

# **TOWARDS A NATIONAL AVIATION POLICY STATEMENT**

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A SUBMISSION BY THE  
**HOTEL MOTEL & ACCOMMODATION ASSOCIATION**  
ON BEHALF OF  
THE AUSTRALIAN ACCOMMODATION SECTOR

JUNE 2008

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## HMAA AND ITS MEMBERSHIP

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The Hotel Motel and Accommodation Association (HMAA) is the peak national body for the Australian accommodation industry.

HMAA represents a range of accommodation establishments including 5, 4 and 3 star hotels, resorts, motels, motor inns, serviced and holiday apartments, bed and breakfasts, guesthouses, backpackers and time share establishments, combining a membership base of over 2,000 properties and 60,000 guest rooms.

HMAA is the only organisation representing this full range of accommodation types and interests nationally, and in rural, regional and metropolitan Australia as well as the major cities. HMAA offers a range of services and opportunities which assist accommodation properties and corporate businesses in their day-to-day activities.

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## HMAA'S UNDERSTANDING OF THE CONTEXT OF THIS REVIEW

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HMAA understands that this review is an integral part of the process for the development of a National Aviation Policy White Paper announced by the Hon Anthony Albanese MP, Minister for Infrastructure, Transport, Regional Development and Local Government on 10 April 2008.

The Issues Paper issued by the Minister concurrently with that announcement, outlining the key challenges to be answered in the formulation of a White Paper, has been considered by HMAA in formulating this response. This submission does not, however, attempt a point-by-point response to the Issues Paper.

HMAA's sectoral interests reside in the broad tourism sector and this submission therefore focuses on those challenges within aviation policy of most direct impact upon tourism, with a key focus on accommodation. It should be noted that all references to "accommodation" in this document should be taken as referring to tourist accommodation.

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## HMAA'S SOURCES AND USE OF DATA

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This HMAA submission has been informed by data and information from a number of public sector, private sector and industry sources, including:

- the Australian Bureau of Statistics;
- Tourism Australia, including Tourism Research Australia;
- the Sustainable Tourism CRC;
- various state and territory Tourism Commissions; and
- the National Tourism Alliance and various state and territory Tourism Industry Councils and Alliances.

Additionally, HMAA has utilised information from a number of internal sources including:

- direct feedback from HMAA members and the broader accommodation industry regarding aviation issues;
- the 2007 Annual Survey of HMAA Membership;
- other HMAA Member and Industry surveys; and
- general documentary and anecdotal information from HMAA members.

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## THE TOURISM SECTOR AND THE ACCOMMODATION INDUSTRY

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Tourism is worth \$85 billion annually to Australia; it earns Australia more than \$22 billion in exports (adding over \$9 billion to GDP). Importantly, over 75% of the tourism industry is accounted for by domestic tourism. Clearly, a healthy domestic tourism sector is the key underpinning for a sustainable export tourism product.

Tourism is different to most industries: it is highly labour intensive; it requires the input of many service providers into a single “product” to the end consumer; it is dominated by a significant number of small businesses; tourism competes against all other discretionary expenditures for the “hearts and minds” and expenditure of the consumer; it operates in a highly complex environment requiring significant compliance skills and costs.

Accommodation accounts for approximately 10% of the tourism industry, making it an \$8 billion+ industry in its own right. Accommodation is clearly a vital and integral part of the tourism market. Indeed, accommodation and travel are the two unavoidable components of tourism.

Tourism is more labour intensive than most industries, providing over 550,000 direct jobs including 14,000 new jobs in the last financial year. Tourism is the point of entry for many entrants to the job market and provides significant numbers of jobs in regional communities as well as capitals cities and tourist centres. Accommodation accounts for well over 120,000 direct jobs in the sector.

In recent years, local consumers have reduced discretionary spending due to high fuel prices and rising interest rates. Additionally, research from Tourism Research Australia suggests that tourism is losing its share of this spend to other expenditures: travel’s “share of wallet” has declined from over 16% to 13% in the last decade.

Aviation accessibility and cost is a major factor impinging across the tourism industry, both inbound and domestic, and across both business and leisure travel. The last decade has seen significant changes in the aviation market, both domestic and global: the decline of many European and US legacy carriers, the emergence of domestic and Asian low cost carriers, and the strong growth of new Middle-East based full service carriers.

However, there are significant emergent risks in the constraints caused by a lack of new aircraft, rising fuel costs, and the geopolitical impacts of global warming on aviation.

Aviation policy should focus on achieving the best possible consumer outcomes by freeing up the aviation market further, and encouraging greater sharing of aviation services across both major entry ports and regional and rural airports.

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## COMPETITION IN THE SKIES

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HMAA believes that there has, for many years, been an inappropriate perception of alignment between the commercial interests of Australian airlines, and the broader interests of the Australian tourism industry. At its worst, this has seen anti-competitive protection of individual airlines excused as a measure to protect small tourism businesses.

Airlines, whether Australian or international, quite properly focus on business settings to protect the interests of their shareholders. This will sometimes see those interests closely aligning with the interests of the tens of thousands of businesses which make up the Australian tourism industry, and the millions of businesses which indirectly benefit from the strong economic multipliers of tourism.

On other occasions, the interests of airlines and the tourism industry will diverge, as has been seen in recent times with announcements by major airlines of route discontinuations and suspensions.

This disparity of interests has been exacerbated by longer term policy settings which assume that there is always a parity. Indeed, parts of the tourism industry itself have been guilty of putting such an argument to government in favour of the airlines.

Whilst there has been strong growth in recent years in flights to and from Australia, this has largely come from new Middle Eastern carriers replacing European legacy carriers to Europe, and new low cost carriers taking over previously unprofitable routes and opening up new routes.

In effect, this means that the greatest part of this growth has gone towards creating extra capacity on routes carrying largely outbound traffic such as Asian holiday destinations. Key inbound destinations, especially those with the highest yields (such as the US) have been poorly served by Government aviation policy making over the last decade.

This paradigm has been a key factor in the increasing attractiveness of outbound tourism, and the difficulty in growing inbound tourism from some of our most important markets. It is vital that future decisions on aviation access be based around the benefits and costs to the entire tourism industry (and the whole economy).

HMAA believes that in a globalised economy, and when dealing with the world's most genuinely global industries (travel and tourism), a fully global policy approach is now appropriate.

Thus, HMAA urges consideration of the implementation of a full "open skies" approach for Australia's international and domestic aviation markets (subject to the continued application of the highest of safety standards). Clearly, such an approach should be matched with the removal of any remaining ownership restrictions on Australian based airlines.

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## EFFECTIVE AIRPORTS

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It is clear that the availability of direct international flights has a major impact on the number of international visitors to Australia, and individual destinations within Australia. As a general principle, inbound aviation growth to any Australian airport will benefit the entire tourism industry.

HMAA therefore has some concerns about the recent tendency of many airlines to focus their seat capacity in a smaller number of larger ports. This has been exacerbated by “flight auctions” in which state governments bid against each other to build benefits packages to entice airlines to their specific capital city airport.

Whilst this does bring some short term advantages to the port chosen, it comes at a long term cost to the industry: capacity is constrained as the largest ports run out of slots, whilst significant taxpayer dollars are wasted in what are effectively subsidies to airlines, instead of being spent to promote the longer term growth and sustainability of the industry.

HMAA believes that Federal aviation policy should work with the states to achieve a less parochial and more planned approach to maximise inbound capacity, spread the available benefits, and minimise constraints on growth.

It is also evident that the NSW and Australian tourism industries have been hurt by the significant underperformance of Sydney since the 2000 Olympics. One aspect of this underperformance relates to the issue of airport access, including operating restrictions on Sydney Airport. Another is the lack of a “low cost” airport within the Sydney basin.

HMAA believes that the future airport capacity of Sydney must be located within the Sydney basin. Any national aviation policy must therefore decide on a site for a future second Sydney airport, and provide both a development timetable and forward funding for the process. Another issue which should be considered at the same time is a revisiting of the very fast train concept between Sydney and Melbourne.

These strategic decisions will be impacted by existing capacity at Sydney Airport, which is itself impacted by a number of restrictions. Thus, it is appropriate to review these: the airport curfew (including operations permitted in curfew shoulder periods), the noise sharing regime, the hourly movement limit and the guaranteed slots for regional and general aviation. The last of these should be accompanied by a reassessment of facilities and access at Bankstown and other Sydney basin airports.

Similar restrictions at other airports should also be reassessed.

Finally, inbound access through international airports is consistently hindered by lack of capacity in various government services, most notably in quarantine services. These constraints must be addressed in any cogent national aviation policy.

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## REGIONAL AVIATION

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The benefits of increased competition in the Australian domestic aviation market have been manifest, both to the individual traveller and the tourism industry. However, they have not been universal.

Many regional destinations have not seen any real improvement in services: indeed, many have lost the services they enjoyed a generation ago. More than this, the relative cost of flights to regional centres has ballooned when compared to the discounted fares available between major cities and tourist destinations.

When this aviation disparity is added to the decline in family driving holidays due to the move towards shorter breaks and increasing fuel costs, the disappearance of the commercial traveller market with the advent of online procurement systems, and the construction of highway bypasses making it easier to drive past small centres, the effect is severe.

HMAA believes that the Government should work with airlines and the industry to build an operational and regulatory climate which encourages better (and cheaper) services to regional destinations. This will bring significant benefit not just to tourism, but to rural and regional communities more broadly.

An issues which should be addressed as part of this approach is the current (local government focused) ownership structure of regional airports, and whether this is the most appropriate model for the future.

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## GLOBAL WARMING

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Global warming presents one of the greatest challenges ever faced by both the Australian aviation and tourism industries: it places at risk some of our most treasured and iconic destinations, and threatens our global position as a desirable long-haul travel destination.

These challenges can only be successfully met through a cooperative approach involving industry operators, industry representative organisations, and all tiers of Australian governments.

The opportunities presented by global warming for Australian tourism are also significant, and based upon our longstanding global reputation as an environmentally friendly and responsible destination. As a long haul destination from our best inbound tourism markets, we must present a solution and an image that responds to concerns about the carbon cost of travelling to Australia. Both the aviation and the tourism industries will therefore be directly impacted by all Government policies and actions impacting on the environment, including those designed for other industries.

A “green Australia” will increasingly be a desirable destination in a global warming sensitive world, but a green Australia will not be achieved by the tourism or aviation industry and its constituent businesses alone, but with significant partnerships with governments and consumers. HMAA urges that any national aviation policy should incorporate some consideration of how these broad-based partnerships should operate.