

## TCWA Analysis – WA Labor Tourism Policy

10 April 2016

### WA Labor Tourism Funding Commitment and Policy

The ALP tourism commitment is to provide ongoing funding to Tourism WA of \$85 million p.a. including:

- \$45 million per annum for *Destination Marketing*; and
- \$40 million per annum for *Tourism Events* funding (including \$5 million for business events).

The ALP tourism policy is that consistent ongoing annual funding be provided to Tourism WA which will enable the agency to undertake strategic tourism marketing planning over a five year period. Furthermore, funding will not be tied to a particular tourism market, event or purpose and may be flexibly deployed by Tourism WA in order to maximise visitor expenditure, economic growth and job creation.

In an earlier tourism commitment, the ALP announced ongoing funding of \$5 million per annum to Perth Convention Bureau (PCB) to procure business events. This funding commitment is from within the total ALP tourism funding commitment of \$85 million.

While PCB funding is currently a budget line within *Destination Marketing*, the ALP tourism policy provides the flexibility for Tourism WA to allocate funding. Consistent with the ALP tourism policy, this impact analysis assumes that PCB funding is allocated from *Tourism Events*.

### Visitor Expenditure and Jobs Impact

Tourism Council WA estimates the impact of the \$85 million p.a. tourism funding commitment will be to:

- Increase current tourism funding by \$9.3 million;
- Attract \$203.9 million in additional visitor expenditure for the state economy;
- Create 1,339 direct FTE ongoing jobs in Western Australia; and
- Create 2,327 total FTE ongoing jobs in Western Australia.

	Destination Marketing	PCB	Tourism Events	Total
Additional ALP Funding	\$5.1 M	\$1.3 M	\$2.8 M	\$9.3 M
Additional Visitor Expenditure	\$113.1 M	\$42.8 M	\$48.0 M	\$203.9 M
Direct FTE Employment	759	258	322	1,339
Indirect FTE Employment	632	89	268	989
Total FTE Employment	1,390	347	590	2,327

FTE = Full Time Equivalent

## ALP Commitment vs Budget Estimates

The current budget for *Destination Marketing* and *Tourism Events* is \$75.7 million p.a., however budget estimates show a decline in funding to \$60.8 million p.a. by 2018-19. This decline is due to a 36 per cent decline in *Destination Marketing* funding by 2018-19.

Tourism Council WA estimates that the ALP funding commitment of \$85 million per annum is a:

- \$9.3 million per annum increase on current funding; and
- \$25.9 million per annum increase on budget estimates by year 2019-20.

Tourism Council WA estimates the impact of the ALP commitment compared to the budget estimates is:

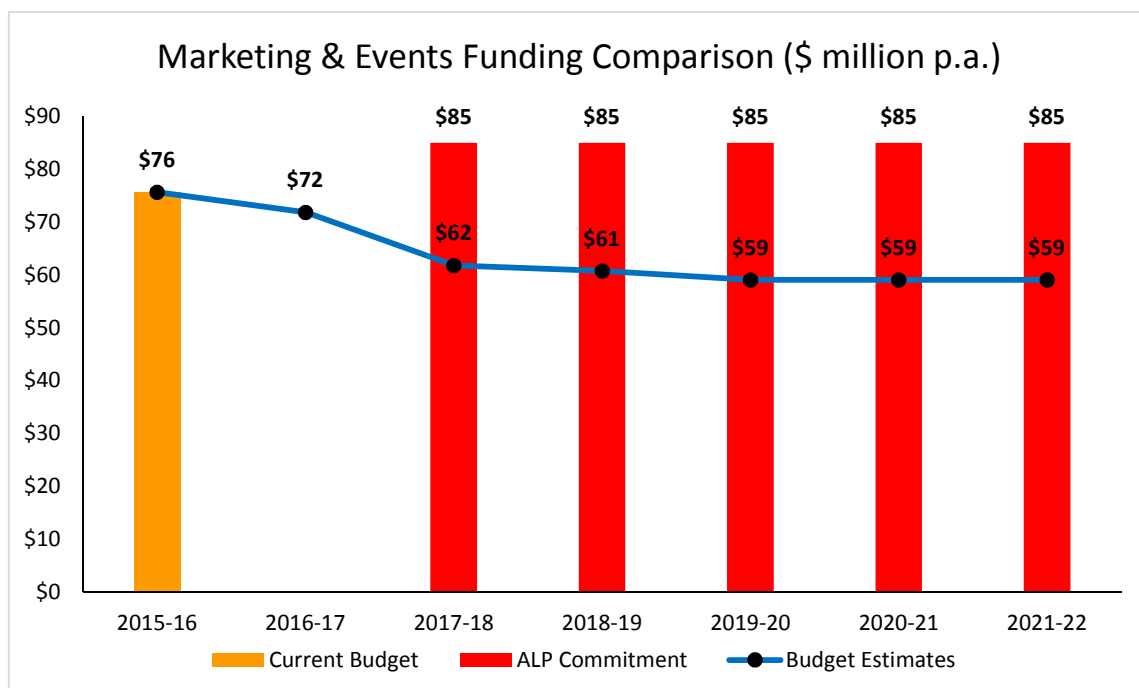
- 2,327 jobs would be created by the ALP commitment;
- 2,450 jobs would be forgone under the current budget estimates.<sup>1</sup>

### Marketing & Event Funding (\$,000s)

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
<b>Current Funding</b>	\$75,694	\$75,694	\$75,694	\$75,694	\$75,694	\$75,694	\$75,694
<b>Budget Estimates</b>	\$75,694	\$71,855	\$61,821	\$60,756	<i>\$59,062</i>	<i>\$59,062</i>	<i>\$59,062</i>
<b>ALP Commitment</b>	n/a	n/a	\$85,000	\$85,000	\$85,000	\$85,000	\$85,000

<b>ALP increase on budget estimates</b>	\$23,179	\$24,244	\$25,938	\$25,938	\$25,938
<b>ALP increase on current funding</b>	\$9,306	\$9,306	\$9,306	\$9,306	\$9,306

*N.B. Figures in italics are projections of budget estimates and should be read with caution.*



<sup>1</sup> Tourism Council WA, *Pre-budget Submission 2016*

## Assumptions & Critical Notes

### 1. Calculating Additional ALP Funding for Economic Impact Assessment

The economic impact of the ALP tourism commitment is a result of the \$9.3 million funding increase on the current budget funding of \$75.7 million. This provides a positive impact on the current level of visitor expenditure and jobs.

This ALP funding increase is broken down by Destination Marketing, PCB and Tourism Events as each funding type has different ROIs and assumptions.

	Destination Marketing \$M	PCB \$M	Tourism Events \$M	Total \$M
2014-15 Budget Funding	39.86	3.68	32.16	75.70
ALP Funding Commitment	45.00	5.0	35.00	85.00
ALP Funding Increase	5.14	1.32	2.84	9.30

### 2. Destination Marketing Impact

The current ROI of Tourism WA funding spent on branding and co-operative marketing campaigns is \$22 in visitor expenditure for every \$1 of state funding<sup>2</sup>. This \$22:\$1 does not apply to all Tourism WA destination marketing expenditure and excludes funding to marketing partners such as Regional Tourism Organisations.

It is assumed that all additional destination marketing goes directly into branding and cooperative marketing campaigns rather than administrative costs or other destination marketing partners. The ratio of \$22:\$1 also assumes that the rate of financial marketing contributions from industry remains constant.

### 3. Business Events Impact (PCB Funding)

Of the additional ALP commitment to *Tourism Events*, it is assumed that \$1.32 million p.a. will go to Perth Convention Bureau (PCB) to attract business events. This will bring total PCB funding to \$5 million p.a. as outlined in the previous ALP policy announcement. The current ROI of PCB is \$32 in direct delegate expenditure for every \$1 in state funding.<sup>3</sup> The jobs impact of this PCB component of the ALP funding commitment is:

	2014/15 (Actual)	ALP Commitment	Incremental Impact
Tourism Funding	\$3.68M	\$5.0M	\$1.32M
Direct Delegate Expenditure	\$112.2M	\$155M	\$42.8M
Direct FTE Employment	683	941	258 FTE
Indirect FTE Employment	235	324	89 FTE
Total FTE Employment	917	1,263	347 FTE

It should be noted that under the ALP tourism commitment, Tourism WA would have the flexibility to increase or decrease funding to PCB. However, it should not be assumed that increasing PCB funding beyond \$5 million p.a. would achieve the current level of PCB ROI. This is because the Perth Convention and Exhibition Centre is now at capacity, which will constrain further growth in international and national business events.

<sup>2</sup> Destination Marketing ROI as reported by Tourism WA.

<sup>3</sup> AECgroup, *Western Australia Business Events Impact Assessment: Perth Convention Bureau, 2015*

#### 4. Tourism Events Impact

The cost and return on investment of tourism events varies with each individual event. Not all individual events are available on an annual basis (e.g. major international sporting events may be on a 3-4 year cycle). International sporting events have a higher return than entertainment events, but cost more to procure. To estimate the annual ongoing impact of increased tourism expenditure, the following assumptions are made:

- Average visitor expenditure from a major event is \$33.8 million (assumes \$21.5M from an entertainment event and \$46.1M from an international sporting event<sup>4</sup>);
- Average cost of procuring a major event is \$2 million;
- Additional funding available for tourism events (excluding business events) is \$2.84 million p.a.; and
- The additional tourism event spending therefore procures seven major events over a five year period.

#### 5. Calculating Budget Estimates for Comparison with ALP Funding Commitments

The current 2015-16 budget papers have four year estimates from 2015-16 to 2018-19. There are no budget estimates beyond 2018-19. Estimates of budgets to 2021-22 would depend on budget measures introduced in the 2016-17, 2017-18 and 2018-19 budgets.

The minimum funding from 2019-20 onwards can be estimated however, because by 2019-2020 all additional budget measures expire, leaving only core Tourism WA funding as a minimum. The only remaining funding due to expire in 2018-2019 is \$1.694 million funding for Perth Convention Bureau. For the purposes of projecting budget estimates beyond 2019-20 it is assumed that this funding does not continue. This reduces the forward estimates by \$1.694 million from 2019-20.

The budget estimates past 2018-19 are therefore estimates of estimates and should be read with caution. These estimates must be adjusted when new forward estimates are revealed in the 2016 budget.

**Tourism Funding Estimates (000s)**

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
<b>Total Tourism Funding</b>							
Budget Estimates	75,694	71,855	61,821	60,756	<i>59,062</i>	<i>59,062</i>	<i>59,062</i>
ALP Commitment			85,000	85,000	85,000	85,000	85,000
Additional budget funding			23,179	24,244	25,938	25,938	25,938

N.B. Budget Estimates do not go past 2018-19, the figures in *italics* are estimates of what the budget estimates may be and should be adjusted for subsequent budgets.

<sup>4</sup> AECgroup, *Perth Stadium Impact Assessment*, 2015