



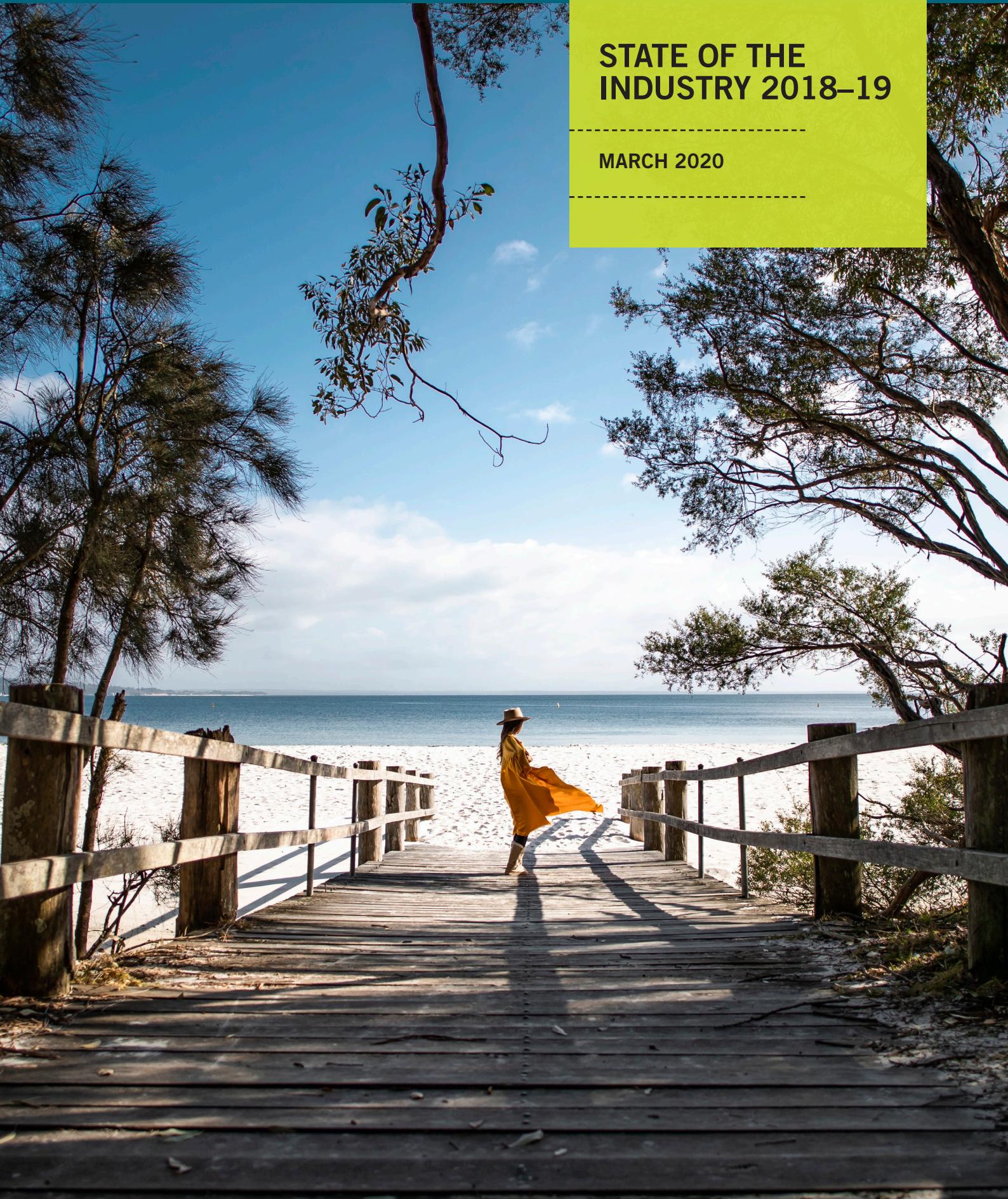
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TOURISM
RESEARCH
AUSTRALIA

STATE OF THE INDUSTRY 2018–19

MARCH 2020



Tourism Research Australia

Australian Trade and Investment Commission

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INTRODUCTION

Tourism continues to be a driver of growth for the economy. Historically, international visitors have propelled the industry, but it is Australia's desire to travel around Australia that sees the sector exhibit double-digit growth in value in 2018–19. Domestic spend exceeded \$100 billion for the first time.

Australia's standing in the global top ten for international expenditure – \$64.2 billion on outbound trips – demonstrates appetite for travel and considerable capacity to increase domestic travel.

There are now more than 1.4 billion international travellers globally, spending US\$1.5 trillion per year.¹ Increased global mobility has seen a shift in the preferences of visitors and the community. There is more understanding of diverse cultures and practices, and an increased awareness of the impact people have on the environment and the community. This has seen more interest in sustainability, with new trends emerging, including 'flight shaming' and a focus on minimising travel miles.

Internationally, Australia is marketed as an aspirational destination with a strong focus on high value travellers. This complements the sustainable intent of Australian tourism – achieving strong economic benefits while managing environmental and social impacts. However, as a long-haul destination for most international markets, the industry is also exposed to changing travel trends and the risks of global economic and geopolitical uncertainties (see Box 1).

Continuing to capture its share of the lucrative global travel market will require the Australian tourism industry to maintain a focus on adopting new technologies and practices to keep pace with traveller expectations and global competition.

As the industry evolves and adapts to connect with a new wave of travellers, it is important to note the significance of tourism to the Australian economy. In 2018–19, tourism contributed \$60.8 billion to national GDP and provided jobs for more than 5% of the national workforce (666,000 people). Tourism also brought \$39.1 billion in exports and is currently the fourth largest exporting industry. Ensuring that these benefits are spread across the country by encouraging visitors to travel regionally is not only good for these economies, but vital for the continued growth of the industry.

BOX 1: CURRENT CHALLENGES FOR FUTURE FOCUS

The recent bushfires in Australia are expected to have a significant impact on the Australian tourism industry, with fires across nine tourism regions. This will affect Australia's international and domestic tourism, but in early 2020 it is too soon to measure the impacts.

The coronavirus creates ongoing risks to international tourism. China is Australia's largest inbound visitor market with 1.4 million visitor arrivals in 2018–19. With travel restrictions now imposed, the breadth of the event is yet to be seen.

This report acknowledges the impact of both the fires and coronavirus, but in-depth analysis is not currently available. The March quarter International Visitor Survey and National Visitor Survey data will provide the first opportunity to measure the impacts of these events – available July 2020.

CREATING OPPORTUNITIES FOR GROWTH

To create growth, the industry must position itself to compete in international markets. This comes through offering high quality destinations, services and experiences that highlight the quality and value available in Australia. In addition to delivering a better visitor experience, this should also increase productivity, efficiency and innovation.

COMPETING WITH INTERNATIONAL RIVALS

GETTING INTERNATIONAL VISITORS TO AUSTRALIA

Australia has long been an aspirational, once-in-a-lifetime destination for international visitors – involving long-haul travel, high costs and extensive planning. Consequently marketing is generally targeted at high yield travellers seeking to experience our unique nature and wildlife, world-class food and wine and pristine aquatic and coastal attractions.

There are a number of things that will continue to impact our global competitiveness:

- Australia is a long-haul destination. This limits Australia's capacity to offer direct flights and can add significant travel time to an international trip, contributing to higher prices.
- Changes in the exchange rate. In 2018–19, the average exchange rate was 71.5 US cents per Australian dollar – almost 6 cents lower than in 2017–18.² This creates favourable spending conditions for international visitors.
- High cost of living making it a relatively more expensive destination for visitors – Australia is currently ranked 130 out of 137 in terms of global price competitiveness.³
- The generally high quality of Australia's products and infrastructure including accommodation and transport.
- Effective marketing with strong reach and impact.



Image courtesy of Tourism Australia

² RBA (2019), [Historical data, Exchange rates](#)

³ World Economic Forum (2019), [The Travel & Tourism Competitiveness Report 2019](#)

In 2018–19, 9.3 million international visitors arrived in Australia, an increase of 3.0% compared to 2017–18.⁴ This represented a slowing in international visitor growth, primarily driven by stagnation and decline from key Asian markets such as China (up 0.8%), Malaysia (down 1.1%) and South Korea (down 7.8%).

Spend increased faster than international visitors, up 5.0% to \$44.6 billion, driven by lower exchange rates and an increase in high yield education visitors (up 5.9% to 612,000 visitors).

Australia's focus on a handful of wealthy markets has been one of the key drivers behind strong growth in international spend. The top five markets already account for more than half of international spend and arrivals. Maintaining this strategy should see visitor yield continue to grow, with Australia currently one of the highest yielding destinations in the world. However, a lack of diversity increases the risks of current global economic and geopolitical uncertainties on the industry.

While it is important to understand the possible risks, they are in part offset by Australia's highly ranked safety and security, world class universities, and very strong family links due to diaspora.

FIGURE 1: INTERNATIONAL SPEND AND VISITATION TO AUSTRALIA BY MARKET, 2018–19

COUNTRY	TOTAL TRIP SPEND			VISITORS ('000)		
	COUNTRY SHARE	'18-'19	CHANGE	COUNTRY SHARE	'18-'19	CHANGE
CHINA	27%	\$11.9b	5.9%	15%	1,323	0.8%
US	9%	\$4.0b	8.6%	9%	764	3.0%
UK	8%	\$3.4b	-3.0%	8%	674	-3.6%
NZ	6%	\$2.6b	1.3%	15%	1,272	2.1%
JAPAN	5%	\$2.0b	16%	5%	445	9.1%
INDIA	4%	\$1.8b	17.4%	4%	350	11.6%
SINGAPORE	3%	\$1.5b	7.8%	5%	407	7.9%
KOREA	3%	\$1.5b	-12.1%	3%	256	-8.1%
HONG KONG	3%	\$1.4b	5.6%	3%	280	3.3%
MALAYSIA	3%	\$1.3b	-3.8%	4%	346	-1.5%
TOTAL		\$44.6b	5.0%		8,601	2.8%

BOX 2: SAFETY AND SECURITY, A KEY MOTIVATOR FOR VISITORS

Safety and security remains the primary driver globally for destination choice. Australia continues to rank highly in global terms for safety and security, with Sydney (5) and Melbourne (10) both ranking in the top ten in the Safe Cities Index 2019.⁵ While many things are uncertain globally, Australia is still considered a safe and secure destination for international visitors.

However, safety is based on perceptions which can change quickly. The recent bushfires received widespread attention internationally and contributed to negative perceptions around personal safety. To ensure these concerns do not persist over the longer term, reliable information delivered at the appropriate time is critical. This includes providing factual information across multiple platforms on the impact, the areas which remain unaffected, and reassurance of Australia as a safe destination.

THE CHALLENGE OF AUSSIES LOVING OUTBOUND TRIPS

Not only are tourism businesses competing to get international visitors to Australia, they are also competing for domestic tourism.

In 2018–19, 11.2 million Australians returned from an international trip (up 4.4%),⁶ which equates to approximately four trips for every nine people – one of the highest propensities in the world.

Australian enthusiasm for international travel continues despite a falling exchange rate and sluggish wage growth, both of which reduce disposable income. Some of the reasons that overseas travel still remains attractive include:

- International rivals providing low-cost options. Australian businesses find it difficult to compete with low-cost international travel packages, or ‘flights plus nights’ deals that are on offer from nearby destinations.
- Australia’s diverse and multicultural population, with 30% of Australians born overseas. This creates ties to home nations as well as an ongoing ‘visiting friends and relatives’ market.
- The ‘wanderlust’ and ‘influencer’ movement seeing people becoming more aware of international destinations and wanting to be involved. Almost 60% of Australians are now on Facebook and 36% active on Instagram⁷ turning international travel into a perceived necessity.
- More direct flights, especially on low-cost carriers, make it easier for Australians to travel outbound.



Image courtesy of Tourism Australia

5 The Economist Intelligence Unit (2019), Safe Cities Index 2019.

6 ABS (2019), [Overseas Arrivals and Departures \(Cat no. 3401.0\)](#)

7 Social Media News (2019), [Social media statistics Australia – June 2019](#)

BOX 3: TRAVEL INCREASINGLY CONSIDERED AN ESSENTIAL PART OF LIFE

Travel is now often considered an ‘essential’ rather than a luxury in Australia, with people willing to forgo other consumption to travel. These priorities are even more obvious in younger Australians, with current housing affordability meaning younger generations are choosing to spend their money on travel, rather than own a home.*

This is further demonstrated as the share of household spending on travel continues to increase relative to the share of spending on other items such as clothing, vehicles and furniture. This is partially due to the declining prices of many manufactured goods such as clothes and cars. The share of spending on cars has almost halved, from 5.9% in September 2000 to just 2.8% of annual expenditure in December 2017. The share of annual spend on international travel is now higher than spend on vehicles and furniture.

FIGURE 2: PERCENTAGE SHARE OF EXPENDITURE ITEMS, 2000 TO 2017



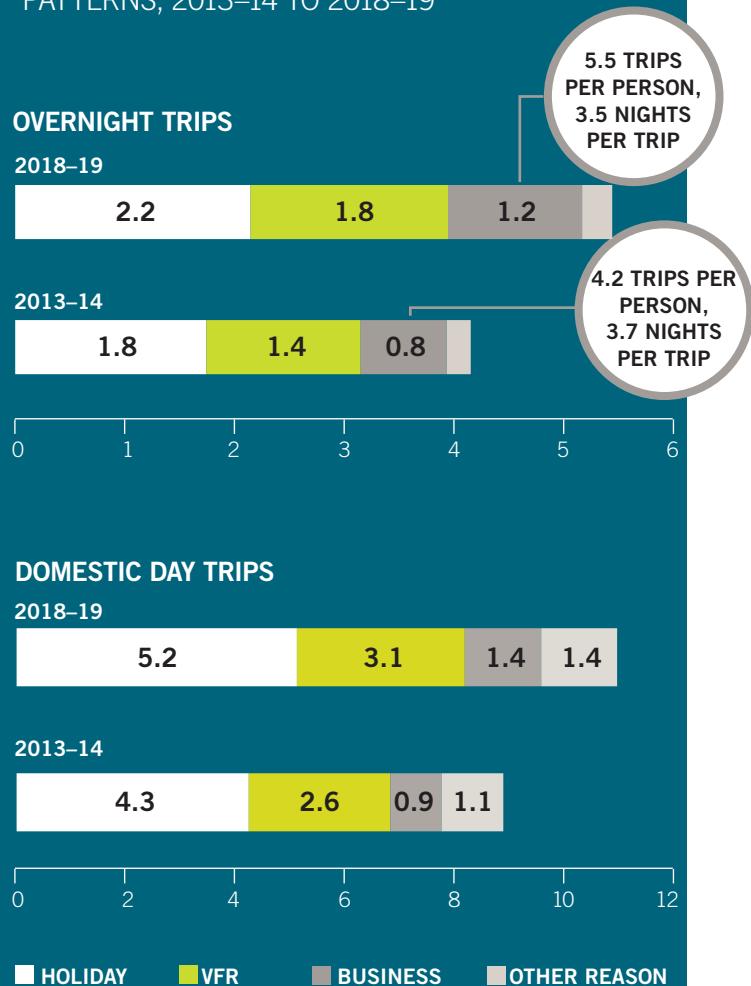
CONSUMABLE GOODS

- CLOTHING & FOOTWEAR
- FURNITURE & FURNISHINGS
- MOTOR VEHICLES

Source: ABS (2018), *Consumer Price Index, Historical weighting patterns 1948-2017*

Australian travellers are opting for shorter but more frequent trips when travelling domestically. This increase in frequency has outweighed the shorter trip length and as a result the average number of nights on domestic travel has increased to 20, up from 15 nights a decade ago. The average spend on domestic travel per Australian has increased by more than \$1,150 to \$4,975 in the five years to 2018–19.

FIGURE 3: CHANGE IN DOMESTIC TRAVEL PATTERNS, 2013–14 TO 2018–19



POSITIONING THE INDUSTRY DOMESTICALLY

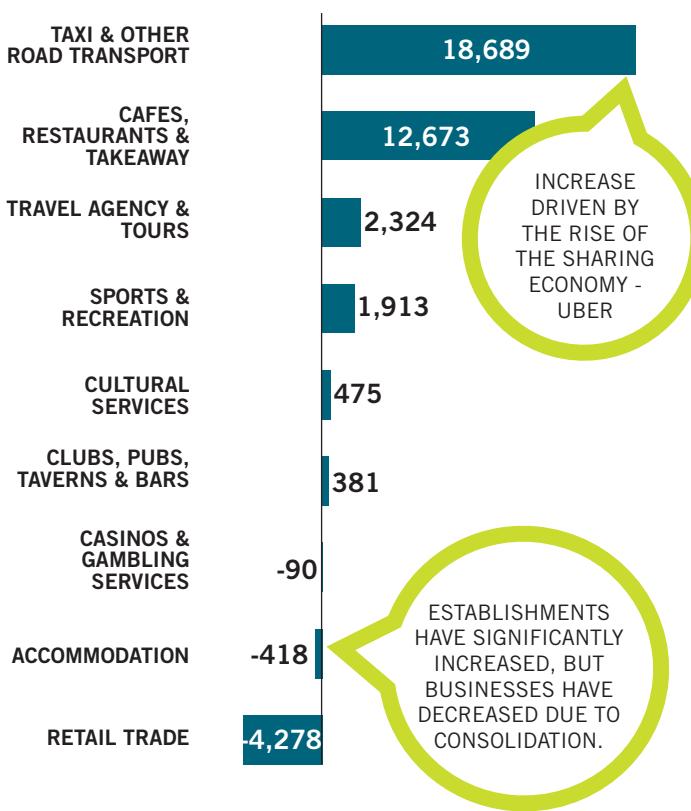
COMPETING WITHIN THE INDUSTRY TO GET AHEAD

There are 302,500 tourism-related businesses in Australia. As the industry grows, there is inevitably increased competition for the consumer dollar. This makes it harder for the individual provider, but competitiveness within the industry helps to drive product quality and the efficiency.

Recognising and catering to market segments – such as the high value business market – will help the industry drive repeat visitation and positive word of mouth marketing, which is vital for the industry.

- **Price** – Average spend per night has increased just \$17 in the last decade, with much of this in the past two years. This is caused partially by a change in spend patterns, with visitors shifting away from shopping, and towards accommodation, food and drink. However, there is also increased price competition with more businesses entering the market, up almost 32,000 in the past five years. This increase is particularly evident in taxi services, driven by the increase in ride-share options.

FIGURE 4: CHANGE IN TOURISM BUSINESSES BY INDUSTRY, JUNE 2013 TO JUNE 2018



- **Product** – Since June 2013, the number of travel agency and tour operator services has increased by 46%, while tourism businesses increased just 12%. This equates to 2,300 more businesses selling tours, experiences and tourism services – proof there is continued demand for tourism products, especially those tailored to visitor needs.

BOX 4: INVESTORS NEED SUPPORT TO CREATE PREMIUM OFFERINGS

Visitors are shifting towards eco-friendly boutique based accommodation offerings. This is evident with significant investment occurring in this space – with first movers experiencing significant success.

As the industry looks to shift its offerings, ongoing support and encouragement will be required. Investors appear hesitant to invest in ‘greenfield’ infrastructure, especially in unknown areas of regional Australia. Providing accurate information and assistance could see targeted investment boost tourism to our regions.

JACKALOPE HOTELS

Jackalope Hotel is located among the Willow Creek Vineyard on the Mornington Peninsula. In its first year it was awarded ‘Australia’s Hotel of the Year’, ‘New Hotel of the Year’ and ‘Regional Hotel of the Year’ at the 2017 Gourmet Traveller Australian Hotel Guide Awards.

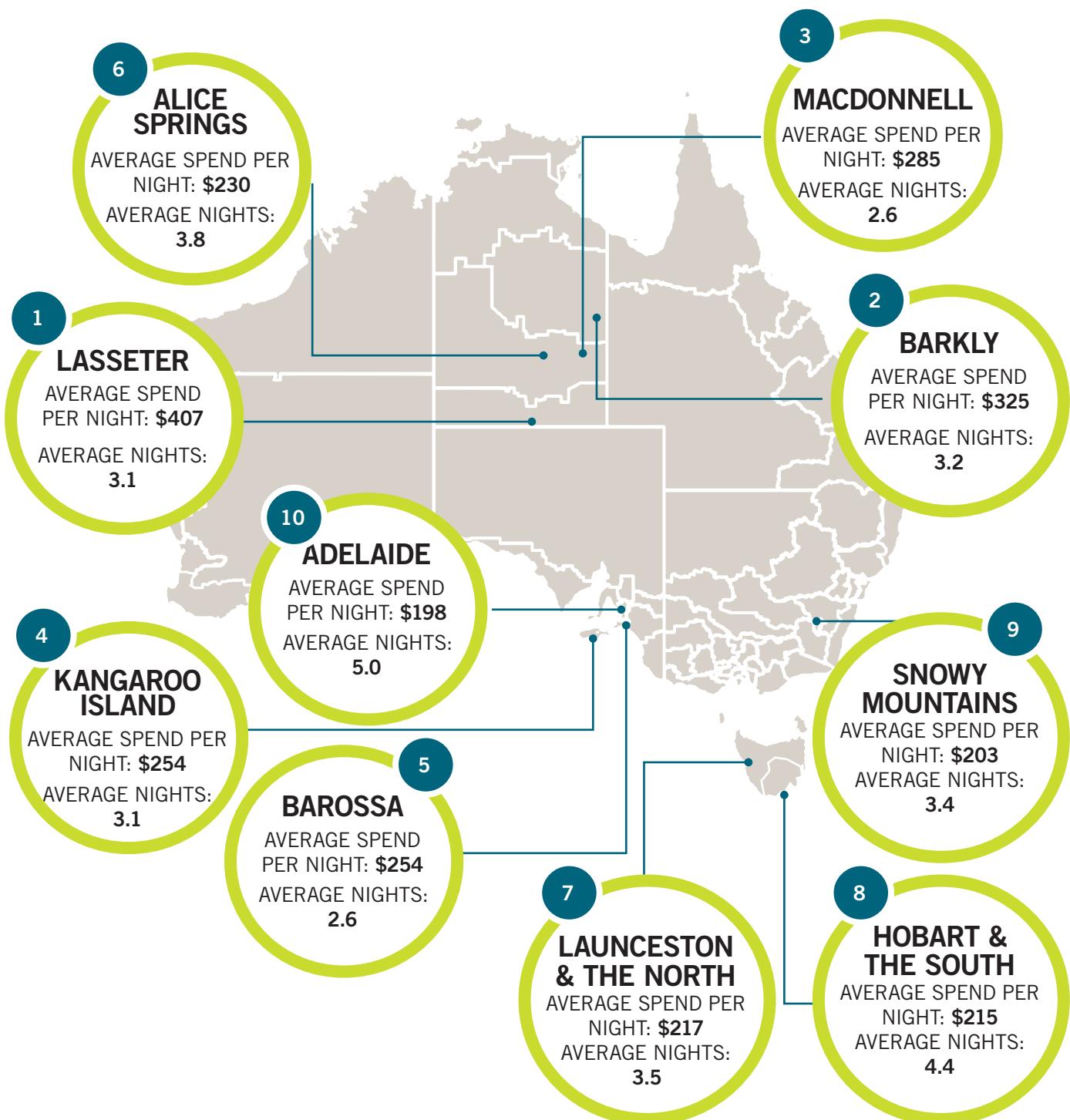
This hotel has helped to raise the profile of the Mornington Peninsula for international visitors. As a boutique hotel with just 45 rooms, it has put a focus on luxury and design to accommodate the desires of the high-end consumer, especially those travelling from China. With prices starting at \$1,300 per night, it offers immersive food and wine experiences delivered through its two restaurants, cocktail bar, winery and cellar door.

The success of this hotel sees Jackalope Flinders Lane scheduled to open in 2022. This will comprise 36 rooms, two restaurants, a two-storey rooftop bar, and the now famous Rain Room.

- Location** – city-based operators tend to outperform those in the regions because of higher demand, particularly internationally. This is despite competition between operators being higher in cities.

The average spend per night is \$175 in capital cities and the Gold Coast, compared to \$144 in regional areas. This does not necessarily mean more profit, as establishments in built up areas generally face higher costs, including council rates, maintenance and labour. However, a number of regions look to use their advantageous locations to offer unique products, with eight regional areas appearing among the top performing areas by nightly spend.

FIGURE 5. TOP TEN TOURISM REGIONS BY AVERAGE SPEND PER NIGHT AND LENGTH OF STAY, 2018–19



- **Technology** – service is the life-blood of tourism, which makes it very susceptible to technological disruption. Technology has the potential to both enhance and challenge the tourism industry, with significant disruption already experienced in the accommodation and transport sectors through companies like Airbnb and Uber. Continued growth in the sharing economy, emerging payment platforms, and augmented reality (AR) and virtual reality (VR) are expected to create the next wave of disruption in the shopping, tours and food and beverage sectors.⁸

BOX 5: HOTELIERS ADAPT TO COMPETE WITH THE SHARING ECONOMY

Airbnb has long been considered a disruptor of the traditional hotelier. However, some hoteliers are now adapting to remain competitive in the industry. Recent statistics show there has been a 152% increase in traditional hotel and accommodation listings on the Airbnb platform worldwide.

This continues in the Australian market, with bed and breakfasts and boutique hotels in Sydney and Melbourne already offering rooms via Airbnb to diversify their target markets and capture tech-savvy tourists.

In regional Australia, Airbnb offers the opportunity for operators to launch their offerings to different demographics and capture more of the younger, high yield domestic and international markets looking for more unique and authentic experiences away from the capital cities

- **Building on existing products/attractions** – this enables operators to provide an enhanced product or level of service compared to competitors. This is particularly important as Australia offers a plethora of natural attractions that draw visitors, many of which are yet undiscovered by the mainstream market.

ENSURING A LEADING TOURISM WORKFORCE

Tourism continues to be a key economic driver for Australia. In 2018–19, it contributed \$60.8 billion to Australia's GDP and employed 666,000 people.⁹

A key challenge for the industry is securing and retaining quality labour. While tourism directly employs more than 5% of the working population, for most it is considered a job rather than a career. Some of the key reasons for this include:

- A low level of skilled employment. For example, only 32% of workers in the accommodation and food sector were managers, professionals or skilled tradespeople. For the Australian labour force as whole, 50% of workers fall within these categories.¹⁰
- Low pay – the average weekly earnings for accommodation and food services employees is just \$550, compared with \$1,238 for Australian workers overall.¹¹
- Unfavourable hours, often including late night and weekend work.
- Seasonality/casualisation, with 48% of the workforce employed part time.

Consequently, the industry attracts a younger workforce, many of whom are working while completing education for a future career and don't regard tourism as a serious career prospect. Changing this perception will ensure high quality labour is retained within the industry. The result – better experiences for visitors and increased productivity and efficiency for employers.

COLLABORATING FOR GROWTH

Identifying opportunities for collaboration with other industries enhances tourism's growth. Partnerships provide access to more resources and increase market opportunities. As a service industry, tourism has built these connections for many years, which has led to increased growth.

- Food and wine has long been a key driver of high yield visitation. It is a top-five driver of destination choice globally and provides an obvious nexus with agriculture to sustain and elevate Australia's food and wine offering. In 2018–19:
 - more than 1 million international visitors went to a winery
 - 2.2 million went to a local food market
 - 375,000 travelled to a farm gate.

This not only introduces Australian products to international visitors, but provides ongoing quality to drive repeat domestic visitation.

9 ABS (2019) Tourism Satellite Accounts 2018-19

10 ABS (2016) *Census of Population and Housing*

11 ABS (2019) *Average Weekly Earnings, Australia* (cat. no. 6302.0)

- Almost 586,000 international visitors came to Australia for the main purpose of education in 2018–19. Education visitors have a greater impact on Australia's economy:
 - Their longer average stay means that 92% of education visitor spend is actually in Australia, rather than on international airfares and package tours – compared to just 60% for holiday visitors.
 - They spurred 313,800 trips from friends and relatives while they were studying here, who went on to spend \$1.2 billion in Australia.

These visitors come to study, but often explore the country while they are here. They also have the potential to create life-long friendships and connections that will see them continue to return in the future.

Leveraging off these established ties with the food and wine and education industries will help promote tourism, but also requires collaboration across sectors to mitigate future risk. Current issues including drought, smoke taint and affordable student housing in capital cities may seem far removed from tourism, but early intervention can help to prevent future impacts.

ENSURING FUTURE PROSPERITY

The industry's strong reliance on infrastructure, environmental icons and support from the Australian community means that sustainable growth is just as important as profitability.

Sustainable growth is about allowing the industry to flourish economically while addressing broader environmental concerns and the impact of tourism on resident populations. It encompasses three areas:

- Economic sustainability – ensuring the efficient supply of tourism labour, transport, accommodation and attractions across Australia meets the needs of visitors and delivers on their expectations.
- Environmental sustainability – maintaining and preserving our natural attractions so they can be enjoyed by future visitors.
- Community sustainability – engendering strong support for tourism by addressing its impacts while communicating its benefits.

These sustainability aspects are inter-related. For example an economically successful industry is better positioned to generate the revenues needed to support long-term viability. Similarly a focus on high yield markets will provide equivalent economic benefits to mass-market tourism, but with fewer environmental and social downsides. A sustainable approach to tourism will also deliver the infrastructure and attractions that can be enjoyed by residents and visitors alike, while creating resilience for providers.

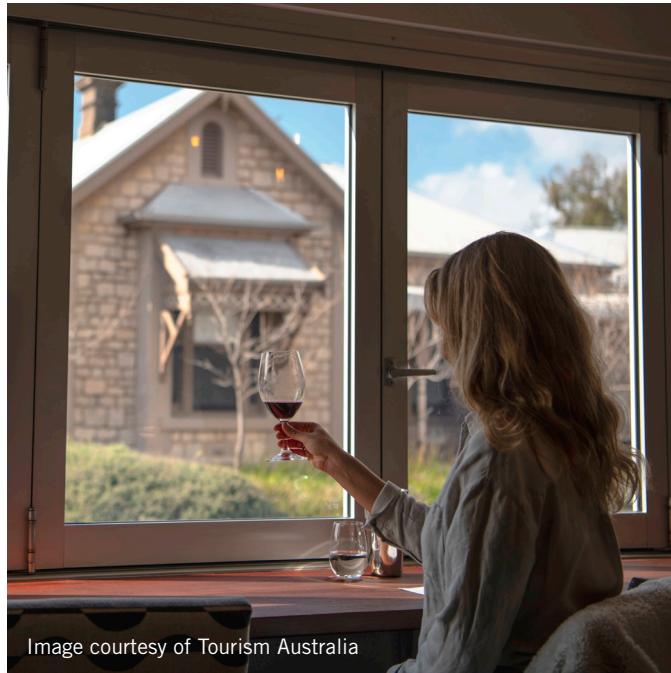


Image courtesy of Tourism Australia

BUILDING ECONOMIC SUSTAINABILITY DELIVERING VISITORS TO DESTINATIONS

Transport and access is a key requirement for tourism. In 2018–19, there were 26.9 million available inbound seats on flights to Australia, an increase of 1.8%. These seats were operating at an average load factor of 80.9% and closer to full capacity during peak periods. This means that international aviation remains profitable but still has capacity to grow outside periods of peak demand.

Some of the most constrained markets included the UK (87.8% load factor), India (87.1%) and Singapore (86.3%). The Government continues to negotiate air services arrangements to ensure that there is adequate arrangements for expansion where required.

Domestic aviation declined marginally in terms of the number of seats available (down 0.1%). A small increase in passengers saw the load factors increase to 80.3% across the year. Domestic aviation remains concentrated in the capital cities, with 55% of available domestic seats connecting state capitals.

The size of Australia means that aviation continues to be a focal point, but 73% of domestic overnight trips are self-drive, with an additional 6% travelling on other ground transport. Car transport was even higher for regional areas, accounting for 85% of trips. This flags the requirement for investment in road and rail infrastructure and other public good assets to create sustainable access for future travel.

BOX 6: INVESTMENT IN INFRASTRUCTURE IS KEY, BUT IT NEEDS TO BE WELL TIMED AND TARGETED.

Sydney is a key hub for international visitors to Australia, accounting for more than 40% of arrivals. However, the Sydney International Airport is already running close to capacity.

Badgerys Creek Western Sydney Airport is a large scale, investment that will help to ease this pressure, but stage one is not expected to be completed until 2026. Current tourism forecasts suggest Australia will receive an additional 3 million visitors per year by 2025–26, which will require visitors to change current travel patterns during this time.

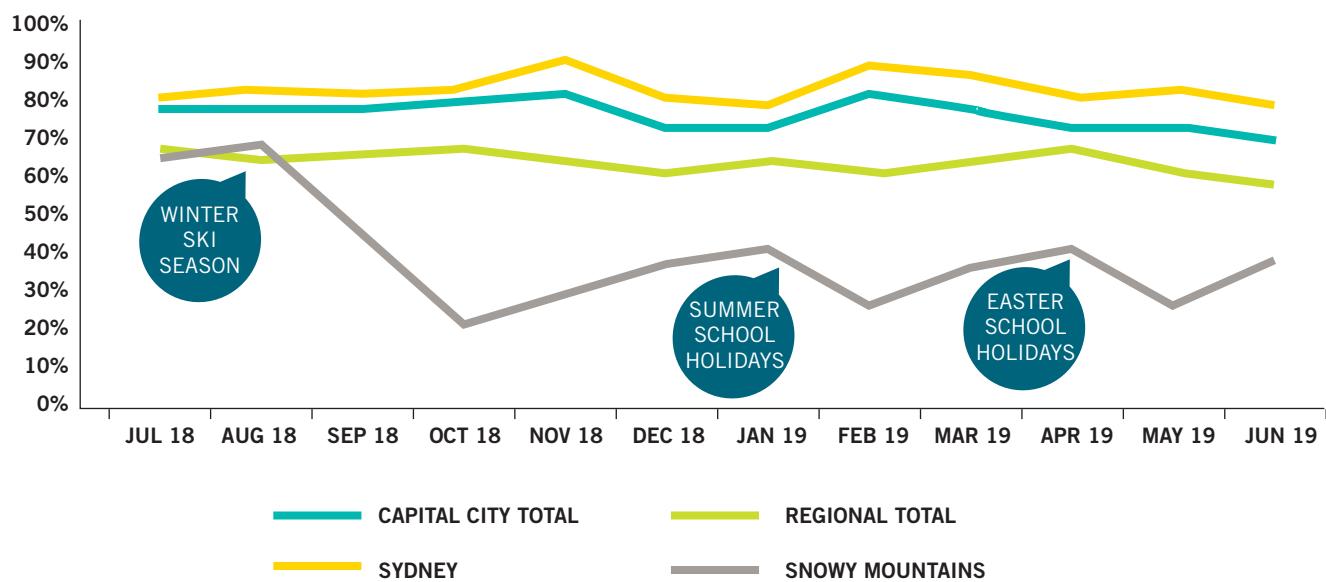
Using this as an example, it becomes apparent that a better understanding of travellers and their behaviours is required to keep pace with demand. This can be done through targeted and well-timed investment to ensure that infrastructure keeps pace with visitor demands.

MANAGING ACCOMMODATION DEMAND

Occupancy rates fell to 74.0% in 2018–19, but this is still profitable relative to other competitor markets. Strong growth in accommodation supply contributed to this fall, with more than 7,650 rooms entering the market. These new rooms were primarily located in the supply constrained capital cities, with almost 4,000 rooms added across Melbourne, Brisbane and Sydney. The fall in occupancy rates (and Revenue Per Available Room - RevPAR) is a short-term effect, and these metrics are expected to lift as demand eventually catches up with the supply increase.

Most destinations face some seasonality due to weather patterns and visitor types, however the effects are more pronounced outside of capital cities, with more remote destinations finding it challenging to address these fluctuations. This can be a challenge for regional operators as many business overheads remain fixed, and can be quite costly where traditional infrastructure is required. Recruitment and retention of labour can be difficult. Holiday visitors are also price sensitive, so there are limits on how much prices can be raised during peak periods.

FIGURE 6: CHANGE IN OCCUPANCY RATES BY MONTH FOR AUSTRALIA'S TOURISM REGIONS, JULY 2018 TO JUNE 2019



TARGETING THE RIGHT TYPES OF VISITORS

The impact and sustainability of tourism varies, and is dependent on different visitor types. The typical overnight visitor will make greater use of tourism infrastructure than a day visitor, while making a greater economic contribution to the region. International visitors will spend more per trip and stay longer than domestic overnight visitors.

Among Australians, overnight trips are decreasing in length, with an average trip just 3.5 nights. However, the average Australian is travelling more often, making 5.5 overnight trips per year and 11.1 day trips. From a marketing perspective, 70% of domestic overnight travel and almost all day trip travel is within a visitor's home state.

International visitors in Australia tend to stay at a destination longer (31.7 nights) than domestic overnight visitors so tend to spend far more as well – \$5,183 per trip versus \$684 for domestic overnight. Within the international cohort there are market segments that stand out in terms of spend, including high yield travellers, international education visitors, and business travellers.

- **High yield** – high yield visitors are those with a significantly higher nightly spend than the average. In 2018–19, there were 94,200 visitors whose average nightly spend was more than \$1,000. Despite an average trip length of just 5.9 nights, these high yield visitors spent \$1.2 billion in total. China accounted for 36% of these visitors, followed by New Zealand (13%). The importance and growth of this segment is evidenced by the growth of the luxury accommodation market, with rooms increasing 4.1% in 2018–19. The average daily rate for these rooms remains high, at \$259 per night.

- **Education** – Students comprised just 6.8% of short-term visitors (586,000), but contributed a 29% share of international visitor spend (\$12.7 billion), owing largely to the longer stay in Australia (128 nights on average) and additional education expenses. This equates to an average spend of \$21,690 per student. Their economic impact is significant, but their impact on tourism infrastructure is modest, with just 2% of nights spent in hotels, resorts or backpacker accommodation, and only one-in-six going on a tour.

- **Business** – These visitors have the highest average spend per night at \$387 and an average stay of 10.8 nights. This higher spend is propped up by accommodation spend, with 58% of international business nights in hotels, motels or resorts. New Zealand's proximity makes it Australia's largest business market (24%), followed by the US (14%).

Travellers aged under 30 are not a high yield market, but they accounted for 45% of all international spend in 2018–19, with \$1.9 billion spent in regional areas, and 86% of young travellers highly likely to recommend Australia to friends. Encouraging repeat visitation in these younger travellers as they move through different life stages will be critical for the growth of the industry into the future.

BOX 7: PROMOTE, AND THEY WILL COME

With US\$1.4 trillion now spent on international travel each year,¹² countries are competing to increase their share and the need for marketing has become essential for international tourism bodies. However, marketing needs to be targeted to the right audience using the right platform – it will then provide an opportunity to convert desire to visit into actual visitation.

Tourism Australia's recent Australia Inc. campaign was targeted at young people in the UK, Germany and France who want to combine travel with temporary work in Australia through the Working Holiday Maker Program. Working Holiday Makers (WHM) have a greater tendency to disperse, with 61% travelling outside of the capital cities. Importantly, regional areas receive 26% of spend from WHMs compared to just 15% of spend for all visitors.

The Australia Inc. campaign:

- reached 16.7 million 18-30 year olds across the UK, Germany and France
- created 45.2 million views of the video across Facebook, Instagram and Snapchat
- saw 10,000 click throughs from Australia.com to the relevant Department of Home Affairs WHM visa webpage so far – a 300% increase.
- saw consideration for Australia as a working holiday destination increased by 3% to 66%.¹³

While the main purpose of marketing is to increase the visibility and appeal of a destination, it also builds a platform to present accurate information for future travel, especially during times of uncertainty.

12 UNWTO (2019), *World Tourism Barometer*, September 2019

13 Tourism Australia (2019), Data supplied.

CREATING AN INCLUSIVE TOURISM SECTOR

Creating an inclusive industry can increase economic benefits by widening the visitor and labour pool, creating accessible experiences and helping to disperse the benefits across the population.

People with accessibility needs account for a moderate portion of Australia's population. In 2016, 5.1% of Australians needed help with core activities, with a further 12.4% caring for those who need help.¹⁴ This large segment of potential visitors are increasingly being catered for by businesses, but there are still more opportunities for growth.

For example, a wheelchair-bound visitor will seek out information on whether there is elevator or ramp access for buildings. If this information isn't widely publicised, the visitor may choose to avoid the area. Not knowing if a hotel has accessible rooms may mean they avoid particular hotels or destinations more broadly. Inclusivity can help tourism demand, but it can also help to disperse the economic benefits and fill the supply gap.

New experiences, such as Indigenous culture, allow the industry to access a currently under utilised part of Australia's history to drive visitation away from the capital cities, while providing access to a greater pool of workers.

Research shows an increase in demand for these experiences is not being converted to visitation. Only 11% of international visitors participated in an Indigenous culture activity – increasing to 22% among those who visited a regional area. However, their interactions remain shallow, and only 6% actually visited an Aboriginal site or performance.

BOOSTING REGIONAL ECONOMIES

Tourism also has the ability to help create economic sustainability by dispersing spend across the regions. In 2018–19, almost 44% of visitor spend was in regional areas. It comprised:

- 15% of international spend (or \$4.6 billion)
- 51% of domestic overnight spend (or \$39.6 billion)
- 56% of domestic day spend (or \$13.6 billion).

The nature of regional dispersal means that, compared to capital cities, most regions have lower visitor demand, resulting in lower occupancy rates, and prices being generally lower. The average domestic overnight trip to a capital city is 3.1 nights with a total spend of \$805 – compared to 3.6 nights for \$558 in regional areas. This is even more pronounced for international visitors, with spend per night in regional areas just \$88 compared to \$119 in capital cities.

Despite this disparity, tourism continues to have a more significant impact on the economy of regional areas, accounting for 4.1% of GDP and 8.1% of the regional workforce. Increasing visitor demand to regional areas is important, helping ensure the benefits of tourism are widespread. It also ensures Australia is well positioned to cater for the forecasted growth in domestic and international visitation. In this respect, there are a number of challenges, including:

- localised labour shortages, exacerbated by the seasonal and casualised nature of tourism employment.
- huge distances within Australia, limiting the ability of visitors to explore beyond the cities.
- lower recognition and understanding of what regional Australia has to offer, particularly among international travellers.

There is also the issue of readiness. Some regions have already been impacted by high demand, which is exacerbating infrastructure deficits in those areas. Some destinations for example are very remote and some are not yet equipped to handle tourists, or community attitudes may be such that tourism isn't valued. Increasing dispersal includes consideration of factors such as community sentiment, the suitability of existing infrastructure, the impact of tourism on surrounding environments and the potential for new investment in transport networks, accommodation and attractions.

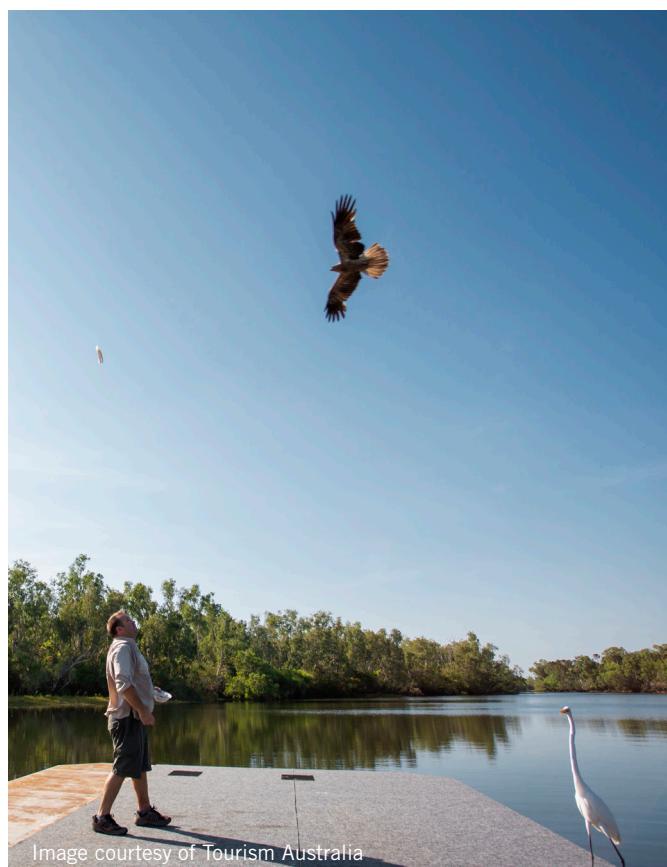


Image courtesy of Tourism Australia

PROTECTING OUR NATURAL ASSETS

Consumer demand research shows that the number two driver of destination choice globally is nature and wildlife (behind safety and security). Of our key markets, eight out of twelve rank Australia's nature and wildlife number one.¹⁵ This makes nature and wildlife a key value proposition for Australia, reflected in its prevalence in domestic and international marketing campaigns.

At the same time visitors are becoming increasingly aware of their environmental impact, with preferences shifting toward more eco-friendly options – especially among younger visitors. In this context it is critical to manage growth in a way that suitably balances environmental considerations, such as protecting and preserving our natural attractions, delivering tourism offerings that are sensitive to the natural surroundings.

It is also important to acknowledge that many of our natural assets are in areas predisposed to natural disaster, such as bushfires, cyclones and floods. Ensuring there are adequate management plans for these disasters can help to protect the tourism industry for the future.

BOX 8: ECO-TOURISM ON THE GREAT BARRIER REEF

Since 1991, Eco Accreditation has been recognised in Australia for tour operators. As the Great Barrier Reef is a protected zone, the Great Barrier Reef Marine Authority will only issue commercial permits to operators with eco-tourism certification. This means that not only are they ensuring the protection and management of the environment, but also offering a guarantee to environmentally conscious visitors.

[Great Barrier Reef \(2019\) Eco-Tourism Efforts on the Great Barrier Reef](#)

STRENGTHENING COMMUNITY SUPPORT

The economic benefits tourism generates are important to Australia and its regions, however, future growth should be targeted to regions that are ready. Attempting to bring more tourism to areas without the necessary infrastructure, access and community support would introduce a range of negative impacts, including:

- greater strain on local amenities and services and the potential for higher prices.
- culturally insensitive behaviours (on both sides) due to a lack of education and awareness.
- accommodation shortages as demand overtakes supply, with the potential for reduced rental stock as landlords turn rental properties into visitor accommodation.
- offerings that fall well short of visitor expectations.
- missed opportunities locally in terms of business growth and providing employment.

BOX 9: RECOGNISING CULTURAL IMPORTANCE IN VISITOR EXPERIENCE

In 2019, the climb to the top of Uluru was closed. This decision was made by the Uluru-Kata Tjuta National Park Board of Management due to the cultural significance of Uluru to the land's traditional owners.

To address the impacts of the closure on future tourism, the region has developed a number of new visitor experiences to establish itself as an adventure destination and educate visitors on Australia's cultural history.

Therefore, in addition to enjoying this iconic landmark, visitors will be able to enjoy new experiences and explore the area beyond the single attraction.

It is hoped that this Australian landmark can continue to be a draw card for visitors into the future while adhering to the wishes of the community, and educating visitors on Australia's cultural history.

While infrastructure planning, community consultation and well-timed marketing can address these impacts, there is a time lag until they take effect. In contrast, visitor preferences are constantly and rapidly changing, accelerated by the growing use of social media and word of mouth marketing. This gap between what visitors expect and what can be supplied within a realistic timeframe is a particular challenge for tourism hotspots around regional Australia's natural attractions.

For example, international visitation to the Great Ocean Road has increased by more than 400,000 in the past five years – more than 1,150 more visitors per day. The Great Ocean Road is predominantly a day trip destination for international visitors, but is still a significant increase in reliance on roads and local infrastructure. A more remote example is Cradle Mountain, where visitors have more than doubled. Additional investment has been required to meet visitor expectations, with visitor facilities undergoing a multimillion dollar revamp.

FIGURE 7: INTERNATIONAL VISITOR GROWTH TO KEY NATURAL ATTRACTIONS, 2013–14 TO 2018–19

	2013–14	2018–19	CHANGE
 Great Ocean Road	615,500	1,037,700	69%
 Great Barrier Reef	557,600	736,000	32%
Uluru (Ayers Rock)/Kata Tjuta (Olgas)	160,600	184,800	15%
 The Pinnacles/Cervantes	88,900	171,500	93%
 Cradle Mountain	52,900	118,000	123%
 Freycinet National Park/Coles Bay	48,200	92,200	91%
 Ningaloo Marine Park	27,400	31,600	15%

WHAT'S NEXT?

TOURISM 2030

Over the lifetime of the Tourism 2020 strategy there has been substantial progress. In terms of demand, total overnight visitor spend was forecast to reach \$134 billion by the end of 2020 – just short of the strategy's \$140 billion upper-bound target set in 2011. In terms of supply, three out of four supply side targets – international aviation, accommodation and employment – have surpassed their upper bound targets.

As Tourism 2020 draws to a close, it is now time to build on what has been achieved to ensure the tourism industry can continue to thrive. The government has engaged in significant consultation with industry to ensure that the next strategy mirrors the key concerns of the industry. Tourism 2030 is about growing the industry in a sustainable way to ensure that the industry continues to grow, while benefiting all Australians through economic prosperity. It also represents a shift towards a more evidence-based, forward-looking approach, recognising the changing nature of tourism and rapid emergence of new challenges and technologies.

ENHANCED DATA OFFERINGS

Continuing to develop and enhance our data offering can provide better insights on visitor behaviours, leading to informed business and policy decisions. Ongoing analysis has identified a number of **complementary data sources** that could be used to help fill the current data gaps, including:

- transactions and financial data
- social media and reviews
- bookings and ticketing
- telecommunications and location data.

Accessing this data has ongoing challenges including high costs, privacy and security issues and the lack of national coverage, but a number of organisations have begun work in this space.

- In August 2019, Destination NSW announced they would be working with Westpac transactions data to better understand the visitors within NSW and how their spending contributes to the visitor economy.
- In early 2020, two companies were successful in the second stage of the Business Research and Innovation Initiative run by the Department of Industry. This provides them with \$1 million to develop a proof of concept for the policy challenge '*Using intelligent data to transform tourism service delivery*'.

Access to enhanced data is the first step, while cross-cutting analysis of a number of key performance indicators will provide a strong platform for evidence-based decision making.

Current measures are focused on achieving a balance between supply and demand. As a result they tend to measure past performance – limiting understanding of what is holding the industry back and what is driving it forward. Current performance measures also have a strong economic slant, limiting understanding of the wider impacts for society and the environment.

Drawing together information on a broad range of indicators can provide a deeper, more nuanced understanding of tourism's performance. This can also lead to increased government and industry collaboration, greater accountability, and more assertive decision-making and policy action.

For more information, go to www.tra.gov.au.

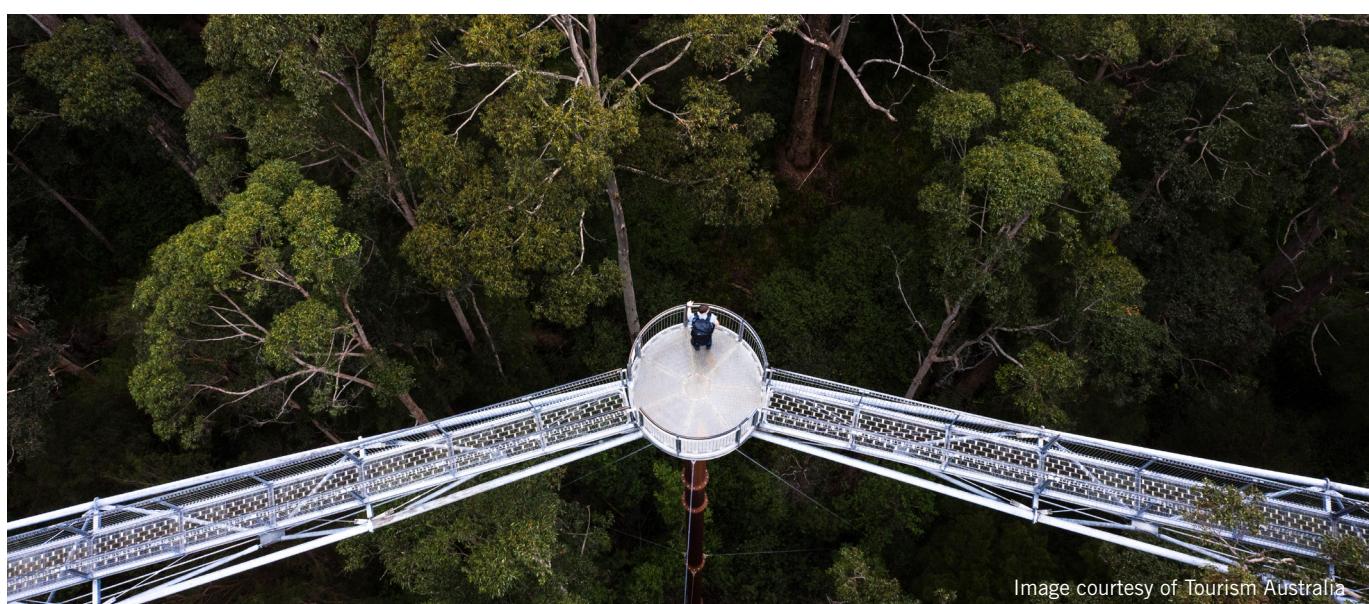


Image courtesy of Tourism Australia