



TOURISM INDUSTRY WORKING GROUP

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TOURISM INDUSTRY WORKING GROUP

REPORT ON THE IMPLICATIONS OF THE ANSETT COLLAPSE AND US TERRORIST ATTACKS FOR AUSTRALIA'S TOURISM INDUSTRY

Executive Summary

The impact on the Australian economy and on the tourism sector of the collapse of Ansett Airlines and of the US terrorist attacks has been significant. A loss of 0.6% of GDP is expected in the December 2001 quarter, representing a loss to the Australian economy of around \$1 billion.

The full impact of these events is still to be determined and anecdotal evidence suggests a worsening of the situation before things improve. It will, however, take at least two years for the industry to recover, assuming it experiences no other significant shock over that period.

The Working Group identified three key areas which require attention to ensure that the industry remains viable over the short to medium term. These are:

- maintenance of consumer confidence and demand;
- employment and cashflow concerns; and
- restoration of domestic air capacity and discounted airfares.

As a priority, it is important that Australia seizes the opportunity to promote its "safe haven" reputation and to re-develop its international business and leisure markets. Accordingly, further funding is sought for the Australian Tourist Commission.

As regional Australia has particularly felt the impact of the Ansett collapse, the Working Group also recommends support for direct consumer initiatives to get Australians travelling domestically.

The Working Group specifically recommends that the \$5 million for tourism promotion recently announced by the Prime Minister be used for a consumer stimulus through holiday incentives. The Group further recommends that an additional \$20 million be allocated to extend this program to encourage more domestic travellers.

The Working Group recommends a number of initiatives to address the very real cash flow and future viability issues facing the sector. These include:

- deferral of the December 2001 company tax payment;

- provision of concessional business loans;
- a compensation package to meet the shortfall of the Travel Compensation Fund and reformed travel compensation arrangements;
- extension of the Export Market Development Grants Scheme and offering Export Finance Insurance Corporation insurance at concessional rates;
- introduction of a 125% tax rebate on conference attendance; and
- full tax deductibility for restaurant meals as a legitimate business expenditure.

Aviation concerns, particular restoration of capacity and discount airfares, were consistently raised as a number one concern across Australia. Accordingly, the Working Group recommends a number of initiative to complement action already undertaken to restore capacity and servicing of regional routes.

The Working Group recommends that:

- a permanent community services obligation measure be introduced in relation to certain regional aviation routes;
- quarterly review of consecutive cabotage on domestic routes;
- capping and reviewing air services charges and maintaining effective price monitoring of all airport charges; and
- review of competition policies and regulation impacting on the domestic aviation sector.

The Working Group is confident that adoption of these measures would substantially address the impact on the industry and it urges government consideration of these alleviation measures as a matter of priority.

Introduction

The Tourism Industry Working Group (TIWG) was set up by the Prime Minister on 20th September 2001 to assess the impacts on the tourism sector of the collapse of Ansett Airlines and of the terrorist attacks in the United States of America.

The TIWG was asked to develop potential options and strategies, for adoption by the industry and governments, to assist the tourism sector to meet the challenges posed by these events. The Working Group was asked to present its report to the Prime Minister by 12 October 2001.

Membership of the Working Group was drawn from tourism industry leaders and organisations.

Attachment A lists the full membership of the Group. Andrew Burnes, Chairman of the Australian Tourism Export Council, and the Hon Jackie Kelly MP, Minister for Sport and Tourism, co-chaired the Working Group.

In order to fulfil its Terms of Reference, the Working Group sponsored three main areas of research:

- 1) a survey of tourism businesses throughout Australia. This resulted in 5,000 responses (2,800 in an on-line conducted by the Australian Tourist Commission and 2,200 in a telephone survey conducted by Millward Brown);
- 2) an economic impact on the Australian economy of the recent tourism-related events (conducted by Econtech); and
- 3) consultations with more than 1,000 members of the industry in regional areas of significance to tourism - Gold Coast, Townsville, Cairns, Darwin, Broome, Adelaide, Launceston and Melbourne. A teleconference was held with the Whitsundays and a videoconference was held with industry representatives from Alice Springs.

Context

Tourism is a very significant contributor to the national and regional economies. The tourism industry directly accounts for 4.5% of total Australian GDP and 4.3% of the gross value. Tourism also accounts for 6% of direct employment throughout Australia, with a many of these jobs in regional and rural Australia. Indirectly the tourism industry accounts for a further 4% of total employment.

Tourists consume over \$65 billion worth of goods and services each year and international tourists bring in over \$17 billion in foreign exchange earnings. As a percentage of exports, tourism represents more than 11% of Australia's total export earnings.

Tourism is a very diverse set of activities spanning a wide range of industries. Any significant shock to the sector is felt, not only by businesses for which tourism is the primary activity, but also by many downstream businesses.

Tourism also contributes significantly to the revenues of the Federal and State Governments. GST payments from the tourism industry total over \$6 billion and the industry also contributes significantly through income taxes paid by both employees and business, payroll taxes, fuel taxes, airport and air services taxes, user-pays turnstile charges (eg: Marine Park fees, National Park entry fees), FBT and other government taxes and charges.

Findings

Impacts of recent events on the Australian economy

A summary of the economic impact study and the survey findings contracted by the Working Group is contained in **Attachment B**.

Briefly, the impact on the Australian economy will be significant. The economic study indicates maximum impact will be felt in the December 2001 quarter, with continued effect anticipated over at least the next two years. A loss of 0.6% of GDP is expected in the December quarter, representing around \$1 billion in direct revenue; this is a significant loss to the economy.

The impact is also expected to see a 15% reduction in export earnings over what would normally have been expected in the December quarter, representing an estimated \$500 million loss. The analysis anticipates a 4% reduction in accommodation, cafés' and restaurants' GDP, representing around \$140 million and a 3% reduction in transport GDP for the quarter, representing around \$210 million.

Employment will also be affected for the quarter, with an estimated peak loss of 0.3% in jobs (around 28,000 persons). This includes the job losses of employees of Ansett and its subsidiaries.

The analysis found that US terrorism caused a fear of flying; this will be seen through fewer inbound visitors and a possible excess capacity in the international aviation market. Domestically, the collapse of Ansett has led to a cutting in local aviation supply, reducing competition, even if only temporarily. This has led to higher domestic airfares and reduced access to regional areas, particularly those areas of significant importance to tourism.

Impacts of recent events on tourism businesses - on-line and phone survey results

Around half of the 5,000 tourism business in the surveys have experienced a sharp negative impact on their revenue from recent events, mainly due to cancellations in bookings and a decline in new bookings. A loss of about 10% in tourism revenue has already been experienced. This impact is likely to be felt well into the medium term.

In general, larger businesses seem to have been affected more than smaller businesses, with travel agents and transport operators the most significantly affected.

Importantly, domestic business travel business (down 7%) has been nearly as significantly affected as international business travel, (down 9%.) In the international travel market, a projected revenue loss for leisure travel is higher than that for business travel (13% compared to 9%) but both are significant.

The markets that will be most affected are the North America market (down 20%), followed by the UK/Europe market (down 11%). The Asian market, Japan and other international (down 8%) are next, followed by New Zealand market (down 6%).

For the domestic market, the main regional areas worst affected appear to be the tropical Far North, Alice Springs and the Whitsundays. There has been a significant number of retrenchments, with a cut of 4% in tourism jobs). Casual staff have taken the main brunt of

retrenchments (down 8%), followed by part-time staff (down 4%) with full-time staff closely behind (down 2%). In the transport sector, which includes travel agents, 11% of staff have been retrenched.

Metropolitan businesses appear to have been harder hit than non-metropolitan businesses, which is consistent with bigger businesses on average being most affected

Impact of recent events on tourism businesses - regional consultations

Findings from the regional consultations undertaken confirm that there has been a significant short-term impact on the industry, primarily due to the low availability of both airline capacity and discount airfares. In these matters, industry is looking for not only restoration of previous capacity in the short-term, but an expansion of previous capacity levels as things improve due to the significant expansion of tourism infrastructure in many regions and an urgent expansion in and promotion of the availability of discount fares on key routes.

Anecdotal evidence from the regional consultations also points to a much higher number of job losses than the economic research, which was undertaken in the first 2 weeks following the events.

While government initiatives to underwrite capacity restoration have been welcomed, there was an urgent call for these initiatives to go further to ensure full restoration.

Those tourism regions most heavily affected have a high dependence on air links and/or particular overseas tourism markets, most notably North America, Japan and Italy. Industry operators reported facing a severe short-term impact with significant staff retrenchments, particularly among casual staff. It was clear that the downturn experienced depended on a region's previous reliance on Ansett for services and on the reliance of individual operators on Ansett Holidays for distribution.

Industry operators reported that a significant number of smaller, cash-flow dependent operators (across the tour, accommodation and restaurant sectors) are facing closure. The conference and meetings sectors also reported a significant reduction in registrations and cancellation of some events.

Some 40% to 50% of participants identified themselves as Ansett creditors.

Complementing the Working Group's findings of the surveys and economic impact analysis, consumer and business confidence was continually raised as important issues. International travellers, particularly from North America, are reluctant to commit to international air travel due to the US situation and the difficulty of accessing travel options around Australia. There is a need to ensure that confidence is restored in both the travelling public and in the tourism industry.

There was recognition of a potential compensatory effect of domestic tourists choosing to travel by car in accessible areas, although fuel prices, road conditions and the tropical wet season were identified as an impediment for some regions. A majority of participants were confident of their long-term commercial viability, provided an appropriate mix of short-term assistance was made available to assist them over the next twelve months.

But for those regions where tourism is a large proportion of the local economy, such as the Whitsundays where tourism represents 75% of the economy, the impact of the current declines are far greater than in other areas.

As indicated above, many downstream businesses rely on tourism business for a large part of their trade. Many businesses rely on the tourism sector and for example in Townsville an estimated 25% of retail trade in the inner city is tourism based.

Summary of Impacts

There is no doubt that the impact of recent events has been substantial right throughout Australia, with anecdotal evidence pointing to a decline in business between 20% and 60% over the last few weeks and forecast over the months ahead.

Many tourism businesses are suffering as a result of bad debts owing by Ansett and an expected shortfall in the Travel Compensation Fund to meet financial losses suffered by travellers who had pre-paid holiday packages through Ansett subsidiaries.

While the economic modelling work showed an expected loss of around 28,000 jobs in the December quarter, anecdotal evidence suggests that the situation may well be worse as these crises unfold. The industry predicts a worsening of the situation since the surveys and related work were conducted and there is no doubt that some regions and some businesses will see significant job losses.

There is a strong expectation that the Government will deliver some tangible assistance to industry as a matter of urgency as a result of this crisis. The recent announcement by the Government to allocate \$20 million to assist tourism businesses and promotional activity has been welcomed and will certainly offer some alleviation in the very short term. However, the Working Group has identified a number of other areas that warrant assistance; these are detailed in this report. Furthermore, it is the view of the Working Group that some longer term structural issues need to be addressed to minimise the impact on the industry and on the economy of any similar events in the future.

PROPOSALS FOR THE WAY FORWARD

There are three key areas which require attention to ameliorate the effects of these recent events. These are:

- Restoration of domestic air capacity and discounted airfares
- Maintenance of consumer confidence and demand
- Employment and cashflow concerns

The Tourism Industry Working Group has identified a package of proposals that it considers is the minimum necessary to achieve short-term relief and long-term viability. Consistent with the key areas noted above, these proposals fall under broad categories of marketing, promotion and consumer confidence; business viability; and aviation.

The Working Group is of the view that the priority area for attention is marketing and consumer confidence. Unless traveller demand is stimulated and consumer confidence is restored, the industry will take many years to recover. Business viability measures are also needed as a matter of priority to provide much needed costs relief and to provide cash flow and business loan initiatives. The Working Group then recommends a series of aviation related measures.

Air capacity and availability of discount fares were raised as the number one issues in all regional consultations held by the Working Group. While the Working Group recognises that the Government is addressing these issues in the short term, it recommends a series of measures which, in its view, also require attention.

IMMEDIATE UTILISATION OF THE \$5m FOR TOURISM PROMOTIONS

The proposal recommended by the Group as the most likely to have an immediate beneficial impact across the industry is a consumer stimulus through direct holiday incentives to Australian resident consumers. The Group recommends that an initial \$5 million already allocated to industry assistance be used for this purpose.

The holiday incentive program would consist of a rebate of \$150 per booking for people booking a domestic holiday over specific periods in the coming months. This would have to be booked through a licensed travel agent.

The rebate would apply to the land-based component of travel bookings, with total value of the booking having to be not less than \$750 (ie: 5 times the value of the rebate). This program has the benefit of driving consumer confidence in domestic tourism products, putting significant incremental business to tourism operators and assisting travel agents to be highly motivated to sell Australian tourism products.

The Group further recommends that an additional \$20 million be allocated to extend the program to encourage more domestic travellers as this market has the greatest potential for immediate incremental business.

The estimated reach of the holiday incentive program is such that it could assist more than 30,000 holiday makers to take package holidays over the period recommended by the Working Group which is from 1 November 2001 to 30th November, 2001 and from 1st February 2002 to

31st March, 2002. These trips would have to be booked and paid for in the month of November to qualify for the rebate.

If the initial program can be demonstrated to provide significant incremental business, the Committee recommends a further program fund of \$20 million would provide significant additional stimulus to consumer demand in holiday packages and help revive business among travel agents, car rental companies and food and accommodation providers.

The Committee also notes that the US Government this week announced a temporary tax credit of \$US500 per person for personal travel expenses for travel originating in and within the United States. This is for travel through to 31st December, 2001.

KEY RECOMMENDATIONS

The above recommendations relate to the utilisation of the \$5 million already set aside for Tourism Promotions.

The Committee recognises that the industry currently faces very significant difficulties immediately and in the short to medium term.

The Committee has taken into consideration the on-line surveys, the economic research, reports from the regional consultations and a wide number of submissions from various regional groups and from a wide range of sectoral groups.

The Working Group strongly recommends that the Government supports the following key proposals, both to meet the immediate pressures being faced by industry and to ensure that the industry remains viable over coming years.

Without this support, many sectors and regions will be severely impacted upon and the industry may take many years to fully recover and reach the potential it had prior to September 11th and 14th.

Employment will be impacted upon in a severe manner and the resultant decline in business will cascade down through a range of downstream industries over the next two to three years.

The Committee's key recommendations are as follows:

1. MARKETING/PROMOTION/CONSUMER CONFIDENCE

1.1 International Marketing – refer to full proposal at Attachment C

The Committee calls upon the Government to provide additional funding to the ATC to enable the implementation of a business and leisure tourism market redevelopment package focussing on the following:

- Tactical campaigns in key markets conducted on a co-operative basis with airlines, tour operators, wholesale partners and the Australian travel industry to re-establish marketing and positioning activity in overseas markets once conditions are favourable in the new year.
- Provide specific marketing funds in Asian locations to be served by start-up carriers such as the new Qantas subsidiary, Australian Airlines. Qantas has committed to work co-operatively with ATC in the promotion of their new leisure based operation in Asia.
- Building on current advertising media activity in magazines, TV and direct mail to capitalise on the immediate opportunity to gain share of the market in the short term as travellers look for "safe havens".
- Significantly increase the existing business tourism marketing program by committing resources to developing relationships and converting this into arrivals. There would be a particular emphasis on attracting large conference and convention business to Australian under this initiative.
- Introduction of a range of concessional participation fees for Australian tourism operators to attend events such as ATE, ITB, and World Travel Mart and reduced advertising rates in ATC's global marketing publications.

The launch of an international marketing push is an urgent priority because of the short-term drop off in inbound arrivals; the already discernible slow down in forward commitments of inbound travel over the next 3-6 months, especially from the USA, Europe and Japan, and other long haul destinations; and the more active presence in the international market of competitive national tourism organisations.

Access Economics estimates that for every \$1 million increase in ATC's annual promotion budget, this generates up to \$10.7 million in tourism export income.

The package, as detailed in the accompanying attachment, is intended to achieve short, medium and longer term impacts - with implementation designed initially to capture immediate market share benefits capitalising on Australia's "safe haven" reputation.

The estimated additional cost of the package would be \$36 million in 2001-02, \$31 million in 2002-03, \$22 million in 2003-04, and \$17 million in 2004-05.

1.2 Domestic and Regional Marketing – Medium Term – refer full proposal at Attachment D

Domestic tourism contributes \$49 billion to the Australian economy and represents around 80% of total tourism expenditure. There could be significant benefits for the industry through heightened efforts to encourage more Australians to holiday in Australia, both in the immediate future and during the medium to longer term.

Marketing efforts could aim to encourage the 40% of Australians that do not take annual holidays to take a holiday in Australia, as well as to the 60% of those that currently take annual holidays to extend their holidays in Australia.

For the medium term, support for *See Australia* could be continued for a further three years with the Commonwealth providing \$8 million per annum with a commitment that 90% of these funds be spent on tourism advertising. This extended Commonwealth funding would need to support and be supported by existing States and industry marketing programs.

1.3 Regional Marketing – Shorter Term

There are around eighty regional tourism organisations across Australia. These are generally funded by State Governments to promote tourism in their respective regions.

Additional Commonwealth funding to augment marketing at the regional level would complement and reinforce marketing efforts at the international and national level. This funding could be matched on a dollar for dollar basis by State Governments and targeted to the regions most in need of assistance, recognising that some regions close to cities and accessible by car have not been adversely affected and so are not in need of assistance.

An amount of \$8 million in year 1, matched by State Government funding, and targeted to those regions most adversely affected would provide tangible assistance to regions most in need and help ameliorate the impact of the current downturn. Care would be needed to ensure that sufficient capacity is available to the regions chosen so that the potential benefits of marketing assistance can be fully realised.

2. BUSINESS VIABILITY

2.1 Business Assistance

Many tourism businesses are suffering at present from loss of confidence and accompanying loss of working capital due to the multiple impact of the decline in the domestic and international leisure markets and a decline in the corporate travel market. This Committee recommends that this be addressed by Government in the following ways:

- a) **Provision of Concessional Loans**
A \$50 million loan fund for tourism industry operators that can clearly demonstrate they have suffered as a result of the US or Ansett situations. Loans of between \$50,000 and \$100,000 would be made available at a concessional interest rate (2.5%) repayable over three years. The loan amount for which subsidies apply would be linked to business turnover.

- b) **Deferral of the December Company Tax Payment (short term)**
Deferral of the December company tax payment for tourism operators to allow quarterly instalments of the amount payable over the 4 quarters of calendar 2002. The cost of delaying tax payments in terms of interest foregone to the Commonwealth would need to be estimated by the Treasury.

2.2 Travel Compensation Fund

Federal and State Government funding of shortfall

The Travel Compensation Fund (TCF) compensates consumers who have purchased a holiday package but who have, as yet, not travelled and have now lost the value of that package due to the Ansett collapse. In particular, it covers consumers who have paid a licensed travel agent for a holiday package and that agent fails to account for funds received. Ansett Holidays, Ansett owned Traveland outlets and Show Travel fall into the travel agent category.

State Consumer Affairs Ministers are responsible for legislation governing the TCF.

The TCF currently has \$7-8 million in net assets and at 8 October 2001 had already received claims to the value of \$6.6 million. It is estimated that there is a possibility that claims could exceed \$20 million.

The TCF has indicated that it may charge a levy on agents to cover this shortfall and AFTA, which was represented on the Committee, has indicated that such a levy on an already fragile industry would be totally unacceptable.

A compensation package is proposed to meet the shortfall of the TCF under which the Commonwealth Government and the State Governments offer a capital injection of a substantial proportion of the estimated shortfall on a 50/50 basis.

The estimated cost to the Commonwealth on a 50/50 basis is \$10 million in 2001-02.

Reformed Travel Compensation Arrangements

The Committee further recommends the introduction of a consumer funded Travel Compensation Scheme through Federal Government legislation or through coordinated State Government mirror legislation.

The TCF is currently a State based legislative process and the Northern Territory does not participate in the fund. For some years now it has been evident to the industry that a national compensation scheme is required as the present TCF scheme does not cover the collapse of an airline for consumers who are holding airline tickets only.

A national consumer funded compensation scheme with broader industry coverage using the existing TCF infrastructure, preferably under Commonwealth Government legislation or possibly through consolidated mirrored State Government legislation, is recommended.

This could also be backed up by amendments to legislation to make the operation of trust accounts compulsory for all agents and wholesalers and for breaches of this to be a criminal offence.

AFTA has prepared a detailed proposal in relation to the implementation of a consumer funded scheme and the Committee recommends that this be the model adopted by the Government.

2.3 Export Assistance Schemes

Extension of Export Market Development Grants Scheme (EMDG)

The tourism industry has benefited from grants under the EMDG Scheme which have offset promotional costs associated with export market development. Expanded and streamlined access by tourism sector companies, associations and bureaux to financial support under the Scheme would be of great benefit. Amendments to EMDG legislation and ministerial determinations to enable the following is sought:

- Allowing tourism businesses that have reached their eight grant limit to apply for another two years assistance.
- Increasing the maximum turnover threshold for tourism business to \$100 million per annum and the maximum export threshold for tourism businesses to \$50 million for the 2001-02 financial year.
- Increasing the amount claimable by tourism operators to 65% for the 2001-02 financial year.
- Allowing claims to be made in January 2002 to get a half-yearly rebate by end March 2002.
- Extension of the scheme to include convention bureaux and regional tourism organisations.
- Extension to strata titled accommodation establishments who market collectively the units within the establishment.

The proposed amendments to the Scheme would provide short and medium term benefits - through improving short term cash flow arrangements; in allowing claimants to extend export development activity in markets particularly affected by the international downturn; and by providing access to regional organisations, larger companies, convention bureaux and other organisations experiencing downturn in the wake of global and domestic events.

The cost would be \$28 million in 2001-02, \$18 million in 2002-03 and \$9 million in 2003-04.

The Committee also notes that the available funding for the EMDG scheme was not fully utilised in the 1999/2000 financial year.

Export Finance Insurance Corporation (EFIC)

The tourism export industry has significant exposure to international wholesalers and retailers, who are currently suffering from a sharp business downturn as a result of recent events.

The committee believes it is important to allow the industry to trade ahead on normal terms in confidence and believes the industry would benefit from the ready availability of debt insurance at concessional rates to help cover the tourism export industry's current and on-going forward debt from international markets.

The Committee therefore recommends that the Export Finance Insurance Corporation provide international debt insurance to tourism exporters at concessional rates for the next 18 months.

The estimated cost of this initiative is \$5 million over the coming 12 months with significant reductions in the out year.

2.4 Taxation Measures

The tourism industry contributes very significantly to both State and Federal taxation revenues through a wide range of taxes and charges.

The Committee recommends the Government provides some tax assistance to industry as follows:

125% Tax Rebate on Conference Attendance

The meeting, conference and events industry has suffered with the collapse of Ansett, particularly those areas that were serviced exclusively by Ansett. A 125% tax rebate on conference attendance for local Companies holding their conference or convention in Australia through to 30th June, 2003 would help stimulate this important sector and provide much needed flow on benefits for tourism resulting from additional activities combined with the business travel of this sector.

This Committee recommends this benefit be granted through until 30 June 2003.

Deductibility for Meals - FBT

The restaurant and catering sector has been very heavily hit by current developments. Like other key sectors it is indicating a need for targeted assistance to restore business viability and sustain employment.

The reintroduction of full tax deductibility for restaurant meals and the elimination of fringe benefit tax on restaurant meals would help address difficulties being experienced in the sector as well as reduce the compliance costs for industry associated with the fringe benefits tax more generally. This Committee recommends this benefit be granted to 30 June 2003.

The Committee notes in relation to this initiative that the US Government this week restored full deductability of business entertainment expenses, including meals. Such expenses had been previously subject to a 50% deduction only.

3. AVIATION INITIATIVES

Aviation concerns, particularly restoration of capacity and discount airfares, are a major concern to the tourism industry.

The Committee recommends the following initiatives:

3.1 Community Services Obligations

The Government should expand the Rapid Route Recovery Scheme as a permanent Community Services Obligation Measure.

It is important that regional air services are sustained and that assistance is provided where regional routes are not commercially viable. Where regional centres cannot be served viably, the Government has a community services obligation to support routes to these centres.

The major issue identified by the tourism industry is the immediate lack of airline capacity on key tourism routes. The Government has implemented the Rapid Route Recovery Scheme with loans/grants to assist former Ansett subsidiaries such as Kendall, Skywest and Hazelton to recommence services. Such initiatives will need to be continued and possibly broadened. In order that capacity is restored as soon as possible, the Government could ensure that regulatory approvals are fast tracked, whilst ensuring that safety is not compromised.

3.2 Consecutive Cabotage on Domestic Routes

Review quarterly granting of cabotage rights to foreign international carriers, commencing the quarter ending 31 December 2001.

Cabotage rights would allow foreign carriers to uplift domestic passengers at one Australian point and discharge them at another. This could occur either as part of an international journey (consecutive cabotage) or as a free standing right. To help fill the gaps created by Ansett's collapse, the Government has agreed to allow foreign international airlines to use consecutive cabotage on the domestic legs of international services (until 31 December 2001). Some 12 airlines have so far received this approval.

While these rights have been granted until December 2001, there may well be merit in extending consecutive cabotage rights on an ongoing basis. These reviews should determine the appropriateness of extending these rights beyond the short term. If the decision is made to extend the existing short term cabotage exemption, Australian based airlines should be allowed commensurate opportunities to purchase and market empty capacity on flights by international carriers over a domestic sector.

Almost all countries reserve any form of cabotage for their domestic airlines. Current Australian policy goes further than accepted international practice by allowing fully foreign owned airlines to operate domestic air services in Australia eg Virgin Blue.

Consecutive cabotage is likely to be of most benefit to the leisure time insensitive part of the travel market because of the greater inconvenience associated with such flights and the lack of frequency and network reach. This proposal might also assist capacity strapped new players (including Virgin Blue) to mount a credible presence on some trunk routes more quickly although in the longer term the presence of foreign carriers on domestic routes could be a disincentive to new entrants and Ansett.

The cost to the Government of this initiative is nil.

3.3 Air Services and Airport Charges

Air Services Charges

The Committee is concerned by recent increases in air services charges and recommends that these be capped and reviewed in order to promote more rapid expansion of air services to regional Australia.

Charges by Airservices Australia for the provision of terminal navigation, aviation rescue and firefighting, enroute air traffic control and meteorological services can be a substantial proportion of the total landing charges faced by airlines operating to regional destinations. The move to location specific pricing for some of these services has increased charges applying at regional airports which previously benefited from cross subsidies.

These charges can significantly erode airline revenues, particularly of low cost carriers, and be a disincentive for airlines servicing marginal routes. Conversely cross subsidies add to passenger costs on other routes. Capping of charges would provide some relief and certainty to airlines seeking to maintain and expand their services in regional Australia.

Airport Charges

The Committee recommends the Government maintains effective price monitoring of all airport charges.

Large increases in charges at major airports has been and will continue to be damaging to the recovery of Australia's aviation market. In this respect there is considerable concern over the Government's decision to remove the CPI-X price cap and price monitoring from major regional airports, as well as permitting price increases at Melbourne, Brisbane and Perth.

The Committees initiatives would benefit Australian airlines operating to regional centres, their passengers and regional communities. They would also enhance the commercial viability of air services to and within regional Australia.

3.4 Competition Policy Review

Review of policies and regulation impacting on the domestic aviation sector.

The commencement of services by new carriers, such as Compass and Impulse Airlines, resulted in substantial increases in air travel, including by first time travellers and reductions in airfares.

It would be of great concern to the tourist sector, including in rural and regional Australia, if these effects were to be lost with the collapse of Ansett.

It is important that policies impacting on the domestic aviation sector take full account of the new circumstances prevailing in this market. They should have as their objectives maintenance of a viable, national industry in the short and long term, capable of generating acceptable returns and of providing continuity of service on trunk and regional routes, in an environment which actively promotes effective competition in the provision of capacity and in airfares. Policies and regulatory practices must address the specific interests of new entrants as well as incumbents. The review should include as a starting point a thoroughgoing examination of the reasons behind recent airline collapses. It should also examine any need to amend the Trade Practices Act and examine independent regulator models, such as in the US and Canada.

CONCLUSION

The Committee thanks the Government for the opportunity to present the above report.

The recommendations contained herein are the major policy initiatives that the Committee believes the Federal Government should commit to as a minimum to assist the industry at this time.

ATTACHMENT A

TOURISM INDUSTRY WORKING GROUP

MEMBERSHIP

Co Chairs:	Hon Jackie Kelly MP, Minister for Sport and Tourism Mr Andrew Burnes, Chairman, Australian Tourism Export Council
Tourism Task Force	Christopher Brown
Australian Tourist Commission	Ken Boundy
Qantas Airways	David Hawes (John Kerr)
Virgin Blue	David Huttner
Australian Hotels Association	Richard Mulcahy (David Seargeant)
See Australia	Graham Perry
Meetings Industry Association of Australia	Jenny Lambert
Association of Australia Convention Bureaux	Bob Brett
State/Territory Tourism Organisations (nominated by ASCOT)	Stephen Gregg
Australian Federation of Travel Agents	Mike Hatton
AAA Tourism	Jeff Floyd
Tourism Council Tasmania (representing regional issues)	Simon Currant
Queensland Tourism Industry Corporation	Daniel Gschwind
National Tourism Alliance	Col Hughes
Hotel Motel and Accommodation Association	Dennis Winchester

TOURISM INDUSTRY WORKING GROUP

SUMMARY OF QUANTITATIVE RESEARCH STUDIES

CONTEXT

Tourism is an increasingly significant component of the Australian economy. In 1997-98 tourism accounted for 4.3 per cent of gross value added (\$22.4 billion) and 6 per cent of employment (513,000). Inbound tourism accounts of approximately 20 per cent of total tourism consumption, and has doubled in size (number of visitors) each decade. Tourism is a major export earner of Australia, with 11.2 per cent of total exports of goods and services in 1997-98 generated by international visitors.

Tourism forecasts released prior to the collapse of Ansett and the US events showed strong longer-term growth for inbound arrivals. Inbound arrivals were expected to average 7 per cent growth per annum over the 2000-10 period - with growth of 4.5 per cent and 6.7 per cent in 2001 and 2002 respectively. The domestic tourism sector was expected to show slow but steady average annual growth of 2 per cent over the period - with growth of 1 per cent and 1.9 per cent in 2001 and 2002 respectively.

The collapse of Ansett and the US events represent two significant and interrelated shocks to the tourism sector. In order to assess the impact of these events, the Tourism Industry Working Group commissioned two complementary quantitative exercises:

- Modelling the economic impacts on the tourism sector and the economy from the events, drawing on the survey data and other information; and.
- A survey of 35,000 tourism businesses which resulted in 5,000 responses (2,800 in an on-line survey conducted by the Australian Tourist Commission and 2,200 in a telephone survey conducted by Millward Brown Australia).

Along with the survey and modelling work commissioned by the TIWG, the Tourism Forecasting Council is expected to shortly release a new set of inbound, domestic and outbound forecasts.

OVERVIEW - RESEARCH FINDINGS

National Economy

- The sharpest impact of the events on economic activity will be in the December quarter 2001, and then gradually dissipate over the next two years.
 - GDP loss of about 0.6 per cent, or about \$1 billion in the December quarter had the crises not occurred - this is equivalent to the loss of about two months of normal economic growth;
 - Travel exports loss of about 15 per cent, or approximately \$500 million in the December quarter; and
 - Employment loss of about 0.3 per cent, or approximately 28,000 jobs at its peak.

Tourism Businesses

- Larger tourism businesses expect an above average adverse impact compared to small tourism businesses.

Tourism Business locations

- Tourism businesses in metropolitan areas expect an above average adverse impact compared to non-metropolitan businesses.
- Among tourism businesses at a regional level, areas such as Alice Springs, Uluru, Tropical North Queensland expect an above average adverse impact compared to the rest of Australia.

Tourism Business Sectors

- Tourism businesses in transport services, travel agencies, and accommodation/cafes/restaurants expect an above average adverse impact:
 - Transport services GDP loss of about 3 per cent (approximately \$210 million) in the December quarter is forecast; and
 - Accommodation/cafes/restaurants GDP loss of about 4 per cent (approximately \$140 million) in the December quarter is forecast.

Tourism Business Markets

- Tourism businesses in leisure travel expect an above average adverse impact compared to the business travel market.

Tourism Businesses Employment

- Casual staff have been the most affected by the events, with casual employment down 8% to-date compared to pre-crises levels.

Further details on each of the analyses exercises is outlined below.

ECONOMIC MODELLING - ECONTECH

Econtech used its well-known economic model, MM2, in assessing the impact of the two events on the Australian economy and tourism sector.

Model Simulation

The Ansett collapse simulation involved:

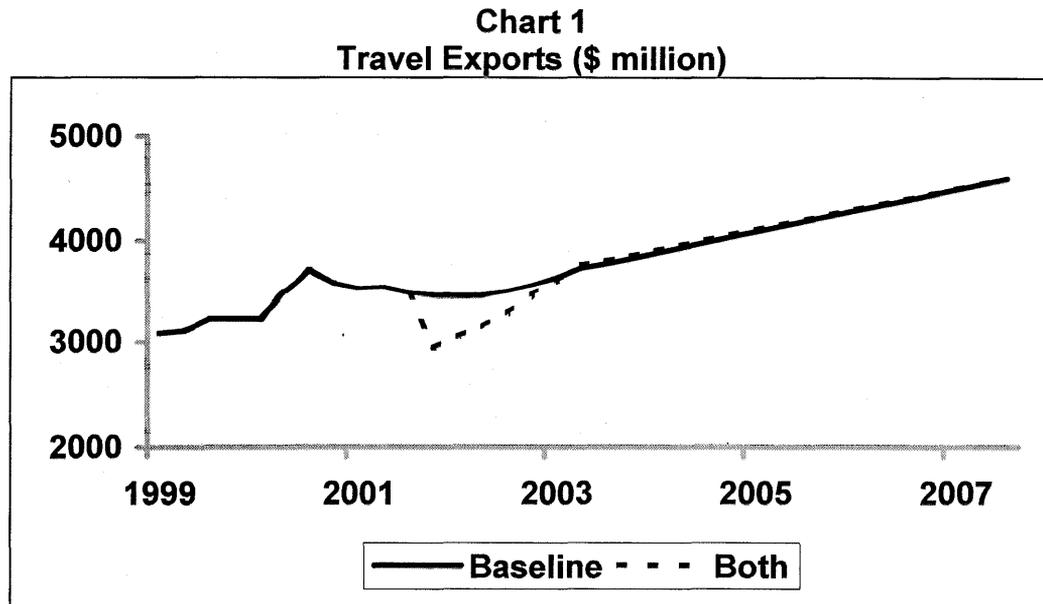
- **a 4 per cent hike in the overall price of domestic travel packages due to higher domestic airfares. In reality, the collapse of Ansett may reduce domestic tourism by reducing access to regional areas as much as by pushing up domestic airfares. However, the modelling assumption of higher airfares is a convenient device for generating in the model the observed reduction in domestic tourism, irrespective of whether in reality that reduction is being caused by access or price factors.**

The terrorism in US simulation involved:

- a 15 per cent cut in inbound arrivals due to increased fear of flying of potential inbound arrivals. This is based on various advice and the Tourism Forecasting Council forecasts shortly to be released.

A third simulation, described as “both”, combined both the Ansett collapse and terrorism in the US to assess the overall effects on the Australian economy of both events.

The main results of the three simulations are summarised in Charts 1 to 7. Chart 1 shows the effect of the two events on the level of travel exports. The baseline is the situation that would have prevailed had the two events not happened i.e. business-as-usual.



As shown in Chart 1, the fear of flying due to the terrorist attacks in the USA causes an initial loss in inbound arrivals (travel exports). However, this effect is expected to gradually fade over about a two-year period, with travel exports recovering to the same position that would have prevailed had the two events not occurred. In the recovery period, there is a faster rate of growth than would have occurred under the baseline situation.

Chart 2 shows the effect on travel exports in an alternative manner than is shown in Chart 1. While Chart 1 shows the path of travel exports in the “baseline” and “both” simulations, Chart 2 shows the percentage deviations of the “both” simulation from the “baseline” simulation. Its also shows the effects attributable to each of the two events considered separately, again expressed as percentage deviations from the baseline simulation.

The fear of flying due to the terrorist attacks in the USA sees an initial loss in inbound arrivals (travel exports) of about 15 per cent, or \$500 million, with this loss eroding over two years. By comparison, the collapse of Ansett is simulated to have little effect on travel exports.

Charts 3 to 7 show other effects, in all cases in terms of percentage deviations from the baseline.

Chart 3 compared with Chart 2 shows that the effects on outbound travel (travel imports) are relatively minor compared with the effects on inbound travel (travel exports).

The loss of travel exports adversely affects the Australian tourism industry. The loss of domestic tourism due to the collapse of Ansett adds to these adverse effects. Chart 4 shows that these combined effects reduce transport GDP by about 3 per cent, or \$210 million. Similarly, Chart 5 shows a reduction in accommodation, cafes and restaurants GDP of about 4 per cent, or \$140 million. Various sectors of both of these industries would be harder hit than the results for these broad industries would suggest.

Other industries are indirectly affected by the weakening in the Australian tourism industry. There is a loss in GDP for all industries other than accommodation, cafes and restaurants and transport and storage of about 0.4 per cent, or \$670 million.

The total initial impact of the events will be to reduce GDP by about 0.6 per cent, or \$1 billion, below the level that would have prevailed had the events not occurred. These effects are due in about equal measure to the aftermath of the terrorism attacks in the USA and the collapse of Ansett. See Chart 6. The impact of the events is expected to last about two years, after which GDP returns to the level that would have prevailed had the events not occurred.

The impact on employment is smaller, as shown in Chart 7. Initially employment is about 0.3 per cent, or 28,000 jobs, below the level that would have prevailed had the events not occurred. This result takes into account those jobs lost as a result of the collapse of Ansett as well as job losses elsewhere in the economy. As with GDP, employment recovers within a few years to the level that would have prevailed had the events not occurred.

Thus, on the positive side, the effects of these events are forecast to be temporary, gradually fading away over two years. This assumes that terrorism is better contained and that there is a re-building of competition in the domestic aviation market.

Chart 2
Travel Exports (% deviation)

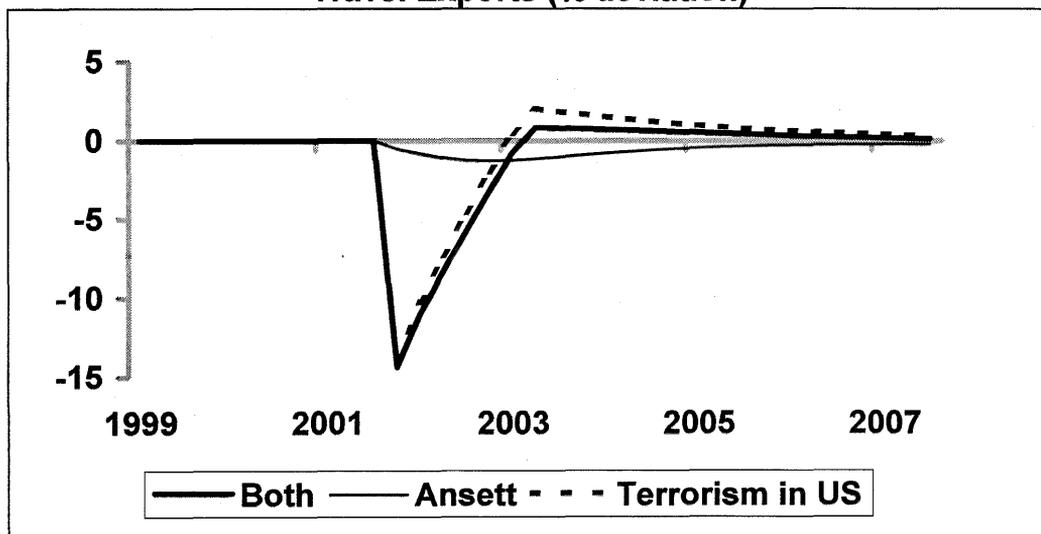


Chart 3
Travel Imports (% deviation)

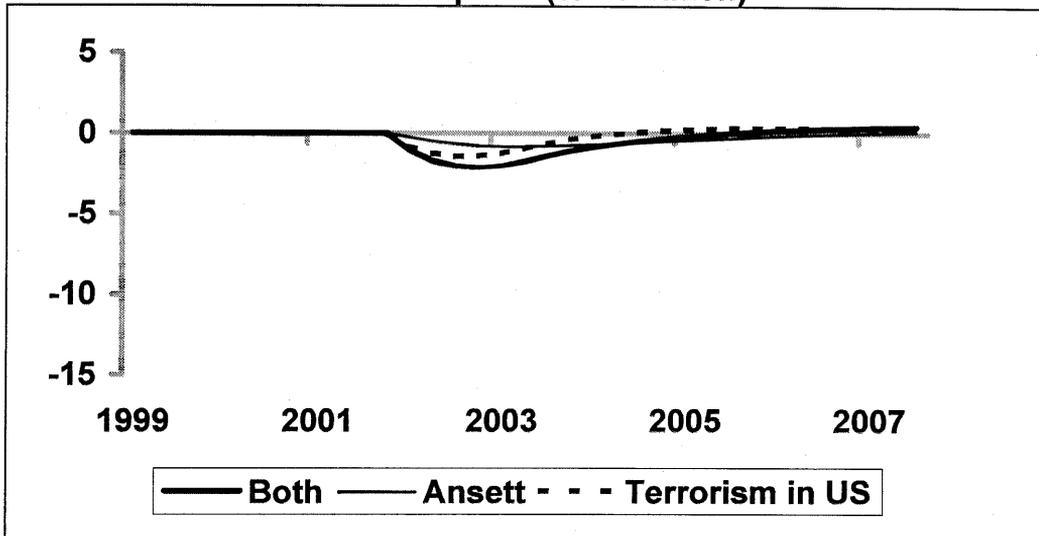


Chart 4
Transport & Storage – Gross Product (% deviation)

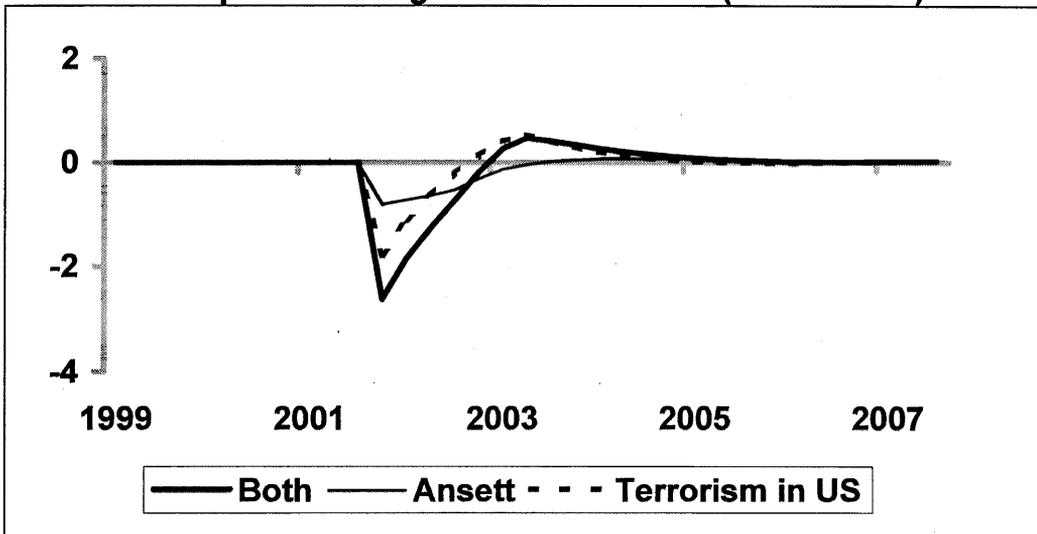


Chart 5
Accommodation Cafes, & Restaurants – Gross Product (% deviation)

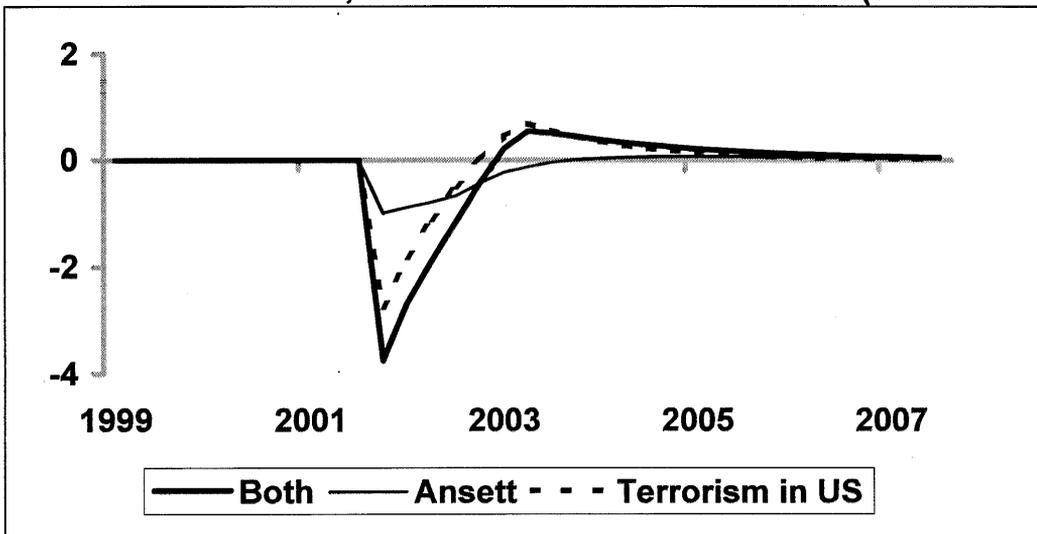


Chart 6
GDP (% deviation)

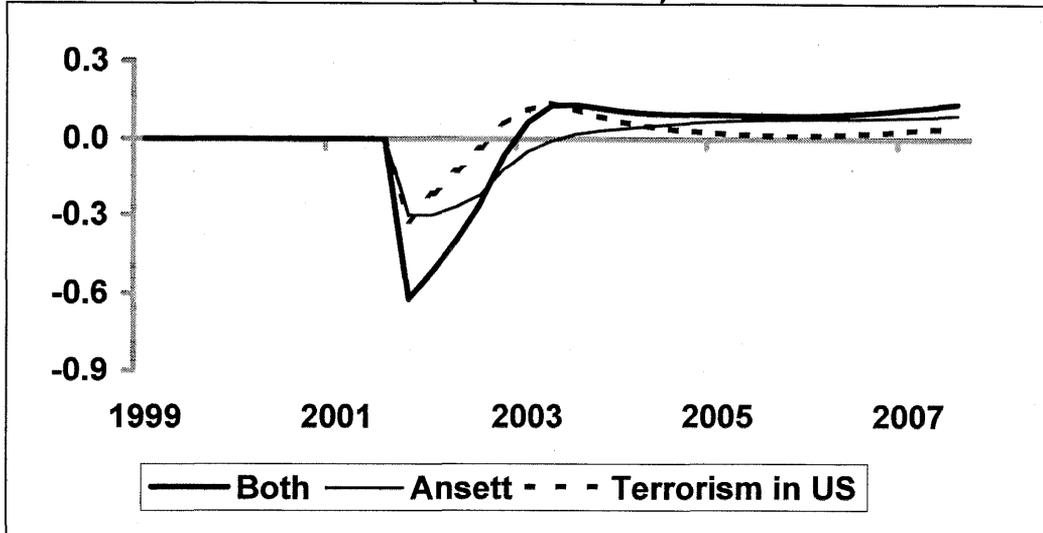
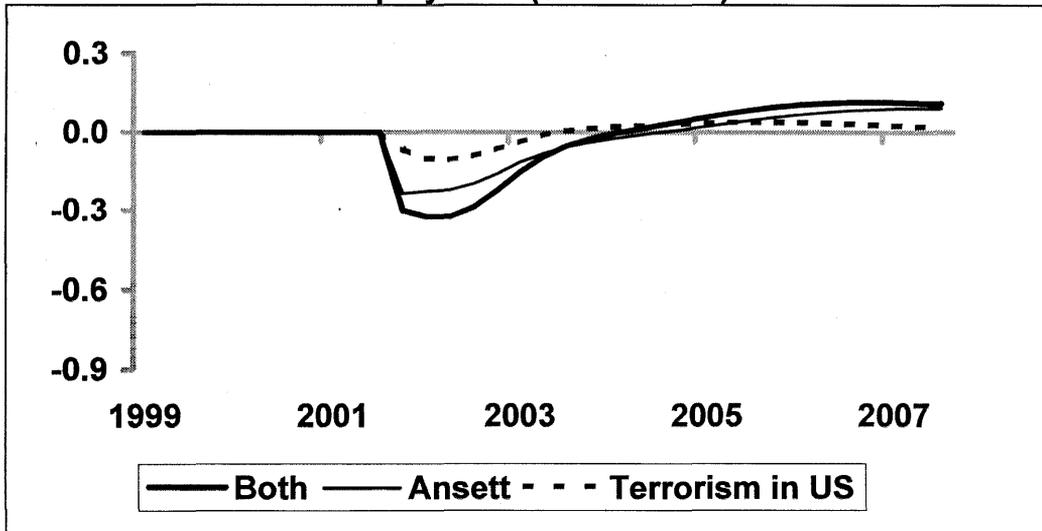


Chart 7
Employment (% deviation)



TOURISM BUSINESS SURVEY

The survey to assess the impact of the Ansett collapse and the US terrorist attacks on tourism businesses took place over the period 28 September to 3 October.

A total of 5,078 businesses responded by email or telephone. This was out of a list of 35,000 tourism businesses.

The Australian Tourist Commission (ATC) conducted an on-line survey while Millward Brown Australia (MBA) conducted a telephone interview survey, both using the same questionnaire. The ATC on-line survey and the MBA telephone survey sampled distinct parts of the industry and produced different levels of actual and expected impact. Because of the nature of the survey a degree of self-selection and refusals by those sampled could potentially bias the results towards those operators suffering more impact. However, the combined results in this report reflect agreement by ATC and MBA that the true level of impact lies somewhere between the results of each survey.

Without a defined industry profile the representativeness of the sample nor the proportion of the sector accounted for by the sample cannot be determined. Consequently, the results of the survey are presented in terms of percentage changes, rather than absolute numbers.

Summary Results

Impact on bookings and revenue to date:

Bookings

Overall, approximately half of operators reported cancellations to bookings since 11 September. Bookings from the international market, particularly the leisure market, have been worse hit than those from the domestic market. In general, leisure travel bookings have been worse hit than business travel bookings, with just over half of operators reporting leisure travel cancellations while just under half reported business travel cancellations.

In general, larger businesses - those with 4 or more employees and with turnover of \$1 million or more - had significantly more cancellations than smaller businesses. Transport operators and travel agents were the types of businesses more badly hit.

Overall, Western Australia and Tasmania appear to be the States worst hit. However, metropolitan areas in most of the States were also more badly hit than the average. The larger businesses tend to be located in the metropolitan areas. The fall in leisure travel bookings particularly hit the Gold Coast, Alice Springs/Petermann (Uluru), Tropical North Queensland, Sunshine Coast and Whitsunday Islands regions.

Table 1 - Bookings

% of operators:	<i>Market type</i>			
	Domestic		International	
	Leisure	Business	Leisure	Business
Affected	52%	46%	56%	47%
Not affected	48%	54%	44%	53%
Total	100%	100%	100%	100%

Revenue

Overall, operators report a fall in revenue of around 10% so far. The impact has been worse from the international market (down 11%) than the domestic market (down 9%). Also, consistent with the reports of cancelled bookings, the leisure travel market has suffered a bigger fall than business travel.

Table 2 - Revenue

Percentage fall in revenue to date			
Domestic market		International market	
Leisure	Business	Leisure	Business
10%	7%	12%	9%
9%		11%	
10%			

In terms of businesses affected, consistent with these figures a higher proportion of businesses operating in the leisure travel market report a fall in revenue than in the business travel market. At the same time, more businesses in the domestic travel market, especially in leisure travel, have experienced an increase in revenue than in the international market.

As was the case for cancelled bookings, larger businesses - four or more employees and \$1 million or more turnover - were worse hit than smaller businesses.

Transport operators, travel agents and restaurants were generally more badly hit than the average.

Metropolitan areas in most States suffered more than average from the drop in both business and leisure travel bookings. The drop in leisure travel bookings also particularly impacted on the Tropical North Queensland and Alice Springs/Petermann (Uluru) regions.

Table 3

% of operators:	Market type			
	Domestic		International	
	Leisure	Business	Leisure	Business
No change	47%	56%	47%	59%
Revenue down	44%	40%	48%	39%
Revenue up	7%	3%	2%	0%
Don't know	2%	1%	2%	1%
Total	100%	100%	100%	100%

Impact on bookings and revenue in the next three months:

Bookings

Consistent with what has happened to date, the impact on bookings during the next three months is expected to be considerably worse for the domestic market than for the international market. A majority of businesses expect there to be no change in international market bookings although there is considerable uncertainty about the possible effect. In the domestic market a significant proportion of businesses expect demand to increase, especially the in the leisure travel market where 13% of operators expect an increase in bookings.

Internationally, the North American market has the highest percentage of operators expecting a downturn in bookings, although a majority expect no change, particularly in business travel. The UK and European markets are expected to be the next worst hit, while the Japanese and New Zealand markets have the lowest proportion of operators expecting a downturn.

Larger businesses tended to be more pessimistic about bookings over the next three months. In particular, the larger the business the more pessimistic they were about bookings for domestic travel. Approximately a half of operators expect bookings to fall between 5% and 20%. A small, but not insignificant number expect bookings to fall by more than 50% - business travel bookings are expected to fall this much by 2% of operators, while 5% expect their leisure travel bookings to fall this much.

Table 4

% of operators expecting:	<i>Market type</i>			
	Domestic		International	
	Leisure	Business	Leisure	Business
No change	36%	49%	53%	68%
Demand down	45%	44%	38%	19%
Demand up	13%	4%	2%	1%
Don't know	5%	3%	7%	12%
Total	100%	100%	100%	100%

Revenue

Expectations for effect on revenue during the next three months are basically the same as the actual effect experienced so far. Revenue from the international market will continue to be down (by 12%) more than from the domestic market (down 9%). Revenue from leisure travel will be down more than from business travel, with the impact from the international leisure travel market the worst affected.

Table 5

Percentage fall in revenue expected			
Domestic market		International market	
Leisure	Business	Leisure	Business
10%	7%	13%	9%
9%		12%	
10%			

These figures are reflected in the proportion of operators indicating their expected effects. More than half (51%) of operators in the international leisure travel market expect a fall in revenue. On the other hand, more than half (56%) of operators in the international business travel market expect no change in their revenue.

Looking at individual major markets, revenue is expected to drop most from the North American market (down 20%). Europe is expected to be the next most affected, with both the UK and Europe markets expected to produce 11% less revenue, while Japan, Asia and Other are expected to produce 8% less revenue. New Zealand is thought to fare best with an expected 6% fall in revenue from that market.

Table 6

Percentage fall in revenue expected			
Market source	Market type		
	Leisure	Business	Total
North America	21%	19%	20%
Japan	8%	8%	8%
Asia	7%	8%	8%
UK	11%	9%	11%
Europe	11%	11%	11%
New Zealand	6%	6%	6%
Other international	9%	5%	8%
Total international	13%	9%	12%

A small but significant proportion of businesses expect revenue to increase. Somewhat more optimism is indicated from those operating in the domestic market, and particularly the domestic leisure market where over one in ten operators expect to increase their revenue.

Table 7

% of operators expecting:	Market type			
	Domestic		International	
	Leisure	Business	Leisure	Business
No change	38%	49%	41%	56%
Revenue down	46%	43%	51%	39%
Revenue up	11%	4%	2%	1%
Don't know	5%	3%	6%	3%
Total	100%	100%	100%	100%

Staff retrenchments

The total number of retrenchments to date has amounted to 4% of total staff. Against this, some businesses have increased their staff numbers. As a result the net effect has been a fall of around 3.5% of the workforce.

As might be expected, retrenchments particularly affected casual staff, where the rate was double the average.

Table 8

Type of staff	Retrenched
Full time permanent	2%
Part time permanent	4%
Casual staff	8%
Total	4%

Despite approximately a half of businesses having been adversely affected, only 13% of businesses have retrenched staff to date. Most of those businesses retrenched 1 to 3 staff, but a significant number retrenched 20 or more staff. On the other hand, 4% of businesses have

actually employed more staff as a result of the impact. Some of these businesses have taken on more than twenty additional staff.

Table 9

Changes to staff	% of businesses
No change	83%
Retrenched staff	13%
Employed additional staff	4%
Total businesses	100%

Of those businesses that retrenched staff, the majority retrenched full time permanent staff and casual staff rather than part time permanent staff.

Table 10

Type of staff retrenched	% of businesses who have retrenched staff
Full time permanent staff	8%
Part time permanent staff	5%
Casual staff	7%
Any staff	13%

However, 16% of businesses expect to retrench some staff during the next three months. Those businesses, though, expect on average to retrench fewer staff than has been the case so far.

Table 11

Type of staff expected to be retrenched	% of businesses who expect to retrench staff
Full time permanent staff	10%
Part time permanent staff	6%
Casual staff	7%
Any staff	16%

Of the major tourism related sectors, transport operators were the most affected by retrenchments, with over one in ten employees having been retrenched to-date.

Table 12

Sector	% of staff retrenched
Accommodation	3%
Attractions	4%
Restaurants, cafes	1%
Retail	2%
Transport operators	11%
Travel agents	4%
Other	7%
Total	4%

TOURISM INDUSTRY WORKING GROUP

OPTIONS/STRATEGIES FOR GOVERNMENT CONSIDERATION

International Marketing

1. Subject/Topic – Allocation of additional funding to the Australian Tourist Commission for international tourism promotion specifically aimed at boosting inbound tourism business. The ATC Market Redevelopment Package will involve industry support measures; tactical campaigns with airlines and wholesale partners; increased advertising and media to build market share; a focus on business tourism and consumer research.

2. Specific Recommendation – An allocation of \$36 million in additional funding to the Australian Tourist Commission for Year 1 of the Market Redevelopment Package. An allocation of \$31 million in Year 2; \$22 million in Year 3; and \$17 million in Year 4. Certainty for ATC funding is also needed beyond Year 4 and the ATC would look to the Government to provide a more stable funding base so as to allow for forward planning.

3. Description of Proposal **Market Redevelopment Package**

The following broad designations are the synthesis of a range of specific, costed initiatives.

- **Industry Support Initiative**

The Australian Tourist Commission is an active partner with the Australian tourism industry and in recognition of the economic impact on many industry participants will introduce a range of special interim discounts for marketing services currently on offer. This will cover events such as ATE; ITB, and World Travel Mart and will extend to reduced advertising rates in ATC publications.

- **Operation Strike Back Initiative**

The focus of Strike Back will be tactical campaigns and co-operative advertising with airlines, charter operators, wholesale partners and travel agents, to get back in the overseas markets quickly once the conditions are right, with appropriate messages and products. The funding allocation sought by the ATC will also provide for the specific marketing of Australia as an inbound destination in Asian locations to be served by start-up carriers such as Australian airlines. Tactical campaigns have the proven ability to generate short term business and in conjunction with other campaigns planned as part of the ATC base budget activity will give depth and impact to regional marketing. It is expected that industry partners will not be able to contribute the same level of matching funds, so it will be vital for the ATC to provide a larger share of the budget.

- **Operation Maximum Impact (Build Market Share)**

Australia's safe positioning in the minds of consumers means we have an opportunity to gain share of the market in the short term as travellers are looking for "safe havens". This is provided we have significant voice in the market. Therefore to capitalise on the immediate opportunity we would look to maximise the marketing impact by building on our current advertising media budgets for magazine, TV and direct mail with a strategy to steal as much market share as possible. The ATC would also provide support to start up carriers in Asia in order to build market share in this region.

- **Business Tourism**

Evidence exists that the international situation is causing concern amongst incentive and corporate event organisers and end user companies over the choice of a safe destination.

There is also evidence of potential business available to Australia in the short term from programs which need to be diverted from destinations which are now considered unsafe. Therefore the ATC is willing to increase the existing program of identifying potential incentive and corporate travellers and commit resources to developing relationships and converting into arrivals. This is predicated on the fact that support will not be available through alternative channels.

- **Research**

Undertake a research program to identify the types of experiences, dimensions and conditions most sought after by our key markets post crisis and as a consequence deliver a research strategy which will have ongoing benefit for the ATC and industry partners. The research will provide clear segment based product requirements and dimensions from which State Tourism Organisations and Regional Bureaux and suppliers can develop identified experiences, products and destinations or refine/modify existing/new products. The ATC will then work with industry to bring products to market and drive promotion through tactical and conversion advertising. This research is essential to refine ATC current advertising strategies, products being promoted and ATC communication messages so they are modified to play better with changed consumer psyche.

4. Those Targetted/Benefitting

National economy and tourism industry participants

5. Intended Outcomes

On the estimation from Access Economics that an increase of \$1 million in ATC promotion could generate up to \$10.7 million in tourism export income, the Market Redevelopment Package could generate up to \$1.13 billion in tourism export income.

On the estimation from the Bureau of Tourism Research that every \$1 billion in tourism export income creates 11,367 jobs, the Market Redevelopment Package would create approximately 12,840 jobs.

Over the next five years it is estimated that if current forecasts are met, there will be an additional 25,272 jobs in regional Australia over the next five years, an additional 24,009 jobs for young people over the next five years and a total of \$15.2 billion in tourism expenditure over the next five years.

6. Proposed Cost
MARKET REDEVELOPMENT PACKAGE

	Year 1 – 01/02	Year 2 – 02/03	Year 3 – 03/04	Year 4 – 04/05
Industry Support	\$6 million	\$4 million	\$3 million	\$2 million
Operation Strike Back	\$13 million	\$10 million	\$8 million	\$4 million
Operation Maximum Impact	\$9 million	\$9 million	\$9 million	\$9 million
Business Tourism	\$4 million	\$4 million	\$2 million	\$2 million
Research	\$4 million	\$4 million	-	
TOTAL	\$36 million	\$31 million	\$22 million	\$17 million

NB: The tiered allocation of funds for the Industry Support, Operation Strike Back and Research initiatives is reflective of the immediacy of action required for industry support and research at this time and the need to generate inbound business in the short-term.

7. Timeline/Implementation Date

Four Year Program to start as soon as the additional funding becomes available.

APPENDIX 1 – MARKET REDEVELOPMENT PACKAGE PROPOSALS	
YEAR 1	
INITIATIVE	AMOUNT
Industry Support	
Industry Assistance on Marketing Services – ATE, Trade Missions, Publications	\$6 million
Operation Strike Back	
Mono Destination Promotion – Singapore, Malaysia, Hong Kong	\$500,000 plus partner contributions
Mono Destination Promotion – Japan	\$1 million plus partner contributions
Rediscover Australia Campaign – Phase 2 – Singapore, Malaysia, Hong Kong	\$500,000 plus partner contributions
Japanese Honeymooners Campaign	\$1 million
Support for Start-Up Carriers in Asia	\$1.25 million
Tactical Campaigns with STOs and airlines – New Zealand	\$1 million
Tactical Campaigns with Industry Partners – Americas	\$4.25 million
Tactical Campaigns with Industry Partners – Europe, Middle East and South Africa	\$3.5 million
	\$13 million
Operation Maximum Impact	
Brand Advertising – Singapore, Malaysia	\$900,000
Brand Advertising – China	\$3.5 million
Major Broadcast Assistance – Japan	\$350,000
Rediscover Australia Campaign – Phase 2 – Singapore, Malaysia (Television and Cinema)	\$2.5 million
ATC Experience Campaign – New Zealand	\$750,000
Promotion Activities – Europe, Middle East and South Africa	\$1 million
	\$9 million
Business Tourism	
Incentive/Corporate Market Development – Asia	\$500,000
Incentive/Corporate Market Development – North America	\$700,000
Incentive/Corporate Market Development – UK, Europe, South Africa	\$600,000
Awareness campaign – business journals – Asia, North America, Europe	\$1.2 million
Team Australia – roadshow and telemarketing project	\$500,000
Incentive/Corporate segment – product gap analysis	\$500,000
	\$4 million

Research	
Industry research, including ongoing Global Markets Industry Barometer	\$850,000
Ongoing Consumer Pulse	\$1 million
Product Experience Research – UK, Germany, USA, Japan	\$1.25 million
Eastern Hemisphere research - Product Audit, Regional Dispersal, Japan segment/product gap analysis	\$900,000
	\$4 million
TOTAL	\$36 million

ATTACHMENT D**TOURISM INDUSTRY WORKING GROUP****OPTIONS/STRATEGIES FOR GOVERNMENT CONSIDERATION****Domestic and Regional Marketing****1. Subject/Topic**

New funding for a continuance and development of the See Australia Domestic Tourism Initiative commencing January 2002.

(Please note:

1. This is a separate submission to the Summer Holiday Campaign proposed by See Australia which is intended as a short term initiative proposed for November and December 2001.
2. This proforma is supported by a 39 page submission to the Commonwealth government made in July 2001.
3. This initiative has been presented in detail to participants to the Australian Regional Tourism Convention in Port Macquarie and to the Segra conference in Townsville both in September 2001 and was supported by 95% of attendees/participants.

2. Specific Recommendation

The Initiative will be in two parts:

1. A METROPOLITAN PUSH CAMPAIGN: A continuance of the campaign in Metropolitan Australia to re-educate working Australians on the benefits of taking holidays and
2. A REGIONAL PULL CAMPAIGN: A new and complementary campaign to help educate and influence local government and communities in regional Australia about the unique value of tourism to regional economies and employment and the preservation of our environment, history, heritage and culture which is Regional Australia. It is also to influence regional communities to develop tourism strategies that welcome and embrace tourism from both a supply and a demand perspective.

3. Description of Proposal

1. A METROPOLITAN PUSH CAMPAIGN: A continuance (second-generation creative) of the Ernie Dingo/See Australia marketing campaign. This will incorporate the following programs:

A. Consumers (a consumer program using PR TV, radio, cinema, print, outdoor and Internet

media that supports tactical activity from the States and industry),

B. Employers (a new Employer program targeting employees),

C. Health (a new health program targeting AMA and members., pharmaceutical companies, and health insurance,

D. A new CRM (Consumer Relationship Marketing Program) facilitated by a new Link database populated with See Australia customers (consumers) and See Australia Product (Products from the domestic tourism industry).

E. Continuance of the See Australia Internet Program (www.seeaustralia.com.au).

F. Continuance of the national See Australia R&D program.

2. A REGIONAL PULL CAMPAIGN: A new initiative featuring Ernie Dingo/See Australia that encourages regional communities to welcome and embrace tourism and to develop effective tourism strategies. This will provide an infrastructure for industry to align their respective regional tourism strategies. This will incorporate the following programs:

A. Root Learning (an education/training tool that uses metaphor mapping to help stakeholders (in this case regional communities) to embrace change and welcome tourism.

B. Regional marketing program (Firstly using Ernie to help local business to appreciate they are within the tourism business and secondly advertorial case studies that act to champion businesses and regions that have successfully embraced tourism.

C. Regional PR program (a program that provides tools for tourism communities in regional Australia).

D. Additional funding for other national regional initiatives (including the 2002 Year of the Outback).

3. Those Targetted/Benefitting

1. A METROPOLITAN PUSH CAMPAIGN: A. The 83% of working Australians that take either none or not all of their holidays each year and B. The 60% of working Australians that take all of their holidays each year to ensure that they continue to do so.

2. A REGIONAL PULL CAMPAIGN: A. Regional communities and tourism operators that do not have effective tourism strategies.

5. Intended Outcomes (1 paragraph)

To work with the States and industry to stimulate growth in domestic (in particular regional tourism).

See Australia has established that a 10% increase in tourism in regional Australia would contribute an additional \$1 billion to regional economies and an additional 9000 new jobs.

Domestic tourism generates \$49 billion or 80% + of total Australian tourism. Australians spent \$25 billion in regional Australia in 99 compared to \$2.4 billion from inbound. Domestic tourism is the key to regional tourism growth.

There is a growing divide between domestic tourism growth in metropolitan Australia (Capital cities) and regional Australia. When comparing NVS figures for the Dec 2000 QTR with the figures for the same period in 2001 Overnight trips in capital cities increased by + 11% compared to + 5% in regional areas and overnight expenditure grew by + 37% in capital cities compared to + 6% in regional areas.

95% of Australians want to visit regional Australia but 75% admit to the likelihood of returning

to familiar destinations for their next holiday.

6. Proposed Cost

\$8 million per annum, (for 3 years)

7. Timeline/Implementation Date

Commencement date January 2002.