

**Tourism & Transport Forum (TTF)**

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14 August 2009

The Research Director  
Economic Development Committee  
Parliament House  
George Street  
BRISBANE QLD 4000

Dear Sir/Madam,

I write with regard to the Economic Development Committee's Issues Paper No. 1 – July 2009: Inquiry into identifying world's best practice by governments to effectively stimulate employment opportunities in Queensland.

TTF is a national, member-funded CEO forum advocating the public policy interests of 200 of the most prestigious corporations and institutions in the Australian tourism, transport, aviation and investment sectors.

Our membership includes airlines, airports, hotel owners, operators and investors, state tourism organisations, attraction operators, convention and exhibition centres, restaurants and function centres, motoring groups, transport operators and universities.

Our members run businesses in all states and territories and employ tens of thousands of Australians across the country, many in regional areas. As such, TTF is well placed to comment on the impact of the global financial crisis on employment in the tourism industry and the potential of the sector to create jobs at all levels.

The tourism industry is capable of mopping up unemployment as soon as the economy begins to recover, with hotels, restaurants, cafes, bars and the like able to quickly and efficiently re-employ both skilled and unskilled staff.

**Tourism and its contribution to the Australian economy**

The tourism industry directly employs 497,800 Australians<sup>1</sup>, which is 4.7 per cent of total employment. Almost half of all direct tourism jobs are in regional and rural areas. It also supports a further 360,000 indirect jobs.

In 2008, tourism consumption is estimated at \$90.8 billion, which is 3.7 per cent of GDP. Of that, domestic travellers spent \$66.1 billion, while international visitors spent \$24.7 billion, making tourism one of Australia's biggest export earners. The value of the tourism industry is forecast to exceed \$100 billion by 2015, with the export value rising to almost \$36 billion by 2018.

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<sup>1</sup> ABS, Tourism Satellite Account 2007-8, 5249.0 (2009)

The other major factor about tourism is that it is sustainable. Far from relying on the extraction of minerals from the ground, it in fact relies on the preservation of natural assets to ensure that spectacular scenery, secluded beaches, national parks and unique landscapes is accessible to future generations.

## **Queensland**

In Queensland, direct tourism employment is 118,898<sup>2</sup>, or 5.7 per cent of the state's total employment, which is significantly higher than the national average. In 2006-7, tourism contributed \$9 billion to GSP, which is 4.5 per cent of total GSP. In addition, it is the state's second largest export earner.

TTF's National Tourism Employment Atlas shows that two of the electorates with the highest concentration of tourism employment are in Queensland: Dawson, where 16.1 per cent of jobs are direct tourism employment; and Leichhardt, where 14.7 per cent of jobs are direct tourism employment.

Indeed, three members of the Economic Development Committee are acutely aware of the contribution and potential of tourism employment, as they hold state seats which are in Queensland's top ten for tourism employment. Ms Jan Jarratt MP is Member for Whitsunday, which has the state's highest tourism employment at 24.0 per cent (6,145 direct jobs); Ms Fiona Simpson MP is the Member for Maroochydore, which ranks seventh in the state, with 15.4 per cent of total employment (3,631 direct jobs); and Mr Jason O'Brien, the Member for Cook, which ranks tenth in the state and has direct tourism employment of 13.1 per cent (2,976 direct jobs).

TTF analysis of the latest unemployment data shows that as many as 20,000 tourism jobs were lost in Quarter 4, 2008 and Quarter 1, 2009, with 5,573 of those in the accommodation sector alone<sup>3</sup>. That equates to the accommodation sector shedding 4.3 per cent of jobs in the six months to March – seven times faster than the national average for the same period. These were also disproportionately regional, where 6.1 per cent of jobs were lost across the country. The impact was even more stark in two major Queensland tourism destinations, with Cairns losing 15.8 per cent of accommodation jobs and the Gold Coast 9.4 per cent.

Of those 5,573 accommodation jobs, 2,608 were in Queensland – 46.8 per cent of the total – with 848 in Tropical North Queensland, where the Federal electorate of Leichhardt has the nation's highest rate of unemployment at 10.7 per cent.

While it is not accurate to simply extrapolate those job losses across the entire industry, it's clear that the downturn is costing thousands of Queenslanders their livelihoods.

## **Domestic and international tourism statistics**

Tourism is a labour-intensive service industry, which means any decline in demand has a direct and swift impact on tourism employment. The latest tourism statistics show both domestic and international demand has fallen this year.

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<sup>2</sup> STCRC Queensland Tourism Satellite Account 2006-7 (2008)

<sup>3</sup> ABS, Survey of Tourist Accommodation, Dec Qtr 2008 and Mar Qtr 2009

In addition, Queensland is highly exposed to the impact of the global financial crisis and to the incremental impact the swine flu pandemic has had on international travel, especially from north Asian markets like Japan, China and Korea.

The National Visitor Survey<sup>4</sup> shows domestic visitor nights fell 10.1 per cent in the March quarter, meaning fewer Australians are travelling in Australia, with those who do spending less time away from home. While some of the fall is attributable to Easter falling in March 2008 but in April 2009, the decline remains significant.

For Queensland, the fall in domestic visitation was even more severe. For the year ending March 2009, the number of nights Australian travellers had spent in Queensland was down 17.3 per cent or 6.7 million nights.

International visitor numbers are also down, with 62,330 fewer arrivals at Queensland's three international airports in the year to the end of June 2009 compared to the previous year<sup>5</sup>. Overall, that is a fall of 4.2 per cent, which is well in excess of the drop in international visitors to Australia of 1.6 per cent for the same period. While cuts to airline capacity are a factor, airlines usually only make such cuts in response to a drop in demand.

## **Recommendations**

Taking into account the Inquiry's aim to maximise employment creation in existing industries, this submission focuses on initiatives to retain and boost employment in the tourism sector, which already provides direct jobs for almost 120,000 Queenslanders.

## **Marketing**

Investing in tourism marketing can help to arrest the current downturn. The Queensland Government has already made a significant commitment of extra funding for tourism marketing. TTF is urging the Queensland Government, through Premier Anna Bligh, to put pressure on the Federal government to provide emergency funding of \$40 million dollars a year for two years for tactical marketing campaigns, with the money to be matched by industry. This money must be in addition to current Tourism Australia budgets and allocated by a joint committee with representation from key stakeholders (eg: Tourism Australia, state/territory tourism organisations, industry, etc).

Tourism marketing has an historic return of \$13 for every dollar invested, and this return on investment equates to tourism spending, which has a direct correlation with tourism employment. Encouraging people from overseas to come to Australia, as well as enticing Australians to travel within their own country, will maintain economic activity in the tourism industry, which will help to protect jobs.

## **Infrastructure**

It's also essential that tourism is considered from a whole of government perspective. Tourism operators and investors are affected by issues including aviation, planning, taxation, transport, infrastructure, health, education and the environment, meaning an

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<sup>4</sup> *Travel by Australians – March 2009 Quarterly Results of the National Visitor Survey*, Tourism Research Australia, Canberra (June 17, 2009)

<sup>5</sup> ABS, *Overseas Arrivals and Departures*, June 2009, 3401.0 (August 4, 2009)

integrated approach is essential to give businesses the certainty they need to make decisions.

Ongoing government investment in tourism infrastructure will also help Queensland better weather the impacts of the global financial crisis as well as positioning the state's tourism industry to capitalise on the economic recovery.

### **Making the most of existing natural resources**

Preserving natural capital is also vital to securing the long-term future of tourism employment in Queensland, with the Great Barrier Reef a high-profile example. The Reef is under threat from climate change in the longer term, but also from agricultural run-off. The Queensland Government has made a significant investment in tackling this problem, but it is a more imminent threat to the survival of the Reef that the effects of global warming. It's essential that programs are implemented to rapidly reduce the impact of agricultural chemicals in Queensland's river system.

### **Access**

Continuing investment in attracting airlines to Queensland and building Brisbane and major regional centres into aviation hubs through the QIIS program will also aid the state's employment prospects. The initial \$7 million seed funding for this initiative has generated \$800 million in economic activity and will continue to be important for enhancing access and capacity to tourism regions, including Tropical North Queensland.

### **Payroll tax**

As a labour intensive industry, tourism bears a disproportionate burden of state taxation through the payroll tax system. This burden essentially encourages investment away from tourism into alternate economic activities that are less labour intensive, and impedes growth and innovation in the industry.

Tourism is disadvantaged when competing for investment dollars due to its labour intensive nature and payroll tax free thresholds. As an example residential use of property does not attract payroll tax and although office and retail property does, the burden is transferred to tenants at no cost to the investor. Additionally this payroll tax can then be split over multiple tenants, each claiming the payroll tax free threshold. On the other hand, hotel property owners attract payroll tax for their labour intensive hotel operations and can only have just the one payroll tax free threshold. This illustrates how the payroll tax system favours residential and office investment over tourism as it is less reliant on labour to achieve a return on investment.

Furthermore, payroll tax systems are impeding tourism innovation, efficiency, and growth through payroll tax groupings of consolidated enterprises. Tourism operators would achieve greater economic efficiency by consolidating related small tourism product operations through centralised marketing, distribution and product development. However, such consolidated enterprises are grouped for payroll tax purposes thus disadvantaging any small tourism operation seeking to improve its efficiency and encouraging ongoing inefficient practices.

These inequities caused by the payroll tax free threshold and grouping of related businesses by revenue offices, have distorted the market to prevent the centralisation of

product marketing and distribution which is desperately needed to grow tourism economic activity.

TTF recommends that the Queensland government reforms payroll tax to ensure the labour intensive tourism industry is not disadvantaged by other non-labour intensive investments.

### **Passenger Movement Charge**

Another tax which has a negative impact on Queensland is the Passenger Movement Charge (PMC). This Federal fee sees every person who leaves Australia charged \$47, regardless of where they are going and their mode of transport.

TTF analysis shows that the PMC has a disproportionate impact on Queensland because of the type of travellers who visit the state and where they come from. Many international visitors to Queensland are leisure travellers, who are much more price sensitive than other types of tourists (for example: business/convention/education travellers). It's also the case that Queensland attracts tourists from short-haul markets like Japan and New Zealand, for whom the PMC makes up a larger proportion of their airfare. While many of these visitors fly direct to the Gold Coast or Cairns, it's also the case that Brisbane airport has a disproportionate number of arrivals from shorter haul markets compared to the other eastern seaboard "gateway" airports of Sydney and Melbourne.

For these reasons, the PMC acts as a disincentive for international tourists to visit Queensland. TTF urges the Queensland Government to take up the issue of the Passenger Movement Charge with the Federal Government, emphasising the impact on inbound tourist numbers, which leads to reduced economic activity and fewer employment opportunities.

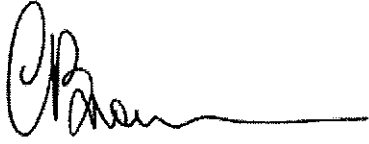
### **Skills/training programs**

Given the importance of the tourism industry to the state, in terms of both economic value and employment, tourism should be integral to the Queensland Skills Plan. A well trained, skilled workforce aids employment retention, in addition to making a greater contribution to the state's bottom line. Training gives businesses the ability to offer staff incentives to stay and develop their skills, as well as demonstrating that tourism has career opportunities for young Queenslanders.

Thank you for the opportunity to make a submission to the Economic Development Committee's inquiry into identifying world's best practice by governments to effectively stimulate employment opportunities in Queensland. TTF believes that tourism can lead Australia – and Queensland – out of the current global economic downturn, because any increase in demand will lift economic activity, with an almost immediate positive impact on employment.

If you have any further queries, please do not hesitate to contact me on 02 9240 2000.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'C Brown', followed by a long horizontal flourish.

**CHRISTOPHER BROWN**  
**Managing Director**