The economic impact of the current mining boom on the Australian tourism industry
Image: Ragged Range, south of Kununurra, WA
Courtesy of Tourism Western Australia

Authors
Tourism Research Australia:
Dr Tien Duc Pham, Geoff Bailey and Justin Marshall

Other contributors
Ray Spurr and Professor Larry Dwyer

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Tourism Research Australia
Department of Resources, Energy and Tourism
GPO Box 1564
Canberra ACT 2601
ABN 46 252 861 927

Email: tourism.research@ret.gov.au
Web: www.ret.gov.au/tra

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Figures

Figure 1: Non-rural commodity prices ................................................................. 2
Figure 2: Growth in Gross Value Added, by industry (including tourism), 2004–05 to 2010–11 ........ 3
Figure 3: State and territory Gross State Product, and Australia’s Gross Domestic product, growth from 2004–05 to 2011–12, per cent ................................................................. 4
Figure 4: Investment in mining and share of total investment in Australia ................................ 5
Figure 5: Employment in the Australian mining industry and its share of total employment in Australia ................................................................. 5
Figure 6: State and territory dependency on mining and tourism, 2010–11 ................................ 8
Figure 7: Average annual growth in tourism leisure expenditure by residents in each Australian state/territory, 2011–12 compared to 2005, per cent ................................................................. 10
Figure 8: Average annual growth in overnight leisure expenditure for outbound and domestic travel, by Australian state/territory residents, 2011–12 compared to 2005, per cent ............ 10
Figure 9: Australian tourism’s share of household consumption, 2004–05 to 2011–12 ............ 11
Figure 10: Growth in business overnight visitor expenditure, compared to leisure expenditure .... 11
Figure 11: Base scenario, impacts on Gross State Product/Gross Domestic Product ................. 12
Figure 12: Scenario, unconstrained investment in mining boom states/territories, changes on the base case for Gross State Product/Gross Domestic Product ......................................... 20
Figure 13: International, domestic interstate and domestic intrastate leisure visitor nights ........ 34
Figure 14: International, domestic interstate and domestic intrastate leisure visitor nights by state/territory ........................................................................................................... 36
Figure 15: Business and employment visitor nights, by international, interstate and intrastate ...... 39
Figure 16: Business travel (international and domestic), in key mining tourism regions of Australia’s North West (ANW) and Central Queensland (CQ) ............................................................. 40
Figure 17: Leisure travel (international and domestic), in key mining tourism regions of Australia’s North West (ANW) and Central Queensland (CQ) .............................................................................. 41

Tables

Table 1: Tourist accommodation, key performance indicators, 2005 to 2011 ............................ 13
Table 2: Tourist accommodation, change in key performance indicators in key mining and tourism-related regions, 2005 to 2011 ................................................................................. 14
Table 3: Fastest growing domestic aviation routes, 2004–05 to 2011–12 ...................................... 15
Table 4: Summary of results – the base scenario ........................................................................ 19
Table 5: Impacts of the strong Fly-In/Fly-Out and Drive-In/Drive-Out demand on accommodation and aviation ..................................................................................................................... 22
Executive summary

The mining boom began in the mid-2000s leading to sharp increases in prices for mining-related commodities. It has, to date, delivered mixed impacts across Australian states and territories, and across industries. This is sometimes referred to as ‘Dutch Disease’, whereby a boom in an exporting industry, in this case mining, raises the terms of trade and the value of a currency. This can deliver negative impacts for some other industries involved in export or import substitution.

This is a follow-up report to Tourism Research Australia’s (TRA) snapshot on the impact of the mining boom, released in November 2011. It showed that travel activity to the key ‘mining’ tourism regions (and for business more generally) had increased strongly and that accommodation and aviation industries in capital cities and in the mining areas were benefiting from the boom up to that time.

This study looks at these economic impacts in more depth at a state and territory level, including for leisure tourism (travel for the purposes of holiday, or to visit friends and relatives - VFR). As tourism is a difficult industry in which to determine the net impacts of the mining boom, a state-based Computable General Equilibrium (CGE) model was employed to help assess this impact. Attempting to quantify the impacts of the mining boom is made more difficult due to the local nature of impacts that currently available statistics are unable to reflect.

In order to provide an industry perspective on the statistics and modelling, TRA sought views from representatives from a number of tourism organisations currently active in the mining boom debate, including the Tourism & Transport Forum Australia (TTF), the Australian Tourism Export Council (ATEC), Queensland Tourism Industry Council (QTIC) and the Tourism Council Western Australia (TCWA).

Overall, industry feedback confirms the broader trends contained in official statistics, namely, that while the mining boom impact on the tourism industry has been very mixed, it has had a negative impact on leisure tourism. The feedback also highlighted concerns about tourism’s inability to attract and retain skilled staff and the impact that the displacement of leisure travel with business travel (miners) is having on the leisure tourism sector. This report identifies in detail a range of economic impacts of the mining boom, both positive and negative.

Positive economic impacts for all industries

- strong growth in revenues and investment in the mining sector and for other industries aligned to mining and resources. Modelling undertaken for this report estimates that the mining boom has on average added 0.62 per cent to total investment per year for each year in Australia.
rapid expansion in job opportunities in mining and related sectors particularly for Fly-In/Fly-Out (FIFO) and Drive-In/Drive-Out (DIDO) workers in remote areas of the mining-rich states of Western Australia, Northern Territory and Queensland. Modelling points to the boom adding 0.51 per cent, 0.38 per cent and 0.24 per cent per year respectively to employment in each of these states.

- increases in Australia’s Gross Domestic Product (GDP), which has led to substantial growth in Gross State Product (GSP) for Western Australia, Queensland and the Northern Territory. Modelling for this report estimates that the boom has on average added 0.23 per cent per year to Australian GDP, 1.07 per cent to GSP in Western Australia, 0.71 per cent to GSP in Queensland, and 0.66 per cent per year to GSP in the Northern Territory.

- considerable value-add to the economy which has translated into strong income growth for the household sector. Modelling estimates this has in turn led to an increase in household consumption of 0.47 per cent per year at the national level.

**Negative economic impacts for all industries**

However, the spoils of the mining boom are not being evenly shared across industry sectors, states and territories, regional areas and sections of the community. This is commonly referred to as the ‘patchwork’ or ‘multi-speed’ economy. These costs include:

- the high value of the Australian dollar associated with the mining boom negatively impacting on Australia’s export industries and those which face strong import competition.

- reduced GSP growth for states and territories with less exposure to mining. Modelling estimates that the largest average annual reductions in GSP have been 0.30 per cent for Tasmania and 0.16 per cent for South Australia.

- lower employment growth in most states and territories, with modelling indicating that employment growth has slowed in Tasmania by an average 0.27 per cent per year; in South Australia by 0.19 per cent; in Victoria by 0.16 per cent; and in New South Wales by 0.13 per cent.

**Positive economic impacts for the tourism industry**

For tourism, the mining boom has been a double-edged sword, producing both economic benefits and costs. The mining boom has directly or indirectly boosted national incomes (a key driver for tourism demand), particularly in light of the still very weak global economic backdrop. The mining boom has generated a range of benefits including:

- increased discretionary spending on leisure travel at home and abroad by increasing household incomes. Modelling suggests that it has increased aggregate demand for leisure travel by 0.19 per cent on average per year.
increases in business travel, particularly to the mining-rich regions of Australia and most of Australia’s capital cities led by the mining gateways of Perth and Brisbane.

the rapid expansion in FIFO and DIDO work and business travel leading to increased usage and yield for accommodation and aviation that are servicing the mining regions of Australia, as well as Perth, Brisbane and Darwin.

**Negative economic impacts for the tourism industry**

Equally, there have been a range of negative impacts for tourism from the mining boom including:

- the still high value of the Australian dollar which places international visitation to Australia at a competitive disadvantage, particularly for the more price-sensitive segments such as low-priced leisure package travel. Reflecting this, modelling points to the mining boom reducing international leisure tourism demand by 0.51 per cent per year.

- the high value of the Australian dollar, which provides a price advantage for Australians travelling overseas for leisure rather than travelling domestically. Modelling indicates that Australian resident demand for leisure travel has increased due to the higher household incomes generated by the mining boom, but is much greater for outbound leisure travel (1.15 per cent per year) than for domestic travel (0.49 per cent per year).

- the demand from FIFO/DIDO mining workers—and business travel in general—which is competing with leisure tourists for tourism infrastructure (namely, accommodation and aviation). This is leading to leisure travel being crowded out and/or priced out in mining regions and some capital cities.

- the fact that mining (commuting) workers have less leisure time and spend less than leisure tourists on tourism activities. This is having a significant and negative impact on tourism leisure businesses in mining regions where tourism businesses (including Indigenous and other businesses focused on the remote outback experience) feature prominently. Industry feedback suggests an indirect impact is occurring for leisure tourism in other regions within the mining states and territories.

- the risk of these effects becoming ‘very localised’ (as noted from industry feedback). For example, in Perth, accommodation businesses in the city/airport corridor are benefiting strongly from FIFO demand, while accommodation businesses in other leisure-focused areas of the city and surrounds are not performing as well.

- demand for mining workers, which is creating significant problems for the tourism industry in attracting and retaining labour. As mining workers are now sourced from all over Australia, this effect is not just restricted to areas adjacent to mines, but also Australia’s capital cities and other regional areas.
Investment in tourism infrastructure

With prices for key mining commodities (coal and iron ore in particular) having fallen well below the historic highs they reached in 2011, it would appear that the mining industry has entered a new phase of consolidation.

Nevertheless, the Bureau of Resources and Energy Economics (BREE) reports investment in Australia’s mining and energy infrastructure remains at high levels (and will do so for some time), despite recent announcements by leading mining companies with regard to scaling back investment.

BREE forecasts strong investment in energy infrastructure, which means that the possibility of reductions to growth in mining jobs may be partially offset by an increase in jobs related to building energy infrastructure.

Even against this backdrop, and recent strong increases in accommodation profitability and yields—mostly in capital cities and in the mining regions—industry feedback suggests that there is unlikely to be much change to the supply of commercial accommodation for tourists as a result of the mining boom.

On the other hand, regional aviation carriers have been much more responsive in delivering additional aviation services to meet increased demand from the more lucrative mining industry. This has delivered stronger profits for charter and larger commercial carriers operating in regional Australia.

Industry feedback suggests that the redirection of seat capacity has been more pronounced in the mining states, and has resulted in a lower supply of seats to service other travellers (including tourists). At the same time, domestic airfares have increased, further reducing the price competitiveness of air transport in Australia’s regional areas.

Overall, the latest announcements—particularly from the larger mining companies—suggests that there are more downside risks to the investment forecasts, and that this may impact on future expansion of accommodation and aviation that services miners, unless mining and energy prices strengthen.

However, TRA’s modelling suggests that if stronger investment were to occur in the mining states of Western Australia, Queensland and the Northern Territory, it could potentially deliver some additional benefit (in terms of extra growth and jobs) to those states and to leisure tourism.
1 Introduction

This report assesses the mining boom and its impact on tourism with primary focus on growing competition for accommodation and regional air access.

On this basis, the report is restricted to assessing the economic impacts of the mining boom on tourism. It does not consider other important impacts of this phenomenon such as social (e.g. competition for social amenities like roads and rail) or environmental conflicts (e.g. mining infrastructure that reduces the tourism appeal of a region, which could affect Australian tourism performance).

Feedback was sought from industry organisations currently active in the mining boom debate, including the Tourism & Transport Forum Australia (TTF), the Australian Tourism Export Council (ATEC), Queensland Tourism Industry Council (QTIC) and the Tourism Council Western Australia (TCWA).

Tourism Research Australia’s (TRA) Computable General Equilibrium (CGE) model was used to quantify the long-term costs and benefits associated with the mining boom for Australia as a whole, individual states and territories, as well as for leisure tourism specifically.

The modelling results highlight the potential national, state and territory long-run impacts attached to stronger investment in accommodation and aviation in the key mining boom states of Western Australia, Queensland and the Northern Territory.

Due to the complexity of the CGE modelling component, findings from the study are presented in two reports. This report is less technical, while a supplementary technical report detailing the modelling approach used in the research will be released in early 2013.

1.1 Related research

There is little research that quantifies the net impacts of the mining boom on industries such as tourism and on the wider economy.

As a precursor for this study, TRA released a snapshot in November 2011 entitled ‘The impact of the mining boom on tourism’. The snapshot was based on TRA’s International Visitor Survey (IVS) and National Visitor Survey (NVS) and statistics from the Australian Bureau of Statistics’ (ABS) Survey of Tourist Accommodation. It showed that parts of Australia’s domestic aviation and accommodation industries had benefited from the boom, particularly those related to the strengthening demand for business travel.

In summary, the snapshot showed that travel for business and employment was strong in those regions where large-scale mining was occurring, particularly in the north-west of Western Australia and in Central Queensland.

On the other hand, parts of the leisure tourism sector were suffering, particularly those in direct competition with overseas products such as resorts. The mining boom was negatively impacting
on this sector, either directly through lower visitation and/or higher input costs or indirectly, through the reduced price competitiveness due to the higher Australian dollar.

2 Australia’s current mining boom

The current mining boom began in earnest in the mid-2000s (Figure 1), leading to a sharp increase in prices for mining-related commodities.

Figure 1: Non-rural commodity prices

Source: Index of Commodity Prices, Reserve Bank of Australia

The indirect impact of the mining boom has been felt across the Australian economy. In particular, the strong Australian dollar has reduced the price competitiveness of export industries and those industries that face strong import competition.

According to the Reserve Bank of Australia, mining-related commodity prices peaked in August 2011, and are now down by around 23 per cent from this peak. There have been sharp falls in Australia’s key mining export commodities, coal and iron ore, but despite this, mining prices still remain at high levels (Figure 1).

However, the Australian dollar has not fallen in line with mining commodity prices. For example, the Australian dollar, in US dollar terms, has remained well above parity and continues to trade at ‘post-float’ highs (Figure 1).

Normally the Australian dollar is highly correlated with movements in international commodity prices. The stronger Australian dollar appears to be currently underpinned by the weak and ongoing international economic performance of many of our key tourism trading partners, Europe and the United States in particular. However, the low risk and high yields associated with
Australian bonds, relative to much higher risks/uncertainty in overseas bond markets, also looks to be a major factor underpinning the continued strength of the Australian dollar. While it is very difficult to forecast currency movements, it does appear that the Australian dollar will remain high for some time to come.

To date, the mining boom has delivered strong growth in revenues and investment dollars to those regions and industries aligned with mining, such as construction (Figure 2).

**Figure 2: Growth in Gross Value Added, by industry (including tourism), 2004–05 to 2010–11**

![Growth in Gross Value Added, by industry (including tourism), 2004–05 to 2010–11](chart)

Sources: ABS Cat. No. 5206.0, Australian National Accounts
ABS Cat. No. 5249.0, Australian National Accounts, Tourism Satellite Accounts 2010–11

The mining boom has also driven substantial variations in economic performance across Australia’s states and territories (Figure 3).

The increase in mining prices was the main reason for Australia’s terms of trade increasing by around 78 per cent from June 2004 to June 2011, which resulted in a massive boost to Australian national incomes. Similarly, mirroring the fall in mining since August 2011 was a smaller 11 per cent fall in Australia’s terms of trade.
Figure 3: State and territory Gross State Product, and Australia’s Gross Domestic product, growth from 2004–05 to 2011–12, per cent

Source: ABS Cat. No. 5206.0, Australian National Accounts

2.1 Mining boom effects on tourism investment and employment

With higher profits, the mining and energy sectors have had much stronger capacities than other industries to pay higher wages and attract investment dollars (Figure 4). As a result, mining’s share of total Australian investment has risen from 8 per cent in 2004–05 to 31 per cent in 2011–12. At the same time, investment in tourism-related industries has showed little growth and has even contracted in some situations.
The boom has resulted in a doubling of the number of jobs in mining and energy companies and others involved in the construction of mining-related infrastructure (Figure 5).

At the same time, growth in jobs in tourism-related industries has been moderate. As a labour intensive but relatively low paying industry with significant links to Australia’s regional areas, tourism has been more affected than other industries due to labour constraints associated with the mining boom.
2.2 Effect of the increase in Fly-In/Fly-Out and Drive-In/Drive-Out workers

Given the rapid expansion of the mining sector, mining companies have had to source skilled labour from around Australia. This has led to a substantial rise in the number of ‘Fly-In/Fly-Out’ (FIFO) and ‘Drive-In/Drive Out’ (DIDO) workers. Such workers generally live in urban areas and travel large distances to remote locations at mine sites where they work for periods of time before returning home for time off.

The benefit of these arrangements for workers is that they are not forced to relocate to the workplace, which can prove disruptive, especially for families.

As a consequence of the rapid expansion of the mining workforce, there has been a need for substantial additional accommodation and air services to deliver and house workers on site. While the mining companies have invested in short-term accommodation, this has led to competition with some of the infrastructure used by the tourism industry.

FIFO/DIDOs have transformed the Australian regional transport networks, with large carriers such as QantasLink, SkyWest, and the smaller charter operators clearly benefiting from the mining boom environment. As shown later in this report, there has been a significant expansion in air services as a result of the mining boom, particularly between Australian capital cities and regional areas in the mining states.

However, although financial returns appear to be improving for accommodation—more so in capital cities—on the whole, there has been little growth in room stock in Australia over recent years.

Overall, the strong growth in demand for tourism infrastructure combined with lower growth in supply has meant that room tariffs and airfares have risen rapidly and fewer rooms and flights have been available for those outside the mining industry. Along with the displacement of tourists by commuting miners who tend to spend less on leisure activities, Australia’s leisure tourism sector has been negatively impacted by higher costs, combined with the relatively low cost of travelling overseas.

Conversely, high mining prices (and subsequent large export returns) have boosted national incomes and investment including that on business travel. Spending on travel by Australian residents for leisure has also increased, but an increasing percentage of this has been on overseas travel.
3 Economic performances of mining and tourism

Mining and related industries have been the engine room for growth in the Australian economy since the mid-2000s.

In summary, over the 2004–05 to 2011–12 period:

- mining’s contribution (in terms of Gross Domestic Product, or GDP) has doubled, while tourism’s growth has been slightly below the all-industry growth of 60 per cent.

- economic growth has been the strongest in the mining and energy states of Western Australia (mainly for iron ore), Queensland (coal) and the Northern Territory (LPG gas).

- Australia’s mining exports have doubled in nominal terms, but only by 40 per cent in price adjusted or volume terms. Meanwhile, tourism exports have increased by 23 per cent in value terms, and only by 9.2 per cent in terms of international visitor arrivals.

- overnight tourism performance in Australia has been sluggish over the past decade, particularly for leisure. While there has been moderate growth in intrastate visitor nights, this has been offset by a slight decline in interstate travel (refer Appendix A).

- the combined business/employment-related travel sector has gathered momentum, particularly since the initial impacts of the GFC in late 2008.

- there have been unprecedented levels of investment in new mining and energy developments (and related infrastructure) resulting from the strong profits in mining industries. On the other hand—and mirroring low visitor expenditure growth (and productivity)—investment in tourism-related infrastructure has been muted. However, the strong FIFO/DIDO demand has lifted revenue growth in the accommodation and domestic (regional) aviation industries.

More details on sector performance by state and territories and by region are presented in Appendices B to D.

Despite the recent falls in mining commodity prices, the Bureau of Resources and Energy Economics (BREE) and Treasury forecast further strong growth in Australia’s resources and energy sectors. This is expected to result in strong demand for skilled and unskilled labour in the mining industry for the foreseeable future.

This also means that other industries not aligned with mining, such as tourism, will continue to face strong competition for capital and labour.

Although the strong forecast growth in mining investment for the next several years may slow slightly following the decline in prices of key mining-related commodities (which are still very high), mining (and future energy) investment looks very strong in Western Australia, Queensland and the Northern Territory.
On this basis, the current strong growth in FIFO/DIDO workers and their demand for more flights and beds will likely intensify in coming years, which will further increase the competition with leisure tourists for infrastructure.

### 3.1 Mining and tourism’s share of national output in Australia’s states and territories

Mining and tourism’s share of national output varies by state and territory and each state/territory’s reliance on the two industries is very different. These factors have major influences on the impact of the mining boom in each state.

Mining contributed 9.5 per cent to Australia’s total Gross Value Added (GVA) in 2010–11 with the two largest mining states, Western Australia (55 per cent) and Queensland (20 per cent), accounting for three-quarters of mining GVA.

In comparison, tourism directly contributed a 2.4 per cent share of Australia’s total GVA in 2010–11. The largest contributors by Australian state and territory were New South Wales (33 per cent), Queensland (24 per cent) and Victoria (21 per cent).

The dependency on each industry also varies across states and territories. Western Australia relies more on mining (34 per cent of state GVA) than any other Australian state, followed by the Northern Territory (21 per cent) and Queensland (10 per cent).

In relation to tourism, the Northern Territory is most reliant with 4.0 per cent of state GVA sourced from tourism, followed by Tasmania (3.4 per cent) and Queensland (3.1 per cent), see Figure 6.

**Figure 6: State and territory dependency on mining and tourism, 2010–11**

![State and territory dependency on mining and tourism, 2010–11](image)

Source: Tourism Research Australia (2011)
Consequently, as mining represents larger proportions of the economies of Western Australia, Queensland and the Northern Territory, it is these states/territories which have been the biggest beneficiaries from the mining boom to date.

These states have also provided the greatest supply challenges for other industries (including tourism), because of the significant importance of mining in these states/territories.

On the supply side, a major issue for tourism is attracting and retaining staff. Valid statistics at a sub-state level (such as employment and hours worked by industry) are not available and it is difficult to quantify the problem.

However, a guide to the increasing interdependence between mining and accommodation can be seen in the latest ABS’ Input/Output statistics. These show that mining’s use of accommodation has increased by over 250 per cent in the five years to 2008–09 and has likely increased further since that period.

4 Effects of the mining boom on Australia’s tourism industry

The mining boom so far has represented a double-edged sword for tourism, with some components benefiting and other segments losing out.

On the positive side, stronger returns from mining—and for business more generally—has led to strong growth in business travel, particularly following the Global Financial Crisis (GFC) in 2008–09.

The boom has also translated into strong growth in spending on leisure tourism, especially by residents in the Australian Capital Territory and the mining boom states.

On the negative side, stronger commodity prices are correlated with a stronger Australian dollar, which has placed a competitive disadvantage on exports from non-mining related industries such as tourism. This has been particularly so for low priced/more competitive package leisure travel.

4.1 The challenges for leisure tourism in Australia

The higher Australian dollar has made overseas travel more attractive for Australians compared to domestic travel. This has tended to depress the domestic leisure segment, which represents around two-thirds (67 per cent) of total tourism expenditure in Australia.
The stronger Australian dollar has contributed to double-digit growth in Australian outbound leisure travel expenditure. In contrast, the increase in domestic expenditure made by state/territory residents has been low (Figure 8).

### Figure 7: Average annual growth in tourism leisure expenditure by residents in each Australian state/territory, 2011–12 compared to 2005, per cent

Source: ABS Cat. No. 5206.0, and TRA surveys

### Figure 8: Average annual growth in overnight leisure expenditure for outbound and domestic travel, by Australian state/territory residents, 2011–12 compared to 2005, per cent

Source: ABS Cat. No. 5206.0, and TRA surveys
Overall, this has resulted in leisure tourism’s share of household consumption remaining relatively constant over this period. However, outbound’s share of the tourism budget has, until recently, increased for most of this period (Figure 9).

**Figure 9: Australian tourism’s share of household consumption, 2004–05 to 2011–12**

<table>
<thead>
<tr>
<th>Year</th>
<th>Outbound</th>
<th>Domestic</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005-06</td>
<td>3.2</td>
<td>7.4</td>
</tr>
<tr>
<td>2006-07</td>
<td>3.3</td>
<td>7.3</td>
</tr>
<tr>
<td>2007-08</td>
<td>3.8</td>
<td>7.1</td>
</tr>
<tr>
<td>2008-09</td>
<td>4.0</td>
<td>6.7</td>
</tr>
<tr>
<td>2009-10</td>
<td>4.0</td>
<td>6.7</td>
</tr>
<tr>
<td>2010-11</td>
<td>4.3</td>
<td>6.1</td>
</tr>
<tr>
<td>2011-12</td>
<td>4.3</td>
<td>6.3</td>
</tr>
</tbody>
</table>

*Source: ABS Cat. No. 5206.0, June quarter 2012, and TRA surveys*
4.2 Mining boom benefits for business/employment-related travel

Businesses which cater to the business/employment-related travel sector have benefited strongly from the mining boom. Business/employment-related tourism expenditure represented around 21 per cent (or $18.3 billion) of total tourism expenditure in Australia (or $86.6 billion) during 2011–12.

Figure 10: Growth in business overnight visitor expenditure, compared to leisure expenditure

Growth in business/employment-related visitor expenditure has been stronger since 2004–05, compared to leisure tourism expenditure (despite a sharp 6 per cent fall during the GFC in 2008–09). The growth has been substantial for expenditure in the international (up 122 per cent) and domestic day (up 87 per cent) sectors.

However, business overnight visitor expenditure has increased by only 28 per cent, with most of this growth occurring in the past two financial years (Figure 10).

4.3 Mining boom benefits for accommodation establishments

Nationally, the ABS’ Survey of Tourist Accommodation suggests that larger hotel, motel/guest house and serviced apartment accommodation establishments (15 rooms or more) have experienced strong increases in real yields per room (up 10.8 per cent, Table 1) between 2005 and 2011.

It is difficult to ascertain from available statistics if business travel has been a leading factor contributing to this solid growth in Australia’s larger accommodation establishments.

However, while not collected on the same basis as ABS accommodation data, TRA’s surveys show that business nights in hotels, resorts, motels or motor inns have increased solidly since 2005, while leisure nights in the same establishments have decreased slightly.
Over the same period, there has been stronger growth for capital city establishments, (reflecting stronger business demand for paid accommodation). Takings have increased most in the mining boom capital cities of Perth (up 58 per cent), Brisbane (up 51 per cent), and Darwin (up 43 per cent) since 2008.

Table 1: Tourist accommodation, key performance indicators, 2005 to 2011

<table>
<thead>
<tr>
<th>Measure</th>
<th>Unit of change</th>
<th>Capital cities</th>
<th>Regional</th>
<th>Australia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stock, establishments</td>
<td>Per cent</td>
<td>-</td>
<td>-</td>
<td>2.0</td>
</tr>
<tr>
<td>Stock, rooms</td>
<td>Per cent</td>
<td>8.7</td>
<td>6.2</td>
<td>7.5</td>
</tr>
<tr>
<td>Room occupancy rate</td>
<td>Percentage points</td>
<td>3.5</td>
<td>0.6</td>
<td>2.2</td>
</tr>
<tr>
<td>Room nights</td>
<td>Per cent</td>
<td>-</td>
<td>-</td>
<td>11</td>
</tr>
<tr>
<td>Takings (real)</td>
<td>Per cent</td>
<td>24</td>
<td>12</td>
<td>19</td>
</tr>
<tr>
<td>Yield per room</td>
<td>Per cent</td>
<td>13.6</td>
<td>5.2</td>
<td>10.8</td>
</tr>
</tbody>
</table>

Sources: Cat. No. 8635.0, Survey of Tourist Accommodation, Australia and related small area statistics

Further evidence points to mining being a significant influence on the strong growth achieved in hotel revenues. Since 2005, accommodation in tourism regions where there is significant mining activity has performed more strongly than in more leisure-focused regions. These regions have experienced low growth or even declines in performance.

For example, as shown in Table 2, there has been strong growth in accommodation takings in key mining regions, ranging from 41 per cent (as in Flinders Ranges) to 76 per cent (for Australia’s North West in Western Australia). Room yields have shown similar growth in these regions, up by 38 per cent to 61 per cent between 2005 and 2011. Over the same period, occupancy rates and takings in several leisure tourism regions, such as the Gold Coast and Sunshine Coast, have declined.

Despite the increase in yields (and likely returns), there has been little growth in accommodation stock in Australia in either capital cities (other than Melbourne) or regional Australia. It is not clear from these data whether the increased use of accommodation by mining employees is crowding out tourism activity.
Table 2: Tourist accommodation, change in key performance indicators in key mining and tourism-related regions, 2005 to 2011

<table>
<thead>
<tr>
<th>Region</th>
<th>Rooms</th>
<th>Occupancy rate</th>
<th>Takings</th>
<th>Yield</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>% change</td>
<td>% point change</td>
<td>% change</td>
<td>% change</td>
</tr>
<tr>
<td><strong>Mining dominated</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Australia’s North West</td>
<td>8.4</td>
<td>4.6</td>
<td>58</td>
<td>46</td>
</tr>
<tr>
<td>Australia’s Coral Coast</td>
<td>-1.6</td>
<td>6.4</td>
<td>58</td>
<td>60</td>
</tr>
<tr>
<td>Mackay</td>
<td>17</td>
<td>8.1</td>
<td>73</td>
<td>48</td>
</tr>
<tr>
<td>Central Queensland/Bundaberg</td>
<td>15</td>
<td>3.2</td>
<td>76</td>
<td>53</td>
</tr>
<tr>
<td>Darling Downs/Outback Queensland</td>
<td>9.3</td>
<td>5.9</td>
<td>76</td>
<td>61</td>
</tr>
<tr>
<td>Flinders Ranges and Outback SA</td>
<td>2.8</td>
<td>12.8</td>
<td>41</td>
<td>38</td>
</tr>
<tr>
<td><strong>Leisure dominated</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gold Coast</td>
<td>-1.4</td>
<td>-3.7</td>
<td>-6.0</td>
<td>-4.7</td>
</tr>
<tr>
<td>Sunshine/Fraser Coasts</td>
<td>3.4</td>
<td>-7.0</td>
<td>14</td>
<td>10</td>
</tr>
<tr>
<td>Whitsundays</td>
<td>-1.3</td>
<td>-11.9</td>
<td>-17</td>
<td>-16</td>
</tr>
<tr>
<td>Tropical North Queensland</td>
<td>-3.9</td>
<td>-6.2</td>
<td>-29</td>
<td>-26</td>
</tr>
<tr>
<td>Mid North Coast NSW</td>
<td>3.0</td>
<td>1.4</td>
<td>6.7</td>
<td>3.5</td>
</tr>
<tr>
<td>Northern Rivers</td>
<td>28</td>
<td>-4.0</td>
<td>29</td>
<td>0.8</td>
</tr>
</tbody>
</table>

Sources: Cat. No. 8635.0, Survey of Tourist Accommodation, Australia and related small area statistics by state

4.4 Mining boom benefits for air services

Between 2004–05 and 2011–12, domestic aviation capacity grew robustly both between the capital cities and to regional Australia.

In Australia, aviation seats (as measured by revenue seats available and passenger movements) have increased at over 4 per cent per year over the seven-year period to 2011–12.

While capacity on high-volume aviation routes increased over this period, it has been the mix of domestic regional air services that has changed most (Table 3).

With mining-related FIFO travel expanding rapidly, by far the largest increases have been in air services linking Perth and Brisbane to the major mining centres in each state. Consequently, this growth has led to significant investment, including consolidation of the terminal infrastructure at Perth Airport, and construction of a parallel runway, as well as the terminal upgrade at Brisbane Airport.

There has also been substantial growth in capacity between these two capital city gateways and for routes linking Perth and Brisbane to other capital cities.
Reflecting this, passenger movements have increased by 25 per cent per year on the Perth-Port Hedland route; 18 per cent per year between Perth and Karratha; and 10 per cent per year between Brisbane and Mackay since 2004–05.

New routes have also been developed in recent years to service the mining industry including Perth–Newman, Brisbane–Gladstone and Brisbane–Emerald. Reflecting increased demand for these routes, passenger movements between Perth and Newman have increased from 134,000 in 2008–09 to 300,000 in 2011–12, while passenger movements between Brisbane and Gladstone increased from 48,000 to 350,000 between 2010–11 and 2011–12.

Overall, the growth in regional aviation services has been solid in recent times. However, with no public information available on regional airfares, it is difficult to ascertain whether leisure tourism is being ‘priced out’ of the regional aviation market.

Table 3: Fastest growing domestic aviation routes, 2004–05 to 2011–12

<table>
<thead>
<tr>
<th>Aviation routes</th>
<th>Passenger movements</th>
<th>Available seats</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2004–05</td>
<td>2011–12</td>
</tr>
<tr>
<td>Fastest growing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Perth–Port Hedland</td>
<td>93</td>
<td>441</td>
</tr>
<tr>
<td>Karratha–Perth</td>
<td>220</td>
<td>705</td>
</tr>
<tr>
<td>Darwin–Melbourne</td>
<td>108</td>
<td>290</td>
</tr>
<tr>
<td>Brisbane–Perth</td>
<td>390</td>
<td>919</td>
</tr>
<tr>
<td>Brisbane–Newcastle</td>
<td>266</td>
<td>601</td>
</tr>
<tr>
<td>Brisbane–Mackay</td>
<td>489</td>
<td>970</td>
</tr>
<tr>
<td>Albury–Sydney</td>
<td>143</td>
<td>248</td>
</tr>
<tr>
<td>Melbourne–Newcastle</td>
<td>253</td>
<td>428</td>
</tr>
<tr>
<td>Gold Coast–Melbourne</td>
<td>1,011</td>
<td>1,700</td>
</tr>
<tr>
<td>Perth–Sydney</td>
<td>1,116</td>
<td>1,785</td>
</tr>
<tr>
<td>Melbourne–Perth</td>
<td>1,209</td>
<td>1,924</td>
</tr>
<tr>
<td>Other notables</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brisbane–Gladstone</td>
<td>n.a.</td>
<td>350</td>
</tr>
<tr>
<td>Newman–Perth</td>
<td>n.a.</td>
<td>300</td>
</tr>
<tr>
<td>Kalgoorlie–Perth</td>
<td>180</td>
<td>240</td>
</tr>
<tr>
<td>Brisbane–Emerald</td>
<td>n.a.</td>
<td>48</td>
</tr>
<tr>
<td>AUSTRALIA</td>
<td>40,429</td>
<td>54,985</td>
</tr>
</tbody>
</table>

Source: Bureau of Transport and Regional Economics, domestic aviation statistics
5 Modelling scenarios

This report provides an assessment of the economic impacts on the tourism industry during the course of the mining boom to date. However, it does not establish clear causality or enable quantification of the overall impacts.

The highly diverse nature of the tourism industry and the lack of relevant data—particularly at regional levels—make it difficult to draw precise conclusions about the net impact of the mining boom on tourism.

TRA’s static CGE state-based model of the Australian economy was used to project the economic impacts of the mining boom shock on the Australian leisure tourism industry. The results provide an enhanced understanding of the nature and dimensions of the impact due to the mining boom.

For tourism, the model addresses only the impacts on leisure tourism; business tourism is not modelled as a separate sector but is accounted for in the model as part of all industries. Another purpose of this modelling was to demonstrate the costs of FIFO/DIDO’s and potential benefits from stronger accommodation and aviation investment in Western Australia, Queensland and the Northern Territory.

TRA’s CGE model was operated using a comparative static approach for this research. This offers some advantages over the alternative dynamic modelling approach as it is faster to perform, easier to understand the essential impacts of the shocks and requires fewer data to operate.

On this basis, model simulations try to isolate the impacts of the boom alone on tourism, so results should not be compared to the historical performance of the Australian economy over the mining boom period that were presented earlier.

Results from TRA’s static CGE model should be interpreted as a long-run annual average change, not as a year-by-year change. On this basis, it can be difficult to compare with the information on the economic performance of the Australian economy presented earlier.

5.1 The CGE model

The model assesses the mining boom impacts on the Australian economy through two broad mechanisms:

a) An income effect where additional income from the booming mining sector is injected into the economy generating additional demand.

In relation to tourism, income effects are most marked for business and employment-related travel that may be directly or indirectly linked to the mining industry.
In addition, the boost to household consumption provided by the boom through increased mining revenues supports increased demand for leisure tourism generally.

This effect is particularly strong for residents of the resource rich states. Outbound travel is stimulated by both the income effect and the appreciating Australian currency, which makes outbound travel more competitive and affordable.

b) A ‘crowding out’ effect where mining competes with other sectors of the economy for labour, capital and goods and services, thereby pushing up prices and the exchange rate with consequent impacts on other sectors.

‘Crowding out’ effects are most apparent:

- for those parts of the industry with greater dependence on leisure travel
- in the mining states where competition from mining-related business travel is most intense
- in segments of the domestic industry which compete most directly with outbound travel.

5.2 Assumptions and methodology

Several assumptions were used to capture the nature of the boom:

1. Increasing exports of black coal (representing coal) in Queensland by 5 per cent, exports of ‘other mining’ in Western Australia by 12 per cent and by 10 per cent for the Northern Territory.

2. Increasing the mining states’ use of accommodation and air services. For Queensland and Western Australia, an increase of 300 per cent was assumed, while for the Northern Territory, this increase was 100 per cent. The lower increase by FIFO/DIDOs in the Northern Territory compared to the other mining states partially reflected an already well-established reliance on FIFOs to source its mining workforce that was already in place at the time that the mining boom gained momentum in the mid-2000s.

3. Constrained supply of accommodation and air transport in the mining states. This reflects the current reality of shortage of accommodation and air transport supply in the mining states.

The above assumptions form the base scenario that was used as a benchmark, against which two other scenarios were compared.

A second scenario estimates the impact from the increased demand from FIFO/DIDO workers on the accommodation and aviation sectors. It was calculated as the base scenario but without the FIFO/DIDO assumption for increased use in accommodation and aviation services.
A third scenario estimates the impact if the constraints on investment in accommodation and air transport in the mining states were removed. It was calculated as the base scenario but without the constraints on accommodation and aviation investment.

5.3 Key findings

This section provides a summary of the key results of the CGE modelling. A supplementary technical report on this CGE modelling will be released early in 2013.

a) Baseline scenario – the mining boom

The key macroeconomic indicators and their long-run impacts on the Australian economy are presented in Table 4. These results should be interpreted as the long-run structural change in the Australian economy brought about by the mining boom.
<table>
<thead>
<tr>
<th></th>
<th>New South Wales</th>
<th>Victoria</th>
<th>Queensland</th>
<th>South Australia</th>
<th>Western Australia</th>
<th>Tasmania</th>
<th>Northern Territory</th>
<th>Australian Capital Territory</th>
<th>Australia</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Macroeconomic indicators</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross Domestic Product (GDP)</td>
<td>-0.04</td>
<td>-0.08</td>
<td>0.71</td>
<td>-0.16</td>
<td>1.07</td>
<td>-0.30</td>
<td>0.66</td>
<td>0.14</td>
<td>0.23</td>
</tr>
<tr>
<td>Household consumption</td>
<td>0.35</td>
<td>0.33</td>
<td>0.77</td>
<td>0.29</td>
<td>0.78</td>
<td>0.22</td>
<td>0.61</td>
<td>0.58</td>
<td>0.47</td>
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<tr>
<td>Investment</td>
<td>0.04</td>
<td>-0.01</td>
<td>1.42</td>
<td>-0.16</td>
<td>2.24</td>
<td>-0.44</td>
<td>1.57</td>
<td>0.34</td>
<td>0.62</td>
</tr>
<tr>
<td>Exports</td>
<td>-2.60</td>
<td>-2.72</td>
<td>0.17</td>
<td>-2.71</td>
<td>3.21</td>
<td>-3.61</td>
<td>1.64</td>
<td>-3.32</td>
<td>-0.67</td>
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<td>Government consumption</td>
<td>0.13</td>
<td>0.13</td>
<td>0.61</td>
<td>0.05</td>
<td>0.98</td>
<td>-0.08</td>
<td>1.07</td>
<td>0.30</td>
<td>0.32</td>
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<tr>
<td>Imports</td>
<td>0.26</td>
<td>0.25</td>
<td>1.07</td>
<td>0.17</td>
<td>1.65</td>
<td>0.02</td>
<td>1.45</td>
<td>0.57</td>
<td>0.57</td>
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<tr>
<td>Unit cost of labour</td>
<td>0.20</td>
<td>0.13</td>
<td>0.91</td>
<td>0.04</td>
<td>1.58</td>
<td>0.25</td>
<td>1.47</td>
<td>0.59</td>
<td>0.48</td>
</tr>
<tr>
<td>Unit cost of capital</td>
<td>-0.08</td>
<td>-0.11</td>
<td>-0.18</td>
<td>-0.06</td>
<td>-0.26</td>
<td>0.22</td>
<td>0.02</td>
<td>0.00</td>
<td>-0.12</td>
</tr>
<tr>
<td>Consumer Price Index</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.00</td>
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<tr>
<td>GDP deflator</td>
<td>0.03</td>
<td>-0.02</td>
<td>0.48</td>
<td>-0.07</td>
<td>1.26</td>
<td>0.14</td>
<td>1.47</td>
<td>0.34</td>
<td>0.27</td>
</tr>
<tr>
<td>Exchange rate (rest of world)</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-0.85</td>
</tr>
<tr>
<td>Terms of trade</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1.34</td>
</tr>
<tr>
<td>Capital stock usage</td>
<td>0.03</td>
<td>-0.02</td>
<td>1.44</td>
<td>-0.17</td>
<td>2.27</td>
<td>-0.46</td>
<td>1.58</td>
<td>0.34</td>
<td>0.63</td>
</tr>
<tr>
<td>Aggregate employment</td>
<td>-0.13</td>
<td>-0.16</td>
<td>0.24</td>
<td>-0.19</td>
<td>0.51</td>
<td>-0.27</td>
<td>0.38</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td><strong>(Leisure) tourism indicators</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aggregate tourism demand</td>
<td>0.27</td>
<td>0.28</td>
<td>0.24</td>
<td>0.40</td>
<td>-0.41</td>
<td>0.34</td>
<td>-0.84</td>
<td>0.53</td>
<td>0.19</td>
</tr>
<tr>
<td>Inbound tourism demand</td>
<td>-0.35</td>
<td>-0.34</td>
<td>-0.55</td>
<td>-0.33</td>
<td>-1.34</td>
<td>-0.41</td>
<td>-1.13</td>
<td>-0.39</td>
<td>-0.51</td>
</tr>
<tr>
<td>Domestic tourism demand</td>
<td>0.58</td>
<td>0.57</td>
<td>0.56</td>
<td>0.58</td>
<td>-0.04</td>
<td>0.48</td>
<td>-0.65</td>
<td>0.85</td>
<td>0.49</td>
</tr>
<tr>
<td>Intrastate tourism demand</td>
<td>0.31</td>
<td>0.30</td>
<td>0.75</td>
<td>0.25</td>
<td>0.76</td>
<td>0.21</td>
<td>0.83</td>
<td>0.65</td>
<td>0.46</td>
</tr>
<tr>
<td>Interstate tourism demand</td>
<td>1.01</td>
<td>1.03</td>
<td>0.28</td>
<td>1.00</td>
<td>-2.20</td>
<td>0.67</td>
<td>-1.23</td>
<td>0.83</td>
<td>0.47</td>
</tr>
<tr>
<td>Outbound tourism</td>
<td>1.06</td>
<td>1.03</td>
<td>1.45</td>
<td>0.96</td>
<td>1.37</td>
<td>0.86</td>
<td>1.34</td>
<td>1.36</td>
<td>1.15</td>
</tr>
</tbody>
</table>

Source: TRA modelling
This modelling suggests:

- the long-run change in Australia’s GDP increases on average by 0.23 per cent per year
- long-run changes to growth across Australia’s states and territories are very mixed. The strongest benefits accrue to the mining export states: Western Australia (up 1.07 per cent per year), Queensland (up 0.71 per cent per year) and the Northern Territory (up 0.66 per cent per year) (Figure 11)
- moderate declines in most other states and territories that are less reliant on mining. The exception is the Australian Capital Territory which showed some growth (0.14 per cent per year) but is not regarded as having any real linkage to mining
- the results for economic growth by states and territories also largely reflect the pattern of investment required to deliver the stronger mining export growth
- the mining boom generates higher household consumption (up 0.47 per cent in Australia) across all states and territories, with the strongest impacts felt in the mining states
- on the supply side, the long run ‘unit cost of labour’ increases in all Australian states (up 0.48 per cent per year), reflecting a ‘constrained’ labour market. Again, the strongest impacts occur in the mining states.

For leisure tourism, the modelling shows that the positive income effect from the mining boom produces a long-run benefit for domestic tourism (up 0.49 per cent per year). However, the average long-run increase in outbound tourism (at 1.15 per cent per year) is more than double the rate of increases for domestic travel demand.
Conversely, the impacts on inbound leisure tourism are negative (down 0.51 per cent) due to the loss of price competitiveness, essentially from the exchange rate effect but also the rising domestic costs of production. Overall, aggregate leisure tourism demand in Australia increases by a long-term average of 0.19 per cent per year.

**b) Scenario two results - isolating the impact of the FIFO/DIDOs**

Partially offsetting the overall benefits that the mining boom brings to the Australian economy are the considerably higher costs experienced by some sectors in the economy, including leisure tourism.

As the tourism sector does not supply inputs to the mining sector, higher mining exports will not directly induce much demand for tourism. In contrast, the mining boom creates more competition for labour demand, particularly as the wage rate of mining-related industries increases sharply. This means that traditionally lower-paying, less-skilled industries such as tourism have substantial difficulty competing with mining to attract and retain workers.

Strong increases in mining exports due to higher commodity prices make it more profitable for the mining sectors to increase output without commensurate increase in efficiency (that is, keeping the costs down relatively), particularly in the early phase of the boom. This is clearly evident in the mining boom to date, where there have been rapid increases in labour and capital investment to mining, but without delivering higher productivity as yet.

In past booms, mining companies have built townships in order to support its demand for labour. In this mining boom, relocating workers to mining towns permanently has not been practical due to the need to build a mining labour force quickly. In addition, using the FIFO/DIDO option means that mining can draw upon a wider pool of labour, underpinned by high wages, particularly in the early phase of the mining boom when commodity prices are rising sharply. As a result, the stronger demand for accommodation and aviation services, induced by FIFO and DIDOs, mean that unit costs for each sector increase considerably.

For this CGE modelling exercise, this scenario focuses specifically on measuring the increase in unit costs of accommodation and air transport when compared to a scenario where mining’s use of accommodation and aviation does not increase.

Such a condition generates a positive (revenue) impact for the two services sectors as their services are paid at higher prices. This scenario does not attempt to model the long-run revenues and profits from each sector from the mining boom. However, it does portray the potential cost impact that a constrained labour and capital environment can present in this mining boom.

Results show that the FIFO/DIDO impacts on unit costs are more strongly felt in the accommodation sector, which increased nationally by an average rate of 1.4 percentage points higher per year than if there was no increase in the use of the accommodation sector by mining workers. In comparison, the unit costs of air transport services increase by a lower 0.4 percentage points.
At the state/territory level, unit cost increases for accommodation are stronger in Western Australia (up 10.5 per cent) and the Northern Territory (up 8.0 per cent), while costs in Queensland increase by a more modest 1.6 per cent (Table 5).

Table 5: Impacts of the strong Fly-In/Fly-Out and Drive-In/Drive-Out demand on accommodation and aviation

<table>
<thead>
<tr>
<th></th>
<th>Accommodation</th>
<th>Air transport</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in unit costs from base case, percentage points</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Queensland</td>
<td>1.60</td>
<td>0.55</td>
</tr>
<tr>
<td>Western Australia</td>
<td>10.49</td>
<td>2.46</td>
</tr>
<tr>
<td>Northern Territory</td>
<td>8.01</td>
<td>2.18</td>
</tr>
<tr>
<td>Australia</td>
<td>1.40</td>
<td>0.37</td>
</tr>
</tbody>
</table>

Source: TRA modelling

c) Scenario three results - unrestricted investment in accommodation and air services

When investment in the accommodation and air transport sectors is freed up to allow the sectors to expand supply to meet the increased demand from the mining industry, the additional services lower their prices and ease the competition for all users in the market.

As a result, Australian exports, household consumption and investment are slightly higher. The net result is Australia's GDP increases by 0.03 percentage points above the base case, or approximately $0.26 billion per year on average over the long run. The strongest positive impacts are felt in the mining states, particularly in Western Australia and the Northern Territory (Figure 12).

Figure 12: Scenario, unconstrained investment in mining boom states/territories, changes on the base case for Gross State Product/Gross Domestic Product

Source: TRA modelling
Under this scenario, higher investment also leads to significant price falls for accommodation and air services, more so in Western Australia where prices are 11 per cent lower for accommodation and 1.7 per cent for air transport, than in Queensland. The impact for other states is largely neutral.

As a result, the unit costs of tourism sectors are reduced, more so in Western Australia than in Queensland and the Northern Territory.

Overall, there is a small benefit for leisure tourism demand nationally which increases by 0.07 percentage points above the base scenario, with this benefit slightly stronger for the inbound tourism segment—up 0.09 percentage points compared to the domestic tourism sector, up 0.06 percentage points.

Higher FIFO-related investment also provides more jobs in Western Australia, where accommodation and aviation employment increases by 3.8 and 4.8 percentage points, respectively, above the base scenario. Total employment in the state increased by around 0.3 per cent under this scenario.

For the Northern Territory, employment in the two sectors increased by 3.0 and 3.6 percentage points, respectively, with an increase in total employment in the state of 0.1 per cent. For Queensland, the equivalent increase is 0.64 percentage points for accommodation and 0.9 percentage points for air transport, representing a small increase in jobs in that state.

6 Tourism industry feedback

Industry feedback was sought from tourism organisations currently active in the mining boom debate to supplement and, in some cases, provide primary and contemporary evidence on the mining boom impacts. These included: the Tourism & Transport Forum Australia (TTF), the Australian Tourism Export Council (ATEC), Queensland Tourism Industry Council (QTIC) and the Tourism Council-Western Australia (TCWA).

Overall, industry feedback confirms the broader trends contained in official statistics, namely, that the mining boom impact on the tourism industry has been very mixed, but it has had a negative impact on leisure tourism both directly in the mining regions, but also in capital cities and in other leisure tourism regions.

Feedback suggests that there are specific impacts not discernible in official demand and supply statistics. This section draws out the key feedback provided by informants on this issue.

‘The big problem is sourcing and retaining labour’

Tourism is a more labour dependent industry than mining. In 2010–11, the tourism industry employed around 513,000, nearly twice that of mining.
However, apart from ABS’ Census data, which are only available as a snapshot every five years, there are no robust data available to show changes to employment in mining or other industries at a regional level.

Nonetheless, given that around 45 per cent of tourism expenditure is made in regional areas of Australia, it is clear that tourism requires a significant proportion of its workforce outside Australia’s capital cities, particularly for lower-skilled jobs.

Labour shortages are seen to represent a serious constraint on tourism, not just in regional and remote areas of the mining states of Western Australia and the Northern Territory. According to Deloitte Access Economics (2011, 5), the Australian tourism industry had a 9 per cent vacancy rate, equivalent to a shortage of around 36,000 workers in 2010. This shortage was forecast to increase to 56,000 by 2015.

Industry feedback highlighted the fact that a person working in regional Australia who is prepared to do ‘shift-work’ will generally choose the mining industry over tourism, as the mining industry is able to offer much higher wages.

Mining’s wider use of FIFO now reduces the geographic restrictions for the industry to source its workers. Some tourism and other businesses in regional areas (particularly those from agriculture) are partially overcoming this problem by increasing use of international working holiday makers, international students or, more recently, temporary skilled migrants.

However, the reduced inability to ‘train and retain’ staff and high churn rates has meant that these businesses have invariably had to offer higher wages.

Industry feedback suggests that this problem is growing and has already led to some businesses reducing their product offerings, and in some instances ceasing to operate. Cases of tourism businesses relocating to areas where they can source labour more easily and cheaply were also highlighted.

‘Some accommodation businesses have boomed, but a mining boom legacy is unlikely’

Industry feedback also noted that although profits are rising in the accommodation sector, this is unlikely to trigger stronger investment in the hotel sector and increase room stock in many parts of Australia.

Feedback received suggests that investment in accommodation stock is still seen as a high-risk opportunity that offers a modest return at best. TRA visitor data shows that growth in leisure tourism expenditure has been moderate. Combined with the recent falls in mining company profits (and attempts to reduce costs), this indicates that there will likely be a reduction in takings for air and accommodation services in future.

Returns from accommodation tend to be volatile, as was evident by the sharp falls in business that occurred in the early phase of the GFC in 2009. In some cases, returns for businesses have not recovered to pre-GFC levels.
The mining boom ‘legacy’ for accommodation appears to have been minimal to date. Miners are looking for cheaper accommodation from caravan parks and/or dormitory-style accommodation that the mining companies are providing for their workers on-site or in nearby towns. There is little viable tourism use for much of this infrastructure.

Outside the mining regions, the recent strong performance in business travel in higher-end accommodation establishments in capital cities—particularly Sydney, Brisbane and Perth—has seen rapid increases in room yields. Feedback suggests that room tariffs are unlikely to fall in these cities for some time unless business demand slumps. Nonetheless, growth in room stock remains low and there is an increasing trend for new hotel stock to be part of mixed residential/commercial developments.

Feedback also suggests that from an intra-city point of view, the mining boom impact has been very mixed. Taking Perth as an example, accommodation establishments in the transport corridor between the city and airport have benefited most, with business and FIFO traffic driving high yields and overall returns. However, occupancy rates in this zone have varied considerably during a given week. They have often been very strong (near 100 per cent) during weekdays, but have been relatively low (particularly nearer the airport) on weekends.

On the other hand, performance of accommodation stock in other parts of Perth (not located within this corridor) and the leisure-focused regions adjacent to Perth and in the south-west have not seen any significant boost in yields. In some cases, they have not returned to pre-GFC levels, as Western Australians switch more of their intrastate leisure travel to overseas destinations.

As indicated above, another factor adding to the cost of leisure travel has been mining’s increased use of existing low-end accommodation such as caravan parks. Many caravan park operators near to mining operations in north-west Western Australia and Central Queensland have transformed short-term accommodation to more medium or long-term accommodation that caters for the increased demand from the mining sector. This substantially reduces the availability of accommodation and also raises the cost of travelling in these regions.

In places that have attracted DIDO workers such as Mackay in Queensland, industry feedback suggests that there has also been reduced availability of low-priced accommodation, which normally caters for the leisure tourism market (mainly domestic travellers and international backpackers).

‘Big winners to date have been the regional airports and carriers’

Industry feedback suggests that miners are displacing tourists on carriers servicing regional routes (both in terms of price and seat availability), and that the carriers and airports are currently benefiting from the boom.

International carriers have also benefited less directly from the mining boom, with stronger growth in international travel to Australia from overseas-based workers and more so from mining
executives, as reflected by the significant interest by overseas-based companies in mining operations in Australia.

Perth Airport represents the best example of the challenge and opportunities from the mining boom. For Western Australian tourism, the majority of intrastate, interstate and international air traffic is through Perth Airport. However, it is also the dispersal point for the fast-growing charter sector and other commercial operators servicing the states’ FIFO market.

Several industry respondents pointed out that rapid growth in the charter markets has led to increasing congestion at Perth Airport at critical times (such as Monday mornings between 5.00am and 8.00am). At this time, FIFO flights are taking up key slots, which limits future growth opportunities for international and interstate carriers to access slots at Perth airport.

For carriers operating within Western Australia, there has also been a strong profit incentive to switch planes from servicing regular passenger transport (or RPT) routes (e.g. Perth-Broome) to service miners (e.g. Perth-Port Hedland). Industry feedback is that while this has not been widespread to date outside Western Australia, it has been evident on some services such as to Alice Springs.

The FIFO market is very attractive for a normally high-risk industry, and even more so for charter services, both from a yield and business risk point of view. FIFO operators can plan and book their air travel well in advance (up to a year ahead) and mining companies also make bulk bookings. This secures strong forward cash flow for aviation suppliers.

Increasingly, this is limiting the availability of seats for both leisure tourists and local residents. This also means that leisure tourists are likely to have to pay more for a flight, as the price is pushed higher by the miners’ ‘willingness to pay more’ for air travel. However, feedback suggested that tourism is benefiting in small way, particularly from open charter flights that are less full after delivering miners to/from work. These flights can be ‘very affordable’ on return legs.

TTF noted in its submission to the Senate Committee on Regional Affairs on FIFO work practices, that there are ‘still cheaper seats available’ in regional areas against the flow of commuting miners (e.g. into Perth on a Monday afternoon). However, accessing cheaper tickets is a major concern for leisure travel in remote and rural areas of Australia.

Other tourism-related industries potentially impacted by the mining boom are coach companies and restaurants.

Industry feedback suggests that mining companies are increasing their use of coach transport in regional Australia nearby to mining operations. It is unclear how much extra supply is being drawn into servicing the mining industry or the impact this is having on other service provision in regional communities. However, industry feedback suggests that this has pushed up prices for coach travel in regional and remote areas of Australia. These higher prices are also exacerbated by coach operators having to pay higher wages to retain drivers and support crew (mechanics), who also have skills in demand by the mining industry.
There was specific mention made of the indirect negative impact from rising restaurant/café prices for leisure tourists in Perth. Restaurant and café prices have increased strongly, reflecting locals and business visitors’ higher capacity to pay. Industry feedback suggests that this increase is partially due to higher wages (to retain staff) but also due to increased prices of other inputs, particularly for meal ingredients.

‘The cost of leisure travel in Australia is high, relative to overseas options’

Although growth in the number of Australians making overseas trips appears to have slowed over the last year, the high Australian dollar (which increases purchasing power in overseas destinations and reduces prices for airfares), means that prices for overseas travel—particularly to nearby leisure destinations such as Indonesia (Bali), Malaysia and Fiji—remain attractive.

On the other hand, the cost of travelling to Australia’s regional and remote destinations is relatively high (and increasing in some areas). This cost differential is magnified when the relative quality of product between overseas and regional/rural destinations is considered.

According to the TTF (2012, 13) submission, it is the relatively higher cost of travelling to and staying in areas of Australia where the mining boom is active that has hurt leisure tourism operators.

These comments are supported by some leisure-focused businesses (such as resorts) now offering substantial price discounts in normally busy periods to counter prolonged periods of low occupancy rates (even in the shoulders of normal peak seasons). Overall, these operators are facing increased financial difficulties, which may have a detrimental impact on product quality, if profitability does not improve.

A case to demonstrate this switching effect is the leisure tourism town of Broome, Western Australia. Industry feedback suggests that domestic leisure tourism is struggling because it is not benefiting from the strong income growth (related to the mining boom) of Western Australians. Instead, they are increasingly travelling to nearby Asian leisure destinations such as Bali.

‘The negative displacement effect of replacing leisure with business travellers—leisure-focused tourism operators are under pressure’

Feedback from industry experts suggested that the mining boom represents a greater challenge for leisure–focused businesses in remote and regional areas of Australia, such as tour operators.

FIFO/business travellers to these regions are spending more on accommodation, aviation and hospitality, which means that they are occupying more of the key infrastructure also used to deliver and house leisure tourists. However, FIFO/business travellers have different spending patterns, and are less likely to undertake or spend money on leisure activities nearby such as tourism attractions. This impact on leisure-focused businesses is magnified as more miners commute to work and displace tourists using these services.
The displacement impact is not just restricted to mining areas but also indirectly to other leisure-tourism focused areas of the mining states, and in other states. This, in combination with the large current price differential for overseas leisure travel has resulted in leisure tour operators (and accommodation providers) discounting heavily to attract more leisure tourists.

Industry feedback suggests that this effect is magnified in long-haul destinations that are relatively more reliant on domestic air travel such as in the high-profile leisure tourism areas south of Perth, Northern Queensland and in Alice Springs.

Another issue for leisure tourist operators is the perception that if the cost of travel in Perth, Brisbane, or in the mining areas of Western Australia and Queensland is high, that it must be expensive to travel in other parts of these states more generally. Several informants noted that active marketing could be used to inform potential consumers of low cost opportunities that exist in other leisure destinations in the mining states.

7 Conclusion

This report looks primarily at the economic impact of the current mining boom on tourism. Overall, since the beginning of the current boom in the mid-2000s, the performance of business and leisure tourism segments (and for international and domestic travel) has been mixed.

A key feature of the current mining boom is that business and employment-related travel has increased to (and within) the states/territories most directly engaged in the mining boom, namely, Western Australia, Queensland and the Northern Territory.

The challenge for tourism in this mining boom has been the substantial increase in demand for accommodation and air transport from the FIFO and DIDO workers in the mining industries. This has resulted in higher prices for beds and plane seats, particularly in regional Australia. As a consequence of this strong FIFO/DIDO demand, the accommodation and domestic aviation sectors are benefiting from the mining boom while other parts of tourism have suffered due to the competition for resources and the strong appreciation of the domestic currency brought about by the mining boom.

Coincidentally, there has been strong growth in international seat capacity. The combined effect of lower priced international airfares and a high Australian dollar has led to a substantial increase in outbound leisure travel.

Industry stakeholder assessments suggest that considerable opportunities remain for the tourism industry as a result of the mining boom, particularly those linked to business and employment-related travel.

In contrast, Australians’ domestic leisure travel has remained subdued with feedback portraying a leisure tourism sector under considerable pressure on a number of fronts. Issues include attracting and retaining skilled labour, attracting sufficient capital to meet the industry’s growth
needs, and decreasing availability of domestic airline seats and beds for tourists, as they are now more fully occupied by mining workers.

Mining (commuting) workers have less discretionary time and spend less than leisure tourists on tourism activities. This is having a significant negative impact on tourism leisure businesses in mining regions where tourism businesses (including Indigenous businesses and those focused on remote outback experiences) feature prominently. Industry feedback also suggests an indirect impact is occurring for leisure tourism in other regions within the mining states and territories.

The current challenges are having multiple effects—some of which may benefit tourism in the long term. Increasing investment has led to an expansion of air transport links and infrastructure as evidenced by the expansion to Perth and Brisbane airports, and the significant increase in commercial and charter flights. Overall, this increase has been in cities that service and facilitate the mining industry as well as in the mining regions themselves.

For accommodation, recent strong growth in yield is yet to translate into stronger investment and ultimately supply of new and upgraded commercial tourist accommodation. While the trigger points for increased investment are much stronger in capital cities and in mining regions compared to the period before the mining boom, industry feedback suggests that it is unlikely that the boom will deliver a legacy benefit for tourist accommodation. This is even more the case now given that some mining companies are announcing plans to reduce investment on the back of falling commodity prices.

Even though mining prices are falling (but remain at still high levels), BREE forecasts a substantial increase in the number of energy projects in coming years, which could effectively prolong the mining boom impacts on tourism for a few more years.

The modelling results confirm that while the mining boom has benefited Australia as a whole, its impact has been highly variable. The modelling results show that the boom has delivered strong positive impacts to Western Australia, Queensland and the Northern Territory, but has detracted from growth in a small way from the other Australian states and territories; this is in effect an example of ‘Dutch disease’.

It shows that the stronger growth in national income sourced from the mining boom can potentially deliver growth in domestic leisure tourism but not all states/territories or all types of domestic travel would benefit. In general, intrastate tourism will increase in all states and territories, while Western Australia and the Northern Territory would experience reduced demand for interstate tourism due to reduced price competitiveness compared to other states.

Also, the difference in the modelling results and historical performance for domestic tourism can in part be explained by the fact that the CGE modelling identifies impacts at a state and territory level, while many of the mining boom impacts are more localised in regions within the state or territory.
The modelling results clearly demonstrate the strong positive impact that the mining boom has had for outbound travel activity, sourced from the combined positive influences from the higher Australian dollar and increased international seat capacity.

CGE modelling also shows that the high Australian dollar due to the strong increase in demand for mining commodities has had a detrimental impact on inbound tourism performance. It is important to note that this result does not take into account any negative income impact of the GFC on overseas economies, particularly in key markets in Europe.

Scenarios developed around the mining boom baseline offer some key insights for policy makers. First, the impact on mining’s use of accommodation and aviation in constrained labour and capital markets significantly pushes up unit costs for each industry, more so for accommodation. On the other hand, if stronger investment in accommodation and aviation does occur in Western Australia, the Northern Territory and Queensland, this investment offers the potential for stronger economic growth, and more jobs for tourism sectors.

Results from this scenario strongly reinforce current policy actions under Tourism 2020 in encouraging stronger investment (and in seeking regulatory reform), even though the modelling suggests that leisure tourism is benefiting only slightly from stronger investment in the current mining boom.

Conversely, if mining commodity prices fall, this will likely lead to further scaling back in investment in these industries, and will negatively impact on accommodation and aviation operators in these industries.

In summary, the CGE modelling demonstrates that the mining boom has benefited some sectors of the tourism industry, but others have suffered. The net economic effect on Australian tourism would be seen to be negative, particularly in relation to the impacts of FIFO/DIDO within the mining states. This result is consistent with the feedback provided by industry experts who suggested that leisure (and other) tourism operators are already struggling in the current environment, but now may also need to start planning ahead for the transition phase in a post-mining boom environment.

**Limitations**

This report focuses exclusively on the economic impacts of the mining boom on Australia’s tourism industry. However, other impacts—such as social and environmental consequences—would need consideration if a holistic assessment of the impact of the mining boom were to be undertaken.
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Appendix A: Australian tourism industry performance

Mixed tourism demand performance by sector

Overall, growth in Australia’s leisure travel has been moderate, but business travel growth has been very strong, particularly over the last three years.

While growth in international visitor arrivals has been slow, this has been a fairly solid performance given the high value of the Australian dollar and the difficult economic conditions that many of Australia’s key inbound source markets are experiencing.

Performance of the various tourist segments over the period from 2004–05 to 2011–12 has been as follows:

a) **International visitor arrivals** to Australia increased moderately by 1.4 per cent per year from 5.4 million to 6.0 million—well below the long-term average of 4.4 per cent (1991–92 to 2011–12). Of this growth, inbound leisure arrivals grew by only 0.5 per cent per year.

b) **International business and employment arrivals** have grown much more rapidly, increasing from 903,000 to 1.1 million, or 5.3 per cent per year. Length of stay increased from 18 nights to 30 nights. This growth has been strongest in the mining states, in particular in the mining regions within those states.

c) Australians’ **outbound** short-term departures increased from 4.6 million to 7.4 million. Outbound travel by Australians has increased on average by 8.4 per cent per year between 2004–05 and 2011–12.

   Over this same period, departures specifically for **leisure** nearly doubled from 3.3 million to 6.4 million (9.9 per cent per year growth).

d) **Domestic visitor nights** declined by 0.3 per cent per year from 290 million to 284 million over the period from 2004–05 to 2011–12.

   **Domestic leisure visitor nights** fell by 0.5 per cent per year from 229 million in 2004–05 to 221 million in 2011–12. The largest falls in domestic leisure nights by state occurred in the mining states of Western Australia, Queensland, the Northern Territory and South Australia.

e) **Domestic business visitor nights** in Australia increased from 40.5 million in 2004–05 to 44.3 million in 2011–12—an average annual increase of 1.3 per cent. Much of this was to the main mining states of Western Australia and Queensland and their key mining regions.
Appendix B:
Visitor nights in Australia’s states and territories

The variation in performance of domestic interstate, intrastate and international visitor nights in Australia has been substantial.

Over the 2004–05 to 2011–12 period:

- international leisure visitor nights rose by 39 per cent to around 109 million nights. Over the same period, there was only a moderate change in the domestic visitor nights for leisure travel

- intrastate leisure visitor nights were up 1 per cent to 129 million nights, largely influenced by a 11 million nights jump in 2011–12

- interstate leisure visitor nights were down 9 per cent (Figure 13).

Figure 13: International, domestic interstate and domestic intrastate leisure visitor nights

Source: Tourism Research Australia surveys

In contrast, Australian overseas leisure nights increased strongly, up 66 per cent to reach 119 million nights in 2011–12. Interstate and outbound visitor nights are regarded as competitors for leisure time (and dollars).

Overall, Australians increased their long-haul leisure travel, which was up 20 per cent over the eight-year period to 2011–12 to 212 million nights. Consequently, the outbound share of Australians’ longer-haul leisure visitor nights has increased from 41 per cent in 2004–05 to 56 per cent in 2011–12.
However, there is considerable variation in performance by state/territory (Figure 14). Over the 2004–05 to 2011–12 period:

- Despite the high Australian dollar, leisure nights by international visitors increased in most Australian states (except the Northern Territory).

- The sharp downturn in Japanese travel to Australia was felt more in Queensland. Even so, international leisure visitor nights were still up 19 per cent on 2004–05 levels.

- Interstate visitor nights for domestic leisure visitors have decreased in five Australian states. Moderate growth occurred in Tasmania (up 10 per cent after strong growth over the last year). In contrast, the sharpest decrease in domestic leisure nights over the reference period occurred in Queensland (down 24 per cent). This state is most likely to experience direct competition with outbound leisure travel, particularly for high-end resorts.

- Lower-value intrastate leisure nights increased in five of the eight Australian states/territories.
Figure 14: International, domestic interstate and domestic intrastate leisure visitor nights by state/territory

- **New South Wales**
  - Index, 2004–05 =100

- **Victoria**
  - Index, 2004–05 =100

- **Queensland**
  - Index, 2004–05 =100

- **South Australia**
  - Index, 2004–05 =100
Source: Tourism Research Australia survey
Appendix C:
Business travel performance during the mining boom

In contrast to the negative force of the high Australian dollar making the domestic and international leisure sectors less price competitive, the mining boom has underpinned business/employment-related travel.

International visitor nights for business and employment purposes have more than doubled since 2004–05 (Figure 15).

However, it is a slightly different story for domestic business travel sectors. Domestic intrastate travel nights for business travellers have gained momentum since the late 2000s, following the sharp GFC impact in 2008–09, when business nights contracted 12 per cent on the previous 12-month period. Although a similar GFC impact occurred for interstate travel (down 11 per cent in 2008–09, compared to 2007–08), this segment has not recovered to pre-GFC levels.

Figure 15: Business and employment visitor nights, by international, interstate and intrastate

Source: Tourism Research Australia surveys

For the mining boom states of Queensland and Western Australia, the picture for domestic visitor nights is mixed. Since 2004–05, both interstate and intrastate visitor nights for business purposes in Queensland have grown, while in Western Australia, domestic intrastate travel is up nearly 40 per cent on 2004–05 levels, while intrastate travel contracted over the same period. In turn, this pattern is magnified in regions outside the ‘Experience Perth’ tourism region.
Appendix D:
Performance in key tourism regions where mining is significant

As highlighted in TRA’s previous research in this area, around one-third of domestic business nights were in Western Australia (35 per cent) and in Queensland (32 per cent).

In turn, tourism regions which have the highest proportion of business nights as FIFO/DIDO nights are the Western Australian regions of ‘Australia’s South West’ (53 per cent), and ‘Australia’s North West’ (51 per cent). Just under half the nights in the Queensland tourism regions of Mackay, Darling Downs and Central Queensland were for business.

Total business nights in Australia’s North West have been trending higher over the 1999–00 to 2007–08 period, while business nights growth in Central Queensland has been slower. However, both regions exhibited strong growth in business travel in the past two financial years (Figure 16).

On the other hand, growth in leisure travel in each region has shown little growth since 2004–05, and has been noticeably volatile (Figure 17).

Figure 16: Business travel (international and domestic), in key mining tourism regions of Australia’s North West (ANW) and Central Queensland (CQ)

Source: Tourism Research Australia surveys
Figure 17: Leisure travel (international and domestic), in key mining tourism regions of Australia’s North West (ANW) and Central Queensland (CQ)

Index, 2004–05 =100

Source: Tourism Research Australia surveys