

- a more competitive and better regarded tourism industry;
- increased tourism exports (through increased inbound tourism);
- greater tourist yield as consumers motivated by quality are attracted;
- greater employment opportunities (as a result of growth in the sector); and
- import replacement (as Australians holiday domestically rather than overseas).

The existence of an industry based accreditation program (ie. industry self-regulation), in itself, also reduces the likelihood of imposed regulation (a more costly alternative for both industry and government) and allows industry to have a much greater say in how such self-regulation should be structured and implemented. It is noted that the Queensland Government has recently introduced legislation (the *Tourism Services Act*) to regulate the activities of inbound operators and tour guides to limit unwanted business practices.

### *Benefits to Government*

Greater industry efficiency and competitiveness will lead to a number of known benefits to government (eg. greater tax receipts, less expenditure on unemployment benefits, etc).

### 7.2 Costs from the adoption of accreditation

The direct costs to operators from obtaining accreditation are largely accreditation fees and compliance costs in the form of staff time and other resources that need to be allocated to the accreditation registration process. This includes any costs of upgrading management practices and customer services to meet set accreditation standards.

#### *Accreditation fees and compliance costs (paid by businesses)*

The accreditation fees paid under ATAA endorsed programs vary and can depend on the number of full-time equivalent staff employed by a tourism business. For example, 90 percent of operators accredited under the generic programs in Victoria and Western Australia pay annual accreditation fees of \$310 or less. In Victoria, the weighted average fee is \$220 and in Western Australia it is \$250.

In most of the States' generic programs, approximately 70 percent of accredited operators are in the lowest fee category. On this basis, it is reasonable to assume that a typical accredited tourism business employs two or fewer full-time staff equivalents and pays annual accreditation fees of under \$200 (based on consultations with ATAA Program Managers). There may also be cash costs associated with attendance at some seminars (seminar fees, travel costs) and in the acquisition of some accreditation material.

Staff time allocated to the registration process would include seminar attendance, desk work, and down-time for the occasional visit from the accreditation program manager (minimum of once every three years). Preparing an application for accreditation might involve assembling relevant licences, permits and insurance policies. If not in existence, compliance costs might also include those associated with preparing business and marketing plans, accounting systems, booking procedures, staff employment policies, customer care procedures, environmental policies and documented safety and emergency procedures.

Other initial costs for a typical accredited operator include an up-front application fee, separate to the annual accreditation fee and initial compliance costs. Also, in the unlikely event that public liability insurance (PLI) is not already held, since this type of insurance is mandatory for accredited businesses, the associated costs must also be added (to which there will of course be offsetting benefits, eg PLI cover).

Overall costs of becoming accredited are thought to be in the order of \$500 in the first year, with few ongoing expenses. The considerable assistance provided by the program managers, including 'off the shelf' packages for accounting, business planning, customer complaints and the like, help keep compliance costs to a minimum.

#### *Costs to Consumers*

The effect of accreditation on prices is unclear but is estimated to be minimal. In the longer term, the accreditation fee and compliance costs would have to be factored into the product price. However, this is offset by improved business operating efficiencies and reduced costs of operation (arising from maximised efficiency and discounts available to accredited businesses) which will result from accreditation (which should lower prices). The net effect is likely to be zero.

#### *Costs to Industry*

Discounts offered by commercial businesses to accredited operators are not considered a cost to industry, as they are willingly provided to help meet objectives (i.e. by their actions they believe the discounts are in their interests). An example is the discounts provided by some insurance companies to accredited businesses on the grounds that they are a lower claim risk.

State and Territory industry organisations have also played a critical role in the establishment phase of accreditation programs in their respective jurisdictions (eg. state tourism councils are often the program managers of the generic programs). As such, where there are subsidies provided, the cost to industry of accreditation programs is represented by industry organisation resources being diverted from other policy or administrative work/programs. As with insurance companies however, the voluntary involvement of these industry organisations in accreditation suggests they are receiving a net benefit.

#### *Costs to Government*

It is possible there will be some costs to government from the increased take-up of accreditation. That is, since some STOs currently subsidise the cost to businesses of accreditation, any increase in take-up may result in an increase in the overall subsidy needed. However, this is not considered likely since an improvement in program sustainability is anticipated as a consequence of increased take-up (ie. average costs will fall as the number of businesses involved in accreditation grows, thus reducing the need for government subsidisation) in the medium to long term.

### 7.3 Conclusion (net impact)

The net direct effect of the proposed individual conduct on tourism businesses and consumers is assessed as being significantly positive. In terms of consumers, benefits are widespread and intuitive, i.e. accreditation delivering better business practices, improved product reliability/quality, greater information and consumer protection through PLI etc.

Industry is estimated to benefit from accreditation through improved competitiveness as well as by being able to enjoy a marketing and promotion campaign which highlights Australia's higher product quality. Governments have indicated their strong belief that there is a clear net benefit from the conduct by their participation in this application.

These are by far the largest benefits from the proposed conduct and are considered to outweigh (by a significant margin) any associated costs, including minimal competition issues.

## **8. THE COSTS AND BENEFITS OF THE CONDUCT FOR THE TOURISM PROMOTION, WHOLESALING AND ACCREDITATION MARKETS**

While Section 7 canvassed the overall benefits from the conduct (for businesses, consumers and government), this Section shows how the conduct impacts on specific markets, namely on the promotion, wholesaling and accreditation markets. The impacts on competition are highlighted for each of these sectors.

### **8.1 The Tourism Promotion Market**

The tourism promotional market is characterised by the relationship between the providers of tourism promotional services and those who purchase such services, eg. tourism businesses. Examples of promotional services provided are detailed in Section 2: Proposed Conduct.

The impact of the proposed conduct on tourism promoters is expected to vary. For the applicants there will be a range of benefits, including the ability to focus their promotions on the high quality of businesses and their products. This may help differentiate them from other promotional competitors. Applicants will also save on the costs of assessing the bona fides of the businesses they promote. That is, accredited promoters will not need to scrutinise businesses to determine their suitability for promotion (ITR is aware that some assessment currently takes place and that promoters are concerned at being liable for marketing poor quality products).

The impact of the proposed conduct on non-applicant promotional providers is somewhat different. These bodies are likely to enjoy an increase in demand for their services. This will be the result of some tourism businesses electing not to purchase applicant services (following the introduction of accreditation as a requirement of participation). This 'shedding' of applicant demand may not only reinforce demand for rival promoters, but may also foster the start up of new providers of promotional services, thus adding to the range and scope of services available to businesses. In light of this increase in competition, price may also be expected to fall. These benefits should flow on to consumers.

### **8.2 The Tourism Wholesaling Market**

The wholesaling market is characterised by the relationship between suppliers of wholesale services and those who purchase them, eg. tourism businesses and travel agents. Government-run tourism wholesaler practices exist in Tasmania, South Australia and the Northern Territory.

The benefits for the wholesaling market are very similar to those of the promotional market. That is, applicants will enjoy a sharper marketing brand and reduced costs of business assessment. Non applicants will likely see an increase for the demand of their products. More diverse and cost effective promotional services will be the overall result.

### 8.3 The Tourism Accreditation Market

The accreditation market consists of the relationship between the providers of accreditation services and those who purchase such services, ie. tourism businesses.

The proposed conduct will provide an incentive for accreditation programs to align under ATAA. As an organisation, ATAA is therefore likely to enjoy an increase in demand for its services and additional revenues (and costs). There is however no expectation that ATAA will attempt to exploit this change in market condition, as it is a *not-for-profit* organisation.

Possible competitors to ATAA, such as ISO, are unlikely to be affected by the alignment of programs under the ATAA banner. That is, it is not expected that programs will align with ATAA when they might otherwise have chosen another accreditation system/framework. For example, many ISO programs are targeting medium to large enterprises (programs are detailed and contain significant reporting and monitoring obligations) while ATAA is aimed more at the small to medium sized business (programs are less complex with minimal 'paperwork'). Therefore, since there are no genuine rivals to ATAA as the coordinator of tourism accreditation programs, there are no competition effects from the conduct.

The proposed conduct will have a positive impact on ATAA endorsed programs. Exclusive or incentive-based conduct will lead to a greater number of businesses choosing to become accredited in order to gain access to the applicant's services. This will boost the sustainability of programs by enabling them to exploit the economies of scale inherent in accreditation program management. That is, since there are fixed costs associated with the design and implementation of programs, the more businesses participating in a program, the lower the average cost to each business. Indeed, it is a current weakness that there are a large number of smaller programs operating outside ATAA, each with only minimal patronage by businesses, leading to higher participation costs and on occasion program collapse. This dynamic can have a highly disruptive effect on both participating businesses and consumers.

Businesses can become reluctant to participate in programs that may not be sustainable in the long term. Consumers also have difficulty making sense of a wide range of accreditation programs that vary in content, are not large enough to be well promoted, and which can disappear a few years after introduction.

The proposed conduct will have a substantial impact on the sustainability and coordination of the accreditation market, leading to greater longevity of programs and, through the alignment of programs under one banner – ATAA – far greater consumer and businesses awareness and recognition.

It is not expected that increased support for ATAA programs will lead to any material anti-competitive behaviour in the accreditation market. There will be considerable competition between programs *within* the ATAA framework for businesses. At present

there are over a dozen programs operating under ATAA. Under the proposed conduct, this number is likely to increase as other programs (whether new or existing) align with ATAA in order to enjoy the associated benefits. Indeed, we are already seeing a number of non-ATAA programs choosing to align (eg. the Eco Certification Program). This will help support a dynamic and competitive environment *within* the national framework, leading to the emergence of new program choices and competitive prices.

In terms of the direct costs to program managers of aligning with ATAA, there are some fees to be paid. However, these are minimal. For example, at present ATAA charges each program manager \$20 per business for access to its services. The cost of 'engineering' or 're-engineering' programs to ensure compliance with ATAA standards need not be expensive. Considerable assistance is provided by ATAA to ensure program managers are aware of the requirements to participate, and templates and pre-prepared material are provided to minimise compliance costs.

Some accreditation programs may choose not to align with ATAA and may suffer a reduction in demand for their services as a result. However, the likelihood of this is small as most programs already operate under ATAA or plan to in the near future. Where this is not the case, these programs are often catering for a different market and there are therefore few competition issues. For example, while Green Globe 21 is not considering an alignment with ATAA, it is targeting larger businesses interested in reducing their impact on the global environment (eg. greenhouse emission) – who would not see most ATAA programs as substitutes.

#### 8.4 Would benefits be otherwise achievable?

Governments and industry have tried to achieve more widespread take-up of accreditation through subsidisation and promotion. This has not been successful. The chief obstacles remain shortages of information about the benefits of accreditation and the resistance to change by businesses.

The proposed conduct is considered the most cost-effective option available to achieve the goals of raising industry standards, improving consumer information and sharpening Australia's marketing image.

### **9. OVERALL BALANCE OF COSTS AND BENEFITS – NET PUBLIC BENEFIT/DETRIMENT.**

In summary, there is a net return to the community from the proposed conduct. While the impact may vary across the different markets and across jurisdictions, the preceding analysis supports the applicants' view that the proposed conduct will result in a clear public benefit for each and every tourism market.

The advantages to the public are diverse and have been discussed throughout the paper. In summary they are:

- improved business efficiency among participating firms and increased national and international competitiveness for Australia;
- the ability to establish a strong marketing brand for Australian tourism focussed on high quality, reliable product; and
- improvement in the quality and safety of goods and services (encouraging the take up of accreditation will promote compliance with safety regulations).

- supply of better information to consumers and business to permit informed choices in their dealings (accreditation is a 'marker' of superior business professionalism);

The combination of these factors is likely to lead to:

- growth in the tourism export market (ie. increased inbound tourism resulting from greater professionalism and reputation);
- development of import replacements (increased information and product quality will keep more Australians holidaying at home as opposed to overseas);
- economic development and expanded employment opportunities; and
- greater tourist yield as Australia delivers on its "platinum plus" reputation rather than volume.

Public detriment from the proposed conduct is considered to be, at worst, minimal. Where it does exist it may take the form of:

- some accreditation *program managers* choosing not to align with the national framework and suffering a small reduction in revenue as a result; and
- some *tourism businesses* choosing not to become accredited and, as a result, not having access to the applicants' services. The outcome may be a minor reduction in viability.

The proposed conduct will provide a net public benefit in all circumstances and should therefore be allowed. A net public benefit is anticipated for both preferential and exclusive conduct, with the latter considered to offer the greatest net returns due to the sharper incentives it provides for improved business efficiency and the dissemination of better information to consumers.

If the application for authorisation is not approved, it is likely that current market failures and unprofessional practices in the tourism industry will continue to exist. These will be detrimental to both the industry and to consumers.

## **10. STATE BY STATE ANALYSIS**

The government marketing bodies of all states and territories which have ATAA endorsed accreditation programs strongly support the proposed conduct as a means of encouraging quality tourism practices and products in their jurisdictions. Some of these organisations have already made a significant financial investment in this objective by offering exclusive or preferential treatment to accredited operators for their services. Victoria has already 'notified' the ACCC of its activities in this area with the ACCC not opposing its submission. It is noted that some STOs are also involved in wholesaling activities and wish to link accreditation to the delivery of these services (as per the proposed conduct).

Not only do state tourism bodies have an interest in growing tourism within their own borders for economic development reasons, but they also have a collective interest in ensuring that the consumer is protected from poor or unfair practices, obtains value for money and is afforded the best possible tourism experience within the range and type sought. While they could do this by pursuing a number of different options, including

legislation, they believe that their goals can best be met by requiring that the operators they deal with become accredited and reach the agreed industry standards.

This section provides an overview of the tourism industry, tourism accreditation market, tourism promotion market and tourism wholesaling market for Tasmania, South Australia, Western Australia, Victoria, the Northern Territory, the Australian Capital Territory and at a national level as it involves the Australian Tourist Commission. Each overview concludes with an assessment (relating to the different jurisdictions) of the net public benefit from the proposed conduct based on the characteristics of each individual market.

## **TASMANIA**

### *The Tasmanian Tourism Industry*

A total of 108,600 international and 543,600 interstate visitors travelled to Tasmania in the year ending June 2003.

The tourism industry is worth more than \$1 billion to the Tasmanian economy of which \$945 million is derived from interstate and international tourism. International tourism accounts for approximately 18 percent of this. Tourism Satellite Account figures estimate direct and indirect tourism employment to be approximately 30,000 jobs (approximately 15 percent of total state employment).

The following table shows the business sectors which are regarded as making up the Tasmanian tourism industry as at 30 June 2003. In addition, there are a number of support businesses such as wholesalers, consolidators, etc. that operate in the distribution of Tasmanian product to the domestic and international markets. The number of operators in each tourism product category and the percentage of these accredited under the generic state accreditation program are detailed in the table below.

<b>Product category</b>	<b>Total operators</b>	<b>Total accredited</b>	<b>%</b>
Accommodation	1040	613	59
Attractions	347	129	37
Tours	224	138	62
Hire Services	114	59	52
<b>Total</b>	<b>1725</b>	<b>939</b>	<b>54</b>

### *Accreditation*

The Tasmanian Government supports the concept of a national framework for tourism accreditation. While Tourism Tasmania deals generally with all operators and lists all in the Tigertour Data Base and on the Web site, some activities are limited to accredited operators. These include: support for attendance at marketing events such as the Australian Tourism Exchange (ATE), inclusion in wholesale and retail programs and the Australian Tourism Data Warehouse (ATDW). Tasmania's policy is that to receive these benefits: *"Operators must have accreditation to a standard acceptable to the Australian Tourism Accreditation Association"*.

Tasmania has a competitive tourism accreditation market with a number of independent programs operating both within and outside the ATAA framework. Tasmania tourism

operators have access to a number of accreditation schemes, including the Tourism Council Tasmania (TCT) program, which is an ATAA endorsed program focussing on generic business development. Other ATAA endorsed programs include the Caravan Industry Association of Australia program, the Museums program and the Outdoor Tour Operators program. At this point, managers of accreditation schemes other than the TCT have not been active in Tasmania, possibly due to the small market size.

Non ATAA endorsed programs include the Eco Certification Program scheme (7 operators) and Green Globe which have both had very small take up in the State, once again possibly due the size of the market and the micro nature of the majority of businesses.

The Tourism Accreditation Advisory Committee oversees the TCT program with representation from the TCT, Australian Hotels Association, Restaurant and Caterer's Association of Tasmania, Trout Guides and Lodges Tasmania, YHA, Sea Charter Boat Operators, and a number of accommodation chains and marketing groups.

#### *Accreditation Fees*

In Tasmania, the actual accreditation fee to be paid by a business under the ATAA Program is determined by the number of paid, full time (or equivalent) staff employed by the business. The TCT assesses full time employees (FTE's) on the basis of 2 part time = 1 FTE, 4 casuals = 1 FTE. The direct accreditation costs under the program are detailed in the table below

#### *Accreditation Program Fee Structure*

<b>Accreditation Fee</b>	<b>1 – 5 FTE</b>	<b>6 – 15 FTE</b>	<b>16 – 50 FTE</b>	<b>51 - 100 FTE</b>	<b>101 +</b>
Application Fee (\$)	0	0	0	0	0
Annual Fee Year 1	\$159.50	\$297.00	\$682.00	\$1012.00	\$1397.00
Total Fee Year 1	\$159.50	\$297.00	\$682.00	\$1012.00	\$1397.00
Renewal Fee Yrs 2 & 3pa	\$159.50.	\$297.00	\$682.00	\$1012.00	\$1397.00

All prices are GST inclusive

Tasmania has phased-in the requirements for accreditation over four years and current policy allows a new entrant 12 months to become accredited before the exclusive conduct is implemented.

#### *Accreditation Fees (Discounted)*

Currently the fees as outlined are discounted by 15 percent to direct members of the TCT.

#### *Size of Accredited Tasmanian Businesses*

The TCT program has confirmed that it largely deals with small businesses in Tasmania. Almost ninety percent of enterprises pay accreditation fees of less than \$200 per annum. The most recent survey of the whole Tasmanian industry was in 1998. It indicated that 69 percent of operators employ less than five employees, 8 percent employ more than twenty. The dominance of small businesses using generic accreditation in Tasmania is detailed below.



No. of FTE	1-5	6-15	16-50	51-100	100+
Acc. Operators	810	78	20	5	5

### *Tasmanian Promotional and Marketing Activities*

The Tasmanian Government generally supports the concept of accreditation. This is reflected in the requirement for accreditation to be eligible for approved roadside signage. Tourism Tasmania also requires accreditation, amongst other requirements, to be involved in its international marketing programs and the ATDW.

Although Tourism Tasmania is a relatively large player in the state's tourism marketing activities compared to the larger states because of the size and nature of the Tasmanian tourism industry, a range of other private sector tourist publications, various web-based tourism portals, airline and travel industry wholesale and retail programs, as well print media and other advertising mediums are readily accessible to Tasmanian operators.

### *Wholesaling*

The Tasmanian Government operates a tourism wholesaler. *Tasmania's Temptations* is involved in approximately 40-45 percent of packaged holiday travel into Tasmania. Further, the independent Tasmanian based wholesaler, *Tas Vacations*, has between 7- 10 percent of the Tasmanian holiday market. Both require their participants to be accredited to a standard acceptable to the Australian Tourism Accreditation Association. *Qantas Holidays* have approximately 15 percent of all packaged product while *Spirit Holidays* has approximately 10 percent. Other wholesalers known to be active in the Tasmanian market are *Travel Point*, *Virgin*, *Creative*, and *Esprit*.

Wholesaler	Tas. Market Share
Tasmania's Temptations	40-45%
Tas Vacations	7-10%
Qantas	15%
Spirit	10%
Other	20-28%

Booking of holidays through the wholesale and retail system is declining. It is estimated that 43 percent of holiday visitors booked at least part of their travel through these channels (ie. purchase packaged product) in the last twelve months, down 10 percent in less than five years. It should be noted that this is still much higher than other States and Territories, reflecting Tasmania's dependence on the major transport operators for visitors to gain access to the State.

An independent study three years ago by KPMG demonstrated that market failure existed in the Tasmanian tourism market because of the large number of very small independent operators, the dependence on major air and sea transport operators and the fact that a Tasmanian holiday was difficult for the trade to book because of its touring nature and the large number of separate transactions required (typically 7-10).

Consequently the major national wholesalers regard all but the bigger Tasmanian operators as too small and difficult to book and do not take them to market. The trade find it much more

profitable to book single destination holidays. Only *Tasmania's Temptations* and *Tas Vacations* carry a wide range of Tasmanian product.

### *Retailing*

Tourism Tasmania also operates retail outlets in Sydney and Melbourne and has a retail call center based in Launceston that accepts telephone and electronic bookings. It has the same requirements of operators as the wholesaling division ie.: *"Operators must have accreditation to a standard acceptable to the Australian Tourism Accreditation Association"* to be sold through the retail outlets. These centres account for less than 10 percent of all retail travel sales into Tasmania.

### *Wholesaling and Retailing Participation*

As noted, the Tasmanian Government, with the support and encouragement of the industry, is actively involved in both wholesaling and retailing Tasmanian tourism product. Of the 1725 Tasmanian operators, less than 50 percent get involved in formal wholesaling, retailing or cooperative marketing programs. Of those that do not participate, a large number are owner-operators with bed and breakfast operations that are more hobbies than businesses while others are enterprises that are typically involved predominantly in other sectors such as farming or wine production where tourism is a minor part of their business.

Of the more than 600 operators that participated regularly in Tourism Tasmania's wholesale and retail programs, only one has chosen not to be accredited and is therefore no longer participating. Less than 20 operators, all mainly very small, have voiced concerns but still became accredited to remain in the program. These could choose to wholesale their products through other wholesalers although the smaller ones are often regarded as not providing a professional and reliable product and hence are excluded from the bigger national wholesaler programs. This is essentially the issue and the reason why some incentive such as accreditation is required to raise the standard of the smaller operations to a point where the distribution trade is prepared to carry them.

### *Conclusion- Net Public Benefit/Detriment for Tasmania*

As per the discussion of accreditation benefits in earlier sections of the application, it is recognised that businesses taking up accreditation in response to the proposed conduct will be better off due to enhanced business practices, improved efficiency, more effective marketing, enhanced business sustainability and consequently are more likely to be taken to market through the travel trade.

In terms of possible anti-competitive impacts from the proposed conduct described above, the competitive nature of markets ensures that both businesses and consumers are no worse off. In all cases there are a number of competing suppliers to ensure no fall in quality or increase in price. In fact, the process can be said to encourage an increase in product quality achieving better value for money for the consumer.

The conduct covered in the authorisation application is intended to be a catalyst for improved performance by the Tasmanian tourism sector through the development and enhancement of business practices. The generic benefits recognised earlier in the paper are seen to apply at a jurisdictional level.

## **VICTORIA**

### *The Victorian Tourism Industry*

Tourism is an important contributor to the Victorian economy. In 2001, it is estimated that tourism accounted for 5.2 percent of Gross State Product (\$8.5 billion), and 6.2 percent of employment (144,000 jobs). In 1997-98, international visitor expenditure was \$2.1 billion while interstate visitors spent a further \$2 billion in Victoria. The largest share of tourism expenditure came from intrastate travellers who spent \$5.9 billion on goods and services. These estimates are based on latest national accounts and Access Economics reporting.

A total of 1.2 million international visitors travelled to Victoria in the year ending June 2002. By 2012, the number of international arrivals to Victoria is predicted to total approximately 2 million with the majority of this growth expected from Asian markets (Tourism Forecasting Council, December 2002).

### *Victorian Accreditation Market*

Victoria has a competitive tourism accreditation market with a number of independent programs operating both within and outside the ATAA framework. This ensures choice for accreditation users (businesses) and limits any price rises that might result from increased demand for ATAA endorsed programs.

Victoria has approximately 8,000 tourism operators. As of July 2003, 655 of these (8.1 percent) were accredited through the four ATAA endorsed accreditation programs operating in Victoria. These programs are the Better Business Tourism Accreditation Program (the ATAA endorsed state based generic accreditation program which has 484 members) and the ATAA endorsed sectoral programs of Camping with Confidence Accreditation Program (117); National Accreditation Program for Caravan Parks (21); and the Museum Accreditation Program (33). Another sectoral program, the Respecting Our Culture (ROC) Indigenous Accreditation Program, has recently been launched.

These four ATAA endorsed accreditation programs have representation on the Tourism Accreditation Board of Victoria Inc (TABV) which also promotes ATAA endorsed accreditation in Victoria. From June 2002 to July 2003, the number of accredited operators in Victoria under the TABV has increased by 33 percent.

In relation to non-ATAA programs, there are nine tourism businesses in Victoria with products certified under the Eco Certification Program and five businesses currently registered for benchmarking under the Green Globe 21 program. Other accreditation programs operating in Victoria also include ISO 9000 and Savannah Guides.

### *Better Business Accreditation Program*

In Victoria, the actual accreditation fee to be paid by a business under the ATAA endorsed Better Business Accreditation Program (which has 484 members) is determined by the number of paid, full time (or equivalent) staff employed by the business. The direct accreditation costs under the Better Business Accreditation Program are detailed in the tables below. The Better Business Program operates on a 3 year cycle (an application fee must be paid again in year 4).

**Better Business Accreditation Program Fee Structure**

<b>Accreditation Fee</b>	<b>2 or fewer</b>	<b>3 to 5 staff</b>	<b>6 to 8 staff</b>	<b>9 to 12 staff</b>	<b>13 to 20 staff</b>	<b>21+</b>
Application fee (\$)	180	240	300	360	420	480
Annual Fee year 1	180	240	300	360	420	480
Total Fee Year 1	360	480	600	720	840	960
Renewal Fee Yrs 2 & 3	180 p.a.	240 p.a.	300 p.a.	360 p.a.	420 p.a.	480 p.a.

**For the purpose of this document 'staff' means a 'staff person' or equivalent. Namely:**

A permanent full time employee working 38hrs per week or more; or

A number of permanent part time employees who together work the equivalent of one full time employee i.e. 38hrs or more; or

A number of casuals (i.e. paid by the hour) who together work a total of 38hrs or more/week for more than 6 months of the year.

**Accreditation Fees (Discounted)**

Currently, the Better Business Accreditation Program provides discounts to members of the Aboriginal Tourism Association (ATA), Australian Tourism Operators Network (ATON), Farm and Country Tourism (Victoria) (FACTV), Bed and Breakfast Council of Victoria (BBCV), Hotel Motel and Accommodation Association of Victoria (HMAAV), Country Victoria Tourism Council (CVTC), Victorian Tourism Operators Association (VTOA), Australian Hotels Association (AHA) plus all Victorian Visitor Information Centres and Wineries.

These organisations receive discounts as they are the main stakeholders in the Better Business Accreditation Program and make up the Accreditation Panel. The discounted fees are set out below.

<b>Accreditation Fee</b>	<b>2 or fewer staff</b>	<b>3 to 5 staff</b>	<b>6 to 8 staff</b>	<b>9 to 12 staff</b>	<b>13 to 20 staff</b>	<b>21+</b>
Application fee (\$)	150	200	250	300	350	400
Annual Fee Year 1	150	200	250	300	350	400
Total Fee Year 1	300	400	500	600	700	800
Renewal Fee Yrs 2 & 3	150 p.a.	200 p.a.	250 p.a.	300 p.a.	350 p.a.	400 p.a.

**Size of Accredited Victorian Businesses**

ATAA endorsed Program Managers at sectoral and state based levels in Victoria have confirmed that they largely deal with small businesses in regards to tourism accreditation. A break down of the proportion of businesses- accredited by size of business- under the Better Business Accreditation Program is detailed below (size of businesses under other programs is not available). This table highlights that 68 percent of businesses accredited under the Better Business Program fall into the fee category '2 or less full time staff'. This highlights the ATAA emphasis on small businesses (which also attract the lowest fee category).

<b>Number of FTE</b>	<b>2 or less</b>	<b>3-5</b>	<b>6-8</b>	<b>9-12</b>	<b>13-20</b>	<b>20+</b>
<b>Percentage (%)</b>	67.71%	14.80%	7.17%	2.91%	1.35%	3.59%

Note: Other = 2.47%

### *The Victorian Promotional Market*

Tourism Victoria is not a dominant player in the state's tourism marketing activities. A range of private sector tourist publications, various web based tourism portals, airline and travel industry wholesale programs, as well print media and other advertising mediums are readily accessible.

Currently, of Victoria's estimated 8000 tourism operators, only 2000 operators (25 percent) participate in marketing activities coordinated by Tourism Victoria, demonstrating the availability of operator choice in marketing.

### *The Victorian Wholesaling Market*

Tourism Victoria does not operate a government owned wholesale or retail distribution system in competition with the private sector travel industry. Therefore, the proposed conduct would have no effect in the wholesaling market.

### *Conclusion- Net Public Benefit/Detriment for Victoria*

As per the discussion of accreditation benefits made in the main body of the application, it is apparent that businesses taking up accreditation in response to the proposed conduct will be better off due to enhanced business practices, improved efficiency, more effective marketing, enhanced business sustainability, etc.

In terms of possible anti-competitive impacts from the proposed conduct in the markets affected (described above), the competitive nature of these markets will ensure that both businesses and consumers are no worse off. In all cases there are a number of competing suppliers to ensure no fall in quality or increase in price.

It is noted that Tourism Victoria has already notified the ACCC of the proposed conduct through notification procedures and the ACCC has not opposed the conduct. Authorisation is now sought to provide further certainty to stakeholders that the conduct is not in breach of the TPA and is unlikely to be in the near future.

## **SOUTH AUSTRALIA**

### *The South Australian Tourism Industry*

Tourism is an important contributor to the South Australian economy. The total tourism spend for 2001 occurring in South Australia is estimated as \$3.4 billion. Around 12% of the spend is generated from international tourism, 34% from interstate tourism and the balance from intrastate tourism and day trips.

The total value added directly and indirectly supported by the tourism sector is estimated at \$2.5 billion (or 5.7% of Gross State Product), and the total jobs supported is estimated at 36,800 FTEs (equivalent to 45,100 jobs and 6.6% of the state's total employment). These estimates are based on modelling the impacts of tourism and travel within the South Australian economy by Economic Research Consultants.

The South Australian Tourism Plan 2003-2008 states that tourism represents an unrivalled opportunity to grow the economy further, redistribute wealth and creates jobs as a result of the new money it attracts into the state through visitor expenditure. The overall aspiration is to increase visitor expenditure in South Australia's tourism industry from \$3.4 billion in 2001 to \$5.0 billion by 2008.

Latest figures for the 12 months ended September 2003 show South Australia attracted 305,000 international visitors and 4.5 million international nights. Interstate markets generated 1.9 million visitors to SA and 10.7 million nights and 3.5 million intrastate visitors spent 10.6 million nights in the state.

#### South Australian Accreditation Market

South Australia has a competitive tourism accreditation market with a number of independent programs operating both within and outside the ATAA framework. This ensures choice for accreditation users (businesses) and limits any price rises that might result from increased demand for ATAA endorsed programs. However the National Tourism Accreditation Program is a significant proportion of the market.

South Australia has approximately 3,000 tourism operators. As of Jan 2004 497\* of these operators (15%) were accredited through the accreditation programs operating in South Australia. These programs consist of the following (with member numbers):

\*A number of operators are accredited under more than one program. All 44 Visitor Information Centres have both VIC and NTAP accreditation.

- National Tourism Accreditation Program (414)
- National Tourism Accreditation Program (Caravan Parks) (5);
- Museum Accreditation Program (8).
- Australian Campsite and Outdoor Activity Provider Accreditation Program (7)
- Eco Certification Program (19)
- Visitor Information Centre Accreditation Program (44)

All programs are experiencing growth. The National Tourism Accreditation Program has increased by 41% over the last 12 months. Percentage increases for the other programs would not be appropriate due to the small sample sizes.

#### Accreditation Fees

The following table shows the annual fee based on full time equivalent employees.

Number of FTE	Fee
1 to 5	\$160.00
6 to 15	\$300.00
16 to 50	\$690.00
51 to 100	\$1020.00
101+	\$1400.00

#### The South Australian Promotional Market

The SATC produces a significant amount of tourist publications for the state. These include 12 regional guides covering each of the states regions produced on an annual basis. The SATC provides a significant proportion of the funds to support the publication of these brochures. The SATC also produces many statewide publications for the intrastate and interstate market. A range of private sector tourist publications, various web based tourism portals, airline and travel industry wholesale programs, as well print media and other advertising mediums are readily accessible.

Currently, of South Australia's estimated 3000 tourism operators, only 500 operators (16.6%) participate in marketing activities coordinated by the South Australian Tourism Commission.

#### *The South Australian Wholesaling Market*

SATC participates directly in the wholesale travel markets through its South Australian Visitor and Travel Centre. SATC conducts the following programs.

##### *South Australian Shorts*

The Shorts wholesale program also operates as a catalogue of products as it lists the direct booking number for each operator. This allows for direct bookings to be made by the customer. The program is promoted heavily within South Australia at the intrastate market. Approximately 450 operators are listed in the current program. In 2002-2003 the SA Visitor and Travel Centre made \$873,000 in gross sales.

##### *South Australian Holidays*

This program is targeted at interstate travel agents. Approximately 250 operators are listed. In 2002-2003 gross sales were \$368,309.

##### *South Australian Travel Planner*

The planner is prepared for the international market and operates as a catalogue rather than a wholesale program.

The SATC see the above programs as supporting the industry rather than in any direct competition with the private sector. Therefore, the proposed conduct would have little effect in the wholesale market. The total gross sales figure of less than \$1 million for these products reflects that SATC is only a minor player in the South Australian wholesale market.

#### *Conclusion- Net Public Benefit/Detriment for South Australia*

As per the discussion of accreditation benefits made in the main body of the report, it is clear that businesses taking up accreditation in response to the proposed conduct will be better off due to enhanced business practices, improved efficiency, more effective marketing, enhanced business sustainability, etc.

In terms of possible anti-competitive impacts from the proposed conduct in the markets affected (described above), the competitive nature of these markets will ensure that both businesses and consumers are no worse off. In all cases there are a number of competing suppliers to ensure no decrease in quantity or increase in price.

## **WESTERN AUSTRALIA**

### *The Western Australian Tourism Industry*

Tourism is an important contributor to the Western Australian economy. In 2001, it is estimated that tourism accounted for approximately 5 percent of Gross State Product, and 8.7 percent of employment, or 80,000 jobs.

In 2002, international visitor expenditure was \$1.3 billion while interstate visitors spent a further \$0.9 billion in Western Australia. The largest share of tourism expenditure came from intrastate travellers who spent \$1.7 billion on goods and services.

In 2002 a total of 560,000 international visitors travelled to Western Australia. By 2012, the number of international arrivals to Western Australia is predicted to be approximately 875,000 with the majority of this growth expected from Asian markets. In 2002 a total of 890,000 interstate visitors travelled to Western Australia, and Western Australians undertook 5.9 million trips within their own state.

#### *Western Australian Accreditation Market*

Western Australia has a competitive tourism accreditation market with a number of independent programs operating both within and outside the ATAA framework. This ensures choice for accreditation users (businesses) and limits any price rises that might result from increased demand for ATAA endorsed programs.

As at 31 July 2003, 605 of Western Australia's 3,500 tourism operators were accredited through the ATAA accreditation program operating in Western Australia.

#### *Accreditation Fees*

TCWA fees range from \$175 to \$1,200 based on the number of employees. Around 90 percent of businesses have 10 employees or less and pay a maximum of \$310. This includes audit fees. Audits are undertaken once during the first 12 months then once every three years. This may be changed to once every two years in the near future.

#### *The Western Australian Promotional Market*

The Western Australian Tourism Commission is not a dominant player in the state's tourism marketing activities. A range of private sector tourist publications, various web based tourism portals, airline and travel industry wholesale programs, as well print media and other advertising mediums are readily accessible.

Currently, of Western Australia's estimated 8000 tourism operators, only 2000 (25 percent) participate in marketing activities coordinated by the Western Australian Tourism Commission, demonstrating the availability of operator choice in marketing.

#### *The Western Australian Wholesaling Market*

The Western Australian Tourism Commission does not operate a government owned wholesale or retail distribution system in competition with the private sector travel industry. Therefore the proposed conduct would have no effect in the wholesaling market.

#### *Conclusion - Net Public Benefit/Detriment for Western Australia*

It is recognised that businesses taking up accreditation in response to the proposed conduct will be better off due to enhanced business practices, improved efficiency, more effective marketing, enhanced business sustainability, etc.

In terms of possible anti-competitive impacts from the proposed conduct, the competitive nature of these markets will ensure that both businesses and consumers are



no worse off. In all cases there are a number of competing suppliers to ensure no fall in quality or increase in price.

## **THE NORTHERN TERRITORY**

### *The Northern Territory Tourism Industry*

The Northern Territory tourism industry directly injected \$1.079 billion into the NT economy in 2002/03 with a further \$849.9 million indirectly injected. This direct injection (total visitor expenditure) was made up of \$120 million by intra-territory, \$607 million by interstate and \$352 million by international visitors.

Forecasts for total holiday expenditure show strong growth for the next three years increasing from \$661 million in 2002/03 to \$849 million in 2006/07. Direct employment in tourism in the Northern Territory is approximately 7,900 jobs with a further 6,300 jobs provided indirectly.

The key sectors involved in the NT tourism industry are accommodation providers (310 operators), transport/hire businesses (120), tour companies (309) and attractions (30). While there are a wide variety of other tourism related businesses, such as those in the retail, restaurant and food industries, detailed information on these is not collected.

### *Northern Territory Accreditation Market*

The Northern Territory has a competitive tourism accreditation market with a number of independent programs operating both within and outside the ATAA framework. This ensures choice for accreditation users (businesses) and limits any price rises that might result from increased demand for ATAA endorsed programs.

As of July 2003, 86 of the Northern Territory's 769 operators were accredited under the Northern Territory Tourism Accreditation Program (NTTAP). This shows an increase of 219% on the number of accredited operators from January 2002 (27 members). Other tourism programs in which NT tourism businesses participate include ISO9000, Savannah Guides (over 60 NT guides are certified), Eco Certification Program (5 operators), Green Globe 21 and the National Accreditation Program for Caravan parks (2 operators).

### *NTTAP Program (ATAA-endorsed)*

In the Northern Territory, the actual accreditation fee to be paid by a business under the NTTAP is determined by the number of paid, full time (or equivalent) staff employed by the business. All businesses must also pay a one off registration fee of \$50 which is reimbursed when the annual fee for accreditation is paid. The direct accreditation costs under the NTTAP are detailed in the table below.

<b>Number of FTE</b>	<b>Fee</b>
0 to 5	\$209.00
6 to 20	\$429.00
21 to 50	\$869.00
51 to 100	\$1309.00

### *Size of Accredited Northern Territory Businesses*

ATAA endorsed Program Managers in the Northern Territory have confirmed that they largely deal with small businesses in regards to tourism accreditation. A break down of the proportion of businesses accredited by size of business under the NTTAP is detailed below (size of businesses under other programs is not available). This table highlights that 78 percent of businesses accredited under NTTAP have less than 20 staff.

<b>Number of FTE</b>	<b>1-5</b>	<b>6-20</b>	<b>21-50</b>	<b>51+</b>
<b>Acc. Operators</b>	55	15	9	7

### *The Northern Territory Promotional Market*

Currently, it is estimated that only 41 percent (or 320) of the NT's tourism operators participate in sales and marketing activities coordinated by the Northern Territory Tourist Commission (NTTC) and their Government Business Division, Territory Discoveries. These marketing activities include the ATDW, familiarisation programs, fee-based marketing publications / Territory Discoveries holiday brochures, co-operative advertising programs and NTTC organised trade and consumer shows.

A variety of other marketing avenues, including private sector and regional tourism association publications, tourism websites, wholesale programs, print media and other advertising mediums are readily accessible to NT-based tourism operators, demonstrating the availability of NT operator choice in promotion and marketing. Besides these promotional services that are currently available, the promotional market is readily contestable for new entrants.

### *The Northern Territory Wholesaling Market*

There are five wholesalers who actively participate in the distribution of the NT tourism product. One of these is a government business division of the NTTC - Territory Discoveries. Territory Discoveries has the second largest market share of the wholesaling market and was established with the specific purpose of allowing small and medium sized tourism operators access to the tourism distribution chain. A best estimate of the market shares of wholesalers in the NT is detailed below demonstrating the competitiveness of the NT wholesaling market.

<b>Wholesaler</b>	<b>NT Market Share</b>
Qantas	45%
Territory Discoveries	25%
Travel Point	15%
Great Aussie	10%
Northern Gateway	5%

### *Conclusion- Net Public Benefit/Detriment for the Northern Territory*

In terms of possible anti-competitive impacts from the proposed conduct described above, the competitive nature of these markets ensures that both businesses and consumers are no worse off. In all cases there are a number of competing suppliers to ensure no fall in quality or increase in price.

## **AUSTRALIAN CAPITAL TERRITORY (ACT)**

### *The ACT Tourism Industry*

Tourism has a significant impact on the economy of the ACT. Direct tourism expenditure for 2002 in the ACT was over \$1 billion supporting in excess of 11,000 full time equivalent jobs. The tourism industry, while suffering from a lack of clear lines and definition, contributes approximately \$686 million to the ACT Gross State Product (GSP), making it the largest private sector segment of the ACT economy.

The ACT currently receives in excess of 4 million visitors per year including international and domestic visitation. In 2002 the ACT received 168 000 international and 2.1 million domestic overnight visitors (BTR) with 2 per cent of the domestic market share.

The ACT is aiming to achieve:

- an increase in contribution to GSP from \$686 million in 2002 to \$978 million in 2007 (+18 percent);
- an increase in domestic visitation levels from 2.1 million overnight visitors in 2002 to 2.7 million overnight visitors in 2007 (+12.5%) with an increase in length of stay from 2.7 nights in 2002 to 3.2 nights in 2007; and
- an increase in international visitation from 168,000 overnight visitors in 2002 to 420,000 overnight visitors in 2007 with an increase in length of stay from 1.5 nights in 2002 to 1.8 nights in 2005.

### *The ACT Accreditation Market*

The ACT has over 800 businesses that have an involvement in the tourism industry. This figure includes all businesses from major attractions, accommodation houses and sightseeing tours to restaurants, wineries and transport services.

In September 2003 there were 12 accredited tourism businesses in the National Tourism Accreditation Program (ACT & Region) with 52 businesses registered to become accredited with the program.

### *National Tourism Accreditation Program (NTAP)*

This program is endorsed by ATAA. Annual accreditation fees are based on the number full time equivalent employees

<b>Number of FTE</b>	<b>TIC Member</b>	<b>TIC Non Member</b>
1 to 5	\$157.50	\$175.00
6 to 10	\$270.00	\$300.00
11 to 25	\$387.00	\$430.00
26 to 50	\$630.00	\$700.00
51 to 100	\$900.00	\$1000.00
101+	\$1170.00	\$1300.00

\* TIC = Tourism Industry Council

### *Visitor Information Centres*

The Canberra and Region Visitor Centre (CRVC) is the only Visitor Information Centre in the ACT. The CRVC is accredited with NTAP and also participates in accreditation through the NSW Visitor Information Centre accreditation program.

### *Other accreditation programs*

There are no other (known) significant tourism accreditation programs in the ACT. However ACT operators are often eligible to participate in NSW programs.

### *The ACT Promotional Market*

Australian Capital Tourism Corporation (ACTC) is the state tourism office for the ACT and its primary function is to increase tourism's contribution to the ACT's GSP. By working in close partnership with the industry, ACTC aims to develop business and marketing opportunities to bring even greater benefits to the ACT and Capital Region from Tourism.

ACTC produces a range of marketing collateral and campaigns throughout the year and has a variety of funding and development programs in place to encourage best practice and favourable business procedures. ACTC is also responsible for two major events which attract large numbers of visitors to the region. Local tourism businesses are also promoted through the ACTC website, through the CRVC and through a variety of other means (eg print, electronic).

### *The ACT Wholesaling Market*

ACTC is not directly involved in the wholesale travel market but does operate a retail service named Canberra Getaways through the CRVC that also services a small number of bookings through travel agents. Canberra Getaways is promoted through ACTC's marketing collateral and website.

The ACT tourism industry is serviced by a number of wholesale operators such as Qantas Holidays and NSW Holidays. ACTC is currently developing greater relationships with these wholesalers to ensure ACT product is represented and included in their programs.

### *Conclusion – Net Public Benefit/Detriment for the ACT*

The possible anti-competitive impacts from the proposed conduct in the different markets are unlikely due to the competitive nature of this industry.

### **AUSTRALIAN TOURIST COMMISSION (ATC)**

The ATC – the Australian Government statutory authority responsible for promoting Australia overseas as a tourist destination - is seeking authorisation for the proposed conduct to improve standards in the products and experiences that are marketed to, and consumed by, international visitors. It is noted that the ATC's conduct will be relevant to all jurisdictions, including NSW and Queensland.

It is also noted that the roles and responsibilities of the ATC are expected to be taken on by a new body – Tourism Australia. Legislation is currently in preparation to establish Tourism Australia, after which time the ATC will cease to exist.

### *The Australian inbound tourism industry*

Inbound tourism is an important contributor to the national economy. A total of 4.8 million international visitors travelled to Australia in 2002. Total expenditure of international visitors for that period was \$11.376 million.

To provide some perspective, the Australian Bureau of Statistics' *Australian National Accounts: Tourism Satellite Account for 2001–02* shows that inbound tourism accounted for \$7.8 billion of total Gross Domestic Product (GDP) in 2001–02. For that same period, international visitors consumed \$17.1 billion worth of goods and services, which represents 11.2 percent of total exports of goods and services.

### *Accreditation*

ATAA currently provides the only accreditation framework that specifically deals with the national tourism industry. It is supported by accreditation programs run by the states for state tourism product, or by special interest groups (eg. Australian Caravan Industry Association, Museums, Green Globe etc).

### *International promotional market*

While the ATC is a major player in Australia's international tourism marketing activities (it expends around \$115 million p.a.), it is one of a number of sources of marketing activity. Total overseas marketing from all sources, including state and territory governments and the business community, totals several hundreds of millions of dollars.

Partnerships and joint ventures continue to drive key ATC consumer marketing campaigns. To this end, the ATC provides tourism industry partners with a number of opportunities to get involved in marketing activities aimed both at the tourism trade and consumers overseas including:

- Aussie Specialist Program;
- Tourism Source;
- Australian Tourism Exchange and other relevant trade shows;
- Travellers Guides;
- ATC consumer website ([www.australia.com](http://www.australia.com));
- International publicity programs (eg. Visiting Journalists Program); and
- Consumer marketing campaigns.

To get involved in these activities, new Australian tourism businesses must first contact their Regional Tourist Association or State Tourist Association, who will assist them in getting their product established in the Australian domestic market. If the product is deemed to be 'international ready' (essentially, an assessment of the product's potential and ability to attract a desired level of revenue), it may then qualify to be a part of the ATC's marketing activities.

Currently, there are over 10,000 tourism industry partners who participate in ATC marketing activities to some degree. Partners include airlines, State Tourism Organisations, hotel groups, accommodation, tour operators and attractions.

*Inbound wholesaling market*

The ATC does not operate a government-owned wholesale or retail distribution system in competition with the private sector travel industry. Therefore, the proposed conduct would have no effect in the wholesaling market.

*Conclusion – Net public benefit/detriment for inbound tourism*

The ATC is responsible for the promotion of Brand Australia in international markets and for increasing the demand for Australia as a tourism destination. One of the key issues with the development and promotion of a brand is that the experience that is delivered lives up to the promise. If it does not, then the value of the brand declines, along with the demand for the destination.

One component of the experience is that what is described in marketing materials (brochures, internet sites, advertisements, etc) is delivered. A comprehensive accreditation system can help ensure that this is the case (one of the main sections of the ATAA standards relates to truth in advertising).

In addition, improved business practices which result from accreditation will mean that the quality of product and services delivered to international visitors will continue to improve.

## **Attachment A**

# **AUSTRALIAN TOURISM ACCREDITATION ASSOCIATION LTD**



# **AUSTRALIAN TOURISM ACCREDITATION SYSTEM**

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