

**APEC TOURISM IMPEDIMENTS  
STUDY STAGE 1  
TWG 04/2001**

**FINAL REPORT**

Dain Simpson Associates  
Sydney, Australia  
February 2003

## Contents

<b>1 EXECUTIVE SUMMARY.</b>	<b>1</b>
<b>2 INTRODUCTION</b>	<b>4</b>
2.1 Background to the study	4
2.2 Scope of the study	5
2.3 Work plan	6
2.4 Study program	6
2.5 Problems encountered in the project	7
2.6 Acknowledgements	9
2.7 Limitations of this report	9
<b>3 IMPEDIMENTS TO TOURISM GROWTH</b>	<b>10</b>
3.1 The definition of impediments	10
3.2 The dynamic character of impediments	10
3.3 The relative significance of tourism in the political arena	11
3.4 The GATS negotiations	12
<b>4 FIELDWORK PROGRAM</b>	<b>13</b>
4.1 Setting up the program	13
4.2 Papua New Guinea	13
4.3 New Zealand	14
4.4 Mexico	15
4.5 Australia	15
4.6 Thailand	16
4.7 Chinese Taipei	16
4.8 Assessment of the workshop program	16
<b>5 PRINCIPAL FINDINGS OF THE STUDY</b>	<b>18</b>
5.1 The extent of impediments	18
5.2 The nature of impediments identified	19
5.3 APEC-wide issues	20
<b>6 FINDINGS FROM INDIVIDUAL MEMBER ECONOMIES</b>	<b>24</b>
6.1 Papua New Guinea	24
6.2 New Zealand	25
6.3 Mexico	27
6.4 Australia	30
6.5 Thailand	32
6.6 Chinese Taipei	34
<b>7 MATRIX OF TOURISM IMPEDIMENTS</b>	<b>38</b>
7.1 The 2002 Matrix	38
7.2 Other issues raised	49
7.3 Summary	49
<b>8 ISSUES FOR THE APEC TWG</b>	<b>50</b>
8.1 Form of the IAP	50
8.2 Collective Action Plan	51
8.3 Future program options for TWG	57
<b>9 CONCLUSION</b>	<b>61</b>
<b>APPENDICES</b>	

## 1 EXECUTIVE SUMMARY.

This report documents the outcomes of a program of assistance through the APEC Tourism Working Group (TWG) to APEC member economies to identify impediments to the growth of tourism. It also provides an updated matrix of tourism impediments for the participating economies and a draft Collective Action Plan for the TWG. Finally it identifies possible areas of future work to reduce the impact of impediments within the APEC Region and to achieve the goals of the APEC Tourism Charter.

The program was conducted in the period following September 11 2001 which influenced the responses of TWG members. There were delays in securing participation. The program covered six APEC member economies, Papua New Guinea, Mexico, New Zealand, Thailand, Chinese Taipei and Australia and included workshops involving government, industry and researchers. Meetings were also held with government agencies whose decisions could influence impediments to tourism, with industry representatives and with other tourism organisations.

The workshops were successful with representation covering most areas of Government with a role in the tourism process. In some instances agencies undertook to work to overcoming issues of concern, or to clarify the impact of regulations or policies.

For the six economies which participated, there are relatively few significant impediments. Procedural and regulatory impediments which are identified by governments are generally overcome in a co-operative manner between agencies. The impediments identified during the study included were categorised as

- issues of national policy or law, for example aviation policies;
- security concerns, reflected in more intensive barrier checks;
- administrative practices or regulations which have not yet adapted to changing patterns of tourism;
- infrastructure limitations;
- environmental and legislative constraints.

There were a number of APEC-wide issues identified, including the impact of taxes and charges, access to and costs of insurance and the problems of aviation including airline policies on yield management. Travel advisories issued in major source markets have become a concern for several APEC member economies. This report summarises the principal impediments for each member economy which participated in the program and where steps are being taken to overcome them. Of particular note is the innovative program of Mexico to eliminate impediments to tourism, many of which were identified by industry. This example suggests that it is

just an issue of overcoming individual impediments, but of having a system in place to identify and minimise their impact.

The matrix of tourism impediments identifies impediments to the movement of individuals and impediments to business. There are significant reductions in the range and extent of impediments compared with the last study six years previously. Apart from visa policies of some economies there are relatively few restrictions on the movement of individuals.

For business the impediments in the area of foreign investment, including reserved industries or limits on the level of foreign investment or participation are a major impediment. There are constraints on the movement of skilled and managerial labour and recruiting overseas. The acquisition of tourism property is subject to limitations in a number of participating economies. There are also occupational categories reserved for nationals. The requirement for guides to be nationals of the host country, for example, is common although not universal. There are now fewer problems in the movement of promotional materials.

Those impediments which have increased are those relating to security and bio-security, with increased barrier controls in part offset by new processing systems. The impact of standard taxes and charges such as consumption taxes has not been measured through the matrix.

The report supports the new form of Individual Action Plan proposed by Australia and has prepared a draft of the Collective Action Plan using the same format.

A Collective Action Plan should be developed by the TWG members as a group. It should identify not only progress to achieving goals but identify those collective actions for the future, which could be in one of two forms:

- Commitment by individual member economies to take actions within their own economies which, collectively, will work towards the realisation of a major goal under the APEC Charter.
- APEC-funded Initiatives in information dissemination research or studies of best practice which can be applied by members in achieving the goals.

A number of areas for further research and investigation have been proposed which would contribute to achieving the goals of the APEC Tourism Charter. These include.

- Establishing and promoting an APEC tourism information web-site and investment guide;
- Assessing the impact of measures for seamless travel from a tourism point of view;
- Identifying the extent to which tourism is becoming a tax base;
- A review of measures to assist the development of SMTE's;

- An assessment of the impact on tourism of changes in the insurance industry;
- Formation of an APEC Tourism Business Council to provide a forum for obtaining the views of the private sector;
- Continuation of the review process among selected member economies

The need for assistance is greater among the less-developed APEC member economies, where priority is focussed on important economic and policy considerations, rather than on the needs and procedures of the tourist sector. The member economies in which assistance to identify impediments could be undertaken include Chile, Indonesia, Vietnam and Peru.

In summary, impediments to tourism will always exist in some form. While there have been significant steps to overcome them the dynamics of tourism will generate new problems. The desired outcome for tourism agencies in APEC member economies is securing recognition of the role and importance of tourism to the economy and the way that decisions by other agencies can impact on tourism. Recognition of the problem and establishing effective consultation procedures can be an effective way of minimising impacts and securing change.

## 2 INTRODUCTION

### 2.1 Background to the study

#### 2.1.1 *The implications of growth*

The development of mass international tourism was a phenomenon of the second half of the twentieth century. International tourist movements grew from 25 million in 1950 to 698 million in 2000<sup>1</sup>, an annual growth of approximately 7%. From a small number of destination countries, tourism has become global in scale and a significant economic force in many economies.

Within the APEC Region tourism is more recent phenomenon, with growth concentrated in the last quarter of the century, both from external economies and between the member economies of APEC.

The rate of growth and the scale of tourist movements has not only created a major industry, it has created a massive logistical framework, of transport networks, gateways, infrastructure, accommodation and services, capable of moving large numbers with minimum delays and great efficiency. This efficiency is compromised by a number of barriers and constraints which limit movement of people, capital, labour and information. They can constrain passenger movements, limit passenger volumes, create delays or restrict growth.

These impediments to tourism growth have been subject to a number of studies, by OECD, and by APEC in 1996. They have been general summaries of perceived barriers and impediments, but they have not been in-depth assessments of the issues constraining growth.

#### 2.1.2 *APEC's Commitment*

In the Bogor declaration of 1994, leaders of APEC committed to "continue to reduce barriers to trade and investment to enable goods, services and capital to flow freely among our economies". The TWG Collective Action Plan also stressed that APEC Economies will identify impediments to tourism growth and formulate strategies that will improve tourism movements and investment in the Asia-Pacific Region.

In 2000 the APEC Tourism Ministers adopted the APEC Tourism Charter within the goals of free and open trade established in the Bogor Declaration, to:

"further develop the contribution made by tourism to APEC economies and to acknowledge tourism as a key vehicle for achieving positive and sustainable economic, social, cultural and environmental outcomes for our region and for individual economies".

---

<sup>1</sup> World Tourism Organisation Tourism Highlights 2000, 2001 WTO Madrid

There are four policy goals within the APEC Tourism Charter; the first two are directly related to overcoming impediments to tourism growth:

### **Goal 1**

Remove impediments to tourism business and investment by:

- promoting and facilitating the mobility of skills and labour
- promoting and facilitating investment in tourism
- removing regulatory impediments to tourism business and investment
- encouraging liberalisation of services trade related to tourism under GATS

### **Goal 2**

Increase mobility of visitors and demand for tourism goods and services in the APEC Region by:

- facilitating seamless travel for visitors
- enhancing visitor experiences
- promoting inter- and intra-regional marketing opportunities and cooperation
- enhancing safety and security of visitors
- encouraging non-discriminatory approach to provision of visitor facilities and services

This commitment to facilitating the growth of tourism in the region and working towards the outcomes of the first two goals forms the purpose of this study of impediments. It builds on a survey of impediments undertaken by Dain Simpson Associates in 1996 which identified a range of impediments to the movement of people and the development of tourism businesses.

## **2.2 Scope of the study**

The purpose of the study is to identify the current status of impediments in APEC member economies and the steps being taken to overcome them and to provide report to APEC at the completion of the project. The study involved:

- Seeking information on impediments from those APEC member economies which had not previously provided information on impediments to the Project Overseer, Thailand.
- Working with a number of member economies in a detailed assessment of impediments to tourism flows, business and investment.
- Reporting to the participating member economies with a summary of the outcomes, identification of key potential areas for change and a draft IAP which can be used a basis for internal consultation and finalisation of the member economy's IAP.
- Preparing a draft CAP for discussion by the member economies.

The major focus of the professional program has been providing direct assistance to individual member economies in identifying the nature of impediments, as perceived by industry and government, and in identifying measures in place to overcome them.

The outputs of this assistance are summaries provided to individual member economies and a draft IAP and a Matrix of Tourism Impediments. The consultant only recommended the content or form of the IAP and other outputs. The preparation and presentation of published information for individual member economies remained entirely the responsibility of the economy concerned. Consequently the reports and drafts provided are not included with as part of this report and we do not believe it would be appropriate to do so.

In our original proposal we stated that the critical factor in the success of the study would be securing the participation and involvement of individual member economies in the process. This would require commitment and support from the responsible agency, from other agencies and, if necessary, the political will. Achieving such support proved a major task.

### **2.3 Work plan**

The tasks documented in the work plan included.

- Developing an information base of those member economies which had already participated in the development of the matrix of tourism impediments.
- Communicating with all member economies to establish interest in participating and in providing information.
- Developing a procedure for workshops and consultation among member economies.
- Holding a pilot program and reporting on its progress. This was completed in November 2001 and a report provided to the 19<sup>th</sup> TWG Meeting at Ayutthaya, Thailand.
- Undertaking a program of consultation with individual member economies,
- Reporting to the TWG

The work plan envisaged a tight time program in which a pilot program was held in the second quarter of 2001, and invitation to member economies issued immediately after and a work program completed by May 2002.

### **2.4 Study program**

The specific tasks completed include:

- Invitations to all member economies to participate in the program and subsequent follow-up

- Requests to all member economies which had not completed a Matrix of Tourism Impediments to provide a document to Thailand.
- A pilot program for the in-country assistance program held in Papua New Guinea in November 2001 and the completion of a draft IAP and a Matrix of Impediments for consideration by the Papua New Guinea Government.
- Participation in the APEC TWG meeting in Ayutthaya, Thailand in November.
- Meetings in New Zealand in December and subsequently in February, including a Government-industry workshop in Wellington and meetings with key travel industry personnel in Auckland. This was followed by the provision of a draft IAP and Matrix of Impediments and a summary of discussions.
- A program in Mexico organised by SECTUR which included interviews across a range of public sector agencies and meetings with private sector representatives, followed by completion of a draft IAP and a Matrix of Impediments.
- A comprehensive program in Thailand, including workshops in Bangkok and Phuket, and meetings with industry representatives and a summary of discussions.
- Meetings in Canberra with representatives of a range of Government agencies and participation in a major industry event, the Australian Tourism Export Council Symposium in Adelaide, where an interview room provided an opportunity to meet with a number of senior industry and government executives. A summary of discussions has been completed.
- Participation in the Meeting of Ministers Responsible for Tourism at Manzanillo, Mexico in July 2002
- A program in Chinese Taipei including workshops and industry interviews across the country organised by the Tourism Bureau, discussion with officers of the Bureau and provision of a report and identification of key areas.
- Preparation of this final report summarising the outcomes of the review at individual economy level, updating the Matrix of Tourism Impediments and preparing a preliminary draft of the Collective Action Plan.

The report also indicates areas for further work and initiatives which the TWG could undertake, based on the program of research and fieldwork

## **2.5 Problems encountered in the project**

### **2.5.1 September 11 2001**

The study was commenced in July 2001, with preliminary notification to member economies in August. On September 11 the tourism sector globally experienced its greatest single event of the past half century and the question of impediments became less important than the need to find policies to survive the global shock. Tourism was, for at least three months, in a state of uncertainty, facing the failure of airlines and reduction in services, business failures, reduction in visitor flows and the

need to implement major new security procedures. This certainly impacted on the response of member economies to participating in this study.

For some member economies the impact was less than for others. Many APEC member economies represented safe havens and were able to attract increased short-haul visitors. But globally, long-haul traffic from the major tourist-generating markets of Europe, North American and North Asia has been seriously affected.

We would view the effect of September 11 as a limiting factor on the conduct of this study and directly affecting the willingness of member economies to participate in the study.

Since that time increased terrorist activity, with events in Bali and Kenya directed specifically at the tourism sector, have created a global atmosphere of uncertainty. In parallel, there has been a significant increase in travel advisories issued by governments which directly influence patterns of travel to destinations or regions seen as being at risk. These events, coupled with a global economic slowdown have led to a decline in inbound tourism and a significant change in the patterns of movement.

### **2.5.2 Communication**

From the outset there were difficulties in securing replies from member economies, partly communication difficulties – identifying the most effective way of contacting individual members, partly identifying the correct person to contact, with changes in the individuals responsible for TWG. There was also a lack of will or interest in the process among some member economies. This was more frequently reflected in no response at all rather than a statement of not wishing to participate. No reliable means of communication was identified. Unreliable email and fax communication added to the problems, although once clear lines of communication were established problems generally eased.

Delays were exacerbated by September 11. Ultimately it was through personal contact, either through other professional engagements or through developing contacts at TWG meetings, that participation was secured. There were some difficulties in achieving industry participation in some member economies.

In the consultants' view, the study had a low priority and a lack of support from members and this has affected the quality of the outcomes achieved at a collective level. Where support was provided at individual economy level there was full participation and engagement by all concerned.

At the individual APEC member economy level there were also difficulties in securing support and recognition for the process of identifying impediments by the private sector. A number of workshops had very low private sector attendance and at least two workshops were cancelled through lack of support.

There was also a mixed response from members to requests from both the Project Supervisor and the consultant to the request to complete the Matrix of Impediments.

## **2.6 Acknowledgements**

This study would not have been possible without the wholehearted support of the Project Overseer, Mr Suwat Jutakorn and the staff of Tourism Authority of Thailand. They were helpful, constructive and engaged and their assistance is gratefully acknowledged.

The full support and participation of the two Director (Programme) at APEC Secretariat, Mr Mario Artaza and his successor, Ms Anita Douglas, who have sought to engage member economies and to provide full support to the field work program is recognised with thanks. Professor Ray Spurr, representative of WTTC, provided helpful advice and counsel throughout the project.

At individual economy level, we thank the responsible officers who have supported the consultant in the field, organised meetings and interviews, provided escorts and participated in full and frank discussions on the nature of impediments at individual economy level. It has been their practical support which made the program successful at the economy level.

## **2.7 Limitations of this report**

The impediments identified and opinions expressed on their impact are those of the consultant identified at the time of the fieldwork program. They are drawn from discussion with the tourism agencies and the agencies concerned. Impediments identified in the matrix are those provided to us during the project and have not been updated to the date of this report. They reflect the status at that time and, as the process of overcoming impediments is dynamic, the impediments identified may no longer apply.

### 3 IMPEDIMENTS TO TOURISM GROWTH

This section of the report looks at the definition of impediments and the factors affecting the study.

#### 3.1 The definition of impediments

The question of what is an impediment to tourism growth is one which has been of concern to international organisations for a number of years. Early studies such as OECD concentrated on impediments to movement and tourism operations in a 1984 study, for example. In the 1996 study the consultants adopted, as a definition:

“ any factor, real or perceived, such as a regulation, capacity constraint, policy or operating practice which limits the growth of tourism to or within the APEC Region.

It includes constraints which limit the freedom of the individual to travel to or from economies within the region or affect their decision to travel to economies in the region.

It also includes those factors which limit the operation, promotion, establishment or development of tourism-related businesses within the APEC region. This includes constraints such as infrastructure capacity, regulatory environments, the financial system, the labour market, the marketing and promotion network and introduction of technology”

This definition has proved effective during this study and was used in workshops and meetings.

#### 3.2 The dynamic character of impediments

Tourism is a dynamic industry, and its role as a potential contributor to economic growth is more widely accepted than it was ten years ago. Through the sheer pressure of growth it is continually at the limits of system capacity and there is demand for infrastructure, skilled labour, investment capital and a more efficient processing system.

Some impediments which existed in the 1996 survey are no longer important, such as restrictions on outbound travel or foreign currency restrictions. The region has seen major investment in airport infrastructure over the past five years (Malaysia, Hong Kong, Japan, Korea for example) which has eliminated some of the concerns regarding aviation bottlenecks. The introduction of improved air navigation systems has overcome some of the airspace congestion concerns, the widespread adoption of E-mail as a means of business communication has overcome

communication problems and provided instant links, although there are inconsistencies in the level and reliability of service across the region.

In their place a new set of barriers have emerged, September 11 and its aftermath has generated a new level of traveller security concerns and increased controls for departing and arriving passengers. Bio-security has become a major issue following the foot and mouth outbreak in the UK, with increased inward barrier control measures in Australia and New Zealand. Unauthorised migration (both refugee movements and economic migrants) has required some member economies to increase barrier controls and more closely manage passenger flows. The introduction of advanced passenger processing systems, initially by Australia but now being adopted among other APEC member economies has been a major step in simplifying the passenger arrival process.

Consequently, some impediments identified in 2002, particularly those affecting the movement of individuals, remain important but exist for a different set of reasons, primarily national security and the security and safety of the individual. There are references to the 'visa reversal' pattern, in which many member economies have tightened their visa requirements in the drive for security.

It is also a process of lag and catch-up which characterises some of the impediments identified during the study. As an impediment arises or is identified, it takes time for identification of the cause of the problem and for legislative or regulatory initiatives to be implemented. This is particularly evident in the impediments to business, where moves to benefit tourism development are difficult to separate from other areas of policy.

### **3.3 The relative significance of tourism in the political arena**

It is widely recognised that tourism is a concept which does not fit comfortably with the normal structure of government, and that the factors influencing the development and operation of tourism are the responsibility of a range of agencies. Private sector tourism operations are regulated by agencies such as aviation, transport, health, or local government, the regulatory agencies, customs, immigration do not have the reception or encouragement of tourism as their prime purpose.

While the economic significance of tourism is gaining increased recognition among APEC member economies tourism frequently lacks the political influence that mainstream areas of government, health, agriculture, education or transport can bring to bear.

Consequently overcoming impediments to the development of tourism requires an understanding of the issues and an awareness of the importance of change by related agencies. The role of many central tourism agencies is one of advocacy and persuasion towards other agencies, seeking change in areas where there is no

direct responsibility, such as foreign investment, labour regulations or immigration. The needs of the tourism sector are often secondary to the main purpose of central agencies. For example, at the time of the PNG workshop a new airport service charge, payable in cash by departing visitors, had been introduced without consultation with the national tourism agency or consideration of its implications for the tourist industry.

Removing impediments is therefore not only a matter of identifying the problem, it is one of persuading the responsible agency or agencies that it is of sufficient importance to justify remedial action. It not only a question of gaining acceptance of the issue, but also one of raising the priority for action.

The recognition of tourism's significance has been assisted by the publication of Tourism Satellite Accounts and the quantification of the contribution of tourism to Gross Domestic Product and employment. There is greater willingness to overcome impediments than was evident some years ago, but the fact remains that tourism agencies generally do not have the powers to initiate change, only to work through others.

### **3.4 The GATS negotiations**

In parallel with this review of impediments has been the current round of negotiations under the General Agreement of Trade in Services (GATS), which includes tourism. The focus of GATS is narrower, covering only:

- Travel agencies and tour operations,
- Hotels
- Tour guiding

The process is one in which states submit their requests for removal or reductions in barriers to trade and services and receive similar requests from other states. The current round required initial requests by to be lodged by June 2003 and for offers to be submitted by March 2003.

The main area of impact in the tourism sector is on hotel management, investment, ownership and franchise agreements as well as the operation of tourism service businesses. Also impacting on the tourism sector are requests in the area of transportation, including air transport issues not related to traffic rights. Cross-sectoral issues relating to foreign investment restrictions, lack of transparency in domestic regulation and restrictions relating to short-term movement/employment of personnel are also of importance to the tourism sector.

The information available under GATS for APEC member economies not surveyed in this study indicates a number of areas where restrictions apply to the operation of businesses, particularly in foreign investment and licensing areas.

## **4 FIELDWORK PROGRAM**

This section reviews the work undertaken as part of the impediments program.

### **4.1 Setting up the program**

The original project design envisaged at least two workshops, consultations with Government agencies and the private sector and potentially visits to more than one location, depending on the geographic concentration of the tourist industry and Government agencies. This format was communicated to all member economies, but received limited support.

The workshop format involved a discussion on the background to impediments and the previous studies and then explored the views of the group on those issues affecting their operations or area of responsibility. The workshops encouraged discussion between private and public sector interests, and sought to identify what measures were required to overcome the problems and identify responsibility.

A briefing paper was forwarded to all participants before the workshop. The format of the workshop included a PowerPoint presentation by the consultant on the issues involved in impediments, including the APEC Tourism Charter, the implications of GATS, the findings of the earlier impediments study and a summary of the type of issues likely to constrain the growth of tourism. A copy of the presentation text is included as an Appendix to this report.

### **4.2 Papua New Guinea**

The pilot program arranged with Papua New Guinea was limited to six days, was arranged by the Tourist Promotion Authority of Papua New Guinea (TPA) and consisted of:

- A workshop attended by more than 20 representatives of Government and Industry.
- Interviews with representatives of agencies which were unable to attend the meeting, including the Investment Authority, Civil Aviation and the Police, as well as with hotel managers, airline representatives and organisations such as the Chamber of Commerce.
- Working with the TPA to prepare their first IAP and a Matrix of Tourism Impediments.
- Providing a report on the meeting for distribution to participants

The workshop identified impediments not previously recognised by either TPA, as the responsible agency, or considered by the administering agencies. Many of the issues raised during the discussion were process driven and resource-constrained rather than inherent impediments contained in legislation or regulations or as part of public policy. In the case of industry assistance, it was a case of lack of policy

recognition of the role of tourism in economic development. There was a view that tourism was being discriminated against in an environment in which substantial assistance was provided to the other sectors mining, agriculture – but tourism received no support other than through the TPA.

Agencies which were involved in the workshop reported back to their department on the relevance of the workshop and a recognition that tourism experienced impediments which were not recognised by the agencies concerned.

A number of impediments were identified, some were procedural, relating to barrier and visa mechanisms, Papua New Guinea has a business visa regime which is expensive and not easy to obtain. The existence of reserved industries is a significant impediment in the factors affecting business investment. The Papua New Guinea government, which has extensive incentive programs for development of most industries, positively discriminates against the tourist industry, which has only specific fiscal incentive and does not participate in the wide range of government assistance programs.

The workshop was Papua New Guinea's first serious engagement with APEC and was used to promote through press and advice to the relevant Minister, the responsibilities under APEC and the opportunities for the tourism sector.

The outcomes of the workshop were reported back to the APEC TWG meeting at Ayutthaya, Thailand in November 2001, immediately after the completion of the workshop. The benefits of the program were supported by the PNG representative.

### **4.3 New Zealand**

Planning for workshops in New Zealand commenced immediately following the Ayutthaya meeting and invitations were issued by the then Office of Tourism and Sport (now the Ministry of Tourism) for workshops in Wellington and Auckland. A lack of response, primarily due to the timing (early December) led to cancellation, but meetings were held with a cross-section of key Government agencies, the Tourism Industry Association and the tourism training agency. Steps were also put in train for a workshop in March 2002.

The March workshop was attended by representatives of key agencies in economic development, transport, foreign affairs as well as representatives of the tourism industry and academics. A lively debate although the scale of issues identified was generally minor, and again often procedural. New Zealand has a transparent and liberal regime which has few constraints to the development and growth of tourism businesses and which allows cabotage rights for ships and aircraft.

This liberal regime was further reinforced by interviews with the Overseas Investment Commission and then, in Auckland, with the major inbound tour operators, national

carrier and cruise lines. A draft IAP was prepared for New Zealand and records of the interviews were provided to the Ministry of Tourism.

#### 4.4 Mexico

Mexico, which is APEC Chair for 2002, participated with a comprehensive program in Mexico City. The difficulties of arranging a workshop as originally proposed led to an interview program, primarily with those agencies whose responsibilities impacted on the development of tourism.

As subsequently reported, Mexico is undergoing a major process of reforming government regulations published as *Programma de Mejora Regulatoria 2001-2006*. The Secretariat of Tourism (SECTUR) has established a Facilitation Unit to negotiate with other agencies to overcome a number of problems identified by the visitor service industry as impediments to visitor movements. This unit acted as co-ordinator of the consulting program.

Interviews with industry were limited to a short meeting with the heads of all private sector industry organisations which provided valuable insights. At the completion of the program a draft IAP was provided as well as a draft Matrix of Impediments.

#### 4.5 Australia

Before the Ayutthaya meeting Australia indicated their willingness to participate in the program and the Department of Industry Tourism and Resources committed resources to organising a workshop in Sydney and discussions with Government agencies in Canberra. Invitations were issued for a workshop, but there was a limited response, due primarily to conflicting industry events and the workshop was postponed.

In Canberra meetings were arranged which involved a number of Government agencies, including Foreign Affairs, and Departments concerned with labour and employment, the environment, transport, customs and immigration.

Subsequently, at the suggestion of industry members, the consultants participated in the Australian Tourism Export Council's Symposium, a meeting of the inbound tourism industry and major tourism operators. A number of appointments were made with industry leaders to discuss the issue of impediments. Australia also has an open regime and is moving towards liberalisation. In the area of visa entry, however, there is a sustained and consistent position. Australia has also increased bio-security and related barrier measures.

In discussions in Canberra the unsuitable character of the IAP and the lack of relevance to the APEC Tourism Charter was raised. Subsequently Australia proposed to APEC TWG an alternative format for the IAP for presentation at the Manzanillo Meeting of Ministers Responsible for Tourism. This initiative has made the Individual

Action Plans a more practical and relevant document in achieving progress through the TWG.

#### **4.6 Thailand**

Thailand sponsored a visit in March which included two workshops, the first in Bangkok, the second in Phuket. The Bangkok audience was attended largely by representatives of key government agencies. The issues discussed were relevant and comprehensive.

The Phuket meeting was attended by a cross section of regional government agencies, private sector executives and industry organisations. Discussions focussed on the practical issues in the industry, the implications of cruise boat operations, the pattern of development occurring through the region and pressures on infrastructure.

In Bangkok meetings were also held with a leading hotel owner, with the Pacific Asia Travel Association and a leading travel industry writer. At the completion of the visit a summary of the outcomes of each meeting was provided to Thailand and a draft matrix was prepared.

#### **4.7 Chinese Taipei**

The final member economy to participate in the program was Chinese Taipei. The program was arranged at the Manzanillo meeting and took place in late July 2002. A comprehensive program was organised by the Tourism Bureau, with a workshop involving a representative group of government, the private sector, universities and consultants and chaired by the Deputy Director.

Following the meeting a program of visits to operators across Chinese Taipei, with the primary objective of identifying impediments to tourism growth and development in Chinese Taipei. With an escort the consultant visited the principal tourist destination and tourism protected areas and met with hotel operators, administration staff, airport managers and ecotourism operators. A range of issues were explored. At the conclusion of the field trip a meeting was held with the Director and management to discuss the implications of the visit. A report on the findings and a draft matrix were prepared at the conclusion of the visit.

#### **4.8 Assessment of the workshop program**

Where workshops were held they were successful and generated good discussion and participation from all members. Representation at workshops covered most affected areas of Government, most of the participants acknowledged the relevance of tourism to their agency. In some instances agencies undertook to work to overcoming issues of concern, or to clarify the impact of regulations or policies.

In other economies the workshop program was more difficult to implement. Language was not a problem. All meetings were conducted in English with minimum difficulty. Escorting staff provided high standard translation for one-on-one meetings.

The provision of meeting notes on the major issues provided each economy with information which was relevant to its priorities, rather than seeking to provide standard output for all economies. The opportunities for discussion with officers of national tourism administrations enabled the issues to be explored and the experience of other member economies to be used in comparison.

## 5 PRINCIPAL FINDINGS OF THE STUDY

The impediments identified in the study are discussed in this section, firstly at a regional level and secondly at the level of individual economies

### 5.1 The extent of impediments

In 1996 Dain Simpson Associates conducted the first survey of tourism impediments for APEC. The study identified, through an APEC-wide questionnaire, a range of barriers to the development of tourism among APEC member economies.

At the commencement of this study, the expectation was that there were a number of major impediments affecting the growth of tourism in the APEC Region, based on that research and commonly held views. Thus study looked in detail at six APEC member economies to identify the extent, nature and impact of those impediments.

For those six member economies which participated in the study, it is reasonable to say **there are relatively few significant impediments**. Procedural and regulatory impediments which are identified by governments are generally overcome in a co-operative manner between agencies. Only in Papua New Guinea, where tourism has a lower political profile, were a number of impediments to visitor movement, investment, labour mobility and visitor safety, identified.

For many member economies there has been increasing recognition of the contribution that tourism makes to their economy. As noted, the introduction of Tourism Satellite Accounting in some member economies has enabled proposals which strengthen the tourism sector to receive political and bureaucratic support. The pressure on infrastructure and the demand for new facilities to meet growing tourist volumes has fuelled new investment. Agencies which impact on the development or operation of tourism activities in areas such as labour, investment and barrier controls are aware of, and willing to assist in, responding to the needs of the tourism sector.

The private sector concerns are more likely to be with issues outside the control of governments, such as the policies of privatised airlines and the effect of airline yield management strategies on seat pricing and availability, particularly for group and incentive travel. The effect of regulations in origin countries which impact on operations (such as the EC Directive) are also a concern. The availability of development finance to meet the demand for new facilities is a problem faced in a number of economies.

The benefits of technology, of rapid communication, of new techniques to handle large number of visitors, of better working relations between agencies and the increased privatisation of services and infrastructure have all combined to make travel between economies, and the development and operation of tourism businesses, easier.

## **5.2 The nature of impediments identified**

Those impediments which were identified during the study can be grouped into a number of categories which reflect the broad considerations of government policy, process, the way regulations are applied or the inherent lags between demand and supply. These include:

### **5.2.1 Issues of national policy or law,**

In a number of cases a specific national policy or law enacted in the broader national interest acts as an impediment to the development of tourism. These include:

- regulations governing the employment of nationals in key occupations;
- limits on airline access aviation access through the continuation of bilateral aviation agreements; and
- a universal visa policy, where national interest in controlling the movement of foreign nationals prevails over the needs of tourism for equality of access and conditions.

### **5.2.2 Security concerns**

The events of September 11 2001 and subsequent international terrorist actions have created a new climate of security and increased emphasis on barrier control. Travel advisories are influential in the choice of destinations, or whether or not to travel. National interest supersedes sectoral interest. This has included:

- more sophisticated screening procedures of airline passengers through the introduction of advanced passenger processing systems;
- more extensive baggage checks and similar measures which have impacted on visitor movements at the barrier and in the airport terminal; and
- increased bio-security measures following the foot-and-mouth outbreak in Europe, which have meant processing delays, particularly in Australia and New Zealand.

These risk management measures have impacted on airfares and have given rise to new charges on passenger movements which are passed on to passengers, either directly or indirectly. As one member economy stated, there are now substantial costs to identify a very small number of people arriving at major international destinations.

Security measures have also increased delays in passenger movements, required earlier check-in times and at key hubs such as Los Angeles created pressure on facilities and processing at peak times. They have also impacted on airline efficiencies. Some member economies have introduced heavier penalties for visitors who do not comply with border regulations and a regime of fines and penalties for security and bio-security breaches.

### **5.2.3 Administrative practices or regulations**

The greater proportion of impediments identified during the study in the six member economies were areas where regulations impacted on tourism, either as part of a wider policy, governing all sectors or where regulatory regimes had not adapted to dynamic changes in the international tourism market.

Examples include

- Inadequate barrier facilities at certain ports to meet changes in the market;
- the application of taxes which impact inequitably on the operation of tourist facilities;
- regulations governing working visas or business visas which act as a deterrent; or
- the narrow interpretation of regulations or policies.

### **5.2.4 Infrastructure limitations**

While the region has seen major investment in tourism-related infrastructure in the past decade, there will always be areas where infrastructure has not yet been expanded or adapted to meet demand or where reinvestment has been inadequate and facilities are below standard. This also reflects economic conditions which have affected a number of member economies over the past five years, where the upgrading of facilities, such as visitor accommodation, has been difficult to finance.

### **5.2.5 Environmental and legislative constraints**

In a number of instances tourism appears to be constrained by broader national policies governing areas such as foreign investment in real estate, with foreign ownership of prime land a sensitive issue for some member economies. Foreign ownership of coastal land is an issue in economies such as Mexico and New Zealand.

With increased concerns regarding the environment the application of environmental protection measures become a significant constraint in the development of new facilities and infrastructure, in a way not intended by legislation. Tourism is viewed as having a greater impact on the environment than other activities in environmentally sensitive areas, particularly where new developments, such as marinas or hotels are involved. Procedures for environmental impact assessment are stated as being used to defer development, not necessarily on environmental grounds, in some member economies.

## **5.3 APEC-wide issues**

The research for the study, discussions with participating member economies and with other economies during TWG meetings have identified a number of issues which applied across more than one member economy and which have a regional impact.

### **5.3.1 Impact of taxes and charges**

An increasing concern is the impact of taxes and charges on travel which, as a visible charge against the tourist, are increasingly seen as an impediment. Taxes include arrival and departure taxes, applied by governments and airport operators, taxes and charges related to airport movements, air route charges, security charges and other aviation related costs. On the ground there are industry specific charges on hotels and food services as well as generic expenditure taxes charges such as VAT, GST or sales taxes which apply to all transactions.

The greatest impact (and greatest change) has been airfare-related charges. While taxes on long haul fares remain relatively insignificant as a proportion of the total fare, on short haul and medium haul flights they are becoming increasingly significant. This is particularly evident for the lowest available fares, where their impact is more evident than full economy or business class travel. While most of these charges are included with the ticket travellers become aware of the charges, for example through Internet booking where taxes are specified.

The impact is global and not limited to APEC member economies. In one instance taxes and charges on the lowest return fare between Australian and New Zealand ports are 18% of the fare. For both of these member economies the other economy is the largest visitor market.

While most visitors accept the impact of value-added tax systems, the inequity arises when there is both a VAT and a hotel tax applied to the visitor's accommodation. A number of member economies, including New Zealand and Mexico, do not provide for refunds on Value Added Taxes by departing visitors, or restrict the opportunity for refunds

Those member economies which subscribe to the Kyoto Protocol on greenhouse gas emissions are facing the possibility of carbon taxes on the key elements of the tourism system, aviation and road transport which has the capacity to add to the total costs of the visitor experience.

### **5.3.2 Insurance**

Over the period since early 2001 there has been a major shift in the cost, availability and coverage of insurance across a range of categories. There has been an increase in the cost of reinsurance. This change is not solely due to the events of September 11, but also to a major shake-out in the global insurance industry,

The areas include personal travel insurance, aviation insurance, and accident insurance for outdoor operations, and the policies of travel insurers towards rating destinations or tour operators as a way of reducing risk. It is not only a matter of cost but of varying coverage and excluding or redefining insurable events. Policies increasingly have a terrorism exclusion clause. This is a global issue, but events in

Bali and the focus on the APEC Region have increased the relevance to APEC member economies.

Specific instances have been identified. In Australia public liability insurance costs and conditions of cover are forcing the closure of some outdoor and adventure activities favoured by international visitors. Insurance cover against terrorism is an additional risk which may need to be secured, at a cost. In Australia and New Zealand it is no longer possible for a traveller to insure against the failure of a major travel supplier. In New Zealand there have been quantum shifts in the cost of some insurance classes which affect the viability of businesses. In Chinese Taipei one operator stated any involvement in outdoor activities by guests required specific approval from their insurer, another had difficulty obtaining the level of public liability cover required by an international operator.

The increase in vehicle ownership and improved highway and secondary road systems throughout Asia and the Americas makes self-drive, already the most popular form of domestic holiday travel, an increasingly attractive international touring option. In two member economies taking a vehicle into another member economy (for example Malaysia to Thailand) required the traveller to purchase local insurance for third party protection. With the development of the Asian Highway and greater international private vehicle touring a regional approach to third-party insurance is a desirable outcome.

### **5.3.3 Aviation issues**

The dependence of the tourism industry on the aviation sector creates tensions where interests diverge. The airline industry has experienced major shocks since 2001, there have been airline failures, cut backs in services and an emphasis on survival and on profit recovery. Not all of the problems are related to the events of 2001, they relate to the dynamic nature of the industry, the focus on profitability and system efficiency and the role of alliances in the aviation sector which can serve to reduce competition on specific routes.\*

The issues in the aviation sector occur in a number of areas:

- capacity limitations on certain routes where carriers have withdrawn from operations;
- pressures at key hubs such as Los Angeles (LAX). The comment was made that the difficulties of hubbing at LAX were an impediment to Asian visitors seeking to visit Mexico;
- the impact of yield management practices on seat availability, particularly for groups, incentives, and conference delegates, where blocks of seats at a comparable costs are frequently difficult to secure. This issue was raised in several member economies by inbound operators and those involved in the Business Tourism (MICE) market as an impediment; and

---

\*JMC King *Issues for Tourism in Aviation Management*. Australian Tourism Research Institute Tourism Outlook Conference, October 2002

- the increasing role of low cost carriers, which gain efficiencies by flying between high density centres, often using secondary airports and which operate as a transport system, rather than part of the tourist system in such areas as marketing, distribution and packaging.

For the tourism sector, airlines are a part of the system which respond to a different set of economic imperatives. 'Airlines are not going to abandon obtaining the best airplane trip revenues possible. The broader tourism industry must develop an understanding that it needs better product adaptation to fit with it: it will not go away'.\*

#### **5.3.4 Facilitating barrier movement**

For the visitor, arrival and departure are major events in their journey. The delays, procedures and increased security form an impediment in the minds of the visitor, something which delays their trip. Many immigration and barrier control agencies are seeking to find a more effective method of dealing with increasing volumes of arriving passengers and in minimising processing delays, yet retaining the capacity to identify.

The application of technology to arrivals processing will be the major change in reducing impediments to travel by individuals. The Australian Advanced Passenger Processing System (APPS) is under consideration by a number of APEC member economies, providing advanced clearance based on passenger check-in documentation. Mexico will be one of the first APEC member economies to introduce an electronic smart card technology involving finger print identification for arriving visitors in specific high volume segments. Australia is testing biometric recognition techniques.

As volumes increase at major visitor destinations increased resources will be committed to the management of visitor flows, but not at the expense of maintaining security, including biosecurity measures, for arriving visitors as operated by Australia and New Zealand.

#### **5.3.5 Travel advisories**

While the issuing of travel advisories has always the prerogative of Governments for the purpose of protecting their citizens travelling to areas deemed to be at risk, since September 11 and subsequent events they have become more frequent and are now beginning to impact on APEC member economies. The concern is that some advisories remain in place after the immediate period of danger has ended and that a consultative mechanism to ensure they do not impede tourism beyond the period of risk is desirable at the individual economy level. This may include recommending travel be limited to certain regions or at certain times rather than blanket advice not to travel to a particular economy.

---

\* JMC King op cit.

## **6 FINDINGS FROM INDIVIDUAL MEMBER ECONOMIES**

This section reviews the findings emerging from the individual APEC member economies which participated in the program

### **6.1 Papua New Guinea**

Papua New Guinea (PNG) is a developing economy with a small tourism sector. The national tourist organisation, the Tourism Promotion Authority of Papua New Guinea welcomed the opportunity to engage in constructive dialogue with other agencies of Government.

#### **Visa Program**

The principles and the practical application of PNG's universal visa program were identified as an issue. There are anomalies in both the system and the way it is applied which impede the development of tourism. Specific issues include

- the differential between visas for tourists and for business visitors, with business visitors required to obtain their visa in advance.
- the impact of the high cost media fees on visiting tourism journalists and film crews.
- the procedure for issuing visas on arrival, and the requirement for visitors to pay in local currency.

In addition an airport service charge on departure payable in cash of US\$7.50 had been introduced without consultation.

#### **Employment**

The Papua New Guinea tourism sector is dependent on a high proportion of expatriate managers. All expatriates require an employment visa which can be granted for up to three years. The problems lie in the process, there are two agencies involved in the approval procedure and the delays can be up to eight weeks for Australian residents and considerably longer for other countries. This can make it difficult to secure new contract staff.

There are plans to develop a one-stop shop for labour approvals, certification of new businesses and foreign investment approvals.

#### **Business development incentives**

Papua New Guinea has an established system of business development incentives across most sectors of industry, including mining, agriculture, manufacturing and fishing. Benefits can include income tax concessions for pioneer industries and accelerated depreciation for plant. There are wages subsidies, duty free entry for oil and gas production, concessions for training expenditures. Companies involved in the export of manufactured goods can obtain 100% income tax exemption for 4 years on net export income.

The tourism sector only benefits from concessions for the diving sector. Tourism does not access the export market development concessions. Compared with other sectors of the economy the tourism sector receives little direct assistance or concessions.

### **Reserved industries**

PNG has a policy of reserving certain sectors for PNG citizens and certain activities for National Industries, with a minimum 51% local shareholding. Activities reserved for PNG citizens include accommodation with less than 10 rooms, airport business concessions and kiosks. Activities reserved for national enterprises include tourist-related activities, tourist guides, wholesale tour operators and travel agents.

Foreign investment involving land outside of the major cities is difficult, as 97% of land in PNG is owned by traditional owners and cannot readily be alienated. Developments do occur in partnership with local owners.

### **Tariffs**

There is a discriminatory tariff on promotional material (formerly 40%, now 25%) designed to protect local industry but which impacts heavily on the tourism industry with its use of quality promotional materials which are normally used outside PNG. Recovery of duty paid on re-export is difficult, as materials are often mailed in small quantities.

### **Visitor safety**

The issue of visitor safety is a major concern for Papua New Guinea, with an under-resourced police force and limited understanding at community level of the benefits of tourism. The police are establishing a Tourism Police Squad within the community policing system, (a community-based extension of the existing service). The objective is to develop links between tourism operators and police to minimise the risks to visitors travelling in isolated areas.

### **Summary**

The workshops and interviews identified a number of issues where the development of new tourism businesses was constrained, or did not receive the same advantages as other sectors. The concerns at inefficient processes and procedures emphasise the need for facilitation of the investment and employment processes. There were a number of issues identified during the program which are an opportunity for the TPA to negotiate for improved conditions to assist the development of a stronger tourist sector in PNG.

## **6.2 New Zealand**

NZ has a liberal regime and recognises the benefits of tourism, making considerable efforts to facilitate the processes which impact on tourism and to minimise the impediments to tourism development and operation. The impediments identified fit within categories of national interest, security, or environmental protection.

## **Transport**

New Zealand is a member of the APEC multilateral Air Service Agreement. Domestic airlines can be 100% foreign owned. There is a limit of 49% ownership on international airlines, 35% any one shareholder. Cabotage is permitted for foreign flag carriers, with Qantas operating in NZ under cabotage. Under the multilateral agreement any carrier from a participating member can carry under cabotage. Cruise shipping is now big business in New Zealand and a number of steps have been taken to facilitate its growth.

There are no real impediments in the transport sector

## **Barrier issues**

New Zealand places great emphasis on managing bio-security risks to preserve a disease-free environment for its primary industry sector. This has led to the introduction of on-the-spot fines for visitors breaching regulations and charges for fumigation. There is a working party to overcome barrier delays although a change to the Australian advanced passenger processing system has the potential to increase passenger processing times.

New Zealand operates a visa waiver policy covering more than 50 countries. Australian residents are exempt from holding visa and residents of 10 APEC member economies do not require a visa. The residents of APEC member economies requiring visas include China, Thailand, Chinese Taipei, Vietnam, Philippines, Indonesia, Russia, Peru, and PNG.

## **Labour and employment**

New Zealand facilitates the employment of overseas nationals although subject to labour market test. Tour escorts require work permits under regulations but the rule is not generally applied. The cruise shipping industry which bases overseas-crewed vessels on the New Zealand coast has negotiated special arrangements for crews in consultation with the New Zealand trade unions. There is no licensing requirement for guides and no restrictions on foreign guides in New Zealand.

## **Foreign Investment**

While approval of the Overseas Investment Commission is required for investment involving more than 25% foreign equity, it does not act as an impediment. Approval for the purchase of land of more than 5 hectares or land classed as 'sensitive' interpreted as foreshore land, or adjoining conservation land, heritage or Maori sites as well as most offshore islands.

## **Resource Management Act**

The Resource Management Act, which defines the procedures governing new developments is regarded as an effective mechanism which protects New Zealand's sensitive environment. It is implemented through 87 local agencies and there are inconsistencies in the way it is applied or the delays which can occur in the process. It is complex, with community consultation requirements and,, for a

foreign investor, can involve high costs. The appeal process can invoke competitive impacts. It is regarded as an impediment to the development of new tourism facilities, particularly in sensitive areas.

### **Taxes and charges**

The cruise industry has concerns that there is a requirement to pay GST (12.5%) on the full face value of the ticket (even though this includes overseas wholesaler commissions). This is inconsistent with airlines which are GST free when purchased offshore. This is a major anomaly which constrains the cruise industry.

### **Summary**

There are no significant impediments to the development of tourism in New Zealand. The regulatory system governing investment and employment operates with minimum constraints and the mechanisms of government are designed to facilitate and encourage tourism and overcome impediments when they are identified. Policy and practice are committed to a liberal regime.

## **6.3 Mexico**

Mexico, among all APEC member economies which participated in this program, has adopted the most structured and effective approach to reducing the impediments to the growth of tourism. It is an approach which is practical and effective.

Mexico is undergoing a major process of reforming government regulations covering all areas of the nation's economy, published as *Programma de Mejora Regulatoria 2001-2006*. The responsible agency, COFEMER, reviews regulations, questions their purpose and effect and, where justified, recommends changes to Government. Within this regime of reducing barriers, the Secretariat of Tourism (SECTUR) has established a Facilitation Unit to negotiate with other agencies.

Since March 2001 this unit has been implementing a National program of facilitation designed to eliminate, reduce or overcome regulations or operating practices which impact on the efficient operation of the tourism sector. Developed in consultation with the private sector, this program has identified 39 principal subjects across a number of areas of the tourism sector, which have been classed as impacting on the operation or the future development of tourism to and within Mexico. Many of the issues are practical procedural issues which cause operational difficulties for tourism operators, or affect international visitors to Mexico.

The program, *Proyecto Nacional de Facilitación* is implemented through a dedicated project team working through, and in close cooperation with, other areas of Government to minimise the barriers or eliminate the causes of impediments to the development and operation of tourism. The 39 principal areas cover segments which include:

- Marine tourism;

- Sports fishing;
- Transport;
- Hunting;
- Self-drive touring;
- Immigration – visitor entry;
- Customs and entry procedures relating to tourism.

Some issues require changes to the Law and short term, medium term and longer term priorities have been allocated, taking into account the issues which can be solved in a reasonable time and those that require significant change. There are some 150 specific actions identified under the program. Some include wider involvement of SECTUR in the government decision processes, for example in the negotiation of air service agreements.

By March 2002 a number of actions in the initial program had already been implemented while other objectives are being progressively achieved. Some of the changes achieved are being reported through the IAP, other changes are not directly relevant to the IAP.

### **Entry procedures**

With extended coastlines on both the Caribbean and Pacific coasts marine tourism is a significant component of the Mexican tourist sector. Procedures for the entry of private vessels into Mexico have required complex approval and payment procedures involving nine separate steps. These procedures are being simplified. Procedures have already been simplified for large yachts and charter vessels.

Procedures for the entry of private vehicles arriving in Mexico require drivers to complete an application for temporary importation of vehicle and to take out third party insurance for the vehicle, issued by a Mexican insurance company. This applies even if the car is insured in the country of origin and covers public liability in Mexico.

Visas are required for China, Russia, Vietnam, Chinese Taipei and Hong Kong SAR. A new electronic migration card for visitors from USA and Canada with a digital chip implanted which includes fingerprint identification will enable visitors to pass through a screening barrier without completing a form or being interviewed. The system is voluntary and will require 5 minutes to complete the procedure necessary for the issue of a visitor card.

The temporary import of goods for exhibition purposes, which forms a major part of the convention and conference sector, is constrained by current procedures, which require goods to be entered through normal customs procedures rather than under the ATA Carnet system. The Government of Mexico has adopted but not yet implemented the ATA Carnet

### **Transport**

Commercial tourist vehicles can secure multiple entry permits, but the procedure requires proof of ownership, third party insurance, insurance cover for passengers, formal request by the owning corporation and the constitution of the corporation. A response to an application must be given within thirty days. Before departure a route plan and time schedule is required.

Cruise vessels entering Mexican ports are required to have a Mexican pilot, even if they are on a frequent schedule.

Mexican aviation policy favours Mexican operators rather than open skies and operates on a reciprocal basis. Mexico has no direct flights from trans-Pacific neighbours, with most international arrivals from the Asia-Pacific region via Los Angeles. The Los Angeles transfer operates as an impediment.

### **Foreign investment**

The specific economic activities in the tourism sector where foreign investment is restricted are domestic air transportation and air taxi transportation - up to 25%, integral port administration - up to 49% and airport administration where permission required for foreign investment above 49%. International overland passenger transportation including tourism between destinations in Mexican is restricted but will be freed up by 2004.

For restricted areas (areas 100 km from the border and 50 km from the coast) a foreign investor cannot own land or buildings directly. Assets can be owned through a trust established with a Mexican bank, by which the trust owns the land but the investor has 50 year use rights. A foreign corporation can incorporate a Mexican corporation which can then acquire land (Article 11 Foreign Investment Law).

### **Reserved occupations**

The following positions are limited to Mexican nationals:

- Airline pilots for aircraft with Mexican registration
- Ship captains for vessels with Mexican registration
- Coach drivers for vehicles with Mexican registration

### **Environmental legislation**

The Federal Government requires an Environmental Impact Statement for all projects in the natural protected zone and 20 metre coastal zone (ZFMT), covering construction, operations and site abandonment. SEMARNAT, the responsible agency, also supports the States in the environmental assessment process. The procedure can be complex and time consuming and can be used to delay approvals. A process of reviewing the EIS procedures and simplifying the process is underway.

The 20 metre coastal strip throughout Mexico is the maritime land federal zone, or ZFMT, ownership cannot be transferred to private individuals or corporations. Foreign companies cannot operate directly and operate through a trust or a Mexican corporation. Development within the ZFMT is subject to approval.

### **Summary**

The program of facilitation being implemented by SECTUR is eliminating many impediments which existed in the past. There is a high degree of co-operation between agencies in overcoming the problems which exist and considerable progress has already been achieved. Forward programs allow for the progressive reduction of impediments in areas such as foreign investment.

## **6.4 Australia**

Australia has been active in seeking to overcome impediments to tourism development but also has a universal visa regime which requires all visitors except New Zealand citizens to hold a current visa. It has been at the forefront on new technologies in visitor processing to minimise the impact of the universal visa system as well as the advanced passenger processing system under consideration by other APEC member economies.

Australia is undertaking a major review of the tourism with a view to establishing a national strategy and ensuring Australia can deliver on the expectations of visitors in terms of accommodation, infrastructure and facilities.

### **Visa regime**

Australia's universal regime has been facilitated by the introduction of an Electronic Travel Authority (ETA), a system available in 32 countries globally and which allows automated processing of an ETA which is equivalent to a visa. It can be accessed by a travel agent, airline or direct through the Internet. The Department of Immigration\* advise that it now covers approximately 85% of all arrivals. The policy is to progressively extend the system, but where it is not available visa requests are made to the nearest Australian immigration post. This creates problems in emerging markets without ETA access and without immigration services, particularly in those markets with a pattern of late booking.

A number of APEC member economies are not covered by the ETA, South or Central American countries are also not covered. For the business tourism sector, the difficulties in obtaining visas has a competitive impact on bids for major international conferences. The inability to guarantee entry and the complexity of the process were reported by the meetings industry as limiting their capacity to compete.

Australian offers working holiday visas and these are now available on the Internet, with computer-generated decisions for low-risk groups. Working holiday visas are

---

\* Department of Immigration and Multicultural and Indigenous Affairs

being extended to 12 countries, including APEC member economies Korea and Hong Kong SAR.

Australia participates in the Approved Destination Status program with China and is considering extending the ADS system to other economies.

### **Labour and employment**

Australia has a migration policy which is designed to manage skills shortages within a framework of controlled migration. Hotel employees are eligible for temporary visa for up to 4 years, there is no skills assessment but employment is subject to a market test. A threshold salary of A\$34,075 applies to all positions filled from overseas under temporary visas which are not on the skills shortage list, and a documented offer is required.

Permanent entry is permitted to overcome skills shortages, with chefs, cooks and aviation technical staff the main groups within tourism-related industries. Skills shortages are identified by labour market analysis, and are being continually monitored, not just at broad category level but including specialisations or skill levels. There is a gazetted list of eligible occupations for which permanent visas can be awarded. Meeting skills shortage requirements provides additional points under the points requirement for permanent entry.

Where a company wishes to bring in less skilled people, the threshold salary applies. A business must also have a labour agreement in place and demonstrate a satisfactory training record in respect of Australian employees. Sponsored positions are expected to participate in training.

The list of eligible occupations for temporary visas also includes tour guides and travel consultants. Employment under temporary visas must not be a substitute for employing Australians but there is recognition of the inbound sector's reliance on expatriates. The requirement for a labour agreement can be difficult for smaller organisations and there have been collective labour agreements in at least one tourist centre covering a number of employers.

### **Aviation**

While Australia has a policy of open skies the only open skies agreement is with New Zealand. Australia carriers operating on international routes must be substantially Australian-owned. The industry expressed concern at the impact of yield management practices on moving large groups for functions and events. The withdrawal of carriers post September 11 has affected regional destinations where services have been withdrawn.

### **Infrastructure**

There is an industry view that the Australian visitor experience has shown little growth or diversification in recent years in and is constrained by key locations visited by international travellers which are capacity limited, such as Ayers Rock.

The development of new resorts is subject to the approval of the Foreign Investment Review Board which has the power to enforce approvals and require projects to be completed. There is a requirement for environmental impact assessments but this is not seen as impeding investment.

### **Barrier control**

Australia has been at the forefront of the development and use of the Advanced Passenger Processing System which is being considered by a number of other APEC member economies. Australia is also testing biometric recognition techniques. In common with New Zealand there is heavy emphasis on bio-security and 100% of bags are being screened. The increased security procedures have increased passenger processing times on departure and arrival and are also a factor leading to an increase in passenger movement charges.

### **Summary**

Australia's universal visa regime could be seen as an impediment to tourism growth, but procedures are increasingly being developed to facilitate tourist entry from the majority of origin markets. It is an impediment in those countries unable to access the ETA system. Australia's foreign investment and business environment is conducive to a free flow of investment and business operations, while labour and immigration policies enable international transfer of staff and recruitment of key positions within the tourist industry.

## **6.5 Thailand**

Thailand has a vigorous tourist industry which is dispersed widely through the economy. Government policy is supportive and there are few barriers to the development of the tourism sector.

### **Foreign investment**

Thailand has restriction on foreign ownership in a number of areas including hotels and transport, including aviation. Foreign ownership of hotels is limited to 49%. In a case of financial difficulties a foreign investor can acquire a larger share to assist the property but must sell down over an agreed period. Foreign investment in transport operations, including aviation, is limited to 30%. Restrictions on foreign ownership of restaurants has recently been eased.

### **Infrastructure**

The continued growth of tourism to Thailand has placed pressures on infrastructure and services. Discussion in Phuket, in particular, centred on the limitations of local infrastructure for a destination which receives 30% of Thailand's tourist traffic. Phuket airport at 3000m cannot handle fully-laden international wide-bodied aircraft, which must refuel at Bangkok. Bangkok airport itself is close to or at capacity. With new regions opening up and a network of some 30 international airports, not all are equipped to meet demand, Krabi, for example, has no refuelling facilities.

Phuket lacks a cruise berth capable of handling larger international cruise vessels, with even the weekly Star Cruises vessel discharging passengers by boat. The growth in hotel rooms in Phuket is reported to be placing pressure on the urban infrastructure capability, water, waste and transport. The issues in Thailand are primarily demand exceeding capacity in some areas and the dispersal of visitors throughout the economy exceeding local capacity to service.

The process of securing environmental approval was seen as limiting development, with the environmental impact approval process taking up to 12 months. Decisions are made in Bangkok with delays in securing a place on the agenda for meetings held every six weeks. A change to a local approval process would facilitate development.

The hotel sector has no constraints and there have been periods of over-development. A concern of the industry is that readily available finance will be directed to new hotels, generating over-development once again.

### **Employment**

For management or skilled employees the maximum period for an employment visa is 3 years with annual renewals which are granted automatically. For lower paid workers, permits are subject to six month renewals. The Labour Department was seen as supportive of the work permit process.

A number of activities are reserved for Thai nationals, including guides, taxi drivers and coach drivers as well as domestic airline pilots. Guides must be Thai nationals, have qualified through the TAT training course and hold a bachelor degree. This requirement limits the opportunity for local interpretation by community groups providing local tour or interpretation programs as they cannot hold a licence.

### **Transport**

Drivers wishing to bring a vehicle into Thailand are required to buy Thai insurance for third party cover at the border, a constraint on international road travel. Private aircraft entering Thailand require approval in advance, normally available within one week.

There is a lack of suitable transport for FIT visitors outside of the major centres, Thailand has no system of public transportation other than basic domestic services which are not suited to most passengers. This limits the dispersal of visitors to those centres with airports.

Thailand retains bilateral aviation agreements, but has agreements with 92 countries, permits two points of entry or departure and the system is relatively liberal.

### **Human resources**

It was commented that Thailand has limited reserves of trained managers and there are limited opportunities for retraining and development of people already in the workforce. There is also a need for a hotel management school in Phuket, where the demand is high and there is a lack of trainers for developing less skilled workers. A Bangkok hotel owner also echoed the need for additional hotel schools to meet the continuing demand for quality staff.

### **Border issues**

Thailand has visa-free entry for a number of economies, but others are subject to visa on arrival, a system which works satisfactorily at most entry points, but for example at Phuket is not available for cruise ship passengers. As new markets emerge the system takes time to adapt to meet the need to be able to offer visa on arrival at all entry points.

### **Summary**

The continued rapid growth of the Thai tourist industry and the delays in supply in such areas as infrastructure, trained staff and in the extension of services to meet the needs of new and growing markets appears to be the major cause of impediments to the growth of tourism.

## **6.6 Chinese Taipei**

Chinese Taipei has a policy objective of developing its international tourism markets, and one aspect of the impediments review was to identify issues which could potentially constrain the economy achieving its goal of doubling the number of international visitors.

Changes in the national economic structure, with manufacturing businesses moving offshore, is changing the character of the inbound market from its traditional base of business travel. The hotel sector is largely committed to serving business markets and is not orientated to tourism.

In the workshop in Taipei there was a view that development of international tourism to Chinese Taipei is limited by the image as a destination and awareness levels in main long haul markets. The economy has a low profile, a high local cost structure and there is limited interest by the tourist industry in developing long haul markets. The prime interest is in domestic and short haul markets, and whether Chinese Taipei has the assets to attract the long haul markets was ranked by the workshop as the major issue in developing tourism.

The Chinese Taipei tourist industry is geared for outbound rather than inbound, reflecting its position as a major origin market for the APEC Region. Developing inbound tourism requires an industry able to respond to the needs of diverse international markets.

## **Transport**

Chinese Taipei has an outstanding road and domestic airline system and an efficient road transport system. Public transportation, however, does not work well for tourists, tourists need a guide, which can mean a high cost private tour. There is a need to encourage local bus companies to operate tour services for the international market.

Self-drive is not recommended and car rental companies do not serve the international leisure traveller. There is only one rental car operator at CKS Airport which only serves the local market, the international car rental companies do not list Chinese Taipei as a location for car hire. At the same time highways have well marked and attractive driver stopping points with a full range of services. Main highway signage is generally in Roman script, there is no evident impediment to self-drive.

## **Labour and employment**

Chinese Taipei offers ease of access and long term working visas for skilled or qualified individuals in the tourism sector. A chef with two years experience can gain a visa in 7-10 days allowing for a three year stay. This can be renewed and there are no restrictions. This applies to a tourist hotel only. A travel agent can hire foreign people. Unskilled workers are not allowed. There were reported delays in securing approvals for key personnel, even though they were well-qualified. One group (international operator) reported difficulties in bringing specialist trainers on short-term assignment from Mainland China.

The availability of training facilities and resources for the hotel sector is seen as issue. Chinese Taipei with its population and range of hotels could support a number of hotel schools.

Chinese Taipei is considering a working holiday visa for Australia for under 30's, Australia will be the first. Visas for 1 year are already given on arrival to Australians/Canadians coming in to teach English. Student visas are also available.

The quality of guides were raised by the industry as an area of concern, the pay fails to attract younger people with language skills and the qualified guides are generally older, often with a teaching background. There is seen to be a mismatch between the type of visitor – eg younger Japanese, and the guides.

## **Foreign investment**

Foreign investment – there are no restrictions except in the transport area, with complete deregulation. An authority to invest can be obtained in 2-3 days – is not refused. A Business Licence from the Commerce Department also only takes 2-3 days.

The only serious impediments noted are the restrictions on foreign investment in the tourism sector, specifically transport. The Negative List for Investment by Overseas Chinese and Foreign Nationals (1999) has a prohibited list which includes:

- Passenger bus services including highway passenger services and city passenger bus services.
- Taxi transport.
- Tour bus services.
- Harbour and related services, including construction or leasing and engaging harbour facilities business, or tour boat service.
- Air transport and relevant services including civil air transport.

The Chinese Taipei aviation system is closed to foreign investors and operates bilateral air service agreements.

As part of its drive for increased tourism Chinese Taipei is seeking to expand marine tourism, and is planning new marine tourism facilities near Kaoshung. While this proposal is directed towards attracting foreign participation, the prohibited list would appear to preclude such involvement.

The impediments to the development of marine tourism relate primarily to the lack of infrastructure, no effective management of marine resources and marine recreation, and the absence of a domestic market which provides the underlying demand for new facilities.

### **Visas**

Visas are not an issue. Philippines, Malaysia and Indonesia among APEC member economies secure a landing visa although Malaysia is currently under review. There are 21 economies with 14-day visa free entry to Chinese Taipei, while 24 countries can obtain a 30 day landing visa on arrival. Hong Kong citizens working in Mainland China are not allowed visa free entry. There is a differential between group and individual visas from Malaysia, group visa costs 70 ringgit per person, individual visas 140 ringgit.

### **Conclusion**

The growth of the tourist industry in Chinese Taipei is less about removing structural and procedural impediments and more about re-aligning the industry to serve an international market. There is an apparent need, for example, for three to four star hotels suited to the international leisure traveller, particularly FIT who are not able to take advantage of group rates.

The easing of foreign investment constraints in the harbour operations and tour boat sector may assist the development of the marine tourism sector. Encouraging foreign investment and foreign operators in the hotel sector may help to

internationalise the industry and introduce stronger international marketing networks.

## 7 MATRIX OF TOURISM IMPEDIMENTS

In the 1996 survey of tourism impediments a Matrix of Tourism Impediments was included. A requirement of this study was to update the matrix and individual member economies were approached by both the Project Supervisor and the consultant to provide current inputs. These were only received in a number of instances.

### 7.1 The 2002 Matrix

The following tables reflect the information available from participating member economies. For those member economies which participated in the workshops, modifications were made to the Matrix following the outcomes of the program. In two cases, a new matrix was prepared based on the issues identified during the program.

In preparing this table we have deleted reference to customs control over alcohol and tobacco imports by arriving travellers as being common in most economies. All economies have restrictions on the import of drugs and firearms.

Most member economies have a tax on tourist movements, these have been noted where the economy specifically raised the issue. Hotel taxes have been treated the same way. With many member economies having a consumption tax, (Value Added Tax, Goods and Services Tax or equivalent) which apply across the economy, and cover all or most areas of expenditure, no reference has been included.

The type of rule column uses the following codes

- I Constitutes an impediment to competition or growth of tourism
- J Where there is justification for an impediment on the grounds of public order, public health, safety or morals
- N Measures which are not seen as inhibiting the growth of tourism

INVENTORY OF IMPEDIMENTS TO THE GROWTH OF TOURISM IN THE APEC REGION				
Impediments which impact on individual travel				
Impediment	Country	Controls	Rationale	Code*
1. Visa requirements	Australia	Visitors required by all visitors to Australia other than New Zealand citizens. The Electronic Travel Authority system is available to passport holders of 33 countries and provides a streamlined invisible visa system utilised by 85% of tourist and short term business visitors	To maintain border integrity and facilitate entry on arrival	J
	Chile	Visas are awarded on the basis of reciprocity. Those countries that do not require visas of Chileans are visa exempt. Visitors from all other countries require a visa.	Reciprocal rights	I
	China	Tourist visa required	Many countries or regions impose discriminatory measures on inbound Chinese visitors	I
	Chinese Taipei	Visa free : 21 countries are granted visa-free entry for 14 days Landing Visa 24 countries are granted landing visa for 30 days Other countries must apply for visa pre-arrival	The visa requirements for other countries is necessary for the maintenance of national security.	I
	Hong Kong	Most nationalities can enter without visa from 7 days to 6 months, covers 170 countries.	Government Polices and Legislation	J
	Japan	From 2000 general visa exemption arrangements with 62 countries, other countries require visa before departure.		
	The Republic of Korea	Among APEC countries, China and the Republic of the Philippines' nationals need visas to enter.		I
	Mexico	Visa free where equivalent conditions apply, including Australia. Visas subject to 30 day delay for China PRC, Hong Kong SAR, Chinese Taipei, Russia, Vietnam		I
	Malaysia	Visitors from most Commonwealth countries and countries with which Malaysia has a Total Visa Abolition Agreement do not require visas. Vietnam and Chinese Taipei require visas		I
	New Zealand	Visitors from 50 countries with which New Zealand has visa waiver agreements do not require a visa. Includes 10 APEC countries (Brunei, Canada, Chile, Hong Kong SAR, Japan, Korea, Malaysia, Mexico, Singapore, USA) Australian citizens do not require visa.	Benefits of a visa waiver in reducing barriers to travel, trade and tourism are assessed against risks from non-genuine visitors who enter under a visa waiver	J
	Papua New Guinea	Single entry visa for a maximum of 60 days can be obtained before or on arrival. Business visa must b obtained before arrival	Supervision of non-citizen employment	I

	The Republic of the Philippines	Visas required for persons coming from countries with which the Republic of the Philippines has no diplomatic relations. Holders of Hong Kong and Chinese Taipei passports must special passports.		I
	Singapore	No visa required for Commonwealth countries and selected other countries. USA and most western European countries do not require visas. Some other Nationalities do on security grounds.	Immigration control and national Security	J
	Thailand	Visa free for 65 nationalities staying up to 30 days and including 15 APEC members. For visitors from 76 other countries visas valid for 15 days can be obtained on arrival, including China PRC, Russia, Chinese Taipei New Zealand. Visa on arrival not available at some entry points.		N
<b>2.Limitations on travel abroad</b>	Australia	No limitations		N
	Chile	No limitations		N
	Chinese Taipei	No limitations		N
	Hong Kong	HK residents with no criminal record can exit and enter with valid HK identity card.	Government Polices and Legislation	N
	Japan	No restriction		N
	The Republic of Korea	No restrictions except permission is required for males under the age 30 who have not served military duty.		N
	Malaysia	No restrictions.		N
	Mexico	No restriction		N
	New Zealand	No restrictions		N
	Papua New Guinea	No restrictions		N
	The Republic of the Philippines	None except the inspection of exit (travel) documents of Filipinos travelling abroad		N
	Singapore	No restrictions, except to National Servicemen	National security	N
Thailand	No limitations on travel abroad by outbound travellers		N	
<b>3.Foreign exchange (Inbound)</b>	Australia	No limitations, except cash over \$A10,000 must be declared	To detect cash flows into Australia	N
	Chile	No limitations		N
	China	No restrictions on currency inbound		N
	Chinese Taipei	No limitations		N
	Hong Kong	No restrictions	Government Polices and Legislation	N
	Japan	No restrictions, cash over JPY1,000,000 must be declared		N

	The Republic of Korea	No restrictions		N
	Mexico	\$US10,000 maximum in cash		N
	Malaysia	Non residents carrying more than \$US2,500 in cash or travellers cheques required to declare. Malaysian currency more than RM1,000 must be declared	Temporary currency control following Asian financial crisis	N
	New Zealand	\$NZ1,000 in cash must be declared	Detection and tracing cash flows from criminal activities	N
	Papua New Guinea	No restriction		I
	The Republic of the Philippines	No restrictions. Visitors bringing in more than \$US 3,000 are required to declare it at the international airport.		N
	Singapore	No restrictions		N
	Thailand	No restrictions		N
<b>4. Foreign Exchange (Outbound)</b>	Australia	No limitations, except cash over \$A10,000 must be declared.	To detect cash flows into Australia	N
	Chile	No restrictions		N
	China	Foreigners outbound limited to \$US5,000, Chinese nationals limited to \$US1,000	The Chinese Government is seeking to move towards freely convertible currency	I
	Chinese Taipei	No restrictions, but amounts in excess of \$US5,000 and \$NT40,000 should be declared.		N
	Hong Kong	No restrictions		N
	Japan	No restrictions	Government Policies and Legislation	N
	The Republic of Korea	Residents wishing to take out more than \$US10,000 need permission from the Bank of The Republic of Korea.	Money exchange regulation	J
	Malaysia	Permitted limit RM1,000. Non residents permitted to carry out the same amount of foreign currency brought in to the country		N
	Mexico	\$US10,000 maximum in cash		
	New Zealand	No restrictions but cash over \$NZ1,000 must be declared	Declaration allows detection and tracing of cash flows from criminal activities	N
	Papua New Guinea	Limited to K5000 local currency only	Supervision of financial system.	I
	The Republic of the Philippines	No restrictions		N
	Singapore	No restrictions		N
	Thailand	Limitation on the amount of Baht which can be taken out of Thailand (50,000 Bht. Per person, but 500,000 if going to one of Thailand's neighbouring countries)		N

<b>5. Customs or barrier controls</b>	Australia	Border controls and checks imposed to identify and deter unlawful activity on entering/departing travellers. Comprehensive quarantine restrictions on import of foodstuffs and plants.	To manage movement in/out of prohibited goods, exotic pests and diseases	J
	Chile	Import of some goods prohibited for bio-security reasons		N
	China	No special concerns		N
	Chinese Taipei	No special concerns.		N
	Hong Kong	No special restrictions	Government Polices and Legislation	N
	Japan	No special restrictions		
	The Republic of Korea	The Republic of Korea has a green lane system, No special restrictions		J
	Malaysia	No customs or barrier controls on personal effects		N
	Mexico	No special restrictions		N
	New Zealand	Border controls and checks imposed to identify and deter prohibited goods from entering New Zealand. On the spot fines for breaches.	Goods considered injurious to the health and welfare of New Zealand and its people	N
	Papua New Guinea	Quarantine inspection and active inspection of arriving passengers.	A source of revenue. Disease control.	I
	The Republic of the Philippines	Quarantine inspection for certain goods.	Public health and safety	J
	Singapore	Few goods are dutiable or under control		N
	Thailand	Restrictions on alcohol and cigarettes only.		N
<b>6. Departure taxes</b>	Australia	\$A38 Passenger Movement Charge (\$US20). Additional charges (airport noise and other charges) also passed on to traveller	Recover cost of passenger formalities and short-term visa processing	I
	Chile	US\$18		N
	China	No, airport construction charge only (\$US4)		N
	Chinese Taipei	NT300 (US\$12) included in ticket price.		N
	Hong Kong	US\$6 from 12 years of age		N
	Japan	Passenger service charge at some airports		N
	The Republic of Korea	Passenger Service Charge of US\$11		N
	Malaysia	None		N
	Mexico	Arrival tax (\$US19) included in ticket price, airport tax on international departures 150 peso		N
	New Zealand	Airport Departure Tax of US\$13 not included in tickets. GST on cruise travel for international travellers, compared with no tax on domestic air travel for international visitors	Cost recovery by airports	N
	Papua New Guinea	Departure tax US\$7.50 included in ticket price, airport charge US7.50 payable at airport.	Source of revenue.	N

	The Republic of the Philippines	Departure tax of \$US20		N
	Singapore	Airport Tax US\$10	Cost recovery by airport	N
	Thailand	Airport service tax 500Bht (\$US8) payable in cash on departure		N
<b>Impediments which impact on the operation of tourist related businesses</b>				
<b>Impediment</b>	<b>Country</b>	<b>Controls</b>	<b>Rationale</b>	<b>Code*</b>
<b>7. Business licences and approvals</b>	Australia	Environmental planning and development laws and regulations at three levels of Government (local, State and national). Not specific to tourism. Travel Agents must be licensed under State and based legislation, this includes tour operators, wholesalers, retail travel agents and consolidators	Zoning, environmental and native title protection Consumer protection	N
	Chile	No restrictions.		N
	China	Foreign investment is encouraged but subject to approval from related administrative agencies.		I
	Chinese Taipei	Licence needed for operation of hotels, travel agents and tour guides		J
	Hong Kong	Normal business registration applies for all business. Hotels, travel agents and airlines need special licences to operate	To have better control on services and to protect consumers	J
	Japan	No restrictions		
	The Republic of Korea	No restrictions on foreign owned tourist business except on casino and golf course construction.	Foreign Capital Inducement Act	I
	Malaysia	Business licences required for the operation of tourist-related businesses.	To regulate travel and tour operators	I
	Mexico	Non discriminatory licence system		
	New Zealand	No discriminatory restrictions on foreign nationals		N
	Papua New Guinea	All businesses with foreign investors require certification. Limit on domestic borrowings in the first two years of operations		I
	The Republic of the Philippines	Regular business licences or permits.		J
	Singapore	Every business must register with Registry of Companies and Business, local or foreign.	For consumer protection.	J
Thailand	No discriminatory regulations covering all areas of business - hotels, tour operators, restaurants etc. All hotels over 79 rooms require full environmental impact assessment.		I	
<b>8.Import policies</b>	Australia	Non-discriminatory		N
	Chile	Non-discriminatory		N
	China	No special limitations		N
	Chinese Taipei	No limitations		N
	Hong Kong	No restrictions		N

	Japan	No limitations		N
	The Republic of Korea	No limitations		N
	Malaysia	No restrictions		N
	Mexico	No limitations		N
	New Zealand	No restrictions, second hand coaches must conform to NZ design rules		N
	Papua New Guinea	Non discriminatory	Revenue and protection.	NI
	The Republic of the Philippines	Limitation on importation of capital goods and other goods locally available.		I
	Singapore	Trade goods exceeding \$S300 require permits.	For fiscal purposes.	N
	Thailand	No limitations on imports		N
<b>9. Foreign investment (business)</b>	Australia	Foreign Investment Review Board approval is required include acquisitions of substantial interests in Australian businesses with total assets of \$50 million or new businesses involving a total investment of \$10 million. All proposed acquisitions of hotels and motels must be submitted for review but normally approved under Tourism Sector policy	National interest considerations.	I
	Chile	Any foreign businessman, irrespective of nationality may invest in business.		N
	China	Permitted or encouraged		N
	Chinese Taipei	No restriction on hotel investment. Foreigners not yet allowed to establish travel agencies. Investment in the transport sector (passenger transport, tour buses, aviation, harbour and marine operations) not allowed.		I
	Hong Kong	No restrictions		N
	Japan	No restrictions		N
	The Republic of Korea	No restrictions on foreign owned tourist businesses except on casino and golf course construction.	Foreign Capital Inducement Act	N
	Malaysia	Malaysia generally encourages foreign investment. Foreign equity limited 30% in travel and tour agencies. Applications prior to 31 December 2003 for foreign investment in hotel industry is exempt from local equity participation	Encourage foreign investment in tourism-related businesses	I
	Mexico	Areas where maximum 25% foreign shareholding is permitted Domestic air transportation Areas where a maximum 49% foreign shareholding is permitted: Airport management Sports fishing fleets, dive vessels, yacht fleets Operations subject to an agreement with a marina or must be Mexican vessels Areas where 51% foreign shareholding is permitted International overland passenger transportation and tourism services	Can secure approval for greater than 49% To go to 100% from 2006 under NAFTA	I
	New Zealand	Consent required for overseas persons to take control of 25% or more if investment in business exceeds \$NZ 50 million. Test of national interest is applied to investors and includes business acumen, financial commitment and good character	Ensure investment is compatible with government policy and provides the fullest possible economic benefit from foreign investment	I

	Papua New Guinea	Specific tourism activities reserved for PNG Citizens includes <ul style="list-style-type: none"> <li>Provision of lodging in places such as hotels, motels resorts with less than 10 rooms</li> <li>Airport terminal kiosks and business concession leases</li> </ul> Specific tourism activities reserved for PNG Citizens or enterprises with 51% PNG shareholding includes <ul style="list-style-type: none"> <li>Tourist related activities (village guest houses, village arts and shows and tourist guides)</li> <li>Travel agencies, wholesale tour operators/agents</li> <li>Domestic airline operations</li> </ul>	To provide opportunities for communities and for PNG Citizens  Protecting local industry	I
	The Republic of the Philippines	No restrictions		N
	Singapore	Potential foreign investors may discuss foreign investment proposals with the Economic Development Board (EDB). The EDB provides one stop investment promotion services to identify opportunities and help investors		N
	Thailand	Foreign investment in hotels limited to 49%. Can be increased when financial difficulties occur but must be reduced to approved level. Foreign investment in airlines limited to 30%		I
<b>10. Foreign investment (property)</b>	Australia	Hotel or motel developments under one title are normally approved. Other accommodation facilities such as guest houses, holiday flats examined under policy applying to residential real estate, (all urban land other than commercial properties). New dwellings and vacant land normally approved subject to specific conditions. Existing dwellings require approval, usually not given unless relocating to Australia.	National Interest considerations	N
	Chile	Any foreign businessman, irrespective of nationality may invest in property. . No laws exist which favour investors from certain countries.		N
	China	Permitted or encouraged by Central Government		N
	Chinese Taipei	No limitations		N
	Hong Kong	No restrictions		N
	Japan	No restrictions		N
	The Republic of Korea	No restrictions on foreign owned tourist business except on casino and golf course construction.	Foreign Capital Inducement Act	N
	Malaysia	No restriction on foreign investment in property above RM250,000 No restriction on first residential property owned.		N
	Mexico	No constraints except in coastal or restricted zones. No direct ownership in these areas, must be a trust or a Mexican company (although company may have 100% foreign ownership). Coastal zone 20m from high tide must be leased		I
New Zealand	Overseas persons require consent to take control of 25% or more of land of more than 5 hectares or worth more than \$10 million, of any land on most offshore islands and any land over 0,4 hectares which includes or adjoins environmentally sensitive areas, including waterfront land.	National interest test applies - Job creation - New export markets - Contributes to market competition	I	

	Papua New Guinea	Case by case basis after agreement of traditional landholders 97% of all land in PNG is Custom land		N
	The Republic of the Philippines	Foreigners not allowed to own land, however lease agreement is allowed for 25 years, renewable until 75 years	Constitutional provision	I
	Singapore	No restrictions on commercial retail or industrial properties. Residential properties limited to non-landed properties in buildings of 6 floors or more and apartments in approved condominium developments		N
	Thailand	Foreign investment in hotels limited to 49%		N
<b>11. Taxes and charges</b>	Australia	In general, taxed at similar rates to other Aust industries. Tourism Refund Scheme allows refunds on GST		N
	Chile	Import taxes are universally applied irrespective of nationality. There are no special taxes applied to foreign investors in tourism-related business.		N
	China	No special taxes or charges		N
	Chinese Taipei	No discriminatory against tourism taxes and charges.		N
	Hong Kong	Hotel accommodation tax 3%		N
	Japan	No discriminatory tourism charges		N
	The Republic of Korea	No discriminatory tourism charges.		N
	Malaysia	No discriminatory tourism charges.		N
	Mexico	Bed tax 2% but no discriminatory charges		N
	New Zealand	No discriminatory tourism charges.		N
	Papua New Guinea	No discriminatory tourism charges.		N
	The Republic of the Philippines	No discriminatory charges		N
	Singapore	No discriminatory tourism charges.		N
	Thailand	No discriminatory taxes or charges.		N
<b>12.Foreign exchange Controls</b>	Australia	No restrictions		N
	Chile	No restrictions		N
	China	No special controls		N
	Chinese Taipei	No restrictions for goods and services and investments approved By competent authorities. Nationals and residents allowed up to US\$5 million per annum in foreign exchange settlements, companies up to US\$50 million per annum. No residents can buy or sell up to US\$100,000 in each foreign exchange transaction		N
	Hong Kong	No restrictions		N
	Japan	No special controls		N
	The Republic of Korea	It is possible to pay the cost to foreign shipping companies		I
	Malaysia	No discriminatory controls		N

	Mexico	No restrictions		N
	New Zealand	No control over payments		N
	Papua New Guinea	Approval required for all foreign currency borrowings, repatriation of profits and capital *	Compliance and supervision	I
	The Republic of the Philippines	No restrictions		N
	Singapore	No restrictions		N
	Thailand	No restrictions		N
<b>13.Repatriation of profits or capital</b>	Australia	No restrictions, but subject to withholding tax on interest and dividends		N
	Chile	No restrictions on repatriation of profits. Capital Repatriation allowed after one year		N
	China	No special limitations, reinvesting profits in China is encouraged		N
	Chinese Taipei	Any foreign investment originally approved by the competent authorities may be freely remitted without restriction.		N
	Hong Kong	No restrictions		N
	The Republic of Korea	No restrictions		N
	Japan	No restrictions		
	Malaysia	No restrictions		N
	Mexico	No restrictions		
	New Zealand	Withholding tax on interest and dividends.		N
	Papua New Guinea	Approval required for all foreign currency borrowings, repatriation of profits and capital	Compliance to the deter	I
	The Republic of the Philippines	No restrictions		N
	Singapore	No restrictions		N
Thailand	No restrictions		N	
<b>14.Employment</b>	Australia	The temporary residence program allows stays of up to four years in a wide range of categories, including skilled employees and people establishing businesses. Skilled employees in employment categories not subject to skills shortage are subject to threshold salary requirement. Working holiday visas apply to 12 countries, including Japan, Republic of Korea. Labour agreements exist to facilitate the employment of foreign nationals in certain skill areas.	To maximise work opportunities for Australian	I
	Chile	No special controls on employment of foreign nationals in skilled jobs.		N
	China	Foreigners are subject to approval		I
	Chinese Taipei	Foreign specialists and technical personnel in tourist and international tourist hotels are subject to approval..		J
	Hong Kong	Certain controls of foreign nationals in unskilled jobs.	Limited Period visas for unskilled	N

	The Republic of Korea	Employment of foreign nationals in skilled jobs is permitted if the person has high technological skills and professional knowledge through the recommendation of related ministry.		J
	Japan	Working visa, general visa or specified visa required		I
	Malaysia	Malaysia permits employees with a valid Work Permit to be employed		I
	Mexico	Aircraft with Mexican registration must be flown by Mexican pilot. Vessels with Mexican registration must have Mexican captain Tourist coaches with Mexican registration must have Mexican drivers.		I
	New Zealand	Working permits required.		I
	Papua New Guinea	Positions to be filled by expatriates subject to specific authorisation Individual appointee subject to two levels of approval, Labour and then Immigration	Supervision of Non-citizen employment	I
	The Republic of the Philippines	Subject to approval by Dept. of Tourism, Dept.of Labour and Employment and Bureau of Immigration	To give opportunity to qualified Filipino nationals.	J
	Singapore	Foreigners must obtain permission of Controller of Immigration to enter into Singapore to take up or continue employment or engage in business	Has legislation to control admission, residence and employment of foreigners	J
	Thailand	Work permits required for skilled and professional employees, periods to three years. Domestic pilots must be Thai nationals. Guides must be Thai nationals and completed TAT training program		I
<b>15.Import of promotional Materials</b>	Australia	Temporary duty/tax free entry of goods, including samples, advertising materials, goods for international exhibitions and professional film and television equpt		I
	Chile	There are no problems to import advertising and promotional materials.		N
	China	No special requirements		N
	Chinese Taipei	Goods of no commercial value can be imported. Others subject to normal duties		N
	Hong Kong	No restrictions		N
	The Republic of Korea	No restrictions		N
	Japan	Subject to regular customs duties		
	Malaysia	No restriction on the import of promotional materials		N
	Mexico	Entry procedure for goods or materials for conferences and exhibitions require use of customs agent inwards and outwards. No facilities for bonding exhibition goods and display material, either pay duty or re-export.		
	New Zealand	Commercial goods may be subject to duty and GST. Temp importation exceptions available.		I
	Papua New Guinea	Tariff on imported materials, current level 25%, being reduced by 5% every two years *	Source of revenue	I
	The Republic of the Philippines	Subject to regular customs duties.	Protection of locally produced materials	I
	Singapore	No restrictions		N
	Thailand	No restrictions, duties on charged on excess quantities		

## 7.2 Other issues raised

A category of other impediments was included in the Matrix. Few member economies provided any entries in the section of the document.

Malaysia identified the prohibition on sex tourism, as a justified constraint.

In Mexico there is a restriction on foreign coaches crossing the southern border with Guatemala, border crossing is limited to vehicles with Mexican plates, precluding the development of routes being developed to and from Central America.

The Republic of the Philippines identified compliance with environmental standards eg, an Environmental Clearance Certificate. While this was not included in the Matrix of other member economies, it was identified as a concern in other economies. In New Zealand the inconsistent application of the Resource Management by local and regional authorities was seen as an impediment by industry, but not identified in the Matrix.

In Papua New Guinea, the one developing economy which participated in the program, the issues included deteriorating infrastructure (roads, power, telecoms, aviation) and the implications of this for the development of tourism. Papua New Guinea also has a wide range of incentives to develop manufacturing, mining, agriculture and fishing. Apart from a 100% write off of dive boats in the first year there are now incentives or Government programs which facilitate the development of tourism facilities.

## 7.3 Summary

The matrix has been an effective mechanism in identifying impediments. There are also significant reductions in the range and extent of impediments compared with six years previously. Controls on outbound tourism, on foreign exchange movements, repatriation of profits or imports are generally non-discriminatory and, in an era of removing barriers and trade and investment, far less relevant.

Where impediments do exist are in the areas of foreign investment, particularly where it entails ownership of land in such locations as waterfront and natural areas, movement of skilled and managerial staff or in approvals of licences. A number of employment categories are preserved for nationals, many economies restrict or limit unskilled workers. The requirement for guides to be nationals of the host country is common, although not universal.

The impediments which have increased are those relating to security and bio-security, with increased barrier controls and new processing systems. The impact of taxes and charges has also not been measured through the matrix, those identified were, as noted, consumption taxes or low level hotel taxes.

## 8 ISSUES FOR THE APEC TWG

This section looks at the issues arising from this study and the decisions and implications for the APEC Tourism Working Group.

### 8.1 Form of the IAP

Members of the Tourism Working Group (TWG) have been required to submit their Individual Action Plans (IAP) in a form which is prescribed by APEC for all areas of trade and investment in goods, services and intellectual property. When preparing, as part of this study, to assist in the preparation of Individual Action Plans it became apparent that there was a mismatch between the form of the IAP and the priorities of the TWG. The structure of the IAP is not directly related to the nature of services and the forms of impediments in the tourism sector. It is more suited to other areas of trade in goods and services.

The regulation and administration of most areas related to tourism, such as air travel, barrier control, foreign investment and environmental protection are the responsibility of agencies of Government not normally involved in the management or development of the tourism sector. Tourism Ministries or Departments in many APEC member economies have only limited powers to regulate or control. Their direct powers are limited to areas such as:

- hotel standards and licensing;
- accreditation of tourist guides;
- management of natural areas or historic sites; and
- licensing of travel agents and other tourist service businesses.

To reduce impediments requires agencies responsible for tourism to work through and with other arms of government, as in the example in Mexico quoted in Section 6.3, where a special unit has been established with the sole purpose of working to overcome impediments. It works through other agencies which have the powers and the responsibility for the specific issues which create an impediment to tourism. Frequently issues which are important to enabling tourism are relatively less important in the work program of the agencies concerned.

Consequently, when presenting an IAP, the tourism and related services IAP may report the achievements of other agencies of government. Some of these will be also be reported by the agency concerned. For example, the change in regulations governing private recreational flying into and within Mexico, which is the responsibility of Civil Aviation but also removes an impediment to air touring by private pilots, would be reported in the aviation sector of the transport IAP.

The APEC Tourism Charter adopted at the APEC Tourism Meeting of Ministers in Seoul July 2000, committed APEC Member Economies to taking positive action to reduce

impediments. The standard form of reporting prescribed by APEC does not respond to the APEC Charter or document progress achieved in achieving what are the primary goals of the Tourism Working Group.

During the Australian part of this study Australia proposed an approach which adapted the IAP to reflect the APEC Charter. Australia tabled an example of the program at the Singapore TWG meeting and members agreed to adopt this form for subsequent reporting.

IAP's in the new format were tabled at the Meeting of Ministers responsible for Tourism at Manzanillo, and will be updated annually. The TWG now has an effective means of measuring progress towards the achievement of the Charter at the individual economy level.

## **8.2 Collective Action Plan**

The Collective Action Plan (CAP) is an annual requirement for the Tourism Working Group which reflects the collective initiatives of TWG members towards the achievement of the Charter, as well as the new programs initiated by TWG in pursuing their objectives.

In the following pages a Collective Action Plan, which adopts the new IAP format of progress towards the APEC Charter Goals, has been prepared. This draws on the individual IAP's and documents the initiatives being taken across a number of member economies. They are necessarily expressed in broad terms, but reflect the forward programs of those economies which identified changes planned for the future.

At the same time the Collective Action Plan should also reflect the initiatives of the TWG and the collective decisions to implement further change. It should reflect commitments to initiate research programs, best practice studies or other activities which encourage and facilitate change among members towards the shared goals of the APEC Tourism Charter.

<b>APEC POLICY GOALS</b>			
<b>Goal 1 - Remove impediments to tourism business and investment by:</b>	Improvements implemented since last IAP	Current actions/policies supporting achievement of goals	Further improvements planned
(a) promoting and facilitating the mobility of skills, training and labour		Economies are seeking ways to facilitate the movement of managerial and skilled employees in the tourism sector. Economies are developing skills and competency-based standards capable of international recognition and transferability	Widening availability of working holiday visas to other APEC member economies. Regional competency standards in key industry areas
(b) Promoting and facilitating productive investment in tourism and associated sectors		Economies are promoting specific opportunities or working through national Investment Promotion agencies to attract foreign investment	Active promotion of foreign investment in tourism sector
(c) removing regulatory impediments to tourism business and investment		Review of and progressive reduction in limits on foreign investment in tourism sector Progressive reduction in regulatory barriers to new tourism investment	Recognition of the role of foreign investment in the development of new tourism facilities
(d) Encouraging liberalisation of services trade related to tourism under the General Agreement on Trade in Services (GATS)		Participation in current round of GATS negotiations	Responding to GATS requests

<b>Goal 2 - Increase mobility of visitors and demand for tourism goods and services in the APEC region by:</b>	Improvements implemented since last IAP	Current actions/policies supporting achievement of goals	Further improvements planned
(a) facilitating seamless travel for visitors		Several economies considering use of Advance Passenger Information Experimentation with new systems technology-based systems of visitor recognition	Introduction of Advance Passenger Processing systems and introduction of new passenger processing technologies. Wider use of web-based visa application systems
(b) enhancing visitor experiences		Active involvement in the development of new tourism products and experiences and improved visitor information	Development of new visitor experiences Improvements in visitor information networks and visitor access to information
(c) promoting inter- and intra-regional marketing opportunities and cooperation		Participation in sub-region marketing networks	
(d) facilitating and promoting e-commerce for tourism business		Raising awareness of e-commerce and opportunities for its use within the private sector	E-commerce training and advice in some member economies
(e) enhancing safety and security of visitors		Increased security measures and passenger processing procedures since September 11 2001 Use of tourist police in some economies	Continued enhancement of security and screening procedures, linked to new passenger processing technologies
(f) fostering a non-discriminatory approach to the provision of visitor facilities and services		Measures to improve conditions for disabled persons	Implementation of APEC recommendations on disabled standards

<b>Goal 3 – Sustainably manage tourism outcomes and impacts by:</b>	Improvements implemented since last IAP	Current actions/policies supporting achievement of goals	Further improvements planned
(a) demonstrate an appreciation and understanding of our natural environment and seek to protect that environment		Wider use of accreditation systems for managing environmental sustainability in tourism	Application of Agenda 21 for travel and tourism. Wider adaptation of regionally available programs for accreditation such as Green Globe
(b) foster ecologically sustainable development opportunities across the tourism sector, particularly for small to medium sized enterprises, employment and providing for open and sustainable tourism markets		Development of national ecotourism programs, particularly directed to small-scale sector. Establishment of sustainable tourism policies, strategies and programs	Encourage SMTE programs for developing small scale enterprises in natural areas Further development of sustainable tourism initiatives
(c) protect the social integrity of host communities with particular attention to the implications of gender in the management and development of tourism		Fostering the participation of indigenous communities and women in the tourism sector Active measures to prevent child sex tourism and exploitation of women.	
(d) recognise, respect and preserve local and indigenous cultures together with our local and natural cultural heritage		WTO Code of Ethics disseminated	
(e) enhance capability building in the management and development of tourism		Encouragement of ‘best practice’ programs. Regional training and extension programs	

<b>Goal 4 – Enhance recognition and understanding of tourism as a vehicle for economic and social development by:</b>	Improvements implemented since last IAP	Current actions/policies supporting achievement of goals	Further improvements planned
(a) harmonising methodologies for key tourism statistical collections, consistent with activities of other international tourism organisations		Publication of report on ‘Best Practices in the Development of Tourism Satellite Accounts’	Steps to harmonise methodologies for key tourism statistical collections Wider use of Tourism Satellite Accounts by member economies. Consideration of regional TSA’s
(b) facilitating the exchange of information on tourism between economies		Development of APEC Tourism Information Network Establishment of APEC International Centre for Sustainable Tourism	Consolidation and expansion of APEC Tourism Information Network Expansion of APEC International Centre for Sustainable Tourism
(c) promoting comprehensive analysis of the role of tourism in member economies in promoting sustainable growth		Wider dissemination of tourism information to the tourism industry. Wider use of TSA to create awareness of the role of tourism	
(d) Expanding our collective knowledge base on tourism issues in order to identify emerging issues and assist implementation of the Charter			



### 8.3 Future program options for TWG

The development of a Collective Action Plan should normally be carried out through a consensus of TWG members at a regular meeting. It should identify not only progress to achieving goals but identify those collective actions for the future which could be in one of two forms:

- Commitment by individual member economies to take actions within their own economies which, collectively, will work towards the realisation of a major goal under the APEC Charter.
- APEC-funded Initiatives in research or studies of best practice which can be applied by members in achieving the goals.

Arising from this review of impediments and the discussions with industry and government agencies among APEC member economies, a number of opportunities for further information dissemination and research were identified. These are consistent with working towards APEC Charter Goals.

#### 8.3.1 APEC Tourism investment guide

The recent development of the APEC Tourism Information website provides APEC members and the tourism industry with access to reliable and up-to-date tourism data through a central point of enquiry. The site is updated by members and can provide links to sites such as the new Tourism Research Council site launched by New Zealand.

Within the website there would be an opportunity to create a web-based APEC-wide Tourism Investment Guide to encourage tourism investment within the region. This follows from Goal 1 (b) of the APEC Tourism Charter "*Facilitating productive investment in tourism and associated sectors*".

Such a section would provide links to specific tourism investment opportunities, government attitudes to foreign investment, investment procedures and possible barriers to tourism investment in the region. It could also provide links to other information sources or public agencies. It should be regularly updated as economies improve investment conditions, or wish to identify specific tourism investment opportunities.

#### 8.3.2 Seamless travel

Participants raised the issue of measures to facilitate seamless travel as an area of interest for APEC TWG (Goal 2 (a) "*Facilitating seamless travel for visitors*"). It is suggested that APEC TWG initiate a review of technological initiatives in facilitating seamless travel from a tourism perspective, (recognising that current initiatives are driven by immigration, customs and security requirements). This could cover:

- the use of advanced passenger processing and its adoption within the APEC community;

- the techniques for physical recognition of arriving visitors and their implication for the traveller;
- the use of the Internet for visa applications; and
- other innovations which will make travel to and within the region easier.

Such a study would specifically examine whether current advances are assisting visitors, by speeding up processing times, enabling faster access to visas or in other ways facilitating visitor movement.

### **8.3.3 Tourism as a tax base**

Concern has been expressed as to the extent to which tourism, as a major export industry for many APEC member economies and important employment generator, is being treated, or is likely to become a tax base for public sector revenue raising. This follows from Goal 2 (f) of the APEC Tourism Charter "*Fostering a non-discriminatory approach to the provision of visitor facilities and services*"

A potential study area of could be an assessment of the extent to which tourism has become increasingly used as a tax base by APEC member economies and the impact of such taxes and charges on travel costs. Such a review would examine the extent to which direct taxes and charges on tourist movements and tourism businesses have been increased in individual member economies. It would consider those additional costs stemming from increased security and new infrastructure (such as new airports or road charges). Such a study would consider whether cost recovery principles or revenue generation principles are the justification and, if cost recovery, has a relationship between cost and recovery been maintained over time.

It would further identify where charges have been levied by Central or Regional Governments which increase the cost to travel, to stay, or to participate in tourism activities such as visiting attractions, attending events or shopping. It would not consider the impact of generally applicable consumption taxes or value-added taxes on goods and services, but would concentrate on those taxes which had a direct impact on tourism travel or business. It could also examine the effectiveness of tax refund schemes for tourists which apply in some member economies, such as Australia and are established in Europe.

### **8.3.4 Development of SMTE's**

One of the keys to the future growth of the tourism sector in the region is the development of small and medium enterprises. They are particularly important in the eco-tourism and outdoor sectors, in regional areas and among indigenous peoples. They often face difficulties in marketing, securing funding, in skills development and in training. Some require direct assistance and extension services. The APEC Tourism Charter recognises this under Goal 3, with particular emphasis on Goal 3 (b) "*Foster ecologically sustainable development opportunities across the tourism sector, particularly for small to medium sized enterprises,...*"

A study to identify the strategies adopted by APEC member economies for the development and fostering of Small-Medium Tourism Enterprises (SMTE's) could provide a valuable aid to those member economies seeking to expand their tourism base, particularly in regional areas. The study would consider the nature of support, assistance and extension programs which enable SMTE's to move through the critical phases of growth and become established businesses.

### **8.3.5 Impact of insurance**

The tourism sector has been hard hit by the impact of significant changes in the global insurance industry, following the events of September 11 2001, of other events within the tourism industry, the failure of insurance companies in some economies and a number of natural disasters through the region. Public liability insurance has been difficult to secure in Australia and has led to the closure of adventure tourism businesses and the cancellation of tourist-related public events.

For tourism businesses, major increases in insurance premiums can have a direct impact on profitability. As adequate insurance is a requirement of commercial financing and also activities involving public participation, difficulties in securing insurance can affect business viability or the holding of community events which attract tourists.

The problem also applies to other business sectors and there may be advantages in sharing experiences with other APEC Working Groups.

It is recommended that a study of the impact of changes in the insurance sector, including the availability of cover, premium costs and conditions of cover on the tourism sector be initiated by the TWG in conjunction with other Working Groups such as Transport and possibly the Insurance Working Group. Under the APEC Tourism Charter this flows from Goal 1 Removing impediments to tourism business and investment.

As the impact will vary across member economies, the study should identify where problems exist and then examine in depth the impact on business and service delivery within the tourism sector at an economy level, over a selected group of economies.

### **8.3.6 APEC Tourism Business Council**

The tourism sector is primarily a business sector, with numbers of both large and small businesses, some of which operate across a number of APEC member economies, while others are limited to one economy. There is no easy mechanism for APEC or the Tourism Working Group to obtain the views of industry, or to identify region-wide issues

The establishment of a Tourism Business Council or, alternatively, a Tourism Business Group within the APEC Business Advisory Council (ABAC) would increase the opportunities for the TWG and APEC member economies to interact with the private sector in overcoming impediments. It would be in a position to consider impediments which affect the region as well as to identify problems at sub-regional level. The establishment of an APEC Tourism Business Council would be consistent with Goal 1 of the APEC Tourism Charter: - Removing impediments to tourism business and investment.

There is a comparable group within the World Tourism Organisation (World Tourism Organisation Business Council) which meets in parallel with WTO Ministerial meetings and also has committees and forums which consider issues and recommend inclusions in the WTO work program.

### ***8.3.7 Continuing the Impediments Review process***

The review of impediments at individual member economy level has been beneficial for those economies which are in a development phase, and where the availability of an independent, experienced consultant can assist in identifying impediments, particularly those impediments which are outside the control of the responsible tourism ministry. The opportunity for consultation with the private sector and with other government agencies, which identifies problems and discusses possible solutions, can act as a catalyst for change.

There are several APEC member economies that could potentially participate in a further program of reviewing impediments at the individual member economy level. Discussions at Manzanillo, and at other times identified Chile, Indonesia, Vietnam and Peru as prospective participants in a second stage of the impediments review program. Other member economies may also be interested in taking advantage of the opportunity if a further program was proposed.

## 9 CONCLUSION

The completion of the Impediments program will lead to a greater understanding of the nature of impediments and the steps which individual member economies can take to overcome those impediments which are within the control of agencies of their economy.

The benefits of this study procedure have been in the interaction between the tourism agencies, other government agencies which impact on tourism, and the private sector. The approach adopted in this study is particularly appropriate for developing economies, where the significance of tourism and the nature of impediments which impact on movement of people, investment and business operations, is not as clearly recognised.

The study suggests that some impediments arise because of the lags between changes in demand and the ability of public sector agencies to respond. This may reflect:

- the lead times required to create new infrastructure, which generates impediments such as capacity problems at airports or limitations on services in developing destinations
- rapid changes in the patterns of travel driven by relative price, exchange rates, promotion or external factors such as perceived safety; or
- the ability of public sector agencies to meet the demands of change as in staffing new points of visitor entry.

Achieving the objective of sustainable growth will involve not only the removal of impediments. It also requires improved forecasting and close links between industry, national tourism organisations and public sector agencies to predict changes at an early stage. This will enable those agencies, whose decisions, policies and resources can affect the way in which tourism develops, to take corrective action to minimise new impediments emerging.

Establishing mechanisms and procedures for identifying problems and solving them through consultation, the Mexican model, is the recommended outcome of this report.

## **APPENDICES**

### **GLOSSARY**

APEC	Asia Pacific Economic Cooperation
GATS	General Agreement on Trade in Services
OECD	Organisation for Economic Cooperation and Development
PNG	Papua New Guinea
SMTE	Small-Medium Tourism Enterprise
TPA	Tourist Promotion Authority of Papua New Guinea
TSA	Tourism Satellite Accounts
TWG	Tourism Working Group
WTO	World Tourism Organisation
WTTC	World Travel and Tourism Council

## TEXT OF WORKSHOP PRESENTATION SLIDES

### IMPEDIMENTS TO TOURISM GROWTH

#### Overcoming problems in the APEC Region

Dain Simpson Associates

#### Purpose of the Workshop

- To identify the impediments to the growth of tourism in Chinese Taipei
- To establish whether they can be changed
- To recommend, to the Tourism Bureau and to Government, priorities for change

#### What we will cover today

Background to the APEC process and the Tourism Working Group

- Impediments identified in past research
- What are the issues in Chinese Taipei
- Agreeing the priority issues and the ways they can be overcome
- Identifying problems in other APEC economies

#### Outcome of this workshop

A ranking of the issues which affect the growth of tourism to Chinese Taipei and which you believe could most benefit the tourism sector by being overcome.

#### What is an Impediment

The APEC definition is:

“any factor, such as a regulation, capacity constraints, policy or operating practice which limits the growth of tourism to or within the APEC Region.

- 1 Impediments which limit the ability of the individual to travel to or from economies within the region or affect their decision to travel to economies in the region.
- 2 Factors which limit the operation, promotion, establishment or development of tourism-related businesses within the APEC region.

These factors may be infrastructure capacity, regulatory environments, the financial system, the labour market, the marketing and promotion networks and the introduction of technology”

#### Examples of impediments

- Visas, or other restrictions on entry
- Taxes or charges which affect visitors
- Complex procedures for starting new businesses

- Difficulties in importing capital equipment
- Difficulties in accessing technology
- Constraints on recruiting skilled staff from abroad
- Taxes or charges which discriminate against tourism businesses

## Background

- APEC and the APEC Tourism Working Group
- APEC's role in strengthening multilateral trade
- Past research into impediments
- Our current project, working with individual APEC member economies to identify impediments and strategies to overcome them
- Outcome, action plans by which member economies commit to change

## APEC member economies

- Australia
- Brunei Darusalaam
- Canada
- Chile
- China PRC
- Hong Kong China
- Indonesia
- Japan
- Korea
- Malaysia
- Mexico
- New Zealand
- Peru
- Philippines
- PNG
- Russia
- Singapore
- Chinese Taipei
- Thailand
- USA
- Vietnam

## APEC and GATS

- For tourism and travel related businesses this means:
- Tour operators, hotel enterprises and other tourism and travel related companies from one country are able to establish operations in other countries
- In the hotel sector, GATS facilitates franchising, management contracts, technical service agreements, licensing and patents;
- Foreign companies should be able to sell their services under the same terms and conditions as domestic companies and suppliers, and foreign companies are eligible for domestic government incentives and benefits; and
- Tourism businesses are able to move staff, information and money across foreign borders with fewer restrictions.

## APEC Tourism Charter

- Adopted 2000 by all APEC Tourism Ministers

- Within the goals of free and open trade established in the “Bogor Declaration”
- A commitment by APEC Ministers to further develop the contribution made by tourism to APEC economies and to acknowledge tourism as a key vehicle for achieving positive and sustainable economic, social, cultural and environmental outcomes for our region and for individual economies.

### **APEC Tourism Charter**

Four policy goals which are being followed by the Tourism Working Group

1. Remove impediments to tourism business and investment
2. Increase mobility of visitors and demand for tourism goods and services in the APEC Region
3. Sustainably manage tourism outcomes and impacts
4. Enhance recognition and understanding of tourism as a vehicle for social and economic development

### **APEC Tourism Charter**

#### **Goal 1**

Remove impediments to tourism business and investment by:

- promoting and facilitating the mobility of skills and labour
- promoting and facilitating investment in tourism
- removing regulatory impediments to tourism business and investment
- encouraging liberalisation of services trade related to tourism under GATS

### **APEC Tourism Charter**

#### **Goal 2**

Increase mobility of visitors and demand for tourism goods and services in the APEC Region by:

- facilitating seamless travel for visitors
- enhancing visitor experiences
- promoting inter- and intra-regional marketing opportunities and cooperation
- enhancing safety and security of visitors
- encouraging non-discriminatory approach to provision of visitor facilities and services

### **APEC Tourism Charter**

#### **Goal 3**

Sustainably manage tourism outcomes and impacts by pursuing policies that:

- demonstrate an appreciation of, and seek to protect the natural environment
- foster ecologically sustainable development opportunities across the tourism sector
- seek to minimise tourism impacts on host communities
- recognise, respect, and preserve local and indigenous cultures, together with natural and national heritage

### **APEC Tourism Charter**

#### **Goal 4**

Enhance recognition and understanding of tourism as a vehicle for social and economic development by:

- harmonising methods for key tourism statistical collections consistent with other international agencies
- facilitating the exchange of information on tourism between economies
- promoting comprehensive analysis of the role of tourism
- expanding our collective knowledge base on tourism issues

### Research 1996 - APEC Region

- Defined the extent of impediments
- Identified impediments for each APEC member
- Survey of industry, government and academics across the APEC Region
- Workshops in Australia
- Workshops with APEC TWG members

### Research 1996 - APEC Region

#### Factors affecting visitors coming to APEC economies

	Important/Very important
- Visa restrictions	61%
- Currency or fx restrictions	27%
- Safety concerns	55%
- Health concerns	40%
- Relative travel costs to	82%
- Relative travel costs within	67%

### Research 1996 - APEC Region

#### Factors affecting visitors coming to APEC economies..cont

	Important/Very important
- Customs or barrier controls	37%
- Communication barriers ( eg language)	62%
- Accommodation availability/standards	52%
- Scale of airport exit or related taxes	37%

### Research 1996 - APEC Region

#### Impediments affecting people travelling abroad

	Important/Very Important
- Restrictions on overseas travel	19%
- Currency or fx restrictions	23%
- Airline capacity	53%
- Relative costs to travel abroad	72%
- Communication barriers	49%

### Research 1996 - APEC Region

**Regulations and controls which limit business**

Top ranked issues

- Licences and approvals to operate 28%
- Restrictions on the import of goods or capital equipment 11%
- Level of taxes and charges 16%
- Limitations on foreign ownership of land and property 14%

**Research 1996 - APEC Region**

**Regulations and controls which limit growth**

- Conflicts between tourism and the environment
- Land tenure
- Hotel and related taxes
- Controls or inefficiencies in the development process
- Bureaucratic procedures

**Research 1996 - APEC Region**

**Tourism related infrastructure issues**

Top ranked issues

- Airport capacity or congestion 33%
- Airline capacity 38%
- Airspace congestion 8%
- Ground transport issues 10%

also Airport curfews  
Bilaterals and restrictive aviation policies

**Research 1996 - APEC Region**

**Financial regulations or controls affecting tourism**

Top ranked issues

- Limitations on repatriation of profits 10%
- Shortage of investment capital 17%
- Limits on foreign equity participation 14%
- Foreign exchange controls 9%
- Discriminatory taxes and charges 6%

also Foreign investment controls

**Research 1996 - APEC Region**

**Labour issues in the tourism sector**

Top ranked issues

- Shortage of skilled staff 28%
- Lack of experienced managers 11%
- Controls on employment of non-nationals 9%
- Lack of training facilities 5%

- Service quality 7%
- Language skills 5%

## Research 1996 - APEC Region

### Issues in marketing and promoting tourism

- Top ranked issues
- Costs of promoting in major markets 30%
  - Access to distribution systems in main markets 11%
  - Restrictions on import of advertising material 9%

also Quotas or licences for travel agencies  
Taxes on import of promotional material

## Research 1996 - APEC Region

### Technology and information systems

- Top ranked issues
- Incompatible technology between systems 14%
  - Communication difficulties between economies 13%
  - Disparity in telecommunication charges or cost 10%
  - Costs of developing, acquiring or operating systems 22%
  - CRS access and costs 9%

### Impediments in other member economies

- Visa restrictions USA, PRC, Australia
- Currency or foreign exchange restrictions
- Safety concerns Philippines, China, PNG
- Health concerns Indonesia, Philippines
- Relative costs Japan
- Communication Korea, Japan
- Customs or barrier controls

### Emerging issues 2002

- Insurance costs following September 11
- Tourism as a tax base - new taxes and charges
- Consumer protection legislation and litigation risks
- Access to payment systems and transaction costs
- Environmental legislation

### Emerging issues 2002

- Recognising tourism as part of SME sector (Small Medium Enterprises)
- Technology issues, are they important?
- Visitor health
- Safety concerns

- Aviation system limitations and airline practices
- Managing increasing passenger volumes at the barrier

### **Emerging issues**

- Impact of travel advisories
- Impact of credit rating of tourism sector investment (new and existing)
- Impact of country risk rating by financial institutions
- Public sector/private sector competition

### **What does it mean in practical terms**

In Thailand the relevant agencies increased the proportion of foreign investment allowed in accommodation and restaurant businesses above 50%. This required change to the Alien Business Law and the Business Registration Law

### **What does it mean in practical terms**

In Mexico the rules governing private flying, aircraft insurance and visitor entry were changed to allow private pilots to fly anywhere in Mexico. They only need to advise their route for air traffic purposes.

### **Identifying Impediments in Chinese Taipei**

- Factors which restrict travel by individuals
- Visa requirements
- Foreign exchange and transaction limitations
- Customs or barrier controls or procedures
- Taxes on travel
- Other taxes
- Movement control
- Other factors

### **Identifying Impediments in Chinese Taipei**

- Factors impacting on the operation and development of tourist and related business
- Business Licences and approvals
- Import policies
- Foreign investment - business
- Foreign investment - property
- Taxes and charges which discriminate against tourism
- Foreign exchange controls, normal transaction payments

### **Identifying Impediments in Chinese Taipei**

- Factors impacting on the operation and development of tourist and related business
- Repatriation of profits, capital, royalty or intellectual property, including withholding taxes
- Employment of skilled or managerial staff (including associated costs)
- Import of promotional materials

- Access to payment systems,
- Access to reservation systems

### **Impediments in other APEC Economies**

*Factors which restrict travel by individuals*

Your experience in APEC with visas, barrier controls, freedom of movement, information, foreign exchange or taxes

*Factors impacting on the operation and development of tourist and related business*

Your experience in investment, labour, taxes and charges or issues which affect your business

Which economies, when, can you provide further details

### **What happens next?**

- Review the issues with Tourism Bureau
- Meet with other areas of Government to consider the implications
- Talk to concerned industry people who have a view
- Suggest actions which could be considered

**APEC Tourism Impediments Study**  
**THANK YOU FOR PARTICIPATING !**