



**Australian Government**

**Department of Industry  
Tourism and Resources**

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ABN: 51 835 430 479

Mr Tim Grimwade  
General Manager  
Adjudication Branch  
Australian Competition and Consumer Commission  
470 Northbourne Avenue  
DICKSON ACT 2602

Dear Mr Grimwade

### **Application to the ACCC for Authorisation**

Please find enclosed the ACCC submission coordinated by DITR relating to exclusive/preferential treatment of accredited tourism operators by Government tourism bodies.

This submission includes authorisation forms B and E, the supporting analysis for the application and emails approving involvement in the submission from all applicants.

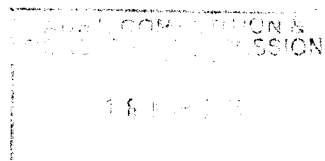
We understand that to process the submission, the ACCC requires \$9,000. DITR has confirmed that these funds were electronically transferred into your nominated account on Monday 8 March.

Thank you for your ongoing assistance through this authorisation application process. We look forward to further progressing it with you. If you have any queries or require additional information please do not hesitate to contact Neil Richardson (02 6213 7046) or Bede Moore (02 6276 1391).

Yours sincerely

Kerry Rooney  
General Manager  
Business Development Group  
Tourism Division

/8 March 2004



**Form B**  
Commonwealth of Australia  
*Trade Practices Act 1974 --- Sub-section 88(1)*  
**AGREEMENTS AFFECTING COMPETITION:**  
**APPLICATION FOR AUTHORISATION**

To the Australian Competition and Consumer Commission:

Application is hereby made under sub-section 88(1) of the *Trade Practices Act 1974* for an authorisation under that sub-section

- to make a contact or arrangement, or arrive at an understanding, a provision of which would have the purpose, or would have or might have the effect, of substantially lessening competition within the meaning of section 45 of that Act.

**1. (a) Name of Applicant**

Department of Industry, Tourism and Resources on behalf of: Tourism Victoria, Tourism Tasmania, the South Australian Tourism Commission, the Northern Territory Tourist Commission, the Western Australian Tourism Commission, Australian Capital Tourism and the Australian Tourist Commission (and any successor of these bodies from time to time).

**(b) Short description of business carried on by applicant**

The applicant is the Australian Government Department with responsibility for tourism policy. The parties on whose behalf the applicant lodges this application are Australian Government, State and Territory Government tourism promotion bodies (referred to in this application and the attached submission as "applicants").

**(c) Address in Australia for service of documents on the applicant**

Neil Richardson (02 6213 7046)  
Manager  
Industry Quality Team  
Tourism Division  
Department of Industry Tourism and Resources  
Level 1 33 Allara St  
CANBERRA ACT 2601

**2. (a) Brief description of contract, arrangement or understanding and, where already made, its date**

The contract, arrangement or understanding to which this application relates is an agreement amongst applicants in relation to the exclusive or preferential provision of their tourism promotion and/or wholesaling services to tourism businesses that have specified accreditation (as further described in the attached application).

**(b) Names and addresses of other parties or proposed parties to contract, arrangement or understanding**

*Tourism Victoria*  
Levels 6 & 7  
55 Collins Street  
Melbourne VIC 3000

*Tourism Tasmania*  
 Level 2  
 22 Elizabeth Street  
 Hobart TAS 7000

*South Australian Tourism Commission*  
 Level 6  
 50 Grenfell Street  
 Adelaide SA 5000

*Northern Territory Tourist Commission*  
 Tourism House  
 43 Mitchell Street  
 Darwin NT 0800

*Western Australian Tourism Commission*  
 Level 6  
 St George's Court  
 16 St George's Terrace  
 Perth WA 6000

*Australian Capital Tourism Association*  
 5/2 Brindabella Circuit  
 Brindabella Business Park  
 Canberra International Airport  
 Canberra ACT 2609

*Australian Tourist Commission*  
 Level 4  
 80 William Street  
 Woolloomooloo NSW 2011

**3. Names and addresses (where known) of parties and other persons on whose behalf application is made**

As per 1(a) and 2(b) above

**4. (a) Grounds for grant of authorisation**

See pages 1 to 40 of the submission attached

**(b) Facts and contentions relied upon in support of those grounds**

See pages 1 to 40 of the submission attached

**5. This application for authorisation may be expressed to be made also in relation to other contracts, arrangements or understandings or proposed contracts, arrangements or understandings, that are or will be in similar terms to the above mentioned contract, arrangement or understanding.**

(a) Is this application to be so expressed?

While this application is not made on their behalf, authorisation is sought by the parties to the proposed agreement in terms that would allow the following additional organisations to become parties at a later date if they so wish:

*Tourism Queensland*  
 Level 10  
 Tourism Queensland House  
 30 Makerston Street  
 Brisbane Qld 4000

(b) If so, the following information is to be furnished:

- (i) the names of the parties to each other contract, arrangement or understanding
- (ii) the names of the parties to each other proposed contract, arrangement or understanding which names are known at the date of this application

See 5(a) above

**6. (a) Does this application deal with a matter relating to a joint venture (See section 4J of the *Trade Practices Act 1974*)**

No

**7. Name and address of person authorised by the applicant to provide additional information in relation to this application**

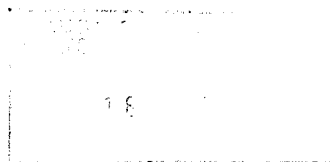
The contact for additional information is:

Neil Richardson (02 6213 7046)  
 Manager  
 Industry Quality Team  
 Tourism Division  
 Department of Industry Tourism and Resources  
 Level 1 33 Allara St  
 CANBERRA ACT 2601

Dated ..... 18<sup>th</sup> March, 19 2004 .....

Signed by/on behalf of the applicant

.....  
 Kerry Rooney (Signature)  
 .....  
 KERRY ROONEY (Full Name)  
 .....  
 General Manager (Description)  
 .....  
 Tourism Business  
 Development



A 90913

**Form E**  
Commonwealth of Australia  
*Trade Practices Act 1974 ---- Sub-section 88(8)*  
**EXCLUSIVE DEALING:**  
**APPLICATION FOR AUTHORISATION**

To the Australian Competition and Consumer Commission:

Application is hereby made under sub-section 88(8) of the *Trade Practices Act 1974* for an authorisation under that sub-section to engage in conduct that constitutes or may constitute the practice of exclusive dealing.

**1. (a) Name of applicant:**

This application is being coordinated by the Department of Industry, Tourism and Resources on behalf of: Tourism Victoria, Tourism Tasmania, the South Australian Tourism Commission, the Northern Territory Tourist Commission, the Western Australian Tourism Commission, Australian Capital Tourism and the Australian Tourist Commission (and any successor of these bodies from time to time).

**(b) Short description of business carried on by applicant**

The applicant is the Australian Government Department with responsibility for tourism policy. The parties on whose behalf the applicant lodges this application are Australian Government, State and Territory Government tourism promotion and wholesaling bodies (referred to in this application and the attached submission as "applicants").

**(c) Address in Australia for service of documents on the applicant**

Neil Richardson (02 6213 7046)  
Manager  
Industry Quality Team  
Tourism Division  
Department of Industry Tourism and Resources  
Level 1 33 Allara St  
CANBERRA ACT 2601

**2. (a) Description of the goods or services in relation to the supply or acquisition of which this application relates**

Tourism promotional and wholesaling services, as further described in the attached submission.

**(b) Description of the conduct that would or may constitute the practice of exclusive dealing**

The exclusive or preferential provision of tourism promotion and wholesaling services to tourism business that have specified accreditation (as further described in the attached application).

**3. (a) Class or classes of persons to which the conduct relates**

See pages 1 to 40 of the submission attached.

**(b) Number of those persons-**

**(i) At the present time:** See pages 1 to 40 of the submission attached.

**(ii) Estimated within the next year:** See pages 1 to 40 of the submission attached

(c) Where number of persons stated in item 3(b)(i) is less than 50, their names and addresses

Not applicable

4. (a) Grounds for grant of authorisation

See pages 1 to 40 of the submission attached

(b) Facts and contentions relied upon in support of those grounds

See pages 1 to 40 of the submission attached

5. (a) Does this application deal with a matter relating to a joint venture (See section 4J of the Trade Practices Act 1974)

No

6. Name and address of person authorised by the applicant to provide additional information in relation to this application

The contact for additional information is:

Neil Richardson (02 6213 7046)

Manager


Industry Quality Team

Tourism Division

Department of Industry Tourism and Resources

Level 1 33 Allara St

CANBERRA ACT 2601

Dated 5/3/04, 

Signed by/on behalf of the applicant

 (Signature)

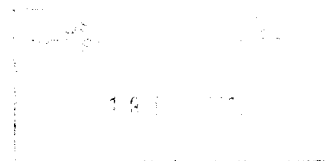
NEIL RICHARDSON (Full Name)

MANAGER, (Description)

INDUSTRY QUALITY TEAM

Kerry Rooney  
General Manager  
Business Development Group  
Tourism Division

5 March 2004



## **APPLICATION TO THE ACCC FOR AUTHORISATION**

### **PREFERENTIAL/EXCLUSIVE TREATMENT OF ACCREDITED TOURISM BUSINESSES**

This submission is in support of an authorisation application lodged under section 93(1) of the Trade Practices Act 1974 (Cth) ("the Act") in relation to conduct potentially falling within sections 45 and/or 47 of the Act. Accordingly, the relevant test to be applied by the Commission is set out in section 93(3A) of the Act, whereby the Commission assesses whether the public benefits associated with the relevant conduct outweigh any likely public detriment.

#### **Lodged by:**

The Australian Government - Department of Industry, Tourism and Resources (ITR).

#### **For and on behalf of:**

Tourism Victoria  
Tourism Tasmania  
South Australian Tourism Commission  
Northern Territory Tourist Commission  
Western Australian Tourism Commission  
Australian Capital Tourism  
Australian Tourist Commission (ATC)

(State and Territory bodies are known as 'STOs' and this group, plus the ATC, is known as 'the applicants'. STOs are government bodies responsible for, among other things, the promotion and marketing of their jurisdictions' tourism industry.)

## **1. EXECUTIVE SUMMARY**

In an increasingly competitive global tourism market, Australian tourism businesses must continue to improve their performance or risk losing international competitiveness.

The Australian Government's recent White Paper on Tourism, released by the Prime Minister in November 2003, clearly sets out the importance of quality and its links with accreditation. The White Paper states that (4<sup>th</sup> paragraph, page X of the Executive Summary):

To attract visitors and keep them coming back, Australia's tourism industry must earn a reputation for quality, value and variety. The capability of tourism businesses to deliver what they promise and to satisfy customer expectations depends upon sound management practices. Accreditation is a means of identifying which businesses meet quality standards. The Australian Government will support industry efforts to establish a national, voluntary accreditation system that encourages quality.

Accreditation can be used to overcome a number of market failures. These include quality assurance issues, information shortages and externalities caused by the poor business practices of some operators (which impact on others). This is particularly evident in the inbound tourism sector. Accreditation is recognised as a useful and effective means of correcting these problems.

This application seeks authorisation for STOs and the ATC to offer accredited businesses exclusive or preferential access to a range of their tourism services. In the case of preferential conduct, the application requests approval for a range of discounts and/or other preferred treatment (so that jurisdictions have the flexibility to vary preferential treatment within the range allowed). In the case of exclusive conduct, the application seeks to have services made available only to businesses accredited under the national tourism accreditation framework.

There are a number of arguments in favour of this conduct. Firstly, the conduct is expected to increase the take-up of accreditation and in so doing, improve business practices and operational efficiency and ultimately the quality of products and services provided to consumers. Improved business practices and product quality will raise Australia's international competitiveness and encourage more investment and employment in the tourism sector.

Consumers will be better informed about the credentials of businesses they are dealing with and be better placed to make decisions about the type of tourism experience they would like. There will also be major marketing benefits as a result of the conduct. In particular, the applicants will be better able to promote Australia's tourism product as one that is delivered by reputable and competent businesses that sell quality products and services. These business, consumer and marketing benefits are expected to be substantial.

There are no real competition issues associated with the proposed conduct. In each case, the applicant is only one of a number of market participants in a competitive (and contestable) environment. In some cases the proposed conduct is expected to lead to an increase in competition.



In light of the above it is expected that the conduct will comfortably pass the 'net public benefit' test for authorisation. The reason for the application is a desire by participating states and territories and the Australian Tourist Commission to gain a level of certainty that would not otherwise be available. Consideration was given to notification (Victoria has in fact notified), but it was believed authorisation would provide an additional level of comfort to applicants that the conduct had been carefully examined and found to be acceptable.

It is noted that while the majority of the states and territories and the ATC are strong supporters of accreditation, New South Wales and Queensland have not been greatly involved in accreditation to date. There are a number of reasons for this, including a perception that 'quality' issues in these jurisdictions can be dealt with by the tourism industry without government involvement. The result has been that to date there are few major accreditation programs in operation in those states (with the exception of ecotourism accreditation, where Queensland has been supportive of Ecotourism Australia's certification program).

However, NSW and Qld tourism stakeholders, both in government and industry, have recently thrown their support behind the national framework for tourism accreditation, agreeing that there is a role for accreditation in improving businesses practices and enhancing consumer experience. This support was provided at the first meeting of the National Tourism Accreditation Working Group in September 2003 and again at the second meeting in March 2004. It may therefore be that in the near future more accreditation programs will emerge in these states. Once this has occurred, the conduct proposed by all other jurisdictions might also be considered by Queensland and NSW.

This application contains an analysis of the costs and benefits of the proposed conduct at the national level (chapters 6-9), as well as for each individual jurisdiction (chapter 10).

## **2. THE PROPOSED CONDUCT**

It is proposed that tourism businesses be required by the applicants to obtain accreditation prior to their receiving promotional and wholesaling services, or prior to receiving discounts or other preferential access to promotional and wholesaling services.

The applicants therefore seek authorisation for the following conduct:

- (a) only allow tourism businesses to participate in promotional, marketing and wholesaling activities provided by the applicants where the tourism business is an accredited tourism business under a program endorsed by the Australian Tourism Accreditation Association framework (or a successor to this framework); and
- (b) only allow tourism businesses preferential access to such activities provided by applicants where those tourism businesses are accredited under such a program.

It is noted that the applicants will each adopt their own timetable for phasing-in the introduction of the proposed conduct (phase-in periods will vary from jurisdiction to jurisdiction).

For the purposes of this application, it is requested that the ACCC examine both exclusive and preferential conduct for all applicants. If a net public benefit is found for exclusive conduct, it is understood that the lesser 'preferential' conduct will also be approved.

In relation to exclusive conduct, the applicants seek authorisation to exclude non-accredited operators from promotional, marketing and wholesaling activities conducted by the applicants. These activities include, but are not limited to, those detailed below:

- promotional publications including: State Tourism Organisation (STO) 'tourism' branding; television, radio and newspaper advertising; website listings and links; tourism signage; interstate/international tourism displays and exhibitions; direct mail, outdoor and on-line marketing and consumer brochures and pamphlets;
- media and trade familiarisations;
- making reservations for consumers with tourism businesses;
- making recommendations to consumers about tourism services;
- inclusion in the State (and consequently Australian) Tourism Data Warehouse (ATDW);
- the racking of brochures in retail visitor centres; and
- the wholesaling of tourism services.

In relation to preferential conduct, the applicants seek authorisation to limit applicant provided discounts or other preferred treatment to accredited operators. This preferred treatment is sought in relation to the above activities (but is not limited by them), and also includes:

- accredited operators to be provided greater prominence in applicants' tourism promotion activities e.g. highlighted listing on STO website.

### **3. UNDERLYING RATIONALE FOR THE PROPOSED CONDUCT**

The proposed actions are intended to address market failures which are currently leading to sub-optimal outcomes for the tourism market. These are outlined below.

#### **3.1 Shortages of Information**

Shortages of information about the quality of tourism product and associated business practices are leading to poor business and consumer decisions. This is costly to both parties, particularly overseas businesses and consumers who have poor information on Australia's product.

There is currently a low take up rate of tourism related accreditation in Australia. The proposed (linking access to STO and ATC services to accreditation) is designed to address promotional and management failures and encourage businesses to consider accreditation more seriously, particularly as a tool for improving their own business standards and profitability. In so doing, the conduct is expected to increase the industry's competitiveness and provide a substantial net public benefit. Importantly, the conduct will increase the uptake of accreditation and enhance consumer confidence in the professionalism and quality of participating businesses.

The benefits of accreditation are particularly high for the tourism industry which is dominated by small business (Bureau of Tourism Research shows that 91 percent of tourism businesses

have fewer than 20 employees) that often have low levels of expertise in business management.

For example, a recent OECD Policy Brief, '*Small and Medium-Sized Enterprises: Local Strength, Global Reach*', highlighted the traditional problems facing SMEs such as a 'lack of financing, difficulties in exploiting technology, constrained managerial capabilities (and) low productivity' (OECD 2000).

Other studies, such as the 1995 Karpin Inquiry (an industry taskforce established by the Australian Government to investigate the leadership and management skills of managers in Australia), refer to inadequate management skills as being the major contributor to the failure of SMEs and responsible for lower economic contribution and productivity.

### 3.2 Externalities in the international market

The unethical or inefficient business practices of a few inbound tour operators have a negative effect on the quality of their tourism product and, consequently, affect the reputation of all operators. This is leading to reduced visitation. These practices often relate to changed tour itineraries and/or the delivery of products at standards below that promised to travellers. The activities of these operators impose negative externalities on the market and reflect badly on both the performance of more 'professional' businesses and on Australia's tourism image in general.

The Cooperative Research Centre for Sustainable Tourism has undertaken a study to assess the impact of unethical inbound operator conduct on consumer satisfaction and, ultimately, on current and future visitor expenditure. The CRC found that the estimated cost to industry from poor business practices amongst inbound operators is likely to be in the order of \$100 million for 2004. The estimated cost to industry over the next decade is estimated to be around \$2 billion.

Accreditation is one means of reducing the ability of operators to engage in unethical or inefficient practices. Because they are unlikely to seek or secure accreditation, such businesses will be prevented from, or disadvantaged in, gaining access to government provided marketing and wholesaling benefits through the proposed conduct. In addition, they will be squeezed by other businesses in the supply chain that will be looking to deal only with accredited partners to minimise their exposure to unethical or inefficient practices.

### 3.3 Coordination of the accreditation market

The proposed conduct will also assist in rationalising accreditation under a single recognisable banner, ie. it will encourage accreditation programs to align under a national accreditation framework. This national brand will aid with consumer and business recognition and give the entire accreditation movement a critical mass. A fragmented and uncoordinated accreditation market will inevitably lead to sustainability problems (ie. too many brands, market confusion).

It is critical to recognise that while this application champions national coordination, it in no way supports restrictions on the numbers of programs in operation. Within the support for the national framework there remains considerable scope for competition from different programs.

### 3.4 Preference versus exclusive argument

The balance of this submission assesses the impact of both exclusive and preferential conduct on all major stakeholders. In most cases, separate analysis is not undertaken for exclusive and preferential conduct. Rather, the consequences of either conduct are discussed in broad terms, with some reference to the differences where appropriate.

While both preferential and exclusive conduct are estimated to produce substantial net public benefits, exclusive conduct is expected to provide relatively greater benefits. The case for exclusive conduct is considered particularly strong as it will be more effective in encouraging businesses to strive toward best (appropriate) practice. This greater comparative reward will lead to greater industry take up, improved standards and competitiveness across the tourism industry, and greater benefits for consumers in terms of improved information.

## **4. BACKGROUND ON TOURISM AND THE IMPORTANCE OF QUALITY**

As the 'business of tourism' grows worldwide (global tourism is expected to generate \$US 4,544.2 billion of economic activity and 67.4 million jobs in 2003), the contribution of the tourism industry to the Australian economy in terms of employment, growth and exports will continue to expand. In 2001/02, domestic and international tourism generated 4.5 percent, or \$31.8 billion, of GDP and accounted for 549,000 jobs in Australia or 6 percent of total employment.

In terms of international arrivals, the Tourism Forecasting Council has predicted that Australia will receive 7.8 million visitors in 2012, up from 4.8 million in 2002. This is an average annual increase of some 4.8 percent as compared to the projected 4.2 percent for world international arrivals (2002-2010).

In 2001/02, international visitors' consumption of \$17.1 billion amounted to 11.2 percent of total exports; this was more than the value of Australia's other major export industries such as coal and iron, steel and non-ferrous metals. Over the next nine years, export earnings from international tourism are forecast to grow by 4.5 percent a year to \$27.5 billion, with Asian visitation expected to grow to around 50 percent of Australia's inbound market.

### 4.1 The importance of quality

Quality is a major issue in securing the further development of the tourism industry. The Government's White Paper on Tourism outlines the case for high quality tourism products and services (paragraphs 1 and 2, page 22).

If Australia is to optimise growth of the inbound tourism sector it must aspire to meet Platinum Plus standards. This means Australia must seek to lead the world in providing quality and value in tourism products and services..... Therefore, Australia must attract visitors and ensure they become repeat visitors by developing and delivering on a reputation for quality, value and varied, enriching experiences.

There are some areas of Australia's international tourism industry that are, unfortunately, characterised by business practice and quality problems, most notably guided tours from key markets in the North Asian region (eg. China, Korea, Taiwan and

Japan). Criticism in these areas largely relates to accommodation, meals and sightseeing at levels lower than promised and the controlled over-shopping of tourists to gain commissions from retail and other outlets. The outcome of these practices is often a poor quality tour that does not meet traveller expectations and can result in lower future visitor numbers.

The ethical and professional treatment of tourists, particularly from the emerging and fast growing markets in North Asia, is vital in establishing a positive image for Australia's tourism industry and in delivering the product that is expected. The ongoing dubious and inefficient practices of some operators not only have a detrimental impact on visitors, but ultimately have the effect of diminishing Australia's attraction as a tourist destination and negatively impacting on other operators and the wider economy.

In the domestic tourism sector (constituting around three quarters of the total industry), there are also frequent reports of less than adequate business practices and tourism products that do not meet expectations. In particular, low levels of information to assist travellers to better assess the quality of tourism product can lead to poor decisions, low customer satisfaction and low repeat visitation.

#### 4.2 Accreditation – an effective means of improving business practices and quality in the tourism industry

Since the 1980's there has been a realisation by industries worldwide that implementing quality assurance programs can deliver a competitive advantage. This realisation has prompted the growth of a range of related programs, notably the internationally recognised ISO series (International Organisation for Standardisation). Many industry sectors and individual businesses now invest considerable resources in demonstrating best practice and continuous improvement.

In recent years the tourism industry has had an increasing focus on quality assurance, standards and accreditation. Industry sectors and professional groups have established voluntary codes of practice to define and maintain acceptable business and product standards. Industry-specific certification is available to professional organisations and individuals and there is a range of accreditation programs and ratings systems that are used nationally and internationally to grade accommodation properties.

### **5. THE CURRENT FRAMEWORK FOR TOURISM ACCREDITATION**

#### 5.1 Background

The Australian Government has provided support for tourism accreditation, with a particular emphasis on steering industry towards a nationally consistent approach. This has seen the development of a national (minimum) standard under the auspices of the not-for-profit organisation, the Australian Tourism Accreditation Association Pty Ltd (ATAA), and initiatives under the Governments Tourism White Paper to further develop a national framework. ITR is represented on the ATAA Board along with industry representatives from most States and Territories.

#### *ATAA: History*

To provide some structure to the many accreditation programs being developed by different sectors of the Australian tourism industry, in 1997 the then peak body for the tourism

industry, Tourism Council Australia (TCA), initiated the formation of the Australian Tourism Accreditation System which comprised:

- a National Framework and a National Standard for tourism accreditation identified by a consistent National Logo; and
- a National Accreditation organisation made up of representatives of most States and Territories to oversee the preparation of 'the system' and to monitor its operation.

The origin for the National Standard was the National Tourism Accreditation Program (NTAP), which was originally known as the Quality Assurance Accreditation Program. NTAP was developed by Tourism Council Australia (WA), the Western Australian Tourism Commission (WATC), industry specialists and major specialists in the fields of quality assurance including Quality Assurance Services and the Australian Quality Council. The development phase took into consideration the Better Business Accreditation Program operating in Victoria which was based on ISO-9002 principles.

When TCA went into administration in December 2000, steps were taken to establish an independent body to continue the task of implementing and maintaining the Australian Tourism Accreditation Standard. ATAA was consequently registered in January 2001 and the NTAP (WA) framework utilised to formulate the Australian Tourism Accreditation Standard.

The not for profit industry based body ATAA subsequently secured the intellectual property rights for the Australian Tourism Accreditation Standard and Australian Government (start up) funds were provided to ensure the ongoing viability of tourism accreditation in Australia. Further details regarding the Australian Tourism Accreditation Standard (sometimes referred to as the Australian Tourism Accreditation System) are at **Attachment A**.

#### *ATAA: Objectives*

ATAA's mission is to provide leadership and co-ordination in the development and implementation of accreditation programs for the tourism industry within a national framework that ensures uniformity of relevant standards. ATAA's major goals are to:

- encourage the development and implementation of nationally consistent Accreditation Programs throughout the tourism industry;
- evaluate and approve Accreditation Programs and issue a licence to approved Program Managers;
- ensure the maintenance and development of the Australian Tourism Accreditation Standard;
- establish and maintain a database of tourism businesses;
- market and promote the Accreditation Logo in partnership with Government tourism agencies; and
- assist in the development of training programs for tourism accreditation.

It is important to recognise that ATAA is the body overseeing the national framework for accreditation and that it is not involved in program delivery. Essentially, it owns and updates the accreditation standards that are employed in the accreditation programs operating within the national framework. It is, in a sense, a body that accredits Accreditation Programs.

### *ATAA: Program Assessment*

ATAA has a technical committee that evaluates accreditation programs and program managers based on the requirements of the Australian Tourism Accreditation Standard and provides onsite verification of the system (see Attachment A). An accreditation program or program manager must comply with all aspects of the Standard before being recommended by the Technical Committee to the ATAA Board for endorsement.

Should a proposed program initially fail to meet all aspects of the Standard, the submitting organisation is requested to explain any omissions and supply further information or clarification of issues. Any material subsequently submitted to ATAA is reviewed by the Technical Committee. A recommendation that the program be endorsed or otherwise is then submitted to the ATAA Board of Directors for consideration.

### 5.2 Generic Business Accreditation Programs within ATAA

To gain accreditation, tourism businesses must demonstrate a commitment to specific practices. The Australian Tourism Accreditation Standard requires that a business document and demonstrate:

- Compliance with both business and industry-specific regulations;
- Adherence to industry sector standards and codes of practice;
- Corporate, strategic, business and marketing plans;
- Administration and operational procedures;
- Risk management planning and procedures;
- Human resources management policy and procedures;
- Customer service policy and procedures;
- Environmental management policies and procedures; and
- General maintenance schedules and procedures.

The Standard is largely implemented through generic state-specific accreditation programs, although the ATAA framework also encourages sector-specific standards to be added (ie. it encourages the participation of programs that address the specific issues within a given tourism industry sector in *addition* to the core business standards). The ATAA Standard is designed to be affordable, accessible and applicable to the whole tourism industry. The standard is detailed in full at section 4.1 of Attachment A.

Funds from the Australian Government, State and Territories have assisted the implementation of ATAA endorsed state-based accreditation programs in Victoria, Western Australia, Tasmania, South Australia, the Northern Territory and the Australian Capital Territory. These ATAA endorsed state based programs are the:

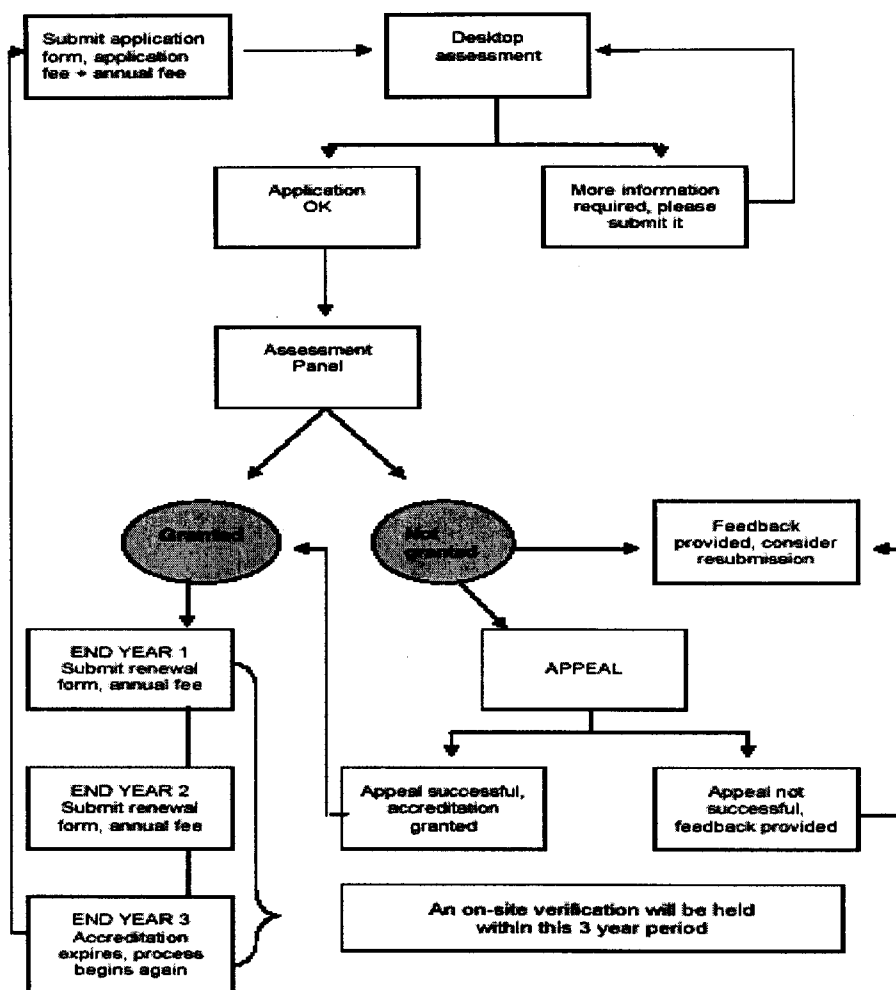
- National Tourism Accreditation Program (ACT)
- Northern Territory Tourism Accreditation Program (NT)
- National Tourism Accreditation Program (SA)
- National Tourism Accreditation Program (WA)
- Better Business Tourism Accreditation Program (VIC)
- National Tourism Accreditation Program (TAS)

Program managers of ATAA endorsed programs include an element of business mentoring. This involves working with businesses that do not meet the standard to bring them up to the required level of expertise. An example of how this process works can be seen in the

Victorian Better Business Accreditation Program (**Figure 1**) where assistance and feedback are important features of the accreditation application process. The process also allows for appeals to be made within the program itself.

**Figure 1 (example)**

#### **APPLICATION PROCESS FOR BETTER BUSINESS PROGRAM**



### 5.3 Sectoral programs within ATAA

In addition to the generic state based programs, sectoral programs endorsed by ATAA are operated by Caravan Industry Australia, Museums Australia, the Camping Association of Victoria, Aboriginal Tourism Australia (Respecting our Culture- ROC) and the Events Industry Association (WA). In each of these programs, ATAA's standards are included as a part of the overall program. In all cases, sector specific standards are added to provide a tailor-made program that meets the particular needs of different groups. This allows for considerable diversity within the national framework.

#### *Caravan Industry Australia Accreditation Program*

Formed in 1992, Caravan Industry Australia (CIA) is the peak national organisational body for the Caravan, Motor Home & Camping industries. Caravan Industry



Australia's Accreditation Program is about developing professionalism within the caravan park sector of the industry. It is a three year voluntary program, and includes a code of conduct, compliance with regulations, and assessable standards in risk, safety and environmental management, customer service, human resources, marketing and business planning. Thirty caravan parks are accredited under this ATAA endorsed sectoral program.

#### *Museums Australia Accreditation Program*

The Museum Accreditation Program (MAP) was launched in August 1993. This Victoria-wide program was established as a framework for reviewing museum and gallery operations against industry standards. MAP provides a framework to help Victorian museums build sustainability and innovation in management, governance and operations and to foster and promote professional standards across the sector. Thirty four Victorian museums are accredited under this ATAA endorsed sectoral program. Although based in Victoria there are plans for MAP to be expanded into other states.

#### *Camping Association of Victoria - Camping with Confidence*

The Camping Association of Victoria's (CAV) "Camping with Confidence Program" was developed to accredit group accommodation campsites. This voluntary program for campsite accreditation was developed by the Camping Association in conjunction with the Department of Education and is endorsed by the Tourism Accreditation Board of Victoria and ATAA. Accredited campsites have demonstrated to independent consultants that they meet the core standards for the safe and reasonable operation of the campsite. 111 Victorian campsites are accredited under the program.

#### *Respecting our Culture Indigenous Accreditation Program*

Recently endorsed by ATAA, the Respecting Our Culture (ROC) Indigenous Accreditation Program is a national program that has been developed by Aboriginal Tourism Australia. ROC is designed to help manage and guide the tourism industry and assist indigenous communities in protecting and strengthening their cultural, environmental, social and business sustainability.

#### *Events Industry Association (WA)*

The Events Industry Association Accreditation Program has been developed by Events Industry Association (WA) in response to an identified need to develop a system of accreditation for its members that aligns standards in the events industry with the demands of business today. The accreditation program is currently in operation in Western Australia and there are plans to introduce it nationally.

### 5.4 Industry Penetration

Of the more than 60,000 Australian businesses engaged in core tourism activities (*Bureau of Tourism Research 2003, Occasional Paper No. 34*) as at December 2003, only 2700 tourism businesses (less than 5 percent) were accredited by program managers recognised by ATAA. The following table indicates the latest figures on accreditation penetration, by jurisdiction and growth, over the last year. The table highlights the impressive growth of businesses accredited under ATAA endorsed programs (over 50 percent) over the last 2 years – albeit from a low base.

	Jan-02	Jan-03	Dec-03	Growth -% over 2 yrs
Western Australia	491	585	607	23.6
Northern Territory	27	59	73	170.0
South Australia	221	294	362	63.8
Tasmania	673	814	935	38.9
Victoria	357	430	495	38.7
ACT		5	11	
Caravan Parks	28	30	56	100
Camping Association of Vic		111	120	
Museums		34	33	
Events Industry Association (WA)			0	
ROC			6	
<b>TOTAL</b>	<b>1797</b>	<b>2362</b>	<b>2698</b>	<b>50.1</b>

While this recent surge in the uptake of programs operating under ATAA is starting to help improve the quality of Australia's tourism practices and product, it is from a very small base and many stakeholders believe that progress is too slow and that further incentives are needed to draw in more businesses.

State and territory tourism authorities therefore propose to provide either exclusive or preferential marketing opportunities to operators under ATAA endorsed programs in an effort to encourage the uptake of ATAA accreditation by the tourism industry.

### 5.5 Why support only ATAA endorsed programs?

It is imperative that as tourism accreditation grows in Australia, a strong and unified accreditation system is developed and utilised. There is a very high propensity for confusion amongst stakeholders if a number of un-linked accreditation programs are developed and promoted. This is already evident to some degree. Fragmentation in the development of accreditation programs is also likely to result in significant duplication of effort which can in turn affect sustainability.

Conduct which supports ATAA endorsed programs will lead to a substantial increase in demand for the accreditation services of ATAA endorsed programs. This will lead to a strengthening of the ATAA framework, and through that, improved sustainability. Importantly, greater demand for ATAA endorsed programs will help support improvements to the national system and provide funds for adequate marketing.

This extra demand could lead to other programs choosing to align with the ATAA framework and, as a result, more consistent branding across the market. This outcome would provide businesses and consumers with improvements in program consistency and help reduce confusion amongst stakeholders.

Competition is protected under the national framework as a number of safeguards are in place:

- ATAA is a not-for-profit organisation that oversees the national accreditation framework, it is not a program manager;

- ATAA is not expected to increase prices unnecessarily in response to an increase in the demand for its services (which include maintaining and promoting the ATAA standards, approving appropriate programs into the ATAA framework and providing logos and other collateral to members). ATAA's pricing is currently limited to a \$20 license fee for all businesses accredited under an ATAA endorsed program (to fund the above activities);
- ATAA has demonstrated a willingness to endorse programs that meet the set standards and, indeed, it is in its interest to endorse new eligible programs under its banner as this will assist it to meet its costs, increase brand awareness and improve sustainability of the ATAA framework. This approach allows considerable competition amongst programs under the ATAA banner for the provision of accreditation services, providing limited opportunities for particular program managers to increase prices; and
- While many of the generic programs endorsed under the ATAA framework are state-based, there is nothing to prevent them from competing across state borders. There is already evidence of this with a number of NSW and Queensland businesses becoming accredited under neighbouring programs.

## 5.6 Key Programs outside ATAA

### *Eco Certification Program*

The Eco Certification Program is an initiative of Ecotourism Australia (EA) and was originally launched in 1996 as NEAP (Nature and Ecotourism Accreditation Program). The Eco Certification Program was developed by industry for industry to address the need to identify genuine ecotourism and nature tourism operators in Australia. Accredited Eco Certification Program products are backed by a commitment to best practice ecological sustainability, natural area management and the provision of quality ecotourism experiences.

An important distinction with the Eco Certification Program is that it accredits products rather than business practices or individuals. Three types of nature tourism or ecotourism product may be accredited under the Eco Certification Program: accommodation, tours and attractions. The Eco Certification Program now incorporates Business and Operational Planning criteria which meet the ATAA requirements.

The Eco Certification Program operates as a self-funding, not-for-profit program. An administrator based at EA coordinates the day to day activities of the program and provides a help desk for operators completing an application. Approximately 500 Australian operators have products accredited under the Eco Certification Program.

While currently outside the scope of the ATAA framework, it is understood that the Eco Certification Program has been revised to meet the ATAA requirements. The revised program has been considered by the ATAA technical committee and, subject to some minor amendments, is expected to gain endorsement by the ATAA Board.

### *Outdoor Recreation Industry Council (ORIC) Accreditation Program*

The ORIC accreditation program is designed specifically for outdoor education and recreation organisations. The program recognises that accreditation is an important step for promoting quality standards within the industry, particularly in the absence of legislation. Four ORIC members have attained accreditation.

### *Green Globe*

Green Globe Asia Pacific is a joint venture between GREEN GLOBE Limited and the Cooperative Research Centre for Sustainable Tourism (CRC) based in Queensland. Green Globe commenced operations in 1994 and operates as a private company.

Green Globe provides a benchmarking and certification service in support of environmentally sustainable management for the travel and tourism industry. As such, Green Globe examines tangible environmental performance (eg. the amount of electricity and waste water used by a business such as a hotel). This allows businesses to benchmark themselves against industry averages. Green Globe currently has 8 affiliates, 6 benchmarked organisations and 2 certified organisations in Australia.

### *Australian Tourism Export Council Code of Conduct*

The Australian Tourism Export Council (ATEC) is a peak industry body that represents the interests of over 1000 tourism export companies and inbound operators throughout Australia. It has a regular interface with the Australian, State and Territory governments and other industry bodies.

Sectoral standards for the international market, in the form of the ATEC proposed Australian Tourism Export Code of Conduct, have been developed to address quality related issues, particularly those associated with organised tours from North Asia (as previously described at 4.1). Although the Tourism Export Code closely aligns with the ATAA standards and is likely to be accepted into the ATAA framework, the Code is yet to be implemented. The Australian Government has provided funding for the development of the Tourism Export Code of Conduct and worked with the Australian Tourism Export Council to assist in its development. Once implemented, the Export Code will represent a major step towards improving quality through self regulation in the inbound market.

### *ISO 9000*

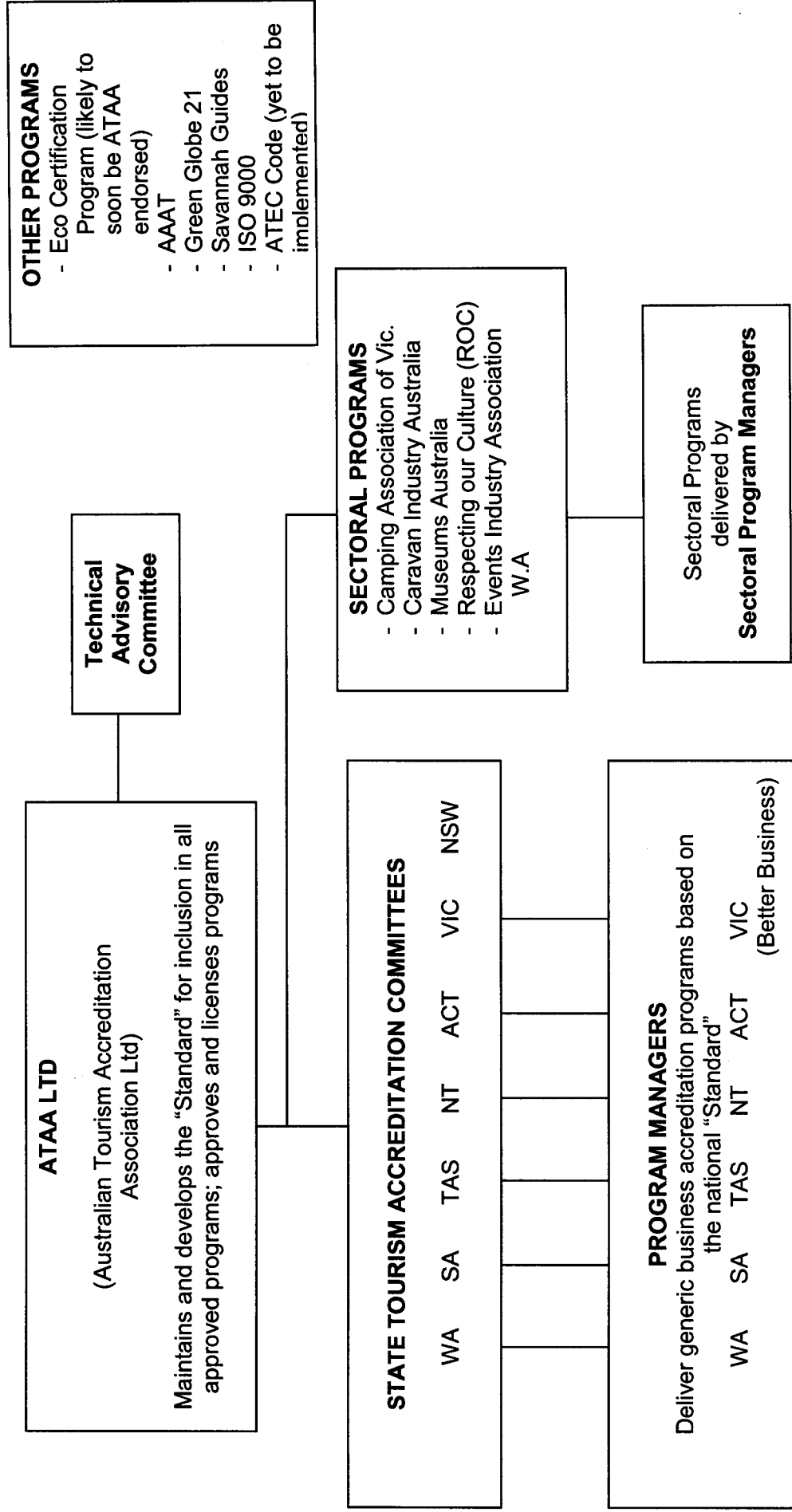
ISO is a non-governmental network of the national standards institutes of 146 countries, on the basis of one member per country, with a central secretariat that coordinates the system. The vast majority of ISO standards are highly specific to a particular product, material, or process e.g. electrical engineering. However, ISO 9000 is known as a 'generic management system standard' and, as such, is concerned with 'quality management'. ISO 9000 Standards are implemented by an organisation undertaking to enhance customer satisfaction by meeting customer and regulatory requirements while continually improving its performance. Attaining ISO 9000 certification involves extensive time and costs but is internationally recognised and respected. ISO standards are the basis for the ATAA standards.

### *AAA Tourism*

AAA Tourism is the national tourism body of Australian Motoring Services Pty Ltd which is owned by Australia's motoring organisations - NRMA, RACV, RACQ, RACT, RAA, RAC and AANT. AAA Tourism's involvement in the accreditation market occurs through its management of the STAR rating program, which provides an independent STAR rating for over 11000 accommodation properties across Australia. AAA Tourism's star rating system, which accredits business facilities rather than business practices, is by far the most substantial program outside the ATAA framework.

A diagram of the national framework for tourism accreditation (with reference to those programs outside the framework) is at **Figure 2** below.

**FIGURE 2: EXISTING TOURISM ACCREDITATION ARRANGEMENTS IN AUSTRALIA**



### 5.7 Proposed Changes to the Current Tourism Accreditation System

The Australian Government's Tourism White Paper was released by the Prime Minister in November 2003. Essentially, the White Paper commits the Government to providing one-off assistance to speed the establishment of an effective national, voluntary accreditation system. Funding of \$2m over two years will be provided to industry with the aim of establishing a system that:

- better accommodates generic and sector specific accreditation programs;
- delivers value to tourism businesses through provision of an attractive benefits package for accredited businesses with a focus on helping businesses improve their back-office efficiency;
- develops and markets a strong brand conveying clear and reliable information to stakeholders; and
- is sustainable without further Australian Government assistance after two years.

It is not expected that these activities will result in wholesale changes to the ATAA standard. The main outcome from these activities will be an improvement in the professionalism, marketing and credibility of the national framework, leading to greater benefits to participating businesses and to consumers. It is expected, therefore, that these proposed changes will add to the net return to the community from the proposed conduct. It is emphasised that the new framework is being developed jointly by ITR, industry and state governments to ensure its acceptance and its sustainability after Australian government funding ceases (2 years).

The ACCC will be kept informed of further developments as they occur. Updates can also be obtained at [www.tourism.gov.au/whitepapertourism](http://www.tourism.gov.au/whitepapertourism)

## **6. EFFECTS FROM THE AGREEMENT BETWEEN APPLICANTS ON COMPETITION**

This chapter aims to cover the impact of the agreement itself on competition (ie the implications for competition from the applicants' agreement to confine their conduct to the same/similar parameters). The direct and indirect affects of the specific conduct on stakeholders is covered in Chapters 7 and 8.

### 6.1 Scope of the Agreement and its rationale

Participants to the application include 6 of Australia's 8 jurisdictions, plus the ATC. NSW and Qld are not participating directly (though both are named as possible *future* parties) as neither jurisdiction currently has a major generic or sectoral accreditation program operating under the ATAA framework. At the present time, therefore, it would be infeasible for their STOs to commit to the proposed conduct.

Having said this, the Eco Certification Program, which has been widely taken up in Qld, is likely to be formally endorsed by ATAA and will represent the first significant penetration of an ATAA-endorsed program in this state. Also, both Qld and NSW have recently participated in a National Tourism Accreditation Working Group and have given their support to a revitalised national framework as proposed in the Australian Government's Tourism White Paper. This support extends to both government and industry stakeholders in NSW and Qld.

## 6.2 Competition effects

There are no negative material competition effects from the agreement between the 6 jurisdictions and the ATC. This is the case for the following reasons:

- The applicants do not compete with each other for business in the promotion or wholesale market. Each applicant services the needs of businesses within their own jurisdiction – this is consistent with their roles and responsibilities. STO promotions are aimed at encouraging tourism within their state or territory as well as attracting tourism from other jurisdictions. Therefore, tourism businesses are no worse off as a result of the agreement between applicants to offer exclusive or preferential services (ie. seeking the services of another STO is not an option).
- The applicants are only one of a large number of players in the promotions and wholesaling market in each jurisdiction (see Section 10). Therefore, there are a variety of other service providers to ensure that businesses and other stakeholders in any given jurisdiction are not disadvantaged.

In terms of the competition effects on accreditation programs, to the extent that those outside the national framework compete with those inside, ATAA programs will have an advantage as a result of the proposed agreement. However, and as recognised in Section 8, there are few major accreditation programs outside the framework that currently compete directly with ATAA endorsed programs (ie. they compete in different markets).

## 6.3 Summary

There are no issues relating to a lessening of competition that result from the agreement. Individual businesses will not be disadvantaged as the applicants do not operate in the same market, and there are a large number of competitors to the applicants in all jurisdictions. There are not expected to be any consequences for consumers.

## **7. COSTS AND BENEFITS OF THE CONDUCT FOR BUSINESSES, CONSUMERS AND GOVERNMENTS**

This chapter aims to address the effect of the proposed conduct on key stakeholders. In particular it outlines the net benefits from the wider take-up of accreditation (that will result from the proposed conduct).

### 7.1 Significant benefits from the adoption of Accreditation

#### *Benefits to participating Tourism Businesses*

The rapid growth rate of 50 percent for ATAA endorsed programs over the past 2 years, combined with a low attrition rate of 5.5 percent over the last four years (with the majority due to closure or sale of businesses), indicates that many tourism businesses see considerable merit in acquiring ATAA accreditation. However, this is occurring from a low base and businesses require further encouragement to consider accreditation.

The CRC for Sustainable Tourism recently undertook a study into the costs and benefits of tourism accreditation and found there were a number of key benefits being delivered to businesses (CRC for Sustainable Tourism, 2000, *The Effect of Accreditation on Tourism Business Performance an Evaluation*). These and other benefits are listed below:

- improved business processes and practices, and therefore profitability, resulting from compliance with established industry standards in this area;
- an improved reputation and higher degree of marketability in the workplace, including the ability to display the ATAA logo on site and on all promotional and advertising material;
- improved training, communications and staff morale;
- a competitive advantage over non-accredited operators;
- greater customer confidence and satisfaction, leading to increased repeat business;
- discounts on industry association membership fees;
- discounts on participation in marketing programs and other activities (domestic and international campaigns, on-line marketing, brochures, road shows, workshops, travel fairs, tourism networks etc) run by government tourism marketing agencies;
- reduced Public Liability Insurance (PLI) cost and discounted business insurance rates;
- enhanced reputation amongst other businesses including credibility within the tourism distribution network;
- preferential access to national parks (for nature-based tour operators); and
- a means of regularly reviewing business and risk management practices for continual improvement.

#### *Benefits to Consumers*

Accreditation provides consumers with an assurance that a tourism operator is committed to sound business practices and professionalism in all aspects of the enterprise. It provides consumers with better information and allows them to make more informed choices about the tourism businesses they deal with. While this does not necessarily guarantee a high quality product, it better ensures that they receive what is promoted to them from businesses that are professional and ethical ('truth in advertising' is a major part of the ATAA standard). This will reduce transactions costs and risks for consumers and encourage more efficient purchasing decisions and greater customer satisfaction.

Accreditation also satisfies safety and security needs. Consumers are exposed to less risk by way of inadequate public liability cover and by being more certain that products and services will meet industry accepted standards and government regulations (meeting government regulations is a requirement of the ATAA standard). In some cases, such as with adventure tourism, there are direct physical safety issues (eg. tours involving water, climbing or flying). There are also a number of safety issues applying to all businesses (eg. accredited businesses will have documented procedures in place in the case of an emergency).

#### *Benefits to Industry*

The tourism industry gains from having a more sustainable and internationally competitive sector through accreditation. Improved business practices and consequential improvements in product quality and reliability will likely lead to an increased reputation for Australia's tourism industry. This would result from both 'word of mouth' endorsements as well as through the marketing campaigns of the applicants which emphasise Australia's commitment to professional conduct and higher standards. The likely outcome would be: