

2006 ACT Budget and the Tourism Industry - *An Industry Impact Statement* -

Prepared by

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Introduction

The Tourism Industry Council (ACT & Region) is the peak representative body for the tourism industry in the Australian Capital Territory and Capital Region. Through our members and our member organisations, we represent over 300 major tourism related organisations in the ACT Region.

The tourism and hospitality sector is reported to be the largest private sector employer in the ACT economy, contributing \$690m each year to the ACT economy, and accounting for over 11,000 jobs (Canberra Plan, 2004).

There is little doubt that tourism is one of the ACT's most important industries and represents one of our most valuable opportunities. Commitment to a prosperous tourism industry facilitates the generation of significant local and regional employment opportunities, particularly for young people, and has flow-on effects for the wider business community.

According to the ACT Government Economic White Paper, "Tourism is a significant and growing contributor to the ACT economy and community, and helps define our national and international image. ... Many other sectors of the economy such as retail and property development are also stimulated by tourism activity. "

This paper has been developed to outline the implications and impact of the 2006 Budget on the tourism industry in the ACT.





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THE KEY ISSUES

STRUCTURAL:

The ACT Government 2006 Budget announced that Australian Capital Tourism Corporation will be abolished from 1 July 2006 and the Board will become an advisory body.

Responsibility for tourism marketing will be transferred to the Department of Territory & Municipal Services. Andrew Barr will remain Tourism Minister. The structure of the "Tourism Department" is unknown at this stage.

FUNDING:

Tourism:

The appropriated Government funding for tourism in 2006/07 will be \$13.8 million, and the budget figure stated in the Budget Papers is \$16.1 million. Andrew Barr has advised that there has been a rationalisation of that the \$2.2 million gap to be raised through sponsorship and industry support, will probably be \$1.8 million.

The decrease in appropriated funding from the 2005 Budget is \$3.7 million not \$3 million as stated on page 26 of the Budget Paper No. 3. That table also shows an additional decrease in the 2007 Budget of \$1 million, which we understand could be in reality closer to \$1.5 million. As a consequence the tourism funding will be cut by 33% since 2004/2005.

Canberra Convention Bureau and National Capital Educational Project:

ACTC has advised that CCB and NCETP's funding has been quarantined and their budgets will be unchanged in 2006/2007.

National Convention Centre Upgrade

\$20 million has been retained for the first part of the NCC Upgrade. The additional \$10 million should be earmarked in the 2007 Budget.

Business ACT

Funding cuts of \$5 million in Business ACT will impact on the Australian Science Festival.

Centenary of Canberra

\$200,000 has been allocated to the Centenary of Canberra planning.



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IMPACT AND IMPLICATIONS

STRUCTURE:

The loss of the ACTC as a statutory authority has long term implications for the industry, and is against the advice from the tourism industry in the Strategic Review Submission which proposed that the industry preference would be that ACTC remain an apolitical body.

The main issue is that as a statutory authority, a Board made up of industry and business leaders, who had commercial understanding of tourism, ran ACTC. Under the new structure the Minister takes control, and there is a substantial risk of the politicisation of activities and focus. Although the board will be retained in an "advisory capacity", how much influence it will have is unknown.

The second issue is Tourism will now sit within the Department of Territory & Municipal Services, with John Hargreaves as Minister. However the Tourism Minister is Andrew Barr. The CEO of TAMS answers to Minister Hargreaves, while the Head of Tourism will answer to the CEO of TAMS and Minister Barr. This structure appears unwieldy at best, and ineffectual in the worst case.

FUNDING:

Context for Analysis:

- In the 2002 Budget, the ACT Government cut tourism funding by 31% has resulted in a 13% decrease in visitor numbers.
- The 2004 Access Economic Report, commissioned by the ACT Government, identified that the average spend of each tourist was \$290 of which \$59 went to the ACT government in taxes and charges. That report found that the ACT Government directly collects \$107 million in taxation revenue from visitors to Canberra each year. It also identifies that every 165 visitors equals one job in tourism or related industry.
- Based on the last 4 years funding and visitor numbers, it costs the ACT government around \$9 to attract a visitor.
- According to the 2006 Budget Paper No 3, the Grants Commission in 2005/2006 funded the ACT Government \$1.14 for every dollar of GST collected in the ACT.
- Based on the Access Economics average direct expenditure of \$290 equates to \$26 in GST collected, which based on ACT Government Budget Paper 3 results in the ACT government receiving \$30 from every tourist.

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Projected Impact

Based on the impact of the 2002 Budget on visitor numbers, the Tourism Industry Council (ACT & Region) conservatively estimates a 10% drop in visitor numbers, which equates to a loss of:

- 200,000 visitors
- \$58 million in direct expenditure into the ACT Economy
- \$12 million in income to the ACT Government in all taxes and charges, and of that, a loss of \$6 million from the Grants Commission in returned GST
- 1200 jobs

FOR CONSIDERATION

PER CAPITA FUNDING

The argument of the funding must have alignment to a per capita funding needs further examination. Table 1 below outlines the tourism budgets announced in every state and territory for 2006/2007.

Clarification needs to be made on a number of points:

- All things in tourism budgets are not equal. While the ACT budget includes major events and convention bureau funding, in other states these are often a separate funding appropriation as seen in Queensland where \$46 million is for the tourism, \$1.9 million for convention bureaux and \$6.4 million for major events.
- Also missing from the figures from other states and territories is the injection for funding from local government (shires and councils). For example, in 2005/2006 Gold Coast City Council provided \$3.6 million to tourism funding while state government provided \$300,000 in tourism funding. In 2006/2007 Gold Coast City Council will increase their funding to tourism to \$10.6 million.
- In the 2006 Budget rounds, the ACT at \$13.8 million has the lowest funding of all States and Territories with Tasmania being the next at \$40 million. In a highly competitive market, being nearly \$30 million behind in marketing spend will impact severely.
- The per capita comparison is impacted by the states with high population. Comparison with jurisdictions of similar population size shows the ACT spend far below. The Northern Territory with just over 200,000 is spending over \$200 per person, while Tasmania with nearly 500,000 is spending over \$80 per head of population, nearly twice the ACT spend. Smaller populations spend more per person to achieve an operating base required to have market impact and penetration.



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COMPETITIVE ENVIRONMENT

The domestic tourism market represents over 92% of ACT visitors, and according to Tourism Forecasting Council the domestic tourism market will have minimal growth (0.1% in 2007).

In 2005, the ACT was the only State or Territory to experience growth, with NT holding market share and the rest losing domestic visitor numbers.

Without funding cuts, the ACT would have to work smart and hard to keep market share. With funding cuts, the ACT performance will be impacted and will have squandered the momentum gained through the new branding and tactical marketing campaigns of the past two years.

IMPACT ON GOVERNMENT REVENUE

The Access Economics Report shows that the ACT government earned annually \$107 million in direct taxes from visitors to Canberra. Based on the 2002/2003 figures this equates to \$60 per visitor.

The ACT government may believe that the marketing done in 2005/2006 will ensure against loss of visitation, yet Table 2 shows clearly how the visitor numbers respond to increases or decreases of marketing dollars.

By saving \$3.8 million in tourism funding, the ACT faces a potential loss of 200,000 visitors which will cost the ACT government \$20 million in revenue from taxes and charges.

ACT COMMUNITY SUPPORT

Research from the University of Canberra found that 86 per cent of Canberra residents recognise the benefits of tourism and believe the Government should be funding tourism promotion, and 99.8% believe tourism is good for the community even though nearly half of them believe they have little or no contact with tourism or tourists.

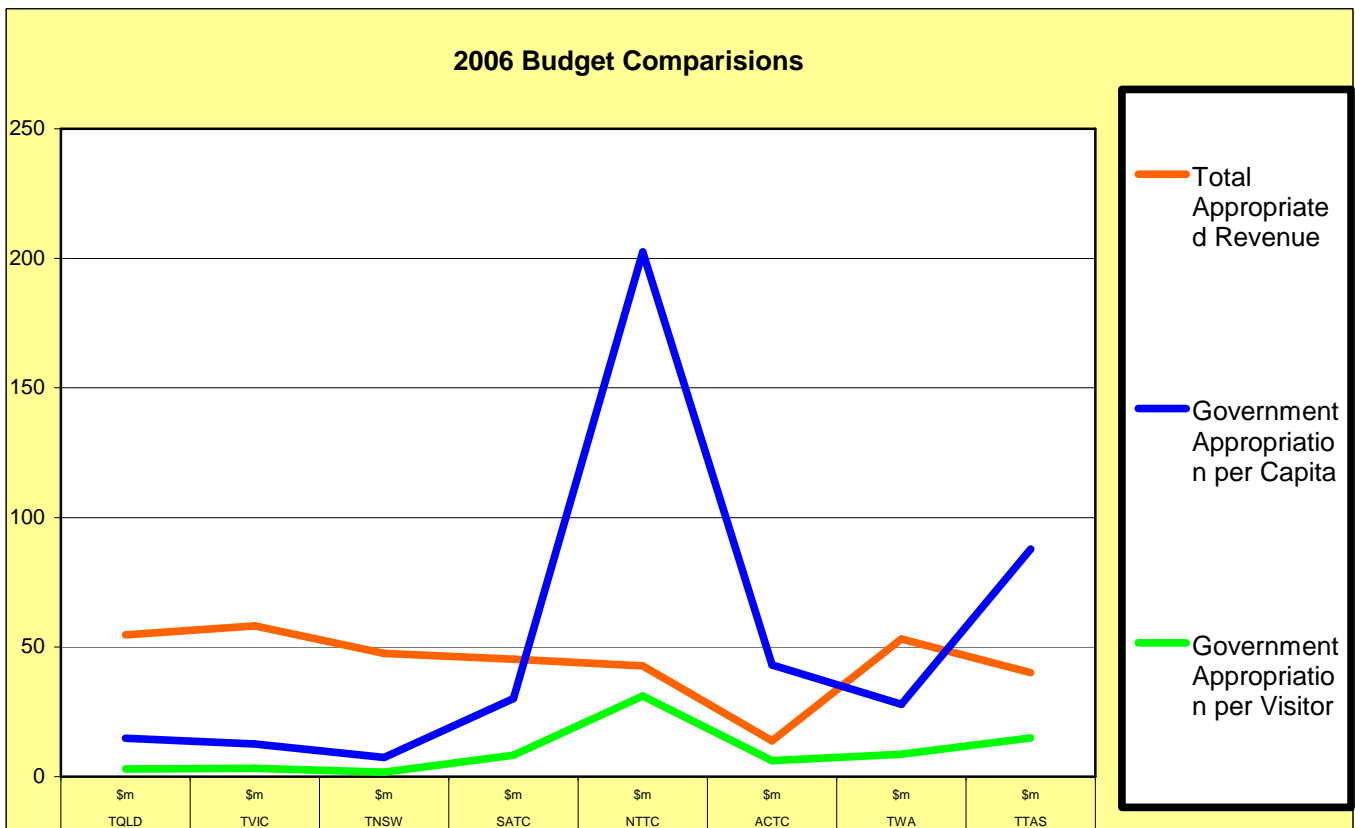




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TABLE 1- Comparative Analysis State and Territory Government Budgets 2006/2007

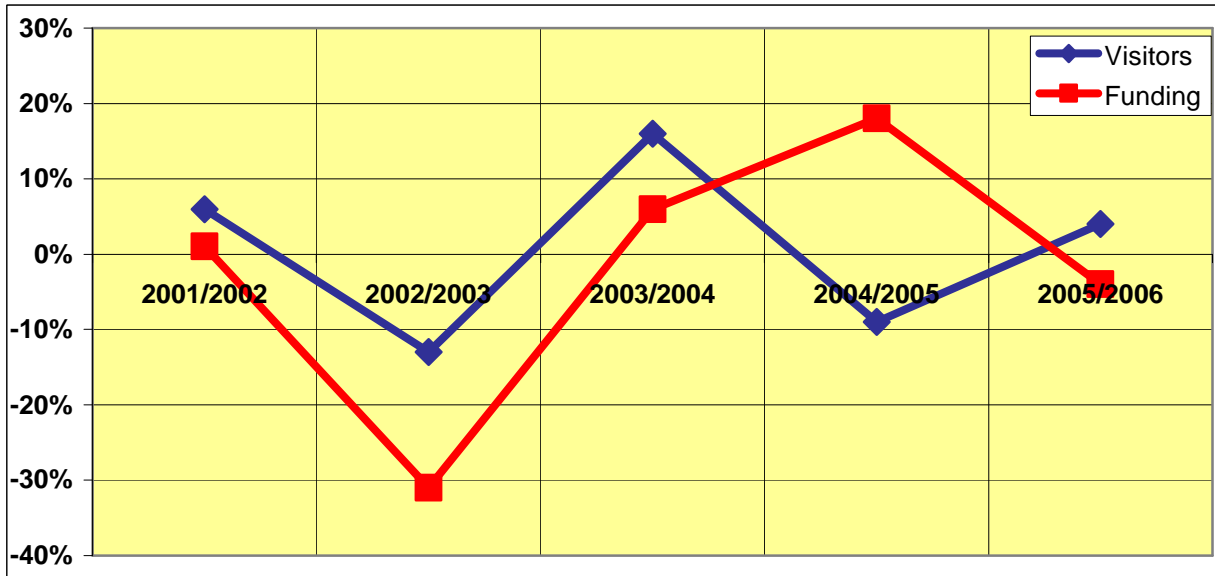
	TQLD	TVIC	TNSW	SATC	NTTC	ACTC	TWA	TTAS	Total/Average
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Revenue									
Govt appropriation	46.10	40.18	41.20	45.31	38.70	13.80	53.13	40.13	318.55
Convention Bureau	1.90	18.00							19.90
Events	6.70	-	6.40		4.00				17.10
Total Appropriated Revenue	54.70	58.18	47.60	45.31	42.70	13.80	53.13	40.13	355.55
Government Appropriation per Capita	14.78	12.65	7.44	30.21	202.37	43.13	27.96	87.81	18.63
Government Appropriation per Visitor	2.92	3.24	1.76	8.30	31.15	6.24	8.65	14.95	4.70
Population (2001 census)	3.70	4.60	6.40	1.50	0.21	0.32	1.90	0.46	19.09
No of visitors									
Domestic overnight	16.57	16.64	24.20	5.13	1.03	2.07	6.01	2.05	70.66
& International	2.15	1.33	2.78	0.33	0.34	0.15	0.13	0.63	5.04
Total Number of Visitors	18.72	17.97	26.98	5.46	1.37	2.21	6.14	2.69	75.70





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TABLE 2 - ACT Government Funding and Visitor Numbers



Data sourced from Australian Capital Tourism Annual Reports



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Domestic Overnight Visitor Profile, Australian Capital Tourism Corporation, 2005

NSW State Budget – A New Direction For NSW Tourism In The 2006-2007 NSW Budget, Tourism New South Wales, 2006

State/Territory Budget figures assessed from:

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