

LEGISLATIVE COUNCIL SELECT COMMITTEE

TOURISM IN TASMANIA

Chairman's Foreword and Executive Summary

Tourism affects everyone in Tasmania whether they realise it or not. It is a major contributor both to the Tasmanian economy and to employment. Fluctuations in visitor numbers have flow-on effects in the Tasmanian economy.

It has been estimated that 6.1% of Tasmanians are directly employed in tourism. If indirect employment is added this increases to 11% and represents 25,000 Tasmanians.

For the year ending September 2010 visitor expenditure in Tasmania amounted to \$1.53 billion with the average spend per visitor amounting to \$1,676.

The majority of businesses directly involved in tourism are in the small business category with 85% employing 5 people or fewer. It has been estimated that more than 70% have an annual turnover of less than \$250,000.

In the last 18 months there has been a decline in the tourism industry in Tasmania, in common with other parts of Australia, largely due to difficulties which are external to Tasmania and beyond the control of the State Government, Tourism Tasmania and those involved in the local tourism industry. These difficulties include the effects of the Global Financial Crisis and the strengthening of the Australian dollar making it attractive and more affordable for Australians to travel overseas rather than domestically.

Although the factors responsible for this decline are extraneous and beyond local control, there are actions which can be taken locally to reduce the severity of the decline.

Greater use of the internet for marketing and online bookings is a measure that is being utilised by many Tasmanian businesses, but not enough. Tourism Tasmania conducts a Digital Coach Program which provides assistance by way of instructions for businesses wishing to take advantage of this service.

A major factor which influences the growth and development of the tourism industry in Tasmania is the standard and quality of service. Whilst there are many businesses which provide a high standard of service, there are regrettably too many in which the standard needs to be improved. This does influence the impressions and attitudes of visitors to this State.

The Committee's attention was drawn to the disturbing practice of some businesses failing to observe their advertised opening times. There were also complaints about the difficulties experienced by visitors in finding restaurants and other eating establishments open during public holidays.

It is acknowledged that such businesses can often ill-afford to open on public holidays due to the burden of paying excessive penalty rates – examples of which are given in the body of this Report. This problem needs to be addressed.

Attention should also to be given to the threshold level for payroll tax as it acts as a deterrent to small businesses expanding and increasing staff numbers.

Access will always have a major impact on the growth and development of tourism in Tasmania, whether by sea or air. The Committee received evidence that in 2009 86% of visitors who arrived in Tasmania came by air. With the introduction of budget airlines resulting in keen competition, Tasmania is currently well served in terms of airline schedules and fares. Any weakening of the present level of competition resulting in a reduction in services and an increase in airfares would have a highly detrimental effect on our tourism industry.

Evidence was received that the government-owned TT-Line *Spirit of Tasmania* shipping service between Devonport and Melbourne brings about 120,000 visitors to Tasmania each year, who spend around \$300 million in this State. It was estimated that in terms of visitor numbers the ferries run at about half capacity on a yearly average. If they were to operate at full capacity a further \$300 million could be injected into the Tasmanian economy.

As a Government Business Enterprise the TT-Line is required to be profitable and to run on a commercially viable basis. There is a strong body of opinion that if the requirement to operate profitably were removed, the TT-Line would have more flexibility to increase passenger numbers, resulting in far greater expenditure in this State.

The Tasmanian Government's financial support is crucial to the success of tourism in Tasmania. The promotion of resorts and hotels by national and international chains in other States has the effect of marketing not only their establishments, but also tourism in their States. With fewer resorts and hotel chains operating in Tasmania a greater responsibility for promoting tourism rests with the Tasmanian Government.

In the 2009/10 State Budget the amount allocated for tourism was reduced by \$4 million. There was such an understandable negative reaction from the Tourism Industry Council of Tasmania and the industry generally that the lobbying which ensued resulted in the \$4 million being reinstated.

In the current economic climate, where the State Government is forecasting widespread budget cuts, it is imperative that there be no reduction in real terms in funding for tourism. Tourism is one area of government operations where it is necessary to spend

money in order to make it. But if expenditure in tourism is decreased, it follows that there will be a decrease in visitor numbers which will have an adverse impact on the economy.

Every Tasmanian should be made aware that they can play a meaningful role in promoting tourism by adopting welcoming, friendly and helpful attitudes to visitors.

The Government can show leadership in this respect by ensuring that it gives the priority to tourism that the industry deserves. This should be done in the provision of adequate funds and also the recognition of the importance of tourism to our economy at the level of Ministerial appointments.

In New Zealand the industry is appreciative of the fact that the Prime Minister is the Minister of Tourism. This has given a significant boost to the profile of the industry. Similar recognition was given to the importance of the tourism industry in Tasmania when the late Premier Jim Bacon assumed the portfolio of tourism. Whilst it is not essential for the leader of the Government to be the Minister for Tourism, the Committee believes that tourism should be the major portfolio responsibility of whoever holds that Ministry.

Tasmania's largest domestic markets are Victoria and New South Wales but there has been recent growth in other domestic markets.

The Tasmanian Visitor Survey results for the twelve-month period up to 30 September 2010 showed that the total number of visitors on scheduled air and sea services was 912,800, down from 920,700 the previous year. Of these visitors 793,900 were from mainland Australia - an increase of 1% on the previous year.

In terms of marketing the State, Tourism Tasmania introduced Zone Marketing in July 2008 which replaced the previous regional marketing system where the State was divided into three regions. With Zone Marketing the State is divided into five regions and this new system has been subject to quite some criticism. Tourism Tasmania has acknowledged the validity of much of the criticism, especially that which relates to inadequate communication. Some witnesses expressed concern about the boundaries whilst others spoke in favour of the new system.

The Committee shares the views of those witnesses who expressed concern that Tourism Tasmania is within the State's public service bureaucracy. Those holding that view believe that this constrains Tourism Tasmania from marketing the tourist potential of this State to the fullest extent.

There is strong support for removing Tourism Tasmania from the public service and establishing it as a marketing body, similar to the system which exists and operates so effectively in New Zealand.

In providing its strong support for this proposal, the Committee believes that the available funds for tourism in this State would be more effectively utilised if this change were made.

In terms of maximising Tasmania's tourist potential there are a number of other ways in which this can be achieved including niche marketing, the promotion of adventure and nature-based tourism and with online marketing, all of which are detailed in the Report.

The continued promotion of existing icon attractions is to be encouraged and the Committee sees considerable merit in developing other icons which have the potential to increase tourist numbers.

One recommendation is a tourist rail service operating between Devonport and Wynyard. The schedule need not be a daily service but a regular one which could coincide with cruise ships visiting Burnie and also some *Spirit of Tasmania* sailings.

The Committee discussed this proposal with a number of witnesses including representatives of the Don River Railway and the Burnie City Council which owns a number of rail cars that could be upgraded to provide the services.

The Committee also supports a proposal to establish a cable car to the summit of Mount Wellington, subject to it being appropriately designed and located away from residential areas. Cable cars operate effectively in places such as Cape Town, South Africa; Banff, Canada and the Great Wall of China without visual or environmental degradation.

Another potential icon which has the support of the Committee is the Three Capes Track which is currently being developed on the Tasman Peninsula.

Skills training in tourism and hospitality is readily available in Tasmania through Government and private institutions. Maximum use should be made of these to ensure high standards of skills and service throughout the State.

New Zealand is recognised as a leader in tourism and this Committee has benefitted considerably from the information obtained by the three Members who visited that country in February.

The importance New Zealand places on tourism as an economic driver is reinforced by the fact that the Prime Minister is also the Minister of Tourism.

A culture exists throughout New Zealand of widespread individual and community support for the industry. Local government provides generous funding for promotion. As a result tourism ranks with the dairy industry as the two leading industries in New Zealand.

A feature of their tourism organisational structure is the fact that Tourism New Zealand is a marketing body governed by a Board comprising only private enterprise members with no representative from the Government bureaucracy.

Tasmania would benefit by adopting a similar model because, freed of expensive bureaucratic requirements, more funds would be available for marketing and promotion.

There is potential, as well as interest on both sides of the Tasman, for direct air links to be re-established between Tasmania and New Zealand. This should be pursued as a priority.

I express my appreciation to all Members of our Committee for their commitment and thoroughness during our enquiry.

They join me in expressing our appreciation to all who have given evidence, provided written submissions or assisted our deliberations in any way.

Our Committee is grateful to our Secretary, Mr Tom Wise, for his efficiency and dedication. We wish to thank also Mrs Jill Mann, Mr Nathan Fewkes and Ms Roey Johnson of Hansard for their valued assistance

Conclusions

The Committee concludes, in relation to tourism in Tasmania, that:

1. The tourism industry is a major contributor to the Tasmanian economy and it follows that all Tasmanians are affected when visitor numbers decrease significantly.
2. While there is excellent data gathered by Tourism Tasmania on visitor numbers and attitudes, there are shortcomings in the availability of information about the contribution made by tourism to the Tasmanian economy, especially relative to other key industry sectors.
3. Every Tasmanian has a role to play in the tourism industry, either directly as part of a tourism operation or indirectly as in contact with visitors in day-to-day casual situations or in business conversations.
4. Strengthening of the Australian dollar is boosting international travel by Australians to the detriment of domestic travel.
5. The value of the Australian dollar is having an adverse impact on international students undertaking studies in Australia, although in Tasmania numbers have increased.
6. The recent Global Financial Crisis has had an adverse economic impact on tourism and on many Tasmanian businesses.
7. The internet continues to have a significant impact on tourism, resulting in the need for new destinational marketing strategies, the use of online booking websites and the growth of social online media as a marketing tool.
8. Many Tasmanian tourism operators are yet to embrace the internet and this is likely to adversely affect the viability of their businesses and also limit the potential for growth in tourism.
9. Although there are examples of high quality customer service standards throughout Tasmania, there is room for significant improvement in many areas.
10. Penalty rates of pay and payroll tax thresholds are acting as a disincentive to the development and growth of tourism in Tasmania – especially in regard to opening times and employment.
11. Tasmania is generally well served by domestic airlines, with the number of seats available having increased significantly since the introduction of low-cost airlines.

12. Upgrading of Hobart and Launceston airports has enhanced Tasmania's image as a tourism destination as well as the visitor experience.
13. Devonport Airport could attract a greater number of travellers if it were given more marketing exposure.
14. TT-Line is very important to Tasmania both for its passenger capacity and its freight transport role. However, its ability to maximise passenger numbers is inhibited by the Government Business Enterprise obligations to make profit its prime objective.
15. With the changing structure of the Tasmanian economy, the tourism industry is increasingly important to the State.
16. Tasmania's built and cultural heritage has been identified as a competitive advantage with untapped tourism potential.
17. There is significant potential for growth in Tasmania's tourism markets despite the recent downturn in visitor numbers and the challenges posed by the strengthening of the Australia dollar.
18. The State Government has a vital role to play in supporting the tourism industry to ensure that the greatest possible economic benefit is achieved for the State.
19. The reversal of the decision to reduce tourism funding in the 2009-2010 State Budget ensured that there was no adverse effect or implications for the tourism industry.
20. It is clear that the Global Financial Crisis and the high value of the Australian dollar have had significant negative impacts on Tasmania's capacity to attract international visitors from traditionally strong overseas markets, such as the United Kingdom and North America.
21. Tasmania's largest domestic markets are Victoria and New South Wales, but there has been recent growth in other domestic markets including the Northern Territory, ACT and South Australia.
22. The zone marketing concept has been problematic, with some tourism operators critical of the lack of consultation and feedback during the implementation of the concept.
23. From evidence received across the State it was obvious that some of the organisations responsible for zone marketing were more successful than others.
24. Tourism Tasmania has recognised and publicly acknowledged the shortcomings of the zone marketing concept and has initiated a review.

25. Tourism Tasmania has acknowledged the need for better communication and more effective engagement with the tourism industry.
26. It seems clear from evidence given to the Committee that, as a result of the independent “non-bureaucratic” structure of Tourism New Zealand, there are major advantages in the way it carries out its statutory roles.
27. The current structure of Tourism Tasmania within the State bureaucracy inhibits its capacity to respond quickly to changing markets and to maximise the tourism potential of Tasmania.
28. A greater focus on specialist niche markets would attract additional tourists to Tasmania.
29. The backpacker sector represents an opportunity for further development as a specialist niche market.
30. There are opportunities to exploit nature-based and adventure tourism in Tasmania and to draw on the lessons learned from a recent review of adventure tourism in New Zealand to ensure the safety and viability of current and proposed ventures.
31. Due to financial pressure and uncertainty in the forestry industry, the capacity of Forestry Tasmania to continue to maintain its tourism-related infrastructure has been severely constrained.
32. Unless Forestry Tasmania is able to find an alternative source of income to maintain its infrastructure, some of the existing nature-based attractions will be lost to the tourism industry.
33. Icon attractions are important to draw tourists to Tasmania.
34. While there are already icons in this State, there are opportunities to develop additional attractions to keep tourists in the State longer and to pursue new markets.
35. There is little doubt that the North-West Coast region needs another major icon attraction to develop and grow its tourism sector.
36. Previous proposals for a Mt Wellington cable car have not been successful, mainly due to public opposition to the particular design of the development and the location of the base terminal in suburban Hobart.
37. A Mount Wellington cable car, properly designed and planned, has the potential to greatly enhance the appeal of Hobart and Tasmania as a tourist destination.

38. The Three Capes Track will be a major icon attraction for the Tasman Peninsula and for the whole of Tasmania.
39. It is vital that skills training in tourism and hospitality meets the needs and expectations of employers.
40. There is a need to ensure that people in regional areas can continue to access skills training in tourism and hospitality.
41. The new mobile training facility established by the Skills Institute has helped to improve the training opportunities in rural and remote Tasmania.
42. Tourism accreditation schemes are beneficial in encouraging tourist operators to meet appropriate standards in their business and to enable customers to better understand the standards to expect from tourism businesses.
43. The existing TICT accreditation scheme operating in Tasmania is well regarded and to some extent has provided the impetus for the new national accreditation scheme for Australia.
44. New Zealand represents a largely untapped market of 4.5 million people for the Tasmanian tourism industry.
45. A major impediment to Tasmania taking full advantage of the close proximity of the New Zealand market is the lack of direct flights between the two destinations.
46. Since the 1980s, when direct flights were available between Hobart and Christchurch, the airline industry has changed significantly with the growth of low-cost carriers around the world.
47. Three low-cost airlines now service Tasmania, with two of them also operating flights from mainland Australia to New Zealand.
48. The trans-Tasman route is widely regarded as almost an extension of “domestic air travel” rather than an international route.
49. The concept of a direct air link between New Zealand and Tasmania has strong support on both sides of the Tasman Sea, but especially in New Zealand.
50. Opportunities exist to pursue the establishment of direct air-links between Tasmania and New Zealand.
51. The final decision to establish an air link is a commercial one to be made by the airlines operating in Australia and New Zealand.

52. The use of high-profile Tasmanians and other individuals to promote the State should be selective and targeted.

Recommendations

1. The Tasmanian Government improves its data collection and analysis to demonstrate more fully the economic value and importance of tourism to the State, especially in comparison with other key industry sectors.
2. An awareness campaign be conducted to impress upon all Tasmanians the importance of tourism to our economy and employment, as well as the role they can play in promoting Tasmania and in welcoming and assisting visitors to our State.
3. The Tasmanian Government pursues, through the Council of Australian Governments (COAG) and relevant Ministerial Council meetings, a review of penalty rates of pay and associated workplace restrictions for the tourism industry.
4. The Tasmanian Government urgently reviews the impact of payroll tax and implements measures to minimise any disincentives to increased employment.
5. The Tasmanian Government re-assesses taxes and charges, regulatory requirements and planning laws with a view to encouraging further investment in tourism-related projects.
6. As airport infrastructure is not a “core” responsibility of TasPorts, it should consider shedding its role as owner of the Devonport Airport.
7. The Tasmanian Government enables TT-Line to make the maximising of passenger numbers its primary objective.
8. The Tasmanian Government continually reinforces with the Federal Government the importance of the Bass Strait Passenger Vehicle Equalisation Scheme to ensure that the scheme is maintained at least at current levels.
9. Tourism be the major portfolio responsibility of whoever holds that portfolio.
10. The Tasmanian Government continues to provide financial support to Tourism Tasmania at least at current levels, in real terms.

11. The Tasmanian Government, through Tourism Tasmania, substantially increases its efforts to attract more visitors from the Asia-Pacific region, especially from New Zealand which is a market of almost 4.5 million people only 3.5 hours away.
12. The Tasmanian Government, through Tourism Tasmania, continues to focus on the strong traditional domestic markets of Victoria and New South Wales and explores other emerging domestic markets.
13. Tourism Tasmania undertakes further analysis of the zone marketing concept to highlight the strengths and address the weaknesses.
14. Tourism Tasmania develops a strategy to improve its level of communication and engagement with the industry.
15. Tourism Tasmania undertakes an aggressive expansion and promotion of its Digital Coach program.
16. The Tasmanian Government facilitates a faster rollout of the National Broadband Network in Tasmania to ensure all tourism businesses have access to the best online facilities available.
17. The Tasmanian Government comprehensively reviews the technical, operational and financial aspects of the current accommodation booking system on the *discovertasmania.com* website.
18. Tourism Tasmania develops a dedicated marketing strategy to capitalise on the State's niche marketing advantages.
19. The Tasmanian Government, through Tourism Tasmania, undertakes a review of the backpacker sector to maximise its potential as a niche market.
20. The Tasmanian Government gives favourable consideration to Forestry Tasmania's application for Community Service Obligation funding to maintain its infrastructure so that existing nature-based attractions remain accessible.
21. The Tasmanian Government collaborates with Tasmanian Railway Pty Ltd, the Don River Railway and the tourism industry to develop, as a priority, a tourist and heritage railway experience between Devonport and Wynyard.
22. The Tasmanian Government actively pursues the appropriate development of a Mount Wellington cable car.
23. The Tasmanian and Commonwealth Governments expedite the construction of the Three Capes Track.

24. The Tasmanian Government invests additional funds to ensure that the training and skills development needs of the tourism and hospitality industry are maximised, especially in regional and rural areas of the State.
25. The Tasmanian Government undertakes a major review and re-organisation of regional tourism and uses the Cradle Coast Authority and the regional structure adopted in New Zealand as its model.
26. The Tasmanian Government, in close consultation with the Tourism Industry Council of Tasmania, expedites the introduction to Tasmania of the new Australian national accreditation scheme (TQUAL) for all categories of tourism.
27. The Tasmanian Government separates Tourism Tasmania from the State bureaucracy to enable it to operate independently and solely as a marketing company similar to Tourism New Zealand.
28. The Tasmanian Government establishes a Tourism Policy and Research Unit within the Department of Economic Development, Tourism and the Arts to provide tourism policy advice and research support to the State Government similar to the manner in which the Tourism Strategy Unit operates within the Ministry of Economic Development in New Zealand.
29. The Tasmanian Government takes a leadership role in working with the Tasmanian tourism industry, relevant local government bodies and major airport owners, together with their New Zealand counterparts, to develop a strong business case supporting direct flights.
30. That the business case supporting direct flights between Tasmania and New Zealand be completed and presented to the airlines before the end of this calendar year.
31. The Tasmanian Government, through Tourism Tasmania and Business Events Tasmania, establishes an expanded Tourism and Events Ambassador Program based on the Club Melbourne Ambassador Program model.