POLICY **ANALYSIS** ASPI

Terrorism and the Australian tourism industry
by Anthony Bergin and Raspal Khosa

18

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The tourism industry is a powerful force for change in the world today and plays a key role in the Australian economy. At the same time, the tourism industry worldwide has been a favourite terrorist target and it may be hit again. It's a sector that is one of the most vulnerable to the threat of terrorism. Safety and security are now key components of consumer confidence in the tourist sector. Travellers no longer fear enhanced security measures: they are concerned about the risks of terrorism. Any major security incident here would have adverse economic consequences for our tourism industry. Tourism stakeholders in Australia now need to recognise that the changed terrorism threat environment in recent years places even more importance on investing in safety and security.

Australia's tourism industry

Tourism is a highly differentiated industry that is made up of numerous small and medium-sized enterprises (SMEs) and larger operators, which provide services to both international and domestic visitors. The tourism industry comprises the following sectors: transport, accommodation, food and beverage, attractions and venues, business events, tours, and souvenirs.

Australia has a world class tourism industry. The 2007 World Economic Forum *Travel and Tourism Competitiveness Report* placed Australia 13th overall among 124 countries studied. It ranked each country against 52 criteria, including safety and security (20th), health and hygiene (22nd), transport infrastructure—air (5th) and ground (20th), tourism infrastructure (14th), and natural and cultural resources (15th). Australia fared poorly on price competitiveness (111th).

Tourism is an $84 billion industry, earning Australia $22 billion in export income. It comprises 3.9% of Australia's GDP and 10.5% of total exports—the second most important export industry after mining. Domestic tourism accounts for approximately three-quarters of tourism's direct contribution to GDP, the remaining quarter being contributed by international tourism. Around 47 cents of every dollar spent on tourism in 2006 was spent in regional Australia. The tourism sector generates half a million jobs or 4.6% of all employment: more than mining (130,000) and agriculture, forestry and fishing (356,000) combined.

Tourism's significance to our economy will continue to grow: it will be worth $100.7 billion in 2016. Between 2007 and 2016, total inbound economic value is expected to grow at a healthy annual average rate of 7.1% to $35.3 billion in real terms, and total domestic economic value is expected to grow at a more modest average annual rate of 1.3% to reach $65.4 billion in real terms. Over the same period, the annual growth of inbound visitor arrivals is expected to be 4.9%. Domestic tourism, however, is forecast to decline as a result of increased competition from outbound tourism and other goods and services.

Overseas tourist arrivals reached a new high of 5.6 million in 2007, representing a 0.7% share of the global tourism sector. Inbound tourists spent a total of 157.2 million visitor nights at locations in Australia. The top five markets for international visitors to Australia in 2006 were: New Zealand (19.4%), United Kingdom (13.3%), Japan (11.8%), United States (8.2%), and China (5.6%).

Six of the top ten markets for international visitors are from Asia. During the same period, domestic tourists made 73.6 million overnight trips, with 287.6 million visitor nights spent at destinations throughout Australia.

Targeting tourism

Terrorists have launched repeated attacks on tourists and tourism infrastructure in many parts of the world, although mainly targeting foreign, rather than domestic tourists, through bombings, shootings and hostage taking.

Target selection in terrorist attacks is not indiscriminate. The Australian tourism industry and related infrastructure are possible terrorist targets, particularly as these facilities are places of mass gatherings. What motivates terrorists to target tourists and tourist infrastructure? Tourists are symbolic of the freedom of movement. Tourism is one of the main elements of economic power in a modern economy. For many countries tourism represents a significant source of employment, so attacking the tourist industry is very damaging. Tourism infrastructure often involves the large assembly of people, making them vulnerable to mass casualty terrorism. Targeting foreign tourists in particular attracts international media attention and media coverage provides the 'oxygen' for such groups. Terrorists want to make us change our lives. The threat of terrorism is the fear that they want to instill in all of us that we are not safe anywhere. Targeting tourists creates an inherent sense of vulnerability. For practical reasons, it's hard for terrorists to target a particular nationality, but the differences between tourists are less relevant to terrorists than the similarities: for radical Islamists, tourists are symbols of Western influence and regimes seen as the enemy.

Al-Qaeda remains the dominant inspiration for radical Islamist networks worldwide, and has increased its communication reach via the Internet. In Australia's immediate region terrorist activity persists. Jemaah Islamiyah has a proven capacity to carry out attacks within several states in Southeast Asia. Furthermore, two individuals have been convicted in Australian courts of terrorist activities and 24 others currently face charges relating to planning acts of terrorism. The Australian tourism industry needs to factor terrorist threats into business risks for some time to come.

Impact of terrorism on tourism

Terrorism is bad for the tourism industry: there is a close connection between terrorism, the economy and tourism. After the 11 September 2001 terrorist attacks in the United States, tourist arrivals in the Americas region plunged by 20.4% in the last four months of 2001 and 6.0% for the year. The United States bore the brunt of the downturn, with arrivals falling by 10.7% by the end of the year, its worst decline ever, with accommodation occupancy down by 5.7% and revenue passenger miles on US carriers down by 7.0%. The incident was also estimated to have caused an unprecedented 20.0% decline in passengers and a reduction in 200,000 jobs.

Foreign tourist arrivals in Bali dropped by 60% in November after the terrorist attacks there in October 2002, while nationwide in Indonesia tourist arrivals slumped by 21% in the same period. The drop in visitors was estimated to have depressed Indonesia's service revenues by US$1 billion in 2003. Beyond the sharp initial decline in tourist arrivals and the impact on the hotel and travel industry, there was an immediate shrinking in demand for goods and services that directly cater for tourism, such as taxi drivers and local handicrafts.

Research examining the impact of terrorism on Israel's tourist industry from 1991 to 2001 found that the frequency of acts of terrorism causes a larger decline in international tourist arrivals than the severity of these acts. Tourist destinations can recover from even severe acts of terrorism, as long as the terrorist acts are not repeated. However, when acts of terrorism—whether of high or low severity—occur at high frequency and regular intervals, tourism demand will constantly decrease.

SMEs do not have the same capacity as larger operators to recover from a prolonged dislocation to the sector, which may result from a catastrophic terrorist attack. Smaller operators will look to the Australian Government for assistance and compensation. Business tourism is less discretionary than other components of the sector and will require a faster return to normalcy. Australia's $17 billion business events sector may be threatened by a major security-related incident.

Somewhat paradoxically, whilst being vulnerable, tourism is also a very resilient industry. It has bounced back from the 1998 Asian financial crisis, the 11 September 2001 terrorist attacks, the 2002 Bali bombings, the 2001 Ansett Airlines collapse, the 2004 Asian tsunami, and various episodes of Severe Acute Respiratory Syndrome and avian influenza.

International visitor arrivals and shocks to growth
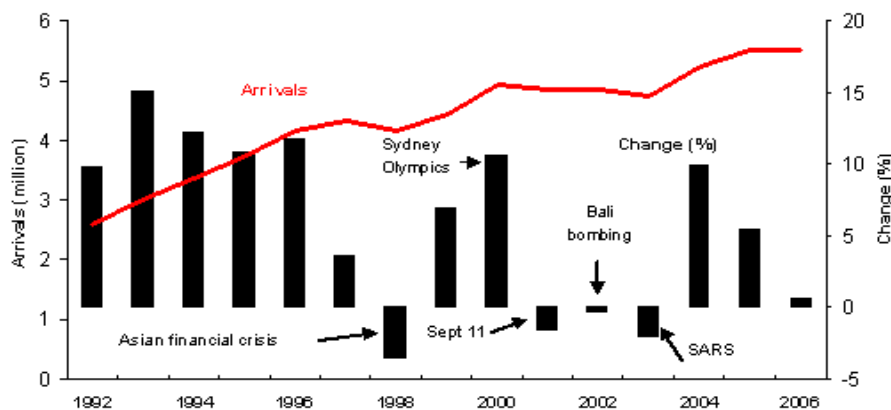
Prepared by Department of Resources, Energy and Tourism
Source: ABS Overseas Visitor Arrivals and Departures (Cat No. 3401.0)

It's also the case that when tourists are the target, as occurred in the Bali bombings, an attack can have a much greater impact on tourism than if it's directed against a city as occurred with the bombings in Madrid (2004) and London (2005). In both cases the attacks were not perceived as targeting tourism, and the impact on the sector was not as great. The London bombings did, however, have a considerable impact in central London, especially on the domestic market, throughout the northern summer of 2005.

Any terrorist attack in Australia would see foreign governments adjust their advisory warnings on travel to Australia. For some tourists, however, it won't so much be a concern about a single terrorism incident that will influence their travel decisions, rather the chance of being mugged in the street, being able to walk safely from their hotel to tourist sites, and the likelihood of being the victim of petty crime such as having money or passport stolen. There's no doubt, however, that a terrorist attack in our homeland would be bad for the Australian economy and even worse for tourism.

Policy and operational responses

The Australian Government has developed a whole-of-government response plan that deals with acts of terrorism within or outside Australia that could impact on the tourism sector. The National Counter-Terrorism Committee (NCTC) has recognised the need to ensure a nationally consistent approach to the protection of places of mass gatherings when addressing the threat of terrorism.

National Tourism Incident Response Plan

The National Tourism Incident Response Plan (NTIRP) is an all-hazards approach to dealing with the spectrum of potential industry dislocations, including terrorism. The NTIRP establishes a framework to ensure that incidents affecting or likely to affect the tourism industry are managed in a whole-of-government manner to minimise potential negative economic impacts to the industry. It suggests each state/territory prepare its own tourism industry crisis plan.

The NTIRP is authorised by the Australian Tourism Ministers' Council. Parties to the NTIRP are the Australian Government, state and territory governments and tourism industry peak bodies. The Australian Government Department of Resources, Energy and Tourism (DRET) manages the NTIRP.

The NTIRP strategy for response and recovery incorporates communication, marketing, research, and industry support. The NTIRP is active at all times. It adopts a colour-coded activation level scheme linked to the increasing risk of a negative impact on the tourism industry.

The Australian Standing Committee on Tourism (ASCOT) adjusts NTIRP activation levels. It's comprised of representatives of Australian Government and state and territory tourism departments and Tourism Australia—the statutory authority responsible for tourism marketing.

Any member of ASCOT or the NTIRP Monitoring Group may refer information about a potential, emerging or actual incident that may have a negative impact on the Australian tourism industry to the chair of ASCOT or the head of the Tourism Division, DRET, who may then convene ASCOT to decide whether to increase the activation level.

The NTIRP Filter Matrix is the mechanism for increasing or decreasing activation levels. The NTIRP Monitoring Group evaluates incidents against the Filter Matrix. Incidents are assessed according to impacts on 'Brand Australia', international and domestic travel patterns, industry profitability, ability to recover and government financial support.

The NTIRP can be invoked within hours to transmit messages to industry. At higher activation levels, ASCOT will become the Central Incident Management Group (CIMG), reporting to the Tourism Ministers' Council. CIMG is supported by two other groups: one advising on policy options and recovery measures and another acting as a central media contact point.

Protecting places of mass gatherings

Places of mass gathering are attractive targets for terrorists, presenting potential opportunities for mass casualties, symbolism, high impact imagery and economic loss. Tourism venues and attractions well meet these criteria. The Australian Government, state and territory governments and industry in 2006 developed the *National Approach for the Protection of Places of Mass Gathering from Terrorism*.

It builds on the jurisdictional arrangements already in place for planning and managing major events and recognises that effective security outcomes in mass gathering environments require cooperation and coordination between all stakeholders. This is achieved through an active business–government partnership consisting of a range of engagement initiatives, which includes the provision of threat advice to industry. A Guided Self Assessment for owners and operators of places of mass gathering is being implemented under the auspices of the NCTC. To date, Queensland and Victoria have 'gone live' with the self-assessment tools and work is underway to have other jurisdictions follow them in the near future.

The Trusted Information Sharing Network (TISN) is a forum in which the owners and operators of critical infrastructure work together by sharing information on security issues which affect critical infrastructure. It's made up of a number of Infrastructure Assurance Advisory Groups (IAAGs). The Mass Gatherings IAAG assists owners and operators to share information on issues relating to generic threats and vulnerabilities associated with the built environment and public gatherings: these include fixed and part-time venues and infrastructure. The group has adopted an all-hazards approach but gives a high priority to risk management in a heightened terrorism environment.

At a state level, authorities in Queensland for example, have recently endorsed the *Queensland Plan for Protecting Mass Gatherings and Events from Terrorism*. This Mass Gatherings Plan is based on a partnership between industry and government, which seeks to strengthen resilience in the sector through the development of plans and arrangements to prevent, reduce vulnerability and to minimise the impact of any potential terrorist incident. As part of the Mass Gatherings Plan, Queensland will form a network of government agencies and peak bodies involved in mass gatherings and events, called the Queensland Mass Gatherings and Events Network. The tourism industry will be represented in this network, which will draw on the strengths of each partner to encourage information sharing across government and the private sector. The information can then be passed to owners and operators through their peak bodies.

Operational response

State police will lead the operational response to a terrorist incident within their jurisdiction, according to the state's own counter-terrorism arrangements. They would handle media inquiries and authorities may establish a state crisis centre to serve as a single source of information. The Australian Government would, however, take the lead on public information and wider response matters if the incident was determined to be a National Terrorist Situation.

Response and recovery occur at different junctures for security agencies and the tourism sector: there's a distinct difference between the immediate security response and the tourism industry response to a dislocation. Nevertheless, how well authorities handle the security response has an impact on the overall post-incident recovery. State tourism authorities responsible for destination management are best placed to handle the tourism response to an incident. Tourism will not work in isolation of other government agencies. It will be part of whole-of-government counter-terrorism response and recovery arrangements in each jurisdiction.

The tourism industry response to a terrorist incident or similar negative impact is essentially a communications response, which also involves constant monitoring of the actual or likely impact on the sector. Messages must get through to consumers who may be affected in the immediate aftermath of an incident. A considered response to the longer term impact of a security incident is also required. It may take some time to determine a policy response. Tourism crisis management plans, however, will be implemented quite quickly. Communication of the real facts or correction of errors regarding an incident helps to reduce collateral damage to the tourism industry. Tourism Australia and state tourism bodies would be involved in image rebuilding and marketing programs. Tourism Queensland's response to the disruption caused by Cyclone Larry in Far North Queensland provides a recent example of image re-building following a major dislocation.

Next steps

In an age of heightened terrorist threats, now is the time for the Australian tourism industry to re-examine their security training, put security plans in place if they have not done so, review physical security and evacuation procedures, evaluate staff vetting and consider if extra security investments should be made. The tourism sector comprises a large number of SMEs that are generally not attuned to incident planning or a security culture. Developing such a culture so that tourist industry staff know what to report and to whom will be important.

Peak tourist industry bodies can play a vital role in providing security related information from government to their members. However, most peak bodies are membership-based organisations. Government should therefore also use local tourism bureaus and associations to reach small operators not represented by peak bodies to address risk management. At the same time state police need to engage more with the tourist industry on security issues and best practice, as well as involving them in drills and exercises.

Hotels in particular will need to continually refine their security procedures. Plans need to be put in place for the hotel sector to be prepared to offer rooms for victims and families in the event of an attack. Hotel staff should be trained for the psychological demands needed in the event of a major security incident. Police will need to liaise with hotels, major tourism service providers and private security agencies on security planning. Knowledge of relevant contact points within and between the tourist industry and government agencies involved in security and emergency response should be strengthened.

Given the constant stream of high-profile international events scheduled to be held in Australia over the next few years, and the increased competition by each Australian jurisdiction to host large special events to attract tourists, there will be a need to generate early contact between the tourism industry and security agencies, Defence and emergency services on what security measures are needed to put in place and what role the tourist sector is expected to play in overall security planning. Despite the frequency of these special events in recent years, such as the 2000 Sydney Olympic Games, the 2006 Melbourne Commonwealth Games, the 2007 APEC summit, and the 2008 World Youth Day, there's still evidence of an *ad hoc* approach in engaging the tourism sector on security planning.

It will be important in the event of a terrorist incident here that the tourism industry is ready to put in place a tourism crisis strategy to help the sector's fast recovery. Australia's tourist industry doesn't market Australia as safer than any other destination, but our tourism promotion campaigns send out subtle messages of safety, rather than specifically dedicated towards security. That's sensible, as terrorists want to instil in all of us a sense that we aren't safe anywhere and safety will remain a key consideration for leisure or business travellers.

The government has a responsibility to protect the public and to ensure security measures are effective and appropriate to the threat. Security measures for the tourism sector are, however, double-edged. They reassure travellers, but at the same time, may be an impediment to travel. While travellers no longer fear security and indeed demand it, the

last thing many tourism operators want is a heavy police or private security presence around tourist attractions. We want to reassure travellers, not place restrictions on tourists enjoying their holiday. One tourism industry peak body, for example, claimed that the Sydney APEC Summit failed to strike the correct balance between portraying positive imagery of Sydney and providing robust security measures.

Despite references in the NTIRP to a whole-of-government approach, the tourism sector currently operates outside the national security architecture. The National Counter-Terrorism Plan, for example, doesn't recognise DRET's mandate for tourism industry sustainability. DRET is represented at a corporate level on the Australian Government Counter-Terrorism Policy Committee (AGCTPC), which ensures that the Australian Government's counter-terrorism policy is coordinated from a whole-of-government perspective. The AGCTPC should also consider security-related impacts on the tourism industry.

The Tourism Division of DRET is represented on the Mass Gatherings IAAG of TISN. Peak tourism industry bodies such as the Australian Tourism Export Council (ATEC) should also participate in the Mass Gatherings IAAG. ATEC is the largest membership-based organisation representing our tourism export sector, with members from across the industry—including inbound tour operators, tourism product suppliers and service providers.

The Liquor, Hospitality and Miscellaneous Union (LHMU) should also participate in the Mass Gatherings IAAG. It's one of Australia's largest unions with more than 130,000 members: many of whom are employed in the tourism industry. The union has legitimate concerns not only about the safety and welfare of its members who may be exposed to security-related incidents, but also the potential economic impact on their members of dislocations to the tourism industry. There is no contingency planning for workforce continuity in the event of a terrorist incident: the hospitality workforce is casualised and these workers would move on to other industries in the event of a major dislocation.

Two areas where policy makers could assist the tourism industry to build security much more into their business processes is through tax incentives and insurance. Security is a legitimate business expense: over two years ago the Australian Government recognised that some employees require certain security services outside of their employment activities and excluded these from fringe benefits tax. Greater consideration should be given to granting limited tax breaks on company profits derived directly from the adoption of security measures.

Another way to provide incentives for tourism enterprises to invest in security is by leveraging insurance. The tourism industry could reduce their insurance costs if they lowered insurer's exposure in the event of a disaster by taking security measures. There should be closer engagement by government and the tourist industry with the insurance sector to explore lower barriers for insurers to make this possible, just as homeowners get a break on their premium if there's an alarm system installed.

While terrorism has created a new security environment, viewing security strictly as a cost focused on protection is fast becoming obsolete. In the tourism industry the overall objective should be that the tourism sector become more resilient—having the capability to anticipate risk, limit impact and bounce back rapidly—from a range of possible disruptions, including terrorism. The business case for the tourism sector to invest in resilience should therefore be based on meeting a spectrum of risks to the tourism industry, and not shaped solely on the possibility of a terrorist disaster. The steps that the tourist industry take to cope with more frequent, more probable and less catastrophic risks will go a long way towards creating their readiness to cope with the consequences of a terrorist attack.

Acknowledgement

About the Authors

Dr Anthony Bergin

Dr Anthony Bergin is ASPI's Director of Research Programs.

Raspal Khosa

Raspal Khosa is ASPI's Research Fellow and Outreach Program Manager.

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