The Cost Cascade: Protecting Australia's Tourism Competitiveness

Prepared by the Queensland Tourism Industry Council (QTIC), the peak body representing Queensland's visitor economy.

June 2026

QUEENSLAND TOURISM INDUSTRY COUNCIL

Executive Summary

The issue

Queensland's tourism businesses are experiencing a convergence of cost pressures unlike anything seen in recent years. From 1 July 2026, operators will absorb simultaneous increases in employment costs alongside rising insurance premiums, fuel, energy, supply chain costs and merchant fees.

For one of Australia's most labour intensive industries, these cumulative pressures are reducing profitability, constraining investment and forcing businesses to make difficult decisions about staffing, operating hours and future growth.

Queensland welcomes more than one in four of Australia's international visitors and is home to one of the nation's largest regional tourism economies. The competitiveness of Queensland's visitor economy is therefore a matter of national economic importance.

What the evidence tells us

Operators under financial pressure	**52%**
Experiencing significant cash flow difficulties	**32%**
Planning to reduce staffing	**33%**
Reporting forward bookings down more than 10%	**60%**
Regional operators reporting booking declines of up to	**80%**

Why this matters

Without action, cumulative cost pressures will continue to:

- Reduce regional employment.
- Delay business investment.
- Increase prices for visitors.
- Reduce tourism product availability.
- Weaken Australia's international tourism competitiveness ahead of Brisbane 2032.

QTIC is calling on the Australian Government to:

1. **Embed tourism as a priority small business sector**

   Ensure future Commonwealth policy considers the cumulative impact of employment costs and regulatory obligations on labour intensive tourism businesses.

2. **Address insurance market failure**

   Improve the affordability and availability of insurance for tourism businesses, particularly regional, marine and nature based operators.

3. **Strengthen cumulative regulatory impact assessment**

   Assess the combined impact of new employer obligations before implementing significant reforms affecting labour intensive industries.

4. **Invest in tourism productivity**

   Expand support for digital capability, artificial intelligence, workforce development, energy efficiency and business transformation.

5. **Partner with industry**

   Establish a National Tourism Competitiveness Partnership to identify reforms that reduce the cost of doing business and strengthen Australia's visitor economy.

Introduction

Queensland's tourism operators are not facing a single cost challenge — they are caught in a cascade of simultaneous, compounding cost increases that are reshaping the viability of businesses across every region and sector.

From 1 July 2026, operators will absorb concurrent increases to base wages, superannuation contributions, payroll tax obligations, and WorkCover premiums — all in the same financial year, stacked on top of surging insurance costs, fuel price volatility, rising supply chain costs, energy price increases, and the ongoing drag of elevated merchant fees.

This is not a complaint about any single policy decision. It is evidence of what happens when multiple cost pressures land simultaneously on businesses with thin margins, constrained pricing power, and limited capacity to absorb.

The businesses documented here are not outliers. They are representative of the thousands of operators that form the backbone of Queensland's $36 billion visitor economy.

Tourism is one of Australia's largest export industries and one of its most labour intensive sectors, supporting hundreds of thousands of jobs and generating economic activity across metropolitan, regional and remote communities. Queensland welcomes more than one in four of Australia's international visitors and is Australia's largest domestic tourism destination, making the competitiveness of Queensland's visitor economy a matter of national economic importance.

Industry Pulse Survey: the state of play across Queensland

QTIC's Industry Pulse Survey captures real-time trading conditions across Queensland's visitor economy. The results confirm that cost and demand pressures are not isolated to individual businesses — they are systemic, widespread, and accelerating. Impacts are concentrated in reef and marine tourism, regional and remote operators, and drive tourism destinations: businesses with the least capacity to absorb sustained shocks.

52% of operators describe their trading position as under pressure	**16%** reporting severe pressure on their business right now	**32%** experiencing significant or critical cash flow difficulties	**33%** plan to reduce staffing levels in the coming weeks

60% report forward bookings are down more than 10%	**28%** experiencing booking declines exceeding 30%	**19%** are reducing operational capacity right now	**80%** of regional operators more than 2hrs from a capital city reporting booking collapses up to 80%

> **Note:** These impacts are concentrated in reef and marine tourism, regional and remote operators, and drive tourism destinations — businesses with limited capacity to absorb sustained cost and demand shocks. Statewide aggregates understate conditions in regional Queensland; local reality is materially worse.

Operators at a glance

Business	Region	Sector	Employees	Turnover
A craft distillery and island resort	Capricorn	Food & Beverage / Island Tourism	6 FT, 1 PT	$250,000
Accommodation Resort	Gold Coast	Family Accommodation	305	$35 million
A heritage tourism attraction	Tropical North Qld	Heritage Attraction	59	Not disclosed
Whitsunday Charter Boat Industry Assoc.	Whitsundays	Marine Tourism (Sector Voice)	~5,000 (sector)	$300M (sector)
A nature-based tourism attraction	Sunshine Coast	Nature-Based Attraction	48	$3.5M–$4M
An attraction	Outback Qld	Not-for-Profit Heritage	25	$3M–$4M

What the numbers tell us

Cost Pressure	Scale	Operator Impact
Base wage increase (from 1 July 2026)	4.7% – 6.4%	Flows directly to super, payroll tax, leave loadings and WorkCover — multiplying the headline figure
Superannuation contribution rate	4.33% – 30%	A nature-based tourism attraction absorbing a 30% increase; A tour and transport operator adding $12,000 to super obligations alone
Insurance (property, liability, PI)	Up to 10% p.a.	Near-universal flagging across all operators; some unable to obtain cover at all
Fuel / diesel	Significant	Critical for touring, marine and transport operators in regional and remote Queensland
Supply chain / cost of goods	20–30%	A craft distillery reporting 20–30% input cost rises since late 2025 with no ability to pass on to consumers
Total payroll cost increase (combined)	$111K – $4.7M+	A heritage tourism attraction: $111,000 additional per year. Whitsunday marine sector: ~$4.7M across 5,000 workers

Operator case studies

The following case studies are drawn directly from operators who responded to QTIC’s Cost Cascade data collection. Where operators have consented to identification, their business name is used. All data is self-reported.

A CRAFT DISTILLERY AND ISLAND RESORT

Capricorn | Food & Beverage / Island Tourism | 4 years in operation | 5 full-time, 9 part-time |9 casual/contractor emploees | Combined turnover $2.05million (down$1.1million)

Headline: Revenue has fallen dramatically across both operations, with the distillery experiencing a 50% decline in sales and the island tourism business reporting a 30% reduction in turnover, alongside an 80% drop in forward bookings.

A Queensland-owned craft distillery and island tourism operator is experiencing significant financial pressure across both sides of its business. While each operation faces different market challenges, both are being impacted by the same combination of rising operating costs, declining consumer confidence and reduced visitor demand. The business has seen revenue decline substantially while the cost of doing business continues to escalate, leaving little capacity to absorb further increases.

Key cost pressures:

- Distillery turnover has declined from approximately $500,000 to $250,000, with monthly sales falling by around 50%
- Island tourism turnover has reduced from approximately $1.2 million to $850,000, with forward bookings down 80% and more than $400,000 in cancellations since February
- Wage base increasing by 5.5% from 1 July 2026, with superannuation increasing by a further 0.5%, adding to already compressed margins
- Supplier costs have increased by approximately 20–30% across both operations since late 2025, including bottles, packaging, ingredients, freight and essential supplies
- Competes directly with international brands in a price-sensitive market, with limited ability to pass increased costs onto consumers
- Property, fuel, energy, professional indemnity insurance, credit card fees and supply chain costs have all increased significantly
- Currently operating under an ATO payment arrangement while prioritising staff wages and rent

A FAMILY ACCOMMODATION RESORT, GOLD COAST

Gold Coast | Family Accommodation | 46 years in operation | 305 employees | Turnover $35 million

Headline: Rising labour and energy costs are forcing operational reductions despite continued investment in productivity and efficiency.

A well-established family resort operating for nearly five decades is experiencing significant increases across labour, energy and other operating costs. Total payroll was approximately $6.40 million in FY2025–26. The 4.75% award wage increase applying from 1 July 2026 represents an estimated direct wage-cost increase of approximately $304,000 annually. Once the associated increases in employer superannuation, payroll tax, workers’ compensation, leave entitlements, and other wage-linked costs are included, the total employment-cost impact is estimated at approximately 6.4%.

At the same time, annual electricity expenditure has increased from approximately $222,000 in 2021 to an expected $465,000 in FY2025–26—an increase of more than 100%. Energy cost per occupied room has increased despite substantial investment in energy efficiency.

The combined impact of rising employment, energy and other operating costs has resulted in reduced staffing hours, shorter outlet operating periods, smaller product ranges and tighter control of discretionary expenditure.

Key cost pressures:

- 4.75% award wage increase from 1 July 2026 adds an estimated $304,000 in direct annual wage costs
- Including superannuation, payroll tax, workers' compensation and leave entitlements, total employment costs increase by approximately 6.4% or $410,000 annually
- Annual electricity costs have increased from approximately $222,000 in 2021 to $465,000 in FY2025–26 — an increase of more than 100%
- Energy cost per occupied room has increased from approximately $6.66 to $14.66, despite significant investment in energy efficiency
- Limited capacity to increase room rates as families face mortgage, fuel, food and broader cost-of-living pressures
- Invested more than $8 million in capital improvements since 2021, but escalating operating costs are reducing returns and limiting future reinvestment

A HERITAGE TOURISM ATTRACTION, TROPICAL NORTH QUEENSLAND

Tropical North Queensland | Heritage Attraction | 32 years in operation | 59 employees (down from ~70) | Turnover not disclosed

Headline: New wage, super and payroll tax obligations to cost an additional $111,000 per year (~$10,000 per month).

One of Queensland's most iconic heritage tourism destinations has weathered disasters, weather events and post-COVID pressures — only to now face a $111,000 annual cost impost from wage, superannuation and payroll tax increases alone. Located in a regional area, it cannot backfill staff from a ready labour pool. Each job lost is likely gone from the region permanently.

Key cost pressures:

- Combined wage increase, superannuation and payroll tax additions estimated at $111,000 per annum additional cost
- Business is still recovering from the cumulative impacts of Cyclone Jasper, extended wet seasons and fuel disruptions
- Staffing already reduced from ~70 to ~59 — further cuts risk being permanent given regional location
- Skilled staff are unlikely to return to the region if they leave for employment elsewhere
- Regional tourism context means cost recovery through volume is not available — unlike metro operators

WHITSUNDAY CHARTER BOAT INDUSTRY ASSOCIATION

Whitsundays | Marine Tourism (Sector Voice) | 30+ years (sector) | ~5,000 employees | Turnover $300 million (sector)

Headline: Some cruise operations now unsustainable — cumulative cost pressures reaching a breaking point.

The Whitsunday Charter Boat Industry Association represents a $300M marine tourism sector that is a cornerstone of one of Queensland's most internationally recognised destinations. The association is not raising a concern in isolation — it is reporting that some operators have already crossed the threshold of viability. The cost cascade is not theoretical in the Whitsundays. It is already reshaping what product exists for visitors to experience.

Key cost pressures:

- Sector-wide payroll base of approximately $100 million — a 4.7% wage increase adds ~$4.7M in direct costs
- WorkCover premiums across the sector sit at approximately $1.3M
- Fuel, energy, property insurance, credit card merchant fees and supply chain — all flagged as significant issues
- Association reports that cumulative inflationary pressures have made cruise operations unsustainable for some operators
- The Whitsundays marine sector directly employs ~5,000 people and underpins the region's visitor economy

A NATURE-BASED TOURISM ATTRACTION

Sunshine Coast Hinterland | Nature-Based Attraction | 14 years in operation | 48 employees (3 FT, rest casual) | Turnover $3.5M–$4M

Headline: Wage bill increasing by 30% — from $1.2M to $1.6M — in a single year.

A Sunshine Coast hinterland attraction demonstrating that the impact of wage and superannuation changes is not uniform — it is catastrophic for casualised small tourism businesses. A 30% increase in the total wages bill is not an incremental adjustment. For a $3.5M–$4M revenue business, it is an existential financial event that demands immediate and significant operational changes.

Key cost pressures:

- Total payroll increasing by 30% — the largest single-year labour cost increase in the business's history
- Superannuation obligations rising from $185,600 to $240,000 — a 30% increase
- Payroll tax increasing by 30% — from $13,500 to $18,000
- WorkCover premium rising 8% — from $51,000 to $55,000
- Supply chain costs flagged as a significant issue on a $455,000 base
- Business relies heavily on casual workforce — the 30% wage base increase is particularly acute in casualised models

A TOURISM ATTRACTION

Outback Queensland | Not-for-Profit Heritage Attraction | 24 years in operation | 25 employees | Turnover $3M–$4M

Headline: Seasonal operation absorbing year-round cost increases despite revenue concentrated in six months.

A not-for-profit heritage attraction in Outback Queensland — a destination that depends on it as an anchor drawcard. As a not-for-profit seasonal operation, the museum faces the same cost increases as commercial operators but with structural constraints that limit its response options. Revenue is generated in six months. Cost obligations run for twelve. The margin for absorbing further impost is essentially zero.

Key cost pressures:

- Total payroll increasing from $1,489,033 to $1,559,691 — a 4.75% rise
- Superannuation increasing from $181,387 to $189,249 — a 4.33% rise
- WorkCover Queensland premium rising from $9,759 to $10,233
- Workers' compensation increasing from $9,332 to $9,775 — a 4.75% rise
- Seasonal operation (peak: April–September) means cost increases must be absorbed across a 6-month revenue window
- As a not-for-profit, the organisation cannot distribute losses or raise external capital to bridge cost pressures
- Situated in remote Outback Queensland — any workforce loss is particularly difficult to recover

What we are asking for

Australia's tourism industry has demonstrated extraordinary resilience through natural disasters, the pandemic and prolonged economic uncertainty. However, resilience alone cannot offset an ongoing erosion of competitiveness. As Australia prepares for Brisbane 2032 and seeks to grow its visitor economy, policy settings that improve business viability and productivity will be critical to maintaining Australia's position as a leading global destination.

What we are asking of the Australian Government

Queensland's visitor economy is one of Australia's largest employers and a cornerstone of regional economic development. Queensland welcomes more than one in four of Australia's international visitors and is home to one of the nation's largest regional tourism economies. The challenges identified in this report therefore have implications not only for Queensland, but for Australia's broader tourism competitiveness.

The evidence presented in this paper demonstrates that tourism businesses are not responding to a single cost increase, but to the cumulative effect of multiple government, regulatory and market driven cost pressures occurring simultaneously.

Many of these costs arise from different levels of government or market forces. However, businesses experience them as a single cumulative cost burden.

Without action, these pressures will continue to reduce business viability, limit investment, constrain employment growth and diminish Australia's international competitiveness as a visitor destination.

QTIC is calling on the Australian Government to take the following actions.

1. Embed tourism as a priority small business sector

Embed tourism as a priority sector within Commonwealth small business, productivity and employment policy, ensuring future reforms consider the cumulative impact of employment costs and regulatory obligations on labour intensive tourism businesses.

2. Address insurance market failure

Prioritise tourism businesses within the Australian Government's response to the Parliamentary Joint Committee inquiry into small business insurance, with a particular focus on improving the affordability and availability of insurance for regional, marine, nature based and adventure tourism operators.

Insurance has become one of the most significant barriers to business investment, growth and long term sustainability across the visitor economy.

3. Strengthen cumulative regulatory impact assessment

Require Commonwealth Regulatory Impact Statements and policy development processes to assess the cumulative impact of new employer obligations on labour intensive industries before significant reforms are introduced.

Understanding how wages, superannuation, leave liabilities and other employer costs interact will enable governments to make better informed policy decisions that support both workers and business sustainability.

4. Invest in tourism productivity and competitiveness

Expand access for tourism businesses to Commonwealth programs that improve productivity through digital adoption, artificial intelligence, workforce capability, energy efficiency and business transformation.

Supporting productivity growth is the most sustainable way to help businesses absorb rising operating costs while maintaining employment, improving wages and delivering high quality visitor experiences.

5. Establish a National Tourism Competitiveness Partnership

Establish an ongoing partnership between the Australian Government, state governments and industry to identify practical reforms that reduce the cost of doing business and improve Australia's global tourism competitiveness.

The partnership should focus on insurance, workforce, productivity, regulatory reform, investment attraction and the long term competitiveness of Australia's visitor economy.

Why this matters

Tourism businesses cannot continue absorbing successive waves of cost increases without consequence.

Without action, operators will continue to reduce staffing, limit opening hours, defer investment, increase prices where possible and, in some cases, exit the market altogether. The greatest impacts will be felt in regional and remote communities where tourism is often the primary employer and economic driver.

Australia cannot grow its visitor economy if the businesses delivering the visitor experience become progressively less viable. Addressing the cumulative cost burden is essential to protecting regional jobs, attracting investment and ensuring Australia's tourism industry remains globally competitive.

For further information

Natassia Wheeler
Chief Executive Officer
Queensland Tourism Industry Council

E: Natassia.wheeler@qtic.com.au

M: 0434 278 088

www.qtic.com.au