Strategic Priority 4: Ensure the tourism transport environment supports growth
  Tracking Priority 4: Growing international aviation capacity
  Tracking Priority 4: Growing domestic (aviation) capacity
  Tracking Priority 4: Aviation demand and investment
Strategic Priority 5: Increase supply of labour, skills and Indigenous participation
  Tracking Priority 5: Growing the tourism labour force
  Tracking Priority 5: Tourism labour productivity
Strategic Priority 6: Build industry resilience, productivity and quality
  Tracking Priority 6: Visitor satisfaction results from TRA’s International Visitor Survey

Glossary of terms

References

Figures

Figure ES1: Growth in total Australian visitor expenditure
Figure ES2: Long-term trend in international visitor arrivals to Australia
Figure ES3: Long-term trend in domestic travel in Australia
Figure ES4: Long-term trend in overseas departures by Australians
Figure ES5: Australia’s net arrivals deficit
Figure ES6: Tracking the 2020 Tourism Industry Potential
Figure ES7: Tourism 2020 – Tracking progress of aggregate components
Figure 1: Changes in inbound and outbound package visitor expenditure against the Australian dollar
Figure 2: Real GDP per capita in Australia and selected markets
Figure 3: Comparing the growth in services (including tourism), relative to other industries, 2004–05 to 2010–11
Figure 4: The Tourism Scorecard
Figure 5: Long-term trend in international visitor arrivals
Figure 6: Long-term trend in domestic travel in Australia
Figure 7: Long-term trend in Australians’ outbound travel
Figure 8: Australia’s net arrivals
Figure 9: Australia’s net tourism trade
Figure 10: The phases of Tourism 2020
Figure 11: Tracking the 2020 Tourism Industry Potential

Figure 12: 2020 Tourism Industry Potential progress made to date

Figure 13: Tourism 2020 – Tracking progress of aggregate components

Figure 14: Visitor expenditure forecasts: contribution to growth by purpose

Figure 15: Changes to TRA’s headline statistics for visitor expenditure

Figure 16: Asian travel to Australia: visitors, visitor nights and expenditure

Figure 17: Change in arrivals by key Asian markets, 2009 to 2011–12

Figure 18: Change in expenditure by key Asian markets, 2009 to 2011–12

Figure 19: Australia’s total share of international travel

Figure 20: Change in arrivals by key non-Asian markets, 2009 to 2011–12

Figure 21: Change in expenditure by key Non-Asian markets, 2009 to 2011–12

Figure 22: Web presence, by the proportion of businesses for key tourism industries

Figure 23: Receiving orders online, by the proportion of businesses for key tourism industries

Figure 24: Proportion of orders received online, by business size and key tourism industries, 2009–10

Figure 25: Room stock by accommodation type

Figure 26: Real yields per available room

Figure 27: Accommodation: approvals, commencements and work

Figure 28: Entertainment and recreation services: approvals, commencements and work done

Figure 29: Australia’s international aviation sector, inbound seat capacity and passenger load factors

Figure 30: Australia’s domestic aviation capacity and passenger load factors

Figure 31: Changes in Australia’s international aviation sector key indicators, 2009 to 2011–12

Figure 32: Changes in Australia’s direct services from key markets, 2009 to 2011–12

Figure 33: Changes in Australia’s domestic aviation sector key indicators, 2009 to 2011–12

Figure 34: Transport buildings, approvals, commencements and work done, 2002 to year ending March 2012

Figure 35: Growth in jobs in Australian tourism, full-time and part-time

Figure 36: Comparing average weekly ordinary time earnings: key tourism industries, mining and all industries
Figure 37: Labour productivity in tourism-related industries
Figure 38: Comparing tourism Gross Value Added with all industry Gross Value Added
Figure 39: Change in Gross Operating Surplus, 2007–08 to 2010–11
Figure 40: International visitor satisfaction for selected trip attributes, January-June 2012
Figure 41: International visitor dissatisfaction for selected trip attributes, January-June 2012

Tables

Table 1: Tourism’s role in the economy
Table 2: International visitor arrivals to Australia by origin
Table 3: International visitor arrivals to Australia by purpose
Table 4: International visitor arrivals to Australia by state
Table 5: Domestic overnight travel in Australia by state
Table 6: Domestic overnight travel by purpose
Table 7: Domestic day travel by state
Table 8: Domestic day travel by purpose
Table 9: Australian resident outbound travel, by main destination and purpose
Table 10: Tourism Industry Potential, by source market
Table 11: Summary, Tourism Forecasting Committee, forecasts by travel segment
Table 12: Australia’s market share of global out-of-region travel
Table 13: Key indicators for Australia’s larger accommodation establishments
Table 14: Airport traffic, by major airports
Table 15: Persons employed in tourism
Table 16: Labour productivity growth in relation to GVA and labour hours worked in tourism-related industries
Executive summary

Australia’s tourism industry performed well during 2011–12 with an 8.0 per cent growth in total visitor expenditure over the previous year. Most of this growth was in the domestic market which demonstrated a substantial increase from its lows of recent years.

In relation to inbound tourism, strong performance from Asia, in particular China, more than offset falls from some of Australia’s more traditional markets in Europe that led to a small overall increase in inbound tourism during 2011–12 over the previous year.

This year’s State of the Industry Report shows that overall, the industry’s performance was much improved over the previous year on most indicators. This was achieved despite the continuing high value of the Australian dollar and a range of challenges in the macroeconomic environment.

Macroeconomic challenges

Four years on from the onset of the Global Financial Crisis (GFC), the global economy is still reeling and recovery in the world’s largest economy, the United States, remains muted. The ongoing sovereign risk crisis and return to recessionary conditions in key economies of Europe also acts to dampen discretionary spending, particularly for long-haul travel.

In Australia, the relatively solid performance of the Australian economy underpinned by the mining boom is a positive force for tourism. However, this is offset by the fact that the Australian dollar remains at or near record cross-rates with most of Australia’s main tourism partners including the United States (US dollar) and Europe (Euro).

The Tourism Scorecard

The 2012 Tourism Scorecard provides a graphic overview of the performance of the Australian tourism industry and its many sectors in 2011-12, compared to the previous 12 month period.

Total spending by all visitors to Australia in 2011-12 increased 8.0 per cent (or by $7.0 billion) to $95.0 billion over the previous year. This growth represents the strongest growth since 2000-01 (Figure ES1) and was primarily sourced from stronger spending by Australians in Australia (up $6.6 billion or by 10.7 per cent to $68.4 billion). This was the strongest growth since the National Visitor Survey (NVS)—the source for domestic visitor expenditure—started in 1998.

Strongest growth was evident in visitor expenditure for business (up 17.9 per cent) and employment (up 10.5 per cent) travel.

Spending on leisure travel in Australia also increased, particularly for travel to visit friends and relatives (VFR), which increased by 13.7 per cent to $16.8 billion.

The largest purpose of visit segment, holiday, increased by 5.1 per cent (or by $2.0 billion) to $41.1 billion.

International tourism

Australia’s international visitor arrivals in 2011–12 increased by 1.2 per cent (to a record 6.0 million; Figure ES2) and revenues in this sector increased by 1.5 per cent to $26.6 billion.

There was substantial growth in the China market, both in terms of arrivals (up 16.7 per cent) and expenditure (up 9.1 per cent to $3.8 billion). There was also solid growth in expenditure from the United States and New Zealand (up 7.5 and 3.8 per cent respectively). However, this growth was largely offset by declines from Australia’s more traditional markets, particularly from the United Kingdom (down 6.6 per cent).
Of concern has been the sharp 23 per cent (or by $211 million) decrease in Indian visitor expenditure, most of which was attributable to the $181 million fall in Indian international education visitor expenditure. This fall led to a small ($17 million) decrease in international education visitor expenditure overall. This decrease contrasts with the education sector’s recent strong performance where it has increased for the six successive years to 2010–11, and provided the bulk of the growth (66 per cent) in international visitor receipts over the past decade.

**Domestic overnight tourism**

In 2011–12, domestic overnight visitor expenditure increased at its fastest rate, up 9.1 per cent to $50.8 billion. This growth was underpinned by a broader upward trend in domestic tourism activity in Australia (Figure ES3).
Most domestic overnight activity measures increased strongly, with domestic visitor nights in Australia rising by 6.7 per cent to 284 million. This year’s strong performance continues the solid recovery from its low point of the last decade in 2008–09 where domestic visitor nights fell to 263 million nights.

Domestic day tourism

Most indicators for domestic day travel also recorded rapid growth, with expenditure up 15.7 per cent and trips up 8.0 per cent in 2011–12 compared to 2010–11. After slumping sharply in the early 2000’s, domestic day trips have now shown solid growth over the past seven years to reach a record 168.9 million trips in 2011–12.
Outbound tourism performance

Along with the strong recovery in domestic travel, Australians continue to travel overseas in record numbers. In 2011–12, there were 8.0 million outbound trips, up 8.0 per cent on 2010–11 (Figure ES4).

In the year ending March 2012 (the latest available data), Australians travelled overseas for nearly 142 million nights (up 9.0 per cent on 2010–11), and spent $42.2 billion on their overseas travel.

Economic significance of tourism

Tourism’s share of the economy is likely to increase

The solid growth in visitor expenditure in 2011–12 is a positive pointer for tourism to increase its share of Australia’s Gross Domestic Product (GDP) from the 2010–11 level of 2.5 per cent.

This will be confirmed when the Australian Bureau of Statistics (ABS) releases its next Tourism Satellite Account in April 2013.

Tourism’s net arrivals and net trade deficit are on the rise

The continuing solid growth in outbound travel by Australian residents (up 8.0 per cent to 8.0 million) in 2011–12, combined with the moderate growth in international visitor arrivals to Australia (up 1.2 per cent to 6.0 million), meant that the net arrivals deficit for tourism increased to 2.0 million (Figure ES5).

This increase, combined with the latest trends from ABS’ trade statistics on tourism-related services, suggests that the net tourism trade deficit increased further from $7.2 billion in 2010–11.

Tourism forecasts (to 2021–22)

The latest Tourism Forecasting Committee (TFC) forecasts predict that tourism expenditure will increase by 2.1 per cent in real terms to $97 billion in 2012–13 then by a further 2.0 per cent (real) to $99 billion in 2013–14.

In the longer term, total visitor expenditure is forecast to reach $112 billion in 2021–22 (which is equivalent to the low growth scenario of $115 billion in the Potential) underpinned by real average annual growth of 1.6 per cent.

Figure ES5: Australia’s net arrivals deficit

![Figure ES5: Australia’s net arrivals deficit](image)
Although domestic visitor expenditure remains by far the largest segment, the international visitor segment is projected to provide around two thirds of the growth in total visitor expenditure over the 10 year period to 2021–22.

The forecasts show continued strong reliance on growth from China in delivering just under one third (32 per cent) of the increase in international visitor expenditure over the next decade, followed by India (7.4 per cent).

**Tourism 2020 progress**

Under Tourism 2020, the Australian tourism industry has set a major challenge to increase overnight visitor expenditure in Australia from around $70 billion in 2009 to between $115 and $140 billion in 2020.

**The 2020 Tourism Industry Potential is tracking at the lower range**

Results to date suggest that in the two and a half years to 2011–12, the 2020 Tourism Industry Potential, or the Potential, has increased by 8.3 per cent (or by 3.3 per cent per year) to $77.5 billion, which is at the low end of its planned growth path (Figure ES6).

Tourism 2020 is still in its ‘setting the foundation’ phase until 2014, with growth expected to gather momentum from that point. The degree of success from this approach will be clearer in future years.

**Tourism supply growth is mixed**

In 2011–12, growth in the tourism supply chain was mixed:

- Solid growth occurred in international aviation seat capacity (up 3.6 per cent) and there was moderate growth in domestic aviation seat capacity (up 1.7 per cent).
- There was only a small increase in Australia’s larger end accommodation sector, with room supply up by 590 rooms (or by 0.3 per cent). Most of this growth occurred in Victoria (mainly in Melbourne), while there was a slight contraction in available room stock in other states.
- The tourism workforce increased by 4.1 per cent (or by 20,100 jobs) to 513,700 jobs in the two years to 2010–11. This growth was just below the 4.3 per cent growth in total Australian employment. However, latest evidence points to a slight contraction in the tourism industry.

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**Figure ES6: Tracking the 2020 Tourism Industry Potential**

![Graph showing the tracking of the 2020 Tourism Industry Potential from 2010 to 2020.](image-url)

Sources: Tourism Research Australia, Tourism 2020
workforce in 2011–12, featuring falls in accommodation and the cafes, restaurants and takeaway food services industries.

Messages for Tourism 2020 (tracking progress from 2009)

Figure ES7 presents the progress made to date in achieving a number of the supply side goals that were set in Tourism 2020 along with the overall Potential.

This figure highlights the fact that substantial progress has been made in relation to the international and domestic aviation seat capacities (42 and 30 per cent respectively of the Tourism 2020 target already achieved) but that much work is still required in order to meet the accommodation and labour targets.

In terms of revenue, the Potential has achieved around 9 per cent of the increase needed to reach its $140 billion goal in 2020. Progress is more advanced in the domestic tourism component (having achieved 17 per cent of its goal), compared to the international sector (at 2 per cent).

Growth in Australian room stock has been slow

Growth in Australia’s room stock has been low, with an increase of around 730 rooms over the 2009 to 2011–12 period.

In its Tourism Investment Monitor (published in April 2012), Tourism Research Australia (TRA) estimated that around $3.1 billion of investment in the industry equates to an increase of around 17,200 rooms.

Underpinning this level of interest in accommodation investment has been the recent strong growth in takings and room yields, particularly in the capital cities. Business travel has underpinned this strong growth, providing an increased incentive to invest in the sector.

Given the time taken to develop and complete these projects (combined with the increasing level of mixed residential and commercial development), the next TRA Tourism Investment Monitor (due in April 2013) will need to show higher levels of pipeline investment in accommodation if the industry is to achieve the Potential’s 40,000 room challenge.

Figure ES7: Tourism 2020 – Tracking progress of aggregate components

Aviation capacity - International  42
Aviation capacity - Domestic  30
Potential - Domestic  17
Labour  13
Potential - All sectors  9
Potential - International  2
Accommodation - Room Supply  2

0 20 40 60 80 100
Per cent change towards Tourism 2020 objectives

Source: TRA calculations
The challenge to attract more labour in the mining boom environment remains stronger than ever

Figure ES7 shows that growth in the tourism labour force has made some progress, achieving around 13 per cent (or around 20,000 jobs) of its Tourism 2020 goal, with all of this growth achieved in the two years to 2010–11.

However, growth in tourism employment appears to have stalled in 2011–12, and this highlights the challenge the industry is facing. Australian unemployment remains low and high wages on offer from firms aligned with the mining boom remains a major challenge for tourism operators, particularly in regional areas.

Conclusion

Australia’s tourism industry performed well during 2011–12 with an 8.0 per cent growth in visitor expenditure over the previous year. Most of this growth was in the domestic market which demonstrated a substantial increase from its lows of just a few years ago.

In relation to inbound tourism, strong performance from Asia, in particular China, more than offset falls from some of Australia’s more traditional markets in Europe to lead to a small overall increase in inbound tourism during 2011–12 over the previous year.

The Asian century, and Australia’s geographical advantage present major opportunities for Australia. However, stronger overseas competition for the international tourism dollar is clearly evident, with the very high levels of investment taking place in other parts of Asia, particularly in the North-East Asian region.

The combination of a strong Australian economic performance, a high Australian dollar and a very competitive international aviation sector which is driving down the costs of overseas travel (package travel in particular) continues to underpin Australians’ decisions to travel overseas in record numbers. This ongoing ‘international competition’ is not likely to change for the foreseeable future.

For other areas of supply, the current challenging investment environment reinforces the industry’s need to substantially raise productivity, particularly to compete with its overseas competitors.

Key challenges remain with the industry requiring a higher quality product (whether it is either new or refreshed) and a larger, highly-skilled workforce.
1 Introduction

Global travel continues to recover, after its slump during the initial phase of the Global Financial Crisis (GFC) in late 2008 and 2009. The United Nations World Tourism Organization (UNWTO) reported that after declining 3.8 per cent in 2009, total international arrivals increased 6.4 per cent in 2010 and by 4.6 per cent (to 983 million) in 2011.

In its latest Tourism Barometer publication (July 2012), the UNWTO estimates that international visitor arrivals rose by 5.4 per cent in the January-April 2012 period, but anticipates a slowing of growth for the remainder of the year with growth forecast to be between 3 and 4 per cent in 2012. If this is achieved, global arrivals may reach the 1.0 billion trips milestone in 2012.

Consistent with these international trends, the Australian tourism industry performed well in 2011–12, with international visitor arrivals increasing 1.2 per cent\(^1\), domestic visitor trips increasing 7.3 per cent and total visitor expenditure increasing 8.0 per cent over the previous year.

In expenditure terms, spending by all visitors to Australia rose 8.0 per cent to $95.0 billion. This growth has reinforced the important role tourism plays in the Australian economy (refer Box 1).

This report documents the progress made by the tourism industry over the past year to June 2012. It also features the progress that has been made since 2009, against the six strategic priorities of Tourism 2020, including the 2020 Tourism Industry Potential.

1.1 What’s new in this report?

Following the inaugural State of the Industry report in 2010, State of the Industry 2011 provided evidence on how Australia’s tourism industry was tracking against its performance indicators over the period to 2020.

State of the Industry 2012 provides an update on this progress and assesses macroeconomic trends relevant to tourism business performance.

As a number of changes were made to the 2011–12 report, as outlined below, care must be taken in comparing this year’s report with reports from previous years.

Changes to TRA estimates for historical tourism performance

The primary change in this year’s report is a result of the substantial amendments to historical data contained in Tourism Research Australia’s (TRA) International Visitor Survey (IVS) and National Visitor Survey (NVS) data. This followed a review of TRA’s processing methodology, the first since both surveys commenced in the late 1990s.

The timing of the TRA methodological review was prompted by the introduction of a new geographical classification system that the Australian Bureau of Statistics (ABS) introduced in 2012. More details on these changes are provided at Appendix A.

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\(^1\) In the year ending August 2012, international arrivals increased by 1.6 per cent to 6.0 million compared to the year ending August 2011.
Box 1: Benchmark statistics for tourism’s role in the Australian economy (in 2010–11).

Benchmark data, primarily sourced or derived from the ABS Tourism Satellite Account (TSA), shows that the 283,000 businesses associated with tourism in Australia in 2010–11, contributed to:

- An increase of 2.5 per cent in (direct) tourism gross domestic product (GDP) to $35 billion in original terms. This represents 2.5 per cent of Australian GDP that year.
- An increase of 2.6 per cent in tourism consumption in Australia to $95.7 billion.
- An increase of 4.4 per cent in tourism exports to $23.7 billion, to represent around 8.0 per cent of all Australian exports. As tourism imports increased 11 per cent to $30.9 billion, the net deficit in tourism increased to $7.2 billion in 2010–11.
- An increase of 2.7 per cent in direct tourism employment, to 513,000 jobs.

TRA research builds on these benchmarks to show:

- An increase of 2.7 per cent in tourism’s total (direct and indirect) contribution to the Australian economy to $73 billion.
- An increase of 3.8 per cent in the number of jobs directly or indirectly aligned with tourism to 907,000 jobs.
- Around 79 per cent of Australia’s direct tourism GDP occurs in the three major states: New South Wales ($11.5 billion), Queensland ($8.3 billion) and Victoria ($7.3 billion).
- Tourism’s share of Gross State Product ranges from 1.4 per cent in Western Australia, to 4.3 per cent in the Northern Territory.

Tourism 2020

Launched in December 2011 as an update to the National Long-Term Tourism Strategy, Tourism 2020 identified six key strategic priorities, focusing on demand and supply-side themes that are listed below:

- Grow demand from Asia
- Build competitive digital capability
- Encourage investment and implement the regulatory reform agenda
- Ensure tourism transport environment supports growth
- Increase supply of labour, skills and Indigenous participation
- Build industry resilience, productivity and quality.

Tracking the 2020 Tourism Industry Potential

The 2020 Tourism Industry Potential (the Potential) was developed as a headline strategic measure to track progress for the National Long-Term Tourism Strategy (and in turn Tourism 2020). The primary measure of the Potential is overnight visitor expenditure in Australia.

The Potential sought to increase annual overnight visitor expenditure to between $115 billion and $140 billion by 2020.

Previous State of the Industry editions presented expenditure estimates in real or price-adjusted terms, with the deflator generally being the Australian headline Consumer Price Index (CPI) published by the ABS. To maintain consistency with the nominal dollars attached to the Potential (and other TRA publications), expenditure figures in State of the Industry 2012 are now expressed in nominal terms (unless otherwise stated).

The 2020 Tourism Industry Potential is defined as the sum of international visitor expenditure (including expenditure on pre-paid airfares and packages) and Australians’ expenditure on overnight travel in Australia.

2 Tourism Satellite Account for 2011-12 not available until April 2013
Changes to the Tourism Scorecard

The Tourism Scorecard is the principal report mechanism for tracking industry and policy performance (against the aspirations of the Potential).

The 2012 Tourism Scorecard (the Scorecard) has changed substantially from earlier editions. It now provides more detailed demand and supply indicators, with the aim of increasing both industry and government stakeholder engagement.

It focuses on performance for the latest 12 month period, in this case in 2011–12, compared to 2010–11.

Appendix B details the progress of each of the six Tourism 2020 key strategic priorities since 2009.

2 The recent macro-economic challenges facing Australian tourism

Recent TRA research highlights that the Australian dollar (as a proxy for cost) and GDP per capita (as a proxy for income) are both significant factors driving the performance of Australia’s tourism industry.

In this context, the strong Australian dollar, and continued weak European and United States (US) economies (linked to the legacy of the GFC), continue to negatively impact Australia’s tourism industry performance.

The high Australian dollar lowers the price competitiveness of Australian destinations

A high Australian dollar reduces the price competitiveness for international and Australian resident travel in Australia, particularly for the price sensitive segments within the holiday market.

The Australian dollar averaged US$1.03 in 2011–12, an increase of 4.4 per cent on the previous twelve month period. At this level, the Australian dollar was nearly double that of the 2001 average of US$0.52, to be well above the long-term average of US$0.74. Similarly, Australia’s Trade-Weighted Index (TWI), which represents a measure for all tourism trade, increased by 53 per cent from 2001 to 2011–12.

The increase in the Australian dollar since 2001 (apart from the sharp contraction during 2009) has placed more highly price sensitive segments such as package holiday travel under considerable pressure.

Against the backdrop of an appreciating Australian dollar, package travel’s share of total international visitor expenditure fell sharply, from 34 per cent in 2000 to 13.2 per cent in 2011–12 (Figure 1).

At the same time, Australians’ overseas package travel increased strongly, up 29 per cent between 2007 and the year ending March 2012. Domestic package visitor expenditure contracted 5.0 per cent over the same period.

The lingering effects from the Global Financial Crisis remain a negative force for some key Australian inbound markets

The significant negative impact from the GFC remains an on-going legacy for global economic growth. The first phase of the GFC resulted in the sharp fall in asset prices (such as in stocks and houses) in many economies, dramatically lowering savings while credit availability (including government bonds) was severely constrained.

Recovery since the initial GFC shock has been patchy, with economies in the Asian region (excluding Japan) recovering at a much faster rate than other regions. In the US, economic growth continued to be muted with the US unemployment rate remaining at historically high levels.
Most concern remains in Europe, where many economies (including the United Kingdom) are experiencing recessionary conditions, and there are ongoing sovereign debt problems in southern Europe (particularly Spain, Greece and Portugal). While the European Central Bank has achieved some recent success in renegotiating sovereign debt repayments (including the release of special bonds), these arrangements are conditional on indebted governments undertaking further austerity measures, including further sharp reductions in government spending. This is likely to result in further dampening (or delaying) economic recovery in many of the affected countries.

While most of the economies more severely affected by the crisis are not traditionally significant source markets for Australian tourism, the ongoing impacts from the crisis have a wide impact across Europe. This includes the sharp devaluation of the Euro, which makes outbound travel from the region more expensive.

Furthermore, as European visitors to Australia traditionally have a higher propensity to travel beyond Australia’s cities (such as European backpackers), regional tourism in Australia is likely to be suffering disproportionately from the ongoing sovereign debt crisis in Europe.

Growth in the world’s economic powerhouse—China—is slowing

Even China, Australia’s leading tourism inbound market by value, is not immune to the weaker global backdrop. China’s economic growth slowed noticeably over 2011 and so far in 2012 (along with related indicators such as slowing exports and imports and falling commodity prices). This has led to an increased likelihood that the Chinese government will initiate another stimulus round including interest rate cuts.

As the mining boom matures, Australia’s solid relative economic performance continues

Despite these international pressures, economic growth in Australia continues to expand at a solid pace, with real growth of 3.4 per cent in 2011–12, which is now just above its 10-year average.
Australia’s economic growth per capita, which is an important ‘proxy’ measure for disposable income, has rebounded more strongly than many other countries including the US, Japan, Canada and the Euro area since 2005 (Figure 2).

Overall, Australia’s solid growth in incomes has underpinned growth in discretionary spending, including for travel and tourism. In 2011–12, TRA estimated that despite household savings remaining at high levels, leisure tourism’s share of Australians’ household consumption held at around 10.4 per cent in 2011.

**Australia’s economic growth remains relatively solid, but mixed for tourism**

Australia’s mining industry (and related industries) has underpinned strong Australian growth in recent times and is likely to do so for some time to come.

Growth has been slower for industries not aligned with mining. Industries that are trade-exposed, or where a strong Australian dollar acts to reduce price competitiveness of exports or increases the price attractiveness of import competition, are underperforming (Figure 3). Tourism is one of these industries.

As well as problems caused by the high exchange rate, tourism also faces a number of industry-specific challenges. For example, in its Tourism Industry Sentiment Survey, TTF Australia highlight the shortage of skilled and unskilled workers remains a main concern for the tourism sector, suggesting that ‘almost one in five indicated this amongst their top three concerns’.

Accessing funding for investment also remains a concern for tourism. As highlighted in the latest Budget forecasts, mining investment is likely to remain high for some time, despite the recent falls in prices for mining-related commodities.

Against this backdrop, it is still a difficult environment for non-mining business to access finance. For tourism, the latest TTF Industry Sentiment Survey shows that 14 per cent of respondents indicated that ‘access to bank finance’ was a top 3 impediment.
3 The Tourism Scorecard – tracking tourism performance in 2011–12

The 2012 Tourism Scorecard (the Scorecard, Figure 4) provides an overview of the performance of the Australian tourism industry and its many sectors in 2011–12, compared to the previous 12-month period. The key output measure at the top of the diagram is Total Visitor Expenditure.

The Scorecard is presented in hierarchical form, with the bottom of the diagram containing the key supply-side drivers of the tourism industry. These drivers underpin the performance of international and domestic overnight visitor expenditure, which in turn make up the Tourism Industry Potential performance.

Day trip expenditure (at the top of the Scorecard) is also added to complete the sum of Australia’s total visitor expenditure. Expenditure is segmented by geographical and purpose-of-visit categories. Indicators have been included to highlight performance of the sector in terms of yield.

A top line explanation of performance in each section of the Scorecard is provided in the following section—additional detail is presented later in the body of the report and in the Appendices.

3.1 Supply-side drivers

Investment

TRA estimated that around $42 billion worth of investment is in the tourism investment pipeline. However, latest aggregate statistics for Gross Fixed Capital Formation, suggest that investment in the main tourism industry sectors of accommodation and food services, transport, postal and warehousing and arts and recreation services remains at muted levels.

5 TRA (2012), Tourism Investment Monitor 2012, TRA, Canberra
It should be noted, however, that there are mixed indicators in terms of building approvals (a partial indicator for changes in Gross Fixed Capital Formation).

The value of accommodation approvals was down in the 12 months to June 2012, while approvals for transport, and entertainment and recreation buildings were each up strongly (by 48 per cent and 24 per cent respectively). This growth partially reflects a continued bounce-back from the sharp falls that occurred at the height of the GFC.

**Accommodation supply**

Accommodation room stock growth was low at 0.3 per cent (or by 590 rooms) during 2011–12.

Since the December quarter 2009, room stock has increased by around 730 rooms. Around 2,620 extra rooms have come on line in Victoria (and mainly in Melbourne), but most of this increase was offset by reductions to room stock in Queensland (down 1,000 rooms) and New South Wales (down 900 rooms).

However, as occupancy rates and yields per available room continue to strengthen, rising profitability in the accommodation industry is now more favourable to induce stronger investment.

**Aviation**

Growth in both international (measured in terms of inbound seats, up 3.6 per cent) and domestic aviation capacity (measured as seat kilometres, up 1.7 per cent) have been solid in the twelve months to June 2012. There has been strong growth in both areas since 2009, which appear to be well on track to achieve aviation’s Tourism 2020 goals.

**Tourism employment**

Latest ABS Labour Force statistics suggest growth in the tourism labour force has plateaued in 2011–12, after increasing by around 20,000 jobs in the preceding two financial years.

**Digital capability**

At this stage there is no new specific information to track the increase in online capability by tourism businesses and consumers for this report.

The last study conducted in 2010 by NWC Opinion Research estimated that around 84 per cent of tourism businesses were online but only 35 per cent of these businesses were transaction ready.

Other surveys, including the Sensis e-Business report (released August 2012), suggest that the rapid growth of digital readiness seen in recent years may have stalled, more so for small businesses.

**Tourism quality**

Tracking tourism quality is in its early phase following the launch of T-QUAL Accreditation in April 2011. At the end of September 2012, T-QUAL Accreditation had endorsed 11 Quality Assurance Schemes, enabling around 13,000 operators to sign up to use the T-QUAL Tick. Over 5,000 of these eligible businesses have signed on to the program.

### 3.2 International and domestic overnight visitor expenditure

**International market share**

Australia’s share of the global travel market has dipped slightly but remains at around 0.6 per cent in 2011.

Australia’s market share for out-of-region travel in most Asian markets fell in 2011–12 compared to the previous year, except for China (4.5 per cent, up from 3.8 per cent) and Indonesia (7.3 per cent, up from 6.8 per cent).

**Growing demand from Asia**

Arrivals from Asian markets to Australia increased by 3.6 per cent (or by 87,000) to 2.5 million in 2011–12. Visitor expenditure by Asian markets also increased (up 2.1 per cent or $262 million).
Almost all (96 per cent) of the growth in arrivals from Asian markets was from China, while Indonesia and India also provided solid contributions to growth. China contributed the largest growth in Asian market expenditure (up 9.1 per cent or by $314 million).

Growing demand from other international markets

Arrivals from non-Asian markets to Australia fell by 0.4 per cent (or by 13,000) to 3.5 million in 2011–12, with falls mainly in European markets.

Visitor expenditure from non-Asian markets increased marginally (up 0.9 per cent or $121 million) but was largely offset by strong falls in expenditure from European and North American markets.

New Zealand remains a shining light, with growth in arrivals (up 0.7 per cent or by 8,500) and expenditure (up 3.8 per cent or by $82 million).

Growing the domestic overnight market

Domestic overnight travel increased by 5.8 per cent to 75.1 million trips in 2011–12, and expenditure grew by 9.1 per cent to $50.8 billion.

Total domestic expenditure

Total domestic visitor expenditure (day and overnight expenditure) increased by 10.7 per cent to $68.4 billion, the strongest growth since TRA’s NVS began in 1998.

Total visitor expenditure

Total visitor expenditure rose 8.0 per cent (or by $7.0 billion) to $95.0 billion in 2011–12. This is the strongest growth in expenditure since 2000–01; a period that covered the Sydney Olympics.

The 2020 Tourism Industry Potential

The Potential increased by 6.3 per cent (or by $4.6 billion) to $77.5 billion in 2011–12.

More details on this measure are contained in the next section.

Day trip expenditure

Day visitor expenditure grew by 15.7 per cent to $17.5 billion, and contributed 17 per cent of total visitor expenditure in Australia.

The number of domestic day trips also increased strongly (up 8.0 per cent to 169 million), continuing its steady recovery from the slump in day trip activity in the early 2000s.

Total visitor expenditure by state, territory and region

Expenditure growth varied considerably across the Australian states and territories in 2011–12.

Strongest growth in visitor expenditure occurred in Western Australia and Queensland (up 17.8 per cent and 15.7 per cent, respectively). Growth in Victoria was moderate (up 7.9 per cent).

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6 Growth in TRA regional expenditure estimates for Australia (up 8.8 per cent in 2011-12) are higher than that reported elsewhere in this report (up 8.0 per cent). This difference is due to regional expenditure being calculated on a slightly different basis, than for the headline estimates. The main difference is that modelled regional expenditure estimates are based on data that exclude a large proportion of international pre-paid package and international airfares and other expenditure. In 2011-12, pre-paid package expenditure contracted by 6.2 per cent while expenditure on international airfares rose by 2.1 per cent.
while there was only low growth in visitor expenditure in New South Wales (up 2.6 per cent).

Growth in visitor expenditure was strong in both Australia’s capital cities and regional tourism regions. In 2011–12, growth in visitor expenditure was strongest in Australia’s regional areas, up 9.2 per cent to $38.9 billion, with capital city tourism expenditure increasing at a still very strong 8.5 per cent to $47.4 billion.

These results suggest that in 2011–12, around 55 cents in every tourism dollar was spent in Australia’s capital cities, with the remainder (45 per cent) being spent in regional Australia.

Visitor expenditure by purpose of visit
Expenditure in Australia by purpose of visit varied considerably in 2011–12, with holiday travel accounting for the largest proportion of total visitor expenditure (47 per cent or $41.1 billion), followed by Visiting Friends and Relatives (VFR) visitors (19 per cent or $16.8 billion).

Growth in visitor expenditure was strongest for business visitors (up 17.9 per cent to $16.3 billion), VFR visitors (up 13.7 per cent) and employment visitors (up 10.5 per cent). Visitor expenditure in the largest purpose sector, holiday, showed the slowest growth, up 5.1 per cent.

Yield
In 2011–12 compared to 2010–11, yield per trip increased across all visitor segments; international (up slightly to $4,812) and domestic overnight travel (up 3.1 per cent to $677), with the strongest growth occurring in average day trip expenditure (up 7.1 per cent to $104 per trip).

Yield per night for international travel decreased, down 2.5 per cent to $135 per night, while average yield per night for domestic overnight travel rose 2.3 per cent to $179. Yield per night increased for all main purpose of visit segments.

3.3 Economic significance of tourism
This summary provides an overview of other key statistics that are important to provide a full picture of the tourism industry.

These statistics are drawn largely from the Tourism Satellite Account (TSA) produced by the ABS. Data derived from the TSA relate to the 2010–11 TSA (released December 2011), as the 2011–12 TSA will not be released until April 2013. Data discussed in this section are summarised in Table 1.

Tourism Gross Domestic Product (GDP):
Valued at $34.6 billion in 2010–11, up 2.5 per cent from 2009–10, and up by 5.5 per cent since 2008–09.

Tourism’s share of Australia’s GDP:
Estimated at 2.5 per cent in 2010–11, reflecting a slight decrease on the previous two years.

Tourism consumption:
Estimated at $95.7 billion in 2010–11, up 2.6 per cent from 2009–10, and up by 4.5 per cent since 2008–09.
Tourism employment:
There were around 513,700 jobs in 2010–11, up 2.7 per cent from 2009–10, representing around 4.5 per cent of total employment in Australia.

Full-time employment increased 4.9 per cent to 289,300 jobs, while the number of part-time jobs was unchanged at 224,000 in 2010–11 (compared to 2009–10). There has been an increase of approximately 20,100 tourism jobs since 2008–09.

Tourism exports:
Worth $23.7 billion in 2010–11, up 4.4 per cent from 2009–10. Tourism’s share of exports was 8.0 per cent in 2010–11.

Tourism imports:
Estimated at $30.9 billion in 2010–11, up 11.0 per cent from 2009–10. Tourism’s share of Australia’s imports was 11.2 per cent in 2010–11.

Tourism net trade (the value of exports minus imports):
Tourism’s trade deficit was valued at $7.2 billion in 2010–11 and has gradually increased for the past seven years to 2010–11.

In 2011–12, the tourism trade deficit is likely to increase again. Results from ABS’ monthly international trade statistics for tourism-related services—an indicator series for tourism trade performance—suggest that although a modest increase in tourism imports is likely, growth in the value of tourism exports will be lower than imports, or decrease slightly in 2011–12.7

3.4 Performance of key market sectors

International visitor arrivals
International visitor arrivals to Australia were up 1.2 per cent (or by 73,600) to nearly 6.0 million, continuing the period of low growth that has been evident in most years since 2000 (Figure 5).

This growth was due to the 83,200 increase (16.7 per cent) in Chinese visitor arrivals. Taiwan (up 9.9 per cent), Indonesia (up 6.3 per cent) and India (up 5.5 per cent) each provided solid increases in percentage terms (Table 2).

Increased arrivals from China and other parts of Asia were offset by falls in visitor numbers from some of Australia’s traditional markets in Europe such as the United Kingdom and Germany as well as a reduced slide in numbers from the US.

In terms of purpose of visit, VFR arrivals (up 2.7 per cent or by 37,900 arrivals) provided most of the 73,600 increase in 2011–12. Business (up 29,600) and employment (up 23,600) also showed solid growth (Table 3).

Offsetting these increases were falls in holiday (down 15,100, or by 0.6 per cent to 2.6 million), with this sector showing little growth over the past five years.

The number of international education arrivals was slightly lower (by 10,200) to 364,000 in 2011–12, the first fall in eight years.

The main reason for this decrease was the contraction in the Indian education sector. Although arrivals from this market fell slightly (by 4,300), the impact was stronger in terms of visitor nights (down by 1.1 million) and in expenditure (down $181 million).

International visitor performance by state and territory was mixed. In terms of arrivals, growth was strongest in Victoria (up 3.6 per cent), while the Northern Territory recorded the largest falls in terms of arrivals and expenditure (Table 4).

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7 Estimates on tourism exports and tourism imports are different to visitor expenditure estimates. While the ABS use visitor expenditure as a basis for their estimates, there are many adjustments, including calculations for imputed expenditure made by tourists. Also note that tourism exports are also referred as international visitor consumption.
### Table 1: Tourism’s role in the economy

<table>
<thead>
<tr>
<th>Direct contribution to the economy¹</th>
<th>2008-09</th>
<th>2009-10</th>
<th>2010–11</th>
<th>Change from 2009–10</th>
<th>Change from 2008–09</th>
<th>AAGR² Per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumption of tourism goods and services ($m)</td>
<td>91,543</td>
<td>93,199</td>
<td>95,653</td>
<td>2.6</td>
<td>4.5</td>
<td>3.7</td>
</tr>
<tr>
<td>Tourism gross value added at basic prices ($m)</td>
<td>29,924</td>
<td>30,802</td>
<td>31,495</td>
<td>2.2</td>
<td>5.2</td>
<td>4.2</td>
</tr>
<tr>
<td><strong>plus Net taxes on tourism products ($m)</strong></td>
<td>2,860</td>
<td>2,940</td>
<td>3,100</td>
<td>5.4</td>
<td>8.4</td>
<td>n.a.</td>
</tr>
<tr>
<td><strong>equals tourism gross domestic product ($m)</strong></td>
<td>32,784</td>
<td>33,742</td>
<td>34,595</td>
<td>2.5</td>
<td>5.5</td>
<td>5.0</td>
</tr>
<tr>
<td>Tourism employment (persons)</td>
<td>493,600</td>
<td>500,200</td>
<td>513,700</td>
<td>2.7</td>
<td>4.1</td>
<td>1.6</td>
</tr>
<tr>
<td>Tourism exports ($m)</td>
<td>23,275</td>
<td>22,686</td>
<td>23,681</td>
<td>4.4</td>
<td>1.7</td>
<td>4.5</td>
</tr>
<tr>
<td>Tourism imports ($m)</td>
<td>27,374</td>
<td>27,845</td>
<td>30,901</td>
<td>11.0</td>
<td>12.9</td>
<td>7.7</td>
</tr>
<tr>
<td><strong>Tourism balance of trade ($m)</strong></td>
<td>-4,099</td>
<td>-5,159</td>
<td>-7,220</td>
<td>-2,061</td>
<td>-3,121</td>
<td>n.a.</td>
</tr>
<tr>
<td>Tourism’s share of total gross domestic product (%)</td>
<td>2.6</td>
<td>2.6</td>
<td>2.5</td>
<td>-0.1</td>
<td>-0.1</td>
<td>n.a.</td>
</tr>
<tr>
<td>Tourism’s share of total employment (%)</td>
<td>4.5</td>
<td>4.5</td>
<td>4.5</td>
<td>0.0</td>
<td>0.0</td>
<td>n.a.</td>
</tr>
<tr>
<td>Tourism’s share of total exports (%)</td>
<td>8.2</td>
<td>8.9</td>
<td>8.0</td>
<td>-1.0</td>
<td>-0.2</td>
<td>n.a.</td>
</tr>
</tbody>
</table>

Source: Australian Bureau of Statistics, Tourism Satellite Account (ABS cat. no. 5249.0)

1. Dollars in nominal terms
2. Average annual growth rate for the period 1997–98 to 2010–11

Source: ABS Cat. No. 5249.0 Tourism Satellite Account

### Figure 5: Long-term trend in international visitor arrivals

Source: Department of Immigration and Citizenship
Overall, Western Australia recorded the largest increases in international visitor nights (up 14.3 per cent, due mainly to holiday and employment purposes) and expenditure (up 10.3 per cent).

**Domestic overnight travel**

Total domestic visitor nights were up 6.7 per cent to 284,000 nights in 2011–12 (compared to 2010–11), the highest level in four years.

Domestic overnight trips were also strong, up 5.8 per cent to 75.1 million (Table 5).

Most states showed strong growth in overnight travel in 2011–12, particularly in Western Australia and Queensland, where domestic overnight expenditure rose by 22.5 and 19.0 per cent respectively. In contrast, there was weak growth in domestic overnight travel in New South Wales, which is by far Australia’s most popular overnight travel destination (Table 5).

This year’s solid result for the domestic overnight sector continues the steady recovery in trips and nights after falling sharply in 2008–09 (Figure 6).

### Table 2: International visitor arrivals to Australia by origin

<table>
<thead>
<tr>
<th>Country</th>
<th>International visitor arrivals $^1$</th>
<th>Change on 2010-11</th>
<th>International visitor nights $^2$</th>
<th>Change on 2010-11</th>
<th>International visitor expenditure $^3$</th>
<th>Change on 2010-11</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Zealand</td>
<td>1,191</td>
<td>0.7</td>
<td>15,438</td>
<td>2.3</td>
<td>2,231</td>
<td>3.8</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>597</td>
<td>-5.6</td>
<td>20,527</td>
<td>-3.9</td>
<td>2,809</td>
<td>-6.6</td>
</tr>
<tr>
<td>China</td>
<td>583</td>
<td>16.7</td>
<td>25,962</td>
<td>3.3</td>
<td>3,775</td>
<td>9.1</td>
</tr>
<tr>
<td>United States</td>
<td>464</td>
<td>-0.3</td>
<td>10,241</td>
<td>5.1</td>
<td>2,288</td>
<td>7.5</td>
</tr>
<tr>
<td>Japan</td>
<td>344</td>
<td>-5.4</td>
<td>8,375</td>
<td>8.2</td>
<td>1,440</td>
<td>2.2</td>
</tr>
<tr>
<td>Malaysia</td>
<td>243</td>
<td>-0.3</td>
<td>6,689</td>
<td>-1.7</td>
<td>1,025</td>
<td>2.1</td>
</tr>
<tr>
<td>South Korea</td>
<td>199</td>
<td>-2.6</td>
<td>12,394</td>
<td>0.5</td>
<td>1,293</td>
<td>2.4</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>169</td>
<td>-0.5</td>
<td>5,505</td>
<td>9.7</td>
<td>786</td>
<td>-2.9</td>
</tr>
<tr>
<td>India</td>
<td>152</td>
<td>5.5</td>
<td>8,481</td>
<td>-9.4</td>
<td>709</td>
<td>-22.9</td>
</tr>
<tr>
<td>Germany</td>
<td>152</td>
<td>-4.8</td>
<td>7,042</td>
<td>5.5</td>
<td>883</td>
<td>0.4</td>
</tr>
<tr>
<td>Indonesia</td>
<td>142</td>
<td>6.3</td>
<td>4,238</td>
<td>-14.8</td>
<td>645</td>
<td>5.5</td>
</tr>
<tr>
<td>Canada</td>
<td>119</td>
<td>0.5</td>
<td>4,369</td>
<td>2.6</td>
<td>644</td>
<td>-3.8</td>
</tr>
<tr>
<td>France</td>
<td>96</td>
<td>1.2</td>
<td>5,537</td>
<td>13.0</td>
<td>552</td>
<td>2.0</td>
</tr>
<tr>
<td>Europe</td>
<td>1,269</td>
<td>-2.6</td>
<td>53,603</td>
<td>5.9</td>
<td>6,918</td>
<td>-1.7</td>
</tr>
<tr>
<td>Asia</td>
<td>2,484</td>
<td>3.6</td>
<td>98,207</td>
<td>3.8</td>
<td>12,653</td>
<td>2.1</td>
</tr>
<tr>
<td>Total</td>
<td>5,981</td>
<td>1.2</td>
<td>197,241</td>
<td>4.1</td>
<td>26,642</td>
<td>1.5</td>
</tr>
</tbody>
</table>

Sources: Department of Immigration and Citizenship, TRA’s International Visitor Survey.

1 Number of visitors of all ages

2 Number of visitor nights by visitors aged 15 years and over

3 Total trip expenditure by visitors aged 15 years and over

### Table 3: International visitor arrivals to Australia by purpose

<table>
<thead>
<tr>
<th>Purpose</th>
<th>International visitor arrivals $^1$</th>
<th>Change on 2010-11</th>
<th>International visitor nights $^2$</th>
<th>Change on 2010-11</th>
<th>International visitor expenditure $^3$</th>
<th>Change on 2010-11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Holiday</td>
<td>2,642</td>
<td>-0.6</td>
<td>63,575</td>
<td>2.7</td>
<td>10,156</td>
<td>-0.1</td>
</tr>
<tr>
<td>Visiting Friends or Relatives</td>
<td>1,467</td>
<td>2.7</td>
<td>38,355</td>
<td>4.9</td>
<td>3,903</td>
<td>3.5</td>
</tr>
<tr>
<td>Business</td>
<td>882</td>
<td>3.5</td>
<td>12,576</td>
<td>6.9</td>
<td>3,562</td>
<td>-1.5</td>
</tr>
<tr>
<td>Education</td>
<td>364</td>
<td>-2.7</td>
<td>51,134</td>
<td>-0.8</td>
<td>6,038</td>
<td>-0.3</td>
</tr>
<tr>
<td>Employment</td>
<td>215</td>
<td>12.4</td>
<td>23,322</td>
<td>9.8</td>
<td>2,073</td>
<td>15.4</td>
</tr>
<tr>
<td>Other</td>
<td>411</td>
<td>1.9</td>
<td>8,279</td>
<td>26.2</td>
<td>910</td>
<td>6.8</td>
</tr>
<tr>
<td>Total</td>
<td>5,981</td>
<td>1.2</td>
<td>197,241</td>
<td>4.1</td>
<td>26,642</td>
<td>1.5</td>
</tr>
</tbody>
</table>

Sources: Department of Immigration and Citizenship, TRA’s International Visitor Survey.

1 Number of visitors of all ages

2 Number of visitor nights by visitors aged 15 years and over

3 Total trip expenditure by visitors aged 15 years and over
In relation to purpose of visit, there was strong performance in VFR and business sectors (nights up 13.8 and 9.4 per cent, respectively, and expenditure was up 17.6 and 16.4 per cent, respectively (Table 6).

Trips, nights and expenditure measures for holiday travel all increased but at much lower rates (up 2.2 per cent, 2.1 per cent and 4.2 per cent, respectively).

**Domestic day travel**

Australian same day travel increased 8.0 per cent to 169 million trips in 2011–12 compared to the previous year, with growth strong across all Australian states and territories (Table 7). After falling sharply in the first half of the last decade, domestic day travel has steadily increased, and is now approaching its highest level since the NVS began in 1998 (Figure 6).

Against the backdrop of solid Australian economic growth, there was very strong growth in business day travel during 2011–12 compared to the previous year, with trips up 28.9 per cent; and expenditure up 67.2 per cent (Table 8).

Leisure trips (which include travel for holiday and VFR purposes) also showed strong growth in trips and expenditure (holiday trips up 5.1 per cent, expenditure up 11.1 per cent; VFR trips up 4.1 per cent, expenditure up 9.1 per cent).

Same day travel to regional Australia also showed strong growth in trips and expenditure (up 11.3 per cent and 14.4 per cent respectively).

**Outbound tourism performance**

Australian outbound travel was again strong, up 8.0 per cent to 8.0 million trips, its ninth year of successive growth by financial year (Figure 7).

Outbound travel was strongest to Asian markets, particularly Thailand (up 23.3 per cent), India (up 15.6 per cent) and Indonesia (up 13.0 per cent).

There was also strong growth in travel to the United States (up 9.2 per cent) and some European countries (France, up 14.6 per cent; Netherlands, up 10.0 per cent; and Italy, up 9.1 per cent), which partially reflects the strengthening Australian dollar against the Euro.

Strongest growth was for holiday and education travel (up 10.1 per cent and 9.4 per cent respectively), particularly South-East Asia (India, Thailand and Indonesia) and Northern European markets.

### Table 4: International visitor arrivals to Australia by state

<table>
<thead>
<tr>
<th>State</th>
<th>International visitor arrivals¹ ('000)</th>
<th>Change on 2010-11 Per cent</th>
<th>International visitor nights² ('000)</th>
<th>Change on 2010-11 Per cent</th>
<th>International visitor expenditure³ $ million</th>
<th>Change on 2010-11 Per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>New South Wales</td>
<td>2,795</td>
<td>-0.5</td>
<td>66,098</td>
<td>0.4</td>
<td>6,101</td>
<td>-0.8</td>
</tr>
<tr>
<td>Victoria</td>
<td>1,777</td>
<td>3.6</td>
<td>44,094</td>
<td>6.4</td>
<td>4,331</td>
<td>4.0</td>
</tr>
<tr>
<td>Queensland</td>
<td>1,951</td>
<td>-2.5</td>
<td>41,228</td>
<td>1.6</td>
<td>3,797</td>
<td>3.5</td>
</tr>
<tr>
<td>South Australia</td>
<td>332</td>
<td>-10.1</td>
<td>9,333</td>
<td>8.4</td>
<td>673</td>
<td>-9.1</td>
</tr>
<tr>
<td>Western Australia</td>
<td>742</td>
<td>2.5</td>
<td>25,487</td>
<td>14.3</td>
<td>2,110</td>
<td>10.3</td>
</tr>
<tr>
<td>Tasmania</td>
<td>141</td>
<td>-5.2</td>
<td>2,869</td>
<td>1.1</td>
<td>253</td>
<td>4.1</td>
</tr>
<tr>
<td>Northern Territory</td>
<td>263</td>
<td>-13.6</td>
<td>3,469</td>
<td>-12.1</td>
<td>352</td>
<td>-11.6</td>
</tr>
<tr>
<td>Australian Capital Territory</td>
<td>163</td>
<td>2.4</td>
<td>4,207</td>
<td>19.7</td>
<td>347</td>
<td>8.8</td>
</tr>
<tr>
<td>Australia</td>
<td>5,537</td>
<td>1.4</td>
<td>197,241</td>
<td>4.1</td>
<td>17,962</td>
<td>2.1</td>
</tr>
</tbody>
</table>

Sources: TRA’s International Visitor Survey

1 Number of visitors aged 15 years and over
2 Number of visitor nights by visitors aged 15 years and over
Tourism deficit

The rapid growth in Australian resident outbound travel, compared to the slower growth in international visitor arrivals—particularly since the mid-2000s—means that Australian tourism is in deficit, both in terms of net arrivals and the net value of trade.

In 2011–12, Australian resident departures reached 8.0 million, while international visitor arrivals were 6.0 million. The 2 million deficit in net arrivals is likely to increase in coming years based on Tourism Forecasting Committee (TFC) forecasts (Figure 8).

With Australian resident departures (up 8.0 per cent) again increasing faster than international visitor arrivals (up 1.2 per cent) in 2011–12, this, combined with estimates from ABS indicator series on tourism-related services suggest that the tourism ‘trade deficit’ is likely to increase further. TRA estimate that the tourism deficit could increase to around $8.9 billion in 2011–12 (Figure 9).

Table 5: Domestic overnight travel in Australia by state

<table>
<thead>
<tr>
<th>State</th>
<th>Domestic overnight trips ('000)</th>
<th>Change Per cent</th>
<th>Domestic visitor nights ('000)</th>
<th>Change Per cent</th>
<th>Domestic overnight visitor expenditure $ million</th>
<th>Change Per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>New South Wales</td>
<td>24,880</td>
<td>0.9</td>
<td>84,482</td>
<td>1.9</td>
<td>14,067</td>
<td>0.6</td>
</tr>
<tr>
<td>Victoria</td>
<td>18,261</td>
<td>7.0</td>
<td>54,920</td>
<td>5.4</td>
<td>10,201</td>
<td>5.4</td>
</tr>
<tr>
<td>Queensland</td>
<td>18,420</td>
<td>10.0</td>
<td>76,817</td>
<td>10.3</td>
<td>13,905</td>
<td>19.0</td>
</tr>
<tr>
<td>South Australia</td>
<td>5,223</td>
<td>4.1</td>
<td>19,173</td>
<td>3.5</td>
<td>3,389</td>
<td>3.5</td>
</tr>
<tr>
<td>Western Australia</td>
<td>6,267</td>
<td>13.7</td>
<td>28,041</td>
<td>13.0</td>
<td>5,186</td>
<td>22.5</td>
</tr>
<tr>
<td>Tasmania</td>
<td>2,019</td>
<td>9.4</td>
<td>8,876</td>
<td>13.6</td>
<td>1,663</td>
<td>8.3</td>
</tr>
<tr>
<td>Northern Territory</td>
<td>1,055</td>
<td>15.8</td>
<td>6,441</td>
<td>12.5</td>
<td>1,335</td>
<td>10.1</td>
</tr>
<tr>
<td>Australian Capital Territory</td>
<td>1,930</td>
<td>10.2</td>
<td>5,227</td>
<td>11.6</td>
<td>1,075</td>
<td>8.1</td>
</tr>
<tr>
<td>Australia</td>
<td>75,119</td>
<td>5.8</td>
<td>283,976</td>
<td>6.7</td>
<td>50,820</td>
<td>9.1</td>
</tr>
</tbody>
</table>

Source: TRA’s National Visitor Survey

Figure 6: Long-term trends in domestic travel in Australia

Source: TRA’s National Visitor Survey
Table 6: Domestic overnight travel by purpose

<table>
<thead>
<tr>
<th>Purpose</th>
<th>Domestic overnight trips ('000)</th>
<th>Change on 2010-11 Per cent</th>
<th>Domestic visitor nights ('000)</th>
<th>Change on 2010-11 Per cent</th>
<th>Domestic overnight expenditure $ million</th>
<th>Change on 2010-11 Per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Holiday</td>
<td>31,224</td>
<td>2.2</td>
<td>134,461</td>
<td>2.1</td>
<td>25,769</td>
<td>4.2</td>
</tr>
<tr>
<td>Visiting Friends or Relatives</td>
<td>25,871</td>
<td>11.5</td>
<td>91,524</td>
<td>13.8</td>
<td>10,929</td>
<td>17.6</td>
</tr>
<tr>
<td>Business</td>
<td>14,406</td>
<td>6.9</td>
<td>44,977</td>
<td>9.4</td>
<td>12,274</td>
<td>16.4</td>
</tr>
<tr>
<td>Education</td>
<td>805</td>
<td>7.6</td>
<td>2,658</td>
<td>-1.9</td>
<td>359</td>
<td>36.5</td>
</tr>
<tr>
<td>Employment</td>
<td>96</td>
<td>-59.0</td>
<td>433</td>
<td>-52.3</td>
<td>92</td>
<td>-51.8</td>
</tr>
<tr>
<td>Other</td>
<td>2,718</td>
<td>-1.9</td>
<td>9,923</td>
<td>5.0</td>
<td>1,397</td>
<td>-11.4</td>
</tr>
<tr>
<td>Total</td>
<td>75,119</td>
<td>5.8</td>
<td>283,976</td>
<td>6.7</td>
<td>50,820</td>
<td>9.1</td>
</tr>
</tbody>
</table>

Source: TRA’s National Visitor Survey
Note: data refer to main purpose of travel

Table 7: Domestic day travel by state

<table>
<thead>
<tr>
<th>State</th>
<th>Domestic daytrips ('000)</th>
<th>Change on 2010-11 Per cent</th>
<th>Domestic day trip expenditure $ million</th>
<th>Change on 2010-11 Per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>New South Wales</td>
<td>53,855</td>
<td>7.4</td>
<td>5,589</td>
<td>12.3</td>
</tr>
<tr>
<td>Victoria</td>
<td>44,123</td>
<td>8.9</td>
<td>4,417</td>
<td>19.0</td>
</tr>
<tr>
<td>Queensland</td>
<td>37,293</td>
<td>7.5</td>
<td>4,061</td>
<td>17.3</td>
</tr>
<tr>
<td>South Australia</td>
<td>11,705</td>
<td>8.0</td>
<td>1,085</td>
<td>11.2</td>
</tr>
<tr>
<td>Western Australia</td>
<td>14,154</td>
<td>5.3</td>
<td>1,452</td>
<td>13.5</td>
</tr>
<tr>
<td>Tasmania</td>
<td>4,889</td>
<td>16.6</td>
<td>469</td>
<td>13.3</td>
</tr>
<tr>
<td>Northern Territory</td>
<td>1,112</td>
<td>19.6</td>
<td>182</td>
<td>70.1</td>
</tr>
<tr>
<td>Australian Capital Territory</td>
<td>1,715</td>
<td>13.2</td>
<td>291</td>
<td>26.0</td>
</tr>
<tr>
<td>Australia</td>
<td>168,847</td>
<td>8.0</td>
<td>17,544</td>
<td>15.7</td>
</tr>
</tbody>
</table>

Source: TRA’s National Visitor Survey

Table 8: Domestic day travel by purpose

<table>
<thead>
<tr>
<th>Purpose</th>
<th>Domestic daytrips ('000)</th>
<th>Change on 2010-11 Per cent</th>
<th>Domestic day trip expenditure $ million</th>
<th>Change on 2010-11 Per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Holiday</td>
<td>78,585</td>
<td>5.1</td>
<td>9,535</td>
<td>11.1</td>
</tr>
<tr>
<td>Visiting Friends or Relatives</td>
<td>49,056</td>
<td>4.1</td>
<td>3,587</td>
<td>9.1</td>
</tr>
<tr>
<td>Business</td>
<td>19,599</td>
<td>28.8</td>
<td>1,989</td>
<td>67.2</td>
</tr>
<tr>
<td>Education</td>
<td>1,814</td>
<td>45.5</td>
<td>191</td>
<td>192.0</td>
</tr>
<tr>
<td>Employment</td>
<td>277</td>
<td>28.2</td>
<td>35</td>
<td>173.0</td>
</tr>
<tr>
<td>Other</td>
<td>19,516</td>
<td>10.1</td>
<td>2,209</td>
<td>9.6</td>
</tr>
<tr>
<td>Total</td>
<td>168,847</td>
<td>8.0</td>
<td>17,544</td>
<td>15.7</td>
</tr>
</tbody>
</table>

Source: TRA’s National Visitor Survey
3.5 Key visitor (demand) segments

Business events

In 2011–12, there were around 20.1 million business events visitors in Australia. These visitors stayed 44.8 million nights and spent $13.1 billion during their trip.

Domestic overnight business events visitors spent $9.2 billion, and form one of the highest yielding segments in tourism, spending $336 per night, on average.

The business events sector showed strong growth in all areas in 2011–12 compared to 2010–11: trips were up 16.8 per cent, nights were up 12.0 per cent and expenditure was up 17.2 per cent.

Backpackers

In 2011–12, there were approximately 1 million backpacker visitors in Australia. They stayed 44.7 million nights (including 14.9 million nights in backpacker accommodation) and spent $4.3 billion during their trips.

International visitors make up most of the backpacker market, contributing $3.9 billion to the Australian economy. However, domestic overnight backpacker visitors were high yielding, spending $199 per night, on average.

There was low growth in the backpacker sector in 2011–12 (compared to 2010–11) with trips and nights both up 3 per cent, and expenditure decreasing by 2 per cent.

This result reflects moderate growth in the domestic backpacker market (expenditure up 3.7 per cent) while there was a 2.5 per cent fall in international backpacker expenditure.

Caravan or camping

In 2011–12, around 9.4 million caravan or camping visitors stayed 69.1 million nights in Australia (including 47.4 million nights in caravan or camping accommodation), and spent $7.9 billion during their trips.

Although there was solid growth in caravan or camping sector trips (up 6.5 per cent), total expenditure by these visitors was unchanged from last year’s levels.
Table 9: Australian resident outbound travel, by main destination and purpose

<table>
<thead>
<tr>
<th>Destination</th>
<th>Australian resident departures 2011-12 ('000)</th>
<th>Change on 2010-11</th>
<th>Visitor nights, year ending March 2012 million</th>
<th>Change on the year ending March 2011</th>
<th>Outbound expenditure, year ending March 2012 $ million</th>
<th>Change on the year ending March 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Zealand</td>
<td>1,117</td>
<td>5.6</td>
<td>11.1</td>
<td>4.4</td>
<td>3,162</td>
<td>7.6</td>
</tr>
<tr>
<td>United States</td>
<td>820</td>
<td>9.2</td>
<td>16.7</td>
<td>12.7</td>
<td>6,619</td>
<td>24.1</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>487</td>
<td>2.1</td>
<td>16.2</td>
<td>10.2</td>
<td>4,275</td>
<td>18.6</td>
</tr>
<tr>
<td>Indonesia</td>
<td>911</td>
<td>13.0</td>
<td>9.0</td>
<td>17.3</td>
<td>2,790</td>
<td>13.2</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>229</td>
<td>2.5</td>
<td>2.7</td>
<td>6.5</td>
<td>1,078</td>
<td>-10.1</td>
</tr>
<tr>
<td>Singapore</td>
<td>287</td>
<td>3.9</td>
<td>2.4</td>
<td>-13.5</td>
<td>1,121</td>
<td>11.1</td>
</tr>
<tr>
<td>Thailand</td>
<td>600</td>
<td>23.3</td>
<td>7.2</td>
<td>21.5</td>
<td>2,286</td>
<td>20.5</td>
</tr>
<tr>
<td>Malaysia</td>
<td>257</td>
<td>1.0</td>
<td>3.4</td>
<td>-8.0</td>
<td>855</td>
<td>-14.3</td>
</tr>
<tr>
<td>Fiji</td>
<td>339</td>
<td>5.0</td>
<td>2.7</td>
<td>10.4</td>
<td>1,095</td>
<td>1.6</td>
</tr>
<tr>
<td>India</td>
<td>204</td>
<td>15.6</td>
<td>5.0</td>
<td>33.4</td>
<td>899</td>
<td>41.2</td>
</tr>
<tr>
<td>Europe</td>
<td>1,267</td>
<td>5.8</td>
<td>39.6</td>
<td>11.4</td>
<td>11,257</td>
<td>15.2</td>
</tr>
<tr>
<td>Asia</td>
<td>3,686</td>
<td>10.7</td>
<td>51.6</td>
<td>5.2</td>
<td>14,626</td>
<td>9.7</td>
</tr>
<tr>
<td>Holiday</td>
<td>4,619</td>
<td>10.1</td>
<td>79.4</td>
<td>13.8</td>
<td>27,093</td>
<td>10.0</td>
</tr>
<tr>
<td>Visiting Friends or Relatives</td>
<td>1,816</td>
<td>7.6</td>
<td>38.5</td>
<td>4.7</td>
<td>7,388</td>
<td>3.1</td>
</tr>
<tr>
<td>Business</td>
<td>1,033</td>
<td>2.0</td>
<td>17.3</td>
<td>3.3</td>
<td>6,846</td>
<td>29.7</td>
</tr>
<tr>
<td>Education</td>
<td>74</td>
<td>9.4</td>
<td>4.4</td>
<td>-15.8</td>
<td>543</td>
<td>12.0</td>
</tr>
<tr>
<td>Employment</td>
<td>123</td>
<td>-2.6</td>
<td>1.9</td>
<td>65.6</td>
<td>242</td>
<td>37.7</td>
</tr>
<tr>
<td>Other</td>
<td>371</td>
<td>5.1</td>
<td>0.4</td>
<td>-34.9</td>
<td>96</td>
<td>-26.5</td>
</tr>
<tr>
<td>Total</td>
<td>8,037</td>
<td>8.0</td>
<td>141.8</td>
<td>9.0</td>
<td>42,209</td>
<td>11.5</td>
</tr>
</tbody>
</table>

Sources: Department of Immigration and Citizenship and TRA’s National Visitor Survey

Figure 8: Australia’s net arrivals

Sources: Department of Immigration and Citizenship and TRA’s National Visitor Survey
Performance was buoyed by growth from domestic caravan or camping visitors (trips up 7.2 per cent, nights up 2.4 per cent, expenditure up 5.0 per cent).

Indigenous
In 2011–12, there were around 1.2 million Indigenous tourism visitors in Australia. These visitors stayed 43.0 million nights in Australia and spent $5.8 billion during their trips.

After falling sharply in 2009–10, expenditure by Indigenous tourism visitors rose 11.9 per cent in 2011–12, but still remains below 2009 levels.

International Indigenous tourism visitors make a much larger contribution to total Indigenous tourism demand ($5.3 billion) than do domestic Indigenous tourism visitors ($0.5 billion).

All indicators showed strong growth in the international sector in 2011–12 (trips up 16.2 per cent, nights up 17.9 per cent, expenditure up 15.5 per cent).
4 Tracking Tourism 2020 strategic priorities (2009 to 2011–12) through the Tourism Industry Potential

This section summarises the performance of the indicators that track the progress of the six strategic priorities of Tourism 2020. A more detailed assessment of the performance of each strategic priority is provided at Appendix B.

Tourism 2020 is still in its early phase

The first phase of Tourism 2020 from 2012–2014, is titled ‘Progressing the Strategic Priorities’ (Figure 10). It represents a period for setting policy and other strategic foundations to enable the industry to capture many of the growth opportunities associated with the Asian century and other mega-trends later this decade.

In this context, growth for many of the strategic priorities (and for other areas of the tourism value chain) is expected to be higher during the second half of this decade.

In the year ending June 2012, the 2020 Tourism Industry Potential (the Potential) was tracking at the lower end of its range (Figure 11).

In nominal terms, the Potential has increased by $6.0 billion (or by 8.3 per cent) to $77.5 billion from 2009 to 2011–12 (Table 10).

In average annual terms, the Potential has increased by 3.3 per cent per year for the past 2.5 years to 2011–12, which is slightly lower than the (revised) average annual long-term growth rate of 3.6 per cent.

Performance of the Potential’s major components has been mixed over the 2009 to 2011–12 period:

- Domestic visitor expenditure increased strongly, up $5.2 billion (or by 11.4 per cent) over this period.
- International visitor expenditure increased by only $0.8 billion (or by 2.9 per cent).
- Although there was strong growth in Chinese visitor expenditure, international visitor expenditure from Australia’s other international markets contracted slightly, with the largest falls occurring in expenditure from visitors from the United Kingdom, Germany and India (Table 10).

Overall, the $6.0 billion increase in the Potential over this period represents 9 per cent of the $68.5 billion increase needed to achieve the $140 billion maximum potential by 2020 (Figure 12).

This means that the Potential will have to increase by 7.7 per cent on average each year (in nominal terms) from 2011–12 to 2020 for the industry to reach its goal.

To achieve its lower band, the Potential will need to increase by 5.1 per cent per year, which is in line with the current TFC forecasts.

Figure 10: The phases of Tourism 2020

Source: Department of Resources, Energy and Tourism.
Figure 11: Tracking the 2020 Tourism Industry Potential

Potential: $77.5 billion in 2011-12, which remains at the lower end of the 2020 Potential range

Upper limit - $140b in 2020
Lower limit - $115b in 2020

Sources: TRA, Tourism 2020

Table 10: Tourism Industry Potential, by source market

<table>
<thead>
<tr>
<th>Market</th>
<th>2009 (revised) $ billion</th>
<th>2010-11 (revised) $ billion</th>
<th>2011-12 $ billion</th>
<th>Change, 2011-12 on 2010-11, $ billion</th>
<th>Change, 2011-12 on 2009 $ billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>2.7</td>
<td>3.5</td>
<td>3.8</td>
<td>0.3</td>
<td>1.1</td>
</tr>
<tr>
<td>UK</td>
<td>3.4</td>
<td>3.0</td>
<td>2.8</td>
<td>-0.2</td>
<td>-6.6</td>
</tr>
<tr>
<td>USA</td>
<td>2.3</td>
<td>2.1</td>
<td>2.3</td>
<td>0.2</td>
<td>7.5</td>
</tr>
<tr>
<td>South Korea</td>
<td>1.3</td>
<td>1.3</td>
<td>1.3</td>
<td>0.0</td>
<td>2.4</td>
</tr>
<tr>
<td>NZ</td>
<td>1.9</td>
<td>2.1</td>
<td>2.2</td>
<td>0.1</td>
<td>3.8</td>
</tr>
<tr>
<td>Japan</td>
<td>1.5</td>
<td>1.4</td>
<td>1.4</td>
<td>0.0</td>
<td>2.2</td>
</tr>
<tr>
<td>Singapore</td>
<td>1.0</td>
<td>1.2</td>
<td>1.2</td>
<td>0.0</td>
<td>1.2</td>
</tr>
<tr>
<td>Malaysia</td>
<td>0.9</td>
<td>1.0</td>
<td>1.0</td>
<td>0.0</td>
<td>2.1</td>
</tr>
<tr>
<td>India</td>
<td>0.8</td>
<td>0.9</td>
<td>0.7</td>
<td>-0.2</td>
<td>-22.9</td>
</tr>
<tr>
<td>Other Asia</td>
<td>2.8</td>
<td>3.2</td>
<td>3.2</td>
<td>0.1</td>
<td>2.0</td>
</tr>
<tr>
<td>Germany</td>
<td>1.1</td>
<td>0.9</td>
<td>0.9</td>
<td>0.0</td>
<td>0.4</td>
</tr>
<tr>
<td>France</td>
<td>0.6</td>
<td>0.5</td>
<td>0.6</td>
<td>0.0</td>
<td>2.0</td>
</tr>
<tr>
<td>Other International</td>
<td>5.6</td>
<td>5.2</td>
<td>5.2</td>
<td>0.1</td>
<td>1.2</td>
</tr>
<tr>
<td>International - total</td>
<td>25.9</td>
<td>26.3</td>
<td>26.6</td>
<td>0.4</td>
<td>1.5</td>
</tr>
<tr>
<td>Domestic - overnight</td>
<td>45.6</td>
<td>46.6</td>
<td>50.8</td>
<td>4.2</td>
<td>9.1</td>
</tr>
<tr>
<td>TOTAL</td>
<td>71.5</td>
<td>72.8</td>
<td>77.5</td>
<td>4.6</td>
<td>6.3</td>
</tr>
</tbody>
</table>

Source: TRA calculations
For international demand, expenditure by visitors from China has been strong, with this market already achieving 17 per cent of its $9.0 billion target by 2020.

However, with the exception of New Zealand and Singapore, most other international markets have either achieved slight growth towards their 2020 targets (e.g. Malaysia), or have contracted since 2009 as has been the case for the European markets of the United Kingdom and Germany.

On the other hand, domestic overnight visitor expenditure has increased strongly over the 2.5 years from 2009 to 2011–12, and has already achieved 17 per cent of its 2020 target of $77 billion.

Growth in supply components of the tourism industry has been slow, except for aviation which has demonstrated strong growth in seat capacity (Figure 13). There has been strong growth on Australia’s domestic and international routes since 2009, with Australia’s solid economic performance encouraging carriers to increase services to and within Australia.

While growth in international seat capacity has slowed in recent months (a reflection of the extremely strong competition on international routes), growth in domestic seat capacity is likely to strengthen considerably in the chase for profits. This should benefit tourism in coming months.

Performance in other supply areas has been mixed. Recent solid growth in the tourism labour force appears to have plateaued in 2011–12 based on early indications. However, it has progressed solidly since 2009 with an increase of approximately 20,000 jobs since 2008–09. This progress represents around 13 per cent of the 2020 target of up to an additional 152,000 tourism jobs.

Growth in accommodation supply (in terms of rooms) has been slow with an increase of 730 rooms since the December quarter 2009 (with virtually all of this growth in Victoria, mainly in Melbourne).

**Figure 12: 2020 Tourism Industry Potential progress made to date**

Source: TRA calculations

Note: As an example, Figure 11 shows that growth in Chinese visitor expenditure over the 2009 to 2011–12 period has achieved 17 per cent towards its $9.0 billion goal by 2020.
Figure 13: Tourism 2020 – Tracking progress of aggregate components

Source: TRA calculations
Note: As shown in Figure 13, growth in international aviation supply over the 2009 to 2011–12 period has achieved around 42 per cent of its designated 2020 target.

TRA’s Tourism Investment Monitor 2012 demonstrated that over 17,200 rooms are either being considered, currently being planned or are in construction, for use by 2016. Given this, stronger growth in new room stock will be needed to achieve the 2020 target of increasing room stock by at least 40,000 rooms, mainly in capital cities (along with increases in occupancy rates in regional Australia). There are several other measures listed under Tourism 2020, which remain under development. For more details, see Box 2.

4.1 Key messages

Overall, the key messages to date on how the underlying strategic priorities are tracking are as follows:

Priority 1: Grow demand from Asia
- Asian visitor expenditure is increasing, with China providing nearly all of this growth.
- Outside China, visitor expenditure in other key Asian markets are either showing slower growth or are declining (of most concern is the education market in India). More will be needed from the Asian tourism markets if Australia is to realise the potential of the Asian century.

Priority 2: Build competitive digital capability
- In line with the general trend in the economy, both businesses and consumers are more digitally connected compared to earlier this decade. However, a much lower percentage of businesses are transaction ready, particularly for small to medium sized enterprises. Higher take-up is required if the industry is to take advantage of new information technologies.
Box 2: Indicators under development

There are several areas where indicators in the Scorecard remain either under development, or have not yet been included.

Web and social media metrics

Tourism Australia (TA) is very active in its use of a diverse range of digital technology including the web (especially Australia.com), mobile applications, social marketing and YouTube.

TA is developing a range of metrics to assess its own performance in this area.

Industry digital capability

As highlighted in this year’s Scorecard, TRA intends to repeat research previously conducted in 2010 by the Digital Distribution Working Group.

The research showed that around 84 per cent of tourism businesses had a web presence, but only 35 per cent had on-line payment capability.

A summary of this research, focusing on the ability of businesses to transact online, will be provided in State of the Industry 2013.

Destination Management Planning tool

The Guide to Best Practice Destination Management—which will be launched in late October 2012—is a Tourism 2020 project that was developed by the Australian Regional Tourism Network (ARTN) in association with the Department of Resources, Energy and Tourism.

TRA, with the assistance of the ARTN, will report industry take-up of this tool in State of the Industry 2013.

Indigenous labour and product

TRA intends to undertake benchmark research in this area as part of the ‘increase supply of labour, skills and Indigenous product’ Strategic Priority under Tourism 2020.

Key statistics are expected to become available in the coming months to support this research, including the 2011 Census and other ABS releases on Indigenous tourism businesses. TRA intends to provide a summary of this research, if finalised, for State of the Industry 2013.

T-QUAL Accreditation

As briefly featured in this year’s Scorecard, TRA will again track the take-up of master and sub-licences for the T-Qual Tick in future State of the Industry reports.

Tourism productivity

Productivity growth is an important area for tracking industry’s long-term competitiveness, both domestically and internationally.

TRA’s benchmark research in this area was released in early 2011, based on critical information sourced from the ABS Tourism Satellite Account and other sources.

Upward revisions to its visitor expenditure estimates mean that TRA is not able to revise its productivity estimates until after the release of the next Tourism Satellite Account for 2011–12 in May 2013.

If these timelines are met, TRA should be in a position to release updated estimates on tourism productivity in State of the Industry 2013.
Priority 3: Encourage investment and implement the regulatory reform agenda

- Indicator series suggest tourism investment is increasing, but more growth will be needed if the tourism industry is to achieve its goals, particularly in relation to the available supply of accommodation increasing by at least 40,000 rooms by 2020.
- TRA’s Tourism Investment Monitor 2012 suggested that at early 2012, there was around $42 billion in the tourism investment pipeline. This refers to projects being considered, committed or currently under construction.
- For accommodation, profitability continues to strengthen, as indicated by the solid increases in yields per available room for larger hotels, motels, guest houses and serviced apartments (i.e. those with 15 or more rooms).
- Room stock in these establishments increased slightly, by 590 rooms in the June quarter 2012 (compared to the June quarter 2011), and by 730 rooms nationwide since the December quarter 2009.
- TRA estimated that around $3.1 billion in pipeline investments in accommodation stock (some of which are mixed residential/retail/accommodation investment), could lead to up to 17,200 rooms in 2016.
- However, with only a net increase of around 730 rooms since the December quarter 2009 and allowing for delays and withdrawals of proposals, more pipeline investment will be required to increase room stock by another 39,270 (or more), to meet the Potential’s targets.

Priority 4: Ensure tourism transport environment supports growth

- Growth in international aviation capacity has eased slightly so far in 2012. There is continued strong growth in direct services from Chinese airlines, while solid demand from Australians travelling overseas continues to underpin growth in capacity for other Asian markets.
- Around $26.4 billion is in the tourism investment pipeline in aviation ($22 billion in aircraft either leased or purchased, and $4.4 billion in airport infrastructure).
- Although growth has eased so far in 2012, continued solid growth in business and employment travel is underpinning stronger growth in domestic aviation capacity, with regional routes clearly benefiting from increases in demand for fly in/fly out services to mining centres.

Priority 5: Increase supply of labour, skills and Indigenous participation

- There was solid growth in the tourism labour force over the two years to 2010–11, which was the last update on tourism employment.
- TRA’s assessment of ABS Labour Force statistics suggests that jobs in tourism may decrease slightly in 2011–12, reflecting falls in key tourism industries such as accommodation and cafes, restaurants and food services industries.

Priority 6: Build industry resilience, productivity and quality

- Since 2009, holiday visitor expenditure has increased by 1.5 per cent, the slowest growth in visitor expenditure by purpose of travel.
- The low growth in holiday visitor expenditure suggests tourism businesses that are reliant on leisure travel in Australia are likely to be earning less revenue. This is particularly the case if they are reliant on international visitors and are also not currently able to leverage the opportunities provided by the Chinese market.
• There have been no new updates on tourism productivity. Latest data suggests productivity growth is likely to remain low, given the mix of a moderate increase in tourism jobs, moderate increase in capital investment, and only moderate growth in tourism expenditure in real terms.

• TRA will update its productivity estimates following the next release of the ABS benchmark Tourism Satellite Account publication for 2011–12, in 2013.

• While only regarded as an indicator for profitability, the latest estimates for Gross Value Added (from the ABS’ National Accounts) indicate that some industries within the tourism supply chain, particularly accommodation and food services, and transport, postal and warehousing, have shown strong growth, especially against the other services industries such as retail trade and wholesale trade.

• Improving the quality of Australia’s tourism offering is an important area if the industry is to achieve its $140 billion goal. The Commonwealth has a number of initiatives to assist industry in this area including the T-QUAL Grants and Accreditation programs.

• The T-QUAL Accreditation program is still in its early phases. As at September 2012, T-QUAL Accreditation has endorsed 11 quality assurance schemes, including three Large Tourism Organisations, which represents around 13,000 operators in the tourism industry. Over 5,000 of these operators have now agreed to the sub-licence terms and conditions, which enables them to use the T-QUAL Tick. TRA intends to include industry take-up of this program in future State of the Industry reports.

• TRA is now including questions on satisfaction in the IVS from the March quarter 2012. Preliminary results show high levels of satisfaction overall, particularly for customer service and hotel/motel accommodation but lower levels of satisfaction with taxi services and telecommunication services.

• Respondents also indicated a lower level of satisfaction with ‘overall value for money’. This result is not surprising given the current high value of the Australian dollar reducing the purchasing power of international visitors while in Australia.

5 Tourism forecasts – what they mean for Tourism 2020

The Tourism Forecasting Committee (TFC) release long-term (10-year) forecasts on tourism demand twice per year.

These forecasts take into account the latest trends and changes in economic, policy and market conditions that can directly influence tourism performance for each year over the following decade.

5.1 Summarising the latest forecasts

The global outlook in 2012–13 is patchy, with heightened risks

In its October 2012 release, the TFC assumed that in 2012–13, economic growth in the main source regions for Australia’s inbound tourism sector will remain patchy, with the strongest growth again sourced from Asia, in particular China (although the recent slowdowns to growth in China and India were noted).

The TFC sees economic recovery in the US gathering momentum. However, ongoing risks associated with the Euro zone sovereign debt crisis in parts of Europe are forecast to linger, adding to increased risks associated with forecasts. Solid economic growth looks set to continue in Australia, with only a small depreciation assumed for the Australian dollar.

Against this mixed backdrop, the TFC forecasts growth in all of the key segments in 2012–13 (refer Table 11).

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8 For more details, TFC forecasts are found at http://www.ret.gov.au/tourism/research/tra/publications/2012/Pages/2012.aspx#_forecasts_2.
Growth in international visitor arrivals to remain muted in the next two years

Inbound visitor arrivals are forecast to increase by 2.3 per cent to reach 6.1 million in 2012–13, and then by a further 3.7 per cent to 6.3 million in 2013–14 (down from the 3.0 per cent and 4.2 per cent growth previously expected in each year).

In 2012–13 and 2013–14, China (11.9 per cent then 9.3 per cent) and Indonesia (5.2 per cent then 7.9 per cent) are two of the international source markets that are expected to experience strongest growth.

By purpose of visit, business and ‘other’ travel (which includes the fast growing employment segment) are projected to contribute most to visitor arrival growth in 2012–13 and 2013–14.

The long-term outlook remains much the same as previously forecast, with average annual growth expected to be 3.2 per cent, and inbound arrivals expected to reach 8.2 million by 2021–22.

Domestic visitor nights to grow at a solid pace in the next two years

Domestic visitor nights were revised upwards to now increase by 2.1 per cent to 290 million in 2012–13 and then by a further 1.4 per cent to 294 million in 2013–14. The brighter short-term outlook is linked to stronger growth in travel for business and VFR than previously expected. Growth is still forecast to ease over the remaining period to 2020–21, to reach 308 million by 2021–22.

Outbound resident departures to stay at high levels in the near future

Australian resident outbound departures are forecast to grow by 6.9 per cent to 8.6 million in 2012–13 and then by a further 5.1 per cent to 9 million in 2013–14. These forecast growth rates are slightly higher than those previously forecast.

The longer-term outlook for outbound travel has been forecast to slow gradually with departures reaching 11.3 million by 2021–22.

Total visitor expenditure forecast to increase at a solid rate in the short term

Total visitor expenditure is forecast to increase by 2.1 per cent in real terms to $97 billion in 2012–13 then by a further 2.0 per cent (real) to $99 billion in 2013–14.

In the longer term, total visitor expenditure is forecast to reach $112 billion in 2021–22 based on a real average annual growth rate of 1.6 per cent.

5.2 Key messages

Although domestic visitor expenditure remains by far the largest segment, the international visitor segment is projected to provide around two-thirds of the nearly $100 million increase (in real terms) in total visitor expenditure over the 10-year period to 2021–22.

Continued strong reliance on growth from China in delivering overall growth in the inbound sector is forecast over the next ten years to 2021–22. For this period, the Chinese market is projected to provide just under one-third (32 per cent) of the increase in international visitor expenditure, followed by India (7.4 per cent).

After combining the domestic and international visitor expenditure forecasts, it is projected that travel for business and other purposes (essentially education and employment) will offer the strongest growth in expenditure, while holiday visitor expenditure is expected to offer the largest contribution to visitor expenditure growth in the ten-year period to 2021–22 (Figure 14).

The forecast growth in total visitor expenditure still broadly aligns with the lower band of the Potential range (around $115 billion). The challenge for the Australian tourism industry is to increase growth over time, particularly during the next two growth phases of the Potential.
Table 11: Summary, Tourism Forecasting Committee, forecasts by travel segment

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<th>Domestic visitor nights million</th>
<th>Change on previous year per cent</th>
<th>Outbound depart. '000</th>
<th>Change on previous year per cent</th>
<th>TITE(^a) (real) $ billion</th>
<th>Change on previous year per cent</th>
<th>TDTE(^b) (real) $ billion</th>
<th>Change on previous year per cent</th>
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</table>

Numbers shaded are forecasts.

\(^a\) Total Inbound Tourism Expenditure (TITE) includes prepaid international airfare and package expenditure (real, Base = Q2 2012)

\(^b\) Total Domestic Tourism Expenditure (TDTE) includes domestic day trip and domestic overnight trip expenditure (real base = Quarter 2 2012)

\(^c\) Expenditure refers to total expenditure made in Australia by international short term visitor arrivals and Australian resident tourists. It is the sum of real TITE and real TDTE (Q2 2012=100)
6 Conclusion

Tourism in Australia performed strongly in the 12 months to June 2012 with total visitor expenditure up 8.0 per cent to $95.0 billion, its strongest result in eleven years. The solid economic growth in the Australian economy was partially offset by a number of negative forces such as:

- continued turmoil in European economies as they again spiral into recession
- patchy and uncertain economic recovery in the US
- a still high Australian dollar, particularly against the US dollar and the Euro
- continued high oil (fuel) prices.

The 2020 Tourism Industry Potential has increased by $6.0 billion (or by 8.3 per cent in nominal terms) since 2009 to $77.5 billion, which is tracking at the low end of the target growth.

It should be noted that the policy is still in its ‘setting the foundations’ phase, and has some way to go.

Growth in Australian visitor expenditure was sourced mainly from the domestic market in 2011–12

With the mining boom supporting national incomes and business profitability, there was strong growth in 2011–12 in visitor expenditure for business (up 17.9 per cent, or $2.5 billion) and travel for employment purposes (up 10.5 per cent, or $0.2 billion).

Spending on leisure travel in Australia also increased particularly for VFR travel, which increased by 13.7 per cent to $16.8 billion. The largest purpose segment, holiday travel, also increased at its fastest rate for many years with an increase of 5.1 per cent (or by $2.0 billion) to $41.1 billion.

Domestic tourism represents the largest source of revenue for the 283,000 businesses with solid ties to tourism.

In total, Australians spent $110 billion on overseas and domestic travel in 2011–12, up 11.5 per cent on the previous 12-month period. For households, leisure visitor expenditure still represented a significant 10.4 per cent of Australian household consumption in 2011.
Although a large share of this increase ($26.8 billion) was spent in overseas destinations (mainly for a holiday), Australians’ spending on overnight trips in Australia rose by $4.2 billion, representing its best performance since 1998–99.

Correspondingly, the number of domestic visitor nights in Australia rose by 6.7 per cent to 284 million in 2011–12, continuing the solid recovery from the record lows in the sector of 263 million nights in 2008–09.

Domestic day travel also recorded rapid growth, with expenditure up 15.7 per cent and trips up 8.0 per cent in 2011–12 (compared to 2010–11).

While growth in international visitor dollars was low, most of the growth was from China

Australia’s international visitor arrivals in 2011–12 increased by 1.2 per cent (to a record 6.0 million) and revenues in this sector increased by 1.5 per cent to $26.6 billion. The substantial growth in international visitor expenditure from China (up $314 million), and to a lesser extent, from Japan and New Zealand (up $31 million and $82 million respectively) was largely offset by declines from Australia’s more traditional markets, particularly from the United Kingdom (down $197 million) and other European markets (down $330 million).

Of concern has been the sharp 23 per cent decrease (or by $211 million) in Indian visitor expenditure, most of which is attributable to sharp $181 million fall in international education expenditure from this market. The fall in this market was the main reason contributing to the small 0.3 per cent fall in international education visitor expenditure, which over the past decade has provided the bulk of the growth in both international visitor receipts and nights.

Tourism supply growth has been mixed, with strong growth in aviation supply being offset by low growth in room stock and growth in tourism employment

The Australian tourism industry continues to face the ongoing structural challenges largely attributed to Australia’s mining boom. The mining industry in Australia has and will continue to expand over the near-term, making it difficult for industries like tourism that have a high proportion of self-employed and small businesses to compete for labour and investment dollars.

While this is happening, the international investment environment remains fragile with ongoing fears of sovereign debt default (particularly in Europe) generating a difficult environment for tourism businesses to borrow and build/refresh tourism product to meet the likely strong demand from Asia in the coming years.

In 2011–12, growth in the tourism supply chain was mixed:

- Strong growth occurring in both international (up 3.6 per cent) and domestic aviation seat capacity (up 1.7 per cent) over the past year.
- Growth has been slow in Australia’s larger end accommodation sector, with room supply up by 730 rooms since 2009. Solid growth in room stock has occurred in Victoria (up 2,620 rooms), while there has been a slight contraction in available room stock in most other states, mainly in Queensland (down 1,000 rooms) and in New South Wales (down 900 rooms).
- There has been a moderate expansion in the tourism workforce in recent years, but latest evidence points to a slight contraction in the tourism workforce in 2011–12, with the strongest falls in the accommodation sector.
6.1 Key messages

Under the 2020 Tourism Industry Potential, the Australian tourism industry has set a major challenge to increase annual overnight visitor expenditure in Australia from around $70 billion in 2009 to between $115 and $140 billion in 2020.

The past 12 months resulted in a solid 6.3 per cent increase in tourism demand, a rate faster than growth in Australia’s nominal GDP. However, even stronger growth of 7.7 per cent per year will be needed over the 2011–12 to 2020 period, to reach the $140 billion Potential goal.

The Asian century and Australia’s geographical advantage, present major opportunities for Australia, and it will need to fully leverage this opportunity if the Potential is to be achieved.

Strong overseas competition for the international tourism dollar is clearly evident, as is the very high levels of investment taking place in other parts of Asia, particularly in the North-East Asian region.

The combination of a strong Australian economic performance, a high Australian dollar and a very competitive international aviation sector which is driving down the costs of overseas travel (package travel in particular), continues to underpin Australians’ decisions to travel overseas in record numbers. This ongoing ‘international competition’ is not likely to change in the foreseeable future.

For other areas of supply, the current challenging investment environment reinforces the industry’s need to substantially raise productivity, particularly to compete with its overseas competitors.

Key challenges remain with the industry requiring a higher quality product (whether it is new or refreshed) and a larger, highly-skilled workforce. While progress on aviation capacity has been excellent, stronger growth will be needed in accommodation and labour supply if each of these key supply areas is not to act as a constraint to growth.
Appendix A: Summary of changes to the National and International Visitor Surveys

TRA’s methodological review led to substantial changes to tourism expenditure estimates and some changes to the historical statistics for visitor activity.

Total visitor expenditure in Australia was revised upwards by $4.9 billion in 2011.

Expenditure by domestic overnight visitors in 2011 has been revised up by $4.8 billion over the previously published figures, due largely to under-reporting of domestic overnight business expenditure.

It was found that a substantial number of business travel respondents were not reporting expenditure made on their behalf by employers, for items such as travel and accommodation.

Day trip expenditure was revised upwards by $0.4 billion in 2011 for similar reasons. International visitor expenditure was revised downwards in 2011 by $0.3 billion in the process of separating international travel made for education and employment purposes (Figure 15).

Figure 15: Changes to TRA’s headline statistics for visitor expenditure

Total expenditure by tourists in Australia was revised upwards:
In 2011: up $4.9 billion (or 5.7%) to $91.2 billion

Source: TRA’s International and National Visitor Surveys
Appendix B: Tracking the Tourism 2020 strategic priorities in detail

Strategic Priority 1: Grow demand from Asia

**Objective**

Tourism operators can attract visitors who spend more, particularly from growing Asian markets, by providing high quality products and services that these visitors are seeking.

**Measured by…**

- Increased visitor expenditure and visitor arrivals from key Asian markets
- Hold or grow long-haul market share in key Asian markets as measured by Tourism Economics and Tourism Australia.

**Background**

In this report, the Asian region refers to those countries in Southern Asia, North-East Asia and South-East Asia.

In 2011–12, Asian visitors to Australia stayed for around 98 million nights and spent $12.7 billion in Australia, representing around half the total international visitor nights in Australia and 47 per cent of international visitor expenditure in Australia.

Since 1999, the number of visitors from the region has increased by 33 per cent to 2.5 million (Figure 16). Asian visitor nights to Australia have increased by 160 per cent, while expenditure made by Asian visitors has increased by 92 per cent in nominal terms over the same period.

Growth in the global international travel market has been dominated by China in recent years. In its ‘Towards 2030’ report, the UNWTO forecast that the recent strong growth in international travel from North-East Asia—including China—is likely to continue, underpinned by income per capita along with a rapidly expanding middle class.

**Figure 16: Asian travel to Australia: visitors, visitor nights and expenditure**

Source: Department of Immigration and Citizenship, and TRA’s International Visitor Survey
Tracking Priority 1: Growing the Asian market since 2009

The Asian region has been the major provider of growth of international visitation and exports for Australia since 2009. Total arrivals to Australia have increased by 7.1 per cent (or by 396,000 arrivals) to 6.0 million in 2011–12, compared to 2009.

Asian markets in total have contributed most of this increase, up 373,000 (or 17.1 per cent) to 2.5 million.

Over this period, 59 per cent (or 217,000 visitors) of the growth in visitor arrivals from Asia has been from China, while Singapore (34,000), Indonesia (33,000), Malaysia (32,000) and India (up 27,000) have also provided solid contributions to growth (Figure 17).

China contributed around $1.1 billion (Asia in total was $1.7 billion) of the growth in visitor expenditure in 2011–12, compared to 2009 (Figure 18).

Singapore and Indonesia have been strong contributors to international visitor expenditure growth, while the value of the Indian market has fallen by $70 million, primarily due to the downturn in the education segment.

Figure 17: Change in arrivals by key Asian markets, 2009 to 2011–12

Source: Department of Immigration and Citizenship
Figure 18: Change in expenditure by key Asian markets, 2009 to 2011–12

Source: TRA’s International Visitor Survey
Tracking Priority 1: Australia’s market share

Share of global travel

Global travel is expanding rapidly. In 2001, the UNWTO estimated world tourist arrivals at 673 million trips (and receipts at US$520 billion).

In the ten years to 2011, global travel has increased by 46 per cent to 983 million trips.

In 2012, the UNWTO forecast international trips to reach over 1.0 billion trips.

In comparison, visitor arrivals to Australia have increased from 4.9 million visitors in 2001 to 5.9 million in 2011, representing growth of around 21 per cent.

As a consequence, Australia’s share of global travel has fallen by 0.12 percentage points to 0.60 per cent over this period (Figure 19).

Share of out-of-region travel

Global travel reflects both long- and short-haul travel. Using a measure that includes short-haul traffic with travel to long-haul markets like Australia is inappropriate, as much of the growth in global travel has been for short-haul intra-region travel within Asia and Europe.

Out-of-region travel is the preferred measure, and it is used by Tourism Australia in its market performance monitoring.

According to this method, Australia’s market share of total outbound travel in most key markets has decreased (Table 12), with some large falls in outbound market share from leading Asian markets.

The exception was the increase in Australia’s share of outbound travel from China, which increased by 0.6 percentage points to 4.5 per cent.

The out-of-region rule in this assessment does not apply to neighbouring markets of New Zealand, with nearly 1.2 million arrivals in 2011–12. Over half (51 per cent) of New Zealand’s overseas travel is to Australia. Australia’s market share has decreased since 2009.

There was also some improvement in Australia’s share of outbound travel from Indonesia in 2011 (compared to 2010) to 7.3 per cent. However, Australia’s share of outbound travel from this market has, over the longer term, trended lower after being 11.3 per cent in 2003.

Figure 19: Australia’s total share of international travel

Sources: Department of Immigration and Citizenship, United Nations World Tourism Organization (UNWTO)
<table>
<thead>
<tr>
<th>Main international markets</th>
<th>Size of market to Australia, 2011 $ million</th>
<th>Arrivals, 2011 (‘000)</th>
<th>Australia’s market share of their outbound travel, 2011 Per cent</th>
<th>Change, 2011 on 2010 Percentage points</th>
<th>Change, 2011 on 2009 Percentage points</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>3,671</td>
<td>542</td>
<td>4.5</td>
<td>0.6</td>
<td>0.5</td>
</tr>
<tr>
<td>UK</td>
<td>2,886</td>
<td>608</td>
<td>3.7</td>
<td>-0.3</td>
<td>-0.6</td>
</tr>
<tr>
<td>USA</td>
<td>2,196</td>
<td>456</td>
<td>1.0</td>
<td>-0.1</td>
<td>-0.2</td>
</tr>
<tr>
<td>New Zealand</td>
<td>2,157</td>
<td>1,173</td>
<td>51.4</td>
<td>-1.1</td>
<td>-1.6</td>
</tr>
<tr>
<td>Japan</td>
<td>1,356</td>
<td>333</td>
<td>2.5</td>
<td>-0.5</td>
<td>-0.5</td>
</tr>
<tr>
<td>Korea</td>
<td>1,277</td>
<td>198</td>
<td>2.4</td>
<td>-0.6</td>
<td>-1.0</td>
</tr>
<tr>
<td>Singapore</td>
<td>1,193</td>
<td>319</td>
<td>7.9</td>
<td>-0.6</td>
<td>-1.1</td>
</tr>
<tr>
<td>Malaysia</td>
<td>985</td>
<td>241</td>
<td>6.3</td>
<td>-0.5</td>
<td>-1.3</td>
</tr>
<tr>
<td>Germany</td>
<td>907</td>
<td>154</td>
<td>1.6</td>
<td>-0.2</td>
<td>-0.4</td>
</tr>
<tr>
<td>India</td>
<td>867</td>
<td>148</td>
<td>2.8</td>
<td>-0.1</td>
<td>-0.4</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>814</td>
<td>166</td>
<td>8.0</td>
<td>-1.4</td>
<td>-1.6</td>
</tr>
<tr>
<td>Canada</td>
<td>656</td>
<td>118</td>
<td>1.3</td>
<td>-0.1</td>
<td>-0.3</td>
</tr>
<tr>
<td>Indonesia</td>
<td>648</td>
<td>140</td>
<td>7.3</td>
<td>0.6</td>
<td>0.0</td>
</tr>
<tr>
<td>France</td>
<td>579</td>
<td>94</td>
<td>1.1</td>
<td>-0.1</td>
<td>-0.2</td>
</tr>
<tr>
<td>Middle East (incl. North Africa)</td>
<td>333</td>
<td>98</td>
<td>0.7</td>
<td>-0.1</td>
<td>-0.2</td>
</tr>
<tr>
<td>Italy</td>
<td>364</td>
<td>55</td>
<td>1.2</td>
<td>-0.1</td>
<td>-0.2</td>
</tr>
<tr>
<td>Other markets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brazil</td>
<td>197</td>
<td>29</td>
<td>1.0</td>
<td>-0.1</td>
<td>-0.3</td>
</tr>
<tr>
<td>Vietnam</td>
<td>216</td>
<td>34</td>
<td>8.7</td>
<td>-0.8</td>
<td>-1.1</td>
</tr>
</tbody>
</table>

Source: Tourism Research Australia, Tourism Economics
Note: The base used to calculate Australia’s market share is the total ‘out-of-region’ departures as follows: China, Hong Kong, Japan and Korea - All except departures to North-East Asia; Singapore - All except departures to South, South-East Asia; Malaysia, Indonesia and India - All except departures to South, South-East Asia and Middle East; Vietnam - All except departures to South, South-East Asia and China; UK - All except departures to Europe, North Africa and Dubai; Germany, Italy - All except departures to Europe; France - All except departures to Europe, North Africa, French territories and Israel; US, Canada - All except departures to North America and Caribbean; Brazil - All except departures to Americas, Spain and Portugal.
For this report, the non-Asian region refers mainly to visitor arrivals from New Zealand, North America (US and Canada), United Kingdom, other Europe (including France and Germany) and other countries.

Non-Asian markets represent over half the international visitor market in Australia, but are expected to offer lower future growth compared to Asian markets.

Visitor expenditure (including pre-paid package expenditure and international airfares) from non-Asian markets was worth $14.0 billion in 2011–12; around $1.3 billion more than expenditure from Asian markets.

Since 2009, total arrivals from non-Asian markets have increased by 23,000 to 3.5 million (Figure 20).

However, expenditure from these visitors has fallen by $907 million in nominal terms over this period (Figure 21).

The one non-Asian market to perform well has been New Zealand, with a 7.3 per cent (or 81,000) increase in arrivals, and a 15.7 per cent increase (or $303 million) in nominal expenditure.

Outbound tourist activity has suffered from countries and regions hardest hit by the GFC. As a consequence, arrivals and expenditure have fallen from North American and European markets, particularly Australia’s second largest market by value, the United Kingdom.

Figure 20: Change in arrivals by key non-Asian markets, 2009 to 2011–12

Source: Department of Immigration and Citizenship
Figure 21: Change in expenditure by key non-Asian markets, 2009 to 2011–12

New Zealand: Non-Asian $: Down $907 million since 2009

Other Countries
North America
Other Europe
United Kingdom

Source: TRA’s International Visitor Survey
Strategic Priority 2: Build competitive digital capability

Objective
Tourism operators can take full advantage of information and communication technology to attract visitors and enable online transactions.

Measured by…
- **Demand:** Increase visitors’ use of information from the internet and social media (TA metrics and TRA surveys).
- **Supply:** Increase the percentage of industry doing transactions online – TRA.

Background
Building digital capability is essential in both marketing Australia and in the distribution of tourism product, as well as ensuring that Australia remains competitive with the rest of the world.

The benchmark statistics for tourism operators’ online capabilities was a survey conducted in 2010 by the Digital Distribution Working Group. It identified that 84 per cent of tourism businesses had a website presence but only 35 per cent offered online payments.

The ABS also report statistics on business use of the internet. Combining these statistics suggests that businesses are increasing their web presence (Figure 22) and are steadily increasing their ability to take online orders (Figure 23). Refer to Box 3 for more detail on business capability and the latest statistics on visitors’ use of these services.

Figure 22: Web presence, by the proportion of businesses for key tourism industries
Figure 23: Receiving orders online, by the proportion of businesses for key tourism industries

Sources: ABS Cat. No. 8129.0 – Business use of information technology 2009–10 and ABS Cat. No. 8166.0 - Summary of IT Use and Innovation 2010–11
Box 3: Latest evidence on tourism demand and business use of digital services

a) Current trends in internet use by Australian businesses

Several ABS publications report an increasing trend in web presence (Figure 22) and receipt of orders online (Figure 23) for key tourism industries.

Arts and recreation businesses have the highest utilisation of internet technology among tourism industries, with 30 per cent more businesses having a web presence in 2010–11 when compared to 2002–03. Fifteen per cent more accommodation, café and restaurant businesses and 2 per cent more transport businesses had an online presence across the same time period.

The proportion of businesses receiving online orders increased by 18 per cent for the arts and recreation industry, 10 per cent for transport and storage, and 7 per cent for accommodation, cafes and restaurants during the same time period.

For tourism-related industries, as business size increases so too does the proportion of orders these businesses receive via the internet.

Businesses in the arts and recreation industry have higher online transaction capacity compared to other industries.

This trend is directly related to fewer smaller businesses having a web presence (27 per cent of accommodation and food services businesses with 0-4 employees, compared to 73 per cent with 200 or more employees).

The Sensis e-Business report, which tracks the online experience of small and medium enterprises (SMEs) in Australia generally, shows declines in the use of the internet to take orders and to receive payments by SMEs in 2011–12 compared to 2010–11, despite online selling as a share of their total sales increasing through the year.

b) Current visitors’ use of the internet

International visitors’ use of the internet for information gathering has also steadily increased from less than half of all international visitors in 2004–05 (45 per cent) to 71 per cent in 2011–12. The share of international visitors making bookings over the internet has almost doubled from 25 to 46 per cent over the same period.

While the share of domestic overnight visitors’ usage of the internet in information gathering and booking is lower than international visitors’ usage, domestic overnight visitors are also increasing their reliance on the internet for both their information search and bookings (up 19 and 21 per cent compared to 2007–08). As part of the IVS and NVS data collections, information on visitors’ use of social media in trip planning and bookings is being collected. State of the Industry 2013 will report the initial findings of this research.

Figure 24: Proportion of orders received online, by business size and key tourism industries, 2009–10

Source: ABS Cat. No. 8129.0 – Business use of information technology 2009-10; ABS Cat. No. 8166.0 - Summary of IT Use and Innovation.
Objectives
Businesses can more easily invest in new visitor accommodation and tourism infrastructure if governments remove red tape barriers and facilitate major new projects.

Measured by...
- Increases in visitor accommodation stock (room supply) (ABS Survey of Tourist Accommodation and TRA Small-Scale Accommodation Survey)
- Increases in investment in accommodation and in other supply chain segments (TRA's Tourism Investment Monitor)
- Increased uptake of Destination Management Planning tool.

Background
Delivering more quality accommodation stock is vital for the Australian tourism industry. Under Tourism 2020, around 40,000 or more rooms are likely to be needed (particularly in the capital cities) to ensure accommodation meets the 2020 Tourism Industry Potential.

However, as identified by LEK (2010), there are three major investment gaps in the tourism market:
- A deficiency in short-term accommodation in metropolitan areas, particularly in hotels
- A viable stand-alone business case for attractions is difficult to mount
- Regional areas suffer from a lack of quality (but not quantity) of accommodation stock.

Rising accommodation yields, underpinned by strong growth in business travel, are triggering investment interest, but there still is some way to go for large-scale growth in room stock. Interest appears patchy with anecdotal evidence suggesting that lower end ‘3-4 star hotel’ accommodation is currently more financially viable than high-end 5-star hotels.

Over the 2000 to 2011–12 period, Australia’s room stock in larger (15+ rooms) accommodation establishments increased 17 per cent (or 32,200 rooms) to 227,200 rooms, with strongest growth in serviced apartments (Figure 25). Room yields are now on the rise, after falling sharply in 2009 (Figure 26).
Figure 25: Room stock by accommodation type

Index: 2000 = 100

- Licenced hotels, 15 rooms or more
- Serviced apartments, 15 rooms or more
- Motels and guest houses, 15 rooms or more
- Combined

Source: ABS Cat. No. 8635.0, Survey of Tourist Accommodation, Australia, June quarter 2012

Figure 26: Real yields per available room

Index: 2000 = 100

- Licenced hotels, 15 rooms or more
- Serviced apartments, 15 rooms or more
- Motels and Guest Houses, 15 rooms or more
- Larger HMGSA (total), 15 rooms or more

Source: ABS Cat. No. 8635.0, Survey of Tourist Accommodation, Australia, June quarter 2012
Tracking Priority 3: Increasing accommodation investment

Changes in accommodation stock

Growth in accommodation stock in Australia has been slow, with room stock up 0.3 per cent (or by only 730 rooms) since 2009.

This growth reflects an increase of 1,730 rooms in hotels, 940 more rooms in serviced apartments, more than offsetting a fall of 1,940 rooms in motels and guest houses (Table 13).

The growth in room stock has occurred in capital cities, while room stock outside these regions has contracted.

Other key measures for the industry suggest trigger points for stronger investment are approaching, with continued strong increases in occupancy rates and takings per available room since 2009, particularly in capital cities (provided other barriers to this type of investment are removed).

On the other hand, room stock in regional Australia has contracted slightly, but this has led to higher occupancy rates and solid growth in takings.

Note that information on other small scale accommodation establishments has not been collected by the ABS since June 2010.

TRA, after consultation with industry stakeholders, has negotiated with STR Global to publish performance statistics on caravan parks, visitor hostels and smaller establishments in hotels, motels, and serviced apartments. This survey is expected to commence in early 2013, and TRA will report its key results on a monthly basis.

Table 13: Key indicators for Australia’s larger accommodation establishments

<table>
<thead>
<tr>
<th>Room supply</th>
<th>Occupancy rates</th>
<th>$ per available room</th>
<th>Takings (nominal)</th>
</tr>
</thead>
<tbody>
<tr>
<td>At June Qtr 2012</td>
<td>Change: on Dec Qtr 2009</td>
<td>At June Qtr 2012</td>
<td>Change: on Dec Qtr 2009</td>
</tr>
<tr>
<td>No.</td>
<td>No.</td>
<td>%</td>
<td>¥</td>
</tr>
<tr>
<td>NSW</td>
<td>70,348</td>
<td>-897</td>
<td>65.9</td>
</tr>
<tr>
<td>Vic</td>
<td>42,869</td>
<td>2,623</td>
<td>66.0</td>
</tr>
<tr>
<td>Qld</td>
<td>60,638</td>
<td>-1,025</td>
<td>65.6</td>
</tr>
<tr>
<td>SA</td>
<td>12,714</td>
<td>576</td>
<td>62.7</td>
</tr>
<tr>
<td>WA</td>
<td>21,716</td>
<td>-319</td>
<td>70.0</td>
</tr>
<tr>
<td>Tas</td>
<td>6,812</td>
<td>158</td>
<td>58.5</td>
</tr>
<tr>
<td>NT</td>
<td>7,285</td>
<td>-101</td>
<td>63.9</td>
</tr>
<tr>
<td>ACT</td>
<td>4,786</td>
<td>-281</td>
<td>291.5</td>
</tr>
<tr>
<td>Australia</td>
<td>227,168</td>
<td>734</td>
<td>65.9</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Latest quarter (stock)</th>
<th>Change: on Dec Qtr 2009</th>
<th>Latest year ending</th>
<th>Change: on Dec Qtr 2009</th>
<th>Latest year ending</th>
<th>Change: on Dec Qtr 2009</th>
<th>Latest year ending</th>
<th>Change: on Dec Qtr 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>No.</td>
<td>No.</td>
<td>%</td>
<td>¥</td>
<td>¥</td>
<td>¥</td>
<td>¥</td>
<td>¥</td>
</tr>
<tr>
<td>Capital cities and the Gold Coast*</td>
<td>111,978</td>
<td>2,627</td>
<td>75.0</td>
<td>3.2</td>
<td>131.46</td>
<td>12.5</td>
<td>5.5</td>
</tr>
<tr>
<td>Regional Australia*</td>
<td>114,456</td>
<td>-2,524</td>
<td>54.6</td>
<td>2.4</td>
<td>74.28</td>
<td>8.8</td>
<td>3.0</td>
</tr>
<tr>
<td>Australia</td>
<td>226,434</td>
<td>103</td>
<td>65.3</td>
<td>2.9</td>
<td>103.85</td>
<td>11.5</td>
<td>8.5</td>
</tr>
</tbody>
</table>

Source: ABS Cat. No. 8635.0, Tourist Accommodation, Australia, June quarter 2012
Accommodation investment

Latest trends suggest that investment in accommodation (that is from official approvals to completion of projects) remains subdued (Figure 27), although it has recovered from its lows in 2010.

The value of accommodation building approvals in the year to March 2012, was largely unchanged from the 2009 estimates, of about $900 million.

The value of accommodation projects commenced has increased by $171 million to $1.1 billion, while the value of work completed has fallen by $257 million to $1.0 billion.

TRA’s Tourism Investment Monitor 2012 estimates that around 17,200 rooms will be in the process of being considered, approved or under construction by 2016. As growth in room stock has been slow to date, stronger investment will be needed if the industry is to reach the lower end of the Tourism 2020 Potential. This will require an increase of 40,000 rooms or more by 2020, mainly in Australia’s capital cities.

Figure 27: Accommodation: Approvals, commencements and work

Source: ABS Cat. No. 8731.0, Building Approvals, Australia; ABS Cat. No. 8752.0, Building Activity, Australia
Tracking Priority 3: Increasing entertainment and recreation services investment

Latest trends suggest that investment in this sector (that is from official approvals to completion of projects) has been stronger than is the case for accommodation investment (Figure 28).

The value of building approvals in entertainment and recreation services has increased by around $500 million to $2.3 billion.

The value of work completed in this sector is also off its lows, despite being down slightly in the year to March 2012, compared to 2009 estimates. With approvals and commencements substantially stronger, the number of projects completed in the entertainment and recreation sector should increase solidly in the next few years.

Figure 28: Entertainment and recreation services: Approvals, commencements and work done

Source: ABS Cat. No. 8731.0, Building Approvals, Australia; ABS Cat. No. 8752.0, Building Activity, Australia
Strategic Priority 4: Ensure the tourism transport environment supports growth

Objective
Tourism transport capacity and infrastructure is developed to allow increasing numbers of visitors to travel to and within Australia on a sustainable basis.

Measured by...
- Increases in international and domestic aviation capacity (source: Bureau of Infrastructure, Transport and Regional Economics)

Background
The global aviation industry has been hit by a number of periods of sharp falls to air travel demand (for example, due to SARS in 2003, and the GFC in 2009). Between these periods, there has been a significant increase in investment in new generation aircraft, both for short and long-haul travel. This delivers significant reductions in carbon emissions and fuel use, which is important given that fuel prices have increased significantly since the early 2000s.

Against this backdrop of strong investment and fluctuating demand, competition in the international aviation market has been intense over the past decade, particularly with the development of low-cost carriers and significant increase in intra-regional traffic. As a result, international airfares globally have fallen substantially in recent years.

There has been solid growth in international aviation seat capacity servicing Australia, particularly in recent years, as international carriers remain attracted to Australia’s relatively strong economic performance (Figure 29).

Capacity in Australia’s currently more profitable domestic sector has increased steadily over the past decade (Figure 30), with growth expected to again strengthen later this year.

Figure 29: Australia’s international aviation sector, inbound seat capacity and passenger load factors

Source: Bureau of Infrastructure, Transport and Regional Economics, Aviation Statistics
Figure 30: Australia’s domestic aviation capacity and passenger load factors

Source: Bureau of Infrastructure, Transport and Regional Economics, Aviation Statistics
Tracking Priority 4: Growing international aviation capacity

Tourism 2020 has identified the need to increase international aviation capacity in Australia by 40-50 per cent from 2009 to 2020.

In the period from 2009 to 2011–12, international aviation (inbound seat) capacity increased by 15.4 per cent suggesting that this indicator is tracking ‘ahead of schedule’ (Figure 31). However, early indicators suggest that growth has slowed in the first six months of 2012 (compared to the same period in 2011), with capacity increasing slightly on last year’s levels.

In a difficult international aviation market, this increase has been spurred on by the solid growth in passenger movements, but this reflects the rapidly increasing share of Australians taking overseas trips. With demand increasing slightly faster than supply, passenger load factors—a key measure for profitability—has increased slightly by 1.6 percentage points to a still very high 77.0 per cent.

Growth in direct services has been mixed, with seat capacity more than doubling for China and other key Asian markets, while increased competition on the US route in recent years has seen a strong 18 per cent growth in capacity (Figure 32).

Figure 31: Changes in Australia’s international aviation sector key indicators, 2009 to 2011–12

Source: Bureau of Infrastructure, Transport and Regional Economics, Aviation Statistics
Figure 32: Changes in Australia’s direct services from key markets, 2009 to 2011–12

Source: Bureau of Infrastructure, Transport and Regional Economics, Aviation Statistics
Tracking Priority 4: Growing domestic (aviation) capacity

With Australians and international visitors increasingly using domestic aviation services when travelling around Australia, Tourism 2020 has identified the need to increase domestic aviation capacity by 20-30 per cent from 2009 to 2020.

Domestic aviation capacity (in terms of available seat kilometres) has increased by 9.2 per cent over the period from 2009 to 2011–12, suggesting that this indicator is tracking ‘ahead of schedule’ (Figure 33).

The strong recent growth in supply largely reflects the stronger growth in business travel (both regionally and in major city pairs).

In turn, the increase in capacity is in response to stronger demand with a 4.5 per cent increase in passengers over this same period.

Overall, seat capacity (up 9.2 per cent) increased faster than demand (up 6.6 per cent) (Figure 33). As a result, a key indicator for domestic airline profitability—passenger load factor—has decreased slightly by 0.9 percentage points to a still very high 79 per cent.

Economy domestic airfares are also increasing after a period of heavy discounting during the worst phases of the GFC. Full economy airfares increased by 15 per cent (in CPI-adjusted terms) over the 2009 to 2011–12 period but are still below levels seen in 2007.

On the other hand, business airfares have fallen sharply, particularly in the first half of 2012, reflecting the strong price competition between the major domestic carriers for high-value business travellers.

Figure 33: Changes in Australia’s domestic aviation sector key indicators, 2009 to 2011–12

Source: Bureau of Infrastructure, Transport and Regional Economics, Aviation Statistics
Combining the results for the two sectors suggests that there has been significant growth in throughput in Australian airports in recent years. Passenger movement through all Australian airports was around 123.4 million in 2009. In the period to 2011–12, movements have increased by 11.2 per cent (or 13.8 million) to 137.3 million (Table 14).

Over this period, all major segments recorded strong growth (international up 18.1 per cent; regional airlines, where the effects of the mining boom would be more strongly affected, up 22.4 per cent), while growth in passenger movements by the major domestic carriers rose by 7.9 per cent.

Providing profitable air capacity is the key in the highly competitive international aviation market servicing Australia. Australia’s international aviation capacity has increased by 15.4 per cent to 19.0 million seats between 2009 and 2011–12. If this strong growth continues (plus the increased proportion of larger aircraft such as the A380 and the Boeing 787 Dreamliner), it will place substantial pressure on the need for additional airport expansion in coming years, particularly for Sydney through which around half of Australia’s international visitor traffic passes.

Pipeline developments in Australian aviation are substantial. TRA estimates that in early 2012, around $26 billion is being considered, committed or currently under construction, in aircraft acquisitions and transport infrastructure.

The ABS reports in its various publications on building approvals and construction, that stronger growth in transport buildings is now evident, after contracting sharply in 2009 (Figure 34).

Table 14: Airport traffic, by major airports

<table>
<thead>
<tr>
<th>Airport</th>
<th>Total passengers (inbound and outbound), 2011-12</th>
<th>Change 2011-12 on 2010-11</th>
<th>Change 2011-12 on 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Million</td>
<td>Per cent</td>
<td>Per cent</td>
</tr>
<tr>
<td>Sydney</td>
<td>36.0</td>
<td>0.1</td>
<td>9.1</td>
</tr>
<tr>
<td>Melbourne</td>
<td>28.0</td>
<td>0.0</td>
<td>12.4</td>
</tr>
<tr>
<td>Brisbane</td>
<td>20.9</td>
<td>4.5</td>
<td>11.5</td>
</tr>
<tr>
<td>Perth</td>
<td>12.0</td>
<td>10.2</td>
<td>24.8</td>
</tr>
<tr>
<td>Adelaide</td>
<td>6.9</td>
<td>-4.6</td>
<td>1.5</td>
</tr>
<tr>
<td>Gold Coast</td>
<td>5.3</td>
<td>-3.2</td>
<td>8.7</td>
</tr>
<tr>
<td>Cairns</td>
<td>3.9</td>
<td>1.6</td>
<td>10.8</td>
</tr>
<tr>
<td>Canberra</td>
<td>3.2</td>
<td>-2.5</td>
<td>0.3</td>
</tr>
<tr>
<td>Hobart</td>
<td>1.8</td>
<td>-4.7</td>
<td>-3.2</td>
</tr>
<tr>
<td>Darwin</td>
<td>2.1</td>
<td>22.2</td>
<td>34.7</td>
</tr>
<tr>
<td>Other airports</td>
<td>17.2</td>
<td>2.5</td>
<td>11.7</td>
</tr>
<tr>
<td>ALL Australian airports</td>
<td>137.2</td>
<td>1.6</td>
<td>11.2</td>
</tr>
<tr>
<td>International airlines (inbound only)</td>
<td>14.5</td>
<td>5.0</td>
<td>18.1</td>
</tr>
<tr>
<td>Major domestic airlines (inbound only)</td>
<td>47.9</td>
<td>0.1</td>
<td>7.9</td>
</tr>
<tr>
<td>Regional airlines (inbound only)</td>
<td>6.3</td>
<td>6.9</td>
<td>22.4</td>
</tr>
</tbody>
</table>

Source: Bureau of Infrastructure, Transport and Regional Economics, Aviation Statistics
Figure 34: Transport buildings, approvals, commencements and work done, 2002 to year ending March 2012

Sources: ABS Cat. No 8731 Building Approvals, Australia; ABS Cat. No. 8752.0, Building Activity, Australia
Strategic Priority 5: Increase supply of labour, skills and Indigenous participation

Objective
Tourism operators can meet their labour and skills needs to deliver high quality customer service to all visitors, including those from Asia.

Measured by...
- increase in the number of full-time and part-time jobs (ABS Tourism Satellite Account)
- increase in the number of Indigenous Australians employed in the tourism industry
- increase in labour productivity growth

Background
Tourism is a labour-intensive industry, with the latest benchmark statistics for 2010-11 suggesting that around 513,700 jobs currently exist within tourism. Of these jobs, around 289,300 jobs are full-time, and 224,400 are part-time.

Over the period 1997–98 to 2010–11, direct tourism employment increased by 97,800 jobs (or by 23 per cent). Over this period, however, full-time employment in tourism increased by only 12 per cent, while part-time employment increased by 42 per cent (Figure 35). Wage growth has also been below the national average in recent years (refer Box 4).

In 2010–11, jobs in tourism represented around 4.5 per cent of the Australian workforce, but tourism’s share of employment has fallen from 5.0 per cent in 2001–02.

Information on Indigenous employment and businesses is unavailable as key data (including the Census) are yet to be released by the ABS. TRA will include a summary of this information in State of the Industry 2013.

Figure 35: Growth in jobs in Australian tourism, full-time and part-time

Source: ABS Cat. No. 3401.0, ABS Cat. No. 6291.0, and TRA calculations
Box 4: Comparing wages growth in tourism industries with other industries

With Australian unemployment rates remaining at or around 5 per cent, increasing wages is one way to compete in a tight labour market.

In the 12-year period from the March quarter 2000 to the March quarter 2012, Australian average full-time weekly earnings (ordinary time earnings) for all industries grew by an average annual rate of 4.8 per cent, to $1,348.

However, for tourism, wage growth has been lower than the national average; in terms of growth and aggregate earnings within tourism over the same period: accommodation and food services (3.9 per cent, currently $956), retail (4.0 per cent, currently $970), transport, postal and warehousing (4.2 per cent, currently $1,329), and arts and recreation (4.7 per cent, currently $1,202).

The disparity between the tourism industry and the national average has widened over the past 12 years. This was especially felt by the retail and accommodation and food services industries, which featured the lowest growth rates and aggregate earnings in tourism-related industries (Figure 36).

In contrast, earnings in the mining industry increased at an annual rate of 5.1 per cent, to $2,267 over this period. This growth has intensified in the past five years where mining wages have increased by 9.4 per cent annually.

Mirroring its stronger exposure to mining, Western Australia experienced very strong earnings growth, particularly in the past five years from 2006, where wages have increased by 6.9 per cent on average annually. Similarly, wage growth in the more tourism-reliant Queensland has also increased strongly with 6.0 per cent average annual growth over the same period. In contrast, the less-mining-intensive states of NSW and Victoria saw lower growth of 3.9 per cent and 4.5 per cent, respectively.

Figure 36: Comparing average weekly ordinary time earnings: Key tourism industries, mining and all industries

Source: ABS Cat. No.6302.0, Average Weekly Earnings, Australia
Research commissioned by the Labour and Skills Working Group suggests that in 2010 there were 36,000 unfilled jobs in the Australian tourism industry (RET, 2011).

The challenge for Tourism 2020 is to increase the (direct) tourism labour force by 56,000 to 152,000 jobs over the period from 2009 to 2020. In the two years to 2010–11, the number of people employed in tourism has increased by 4.1 per cent, or by 20,100 jobs. This result reflects an increase of 9,600 full-time jobs and 10,500 part-time jobs (Table 15).

Over the two year period to 2010–11, most of this growth was in the cafes, restaurants and takeaway food services industry (up 13,000 or by 10.2 per cent), with most of this growth in part-time jobs.

Growth in full-time employment in industries aligned with tourism occurred in tour operator services (up 5,900 jobs), but some of this growth was offset by a decline in part-time employment in this industry.

TRA unpublished estimates suggest that hours worked in tourism (5.0 per cent) increased faster compared to jobs over the two year period to 2010–11, with over half this growth occurring in the combined accommodation and food services industries.

TRA’s preliminary assessment of the latest ABS Labour Force statistics suggest that in 2011–12, tourism jobs may have decreased slightly, with a small increase in part-time jobs offset by a slightly larger decrease in full-time employment.

By industry, the largest falls are likely to occur in the accommodation and cafes/ restaurants/takeaway food service industries in 2011–12.

Table 15: Persons employed in tourism

<table>
<thead>
<tr>
<th>Industry</th>
<th>At 2010–11</th>
<th>Change on 2008–09</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Full-time</td>
<td>Part-time</td>
</tr>
<tr>
<td>Accommodation</td>
<td>41.0</td>
<td>29.4</td>
</tr>
<tr>
<td>Cafes, restaurants and takeaway food services</td>
<td>54.6</td>
<td>85.7</td>
</tr>
<tr>
<td>Clubs, pubs, taverns and bars</td>
<td>11.6</td>
<td>13.1</td>
</tr>
<tr>
<td>Rail transport</td>
<td>4.3</td>
<td>0.3</td>
</tr>
<tr>
<td>Road transport and transport equipment rental</td>
<td>20.6</td>
<td>8.1</td>
</tr>
<tr>
<td>Air, water and other transport</td>
<td>29.8</td>
<td>7.4</td>
</tr>
<tr>
<td>Travel agency and tour operator services</td>
<td>30.0</td>
<td>7.8</td>
</tr>
<tr>
<td>Cultural services</td>
<td>5.5</td>
<td>0.7</td>
</tr>
<tr>
<td>Casinos and other gambling services</td>
<td>1.3</td>
<td>0.7</td>
</tr>
<tr>
<td>Other sports and recreation services</td>
<td>7.9</td>
<td>7.7</td>
</tr>
<tr>
<td>Retail trade</td>
<td>47.2</td>
<td>45.7</td>
</tr>
<tr>
<td>Education and training</td>
<td>20.9</td>
<td>12.4</td>
</tr>
<tr>
<td>Other industries</td>
<td>18.7</td>
<td>5.6</td>
</tr>
<tr>
<td>Total tourism</td>
<td>293.4</td>
<td>224.4</td>
</tr>
</tbody>
</table>

Source: ABS Cat. No. 5249.0, Tourism Satellite Account
Tracking Priority 5: Tracking tourism labour productivity

Labour productivity growth is a product of the relative growth between Gross Value Added (GVA) and labour hours worked and the resulting productivity growth is influenced by the rate of growth in these two components.

With higher wages compared to neighbouring Asian competitors, it is crucial for the Australian tourism industry to deliver higher productivity in order to compete. While tourism labour growth has been solid in the two years to 2010–11 (Figure 37), lower wage growth in a tight Australian labour market will make it increasingly difficult for tourism to attract and retain a skilled workforce to deliver stronger tourism productivity.

Unpublished research by TRA suggests that tourism labour productivity has increased slightly, but at a rate below the Australian market sector average (Table 16).

However, it is the accommodation and food services industry which appears to have lower overall productivity performance for the tourism sector as a whole in the latest cycle.

Influencing this result has been the faster growth in hours worked, compared with the increase in GVA, particularly in 2010–11 (a period in which tourism jobs increased strongly by 2.7 per cent).

Productivity estimates for the four main tourism-related industries (which represent over 70 per cent of tourism GVA) accommodation and food services; transport; arts and recreation services; and retail trade, suggest that in the three years to 2010–11, labour productivity has increased by around 0.8 per cent (Table 16).

Figure 37: Labour productivity in tourism-related industries

Table 16: Labour productivity growth in relation to GVA and labour hours worked in tourism-related industries

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Accommodation and food services</td>
<td>1.3</td>
<td>1.3</td>
<td>-3.0</td>
</tr>
<tr>
<td>Transport postal and warehousing</td>
<td>2.8</td>
<td>1.9</td>
<td>0.3</td>
</tr>
<tr>
<td>Arts and recreation</td>
<td>2.6</td>
<td>-2.1</td>
<td>2.0</td>
</tr>
<tr>
<td>Retail trade</td>
<td>2.2</td>
<td>1.3</td>
<td>2.5</td>
</tr>
<tr>
<td>Total tourism-related industries</td>
<td>2.1</td>
<td>1.4</td>
<td>0.8</td>
</tr>
<tr>
<td>Market sector</td>
<td>2.4</td>
<td>1.1</td>
<td>1.0</td>
</tr>
</tbody>
</table>

Source: ABS Cat. No. 5260.0.55.002, for tourism-related industries

* Denotes incomplete business cycle
Objective

Tourism operators can grow their profitability and marketability by delivering higher quality products and services using improved business planning, systems and standards.

Measured by...

- increase in tourism sector productivity
- increase in the number of businesses with T-QUAL Accreditation

Background

TRA released its initial estimates on tourism profitability and productivity in 2011, based on the then latest Tourism Satellite Account (TSA) estimates to 2008–09. Key messages from this research suggested that growth in tourism GVA had been less than the non-tourism components for most tourism related industries (refer Box 3 for more information).

For tourism productivity, tourism multifactor productivity (MFP) growth rose at a rate of 0.2 per cent annually for tourism between 1997–98 and 2008–09. This rate was lower than the 0.4 per cent for the Australian market sector.

TRA will update the Tourism Productivity publication, following the release of the next TSA for 2011–12.

At face value, the revisions to historical IVS and NVS data should see a slight upgrade to tourism productivity estimates. A short note on this research’s key findings will be included in State of the Industry 2013.

Tracking the progress in building quality tourism product is a core part of Tourism 2020. As part of the Australian Government’s efforts, T-QUAL Accreditation was launched in April 2011. TRA will track the take-up of T-QUAL Accreditation in more detail in State of the Industry 2013.

Since 2004–05, TRA in partnership with state, territory and regional tourism organisations (STOs and RTOs), has been conducting regional visitor satisfaction studies as part of the Visitor Profile and Satisfaction (VPS) program. Commencing in the March quarter 2012, TRA’s IVS also includes an extensive set of questions relating to satisfaction and quality, allowing both government and industry to identify areas for improvement. A short report on visitor satisfaction is provided in the next section, with a more extensive update planned for State of the Industry 2013.
Box 5: Indicators for tourism profitability

Information on tourism-specific profitability for each supplying industry is difficult to obtain.

Indicators on tourism profitability can be sourced from comparing GVA estimates from the TSA with the GVA information from ABS’ National Accounts publication. This measure shows growth in tourism GVA has been lower than for all industry GVA since the early 2000s (Figure 38).

However, evidence points to mixed profitability for tourism-related industries more recently (Figure 38). For example, comparing the Gross Operating Surplus for 2007-08, a period before the GFC with 2010-11, shows that the accommodation and food services sectors performed strongly, with profitability rebounding strongly after falling 6 per cent in 2008-09 (a period in which the GFC would have fully impacted on Australian businesses) (Figure 39).

A similar recovery was evident in the transport, postal and handling sectors. This result, supported by anecdotal evidence, suggests stronger profitability is linked with those businesses aligned with mining, including construction, accommodation and transport, specifically for regional aviation businesses and large capital city accommodation (which can leverage off the strong business travel growth). The transport component would have also benefited some industries from the continued strong growth in Australian outbound travel (such as travel agencies).

In contrast, the slow growth in profitability in the arts and recreation services industry may also be correlated with the weaker growth in holiday visitor expenditure.

Figure 38: Comparing tourism Gross Value Added with all industry Gross Value Added

Sources: ABS Cat. No. 5204.0, Australian National Accounts, ABS Cat. No. 5249.0, Tourism Satellite Account
Figure 39: Change in Gross Operating Surplus, 2007–08 to 2010–11

- Mining: 44%
- Agriculture: 32%
- Financial and insurance services: 31%
- Transport, postal and warehousing: 28%
- Accommodation and food services: 25%
- All industries: 24%
- Rental, hiring and real estate services: 19%
- Education and training: 19%
- Construction: 17%
- Public administration and safety: 16%
- Health care and social assistance: 16%
- Administrative and support services: 8%
- Electricity, gas, water and waste services: 7%
- Arts and recreation services: 4%
- Retail trade: 3%
- Wholesale trade: -11%
- Manufacturing: -20%
- All industries: 20%
- Agriculture: 17%
- Retail trade: 16%
- Wholesale trade: 13%
- Manufacturing: 11%
- Mining: 9%
- All industries: 8%
- Agriculture: 8%
- Retail trade: 7%
- Wholesale trade: 6%
- Manufacturing: 5%
- Mining: 4%
- All industries: 4%
- Agriculture: 3%
- Retail trade: 3%
- Wholesale trade: 2%
- Manufacturing: 1%
- Mining: 0%
- All industries: 0%
- Agriculture: 0%
- Retail trade: 0%
- Wholesale trade: 0%
- Manufacturing: 0%
- Mining: 0%
- All industries: 0%
- Agriculture: 0%
- Retail trade: 0%
- Wholesale trade: 0%
- Manufacturing: 0%

Source: ABS Cat. No. 5204.0, Australian National Accounts
Key findings

In the six months to June 2012, results from the IVS show that international visitors demonstrated a high level of satisfaction with most dimensions of their trips in Australia1 (Figure 40):

- 88 per cent were satisfied with the customer service on their trip. This was the highest satisfaction level across all categories in the IVS.
- 86 per cent were satisfied with hotel/motel accommodation.
- 84 per cent were satisfied with restaurant or café food and drink.
- 83 per cent were satisfied with other commercial accommodation.
- 81 per cent were satisfied with Australia’s air transport services.
- 79 per cent were satisfied with the shopping in Australia.
- 79 per cent were satisfied with the standard of taxis.

It can also be seen in Figure 40 that there were lower levels of satisfaction for telecommunications and overall value for money:

- 66 per cent were satisfied with telecommunication services.
- 58 per cent were satisfied with the overall value for money in Australia. This was the lowest satisfaction level across all categories in the IVS. The high value of the Australian dollar no doubt contributed to these concerns about value for money.

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1 Includes combined results for ‘very satisfied’ and ‘satisfied’, excluding the Chinese group tour market.
Figure 40: International visitor satisfaction for selected trip attributes, January-June 2012

Per cent

Source: TRA’s International Visitor Survey

Figure 41: International visitor dissatisfaction for selected trip attributes, January-June 2012

Per cent

Source: TRA’s International Visitor Survey
Given international visitors’ lower ratings of satisfaction for value for money and telecommunication services, it is not surprising that these visitors also reported relatively high levels of dissatisfaction with these attributes (Figure 41).

TRA will provide more details on satisfaction in State of the Industry 2013.

Through the Asian Marketing Fund, TRA will be undertaking an extensive study on behalf of Tourism Australia to further understand the key drivers of visitor satisfaction for the Chinese market, which is such an important inbound tourism market for Australia.

In partnership with STOs and RTOs, TRA has been conducting regional visitor satisfaction studies as part of the Visitor Profile and Satisfaction (VPS) program. Since 2004–05, 78 VPS studies have been conducted in regional destinations in Australia.

VPS benchmark results for international visitors show that around 83 per cent of international visitors are satisfied with their trips in Australia overall, a result that is consistent with the results of the IVS questions referred to earlier. International visitor satisfaction is generally driven by the variety of things to see and do, local atmosphere, value for money, customer service and the destination’s attractions.
**Glossary of terms**

**Accommodation used**

This indicates the type of accommodation used by an overnight visitor when visiting a particular location. The main categories of accommodation include:

- Hotel, resort, motor inn
- Backpacker hotel or hostel
- Rented house, apartment, flat or unit
- Friend’s or relative’s property
- Caravan park or commercial camping ground
- Caravan or camping near a road on private property
- Guest house or bed and breakfast
- Boat, houseboat, cabin cruiser or cruise ship
- Educational institution
- Home stay

**Australian and New Zealand Standard Industrial Classification system (ANZSIC)**

A classification developed by the Australian Bureau of Statistics and the New Zealand Department of Statistics which groups businesses that carry out similar economic activities. A business is assigned an appropriate industry category on the basis of its predominant activities. ANZSIC has a structure comprising of categories at four levels: Division; Subdivision; Group; and Class.

**Average nights**

The sum of all nights divided by the sum of all visitors for a particular category. This is commonly referred to as ‘average length of stay’.

**Business travel**

Includes business, work travel for transport crews, attendance at conferences, conventions, exhibitions and trade fairs, training and research related to employment.

**Capital productivity (KP)**

KP shows the time profile of how productively capital is used to generate output. Capital productivity reflects the joint influence of labour, intermediate inputs, technical change, economies of scale, capacity utilisation and measurement errors.

**Day visitors**

Day visitors (or same day visitors) are those who travel for a round trip distance of at least 50 kilometres, are away from home for at least four hours and who do not spend a night away from home as part of their travel. Same day travel as part of overnight travel is excluded, as is routine travel such as commuting between work/school and home.
Domestic tourist  A domestic tourist is defined by:

- the length of time away from the usual place of residence for travel (less than one year)
- the distance travelled from home (40 kilometre round trip from home for overnight travel, and 50 kilometre trip from home for same day travel)
- Travel is not part of normal travel for employment (or non-commuter travel).

This broader definition has evolved. Australia’s Productivity Commission previously had considered a narrower definition of leisure (holiday and travel to visit friends and relatives) as more appropriate. However, this definition does not recognise the common use of infrastructure (hotels etc), which business and education tourists also use.

Indirect effects  Flow-on effects created by direct tourism consumption. They are the effects on businesses that supply to the direct providers of tourism goods and services. Examples include businesses that provide inputs required in the preparation of meals a restaurant sells to tourists, e.g. food manufacturers, electricity companies and delivery services.

International visitors  International visitors are those who come from overseas to visit Australia for a period of less than 12 months.

Intrastate tourism  A person is an intrastate visitor when they visit a location in the state or territory in which they reside.

Interstate tourism  A person is an interstate visitor when they visit a state or territory other than that in which they reside.

Duration of visit  The total amount of time that a visitor spends in a state, territory or region while on an overnight trip.

Expenditure  Money spent by, and on behalf of, travellers during a trip. Expenditure items include airfares and other transport costs, such as bus and train fares and amounts spent on trip-related items before and after the trip.

Expenditure – other  This includes miscellaneous trip expenditure such as phone calls, postage, film processing, medical expenses, repairs and dry cleaning.

Holiday travel  Holiday travel includes holidays, travel for leisure, entertainment, sport as a participant or spectator, shopping, relaxation and just ‘getting away’.

Inbound tourism  Tourism within Australia by international visitors.
<table>
<thead>
<tr>
<th>Term</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indigenous tourism</td>
<td>Tourism activity that involves the life and culture of the Aboriginal people, including an opportunity to experience Aboriginal art, craft, cultural display and visit Aboriginal sites/communities.</td>
</tr>
<tr>
<td>Interstate visitor night</td>
<td>Any night spent in a state or territory other than that in which the visitor resides.</td>
</tr>
<tr>
<td>International Visitor Survey (IVS)</td>
<td>Profiles the characteristics, travel behaviour and expenditure of international visitors to Australia. Summary information from the IVS is published quarterly. Unpublished data are available on request from Tourism Research Australia via the Statistical Enquiry Service. The IVS has been conducted every year since 1981, except for 1982 and 1987.</td>
</tr>
<tr>
<td>Labour Productivity (LP)</td>
<td>LP shows the time profile of how productively labour is used to generate output. Labour productivity changes reflect the joint influence of changes in capital as well as technical, organisational, and efficiency change within and between firms.</td>
</tr>
<tr>
<td>Leisure visitors</td>
<td>Visitors whose main purpose of visit is for a holiday, or to visit friends and relatives (VFR).</td>
</tr>
<tr>
<td>Median nights</td>
<td>Represents the midpoint length of stay for which 50% of visitors stay less time and 50% stay longer.</td>
</tr>
<tr>
<td>Mega trend</td>
<td>A mega trend is a ‘consistent pattern in statistical outcomes and the adaptation of new behaviour by large numbers of people’. Included in these trends are: ‘global economy and globalisation; political; social trends and demographics; natural resources and the environment; and science and technology’.</td>
</tr>
<tr>
<td>Multifactor Productivity (MFP)</td>
<td>MFP measures the amount of output obtained from combined units of capital and labour. It reflects the combined effects of disembodied technical change, economies of scale, efficiency change, variation in capacity utilisation and measurement errors.</td>
</tr>
</tbody>
</table>
The National LongTerm Tourism Strategy (launched in December 2009) is the Government’s primary policy initiative in this area. The Strategy provides a policy framework to enable the tourism industry to grow and be flexible and resilient, capable of withstanding the challenges and capitalising on the opportunities that will arise over the longer term. It focuses on development of the tourism industry’s productive capacity, and seeks to address the long-term structural and regulatory reform requirements of the industry in areas such as infrastructure, investment, skills and labour, product development and quality. The NLTTS was updated on 6 December 2011 and released as Tourism 2020.

Overnight trips are defined as trips involving a stay away from home for at least one night, at a place at least 40 kilometres from home. Only those trips where the respondent is away from home for less than 12 months are in scope. The trip is the basic collection unit used to obtain information about overnight travel undertaken by Australians.

Overnight visitors are those Australians who stay one or more nights in a location while travelling. A visitor may visit several different locations and consequently a trip may include multiple visits. Within each geographic region, net visitor numbers are reported. That is, a visitor is reported as only one visitor to a geographic region, irrespective of the number of places visited within the area.

Package tour

Visitors who arrived in Australia on an inclusive, pre-paid package tour.

Purpose of visit

The purpose of visit is the main purpose, or the major reason for visiting a particular location.

Tourism 2020

On 6 December 2011 Tourism 2020 was released as an update to the National Long-Term Tourism Strategy.

Tourism 2020 was developed to respond to ongoing challenges and emerging opportunities for the Australian tourism industry. Providing a framework for growth, Tourism 2020 assists tourism businesses to remain competitive into the future in a dynamic global environment.

Tourism 2020 integrates the NLTTS’s reform agenda with the growth aspirations of the 2020 Tourism Industry Potential.

Tourism 2020 refocuses and sharpens the emphasis on six identified areas that must be addressed to allow the tourism industry to achieve its maximum potential. These are: Grow demand from Asia; Build competitive digital capability; Encourage investment and implement the regulatory reform agenda; Ensure tourism transport environment supports growth; Increase supply of labour, skills and Indigenous participation; and Build industry resilience, productivity and quality.
Tourism Research Advisory Board (TRAB)

The TRAB was established to provide high-level leadership and oversight of research related to the Australian tourism industry, with a particular focus on TRA. TRAB members are appointed and reviewed periodically by the Minister for Tourism on advice from the Secretary of the Department of Resources, Energy and Tourism.

Tourism Ministers’ Meeting (TMM) and the Australian Standing Committee on Tourism (ASCOT)

A committee formed by the Australian governments to oversee the actions required to implement the National Long-Term Tourism Strategy – Tourism 2020 through a detailed Work Plan. The ASCOT-TM has established nine Working Groups to engage with the key issues identified in the Strategy:

- Labour and Skills Working Group (chaired by Western Australia)
- Investment and Regulatory Reform Working Group (chaired by Victoria)
- Tourism Access Working Group (chaired by the Commonwealth)
- Tourism Quality Council of Australia (chaired by Mr Simon Currant, Independent Chair)
- Indigenous Tourism Working Group (chaired by the Northern Territory)
- Digital Distribution Working Group (chaired by New South Wales)
- Research and Development Advisory Board (chaired by the Commonwealth)
- Destination Management Planning Working Group (chaired by Tasmania), closed October 2011

Tourism Research Australia (TRA)

Tourism Research Australia is a branch of the Department of Resources, Energy and Tourism that provides statistics, research and analysis to support government policy and industry decision making.

TRA is professionally independent in its public positioning—it aims to maintain a public presence and reputation for analysis based solely on economic and statistical research rather than one influenced by the political positions or policy of the government of the day.
A tourist is a short-term visitor travelling away from home for less than one year, not just for a leisure-based reason (that is for a holiday or travel to visit friends and relatives), but also for business, employment, education or even for medical reasons. This definition is based on international standards agreed by members of the United Nations World Tourism Organization (UNWTO), of which Australia is a member.

**Total Domestic Economic Value (TDEV)**

TDEV is calculated from quarterly expenditure data collected in the NVS and benchmarked to annual ‘Domestic tourism consumption’ data in the ABS Tourism Satellite Account (ABS Cat. No. 5249.0). TDEV exceeds total domestic visitor expenditure (excluding major items) as this expenditure measure does not capture the full economic value of goods and services consumed by domestic visitors. For example, TDEV includes the value of subsidised services consumed by domestic visitors, such as entrance fees to museums and art galleries. TDEV does not include expenditure on major items bought during a trip, such as motor vehicles and white goods.

Estimates for TDEV in TRA publications have been temporarily suspended until mid-2013, following the release of the next edition of ABS’ Tourism Satellite Account.

**Total Inbound Economic Value (TIEV)**

TIEV is calculated from quarterly expenditure data collected in the IVS and benchmarked to annual ‘International tourism consumption’ data in the ABS Tourism Satellite Account (ABS Cat. No. 5249.0). It represents the total amount of money that flows to the Australian tourism industry through the exportation of the tourism product.

Estimates for TIEV in TRA publications have been temporarily suspended until mid-2013, following the release of the next edition of ABS’ Tourism Satellite Account.

**Total visitor expenditure in Australia**

Refers to expenditure made in Australia by all visitors (international, domestic overnight and domestic day).

It excludes expenditure made by international visitors before their trip, including on goods pre-paid through inclusive package tours and services in Australia and pre-paid international airfares.

It also excludes all Australian’s expenditure on either a new or used motor vehicle while travelling in Australia.
### Total visitor (trip) expenditure

Refers to total expenditure made by all visitors in Australia on their trip.

It includes total visitor expenditure made in Australia (refer above), and all pre-paid spending made by international visitors on inclusive package travel, international airfares and on other goods and services in Australia.

Total visitor expenditure is the benchmark indicator statistic, tourist dollars, contained in the Tourism Scorecard.

### T-QUAL Accreditation

T-QUAL Accreditation is Australia’s national tourism accreditation framework, identifiable by a national symbol of quality—the T-QUAL Tick. The T-QUAL Tick identifies the tourism businesses and operators in Australia that have been endorsed as meeting the quality standards of T-QUAL Accreditation and provides one national symbol for consumers to be able to recognise quality products and services easily.

T-QUAL Accreditation was developed by governments and industry to promote quality experiences for tourism consumers by recognising sustainable and capable tourism businesses and operators nationally, and is administered by the Tourism Quality Council of Australia (TQCA) under Tourism 2020.

The Department of Resources, Energy and Tourism is responsible for policy, development and administration of T-QUAL Accreditation and for providing secretariat support to the TQCA.

### T-QUAL Grants

T-QUAL Grants is a highly competitive tourism funding program that was formerly known as the Australian Tourism Development Program. T-QUAL Grants was launched by Minister Ferguson on 15 April 2009.

### Tourism Satellite Account (TSA)

An extension from the core national accounts to focus on the tourism sector. It identifies tourism activities within the national accounting framework and compiles a comprehensive set of economic data on tourism. The first Australian TSA was released by the ABS in October 2000 (ABS Cat. No. 5249.0).

### Visiting friends and relatives (VFR)

Visitors who nominate ‘visiting friends or relatives’ (VFR) as their main reason for travelling. VFR includes travel to a friend’s or relative’s wedding or travel to attend a funeral.
**Visitors**

The weighted number of international visitor arrivals to Australia. To fall within the scope of the IVS, the respondent must be an international visitor aged 15 years and over and be departing one of the eight major Australian airports (Sydney, Melbourne, Brisbane, Cairns, Gold Coast, Darwin, Perth or Adelaide) following a visit that was not more than one year in duration.

**Visitor nights**

Visitor nights refer to the number of nights spent away from home in association with individual visits.
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