Cooperation And Competition In Tropical North Queensland's Nature-Based Tourism Industry

Twan Huybers and Jeff Bennett

School of Economics and Management
University College, The University of New South Wales
Canberra ACT 2600

Abstract

In this paper, the initial results of a survey of the strategic business relationships between nature based tourism operators in Tropical North Queensland are presented. While operators in the region cooperate in their collective competition with other tourism destinations, they compete with each other for the business of the tourists who visit the region. These simultaneous cooperative and competitive relationships between tourism businesses define the structure of the region's tourism industry. The findings in this paper pertain mainly to the areas of cooperation between tourism operators in Tropical North Queensland. The two major areas of cooperation are destination promotion and activities regarding environmental protection.

Contributed paper presented at the 44th Annual Conference of the Australian Agriculture and Resource Economics Society, Sydney, 23-25 January 2000

1 Introduction

This paper deals with a subject that is part of a wider research project. In this project, the effects of environmental regulations on the competitiveness of Tropical North Queensland's tourism industry are investigated. The region's tourism industry's competitiveness may diminish due to potential price rises resulting from operators' costs of complying with environmental regulations. At the same time, the region's competitive advantage as a tourist destination may be enhanced as a result of positive demand side effects due to the quality of the region's natural environment (Huybers and Bennett 2000). To investigate these competitiveness effects of environmental regulations, an analysis of the structure of Tropical North Queensland's tourism industry is required.

In neoclassical economic theory, the focus of industry analysis is mainly on the manner in which firms compete with each other as determined by various characteristics of the market structure. A special subject of investigation is the impact on price competition. One type of cooperation that is analysed in neoclassical theory pertains to collusion between firms in an oligopolistic structure. This is seen to result in cartels attempting to set prices at or near monopoly levels.

However, as argued by Best (1990), the common prosperity of firms in an industry, and hence the competitiveness of the industry, depends on the right balance between inter-firm competition, including price competition, and inter-firm cooperation. It is this notion that sets the ideas of the "Old Competition" apart from the "New Competition". It applies particularly to an industry that is geographically concentrated in a particular region. This is similar to the notion of a Marshallian industrial district (Marshall 1890). Such a region consists of generally small firms that form networks of regional cooperation (see, for instance, Best 1990, Robertson and Langlois 1995, and Loasby 1996). In this structure, firms within the region compete with each other in certain areas on the basis of their individual strengths while they engage in collective inter-regional competition based on the region's distinctive features. In the latter sense, and in its most extreme form, the region in effect acts as a "collective entrepreneur" (Best 1990, 207).

This paper presents the initial results of a study of the strategic business relationships between tourism operators in Tropical North Queensland. These operators share the common goal of attracting visitors to the region. Together they produce the region's tourism product and, in that respect, they are in joint competition with other tourism destinations. However, they also compete with each other for a market share of the tourists that visit the region. This gives rise to simultaneous cooperative and competitive relationships between tourism businesses in the region.

This paper constitutes the first stage of a comprehensive investigation of strategic interactions in Tropical North Queensland's tourism industry. The findings in this paper pertain mainly to the areas of cooperation between tourism operators in the region. In the near future, these results will be complemented with the analysis of competitive relationships between the operators including pricing behaviour. The study results were derived from survey responses collected from members of Tropical North Queensland's tourism industry.

The paper is structured as follows. In the next section, details of the industry survey are presented. It also describes Tropical North Queensland and its tourism industry. In Section 3, the concept of the two-tiered market structure regarding holiday destinations is explored. The strategic interdependence between businesses in the region is shaped by the historical development of their relationships. This historical overview is presented in Section 4. The focus of Section 5 is on the cooperative arrangements in Tropical North Queensland's tourism industry, followed by the conclusion.

2 The survey and Tropical North Queensland's tourism industry

The survey

The data employed for the current investigation were collected during a field study in North Queensland which took place between April and June 1999. The subjects of the study were tourism operators in the marine and land-based tourism sectors including accommodation operators. The information was gathered from a survey that consisted of in-depth face-to-face interviews with representatives of various tourism businesses.[1] These were generally managing directors, owner/operators for the smaller businesses, or sales and marketing executives. Interviewees were initially contacted by telephone and were subsequently visited by the principal author. Interview times varied from one hour to more than two hours. In addition to the qualitative data obtained from the interviews, various reports were collected. Relevant findings from these publications are also presented.

As shown in Table 1, the survey sample included a cross section of tourism businesses in the sectors identified above. These included both large and small to medium sized operators. Given the coverage of the sample, the survey responses were deemed sufficiently representative to infer overall industry perceptions on relevant issues. In addition, information was gathered from two representatives of tourism industry associations and from government agency staff involved in the management of protected areas in the region.

Table 1 Survey respondents by sector

Sector	Total	Large	Medium	Small
Marine	9	4	2	3
Land-based tours	11	2	5	4
Accommodation	4	2	2	
Non-operators	5*			
Total	29			

* Two tourism industry representatives, and three government agency staff members.

[1] Three respondents provided responses via a telephone interview.

The interviews were conducted in a structured fashion, based on a questionnaire designed in advance. This questionnaire provided the framework for the interview, rather than a strict text for questions. Each of the interview topic questions was posed in an open-ended fashion to guide the discussion without leading responses towards any particular answer.

There were two reasons for choosing the interview format and not that of a mail-out questionnaire. Firstly, the interview format was more appropriate given the open-ended nature of the questions and the required depth of the responses. The chosen survey format was flexible as it allowed follow up questions, for instance in cases where a response was not sufficiently clear or specific. These clarification questions would not have been possible in the case of a written questionnaire response.

Secondly, it was well known that operators in the region had been subject to many questionnaires during a period of around two years before the principal author's visit to the region. Regional tourism representatives had made it clear to the authors that the response rate and/or the quality of the responses to a mail-out survey were expected to be low. This would especially have been the case given the relatively complicated issues under investigation. Hence there was a trade-off between a smaller sample and a high quality of responses versus a potentially larger sample with responses of lower quality. The former outcome was preferred and the interview format was chosen.

Given the qualitative nature of most of the information gathered and the size of the sample, the survey responses were not amenable to numerical or statistical analysis. The findings are, therefore, generally qualitative and descriptive.

Tropical North Queensland's tourism industry

Tropical North Queensland extends north to Cape York peninsula, west to the Gulf Savannah, and south to Cardwell.[2] The region's prime tourist attractions include the World Heritage listed Great Barrier Reef and Wet Tropics rainforests. These natural assets are complemented by the other features of the region's tourism product. They include the tropical climate; the high-quality experiences and adventures; the access to Aboriginal culture; the close proximity of accommodation to natural assets; and the easy access to a major international airport (Brand Far North Queensland 1996).

Tropical North Queensland's tourism industry comprises hundreds of businesses directly or indirectly associated with tourism activities.[3] The industry can be broadly divided into the land-based and marine (reef) tourism sectors. The vast majority of tourism operators are small businesses, as is the case for the tourism industry in Australia overall. The size

[2] As a result of the development of the region's tourism destination brand name, the name 'Far North Queensland' was changed into 'Tropical North Queensland' (Brand Far North Queensland 1996).

[3] Since tourism is a demand-defined industry, it is not straightforward to identify businesses as mainly tourism related. As an indication of the number of tourism businesses in the region, membership of the regional tourism industry association Tourism Tropical North Queensland (TTNQ) of approximately 600 covers "90 to 95 percent of all tourism operators in the region who invest in marketing" (TTNQ, pers. comm.).

of the marine and land-based tourism operators in the region ranges from small, employing no more than one or two people, to large, with up to 300 employees.

Figure 1 shows the range of products offered by marine and land-based tourism operators in the region. The marine tourism sector is dominated by a small number of large operators. The supply of reef tourism services is heavily concentrated in the hands of four large companies that cover about three-quarters of the region's total annual number of visitors to the Great Barrier Reef. These companies offer mainly the large-scale mainstream day tours to the reef. A typical day trip to the reef comprises travel to a site on a fast catamaran; meals on board and on the pontoon; a guided tour on a semi-submersible and/or glass-bottom boat; free snorkelling equipment; and optional scuba dive(s).[4]

Medium sized and small sized operators share the remainder of the reef visitor market. Many of these operators offer the mainstream product but on a smaller scale using smaller vessels. Other small and medium operations provide various other types of tours and activities on the Great Barrier Reef including specialist diving tours (on a day basis as well as extended trips), extended non-diving tours, and fishing trips.

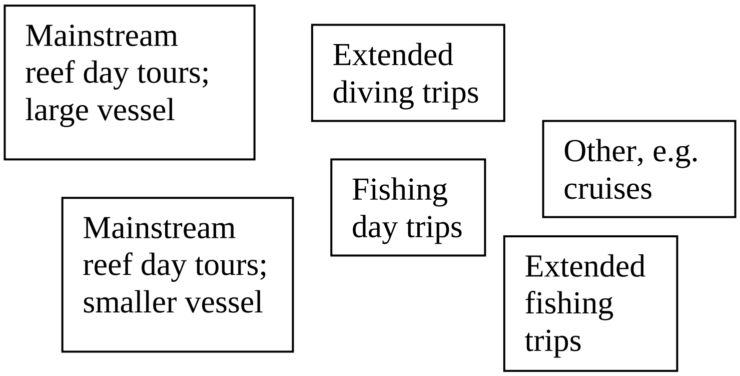
With respect to land-based tour operations, there are three large companies offering both day tours and extended rainforest and outback tours.[5] Although data indicating the dominance of the large businesses in this sector could not be obtained, feedback from operators suggested that this did not reach the same degree as in the marine sector. The variety of land-based tours is relatively wide and includes day trips to Cape Tribulation and Daintree National Park, the rainforest village of Kuranda, the Atherton Tablelands, various adventure tours (including white water rafting and kayaking), wildlife and bird watching tours, and extended safaris to Cape York.

The Cape Tribulation-Daintree day tour is the major mainstream trip on the land and is offered by some 40 regional operators. This day tour generally includes visits to Mossman Gorge, Daintree National Park, Cape Tribulation beach, as well as other options including a visit to the Rainforest Habitat wildlife sanctuary. A second day tour consists of various combinations of trips to Kuranda village, Tjapukai Aboriginal Cultural Park, and the Rainforestation Nature Park using different combinations of modes of transport including coach, scenic railway and the Skyrail rainforest cableway. A third day tour comprises the Atherton Tablelands which generally includes the villages of Atherton and Yungaburra, the waterfalls circuit, and the crater lakes.

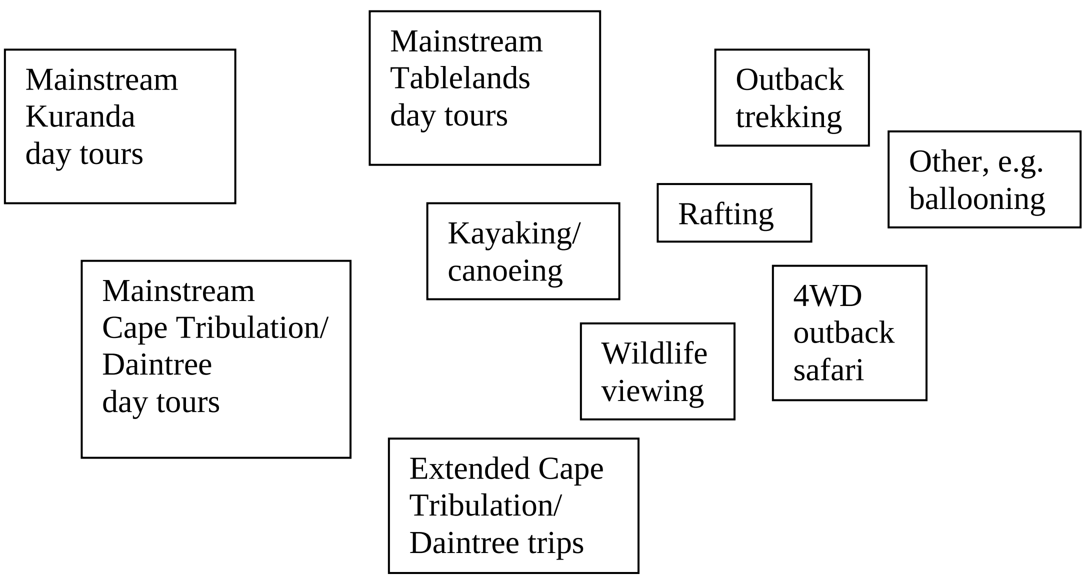
[4] One of the four large companies is different in its operations from the other three as it operates a sailing catamaran rather than a motorised vessel that takes passenger to a pontoon on the reef. Some operators also include the option of stopping over on one of the islands off Cairns.
[5] At the time of the investigation, a fourth large land-based operator had just exited the industry.

Figure 1 Tourism products in Tropical North Queensland

Marine tourism products



Land-based tourism products



3 Tourism regions and the two-tiered market structure

Conceptually, tourism businesses operating at a tourism destination may be seen to compete at two levels. In a direct sense, they are in competition with other tourism operators in the region. However, in addition to this notion of intra-regional competition, inter-regional competition also occurs. The aggregation of all the tourism services offered within the region constitutes the regional tourism product which faces competition from other domestic destinations as well as from destinations in other countries. Hence, tourism businesses may be seen to operate in a 'two-tiered market structure' with both intra-regional and inter-regional dimensions of competition.[6]

This concept of the two-tiered market structure considered from a supply side perspective is consistent with the notion of two-stage tourist demand. Tourists decide on their regional holiday destination first and subsequently choose the operators to supply their required holiday components. The implication for inter-regional and intra-regional competition depends on the timing of tourists' holiday decision making. In that respect, holidaymakers may be broadly divided into two segments. The first group constitutes that segment of tourists who arrange most or all of their holiday components – usually including transport to the destination, accommodation, tours and activities – before commencement of their holiday. This is the so-called 'pre-booked segment' of tourists who purchase 'packaged tours'. The second group of tourists includes those who pre-arrange only transport to (and possibly accommodation at) the destination, but who make their choices about tours and other activities once they have arrived at the destination. This group is often referred to as the free independent travellers (FIT) segment.

The relationship between inter-regional and intra-regional competition and the timing of holiday decision making is illustrated in Table 2. It shows that inter-regional competition with respect to prospective tourists in both segments occurs at the origin. This is the stage at which tourists select a destination from a set of alternative options. This illustrates the incentive for intra-regional cooperation in the context of inter-regional competition. However, as shown in Table 2, this does not exclude intra-regional competition from occurring at the tourists' origin. Indeed, with respect to the 'pre-booked' segment, individual operators from the same destination compete for inclusion of their products in wholesalers' programmes and brochures at the origin.[7] Hence there are private incentives for tourism operators to make individual representations to intermediaries. In the case of wholly packaged holidays, this applies to the accommodation sector as well as to tour and attraction operators.

[6] It should be noted that a higher level tier, namely the country level, may be identified. However, for the current purpose, the regional perspective is taken.

[7] Intermediaries (including travel agents and tour wholesalers) have an important role in the tourism distribution system. In many cases, the transaction between tourist and tourism service supplier is indirect, and the intermediaries are the tourism operators' direct clients. Hence they are the targets of operators' collective and/or individual promotion activities.

Table 2 Competition at origin and destination

	Inter-regional competition		Intra-regional competition	
Segment:	Pre-booked	FIT*	Pre-booked	FIT
Competition occurs at:	Origin	Origin	Origin	Destination (Origin)

* Free Independent Travellers

With respect to the FIT segment, intra-regional competition generally takes place at the destination. This is particularly the case for operators providing tours and attractions. Once the tourists have arrived at the destination, operators compete for a share of the total amount of visitors at the destination. Intra-regional competition at the origin with respect to the FIT segment is possible. For instance, accommodation operators from the same region may compete for the business of the segment of tourists who arrange accommodation at the destination – but not the tours - in advance.

The above conceptualisation of the two-tiered market structure and the notions of intra-regional and inter-regional competition were put to survey respondents. The opening question of each interview was 'Who do you see as you main competitor(s)?'. In their responses to this question, most operators mentioned competitors within Tropical North Queensland that offered the same product as their own or a similar one. The reason for this response was the perception that individual businesses generally have little influence on competition from other destinations as evidenced by responses like the following:

> "We have to sell the destination before the product, because no one comes here to go on our tour." [8]

Further questioning revealed that respondents acknowledged that both dimensions of competition apply to the region. Operators indicated that they perceived intra-regional competition and inter-regional competition as the two relevant levels of competition.[9] In a number of instances, the analogy of "the pie and the slice" was mentioned, representing, respectively, the number of visitors to the region, and the market share of an individual business in the region:

> "We try and grow that pie, and then compete for the business."

[8] Throughout this paper, respondents' quotes are presented in shaded boxes.
[9] Some respondents added a third tier between the levels of individual operator and Tropical North Queensland. This tier pertained to the sub-regions within Tropical North Queensland including the Port Douglas, Cairns and Mission Beach areas.

Some of the major inter-regional competing destinations mentioned by respondents included Asia-Pacific destinations (e.g. Bali, Thailand, Fiji, Hawaii and New Zealand) and other domestic regions (e.g. Whitsunday Islands and Broome).

Inter-regional competition for visitors was seen to depend crucially on cooperation between operators in the region. In other words, inter-regional competition was perceived to create the need for intra-regional cooperation. Regional promotion and activities related to environmental protection played an important role in that respect. The survey results regarding these and other areas of intra-regional cooperation are presented in Section 5.

4 A historical overview of cooperation and competition

An appreciation of the Tropical North Queensland's tourism industry structure is usefully informed by an understanding of the historical context in which tourism business relationships have developed. An overview of the development of the competition-cooperation nexus in the region's tourism industry is presented in this section.

Five broad eras of the industry's development emerged from the survey. These time periods, shown in Table 3, are generally related to the growth and popularity of the region as a tourist destination since the early 1980s.

Table 3 Tropical North Queensland tourism industry; history of cooperation and competition

Time Period	Characterisation	Background
Early 1980s	Strong cooperation	Pioneers
End 1980s	Competition and opposition	Initial phase of strong tourism growth
1989-90	Cooperation	Pilot strike
Early to end 1990s	Reduced cooperation	Second phase of strong growth
End 1990s	Increased cooperation	Growth slowdown; "crisis"

During the 1980s, when the region's popularity as a holiday destination started to develop, the region's tourism product consisted of relatively few products offered by a relatively small number of operators. The Far North Queensland Promotion Bureau (the official name of the regional promotion agency which now trades as Tourism Tropical North Queensland) and a collection of different operators would go on regular domestic and overseas missions to promote the region. The operators would represent the different industry sectors in the region including reef and accommodation operations. This group would present itself as a strong unit in their promotion of the region. The cooperative and well-organised nature of the missions was intended to show the wholesalers how easy the organisation of a holiday package to the region would be.

> "There was real cooperation between tourism businesses. Real comradery and an entrepreneurial spirit."

> "During tourism missions overseas, competitors' brochures were shown as well, as long as visitors could be attracted to the region."

The cooperative spirit started to wane with the strong growth of tourism in the region during the latter part of the 1980s. New businesses were attracted to the region and new products were developed. This led to a high degree of competition for intra-regional market share. The new companies adopted a competitive strategy based, initially, on two fronts. The first aspect was a focus on price competition in order to establish a strong entry position in the market. According to the incumbent operators at the time, the new companies were able to do this by compromising on quality while at the same time exploiting the good reputation of existing operators in the region. The second prong of the new firms' competitive strategies was the establishment of vertical partnerships. Strategic alliances were formed between tour, transport and accommodation operators in order to offer inclusive holiday packages.

As a result of the new competitive situation, incumbent tourism operators were forced to join the trend of aggressive pricing strategies and forming partnerships. When this response resulted in arresting the increase in market share of the new companies, the latter introduced a third element of their competitive strategies. This constituted operators promoting their own products first, before the region, and discrediting their regional competitors in representations to wholesalers and in other representative forums. This had negative consequences for the region's reputation as a strong collective regional unit.

> "[Cooperative promotion] had changed; a lot more bitchiness developed. People would start their sales pitch to wholesalers with their own product."

> "The local industry had become too fragmented. A lot of new quick buck merchants emerged, who did a lot of harm to the region."

> "Bagging of each other's products proved detrimental to all."

The 1989 Australia wide pilot strike caused temporary renewed growth in regional cooperation. This applied to businesses directly involved in tourism as well as supporting industries. It led to more significant, collective international promotion activities compared to other Australian destinations. As one operator put it:

> "Even the baker and the butcher thought they were in tourism."

From the early 1990s through to the middle of that decade, (international) growth of Tropical North Queensland as a tourist destination increased dramatically. Respondents pointed out that this second wave of strong tourism growth did not lead to destructive strategies of opposition within the region as it had done during the first wave of growth. It did, however, lower the industry's collective activities, including promotional efforts, as complacency among tourism industry members developed:

> "Around the middle of the 90s, everything seemed too easy."

The economic downturn in East Asia, starting in 1997, and the general fall in the demand for tourism in Tropical North Queensland at the end of the 1990s appeared to change the mindset of many tourism businesses in the region. At the time of the survey, the realisation of the necessity of more cooperation seemed to have reappeared among operators:

> "The region now really has to work for it. It is no longer an automatic attraction."

> "Now we are again in a crisis and the industry seems to be banding together again."

> "During the ATE[10], Tropical North Queensland was presented as one unit; it was the best of all the regions in Australia. That has an enormous positive influence on wholesalers who were very impressed."

Operators clearly indicated that history had shown that a collective approach was required to achieve sustained in growth of tourism in the region. Nearly all were confident that the joint activities would occur at times when they were required. It was suggested that this was facilitated by the relatively small size of the regional tourism industry community.

All respondents indicated that there were frequent, informal contacts between operators in the region. This type of communication had provided the foundation for cooperation at very low transaction costs. Peer group pressure in small groups helps to reduce free-riding activities as the latter are more easily exposed. In addition, and in accordance with

---

[10] Australian Tourism Exchange, Australia's largest forum for representations to domestic and overseas tourism wholesalers.

game theoretic notions, the repeated nature of cooperative activities created a situation of trust in which cooperative behaviour could be predicted reasonably confidently (see, for example, Saxenian 1994 quoted in Robertson 1998). While it was acknowledged that opportunistic behaviour could not be excluded, the general opinion among respondents was that the cooperative spirit, which had traditionally existed among the early operators in the region, had extended to the more recently established tourism businesses.

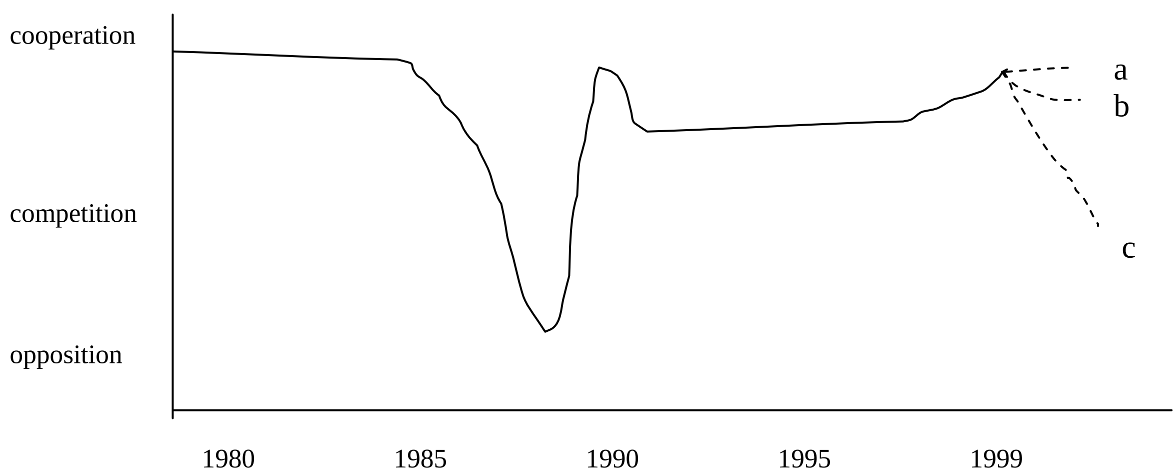
> "Cooperation is there in times of crisis."

> "The tourism people in the region stick together. They believe in what they are doing."

> "[Tourism operators in the region] will cooperate to respond to changes in the market place."

Overall, most respondents had an appropriate appreciation of the history of cooperative and competitive environments and the impacts on the region's tourism industry. An alternative representation of this history is depicted in Figure 2. This Figure shows, on the vertical axis, a continuum from opposition to competition to cooperation. This continuum is a slightly compressed variant of the one in Easton and Araujo (1992) who identify five "stereotypical points" to classify relationships between organisations: conflict, competition, co-existence, cooperation and collusion.

Figure 2 TNQ tourism industry: relationships between operators



Cooperation in Tropical North Queensland was strong at the early stages of tourism development in the region and during times of crisis. This is consistent with the evolutionary model of tourism partnerships developed in Selin and Chavez (1995). ‘Crisis’ and ‘common vision’ are identified as important driving forces for the establishment of tourism partnerships to reach collective goals.

The first period of strong growth had seen the emergence of destabilising strategies of opposition and conflict. Yet the second growth phase had been characterised by ‘less cooperation’ rather than ‘more destructive opposition’. This suggests that a continued environment of intra-regional cooperation may be likely in the future (i.e. development paths *a* or *b*). This outcome may be related to one of the four “multi-firm alliance game scenarios” discussed in Hwang and Burgers (1997). In this scenario, called ‘sticky mountain’, there are incentives for firms in an industry to cooperate once a “critical mass” of cooperation has been reached.

On the other hand, a situation of more rigorous competition or opposition could return in accordance with the ‘circle dance’ scenario identified by Hwang and Burgers (1997). The latter describes a situation in which firms switch between cooperation and non-cooperation given the presence and absence of an external threat. With the extent of the Asian financial crisis less damaging than expected, a renewed period of tourism growth could render the prevailing cooperative business environment less stable and sustainable in the future.

5 Areas of intra-regional cooperation

In this section, various cooperative relationships between tourism operators in Tropical North Queensland are presented. To this end, the taxonomy of inter-competitor cooperation developed in Easton and Araujo (1992) is useful. In this classification, cooperation between competitors is divided into formal and informal arrangements. The former refers to planned or managed activities including dyadic relationships (such as ownership linkages and subcontracting); joint activities including R&D and promotion; and joint investment in third parties including trade associations. Informal cooperation comprises the transfer of people, and the sharing of information and social norms. In addition to Easton and Araujo’s taxonomy, cooperative relationships may be divided into structural (or regular) and ad hoc (or case by case) arrangements. These can be either formal or informal in nature.

A number of areas of regional cooperation between operators in Tropical North Queensland emerged from the survey responses. These comprise collective promotion; environmental protection; and a number of other cooperative arrangements. Each of these areas is briefly discussed below.

5.1 Collective destination promotion

The small scale of most tourism operations does not generally allow for extensive marketing activities. This has generally been the rationale for the existence of destination marketing organisations which are (partly) government funded and which collectively develop marketing strategies (Palmer and Bejou 1995). Joint destination marketing may be seen as a public good as it is largely non-rival and non-excludable. When relying on the private provision of joint marketing, there is a potential for free riding behaviour. The various operators at a destination, while depending on the general popularity of the destination, have no clear individual incentives to promote the destination as a whole.

Collective promotion of Australian holiday destinations follows a hierarchical structure. At the two most aggregate levels, promotion is carried out by government agencies. While the Australian Tourist Commission deals with the promotion of the Australia wide tourism product, the promotion of the various states and territories is carried out by their respective government tourism agencies including Tourism Queensland. At the regional level, the various destinations within Queensland are collectively promoted by their regional tourism organisations including Tourism Tropical North Queensland (TTNQ).

Survey respondents indicated that collective promotion was an important element of the cooperative activities of tourism operators in Tropical North Queensland. This referred to collaborative promotion initiatives under the umbrella of TTNQ. In the above taxonomy, this is a formal type of cooperation which is organised and carried out in a structural fashion.

The Far North Queensland Promotion Bureau was founded in the mid-1970s as a general economic development board for the Far North Queensland region. Driven by growth in, and the increasing dominance of, tourism in the region, it gradually evolved into a tourism focused organisation. Approximately one third of TTNQ's revenue is funded by government at all levels (including 16% from Tourism Queensland) while around half of its revenue is membership related (Tourism Tropical North Queensland 1998).

Approximately 95% of TTNQ's members are tourism businesses. The remaining 5% comprise supporting businesses in the region. Membership can be held at various levels, ranging from entry level ($550 p.a.) to gold level ($12,000 p.a.). The vast majority of membership is held at entry level.[11]

The main promotion activities undertaken by TTNQ comprise organisation of and representations at domestic and overseas tourism and travel events. These include promotion missions in cooperation with the Australian Tourist Commission and Tourism Queensland, as well as with airlines. On many occasions, sales missions are undertaken in conjunction with TTNQ members. The main objective of the promotion missions is to

---

[11] In 1997-98 around 90% of membership was at the entry level (45% of industry membership income), while 6% held higher membership levels (47% of membership income) (Tourism Tropical North Queensland 1998).

develop contacts with travel agents and wholesalers and to create and enhance these crucial intermediaries' awareness of the quality and diversity of the region's attractions.

Most operators were involved in collective promotion activities coordinated by TTNQ. This pertained to either a passive involvement by paying the membership fee only, or actively joining TTNQ on promotion missions. In addition, operators undertook a different type of joint promotion activity during travel shows and similar representative forums. At events like the annual Australian Tourism Exchange, Australian tourism operators have the opportunity to present themselves to hundreds of overseas wholesalers. Significantly, respondents emphasised that during the meetings with intermediaries, the region Tropical North Queensland was promoted before their individual business or products:

> "In the first five minutes of our promotion talk with a wholesaler we explain the attractions and infrastructure of the region, then we talk about [our company]."

> "We always sell the region before the company when we talk to agents."

> "We sell the destination before the product during trade shows."

Promoting individual products as part of the region was due to operators' perceptions that they do not have a lot of individual influence on inter-regional competition, i.e. at the first level of the two-tiered structure. However, in addition to this notion of cooperative promotion for collective benefits, respondents also indicated that there were immediate, private incentives to display a cooperative attitude and to provide cross-recommendations at trade shows. A wholesaler's job of assessing the opportunities for packaging holiday components in a region is accommodated if individual operators provide the intermediary with an overall picture of the region. This implies that wholesalers were generally less inclined to do business with operators who only promoted their own products.

Several operators indicated that, while they paid their TTNQ membership fees, their active individual promotion activities related to intra-regional competition only. This implied that these businesses, in effect, relied on the promotion activities of TTNQ and of other businesses for the size of the region's "visitor pie". Subsequently, they then competed for their slice of the market. As expected, the clients of these operators were generally from the FIT segment, from both domestic and international origin.

Some operators expressed their disappointment at the refusal of other businesses to become more actively involved in joint inter-regional promotion:

> "There is quite a bit of free-riding going on; and not only by the smallest [operators]."

> "They attract business by default."

At the same time, it was stated that those businesses' passive attitudes would be to the detriment of their own long term growth prospects:

> "That way they'll always be left to pick up the crumbs."

However, it was also acknowledged that some companies were not in a position to direct scarce resources towards extensive promotion efforts:

> "To be fair, some of them don't have the marketing budgets that are needed."

While the vast majority of respondents indicated that they were satisfied with the cooperative promotion activities undertaken by TTNQ, there was some criticism. At the time of the survey, there were some rumours of a possible break-away group of operators in the region who felt that TTNQ had not given them sufficient opportunity to become involved in collective promotion missions. As a result, wholesalers were perceived to be given a misrepresentation of what the region had to offer to prospective tourists.

> "Only the big ones are invited to join [TTNQ]. Intermediaries don't know that TNQ is actually affordable."

5.2 Environmental protection

Huybers and Bennett (1997) established the importance of the natural environment to Australia's tourism industry. The current survey results confirmed that this applies strongly to Tropical North Queensland in particular. Respondents were asked to indicate their views of the strengths of Tropical North Queensland's tourism product relative to other holiday destinations. All respondents clearly perceived the high quality of the region's natural attractions as the major foundation for inter-regional product differentiation. The reef and the rainforest were either mentioned explicitly or, in the majority of cases, the region's natural assets were referred to in general. Tropical North Queensland was seen to have positioned itself in a strong domestic inter-regional niche as a nature based destination as opposed to the two other main domestic destinations Sydney ("city attractions") and the Gold Coast ("theme parks and shopping"). With respect to international inter-regional competition, respondents perceived the environmental reputation of Tropical North Queensland to be more and more important as a selling point to international wholesalers. The above survey findings are consistent with advertising lines used in the promotion of the region such as "Where rainforest meets the reef" and "Clean, Green, Timeless… and a million years in the making".

Respondents were also asked to give their views on their expectations of the future competitive strengths of Tropical North Queensland's tourism. While there was room for diversification of the region's tourism product, for instance regarding indigenous tourism, natural attractions were seen to remain the region's main tourism assets in the future.

> "Natural attractions will always be the core."

> "What [the region's tourism industry] will resist, forever, are man-made attractions like Seaworld or Movieworld. We will never support it."

However, operators generally emphasised an important aspect regarding the viability of this future scenario built on natural attractions. The degree of cooperation regarding the management of the region's growth effects on the quality of the environment was seen to be crucial.

Intra-regional cooperation with respect to environmental protection is relevant in two ways. Firstly, tourism operators in Tropical North Queensland are subject to regulations to protect the region's natural environment. The region's tourism operators are represented in the consultation process with regulating government agencies. Representative bodies may be classified as formal and structural types of cooperation of the industry. The second kind of cooperation pertains to complementary industry level self-regulation of environmental protection activities, and the informal monitoring activities that are carried out by operators. Both types of cooperation are now briefly discussed.

Representation in consultations
Various government agencies are involved in planning, decision making and monitoring with respect to Tropical North Queensland's natural environment. The main agencies with respect to the region's tourism industry are the Great Barrier Reef Marine Park Authority (GBRMPA), the Wet Tropics Management Authority and the Queensland Environment Protection Agency. The core of the regulatory framework for commercial operators, which is based on various acts and regulations[12], is the tourism operation permit system. In order to qualify for a permit, an operator is bound by various stipulations and conditions regarding their environmental behaviour as set out in zoning and management plans (see, for instance, Great Barrier Reef Marine Park Authority 1998, and Queensland Department of Environment and Heritage 1995). The permit criteria for marine operators include regulations regarding anchoring and mooring, and sewage discharge. The condition for land-based operators include restrictions with respect to the gathering of animals or plants; pollution and littering; the use of hardened sites; and exclusive use of a site.

The government acknowledges the importance of cooperation between regulatory authorities and the region's tourism industry. For instance, under 'key regional issues' the *FNQ 2010* report states that "the industry and all levels of Government need to work co-operatively to maximise tourism opportunities while avoiding or minimising tourism

---

[12] The Cairns section of the Great Barrier Reef is governed by the jurisdictions of both the Commonwealth and the State of Queensland. Management of the area is covered by the Commonwealth Great Barrier Reef Marine Park Act (1975) and the Queensland Marine Parks Act (1982) and their regulations. Queensland's land-based national parks and other protected areas are covered by the State's Nature Conservation Act 1992 and the Nature Conservation Regulation 1994.

impacts." (Far North Queensland Regional Planning Advisory Committee, p. 63). With respect to the Great Barrier Reef, GBRMPA encourages "cooperative working arrangements among the management agencies and Marine Park stakeholders." (Cairns Area Plan of Management 1998). A practical example of this principle is GBRMPA's advisory body, the 'Tourism Advisory Group', in which the tourism industry is represented. Further, the policy document of the Wet Tropics Management Plan, entitled 'Protection Through Partnerships' has a strong focus on cooperative management approaches and codes of practice. The Wet Tropics Management Authority has a structure of three liaison groups including the tourism industry group.

The above examples suggest that the government acknowledges that industry participation in the regulatory process is required to achieve the goal of environmental protection. It is an acknowledgement of the notion that the effectiveness of environmental regulations is ultimately determined by operators' behaviour. Consultation with the tourism industry - and other stakeholders with an interest in the region's environmental sustainability – includes industry input into the development of initial regulations and subsequent changes made.

During interviews, regulatory agency staff indicated that the cohesion among tourism industry members regarding environmental protection had improved since the end of the 1980s. Consultation with the tourism industry was now well established and developed. For instance, the Wet Tropics Management Plan and the Cairns Area Plan of Management were developed after extensive consultation with the tourism industry. Regarding the latter, the 'Association of Marine Park Tour Operators' (AMPTO) was perceived as an important partner in the regulatory process. AMPTO is the main representation vehicle for the marine tourism sector in the region.

Government agency staff also indicated that the scope for a co-regulatory relationship had also improved following the emergence of 'Reef Tourism 2005' as the latter adopted long term views of the sustainability of the industry. The 'Reef Tourism 2005' project, set up in 1995, is a joint initiative between marine tourism operators and government aimed at "ecologically and economically sustainable management of marine tourism in the Great Barrier Reef World Heritage Area."

Operators acknowledged the importance of a good working relationship between the industry and regulatory agencies. However, this was seen to be effective only in case of a partnership in which the parties act on an equal basis. This was perceived to be lacking to a large extent. Operators expressed the view that the regulatory agencies did not appreciate sufficiently that operators' long-term business prospects were closely related to the quality of the environment:

> "They are non-business people with a narrow view, who don't see that money making and the environment go hand in hand."

While tourism is widely acknowledged as an appropriate means to achieve environmental sustainability through interpretation and education, operators were of the opinion that regulating authorities perceived the industry as a threat to the protection of the environmental assets:

> "Tourism is a great vehicle for presentation of World Heritage values, so [the authorities] shouldn't shut commercial tourism out. But all they want to do is lock up and protect."

> "It seems as if [the authorities] think that they are doing us a favour by letting us operate in the parks."

> "I understand why [the authorities] think that way, because there are maverick operators out there. But they don't realise that we are in this together, so they should encourage tourism's involvement."

This sentiment provided the background to the formation of the 'Alliance for Sustainable Tourism'. The Alliance is a representative regional industry group that was founded as a countervailing power to the perceived strong influence of environmental groups on government policy. The Alliance includes representatives from various other tourism associations including TTNQ, the Far North Queensland Tourism Operators Association[13], and the Inbound Tourism Operators Association.

The Alliance was particularly important in its response to the final report of the Wet Tropics Plan. The industry had been consulted during the early stages of drafting the plan, and was generally satisfied with the draft. However, the final report's major focus was on *managing* the tourism industry rather than working with the industry. Subsequently, the Alliance financed an analysis of the report and established that parts of the plan had been taken *ad verbatim* from a document which contained promises from the government to environmental lobby groups.

Results achieved through representations by the Alliance regarding the permit system include the increase in the duration of the land-based tourism permit from one to three years and the stipulation of the 60 day maximum permit assessment period. While the Alliance had loosened at the time of the survey, operators had no doubt that it would be reinvigorated if required.

The Alliance, AMPTO and other regional industry bodies perform an important task for the tourism industry in relation to environmental regulatory authorities. Their aim is to convince the authorities of the industry's interest in, and ability to contribute to, long-

[13] FNQTOA represents the region's tourism industry to various government authorities. It has covered a broad range of issues including land management, industrial relations, training, infrastructure and native title. Members meet on a monthly basis to discuss various current issues impacting on the region's tourism industry.

term sustainability of the region’s environment. They represent the industry’s view that this can be achieved through cooperation with the industry in a co-regulatory manner.

Industry self-regulation and informal policing

Compliance with official environmental regulations is policed by a system of monitoring and enforcement activities by the regulatory authorities. This includes patrol vessel policing and aerial surveillance on the reef, and monitoring activities by rangers in the National Parks. However, it is generally acknowledged that government policing alone is not sufficient to attain the goal of sustainability of the use of the region’s natural assets. The vastness of the areas to be monitored renders effective monitoring financially prohibitive. Hence, for instance, GBRMPA

> “has looked to the self-interest of tourism operators to complement its regulatory instruments. […] Tourism on the Great Barrier Reef provides one of those relatively rare opportunities where the incentives facing tourism operators are closely aligned with those of the regulator.” (Tourism Review Steering Committee 1997, p 31).

It is recognised – by land and marine regulatory authorities - that there are commercial incentives for operators - especially for those visiting particular sites regularly – to protect the environmental quality of the assets. Potential complementary vehicles to attain the goal of environmental and economic sustainability include self-regulatory mechanisms like industry initiated codes of conduct; as well as accreditation, and education and training.

There was a clear view among operators of the limited relevance of the environmental regulations to their environmental behaviour. The environmental standards that most operators in the industry set for themselves were very high. There was a clear realisation that the environmental assets were, and would continue to be, the basis for the region’s tourism industry and hence for their own businesses.

> “It is our main asset. We don’t want to ruin it.”

> “Look, the environment is and will be the industry’s biggest asset. So we have an incentive to look after it.”

Operators’ responses showed that formal sanctions associated with environmental regulations were not very relevant to their environmentally responsible behaviour.

> “If being caught and penalised by [the authorities] was my only concern, I would have nothing to fear. There is so little policing out there. No, we are trying to do the right thing, and we want everyone to do that.”

Instead, informal sanctions and social control among the operators were crucial in that respect. Respondents indicated that there were various unwritten, as well as some written, codes of conduct that were followed voluntarily by the vast majority of tourism operators. It was acknowledged that there were operators in the industry whose activities damaged the natural environment. For instance, some marine operators anchored directly onto the reef while others, both on the land and on the Reef, disposed of waste or littered in an improper fashion. The close social control among operators, combined with potential informal industry sanctions, was often sufficient to bring the activities into line with environmentally responsible business activities. In cases where this had not worked, for instance regarding renegade operators who had no regard for the common goal of long-term sustainability of the natural assets, operators had been reported to the authorities.

> "There is the odd cowboy around. But we are a small community, so there is strong social control. They are told: 'What are you doing? Don't do that again!' We prefer this to dobbing them in."

> "We have a moral and a commercial obligation to report violations."

This high degree of self-interest had manifested itself in an equally high degree of voluntary self-regulation in the industry and a sense of overachieving in comparison with environmental standards required by official regulations. Several operators pointed out that the stipulations associated with the permit system were merely treated as part an administrative procedure to be followed rather than the driving force behind operator activities.

An example of the gap between the environmental regulations and the possible higher standards can be found in the publication 'Best Environmental Practices', developed by the tourism industry and endorsed by GRMMPA. In this publication, the regulations with respect to a number of activities are set out ("You are required by law to comply with these") and followed by a set of environmental best practice guidelines ("A code of behaviour that is best for the reef"). For instance regarding waste disposal, the legal requirement is that "human wastes [may be] discharged" but that "sewage may not be discharged, from vessels with a holding tank, less than 500 metres from the edge of the nearest reef". However, best practice extends beyond this basic stipulation and includes, for instance, "use pump ashore facilities, where provided, for sewage disposal from holding tanks" and "use biodegradable toilet paper and phosphate-free cleaning products". Similar best practice guidelines are set out for activities like anchoring and mooring; diving and snorkelling; and reef walking.

Voluntary cooperative environmental protection activities in the region's tourism industry are particularly evident in the marine sector. This includes the voluntary codes of conduct for a number of sites on the Reef. The self-imposed stipulations regarding activities at Cod Hole and on Michaelmas Cay are accepted and adopted by operators. Another example is the cooperative monitoring program 'Eye on the Reef' which was an outcome of the 'Reef Tourism 2005' project. Under this program, tourism operators' employees complete relatively simple, i.e. non-scientific, weekly forms about the quality of the coral and submit these to GBRMPA. The program serves a dual purpose. It provides important data to GBRMPA with respect to the reef's quality, and it creates an involvement of employees in the monitoring of the reef.

5.3 Other areas of cooperation

Various other cooperative arrangements between tourism operators in the region can be identified. These include a number of ad hoc areas of cooperation; product development; and strategic alliances.

Some areas of ad hoc cooperation identified by respondents may be classified as informal. One example pertains to mutually beneficial cross-recommendations of operators to tourists. This applies particularly to small and medium sized land-based adventure and/or ecotourism operators. Other businesses' products are usually recommended when an operator's own tour is fully booked and tourists want to go on a similar tour on a specific day.

Another instance of informal, ad hoc cooperation pertains to assisting other operators in case of a breakdown in equipment or during emergency situations. This applies in particular to businesses whose operations occur in locations where general assistance is difficult to obtain, i.e. land-based businesses operating extended outback safaris as well as marine operators. The outback operators indicated that this created a special kind of bond between competing businesses.

A somewhat more formal but still generally ad hoc type of cooperation is the sharing of clients between operators. This applies mainly to the land-based operators, both large and small, and generally in off-peak season only. If the number of bookings for a tour is small, tourists are given the option of going on a tour with another company. The initial operator then makes the necessary arrangements with the alternative operator – including an agreement about the price charged - and receives payment from the tourists. Outback safaris are among the tourism activities where this practice occurred most frequently.

Regional cooperation also includes more formal and regular cooperative arrangements regarding the development of the regional tourism product through. For that purpose, the Far North Queensland Promotion Bureau, has been the key representative tourism body. The main mission of the Bureau/TTNQ has been to provide the cooperative promotion framework for the region. However, it has also been involved in regional tourism product development. During the early development of the region as a tourist destination, the Bureau had a major input into government planning of the region. The then existing tourism support infrastructure (roads, water supply, etc.) was inadequate to accommodate the expected growth in tourism. More recently, the Bureau/TTNQ was the driving force behind the broadening of the region's tourism product base including the development of the casino, the convention centre, and cultural attractions.

In section four, the emergence of vertical strategic alliances was discussed. These alliances were formed for intra-regional competitive reasons rather than for intra-regional cooperation. Yet they are an example of a cooperative structure between operators in the region. A typical strategic alliance included a reef operator, a land-based tour or transport operator and one or more accommodation operators. This cooperative structure was seen as a way of competing with other operators in the region. For instance, through cross recommendations during sales representations, the effective promotional network was enlarged without any extra outlays. Vertical alliances were based on gentlemen's agreements although agreed rates were formally detailed.

Alliances were strictly adhered to until about the mid-1990s after which they became less rigid. This was due to wholesalers' dissatisfaction with the restrictive nature of the alliance agreements. Hence they demanded the option of "intermixing" of businesses across alliances. For this reason, businesses decided that partners in the alliance should be allowed to become part of other "packages" and other combined promotions. This was generally seen to have been beneficial with a view to overall regional cooperation.

6 Conclusion

Inter-regional competition between Tropical North Queensland and other holiday destinations has led to intra-regional cooperation between tourism operators. The two major areas of cooperation are destination promotion and activities regarding environmental protection. However, the historical context shows that the situation regarding cooperative and competitive relationships has not been static.

The two main areas of cooperation are consistent with the concept of the two-tiered market structure in which the region operates. Tourism operators in the region collectively promote Tropical North Queensland as a tourist destination. In doing so, they aim to raise the number of visitors to the region. However, within the region, operators compete to attract the visitors to their accommodation or attractions.

The promotion of Tropical North Queensland as a tourism destination, both domestically and internationally, focuses on the region's natural environment. It is in the tourism industry's interest to retain the quality of the region's environmental assets while fostering the prosperity of the industry's businesses. To this end, the industry engages in collective representations with respect to regulatory authorities. Also, complementary to environmental regulations and policing, tourism operators carry out self-regulatory activities regarding environmental protection and informal monitoring of environmental behaviour of industry members.

The study findings show that it is too simplistic to view Tropical North Queensland's industry structure as consisting of rival firms that behave purely competitively. There are various formal and informal cooperative structures that guide tourism operators' strategies and behaviour. These findings provide the context for the investigation of (price) competition between tourism operators in the region. It is not straightforward to conclude that competitive pressures prevent price rises despite increased business costs due to environmental regulations. Nor is it evident that compliance costs are fully reflected in higher prices of regional tourism products. This will be explored in the analysis of competitive relationships between tourism operators in the region's tourism sectors. This analysis constitutes the next part of the industry structure investigation.

References

Best, M.H. 1990. *The New Competition - Institutions of Industrial Restructuring*. Cambridge, Massachusetts: Harvard University Press.

Brand Far North Queensland 1996. Master Report. Cairns: Far North Queensland Promotion Bureau.

Easton, G., and L. Araujo 1992. 'Non-economic exchange in industrial networks.' In *Industrial Networks – A New View of Reality*, eds B. Axelsson and G. Easton. London: Routledge.

Far North Queensland Regional Planning Advisory Committee 1998. *FNQ 2010 Regional Planning Project – Strategic Directions and Regional Priorities for Far North Queensland*. Cairns: Queensland Department of Local Government and Planning.

Great Barrier Reef Marine Park Authority. *Best Environmental Practices*.

Great Barrier Reef Marine Park Authority 1998. *Cairns Area Plan of Management*. Townsville: Great Barrier Reef Marine Park Authority.

Huybers, T., and J. Bennett 1997. 'The Significance of the Environment and its Regulation to Australia's Tourism Industry.' *Australian Journal of Environmental Management* 4(1): 40-55.

Huybers, T., and J. Bennett 2000. 'The Impact of the Environment on Destination Choices of Prospective UK Tourists – Implications for Tropical North Queensland.' *Tourism Economics* (forthcoming).

Hwang, P., and W. Burgers 1997. 'The Many Faces of Multi-Firm Alliances: Lessons for Managers.' *California Management Review* 39(3): 101-117.

Loasby, B. 1996. 'The Organization of Industry.' In *Towards a Competence Theory of the Firm*, eds N.J. Foss and C. Knudsen. London: Routledge.

Marshall, A. 1890. *Principles of Economic Growth*. London: Macmillan.

Palmer, A., and D. Bejou 1995. 'Tourism destination marketing alliances.' *Annals of Tourism Research* 22(3): 616-629.

Queensland Department of Environment and Heritage 1995. *Commercial Activities – Guidelines for operators of commercial activities on Queensland protected areas*.

Robertson, P.L. 1998. 'Information, similar and complementary assets, and innovation policy.' In *Economic Organization, Capabilities and Coordination – Essays in Honour of G.B. Richardson*, eds N.J. Foss and B.J. Loasby. London: Routledge.

Robertson, P.L., and R.N. Langlois 1995. 'Innovation, networks, and vertical integration.' *Research Policy* 24: 543-562.

Saxenian, A. 1994. *Regional Advantage: Culture and Competition in Silicon Valley and Route 128*. Cambridge, Mass.: Harvard University Press.

Selin, S., and D. Chavez 1995. 'Developing an evolutionary tourism partnership model.' *Annals of Tourism Research* 22(4): 844-856.

Tourism Review Steering Committee 1997. *Review of the Marine Tourism Industry in the Great Barrier Reef World Heritage Area*. Great Barrier Reef Marine Park Authority/Office of National Tourism.

Tourism Tropical North Queensland 1998. *Annual Report for the 12 months ending June 30, 1998.*