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FOREWORD

This year’s *State of the Industry* report provides a series of highlights on each of the sectors that contribute to Australia’s tourism industry. The report reviews the record performance of the industry in 2014–15 and analyses key supply-side metrics. It also measures progress towards the industry’s overnight visitor expenditure target of between $115 billion and $140 billion by 2020, part of Tourism 2020—a national strategy to grow the tourism industry.

Record growth in overnight visitor expenditure in 2014–15 has seen the industry gain momentum as it tracks towards the lower bound of the potential target. Both industry and governments have been working together to reduce supply constraints across investment, aviation and the labour force to create the environment needed to reach the target.

The Australian tourism industry continues to grow, with this financial year being one of records for the industry. International arrivals, international visitor expenditure, domestic trips and domestic expenditure all performed with strength to underpin an industry that contributed $107 billion in total visitor expenditure to the Australian economy in 2014–15.

The industry also directly contributed 2.7 per cent to national Gross Domestic Product (GDP), accounted for 8.2 per cent of national exports and 4.6 per cent of total jobs to remain as important to our economy as some more “traditional” industries. Looking to the future, tourism is well equipped and positioned to play an increasingly important part in Australia’s future economic prosperity.

Ms Janice Wykes
Assistant General Manager
Tourism Research Australia
**AUSTRALIAN TOURISM INDUSTRY 2014–15**

$107.1b  TOTAL VISITOR SPEND ▲ 5%

$88.8b  TOURISM INDUSTRY POTENTIAL* ▲ 6%

6.6 MILLION  INTERNATIONAL VISITORS

236 MILLION NIGHTS ▲ 8%

$33.4 BILLION SPEND ▲ 10%

83.2 MILLION  DOMESTIC OVERNIGHT VISITORS

313 MILLION NIGHTS ▲ 6%

$55.4 BILLION SPEND ▲ 4%

TOURISM’S DIRECT CONTRIBUTION TO GROSS DOMESTIC PRODUCT

$43.4b OR 2.7%

229,646  ROOMS ▼ 0.2%

22.1 MILLION INTERNATIONAL AIRLINE SEATS (INBOUND) ▲ 1%

76.4 MILLION DOMESTIC AIRLINE SEATS (TOTAL) ▼ 1%

THERE ARE 534,000 PEOPLE EMPLOYED DIRECTLY IN TOURISM-RELATED INDUSTRIES ▼ 1%

*The Tourism 2020 Potential (the Potential) is part of the Australian Government’s tourism strategy, Tourism 2020. The Potential outlines overnight visitor expenditure targets of between $115 billion and $140 billion by 2020. Note: GDP and employment figures are as at 2013–14. All percentage changes are as compared to the same period 12 months prior. All demand estimates relate to visitors aged 15 years and older.
1. TOURISM AND THE ECONOMY

1.1 THE GLOBAL BACKDROP

The global economy continues to recover from the Global Financial Crisis (GFC), with projected growth of 3.1 per cent in 2015. Although emerging economies1 will likely account for most of the growth (increasing 4.6 per cent and 4.0 per cent in 2014 and 2015, respectively), they are also showing signs of slowing while many advanced economies are gradually strengthening (increasing 1.8 per cent and 2.0 per cent in 2014 and 2015, respectively).

Emerging economies—Falling commodity and oil prices (impacting on resource-exporting economies), China’s internal shift towards domestic consumption, and geopolitical-related economic distress contributed to the slower growth in emerging economies.

Advanced economies—Increased government spending in the Eurozone, falling fuel prices, lower interest rates and increased business confidence all contributed to the improved growth in advanced economies.

CHINA

- The Chinese economy is switching away from a heavy reliance on investment and exports towards a more sustainable growth model with a stronger focus on household consumption and domestic demand.
- While economic growth has slowed in recent years, it remained at 7.2 per cent in 2014–15.
- Recent disruptions in the Chinese stock market may have some implications for Chinese household consumption into the future.

INDIA

- In 2014–15, India overtook China in terms of the GDP growth rate, increasing 7.4 per cent.
- Despite recent strong growth, the Reserve Bank of India was still committed to cutting interest rates, taking advantage of declining inflation to further boost growth in the economy.
- Low oil prices have been a key factor in keeping inflation low, while public household consumption has dominated growth.

OTHER ASIA

- Economic growth in the Northeast Asian economies of Japan, South Korea and Hong Kong has eased in 2014–15, possibly caused by their strong trade exposure to the Chinese economy.
- Growth in Singapore decreased (down 2.0 percentage points to 2.4 per cent), due to a slow down in the manufacturing sector.

UNITED STATES

- In the United States (US), economic growth increased to 2.7 per cent in 2014–15, as the recovery from the GFC continued.
- The housing market also improved, while inflation remained low.

EUROZONE AND THE UNITED KINGDOM

- While the current refugee crisis and continuing uncertainty surrounding Greek debt pose risks, lower oil prices, low interest rates and a weak euro have softened the blow, providing favourable conditions for improved economic growth.

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1 Emerging economies include, but are not limited to, countries such as China, India, Brazil, Russia, Saudi Arabia, Iran and Mexico
1.2 AUSTRALIA’S ECONOMY

Annual economic growth was below trend in 2014–15, increasing just 2.0 per cent. The Australian economy continues its adjustment from growth that was driven by the resources industry, to growth led by non-resources sectors. In particular, the services sector is contributing significantly to growth, in part due to the lower Australian dollar (AUD).

Over the last 12 months, the AUD has declined sharply against leading currencies, which could have a positive impact on Australian exports. Against the US dollar, the AUD weakened to around US$0.70 in September 2015.

While the unemployment rate remained at around 6.0 per cent throughout 2014–15, jobs growth in the services sectors, like tourism, education, property and business services and health, should continue to keep unemployment in check. Unemployment is predicted to rise slightly in 2015–16 (up to 6.5 per cent) before falling in 2016–17 (down to 6.25 per cent).

Lower fuel prices (hitting a four-year low in January 2015) and historically low interest rates have had both direct and flow-on effects on household consumption. Reduced interest rates have also stimulated strong growth in house prices with a net positive effect on household wealth.

Inflation increased 1.5 per cent in 2014–15. While this growth falls below the Reserve Bank of Australia’s (RBA) target of between 2.0 and 3.0 per cent, low inflation is considered to promote sound investment decisions, underpin job creation, protect the value of savings and preserve the value of the currency.

1.3 TOURISM’S VALUE TO THE ECONOMY

The tourism industry continues to play an important role in Australia’s economy through continued contribution to national income, international trade and employment.

TOURISM GROSS VALUE ADDED (GVA)

In 2013–14, direct tourism GVA increased 3.4 per cent (or $1.3 billion) to $39.9 billion. The increase in direct GVA was driven by the following tourism industries:

- Education and training—up 7.8 per cent to $2.7 billion
- Cafes, restaurants and takeaway food outlets—up 5.7 per cent to $4.4 billion
- Clubs, pubs, taverns and bars—up 4.9 per cent to $2.5 billion
- Air, water and other transport—up 3.5 per cent to $5.8 billion.

Tourism GVA contributes 2.7 per cent of Australia’s total GVA, greater than GVA from the Agriculture, Forestry and Fisheries industry. Tourism contributed an additional $42.2 billion indirectly, bringing tourism’s total contribution to national GVA to $82 billion.

FIGURE 2. KEY ECONOMIC METRICS FOR AUSTRALIA, 2008–09 TO 2014–15

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP ($ trillion)</td>
<td>1.39</td>
<td>1.40</td>
<td>1.43</td>
<td>1.48</td>
<td>1.52</td>
<td>1.56</td>
<td>1.60</td>
</tr>
<tr>
<td>CPI</td>
<td>94.1</td>
<td>94.8</td>
<td>97.7</td>
<td>100.0</td>
<td>102.3</td>
<td>105.0</td>
<td>106.8</td>
</tr>
<tr>
<td>Unemployment (%)</td>
<td>4.9</td>
<td>5.5</td>
<td>5.0</td>
<td>5.2</td>
<td>5.4</td>
<td>5.9</td>
<td>6.1</td>
</tr>
<tr>
<td>Interest rates*</td>
<td>3.00</td>
<td>4.50</td>
<td>4.75</td>
<td>3.50</td>
<td>2.75</td>
<td>2.50</td>
<td>2.00</td>
</tr>
<tr>
<td>Exchange rate (AUD/USD)</td>
<td>0.74</td>
<td>0.89</td>
<td>1.00</td>
<td>1.04</td>
<td>1.02</td>
<td>0.91</td>
<td>0.83</td>
</tr>
</tbody>
</table>

Source: ABS, National Accounts, Labour Force and Consumer Price Index; RBA, Exchange rates and Interest Rates
*Interest rates are as at end June of corresponding time period
FIGURE 3. DIRECT TOURISM GDP—INTERNATIONAL AND DOMESTIC, 1997–98 TO 2013–14


TOURISM GROSS DOMESTIC PRODUCT (GDP)

TOURISM’S CONTRIBUTION TO NATIONAL GDP

<table>
<thead>
<tr>
<th>2013–14</th>
<th>CHANGE ON 2012–13</th>
<th>TOURISM’S SHARE OF TOTAL GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct</td>
<td>$43.4 billion</td>
<td>3.4% (or $1.4 billion)</td>
</tr>
</tbody>
</table>

Almost three-quarters of direct tourism GDP was generated by domestic tourism.

- Domestic contribution: 74 per cent (or $32.0 billion)—an increase of 3.5 per cent (or $1.1 billion) compared to 2012–13
- International contribution: 26 per cent (or $11.4 billion)—an increase of 3.1 per cent (or $0.3 billion) compared to 2012–13.

TOURISM EMPLOYMENT

TOURISM’S CONTRIBUTION TO NATIONAL EMPLOYMENT

<table>
<thead>
<tr>
<th>2013–14</th>
<th>CHANGE ON 2012–13</th>
<th>TOURISM’S SHARE OF TOTAL EMPLOYMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct</td>
<td>534,000</td>
<td>1.0% (or 5,600 persons)</td>
</tr>
</tbody>
</table>

The loss of 5,600 jobs across the tourism industry in 2013–14 was largely driven by falls in female employment (down 1.4 per cent, or 4,200 jobs) and full-time employment (down 1.2 per cent, or 3,500 jobs). Across Australia, some states did see growth in direct tourism employment, but this was insufficient to offset losses in Queensland, Tasmania, Northern Territory and the ACT.

The Australian tourism industry continues to directly employ more people than the Mining, Agriculture, forestry and fishing, and Financial and insurance services industries.
In 2013–14, tourism exports increased at a greater rate than imports for the first time since 2009–10 (4.1 per cent compared to 3.4 per cent, respectively). However, the absolute increase in imports was greater ($1.2 billion compared to $1.1 billion), leading to a $100 million increase in the trade deficit which has steadily grown since 2004–05.

<table>
<thead>
<tr>
<th></th>
<th>2013–14</th>
<th>CHANGE ON 2012–13</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tourism exports</td>
<td>$27.2 billion (8.2% of total Australian exports)</td>
<td>▲ 4.1%</td>
</tr>
<tr>
<td>Tourism imports</td>
<td>$34.9 billion</td>
<td>▲ 3.6%</td>
</tr>
<tr>
<td>Trade deficit</td>
<td>$7.7 billion</td>
<td>▲ $100 million</td>
</tr>
</tbody>
</table>

**FIGURE 4. TOURISM EXPORTS, IMPORTS AND NET TRADE, 1997–98 TO 2013–14**

2. TOURISM DEMAND

2.1 INTERNATIONAL TOURISM

ARRIVALS ▲ 6.6% 6.6 MILLION
NIGHTS ▲ 8.2% 236 MILLION
EXPENDITURE ▲ 10.4% $33.4 BILLION

ASIAN MARKETS

Asian markets remained the driving force behind the strong growth in international tourism in 2014–15. Visitors increased 10.1 per cent to 2.9 million and expenditure increased 17.5 per cent to $16.7 billion (accounting for 66 per cent of total visitor growth and 78 per cent of total expenditure growth, respectively).

Significantly, India and China showed substantial growth through the year. This was particularly evident in the March quarter of 2015, predominantly due to Lunar New Year induced travel and Australia successfully hosting a number of major international events, including the ICC Cricket World Cup and Asian Football Cup.

Expenditure by Indian visitors surpassed $1 billion for the first time, placing India as Australia’s fastest growing expenditure market in percentage terms (up 39 per cent). Considerable growth in nights (up 38 per cent to 13.1 million nights) and visitor arrivals (up 19.9 per cent to 207,000 visitors) has resulted in the average length of stay for Indian visitors in Australia increasing by eight nights on average to 63.2 nights.

China continues as the largest growth market in terms of visitor arrivals, with 864,000 visitors (up 22 per cent), spend of $7.0 billion (up 32 per cent, or $1.7 billion), and 36.8 million nights (up 18.5 per cent).

Results from other major Asian markets through 2014–15 include:

Singapore

- expenditure up 12.5 per cent to $1.2 billion
- nights up 12.4 per cent to 5.4 million
- arrivals up 2.1 per cent to 325,000 visitors

Malaysia

- nights up 11.0 per cent to 7.2 million
- expenditure up 7.5 per cent to $1.1 billion
- arrivals up 5.7 per cent to 293,000 visitors

Japan

- nights down 5.7 per cent to 8.2 million
- visitors down 0.2 per cent to 297,000 visitors
- expenditure down 1.3 per cent to $1.3 billion

OTHER MAJOR MARKETS

Of Australia’s other major inbound markets, growth in arrivals, nights and expenditure was strongest from the US in 2014–15. Record arrivals from the US (up 8.7 per cent to 544,000), combined with very strong growth in nights (up 14.2 per cent to 12.8 million nights), resulted in a total spend of $3.0 billion through the year (up 14.5 per cent).

The performance of other key markets in 2014–15 included:

- New Zealand—visitors up 3.5 per cent to a record 1.2 million, and expenditure up 5.4 per cent to $2.5 billion
- UK—visitor numbers remained steady (up 0.4 per cent to 629,000), while there was a moderate decrease in expenditure (down 2.0 per cent to $3.5 billion).

FIGURE 5. GROWTH IN TOTAL INTERNATIONAL VISITOR EXPENDITURE BY TOP 10 EXPENDITURE MARKETS, 2014–15

Source: TRA, International Visitor Survey

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2 Figures refer to TRA’s International Visitor Survey for visitors aged 15 years and over
TRAVEL PURPOSE

LEISURE

Solid growth in leisure travel\(^3\) was achieved in 2014–15, with 4.7 million leisure visitors (up 5.2 per cent), spending $18.4 billion (up 7.9 per cent), and a total of 125.2 million nights (up 2.8 per cent).

- VFR travel—visitors up 5.9 per cent to 1.8 million visitors, and expenditure up 9.9 per cent to $5.5 billion. Growth was predominantly driven by a strong increase from Asian markets.
- Holiday travel—visitors up 4.7 per cent to 2.9 million visitors, and expenditure up 7.0 per cent to $12.9 billion. Holiday visitors spent more per night in 2014–15 ($180) compared to 2013–14 ($165).

BUSINESS

International business travel increased marginally (up 1.1 per cent to 831,000 visitors), with moderate growth in business travel expenditure (up 3.0 per cent to $3.5 billion). Business travel expenditure growth was strongest from French and Indian markets (up 40 per cent and 28 per cent, respectively), contributing 48 per cent towards total expenditure growth.

- The US remains Australia’s most valuable business travel market, growing 10.7 per cent to $743 million.
- Expenditure from New Zealand and China—our second and third-largest business markets—fell by 8.7 per cent and 3.5 per cent, respectively.

EDUCATION\(^4\)

Education sector performance was very strong in 2014–15. Education visitor expenditure grew 15.7 per cent to reach $7.5 billion in 2014–15, fuelled by equally strong growth in visitors and nights (up 14.1 per cent and 11.5 per cent, respectively). The sector remains the highest yielding per trip, with education visitors spending $18,167 during their trip (on average).

The China market is very active in this sector and now accounts for:

- more than one-quarter (27 per cent) of all international education visitors
- more than one-third (39 per cent) of international education visitor expenditure
- almost two-thirds (65 per cent) of growth in international education visitor expenditure.

Visitor expenditure was strongest from Canada (up 77 per cent), France (up 43 per cent) and New Zealand (up 42 per cent)—but these countries only account for 4.0 per cent of total education expenditure.

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\(^3\) Combination of travel for holiday purposes and to visit friends and relatives (VFR)

\(^4\) International education visitors are those who travelled to Australia for the main purpose of undertaking an educational course, e.g. university, vocational training etc.
2.2 DOMESTIC TOURISM

DOMESTIC OVERNIGHT

TRIPS ▲ 5.2%
83.2 MILLION

NIGHTS ▲ 6.2%
313 MILLION

EXPENDITURE ▲ 4.0%
$55.4 BILLION

TRAVEL PURPOSE

Very strong growth in business travel was the main driver of the increase in total domestic overnight travel in 2014–15.

<table>
<thead>
<tr>
<th>TRIPS</th>
<th>NIGHTS</th>
<th>EXPENDITURE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Holiday</td>
<td>▼ 0.6%</td>
<td>▼ 2.5%</td>
</tr>
<tr>
<td>VFR</td>
<td>▲ 5.0%</td>
<td>▲ 3.8%</td>
</tr>
<tr>
<td>Business</td>
<td>▲ 15.8%</td>
<td>▲ 32.8%</td>
</tr>
</tbody>
</table>

Business travel, the second largest expenditure market by purpose, increased 15.8 per cent to 17.3 million visitors. While the average length of trip increased (up 14.7 per cent to 3.8 nights), average expenditure per night decreased from $251 per night to $214 per night—likely driven by the higher proportion of intrastate trips ($151 per night compared to $300 per night for interstate trips).

VFR travel increased by a solid 5.0 per cent to 29.5 million trips. An additional 1.4 million self-drive visitors accounted for 96 per cent of this increase, although expenditure by self-drive visitors remained flat. Low fuel prices at the beginning of 2015 may have contributed to this pattern of growth.

STATE TRAVEL

Growth in domestic overnight trips and nights occurred across all states and territories, with expenditure increasing in all states except Queensland (down 0.7 per cent to $13.7 billion).

While both Tasmania and the ACT recorded very strong growth in expenditure (up 16.5 per cent and 11.3 per cent, respectively), 75 per cent of actual growth came from New South Wales, Victoria and Western Australia.

REGIONAL DISPERSAL

Domestic overnight trips to regional Australia increased 6.4 per cent to 52.4 million trips, accounting for 76 per cent growth in overnight domestic trips in 2014–15. Despite this, half of visitor expenditure was spent outside of the capital cities due to higher average spend per night in capital cities ($242) compared to regional destinations ($141).

FIGURE 7 DOMESTIC OVERNIGHT EXPENDITURE, BY STATE/TERRITORY, 2014–15

STATE TRAVEL

EXPENDITURE ▲ 4.0%
$55.4 BILLION

EXPENDITURE ▲ 4.0%
$15.9 BILLION

EXPENDITURE ▲ 5%
$11.6 BILLION

EXPENDITURE ▲ 13%
$1.2 BILLION

EXPENDITURE ▲ 17%
$1.9 BILLION

Source: TRA, National Visitor Survey

1 All National Visitor Survey (NVS) results are for data collected under the new NVS methodology, which was introduced in 2014. There are a number of factors to be considered when comparing this data to that of previous years – see the NVS Fact Sheet for more details.

2 Trips and nights are based on stopover reason for visit, while expenditure is based on main purpose of visit.

3 Growth in business travel has occurred as a result of real growth and improved coverage of business travel as a result of the new NVS methodology.

4 Includes all regions except state capital cities and the Gold Coast
DOMESTIC DAY

TRIPS ▲ 2.3%
169 MILLION

EXPENDITURE ▲ 0.3%
$18.3 BILLION

TRAVEL PURPOSE

Holiday trips continue to be the main reason for domestic day trips, up by 1.9 per cent to 77.4 million trips and accounting for 46 per cent of trips.

Day trips for ‘other reasons’—including employment, education and medical reasons—were the main driver behind growth in domestic day trips, up 13.3 per cent to 23.8 million trips.

- Trips for the purpose of VFR remained flat, with a 2.7 per cent decrease in expenditure (down to $3.7 billion)
- Business day trips fell 2.2 per cent to 17.4 million trips, with expenditure down 8.9 per cent to $1.7 billion. This may be a reflection of a shift back to overnight business trips.

STATE TRAVEL

The vast majority of domestic day travel occurred within a visitor’s own state or territory, with intrastate trips accounting for almost 95 per cent of all day trips in 2014–15.

Western Australia recorded the strongest growth in day travel (up 14.2 per cent), followed by Tasmania and Victoria (up 5.2 per cent and 3.3 per cent, respectively).

REGIONAL DISPERSAL

More than half (57 per cent) of day trips in 2014–15 were to regional Australia (or 95.8 million trips), and they accounted for more than half (58 per cent, or $10.7 million) of total day trip expenditure.

Of all regional day trips, more than half (58 per cent, or 55.6 million) were made by people who reside within regional Australia. Regional residents also spent more on average on their trips ($130 per day) than capital city residents ($89 per day).

FIGURE 8. REGIONAL DISPERSAL OF DOMESTIC DAY TRIP VISITORS BY PLACE OF RESIDENCE, 2014–15

Source: TRA, National Visitor Survey
### 2.3 OUTBOUND TOURISM

In 2014–15, the growth in outbound trips slowed to just 2.9 per cent, with a total 9.2 million visitors.

In the year ending March 2015:

- **Trips**: ▲ 3.3% (8.2 million)
- **Nights**: ▼ 0.2% (161 million)
- **Expenditure**: ▲ 3.2% ($48.9 billion)

Overall, average expenditure remained steady ($5,967 per trip, down just $4) compared to year ending March 2014. A decrease in average expenditure on airfares and transportation was offset by increases in spending on education and tours.

In terms of number of trips, the largest increases were to Indonesia and Japan (up 111,000 and 42,000 trips, respectively). While trip length to these destinations remained relatively unchanged, average trip expenditure decreased in both Japan (down $584 per trip to $6,003) and Indonesia (down $457 per trip to $3,142).

The increase meant Indonesia returned to the ranking of Australia’s second-largest outbound market (moving ahead of the US) for the first time since the year ending March 2012. New Zealand remains the largest destination for outbound domestic travellers.

#### TRAVEL PURPOSE

Holiday and VFR visitors continued to drive growth in outbound trips (up 3.7 per cent and 4.4 per cent, respectively). However, holiday visitors—who accounted for approximately 58 per cent of all outbound trips—had greater influence on the growth in outbound expenditure and nights. They spent $32.7 billion (up 4.6 per cent) and stayed 90 million nights (up 1.3 per cent) while travelling overseas.

Outbound travel for business purposes slowed with Australians taking 1.2 million trips (down 4.3 per cent) over 15.6 million nights (down 8.7 per cent) and spending $6.1 billion (down 8.2 per cent). The slow-down in expenditure was mostly in business trips to the US, the largest international business market for Australians.

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8. Based on ABS Overseas Arrivals and Departures Data
9. Based on NVS outbound data. NVS outbound figures only report to March 2015 due to the longer collection period in the survey.
10. Data relates to main destination visited
2.4 OUTLOOK FOR TOURISM TO 2019–20

Tourism is likely to experience solid growth, driven by continued growth in inbound tourism.

<table>
<thead>
<tr>
<th>TOTAL NIGHTS</th>
<th>TOTAL EXPENDITURE</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014–15 TO 2015–16</td>
<td>5 YEARS TO 2019–20</td>
</tr>
<tr>
<td>597 million</td>
<td>700 million</td>
</tr>
<tr>
<td>$113 billion</td>
<td>$128 billion</td>
</tr>
<tr>
<td>▲ 5.7%</td>
<td>▲ 4.4% p.a.</td>
</tr>
<tr>
<td>▲ 4.5%</td>
<td>▲ 3.6% p.a.</td>
</tr>
</tbody>
</table>

INTERNATIONAL

Inbound tourism growth is expected to continue through to 2019–20, driven by strong growth in China and India.

<table>
<thead>
<tr>
<th></th>
<th>2014–15 TO 2015–16</th>
<th>5 YEARS TO 2019–20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arrivals</td>
<td>7.5 million</td>
<td>9.0 million</td>
</tr>
<tr>
<td>▲ 5.9%</td>
<td>▲ 4.8% p.a.</td>
<td></td>
</tr>
<tr>
<td>Expenditure</td>
<td>$35.9 billion</td>
<td>$42.2 billion</td>
</tr>
<tr>
<td>▲ 6.7%</td>
<td>▲ 4.7% p.a.</td>
<td></td>
</tr>
</tbody>
</table>

Leisure travel will likely be the main driver behind the increase in arrivals, up 5.6 per cent to 5.5 million arrivals in 2015–16, and up 4.9 per cent per annum over the 5 years to 2019–20.

The top five inbound markets (China, New Zealand, UK, US and Singapore) are expected to continue to grow, contributing 59 per cent of growth (or 1.1 million arrivals) to 2019–20.

Average expenditure per arrival is expected to decrease over the period, from $4,735 to $4,708, despite an increase in average length of stay from 35.4 nights to 37.2 nights.

The share of visitor nights spent in Hotels, Motels, Serviced Apartments is expected to decrease from 11.1 per cent in 2014–15 to 10.5 per cent in 2019–20.

FIGURE 10. TOP 5 INBOUND MARKETS TO 2019–20, EXPENDITURE AND AVERAGE ANNUAL GROWTH

Figures based on TRA’s Tourism Forecasts 2015, for the 5 years to 2019–20. Full results available at www.tra.gov.au
DOMESTIC

Domestic tourism is expected to increase over the 5-year period to 2019–20, driven by growth in both the overnight and day trip sectors.

<table>
<thead>
<tr>
<th></th>
<th>2014–15 TO 2015–16</th>
<th>5 YEARS TO 2019–20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nights</td>
<td>324 million</td>
<td>366 million</td>
</tr>
<tr>
<td></td>
<td>▲ 3.5%</td>
<td>▲ 3.2% p.a.</td>
</tr>
<tr>
<td>Expenditure</td>
<td>$76.7 billion</td>
<td>$86.2 billion</td>
</tr>
<tr>
<td></td>
<td>▲ 3.4%</td>
<td>▲ 3.0% p.a.</td>
</tr>
</tbody>
</table>

Day trips are forecast to increase 3.6 per cent in the short term, continuing the recovery after recent decline, and grow at a rate of 3.1 per cent per annum to 2019–20.

OUTBOUND

<table>
<thead>
<tr>
<th></th>
<th>2014–15 TO 2015–16</th>
<th>5 YEARS TO 2019–20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outbound departures</td>
<td>9.5 million</td>
<td>11.0 million</td>
</tr>
<tr>
<td></td>
<td>▲ 3.2%</td>
<td>▲ 3.5% p.a.</td>
</tr>
</tbody>
</table>

Outbound departures are expected to stabilise with moderate growth of 3.2 per cent in the short term, driven by higher exchange rates.

Indonesia, New Zealand and Thailand are predicted to be the three fastest growing destinations in the short term to 2015–16.

In the longer term, the top five outbound destinations (New Zealand, Indonesia, US, UK and Thailand) are expected to account for 49 per cent of growth, or 836,100 departures.
TOURISM INDUSTRY PERFORMANCE SCORECARD 2014–15

SUPPLY

<table>
<thead>
<tr>
<th>Accommodation</th>
<th>2013–14</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rooms</td>
<td>229,646</td>
<td>-0.2%</td>
</tr>
<tr>
<td>Capital Cities</td>
<td>118,047</td>
<td>0.3%</td>
</tr>
<tr>
<td>Regional</td>
<td>111,599</td>
<td>-1.1%</td>
</tr>
<tr>
<td>Yield</td>
<td>$108</td>
<td>-0.5%</td>
</tr>
<tr>
<td>Occupancy</td>
<td>64.1%</td>
<td>-0.5ppt</td>
</tr>
</tbody>
</table>

Aviation

| International seats | 22.1 million | 1.3% |
| Domestic seats      | 76.4 million | -1.1% |

Employment

| Full time ('000)   | 290.3       | -1.2% |
| Part time ('000)   | 243.7       | -0.9% |
| Total ('000)       | 534.0       | -1.0% |

Investment

| Accommodation | $8.5b   | 14.9% |
| Aviation      | $31.3b  | -5.4% |
| Arts & Recreation | $13.9b | 56.2% |
| Total         | $53.7b  | 8.7%  |

Demand

**International**

<table>
<thead>
<tr>
<th>Chinese Expenditure ($ billion)</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>7.0</td>
<td>32.1%</td>
</tr>
</tbody>
</table>

**Top 10 Countries**

- **China**: $7.0 billion, 32.1%
- **Japan**: $1.3 billion, 1.3%
- **Singapore**: $1.2 billion, 12.5%
- **South Korea**: $1.2 billion, 6.6%
- **Malaysia**: $1.1 billion, 7.5%
- **Hong Kong**: $1.0 billion, 14.1%
- **India**: $1.0 billion, 38.9%
- **Other Markets**
  - **United Kingdom**: $3.5 billion, -2.0%
  - **United States**: $3.0 billion, 14.5%
  - **New Zealand**: $2.5 billion, 5.4%

**Domestic**

- **Overnight Expenditure ($ billion)**: $55.4 billion, 4.0%
- **Domestic Day Expenditure ($ billion)**: $18.2 billion, 0.3%

Expenditure

**Total Visitor Expenditure** ($107.1 billion, -5.2%)

- **By Purpose**
  - **Holiday**: $42.8 billion, 4.4%
  - **Visiting Friends & Relatives**: $17.4 billion, -0.6%
  - **Business**: $15.0 billion, 8.7%
  - **Education**: $6.6 billion, 15.9%
  - **Employment**: $13.9 billion, 8.0%

**By Location**

- **NSW**: $29.5 billion, 4.9%
- **Vic**: $21.8 billion, 6.7%
- **Qld**: $22.0 billion, 1.0%
- **SA**: $5.3 billion, 2.2%
- **WA**: $10.5 billion, 6.4%
- **Tas**: $2.8 billion, 15.1%
- **NT**: $2.0 billion, 6.5%
- **ACT**: $1.9 billion, 12.1%

Note: *ppt = percentage point change. (a) All percentage changes are as compared to the same period 12 months prior. (b) From the March quarter 2014, the National Visitor Survey results are based on a new methodology. For more information go to tra.gov.au. (c) Expenditure by location will not add to the national total as a result of the assumptions applied in TRA’s regional expenditure model. For more information go to tra.gov.au.

3. TOURISM SUPPLY

3.1 ACCOMMODATION

- Room supply: Most capital cities continued to increase (largest growth in Melbourne, up 171 rooms, Sydney, up 118 rooms, and Hobart, up 90 rooms), although room supply fell in Brisbane, Darwin and Canberra. The strongest growth in regional room supply was in Western Australia (up 145 rooms); however, this was not enough to offset large declines in regional areas across each of the other states and territories.

- Occupancy rates: Capital city occupancies were on average 12 percentage points higher than the national average (76.4 per cent compared to 64.1 per cent nationally). Regional occupancies fell 2.2 percentage points to 53.8 per cent driven by a decline in room nights occupied across regional areas.

- Total takings from accommodation: Regionally declined by 2.7 per cent to $3.5 billion, driven by decreased regional room supply and room nights available.

- Yield: Declined 2.5 per cent to $78 per available room night in regional Australia, and increased 0.6 per cent to $138 across capital cities.

### FIGURE 12. CHANGE IN KEY ACCOMMODATION METRICS ACROSS CAPITAL CITIES AND REGIONAL AUSTRALIA, 2013–14 COMPARED TO 2012–13

<table>
<thead>
<tr>
<th></th>
<th>CAPITAL CITIES</th>
<th>REGIONAL AUSTRALIA</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROOMS</td>
<td>-0.6</td>
<td>-2.2</td>
<td>-2.7</td>
</tr>
<tr>
<td>OCCUPANCY**</td>
<td>-1.2</td>
<td>-0.5</td>
<td>-0.3</td>
</tr>
<tr>
<td>TAKINGS</td>
<td>0.0</td>
<td>2.0</td>
<td>1.3</td>
</tr>
<tr>
<td>YIELD</td>
<td>0.3</td>
<td>0.6</td>
<td>0.0</td>
</tr>
</tbody>
</table>

Note: ** Occupancy is calculated as the percentage of room nights available that were occupied. Change in occupancy is calculated as percentage point change.


### EXPECTATIONS FOR 2015 AND BEYOND

2014 saw the highest level of accommodation asset transactions ever recorded in Australia and this momentum has continued into 2015. With more than $1.9 billion of accommodation real estate changing hands during the first half of 2015, and consistent with global trends, volumes are expected to overtake the 2014 record year.

Overall, two-thirds of asset transactions during the first half of 2015 have been from offshore investors, mainly from South East Asia. However, there has been increased levels of activity from China, Korea and the Middle East. Although less dominant, domestic investors remain active in non-key markets. Their areas of interest include high yielding regional or metropolitan assets that are located in close proximity to infrastructure and attractions that generate demand to those areas.

Australia’s accommodation development pipeline is also robust, with around one-third of the 16,000 rooms identified in the pipeline currently under construction. Consequently, the 2020 Tourism Industry Potential accommodation rooms target of an additional 20,000 new rooms is expected to be met (assuming that all construction and proposed projects advance, as well as 50 per cent of mooted projects being completed). Supply increases are expected to average 2.9 per cent per annum between 2014 and 2020.

Accommodation approvals data from the Australian Bureau of Statistics (ABS) indicate that the pipeline has peaked, with accommodation approvals having trended down over the first six months of 2015. Therefore, the need has shifted to ensuring that those projects which are in planning come to fruition. Improving project feasibility can assist to reduce risk.

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Data is sourced from ABS, Survey of Tourist Accommodation, 2013–14
3.2 AVIATION

INTERNATIONAL

In 2014–15, international aviation has continued to grow, but at a slower rate. Increased demand in travel to Australia has been responsible for increased demand for international aviation services into Australia. Although capacity growth has slowed (from 8.0 per cent in 2013–14 to 1.3 per cent in 2014–15), inbound seat utilisation has strengthened to 79.5 per cent (up 2.6 percentage points).

<table>
<thead>
<tr>
<th>REVENUE PASSENGERS</th>
<th>AVAILABLE SEATS</th>
<th>SEAT UTILISATION(^{14})</th>
</tr>
</thead>
<tbody>
<tr>
<td>▲ 4.6%</td>
<td>▲ 1.3%</td>
<td>▲ 2.6 ppt</td>
</tr>
<tr>
<td>17.0 million</td>
<td>22.1 million seats</td>
<td>79.5 per cent</td>
</tr>
</tbody>
</table>

Over one-third (34 per cent) of all inbound passengers travelled on an Australian-owned airline in 2014–15. Of these Australian airlines, Jetstar received the largest growth in passengers (up 277,900 passengers), followed by Virgin Australia (up 67,800 passengers). The number of passengers travelling on Qantas decreased marginally through the year (down 0.3 per cent, or 7,300 passengers), likely due to a decrease in capacity caused by Qantas dropping some services from Western Australia to Asia.

Low-cost carriers’ market share of passengers increased through the year to 16.5 per cent (up 1.2 percentage points), as a result of strong growth in passengers travelling on Jetstar, Jetstar Asia and Scoot. This growth offset the 80,700 passenger decrease for AirAsia X.

DOMESTIC\(^{15}\)

In 2014–15, the demand for—and supply of—domestic aviation services declined for the first time since 2001–02.

<table>
<thead>
<tr>
<th>REVENUE PASSENGERS</th>
<th>AVAILABLE SEATS</th>
<th>AVAILABLE SEAT KMS(^{16})</th>
</tr>
</thead>
<tbody>
<tr>
<td>▼ 0.6%</td>
<td>▼ 1.1%</td>
<td>▼ 1.0%</td>
</tr>
<tr>
<td>57.1 million</td>
<td>76.4 million seats</td>
<td>88.1 billion</td>
</tr>
</tbody>
</table>

Possible causes include:

- The cessation of the Qantas and Virgin Australia capacity war
- Increased average prices across all airfare types except ‘best discount’
- Decreased fuel prices making land transport more economical.

Available seat kilometres decreased at the same rate as the decline in available seats. However, a decrease in the number of routes between Western Australia and eastern seaboard airports (generally longer flights) could have contributed to this decline.

Although both the demand for—and supply of—domestic aviation services fell through the year, seat utilisation increased to 74.7 per cent (up 0.3 percentage points) as a result of the slower rate of decline in demand.

FIGURE 13 SHARE OF INBOUND PASSENGERS TRAVELLING ON AUSTRALIAN OWNED CARRIERS, 1991–92 TO 2014–15

Source: BITRE, International Airline Activity

\(^{14}\) Seat utilisation is the amount of available seats that are used by revenue passengers

\(^{15}\) Domestic calculations do not include revenue passengers or seats available on international flights transiting Australia

\(^{16}\) Available seat kilometre—the total number of kilometres available to be travelled by passengers if capacity of every plane was 100 per cent.
AVIATION OUTLOOK

As Australia’s most valuable inbound market, China will play a significant role in achieving the Tourism 2020 target of growing overnight expenditure to over $115 billion by 2020.

Following the signing of the China-Australia Free Trade Agreement, the Australian Government participated in air services talks with China in January 2015. The successful negotiations will effectively triple access from China into Australia’s international gateway airports by the end of 2016.

By the end of 2016, under the reconfigured arrangements, airlines from both Australia and China may:

- operate 33,500 seats per week between the Chinese gateways of Guangzhou, Shanghai and Beijing and Australian international gateways of Sydney, Melbourne, Brisbane and Perth
- operate 33,500 seats per week on flights between China’s regional cities and Australian international gateway airports.

The regional city capacity allocation means regionally-based airlines in China—such as Sichuan Airlines which currently operates to Australia from Chengdu (regional catchment population of over 14 million) and Chongqing (regional catchment population of over 29 million)—no longer have to compete against the three major Chinese carriers for gateway capacity allocations. Xiamen Airlines has also recently shown interest in the Australian market and will utilise this regional entitlement when it commences services from Fuzhou to Sydney in late November 2015.

This entitlement stands to directly link more Chinese second and third tier cities with Australia’s international gateway airports.

While these talks were successful in achieving significant growth, additional negotiations—like those with Hong Kong—were unsuccessful.
3.3 TOURISM BUSINESSES

As at June 2013, there were approximately 267,000 tourism businesses in Australia, representing 13 per cent of the total 2.1 million businesses in Australia.

- Approximately 95 per cent of tourism businesses were either non-employing, micro or small businesses.

EXPORT GRANTS AND TOURISM

In 2014–15, 331 tourism businesses applied for an Export Market Development Grant from the Australian Government, with a total of $10.7 million being granted to 311 applicants. Around three-quarters (74 per cent, or $8.0 million) of the value of these grants was awarded to tourism businesses located in metropolitan areas (as classified by the ABS Major Cities classification). These metropolitan-based businesses accounted for 70 per cent of tourism businesses grant recipients.

Due to the nature of the grants, with a minimum requirement of $15,000 expenditure on export market development, take up was greater by larger tourism businesses. Forty per cent of grant recipients employed 20 or more people; a section that makes up only 5.3 per cent of all tourism businesses. However, 76 grants (or 24 per cent) were awarded to businesses employing 0–4 people, with $5.5 million paid to businesses employing less than 20 people.

Advertising is the main market development expense, accounting for almost 50 per cent of all expenditure (or $12.7 million). Grant receiving businesses spent an additional $7.5 million on marketing visits and promotional events and trade fairs (or 29 per cent of the total expenditure).

More than half of tourism business grant recipients (57 per cent, or 177 recipients) claimed for export market development expenditure in the US, followed by the UK (52 per cent, or 163 recipients), and China (36 per cent, or 112 recipients). The US remains an important export market for tourism businesses, with 20 per cent of all export market development expenditure spent on this market.

Over recent years, tourism businesses have begun to shift focus towards Asian markets. The number of Asian markets in the top ten export target markets has expanded from just three (Japan, China and Singapore) in 2008–09, to six (China, Singapore, Japan, Hong Kong, Malaysia and India) in 2013–14.

![Figure 14. Share of total market development expenditure by target market, 2013–14](source: Austrade, Export Market Development Grant 2014–15 (supplied))

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17 This is the latest available data for tourism businesses
18 In general terms, grants paid are approximately 50 per cent of expenses
19 Businesses can claim for expenditure in multiple markets, other countries or worldwide
3.4 TOURISM EMPLOYMENT

In 2013–14, 534,000 people were directly employed in the tourism industry (down 1.0 per cent, or 5,600 persons):

- Female employment (accounting for 53.6 per cent of tourism employees) decreased 1.4 per cent to 286,200
- Male employment decreased 0.6 per cent to 247,800.

The tourism labour force suffered the biggest decline in Queensland, where tourism employment decreased 5.7 per cent (or 7,900 persons) to 130,900 persons employed.

In 2013–14, 391,100 people were indirectly employed in tourism-related industries (up 4.0 per cent, or 14,900 persons). When combined, both direct and indirect employment in tourism accounts for around 925,000 persons (up 1.0 per cent, or 9,300 persons).

However, this growth was not strong enough to offset the declines across other sectors, such as Cafes, restaurants and takeaway food services (down 2.4 per cent, or 3,600 persons) and Clubs, pubs, taverns and bars (down 5.5 per cent, or 1,800 persons).

In 2013–14, an additional 391,100 people were indirectly employed in tourism-related industries (up 4.0 per cent, or 14,900 persons). When combined, both direct and indirect employment in tourism accounts for around 925,000 persons (up 1.0 per cent, or 9,300 persons).

TOURISM LABOUR AND SKILLS SHORTAGES

Labour and skills shortages have long been identified as a barrier to growth for the tourism industry. Tourism is a labour intensive, seven-day-a-week industry, which depends on an adequately supplied and skilled workforce to service its customers.

Australia’s tourism businesses are facing skills deficiencies (69 per cent of businesses) and have difficulty recruiting and retaining staff (51 per cent and 36 per cent, respectively). The industry has a vacancy rate of 7 per cent, and a turnover rate of 66 per cent. There are currently 38,000 unfilled vacancies in the tourism industry and this is predicted to increase over time as businesses demand more employees to cater for growing visitor numbers. Deloitte Access Economics (DAE, 2015) estimated there will be demand for an additional 123,000 tourism employees by 2020.

Over the five years to 2013–14, the number of overnight visitors increased 16 per cent, but the number of people employed in tourism increased only 4.7 per cent. During this time, Australia’s tourism industry has had to compete with other sectors, most notably the resources sector during the mining boom. As the resources boom eases, experts are predicting expansion in sectors such as tourism.

Projections over the five years to November 2019 suggest that the effects of the low Australian dollar and low interest rates on international and domestic visitor growth can be expected to underpin solid employment growth in tourism-connected industries such as Accommodation and food services (up by 112,400 persons or 13.9 per cent), and Retail trade (up by 111,100 persons or 8.9 per cent)\(^2\).

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\(^2\) Figures from Department of Employment, Industry Employment Projections 2015 report
3.5 TOURISM INVESTMENT

2014 saw solid growth in both the volume and value of projects in the tourism investment pipeline. An additional 71 new projects worth $10.9 billion entered the pipeline and assisted to grow the total value of the tourism investment pipeline by a net $4.3 billion through the year. This strong growth indicates continued investor appetite for tourism investment projects in Australia.

Good progress was also made in 2014, with the completion of 31 projects (worth $3.0 billion), delivering 3,000 new accommodation rooms, three new and upgraded aviation facilities, and seven arts, recreation and business services facilities.

The majority of tourism investment activity is concentrated within the capital cities—130 projects, worth $28.8 billion. Only 28 projects (valued at $4.5 billion) are located regionally, with more than half of these in Queensland. This is due to investment in infrastructure to support the 2018 Gold Coast Commonwealth Games. Regional investment projects include:

- $1.5 billion in 13 accommodation projects
- $2.6 billion in 14 arts, recreation and business projects
- $420 million in one aviation infrastructure project.

Mixed-use developments—which are not included in the tourism investment pipeline—continue to be a major focus for investors, with 69 mixed-use developments identified (up by a net 28 projects), that are valued at around $33.6 billion (up $11.9 billion, or 55 per cent). These developments have the potential to generate a total of around 18,315 new rooms to accommodation room supply.

INVESTMENT RISKS AND CHALLENGES

Recent strong tourism investment has been achieved within an environment of very strong international interest in tourism assets encouraged by record low interest rates, a strong residential market (triggering mixed-use developments) and changed investment conditions in investor home markets (notably China, Hong Kong, Singapore and to a lesser extent Malaysia). Increased activity in hotel real estate is consistent with increased foreign direct investment in real estate activities across all categories in Australia.

Despite the strong market conditions for real estate, hotel development in Australia is complex and a number of risks and challenges remain. A significant number of projects are still in the planning stage. Time delays, complex approval processes, lower than forecast visitor numbers or investor concerns about potential over-supply will negatively impact on the continued viability of these projects, and may result in cancellations or change of use to alternative asset classes.

Possible solutions to reduce this risk include improving planning regimes and regulatory processes. This includes emphasis on pre-approval engagement and case management; fewer regulators involved in approvals processes; fast-tracked approvals for low risk projects; and streamlining processes for developments in areas of high natural amenity.
4. TRACKING THE 2020 TOURISM INDUSTRY POTENTIAL

Tourism 2020 is the national strategy and a partnership of government working with industry to achieve a set of key targets listed in the 2020 Tourism Industry Potential (the Potential). The Potential outlines the industry’s collective goal to generate between $115 billion and $140 billion in overnight visitor expenditure (domestic and international) by 2020.

The Potential involves three stages, and in 2014–15 is transitioning from the ‘Setting the foundation’ phase (2011 to 2014) to the ‘Seeing the results’ phase (2015 to 2017). Under the ‘Seeing the results’ phase, the tourism industry is expected to capitalise on the strong foundation set for it in Phase One, with stronger growth towards the Potential becoming more evident. The final phase, ‘Achieving the Potential’, will be implemented during 2018 to 2020.

4.1 DEMAND

<table>
<thead>
<tr>
<th>PROGRESS TOWARDS THE 2020 TOURISM INDUSTRY POTENTIAL, 2014–15</th>
</tr>
</thead>
<tbody>
<tr>
<td>▲ 6.3% (or $5.3 billion) to $88.8 billion*</td>
</tr>
</tbody>
</table>

*in nominal terms

Total expenditure by overnight visitors (domestic overnight and international visitors, combined) is close to the lower bound of the Potential.

As a result of record growth in both domestic overnight and international visitor expenditure through 2014–15, total overnight visitor expenditure growth (up 6.3 per cent) exceeded the annual growth required to hit the Potential lower bound of $115 billion (4.8 per cent per annum) for the first time.

Since 2009, overnight visitor expenditure has grown 24.8 per cent (or $17.6 billion), at an average growth rate of 4.1 per cent per year:

- Domestic overnight expenditure—up $9.8 billion to $55.4 billion, achieving 32 per cent of the 2020 target of $76.6 billion.
- International visitor expenditure—up $7.9 billion to $33.4 billion, achieving 21 per cent of the 2020 target of $63.4 billion.

China continues to lead market growth and has now tracked at 68 per cent of the way towards its 2020 target, after recording 168 per cent growth in expenditure since 2009. Other markets that have performed well include:

- New Zealand—tracking at 26 per cent towards its 2020 target
- Singapore—tracking at 23 per cent
- France—tracking at 23 per cent
- US—tracking at 20 per cent.

FIGURE 17. TRACKING THE 2020 TOURISM INDUSTRY POTENTIAL, 2009 TO 2020

Source: TRA, International Visitor Survey and National Visitor Survey
### FIGURE 18. TRACKING THE 2020 TOURISM INDUSTRY POTENTIAL BY MARKET, 2014–15 PROGRESS

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ BILLION</td>
<td>$ BILLION</td>
<td>$ BILLION</td>
<td>%</td>
<td>$ BILLION</td>
</tr>
<tr>
<td>2020 Tourism Industry Potential</td>
<td>71.2</td>
<td>88.8</td>
<td>5.3</td>
<td>6.3</td>
<td>140.0</td>
</tr>
<tr>
<td>Domestic - overnight</td>
<td>45.6</td>
<td>55.4</td>
<td>2.1</td>
<td>4.0</td>
<td>76.6</td>
</tr>
<tr>
<td>International - total</td>
<td>25.5</td>
<td>33.4</td>
<td>3.2</td>
<td>10.4</td>
<td>63.4</td>
</tr>
<tr>
<td>China</td>
<td>2.6</td>
<td>7.0</td>
<td>1.7</td>
<td>32.1</td>
<td>9.0</td>
</tr>
<tr>
<td>New Zealand</td>
<td>1.9</td>
<td>2.5</td>
<td>0.1</td>
<td>5.4</td>
<td>4.2</td>
</tr>
<tr>
<td>Singapore</td>
<td>0.8</td>
<td>1.2</td>
<td>0.1</td>
<td>12.5</td>
<td>2.8</td>
</tr>
<tr>
<td>France</td>
<td>0.6</td>
<td>0.8</td>
<td>0.0</td>
<td>5.3</td>
<td>1.4</td>
</tr>
<tr>
<td>United States</td>
<td>2.3</td>
<td>3.0</td>
<td>0.4</td>
<td>14.5</td>
<td>5.5</td>
</tr>
<tr>
<td>Other international</td>
<td>8.3</td>
<td>9.8</td>
<td>0.4</td>
<td>4.7</td>
<td>20.0</td>
</tr>
<tr>
<td>Malaysia</td>
<td>0.9</td>
<td>1.1</td>
<td>0.1</td>
<td>7.5</td>
<td>2.5</td>
</tr>
<tr>
<td>India</td>
<td>0.7</td>
<td>1.0</td>
<td>0.3</td>
<td>38.9</td>
<td>2.3</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>3.5</td>
<td>3.5</td>
<td>-0.1</td>
<td>-2.0</td>
<td>6.7</td>
</tr>
<tr>
<td>Germany</td>
<td>1.1</td>
<td>1.0</td>
<td>0.0</td>
<td>-1.7</td>
<td>2.3</td>
</tr>
<tr>
<td>Japan</td>
<td>1.5</td>
<td>1.3</td>
<td>0.0</td>
<td>-1.3</td>
<td>3.3</td>
</tr>
<tr>
<td>South Korea</td>
<td>1.4</td>
<td>1.2</td>
<td>0.1</td>
<td>6.6</td>
<td>3.4</td>
</tr>
</tbody>
</table>
4.2 SUPPLY

While recent estimates show that there has been a modest decrease in some tourism supply factors, with accommodation and employment retracting against the Potential’s targets in 2013–14, strong demand and investment indicates that these should return to growth in the near future.

ACCOMMODATION

Accommodation supply decreased marginally, with a loss of 418 rooms (or 0.2 per cent) in 2013–14. The majority of the decline occurred in regional areas. The accommodation sector has now progressed 16.1 per cent towards its 2020 target of an additional 20,000 rooms, with 3,200 new rooms being added to supply since 2009.

The 2014 accommodation investment pipeline indicates that there is the potential for an additional 15,900 rooms to be added to accommodation supply from projects worth $8.5 billion, should all projects progress through to completion. On top of this, a further 18,300 rooms could also be added to supply from 69 identified mixed-use investment projects.

AVIATION

Domestic air capacity has progressed 72 per cent towards its 2020 target of 94.2 billion available seat kilometres. Compared to 2013–14, domestic capacity decreased 4 percentage points. This was caused by a 1.0 per cent decrease in available seat kilometres; the first decrease since 2001–02.

International air capacity has now progressed 67 per cent (or 5.5 million inbound seats) towards the Potential since 2009. In the short term, international capacity is set to grow with the potential for an additional 1.4 million seats by the end of 2016 from China alone (as negotiated in the latest air service agreement).

As capacity becomes available through negotiated air service agreements being implemented, the sector’s ability to achieve the 2020 targets will rely on increased tourism demand and extended supply from airlines.

EMPLOYMENT

In 2013–14, tourism industry employment decreased 1.0 per cent (or 5,600 persons) to 534,000 persons, tracking 13.3 per cent towards its 2020 target of an additional 152,000 persons employed.

Tourism employment is expected to return to growth and continue through to 2020, to keep up with tourism demand. Deloitte Access Economics (DAE, 2015) estimates that in order to reach the current 2020 forecasts, the tourism industry will need to employ an additional 123,000 people. DAE also estimates that for the Australian tourism industry to reach the Potential, the level of tourism industry employment required will be 720,400 persons, in order to achieve the $140 billion upper bound.

** FIGURE 19. TOURISM 2020 – TRACKING PROGRESS OF AGGREGATE COMPONENTS, 2014–15 **

**Numbers are based on 2013–14 data**

Source: TRA calculations; DRET, Tourism 2020; TA, 2020 Tourism Industry Potential
5. CONCLUSION

Once again, 2014–15 was a year of records for the Australian tourism industry:

- International tourism reached a new high of $33.4 billion after growth of 10 per cent—the strongest growth in a financial year since the Sydney Olympic Games.
- International visitor arrivals reached a record 6.6 million visitors.
- Domestic overnight tourism reached 83.2 million trips—the highest on record.
- Domestic overnight visitors spent a total $55.7 billion, after spending a record $15.4 billion in the March 2015 quarter.

China continues to be the dominant growth market for Australian inbound tourism, with substantial growth in both arrivals and expenditure through 2014–15. While the tourism industry continues its efforts to attract visitors from China and grow Australia’s share of the China outbound market, it is also important that the industry keeps its sights on ‘traditional’ and other emerging markets. Improved global economic conditions, a lower Australian dollar and the lure of world-class international events—including the ICC Cricket World Cup—have been catalysts for growth in some of these markets including the US, New Zealand and India.

Growth in supply targets has been limited to international aviation capacity. Strong growth in the demand for travel to Australia has supported inbound aviation capacity growth, and inbound capacity should be further boosted into 2016 with the realisation of the China-Australia air service agreement.

Although other supply metrics declined, this should not be a cause for major concern, given future prospects:

- Domestic aviation—marginal decline in domestic capacity has been influenced by the cease fire between Qantas and Virgin Australia and by domestic market conditions.
- Accommodation room supply—although room supply contracted slightly, the number of projects currently in the investment pipeline indicates that there is sufficient supply growth for the sector to achieve its 20,000 rooms target by 2020.
- Tourism labour force—although the total tourism labour force declined through the year, employment in the Air, water and other transport, Retail trade, Travel agency and tour operator services, and Education and training sectors increased. There are also further positive indicators for future tourism industry employment growth, particularly in the Accommodation and food services and Retail trade sectors over the five years to November 2019.

Increased investment in Australian tourism infrastructure will also deliver the infrastructure and demand drivers that will assist to grow and accommodate the increasing number of international and domestic visitors to and around Australia. Although investor interest continues to be positive, challenges remain in improving supply in regional Australia.

The Australian tourism industry continues to strive towards its 2020 targets, and it appears that it could reach the $115 billion lower bound of the Potential by 2020. A solid foundation for future growth has now been set, with the successful negotiation of a number of international air service agreements, and the continuing attractiveness of Australia’s tourism environment to investors. Combined, these factors will ensure the tourism industry advances to see the results towards 2020.
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