

23 June 2021

Ms Liz Savage
Chair
Tourism Industry Reference Panel

Per email: tourismrecovery@dtis.qld.gov.au

Dear Ms Savage

Cairns Regional Council's Submission to the Queensland Government Tourism Industry Reference Panel's Designing Our Future Tourism Discussion Paper

Executive summary

Cairns Regional Council welcomes the opportunity to provide a submission to the Queensland Government Tourism Industry Reference Panel's Designing Our Future Tourism Discussion Paper.

The economic impact of COVID-19 was acutely felt in Cairns and TNQ, more so than most locations in Australia, as international travel stopped, and domestic travel was heavily curtailed. Total tourism arrivals dropped by 50% in 2020 leading to a projected regional net loss of \$6.5 billion (in net present value terms) in tourism expenditure over the period 2020 and 2029 due to COVID-19.

Prior to COVID-19, TNQ had experienced a sustained decline in tourism market share in both international and domestic markets. The cause of this decline in market share is a multi-faceted issue, with a range of contributing factors. COVID-19 provides an opportunity to reassess and reset the trajectory of the tourism sector in both TNQ and Queensland.

In developing the Queensland Government's new Action Plan for Tourism Recovery, we urge the Panel to strongly consider the solutions and the ten recommendations outlined in this submission relating to:

- **Product/experience development and support:** *Nature based tourism, Cultural Tourism and Infrastructure, Business and Major Events.*
- **Destination marketing and investment:** *A focus on destination specific marketing rather than Queensland wide marketing with increased investment.*
- **Aviation support:** *Funding to support sustainable route development and capacity.*
- **Coordination with complementary industries:** *Agricultural Export, Freight, International Education and Film.*

The implementation of the recommendations outlined in this submission requires a substantial and sustainable increase in the current level of investment. Council proposes a medium to long term solution through the establishment of a visitor levy, together with an immediate funding boost by the Queensland Government in the interim to ensure the opportunity to grow market share is not lost while the longer-term solution is implemented.

The governance and delivery of this Action Plan will be critical in ensuring the ongoing success and growth of TNQ's and Queensland's visitor economy.

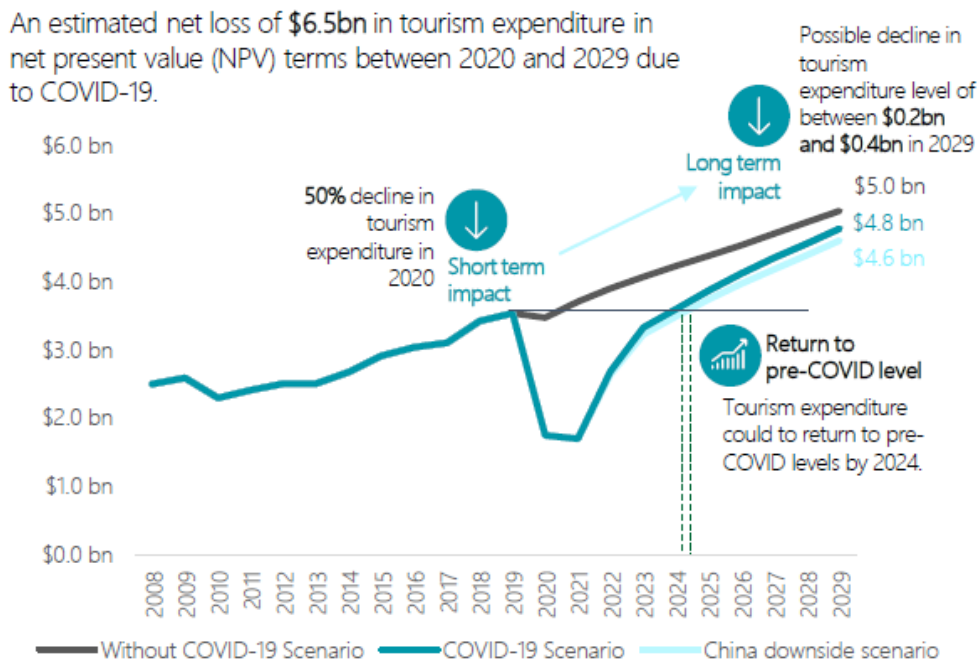
Background – Tourism sector in Cairns/TNQ and the impacts of COVID-19

The tourism sector accounted for approximately 9.9% of Tropical North Queensland’s (TNQ’s) Gross Regional Product (GRP) in 2018-19,¹ contributing over \$910 million of added value, and employing over 11,320 people within the Cairns economy alone.²

Cairns and TNQ have been hit hard by the COVID-19 pandemic with total tourism arrivals dropping by 50% in 2020 which has had additional impacts on the broader regional economy. The tourism sector in TNQ is highly exposed to demand from international source markets, including China, and following the onset of COVID-19, a large proportion of the sector’s workforce had been reliant on the Federal Government’s JobKeeper program.

The economic impacts of COVID-19 were acutely felt in Cairns and TNQ, more so than most locations in Australia, as international travel was stopped and domestic travel heavily curtailed. Tourism Tropical North Queensland (TTNQ) recently commissioned Deloitte Access Economics to assess the potential impacts of COVID-19 on the TNQ tourism economy over the 10-year period to 2029. The Deloitte analysis estimates that TNQ will suffer a projected net loss of \$6.5 billion (in net present value terms) in tourism expenditure over the period 2020 and 2029 due to COVID-19. A high-level summary of the Deloitte analysis is attached at Appendix 1 with an extract of the report findings set out below.

Graph 1 – The projected impact of COVID-19 on tourism in TNQ



Support initiatives from all levels of Government, in particular the Federal Government’s JobKeeper program, have helped mitigate the impacts of COVID-19. However, further support will be needed to support the sector’s recovery and harness the potential post-COVID-19 opportunities to increase sector performance and market share.

Recommendations on these support measures are included throughout the remainder of this report and are aligned with Cairns Regional Council’s [COVID-19 Local Recovery Plan](#).

¹ Deloitte, (2021) *Tropical North Queensland Tourism Sector Analysis*

² [Economy .id](#), *Tourism and Hospitality Value*

The Plan was developed in partnership with Cairns' Economic Response and Recovery Sub-Committee (ERRSC), of which TTNQ is a contributing member.

This submission is structured in three distinct sections:

- **PROBLEM & OPPORTUNITY:** An overview of the key issues faced by the tourism sector both prior to and as a result of COVID-19 and the opportunity which exists to address these issues in a post-COVID-19 environment;
- **SOLUTIONS:** Recommendations on the specific measures that should be implemented to address the problem/opportunity; and
- **HOW TO FUND THE SOLUTIONS:** Recommendations on how funding to implement the proposed solutions should be sourced.

PROBLEM: *Loss of TNQ destination market share pre-COVID-19*

Prior to COVID-19, TNQ had experienced a decline in tourism market share in both the international and domestic market segments. Over the three years to June 2019, TNQ lost an estimated 17% of national tourism market share. From June 2016 to June 2019, visitor expenditure in TNQ grew at just 1.9% per annum, less than a quarter of the national average growth of 8.2%. The lost market share over this three-year period equates to \$1.2 billion in lost revenue equating to 4,260 Full Time Equivalent (FTE) jobs.³

The cause of this diminishing market share is a multi-faceted issue, with contributing factors including:

- Strong competition from alternative destinations both nationally and internationally;
- A lack of focus and investment in destination specific (Cairns and the Great Barrier Reef) marketing;
- Perceptions of the health of the Great Barrier Reef;
- Constrained domestic aviation capacity;
- Sub-optimal international aviation connectivity; and
- Limited investment and promotion of 'new' visitor products and experiences.

OPPORTUNITY: *Potential to regain destination market share in a post-COVID-19 environment*

The sustained decline in tourism market share was a concerning trend. However, COVID-19 provides an opportunity to reassess and reset the trajectory of the tourism sector in both TNQ and Queensland. Over the medium to longer term, tourism remains an export market with enormous growth potential. The sustained and rapid expansion of the global middle-class population had driven record levels of personal discretionary expenditure pre-COVID-19. Global tourism was a significant beneficiary of this trend with growth in international tourism receipts outperforming worldwide GDP growth. Whilst COVID-19 has adversely impacted the sector in the short term, a rebound is expected as international travel progressively returns following the rollout of vaccines globally. The resurgent domestic travel market within Australia is testament to the community's continued appetite for travel despite some of the uncertainties posed by COVID-19 border and travel restrictions.

In the post COVID-19 environment, there is opportunity for TNQ and Queensland to regain lost tourism market share in both the domestic and international markets. COVID-19 provides an opportunity to reassess and reset approaches in traditional markets, access new markets building on competitive strengths, review longer term strategies for key growth

³ [Cairns Regional Council](#), *Sustainable Tourism Funding for TNQ (refer Appendix 2)*

sectors including nature based and cultural tourism and establish strategic sustainable aviation links.

TNQ's competitive advantages that can be leveraged to secure a substantial share of the reopened market, include:

- An established and growing reputation as a 'COVID-19 safe' travel destination;
- A lower population density (residents and visitors) which is likely to be appealing to travellers in a post-COVID-19 environment;
- An existing and mature tourism sector and allied industries;
- Iconic world heritage listed natural assets (Great Barrier Reef and Wet Tropics Rainforest);
- Substantial existing nature-based tourism attractions and activities (hiking, mountain biking etc) with significant potential for growth;
- Direct connection to both Aboriginal and Torres Strait Islander cultures and significant growth potential in the cultural tourism sector;
- Established reputation as a business, sports, cultural and major events tourism destination with potential for further diversification and growth;
- International airport with strong domestic connectivity and proven capability to service international routes;
- Well established seaport supporting marine tourism operators, cruise shipping, and superyachts;
- Significant recent and planned investment in tourism infrastructure and facilities including the Crystalbrook Collection of hotels, Cairns Convention Centre expansion, and Cairns Shipping Development Project (facilitating increased cruise shipping when it is re-established);
- The region's 'clean and green' image and credentials; and
- Cairns' growing reputation as the Arts and Cultural Capital of Northern Australia.

The Queensland tourism sector more broadly also benefits from a number of the competitive advantages outlined above. However, in order to leverage these advantages to their maximum potential, a change of approach will be required together with increased investment. The domestic and international tourism market is expected to be an extremely competitive one as destinations around Australia and the world aggressively seek to secure increased market share in the wake of COVID-19.

Our recommendations on how Queensland and TNQ can drive an increased market share over the medium to long term are set out in the following section of this report.

SOLUTIONS

This submission provides a number of recommendations that Council encourages the Queensland Government to incorporate within the Action Plan for Tourism Recovery. The recommendations fall within four broad areas:

- i) **Product/experience development and support:** Supporting industry in the development of new and expanded products and experiences that will drive visitor demand.
- ii) **Destination marketing focus and investment:** Focussing on destination specific rather than 'whole of Queensland' marketing and increased investment to support destination marketing activities.
- iii) **Aviation support:** Supporting the re-establishment and expansion of sustainable aviation links (both domestic and international).
- iv) **Coordination with complementary industries:** Recognising synergies between tourism and other industry sectors and priorities such as international trade and

investment, agriculture (air freight), international education, film etc and leveraging these synergies.

Further commentary and recommendations are set out below.

i) Product/experience development and support

a. Nature Based Tourism

Ecotourism Australia's Nature Based Tourism in Australia Manifesto indicates that:

- In the year ended 30 June 2016, 68 per cent of international visitors to Australia engaged in some form of nature-based activity; and
- International nature-based visitors generated a higher yield on average with a spend of \$5,548 per trip compared to \$3,621 per trip for other international visitors.

Cairns and TNQ are fortunate to be situated as the gateway to two iconic World Heritage Listed natural assets in the Great Barrier Reef and Wet Tropics Rainforest with existing and well-established nature-based tourism experiences.

However, significant potential remains to develop the region's nature-based tourism experiences and product particularly in the adventure-based segments of mountain biking and hiking. The Queensland Government has committed to the development of the Wangetti Trail. The Trail is a 94-kilometre dual-use walking and mountain biking track through TNQ's coast and hinterland from Port Douglas to Palm Cove (Cairns). The Wangetti Trail will provide a unique, world-class hiking and mountain biking attraction complementing existing nature-based tourism in the region.

Whilst the Wangetti Trail will be a welcome addition, further potential remains. The region has a large number of hiking and mountain biking trails with stunning natural scenery and significant ecological diversity and value. Further development and promotion of these opportunities has the potential to attract additional visitors from this high yielding market segment and contribute to extended visitor length of stay.

This submission calls for the development of a Nature Based Tourism Strategy for the region to identify potential markets, analyse the product offering (current and potential) and the actions needed to realise the segment's enormous potential.

National Parks and other protected areas are a vital part of TNQ's and Queensland's tourism industry. They support jobs and economic activity and will play a major role in Queensland's economic recovery. The Queensland Government needs to ensure that the tourism industry is consistently able to provide high-quality, nature-based experiences across a range of iconic National Parks and protected areas by actively managing access to ensure that full commercial opportunity is achieved within a sustainable management framework. One way to achieve this is a step change to the cardinal principle of the Nature Conservation Act to elevate the purpose of conservation areas from their role in 'preservation' of natural and cultural values to include 'presentation' of these values. This needs to be further explored with an acknowledgement of the vital role the tourism sector plays in presentation of the values to increase the motivation for greater conservation efforts. Targets then need to be set at a regional level not only for conservation efforts but on the number of visitors to protected areas.

Tasmania is a shining example of how the provision of appropriate access to National Parks can not only support economic growth but also provide a sustainable funding stream to support preservation and conservation. Actively encouraging people to visit and engage in

sustainable tourism activities in National Parks is an important step in the long-term conservation of these important natural assets.

Recommendation

The Queensland Government should:

- 1. Develop and implement a Nature Based Tourism Strategy to enable TNQ's and Queensland's significant potential for nature-based tourism activities such as hiking and mountain biking to be fully realised.**
- 2. Leverage the enormous tourism potential of Queensland's National Parks by:**
 - Ensuring appropriate access is provided and maintained for tourism activities within a sustainable management framework;**
 - Investing in infrastructure establishment and maintenance (walking/hiking/mountain bike trails, trail head facilities etc) that will support sustainable tourism activities within National Parks; and**
 - Actively promoting sustainable tourism activities in National Parks.**

b. Cultural tourism and support for iconic tourism product/experience development

Cultural tourism is a growing segment of the global tourism market. An increasing number of visitors are actively seeking out cultural tourism experiences and this provides an opportunity to further diversify and grow the TNQ and Queensland tourism sector.

TNQ is the only Australian tourism region with the traditional homelands of both Aboriginal and Torres Strait Island people and Cairns has the highest proportion of population that identify as Indigenous of any city in Australia. Within the broader TNQ region there is significant potential for cultural tourism experiences including art, heritage and history. As more visitors seek TNQ's and Queensland's cultural experiences, we are in a great position to be Australia's leading destination for Indigenous tourism.

The continual development of new and enhanced cultural tourism products and experiences will be key for both Queensland and TNQ to regain and grow market share. Competition from other destinations in a post-COVID-19 environment will be strong and it will be important for Queensland and TNQ to have the breadth of tourism offering that will encourage more people to visit the region, stay longer and spend more. Virtually all businesses in the tourism sector have experienced adverse financial impacts from COVID-19, compromising their ability to invest in new product/experience development. The establishment of iconic new cultural tourism experiences in TNQ would support tourism sector recovery and have flow on benefits to the broader tourism sector in the region.

The Cairns Gallery Precinct project is an example of an investment ready iconic tourism project that can support economic recovery and drive future domestic and international visitation to Cairns. Cairns is recognised as the Arts and Culture Capital of Northern Australia. The Cairns Gallery Precinct is a project that strongly supports this status and complements recent regional investment in arts and cultural facilities, events and programs. These include the Cairns Indigenous Art Fair (CIAF), Cairns Performing Arts Centre (CPAC), Munro Martin Parklands (MMP) and Centre of Contemporary Arts (CoCA) refurbishment among others.

The project will transform and connect three heritage listed buildings in the Cairns City Centre (the Cairns Art Gallery, 'Old' Court House and former Mulgrave Shire Council offices) and establish a new world class gallery building to create a dynamic and unique gallery precinct with benefits for both the local community and domestic and international visitors.

Fig 1: Gallery Precinct Project Overview



Establishment of the Cairns Gallery Precinct will also have significant positive impacts on jobs and economic growth. It will support city centre activation and complement Council's \$28 million investment in the Esplanade Dining Precinct project (recently completed) which has transformed the dining and entertainment precinct located on the Esplanade in Cairns. In addition to the significant economic impact and employment created during construction, once operational, the Cairns Gallery Precinct will add \$20.7 million per annum to the regional economy (Gross Regional Product) and support 177 ongoing full-time jobs through its direct operation and induced tourism expenditure.

The Federal Government has recently committed \$10 million to the project's implementation through its Regional Recovery Partnerships (RRP) Program to support delivery of the Mulgrave Shire Building upgrades, existing Art Gallery reconfiguration and detailed design for the New Gallery component. Funding to support construction of the New Gallery is yet to be committed.

Recommendation

3. The Queensland Government should:

- **Develop and implement a Cultural Tourism Infrastructure Plan to build on existing infrastructure and competitive advantages in this area (in TNQ in particular) and leverage the increasing global demand for cultural tourism experiences.**
- **Establish a dedicated funding stream to support investment in new cultural iconic tourism infrastructure and experiences such as the Cairns Gallery Precinct.**

c. Business and major events

Business and major events generate enormous economic and social value for local communities and play a vital role in attracting visitors to Cairns and the Great Barrier Reef region. A review of the Events Funding Model is needed to support regional destinations. The current funding model for events disproportionately supports the South East Queensland corner as it focuses on interstate overnight visitor expenditure, which for the Gold Coast is a short drive, while for Cairns is a two-and-a-half-hour flight.

There should be a focus on the trade value as well as the tourism benefit from events to ensure an equitable distribution of funding. This is of vital importance to Cairns given the current \$176 million expansion and refurbishment of the Cairns Convention Centre and potential economic return this upgraded asset will generate if supported by effective marketing and business event attraction funding.

A dedicated TNQ Events Fund should be established to attract new events and grow existing events over and above the current event funding program.

Recommendation

4. The Queensland Government should:

- **Review the Event Funding Model with a view to supporting those destinations (such as Cairns and TNQ) located further from interstate markets;**
- **Review the Business Event Funding Model and increase the Business Event Funding support available to TNQ recognising the significant potential for business event attraction delivered by the upgraded Cairns Convention Centre; and**
- **Establish a \$3M per annum TNQ Events Fund to attract new events and grow existing events over and above the current event funding program.**

ii) Destination marketing focus and investment

d. A renewed focus on destination specific rather than “Queensland wide” marketing

Over the past decade, tourism funding at the State-level has reduced as a proportion of the total State budget. The annual operating budget for Tourism and Events Queensland (TEQ) has remained mostly unchanged, while competition and costs have dramatically increased. As a result, TEQ have increased the proportion of funds that go into the centralised Brand Queensland promotion, while destinations such as Cairns and the Great Barrier Reef have been largely responsible for funding their contribution to destination marketing. This makes sense at the top of the ‘funnel’ in the awareness stages and general engagement in the ‘type’ of trip visitors are planning, however, as you move down the ‘funnel’ no-one holidays in ‘Queensland’, they choose a destination.

Marketing of specific destinations with the greatest economic potential needs to be the primary focus with marketing efforts concentrated on those destinations (such as Cairns and the Great Barrier) that have well established national and international brand recognition, a broad range of tourism product and experience offerings, significant accommodation stock and well established domestic and international aviation connectivity. These destinations provide the greatest potential to leverage destination marketing investment and convert this investment to increased visitation and economic returns. The broader Queensland tourism market also benefits through the potential state-wide dispersal of visitors once attracted ‘in region’.

Regional Tourism Organisations such as TTNQ need to lead the development and implementation of destination marketing activities for the regions they represent and play an active role in determining the direction of destination marketing activities undertaken by TEQ.

Recommendation

5. The Queensland Government should refocus tourism marketing efforts with a greater emphasis on destination specific marketing, promoting those destinations (such as Cairns and the Great Barrier) that have well established national and international brand recognition, a broad range of tourism product and experience offerings, significant accommodation stock and well established domestic and international aviation connectivity. These destination specific marketing activities should be led by the relevant Regional Tourism Organisation (e.g. TTNQ for the Cairns and Great Barrier Reef region).

e. Increased investment in destination marketing

A significant increase in destination marketing funding will be required to enable TNQ and Queensland to compete as other destinations both nationally and globally aggressively seek to capture market share in a post-COVID-19 environment.

For the Cairns and Great Barrier Reef region, TTNQ estimate that an increase of \$4 million per annum to their existing base budget will be required to hold market share with an increase of between \$7 million and \$10 million per annum required to start growing market share for Queensland.

Recommendation

6. The Queensland Government should deliver a step change increase in destination marketing funding to ensure TNQ and Queensland are able to maximise tourism market share in the post-COVID-19 environment.

iii) Aviation support

Aviation access will be key to the economic recovery and growth of the Cairns and the Great Barrier Reef region. The Queensland Government has recognised the importance of attracting and growing airline services in Queensland and increasing capacity from priority source markets. The Attracting Aviation Investment Fund and Connecting with Asia Package were instrumental in supporting new route development. Aviation connectivity has broad ranging economic benefits beyond tourism with international education, agriculture (air freight export) and a range of other trade and investment opportunities unlocked when sustainable international air links are established.

The key international and domestic aviation gateways of Queensland (Cairns, Sunshine Coast, Gold Coast and Brisbane airports) have recommended the establishment of a new Aviation Capacity Expansion (ACE) program with an investment of \$100 million over four years. This fund would support both domestic and international routes, boost seat capacity and affordability and also support agricultural exports. Council supports this initiative recognising how reliant the region's tourism sector is on aviation capacity and connectivity.

Recommendation

7. The Queensland Government should establish the proposed Aviation Capacity Expansion (ACE) program with a \$100 million investment over four years.

iv) Coordination with complementary industries

COVID-19 has resulted in significant detrimental impacts for TNQ with large scale cessation of international passenger flights impacting not only tourism but also a range of primary industry freight exports including agricultural and seafood. The establishment of the proposed Aviation Capacity Expansion (ACE) program referred to above will not only provide increased passenger numbers, but also enhance freight capacity out of Cairns to priority export markets with an emphasis on Singapore, Hong Kong, China and Japan.

Complementary industries such as international education and film can also bring additional expenditure, drive tourism brand recognition and create jobs, delivering creative, cultural and economic benefits.

Cairns delivers world-class international education programs together with tourism activities. By working together, Study Queensland, Study Cairns, education providers and tourism operators can regain market share to capitalise on increasing interest in international education once Australia re-establishes international travel. Many international students also play a critical role within the tourism workforce.

The Queensland Government's proposed Cairns film studio will create additional opportunities that will directly support the tourism industry, through accommodation, aviation access and through also increasing destination awareness to a global audience. An increase in Screen Queensland's Regional Incentive Fund to attract productions to Cairns TNQ over the next three years should be considered to ensure the success of the proposed Cairns film studio.

Recommendation

8. The Queensland Government should recognise the complementary benefits tourism and aviation access provides to other industry sectors including international education, agricultural export, film etc (and vice versa) and build strategies to leverage these complementary benefits wherever possible.

HOW TO FUND THE SOLUTIONS

The implementation of the recommended solutions outlined in this submission requires a substantial increase in the current level of investment. To be effective, this increased level of investment needs to be sustainable in the long-term without the potential for variations through budget and electoral cycles. This submission proposes a medium to long term solution which is self-sustaining together with an initial funding 'boost' by the Queensland Government immediately to ensure the opportunity to grow market share now is not lost while the longer-term solution is developed and implemented.

Medium to longer term: Sustainable tourism funding model (Visitor Levy).

Cairns Regional Council has invested significant time and resources developing and analysing a potential funding model that would deliver the step change in investment

needed to implement the solutions outlined in this submission. This body of work is summarised in the Sustainable Tourism Funding for TNQ – Position Paper which is attached at Appendix 2 to this submission.

The paper calls for the establishment of a visitor levy that would apply to all forms of short-term accommodation within the Cairns Local Government Area (LGA). A visitor levy is the most effective and efficient mechanism to generate sustainable funding for tourism. While not prevalent in Australia, visitor levies are commonly used throughout other parts of the world where they have been long established and are broadly accepted. Figure 2 below provides an overview of how the proposed visitor levy would operate.

Fig 2: Overview of proposed visitor levy



Source: Cairns Regional Council, *Sustainable Tourism Funding for TNQ*

A visitor levy comes at no cost to the ratepayer/taxpayer and places no additional debt burden on either the Queensland Government or local councils. A visitor levy of 2.5% on short term accommodation in the Cairns LGA alone would raise in excess of \$16 million per annum for destination marketing and tourism industry development and deliver an estimated \$176 million incremental impact to GRP⁴. Comprising an estimated 1% and 1.4% of total average spend per visitor for domestic and international visitors respectively, a visitor levy at this level is expected to have a negligible impact on destination attractiveness or competitiveness.

⁴ [Cairns Regional Council](#), *Sustainable Tourism Funding for TNQ* (refer Appendix 2)

To ensure equity, it will be critical that funds raised through a visitor levy are directly reinvested in the regions where the money is collected. It is also appreciated that a visitor levy may not be an appropriate mechanism to fund destination marketing and tourism industry development in all areas of Queensland. Accordingly, the responsibility for implementation, administration and distribution visitor levies must be a matter for each local government to consider with the Queensland Government facilitating the necessary legislative change to enable implementation.

Recommendation

9. The Queensland Government should undertake legislative change to provide local governments in Queensland with the ability to implement a visitor levy should they consider it appropriate for their community.

Short term: Boost in direct Queensland Government investment.

Whilst the visitor levy referred to above provides a mechanism to deliver a sustainable long term increase in the level of tourism funding, it is appreciated that such a mechanism would take some time to investigate and implement, particularly given legislative change would be required.

Without increased Queensland Government investment in the interim, there is potential for TNQ and Queensland as a whole to suffer a loss of market share which may not be recoverable. Accordingly, a 'boost' in Queensland Government investment will be required over the term of the current State Government to deliver the investment necessary to implement the solutions outlined this submission.

Recommendation

10. The Queensland Government should provide an immediate short term 'boost' in tourism sector funding over the term of the current State Government to enable the solutions outlined in this submission to be implemented.

In developing the new Queensland Government's Action Plan for Tourism Recovery, we strongly urge the Panel to consider the matters and recommendations contained in this submission. The governance and delivery of this Action Plan will be critical in ensuring the ongoing success and growth of TNQ's and Queensland's visitor economy.

Should you have any further enquiries or require additional information, please contact Council's Executive Project Officer, Nick Masasso on the above phone number.

Yours sincerely



Mica Martin
Chief Executive Officer

Appendices:

Appendix 1: Deloitte - Tropical North Queensland Tourism Sector Analysis

Appendix 2: Sustainable Tourism Funding for TNQ – Position Paper

Appendix 1: Deloitte - Tropical North Queensland Tourism Sector Analysis

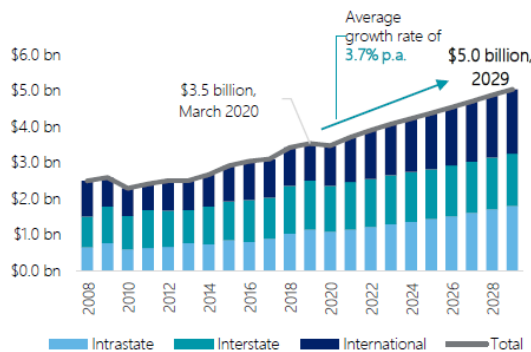
Deloitte.

Economic impact of the COVID-19 induced downturn in tourism in Tropical North Queensland (TNQ)

Where we were heading prior to the COVID-19 outbreak

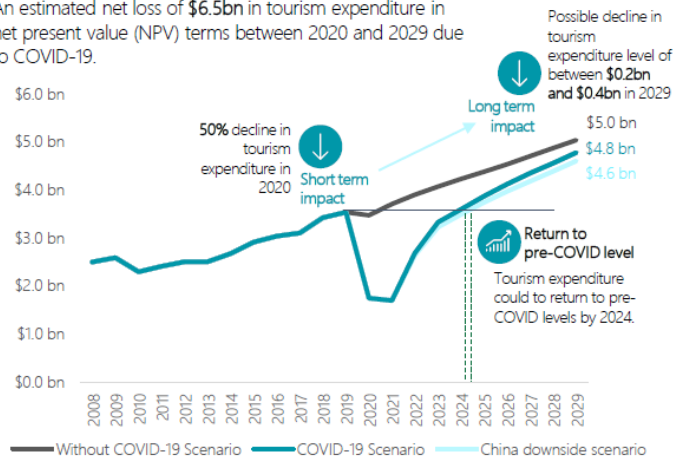
\$5.0bn

The projected tourism expenditure in 2029 in TNQ if the COVID-19 outbreak never occurred.



The impact of COVID-19 on tourism to the TNQ region

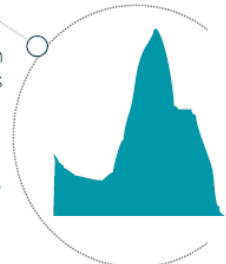
An estimated net loss of **\$6.5bn** in tourism expenditure in net present value (NPV) terms between 2020 and 2029 due to COVID-19.



The economic impact of COVID-19

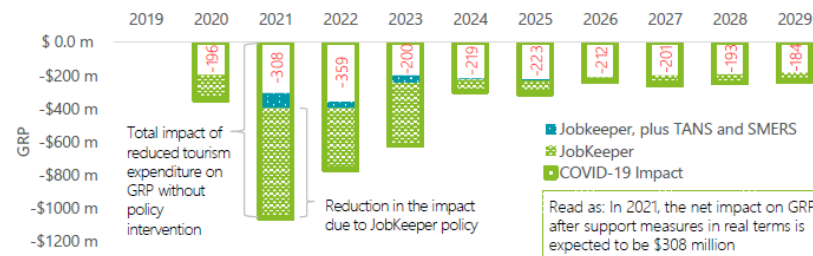
TNQ's economy has been more resilient in the face of COVID-19 than the tourism sector, with other sectors increasing in size, absorbing available capital and capacity in the workforce.

Over the period 2020 to 2029, TNQ's economy is estimated to be **\$3.3 billion** smaller in NPV terms.



The role of policy in mitigating the impact of COVID-19

JobKeeper has helped moderate the projected economic impact of the COVID-19 induced downturn in tourism demand, **boosting GRP in TNQ by over \$1.5 billion in NPV terms** and increasing the size of the TNQ economy on average by 1.0% per annum over the period to 2029. The further impacts of the Tourism Aviation Network Support (TANS) and the Small Business Recovery Loan Scheme (SMERS) are expected to be modest.



Note: Values in chart represent future real GRP figures, which are discounted to determine the overall value in net present value terms over the period.

Even with these measures, the TNQ economy is still expected to face a **shortfall of \$1.6 billion** in NPV terms, and an average of **approx. 975 fewer jobs per annum** over the period 2020-2029 compared to the without COVID-19 scenario.

Appendix 2: Sustainable Tourism Funding for TNQ – Position Paper



Tourism is a great export business to be in. At a global level, tourism growth has consistently outperformed GDP growth and future demographic and socio-economic factors will see that trend continue into the future. Tropical North Queensland has long been established as one of Australia's and indeed the world's leading holiday destinations. But in a globally competitive market, a strong track record is no guarantee of future success. The industry today faces a number of significant challenges including diminishing market share. A clear strategy for destination promotion and broader tourism industry development is needed. And that strategy requires a step change in the level of investment to ensure successful delivery. This paper challenges the status quo and puts forward a compelling case for a new approach to sustainable tourism funding for Tropical North Queensland.



The Global Opportunity

Tourism is an export market with enormous growth potential. Significant and rapid expansion of the global middle class population is leading to record levels of personal discretionary expenditure.

This, combined with the changing age profile of the world's population and their propensity for travel, will contribute to significant growth in global tourism over the coming decades. Cultural, nature based and sports/events tourism are all significant growth sectors within the broader tourism economy.

With more options than ever before, destinations around the world are competing for their share of voice. Matched with growing concerns around the climate impacts of travel, highlighted through the increasing trend of 'flight shaming', long-haul destinations are fighting to maintain their share of the global travel industry.

Tropical North Queensland (TNQ) has significant competitive advantages that can be leveraged to secure a substantial share of the growing global tourism market. These include:

- An existing mature tourism sector and allied industries
- Iconic world heritage listed natural assets (Great Barrier Reef and Wet Tropics Rainforest)
- Direct connection to both Aboriginal and Torres Strait Islander cultures
- Established reputation as a sports and events tourism destination with potential for further diversification and growth
- International airport with strong domestic and international connectivity and capacity for expansion
- Well established Seaport supporting marine tourism operators, cruise shipping and superyachts
- Significant recent and planned investment in tourism infrastructure and facilities including the Crystalbrook Collection of hotels, Cairns Convention Centre expansion and Cairns Shipping Development Project (facilitating increased cruise shipping)
- The region's 'Clean Green' image and credentials
- Cairns' growing reputation as the Arts and Cultural Capital of Northern Australia

TNQ is well placed to benefit from the trends in global tourism and secure an increased share of this growing export market.



1.4 BILLION
TOTAL INTERNATIONAL TOURISM ARRIVALS (2018)
Forecast to reach 1.8 billion by 2030



\$1.7 TRILLION
VALUE OF INTERNATIONAL TOURISM EXPORTS (2018 \$USD)
Tourism is the world's third largest export category after chemicals and fuels and ahead of automotive products and food



GROWTH IN INTERNATIONAL TOURISM RECEIPTS HAS OUTPERFORMED WORLDWIDE GDP GROWTH



ASIA AND THE PACIFIC
WAS THE FASTEST GROWING TOURISM REGION FOR 2018
ARRIVALS AND EARNINGS BOTH UP 7% YEAR ON YEAR

Source: United Nations World Tourism Organisation (UNWTO)

The Problem



IMPACT OF TNQ'S LOSS OF TOURISM MARKET SHARE 2016 TO 2019:

\$1.2 BILLION IN LOST REVENUE
EQUATING TO 4,260 (FTE) JOBS

Source: TTNQ analysis of Tourism Research Australia data

Despite TNQ's position of competitive advantage, the region has experienced a steady and concerning decline in tourism market share. Over the past three years, since the global discussion on the health of the Great Barrier Reef reached its zenith, TNQ has lost an estimated 17% of national market share. From June 2016 to June 2019, TNQ grew at just 1.9% per annum, less than a quarter of the national average growth of 8.2%.

Measured through the National and International Visitor Surveys for domestic and international overnight visitors conducted by Tourism Research Australia, this loss of market share equates to \$1.2 billion in lost revenue, which would have supported an estimated 4,260 full time equivalent (FTE) jobs. Destinations such as Tasmania and south east Queensland have grown their market share with growth rates twice or in some cases more than five times that of TNQ.

TNQ's sustained decline in tourism market share is a concerning trend that needs to be addressed if the region is to fully realise the economic and employment benefits a growing tourism sector can deliver.

The Root Causes

The cause of the region's diminishing market share is a multi-faceted issue.

Contributing factors include:

- Strong competition from alternative destinations both nationally and internationally
- Perceptions of the health of the Great Barrier Reef
- Constrained domestic aviation capacity
- Sub optimal international aviation connectivity
- Limited investment and promotion of 'new' visitor experiences

A well-funded strategy is required to address the above challenges. That strategy needs to be backed by a step change in the level of investment needed to ensure success. Tourism Tropical North Queensland's (TTNQ), the Regional Tourism Organisation (RTO) for TNQ, primary role is to drive visitor revenue and long-term benefits for the TNQ region by leading the destination's tourism marketing, positioning and brand story – and by being a unifying and coordinating voice for the tourism industry. TTNQ has a central role to play in addressing the challenges highlighted in this paper.

TTNQ's revenue is derived from a variety government and industry sources and amounted to \$9.3 million for 2018/19. Of this amount, Cairns Regional Council contributed \$3.4 million. Most competitor destinations have an annual marketing budget that is between \$7 million and \$14 million per annum greater than that of TNQ.

A step change in the level of investment in the TNQ region's tourism promotion and industry development is needed to meet the challenges faced.

Estimated direct Annual Marketing Funds (AMF) for TNQ and a selection of competing destinations	TASMANIA	GOLD COAST	TNQ	
	\$19.0M	\$18.0M	\$4.5M	
Source: TTNQ analysis	AMF per visitor	\$14.39	\$3.46	\$1.55

Governments at all levels are fiscally constrained with limited capacity to provide the increased levels of funding needed. The ability to raise funds direct from industry for broad destination marketing and industry development is also limited.

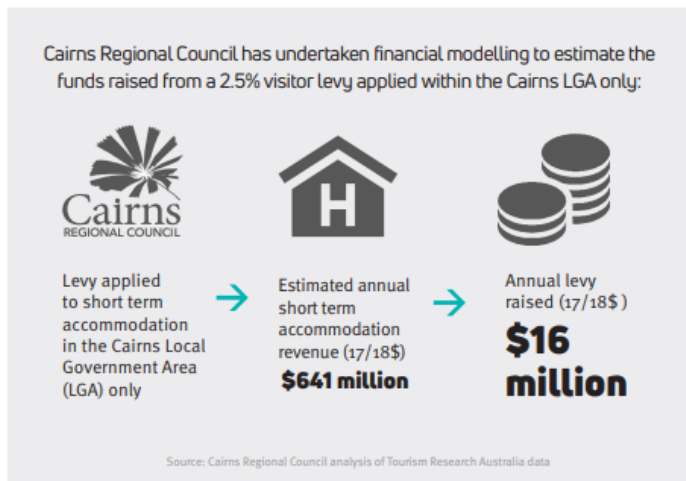
Compared to the Gold Coast and Sunshine Coast, where specific rates and levies have been utilised to raise funds for tourism promotion and investment, Cairns Regional Council already makes a significant contribution to tourism. The forecast contribution to tourism per capita (2019-20) for the Gold Coast, Sunshine Coast and Cairns are \$25.65 per person, \$11.48 per person and \$20.54 per person respectively (Source: TTNQ analysis).

A new model is required to deliver the step change in investment needed.

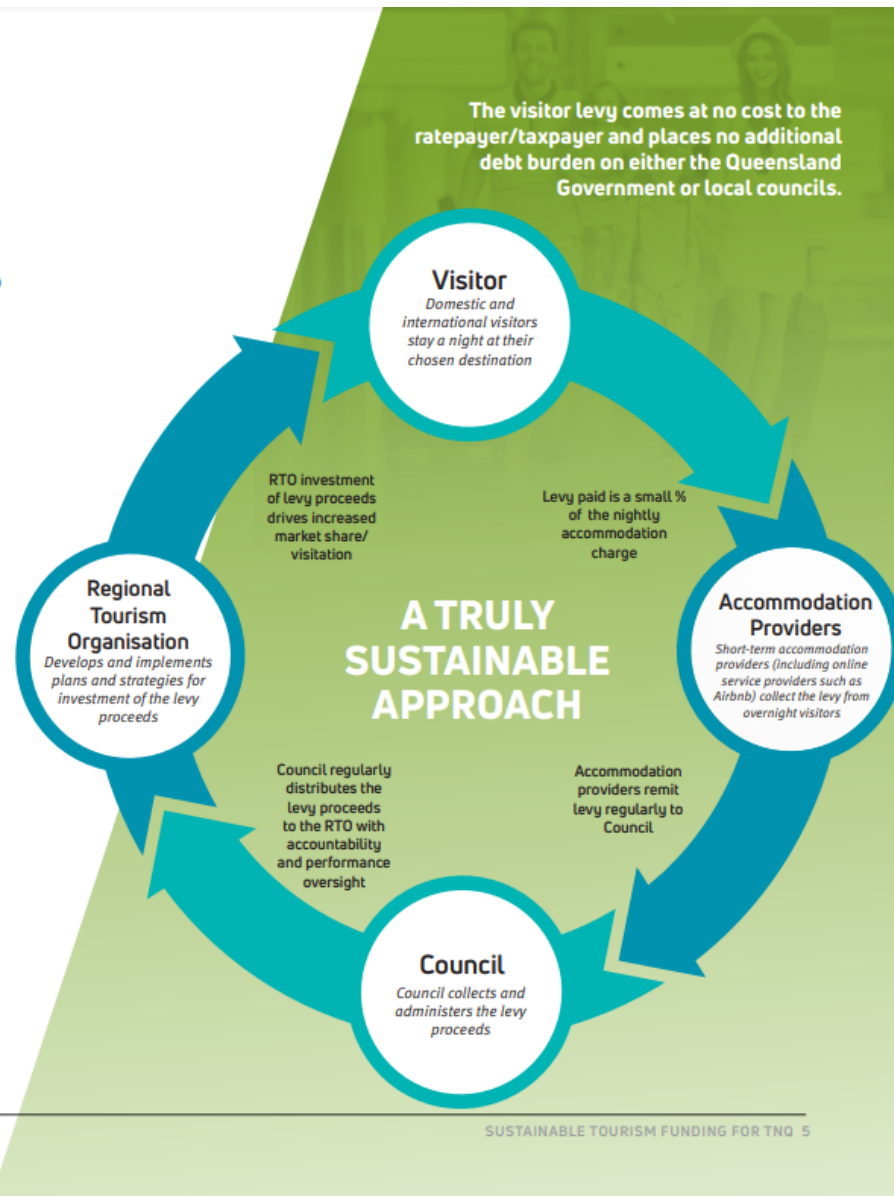
The Solution

A visitor levy is the most effective and efficient mechanism to generate sustainable funding for tourism.

Whilst not prevalent in Australia, visitor levies are commonly used throughout other parts of the world where they have been long established and are broadly accepted. The adjacent diagram provides an overview of how such a visitor levy would operate.



At the 2.5% rate (which is comparable to or below levy rates charged elsewhere in the world), a visitor staying at an accommodation house charging \$150 per night would pay a levy of just \$3.75 per night – less than the cost of a cup of coffee.



Is raising this level of funding through council rates or charges an option?

Answer: No

A number of other Councils utilise special rates or charges to raise funds for tourism investment. If Cairns Regional Council were to adopt this mechanism to raise the \$16 million per annum identified on the previous page, this would equate to an additional charge of \$219 per ratepayer, the equivalent of a 9% increase in the median Cairns rates bill. Such an approach would place an inequitable impost on the ratepayers of Cairns. Indeed, Cairns Regional Council already contributes significant funds to tourism development via its existing funding of TTNQ (\$20.54 per resident). A visitor levy is the only viable option to deliver the step change in investment required.

How would levy proceeds be invested?

Under the model proposed, levy proceeds would be distributed to the RTO, which in the case of Cairns, is TTNQ. TTNQ would utilise the levy proceeds to implement its strategic plan aimed at driving increased domestic and international visitation to the region.

Areas of investment would likely include, but not be limited to, the following:

- Destination branding, marketing and promotion
- Support for aviation attraction (in collaboration with others)
- Major event attraction and development
- Tourism industry development
- Attraction of further tourism infrastructure investment

The region's accommodation sector would be one of the main beneficiaries from the implementation of the levy. As indicated in the table below, the levy is expected to generate additional visitor expenditure of \$140 million per year. With an estimated 32% of a visitor's spend whilst in region going to accommodation, this means \$45 million p.a. in additional visitor expenditure will flow directly to that sector. However, it is also acknowledged that the accommodation sector would play a critical role in levy collection and accordingly, specific measures would be put in place to ensure the benefits for this sector are realised.

IMPACT FROM INVESTMENT

This table sets out the estimated impact the investment of the levy would have on the region's tourism industry and broader economy.

	Cairns LGA (\$million)
Total levy raised - annual (17/18\$)	16.0
Leverage ratio	3:1
Total investment facilitated by levy- annual (17/18\$)	48.0
Estimated impact of the above on:	
Annual visitor expenditure - \$ million	140
Annual Gross Regional Product (GRP) - \$ million	176
Regional employment supported (FTE)	1,430

Source: Analysis by independent economic advisory firm AEC Group based on data from ABS and other sources

Would a levy adversely impact the attractiveness of TNQ as a destination?

Answer: No

The table below sets out the levy an 'average' domestic and international visitor would pay as a percentage of their total spend in region.

		DOMESTIC VISITOR	INTERNATIONAL VISITOR
Average length of stay	A	5 nights	8 nights
Average daily room rate	B	\$180	\$180
Total accommodation charge	C=AxB	\$900	\$1,440
Visitor levy at 2.5%	D=Cx2.5%	\$22.50	\$36.00
Average number of occupants per room	E	2.1	2.1
Levy cost per occupant (visitor)	F=D/E	\$10.71	\$17.14
Average spend per visitor per day ^(Note 1)	G	\$213	\$158
Total average spend per visit	H=GxA	\$1,065	\$1,264
Levy as a % of total spend per visitor	F/H	1.0%	1.4%

Note 1: Does not include cost of travel (e.g. airfares) to destination
Source: Cairns Regional Council analysis of Tourism Research Australia data



The levy would be an immaterial proportion of a visitor's total spend in the region and therefore would not have any discernible impact on a potential visitor's decision to choose TNQ as a destination for travel.

IMPLEMENTATION OF A VISITOR LEVY

Whilst Cairns Regional Council strongly supports the introduction of a visitor levy within the Cairns LGA, it does not currently have the legislative capacity to implement it. The amendment of existing or introduction of new State Government legislation is required to facilitate levy implementation. Whilst a legislative change at the State level is the enabler, the decision on whether to introduce such a levy would rest with each individual local government having regard to their own particular circumstances and determined in consultation with their local tourism industry and community.

Cairns Regional Council is calling on the Queensland Government to undertake legislative change to provide local governments in Queensland with the ability to implement a visitor levy should they consider it appropriate for their community.





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