public Private Partnerships

The basis for a PPP is that the government calls for project to deliver certain outcomes and makes a commitment to pay for these over a specified term. The private sector raises the finance to build the facilities to deliver the outcome and delivers the service over the time period. Thus, the project risk is shared by the government and private sector. Each project will have different arrangements in detail and different risk sharing. Many PPPs are for public sector services in full, such as schools and hospitals. Others have a revenue stream such as toll roads.

The MCC PPP project was to have a 25-year lifespan. The Victorian Government owned the land at the South Warf site and made this available by lease for the development. The private sector developer was responsible for raising all finance for the project and thus bore the risk of project costs and still bears the risk of specified operating and maintenance costs for the MCC and bears all the risk for the private sector developments. The Victorian Government bears the risk of net revenue from the MCC covering the PPP payment costs, but offsets this with earnings for leasing the land.

The specifications for the MCC were contained in a detailed functional brief put together by the MCET as future operator, with MPV. This brief specified outcomes and services required but left design options open. The MCET believes this was critical to the facility being fit for purpose. The MCET remained fully involved with the project as it evolved. The specifications required the developer to build the MCC and also be involved over 25 years to provide maintenance of and some services for the MCC.

From the private sector viewpoint, the attractive features of the project were payments for ongoing delivery of services for the MCC plus the ability to develop commercial and retail space in the precinct. Retail and office space is on a 99-year lease. The developer also paid a fee for development rights. The guaranteed commitment from the government allowed financing to be secured for the MCC component of the project. The developer chose to spend more than the $370 million on the convention centre. A more costly compact design was traded off for more land remaining for development. The MCC was built to a high environmental rating and high standard fit out. The developer considers that this is good for business for the MCC and the associated hotel. The MCC has been valued at $455.4 million (Melbourne Convention and Exhibition Trust 2009).

Successful construction

All the decisions taken at the time led to the successful construction and opening of the MCC ‘on time and on budget’ (Plenary Group 2010). Considerable construction over the remainder of the site is complete. The Hilton Hotel opened in April 2009. The office tower is fully leased. Notably, a large retail area has been constructed underground, leaving room for expansion of the exhibition centre in the future. The retail space opened in November 2009 and is fully leased. As at February 2010, food and beverage facilities on the riverbank were awaiting licensing. The development of the maritime precinct was underway. A cinema is planned for the future.
Prospects for long term success

The success to date is remarkable as the development work coincided with the Global Financial Crisis (GFC). The influence of the GFC or future economic conditions on the viability of the project for either the public or private sector partners cannot be known with certainty at this time, but some issues can be remarked upon.

For the MCC, demand forecasting done in 2003–05 was conservative. This is now considered realistic, given the GFC. Future bookings are tracking with predictions.

The Victorian Government committed $370 million from Treasury funds for payment over the period of the PPP. However, the 2009 Annual Report of the MCET refers to the valuation of $455.4 million for the MCC and notes that the government has contributed capital to the value of $227.7 million and that MCET has a 25-year loan from the DIIRD of $227.7 million. These accounting arrangements contributed to a deficit in the MCET financial statements and are likely to do so ‘for the foreseeable future’ (Melbourne Convention and Exhibition Trust 2009, p. 9). In effect, the Victorian Government is aiming to recover some of the investment from any operating surplus from the MCET.

The developer faces the risk of the GFC influencing the costs of raising and servicing capital and also impacting on tourism and domestic consumption. In 2006, there were lenders prepared to provide loans for the development. The loan for the MCC underpinned by the PPP is locked in for 25 years. Loans for the commercial components are for shorter periods and will need to be renegotiated. As for all investors in Australia at present, the developer will face a tighter supply of lenders possibly requiring higher levels of equity (Australian Chamber of Commerce and Industry 2010). However, this may change by the time that loans need to be refinanced.

The hotel was opened in the middle of the GFC and business was below predictions, but is picking up now. It is of interest that the developer considers the hotel to be the most difficult part of the development to make a good return on investment. The retail area includes a large homemaker centre and direct factory outlet which will attract Melbourne residents and tourists. While the people interviewed all remarked that the retail was being supported by locals and tourists, no information was available on how this is performing financially.

Key elements for success

Interviewees nominated the key elements of the project that led to its success in getting to the current stage as:

- The availability of adjacent government-owned land for the private sector to develop, allowed the private sector developer to capture returns on the investment.
- Having the operator (MCET) highly involved in the PPP project process was critical.
- The PPP process allowed thinking that may not have occurred otherwise—the proposal was much larger than anticipated when the project was put to tender.
- The PPP allowed more to be spent on the MCC than was budgeted by the government.
- The PPP also allowed more facilities for the public in terms of waterfront restaurants and the maritime precinct.
- The investment by the government in the project allowed the creation of jobs and infrastructure that would not have happened with a purely commercial development.
- The underpinning by PPP payments allowed the developer to secure capital for other aspects of the development.
- The PPP was the key—it could not be the same for a purely public or purely private deal.
- The long term involvement of the developer in the MCC through the PPP, means the interests of developer and operator align to provide a functionally effective facility.
Landbank and Naturebank (Western Australia) Case Study

The National Long Term Tourism Strategy (Department of Resources, Energy and Tourism 2009a, b) suggested that the working group undertake a number of projects to address a number of identified impediments to investment in tourism and to encourage take-up of a number of tourism opportunities.

Two specific recommendations to address perceived impediments to investment stemming from the planning and approvals processes include:

- States and territories need to review planning and approval processes urgently and align plans across the country—to provide an efficient, predictable and systemic investment environment.
- A working model to streamline new tourism development proposals through Commonwealth, state and local government approvals processes (Department of Resources Energy and Tourism 2009a, b).

Tourism WA has introduced two initiatives, Landbank and Naturebank that, although yet to be fully evaluated, go some way towards addressing problems encountered by investors due to the long time delays and apparent red tape associated with gaining planning approval for development.

Landbank

Landbank (Tourism Western Australia 2010b) was established in 2005. Its objective was not to cut the red-tape associated with the approvals process but to take over the process to make suitable identified sites ‘investor ready’. Lengthy delays encountered by investors to gain planning approval and negotiating the complexities of the process have added substantially to transaction costs for tourism investors. Delays and complexities of approvals have reputedly added to development costs and reduced the ability of investors in tourism to compete in the market for land suitable for tourist development. Landbank was established to ensure that there is a suitable supply of sites for tourist development into the future. The initiative is an acknowledgment that tourism makes an important and substantial contribution to the state economy.

Landbank does not respond to individual investor enquiry to identify development opportunities for tourist developers, but to information from independent market research and from regional authorities. Landbank has no statutory authority and therefore does not control how land can be used. The lack of control over land means that Landbank does not have the authority to cut the red tape. Landbank navigates a development application of a suitable site through the complexities of the approvals process to reduce the cost of delays and to prepare crown land for future development. Feasibility studies, including planning processes, environmental, social and economic studies, as well as consultation processes are all undertaken by Landbank before a site is released for development. A developer must still comply with the requirements of local planning authorities.

The stated role of Landbank is to:

- identify potential tourism development sites across the state
- accelerate the release of investor ready land in strategic locations
- remove up-front uncertainty and reduce the time it takes for developers to commence construction on tourist zoned sites
- safeguard the environment by ensuring and developments are in keeping with the location’s environmental values and ensure relevant environmental approvals are gained.

The target for Landbank is the release of 20 strategic sites for development by 2010.

As of March 2010, Landbank was well within sight of meeting this target. However, although sites have been released for development none had been taken up by a developer. The investment required to develop any of the prepared sites requires multi-millions of dollars, finance of which is currently heavily constrained since the global financial crisis.

The limitations experienced by Landbank include a lack of control over the land. Landbank readies crown land for development, but the developer could still be heavily constrained by the building regulations of the local authority. In comparison, Naturebank has shared responsibility over the development of a site with the
Department of Environment and Conservation (DEC).

Another limitation is in relation to the identification of demand for a strategic site to be made ready for an investor. Currently, Landbank relies on information supplied by local authorities; if local authorities show no interest then sites are not prepared. As a result, development tends to be piecemeal and reactionary rather than responding to an overall development plan.

Naturebank
Naturebank has had a relatively short life having been established in October of 2009 (Tourism Western Australia and Department of Environment and Conservation 2009). The stated objective of Naturebank, in partnership with DEC, is to prepare and release nature based visitor accommodation sites in Western Australia’s protected areas. The establishment of tourist accommodation facilities in protected areas is expected to capitalise on the diverse flora, fauna and landscapes found in these areas and to extend the amenity and cultural values provided by the natural environment for the enjoyment of tourists.

Tourism in protected areas has a traditionally had a bad reputation due largely to the apparent disregard for the delicacy of the natural environment. Nevertheless, tourism has the potential to make a substantial contribution to a regional, and in the case of ventures in protected areas, remote areas. In particular, tourist ventures in remote areas have the potential to provide employment opportunities, increase the awareness of visitors about the uniqueness of the natural environment and to build capacity within remote communities to service the tourist industry.

Naturebank has targeted primarily relatively remote areas in the state, which have been awarded protected area status due to both the cultural and environmental sensitivity of the area. Naturebank evolved from the earlier established Landbank initiative out of recognition that planning and preparing sites within protected areas for release to developers required substantially different process and procedures as well as a heightened recognition of the sensitivity of local communities of traditional owners in these areas.

Like Landbank, Naturebank takes over the process of dealing with the red tape associated with readying a site for development. Just as was the situation with Landbank, the objective is not to fast track or cut the red tape, but to deal with potentially costly approvals processes and negotiation with authorities and communities holding protective custody over the site. In short, reducing the transaction costs associated with development in protected areas.

The project works by:
- identifying sites considered suitable for low impact tourist accommodation development
- undertaking due diligence by assessing identified sites for their potential to support low impact development and to identify any potential impediments, including the objections, on cultural and land ownership issues, with the traditional owners
- releasing ‘investor ready’ sites for interested developers through an open and competitive process run by DEC.

The difficult and time consuming process of taking an identified site through to the ‘investor ready’ stage should not be underestimated. Protected areas are protected because they are environmentally and/or culturally sensitive. As a result, any development requires sensitive and professional handling by people of an extremely high calibre. For example, one recently identified site in the far north of the state took more than nine months to negotiate.
Like Landbank, Naturebank has the objective of preparing a site for development, responding to investor interest, but, when the site has gone through the approvals process, the site is put out for public tender. The tourist industry provides advice about potential sites, but the DEC sends out the expression of interest and dictates the terms of the lease. The involvement of the DEC to dictate the terms of the lease for the site for a developer provides Naturebank with much more control over the development of a site. In contrast to this, sites released by Landbank as ‘investor ready’ are required to meet the requirements of individual local authorities.

Both Landbank and Naturebank need results to maintain the continued support of the WA Government and Tourism WA. Time could be a problem for these initiatives to prove their worth, particularly as it could take two to three years for sites to be developed.
Chapter 9

OBSERVATIONS AND RECOMMENDATIONS

Observations from the case studies

One overriding observation about investment in tourism from the case studies is that each region has its own unique circumstances, underpinned by the history of economic development of the region. The significance of, and issues for, tourism differ in each regional economy. Thus the potential for investment in tourism, and strengths of barriers and impediments to investment, differ in each region in line with broader economic conditions, local planning controls and regulations as well as issues particular to tourism such as location and natural and/or cultural attractions. However, there was commonality amongst destinations investigated on the major impediments to tourism investment. Some solutions proposed were relatively generic and some reflected the strengths or aspirations of the locations.

Impediments identified

Low profitability and variable demand for businesses in the tourism industry were nominated as the most significant impediments to investment by the majority of the people interviewed for the regional case studies. In particular, the tourism operators interviewed identified strongly with low profitability as an impediment. This view was strongest in the regional destinations of Mandurah, Tasmania and Townsville and for the remote area of Kakadu. There was a mixed response in Melbourne where low profitability was expressed to be an immediate problem for some respondents but not seen as so significant by others. Interestingly although low profitability was identified as an impediment in Tasmania, it was also noted that in Tasmania, there are many small to medium businesses that are ‘passion or lifestyle’ businesses where profit is only one element of the ‘returns’ to owners and they are not necessarily targeting the higher levels of profitability.

Elements that were mentioned as contributing to low profitability were:

- short and unpredictable tourism seasons
- higher costs of materials and services in remote areas
- costs of training labour and retaining skilled labour
- lack of high end accommodation and attractions able to charge higher prices
- relatively high taxation levels

Low profitability was strongly tied in with seasonality in tourism demand in most of the regions. Kakadu, Tasmania, Townsville and Mandurah in particular, experience high and low tourism seasons based on seasonal weather conditions. In Kakadu, many of the natural attractions are not accessible in the wet season. In addition, there is unpredictability each year about the length of each season in Kakadu. Conversely, Melbourne respondents were all strongly supportive of the deliberately targeted events program for that city which attracts visitors year round. This was seen as very significant in underpinning Melbourne tourism.

The high cost of building, accessing services for maintenance and supply of goods was considered a significant impediment for the remote area of Kakadu. In Tasmania the higher costs of goods and services compared with the mainland was also noted.

A further issue related to seasonality raised by people interviewed in Kakadu and Tasmania is difficulty in retaining trained staff in the low season and the cost of training new staff. Due to both these destinations having almost dormant tourism for six months of the year, trained staff would often choose to move to other locations at those times.

The regions of Kakadu and Tasmania identified a need for more high quality (four- and five-star) accommodation and attractions, which would allow higher prices to be charged.
Key informants from tourism industry bodies as well as a number of respondents interviewed for the case studies had the view that tourism is relatively highly taxed compared with other industries. Some respondents noted that taxation depreciation rates do not reflect real needs in tourism to refurbish over a shorter time-frame to stay competitive.

Other impediments to tourism investment raised by respondents in the regional destinations were:

- the complexity and length of project assessment processes, particularly in areas of high environmental, cultural and/or historic value
- the need for local transport infrastructure
- lack of, or uncertainty about, supply of land in some locations.

There was considerable agreement that new investment is being limited by the complexity and length of project assessment processes. This was seen as a major issue in Tasmania, Kakadu and Mandurah and was noted for projects in NSW, regional Victoria and Queensland in general by some respondents. In Tasmania, respondents noted that projects could take anywhere up to five years to be approved due to the legal framework and opposition to tourism development from community and environmental groups in some locations. Within the Kakadu National Park, negotiation with the appropriate traditional owners was seen to be a lengthy and complex process and the environmental sensitivity of tourism development in the national park was noted as contributing to complexity.

In terms of local transport infrastructure, better major road infrastructure to facilitate the drive tourism market was suggested for Townsville. Better access by local public transport between tourism attractions within Townsville, particularly to address the problem with the heat in summer was suggested. For Mandurah, the rail link to the town finishes short of the town centre and public transport within the area is severely limited so that a car becomes essential if visitors are going to enjoy the amenities available in the area. In Kakadu, some respondents were concerned that the lack of wet weather road access is limiting tourism to only part of the year, while other respondents see further road development as not consistent with the natural and cultural values and the current preferred direction for more eco-tourism in the area. In Tasmania, respondents noted a need to improve the quality of road links to attractions such as Port Arthur.

The supply of land for new tourism accommodation, particularly large complexes, emerged as an issue in the metropolitan areas of Sydney and Perth, where interviews were conducted to complement our case studies. In those cities, tourism accommodation finds it difficult to compete with office, retail or residential land uses in the CBD or nearby. This exacerbates the issue of low profitability. In contrast, Melbourne respondents noted that land supply is not an impediment, due to the availability of land close to the city, land that was previously used for manufacturing and industrial purposes.

Land supply issues of a different kind were evident in Kakadu, where land in Kakadu National Park is under national park classification and Aboriginal ownership. A need for certainty of access to land for tourism accommodation has led to accommodation being established in Jabiru, but this does not necessarily maximise the ecotourism potential that is seen to be the best way forward for the destination.

Solutions suggested

The potential solutions noted in this section arise from the case studies and from the background material presented in this report.

Low profitability in tourism is a recurring theme; however, in order to address this, there is a need for more disaggregated information on the differing cost, risk and return profiles of businesses of different types, scales and locations. Tourism is made up of many small businesses and mostly unlisted companies, which do not report on financial performance. There is little information publicly available on the profitability of tourism businesses of different sizes and types.

Information is held by private sector investment facilitation businesses, which will be made available to those who can pay for consulting services, but it is questionable if this is accessed by the small business sector of
tourism investors. Therefore, current and prospective investors have little information on which to benchmark performance. Furthermore, there is little basis on which to benchmark performance on aspects of the business, for example, productivity of labour and technology, or energy efficiency returns. Research into benchmarking tourism businesses and into productivity can better inform existing and prospective investors and underpin any policy responses.

Possible solutions to the impact of seasonality on profitability include, the aim expressed by people interviewed in Kakadu and Tasmania; to attract more investment in high quality accommodation and eco-tourism experiences, which can attract tourists willing to pay higher prices.

There is strong interest in the Townsville region about increasing the number of events hosted, following on from the success of sporting events in attracting tourists to the region. This could address seasonality to some extent, as well as increase overall tourism demand.

Those interviewed in Mandurah recognised that the future of tourism in the regional economy was reliant on the ability of the industry to develop a differentiated product to capitalise on the uniqueness of both the natural environment as well as the cultural heritage of the area.

There is a need to improve the efficiency of the project assessment process. This does not mean advocating special treatment for tourism projects. It does mean looking at ways to reduce transaction costs, by making the whole process more efficient and perhaps by facilitating the assessment process, for example facilitated consultation, for tourism projects. It is a responsibility of government to ensure that careful consideration of environmental, cultural, heritage and social issues is part of any planning and assessment process. However, the fact that up to three levels of government, and several portfolios within each level of government, may be involved will inevitably lead to inefficiencies, especially where processes, limits or preferred outcomes are not clear.

The development of best practice models for environmental assessment for tourism projects, negotiations with traditional owners for tourism projects and community consultation for tourism projects are identified and shared amongst jurisdictions.

In addition, there is a need to improve information available to project proponents on what may realistically be expected in time, as well as the consultation required and information provided for an assessment process.

The significance of transport and other forms of infrastructure supporting tourism was noted for all regions. For Melbourne, respondents commented that the capacity at the airport is a positive for tourism growth. The significant government investment in infrastructure for conventions, cultural and sporting facilities is seen by Melbourne respondents as important in underpinning tourism in the city.

The Melbourne Convention Centre case study pointed to a successful use of Public Private Partnership approach to deliver significant tourism infrastructure. The allowed overall project is larger and higher quality than initially envisaged and this is credited to the PPP process encouraging a creative response. The elements leading to this success included; that making adjacent government land available for the private sector investor to develop allowed them to capture returns on the investment; the involvement of the private sector allowed more money to be spent on the facility than the government budgeted; underpinning the private sector risk by secure payment from the government allowed the funds to be raised; involvement of the convention centre operator in the whole process ensured a fit for purpose facility.

The land supply issue is occurring in a competitive market, resulting in land going to its highest use. It is unlikely that any direct intervention via re-zoning freehold land would be justified. Initiatives such as Landbank (Tourism Western Australia) may be a solution where government recognises a shortfall in land of a suitable size and in a suitable location and, while not bypassing required planning approvals and project assessment, facilitates project assessment of land for development. Landbank does not control the land and does not act on behalf of a private developer but complements the demand for suitable land determined in the market.

Naturebank, (Tourism Western Australia in partnership with the Department of Environment and Conservation), undertakes to assess and release land, ready for low-impact tourist development.
TOURISM INVESTMENT IN AUSTRALIA

deals with land of high environmental and/or cultural significance. The approval processes required before any
development can be undertaken is likely to be long and arduous, frequently requiring lengthy consultation and
agreement with indigenous communities. The role adopted by Naturebank is as a negotiator, which, when land is
finally released for development, has reduced the transaction costs, which would otherwise have been
prohibitively expensive for a private developer.

Destination Development Plans have been developed for many tourism regions. There is a continuing need to
monitor the implementation of these and to undertake research to identify elements of plans that are most
successful in attracting tourism investment.

A number of the issues have been identified as needing more efficient and innovative processes, and a
number of recent innovations have been identified. There is a continuing need to identify, research and
monitor approaches and to make information widely available on best practice models of planning,
assessment and investment approaches.

Finally, the recommendation of the National Long Term Tourism Strategy that more research effort should
be dedicated to supply-side issues is supported by the findings from this scoping study. The wide range of issues
identified in this scoping study aligns with issues being considered by the NLTTS working group on ‘Investment
and Regulatory Reform’ and the need to make progress on these issues is supported.

Recommendations

The study was undertaken using both background research and interviews with key informants—tourism
operators and representatives of tourism industry bodies, and governments. The case studies of regional tourism
destinations and recent innovations in investment approaches, were based on semi-structured interviews with key
informants.

Based on the above, a number of recommendations have been formulated. Some of these are directed to
provide an agenda for targeted supply-side research, and may inform the NLTTS and subsequent research
efforts. A number of practical issues are identified where governments—local, state and national—could
cooporate in improving practice in supporting tourism investment. In particular these recommendations
emphasise the identification, monitoring and publicising of innovative approaches and solutions to impediments.
A final recommendation on taxation review, is directed to the Australian Government.

Recommendations for a supply-side research agenda

Provision of information to address low profitability

The provision of information would help to address low profitability as a significant impediment to tourism
investment. There is a need for more information to be made available in the public arena and accessible to
existing and potential investors. It is recommended that:

- Benchmarks for profitability and return on investment that can be expected for different types,
scales and locations of tourism businesses should be developed and published in the public arena.

- Research should be undertaken into the productivity, and potential for productivity improvements,
of the elements that make up costs of tourism businesses (labour, energy etc.) and information on
best practice approaches should be made available in the public arena.

Targeting higher quality tourism to address low profitability

The opportunities to target higher yielding tourism to address the issue of low profitability, including that related
to short seasons, through appropriate investment and marketing should be further investigated. It is
recommended that:

- Financial analysis should be undertaken of costs of building and running four- and five-star
accommodation and attractions (including cultural and eco-tourism attractions and accommodation
and attractions in remote areas) and potential returns on this investment and this information should
be published in the public arena.
A Scoping Study

Developing events to address seasonality of demand
The potential role of events in addressing seasonality of demand, should be further investigated. It is recommended that:

- Research should be undertaken into the success or failure of events targeted at lengthening the tourism seasons at the margins or held in traditional low seasons, and this information should be published in the public arena.

Recommendations to governments—local, state and national

Best practice project assessment
Improving the efficiency of the project assessment processes is required. It is recommended that:

- Models of innovative approaches to processes including environmental assessment for tourism projects, negotiations with traditional owners for tourism projects and community consultation for tourism projects should be identified and information should be made available to all jurisdictions and in the public arena.

- Research, which monitors the implementation over time of the identified approaches to project assessment, should be supported and information should be made available on best practice approaches to all jurisdictions and in the public arena.

Investing in transport and tourism specific infrastructure
There may be particular needs identified at the regional level for transport infrastructure targeted to tourism (which is not included in national priorities). Governments will also be called upon to consider funding tourism specific infrastructure, such as convention centres and cultural precincts—where it is difficult for a private sector developer to capture the flow-on benefits of the projects. It is recommended that:

- Transport and tourism specific infrastructure proposals should be subject to Cost Benefit Analysis assessment and governments should assess proposals against other priorities.

- Opportunities for Public Private Partnerships should be investigated (i.e. if there is an opportunity to capture returns to the private sector, for example through tolls, land development) where major tourism infrastructure investment is being considered.

- Research, which monitors the implementation over time of the Public Private Partnership approach to transport and tourism specific infrastructure, should be supported and information should be made available on best practice approaches to all jurisdictions and in the public arena.

Supply of Land
The supply of suitably zoned land and affordable land for new tourism developments is a critical issue in some locations. It is recommended that:

- Initiatives such as Western Australia’s Landbank and any other cases where governments release land for tourism development, which can benefit the local or regional economy, should be identified and information should be made available to all jurisdictions and in the public arena.

- Research, which monitors the implementation of the identified approaches to address the supply of land, should be supported and information on best practice approaches should be made available to all jurisdictions and in the public arena.
Investment in areas of high environmental, cultural and/or heritage value

The consideration of tourism opportunities in areas of high environmental, cultural and/or heritage value and/or where land is under the control of traditional owners—will always require sensitive and thorough consultation, planning and assessment, in partnership with all stakeholders. It is recommended that:

- Innovative approaches to consideration of tourism investment in high environmental, cultural and/or heritage value areas (such as Naturebank and the new Kakadu Tourism Master Plan), which provide useful models for such approaches, should be identified and information should be made available to all jurisdictions and in the public arena.

- Research to monitor the implementation over time of the identified approaches to tourism investment in areas of high environmental, cultural and/or heritage value should be supported and information on best practice approaches should be made available to all jurisdictions and in the public arena.

Destination Development Planning

Destination Development Plans have been developed for many tourism regions and represent a significant step in promoting targeted investment opportunities. It is recommended that:

- Research should be undertaken into what elements of Destination Development Plans make them successful in being implemented and to monitor their contribution to the provision of more certainty to existing and potential investors.

- Research, which monitors the implementation over time of Destination Development Plans, should be supported and information on best practice approaches in terms of providing certainty for tourism investment should be made available to all jurisdictions and in the public arena.

Recommendation to the Australian Government

Taxation review

A number of issues identified in the Australia’s Future Tax System Review (Henry et al. 2010) which affect the tourism industry have not been taken up in the Australian Government’s initial response. It is recommended that:

- The Australian Government should undertake the reviews recommended in the Australia’s Future Tax System Review (Henry et al. 2010) and makes changes to taxation arrangement that would put tourism on a level playing field with other industries.
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