2020 Tourism Industry Potential... a scenario for growth

WHY IDENTIFY AUSTRALIA’S TOURISM POTENTIAL?
Tourism is a vital industry for Australia. Tourism generates $94 billion in spending. As a sector, tourism contributes $34 billion in GDP – that’s 2.6% of Australia’s total GDP. Tourism is Australia’s largest services export earner and provides around half a million jobs.

For tourism to continue to play a significant and sustainable role in the economy, the industry needs to be more competitive and productive. Over the past decade, Australia’s international competitiveness has not kept pace with global trends and this has translated into a decline in international market share. Domestic tourism’s visitor numbers have decreased with Australians increasingly choosing to travel abroad rather than at home.

The Australian Minister for Tourism, Hon. Martin Ferguson, AM MP launched the National Long-Term Tourism Strategy (Strategy) in December 2009. The Jackson Report, an input into the Strategy, identified the value of targets and goals1. Through the development of the Potential, the Australian tourism industry’s opportunities and challenges have been quantified. This is critical for a successful roll-out of the Strategy.

1 “Governments and industry need to set targets for the industry and develop plans based on Australia’s competitive advantage and priority destinations” (The Jackson Report, 2009)

THE POTENTIAL – WHAT WILL A SUCCESSFUL AUSTRALIAN TOURISM INDUSTRY LOOK LIKE IN 2020?

The Australian tourism industry needs to focus on improving its performance and competitiveness.

The 2020 Tourism Industry Potential provides a vision that the industry and all levels of government can rally behind, a unifying direction to improve performance and maximise opportunities.

$94bn amount of spending tourism generates

$34bn amount tourism contributes to the economy

0.5 million number of tourism jobs

THE POTENTIAL FOR OVERNIGHT TOURISM EXPENDITURE BY 2020

WHAT IS IT?
The 2020 Tourism Industry Potential is a rallying call to Australian industry and governments to focus on increased returns from the tourism industry. The Potential is focused on overnight visitor expenditure. By 2020 the Potential is estimated to be between $115 billion and $140 billion in overnight expenditure. Adding in day trips, total expenditure is estimated to be between $135 billion and $160 billion.

A range approach has been used to allow for various scenarios. The upper end of the range represents a path of growth where the tourism industry has achieved market shares in source markets better than those achieved earlier this decade, while the lower end of the range allows for the impact of a range of shocks (economic, health, terrorism) or current market shares.

HOW IS IT MEASURED?
Overnight expenditure (nominal dollars) is the primary measure of the Tourism Industry Potential. Day trips has been kept as a relative share of expenditure for the lower estimate and held constant for the upper estimate.
WHAT DOES IT MEAN?

WHAT DOES IT MEAN FOR DOMESTIC AND INTERNATIONAL TOURISM?

Domestic tourism currently accounts for 62% of all overnight expenditure in Australian tourism. Given higher growth rates of inbound tourism over the next 10 years, by 2020 domestic tourism expenditure is expected to be 55% of total tourism spend and international expenditure is expected to be 45%.

DOMESTIC VERSUS INTERNATIONAL EXPENDITURE

<table>
<thead>
<tr>
<th>Year</th>
<th>International</th>
<th>Domestic</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>38%</td>
<td>62%</td>
</tr>
<tr>
<td>Projected 2020</td>
<td>45%</td>
<td>55%</td>
</tr>
</tbody>
</table>

Key markets in the analysis are summarised opposite. The table shows where expenditure growth will come from and will be the focus of effort. China stands out with strong growth from a large base of visitors.

WHAT DOES IT MEAN FOR THE ECONOMY?

Both the low and high Potential scenarios imply significant additional economic benefits at 2020. Achievement of the upper band of the Potential will mean:

- a doubling of overnight expenditure from $70 billion in 2009 to as high as $140 billion in 2020
- an increase in tourism’s contribution to GDP from 2.6% in 2009 to up to 3.0% in 2020
- an increase in tax revenues from tourism from $9.3 billion in 2009 to as high as $14.5 billion in 2020
- Increased net exports of up to $6.7 billion.

WHAT DOES IT MEAN FOR ACCOMMODATION?

Increased investment and utilisation of current capacity is required to meet the Potential, with estimates of between 40,000 and 70,000 rooms needed (at occupancy rates of 75%). If yields and occupancy rates increase, less reliance on volumes is required. New rooms will be needed mainly in our capital cities, with improvements on quality rather than quantity the focus for regional Australia.

WHAT DOES IT MEAN FOR AVIATION?

Aviation capacity will need to grow if Australia is to meet the Potential. International aviation capacity will need to grow between 40% and 50% and domestic aviation capacity will need to grow between 23% and 30%. While airport master plans and Bureau of Infrastructure Transport and Regional Economics aviation forecasts are higher than these estimates, work will still be needed to achieve these levels of growth, including infrastructure investment.

WHAT DOES IT MEAN FOR LABOUR AND SKILLS?

Labour and skills are seen as the greatest supply side challenge in terms of growing the Australian tourism industry. Significant growth in capacity and productivity is required. It is estimated that jobs growth of between 12% and 32% will be needed for the industry to grow; that is between 56,000 to 152,000 additional jobs (or between 1 and 3 times industry’s long run average growth). If yields increase, demand on jobs will be lower.

Tourism Industry Potential – incremental growth in expenditure at 2020

<table>
<thead>
<tr>
<th>Band</th>
<th>Lower</th>
<th>Upper</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>$4.6B</td>
<td>$6.3B</td>
</tr>
<tr>
<td>UK</td>
<td>$2.1B</td>
<td>$3.3B</td>
</tr>
<tr>
<td>USA</td>
<td>$2.2B</td>
<td>$3.2B</td>
</tr>
<tr>
<td>Sth Korea</td>
<td>$1.6B</td>
<td>$2.2B</td>
</tr>
<tr>
<td>NZ</td>
<td>$1.5B</td>
<td>$2.2B</td>
</tr>
<tr>
<td>Japan</td>
<td>$1.2B</td>
<td>$1.8B</td>
</tr>
<tr>
<td>Singapore</td>
<td>$1.2B</td>
<td>$1.7B</td>
</tr>
<tr>
<td>India</td>
<td>$1.1B</td>
<td>$1.5B</td>
</tr>
<tr>
<td>Malaysia</td>
<td>$1.1B</td>
<td>$1.5B</td>
</tr>
<tr>
<td>Germany</td>
<td>$0.8B</td>
<td>$1.3B</td>
</tr>
<tr>
<td>France</td>
<td>$0.6B</td>
<td>$0.8B</td>
</tr>
</tbody>
</table>

Sources: BDA Marketing Planning, Access Economics
WHERE TO FROM HERE?
Implementing the Potential will be a stepped approach with deliverables set at each stage of implementation:

ACHIEVING THE POTENTIAL
The unity and focus of the industry and government will finally result in “Achieving Australia’s tourism Potential” – a competitive, profitable industry with a bright future for the benefit of all Australians.

SEEING THE RESULTS
With a strong foundation in place, we will start “Seeing the results”, learning from experience and using these insights to refine what we do.

SETTING THE FOUNDATIONS
“Setting the foundation” will involve putting the fundamentals in place, including addressing important supply issues needed to meet the Potential such as increased investment in the industry, labour and skills initiatives and working with aviation partners to ensure sufficient capacity on relevant routes; and demand issues including identifying and targeting best prospect customers for Australian tourism, and developing the products and services these customers want.

WHAT DOES IT MEAN FOR TOURISM’S STRATEGIC FOCUS?
To achieve the Potential, key areas of strategic focus will include:

• Growing market share
• Improving yield
• Improving dispersal
• Strategic aviation growth
• Attracting investment for a more appealing Australia for tomorrow
• Improving capital efficiencies
• Building labour and skills capacity and productivity.

The supply side strategic focus is aligned with the National Long-Term Tourism Strategy and needs to be underpinned by microeconomic reform.

To progress the National Long-Term Tourism Strategy, the Tourism Ministers’ Council established nine Working Groups to implement the reforms necessary to increase Australia’s productive capacity.

On the demand side, Tourism Australia is underway with a dedicated strategy that aims to achieve the upper band of the Potential. Key areas of strategic emphasis include:

• Focus on the consumer – a global consumer that is predisposed to Australia and spends more
• Industry development – using customer understanding to influence investment and quality (National Tourism Accreditation Framework)
• Aviation partnerships – that will help grow profitable capacity
• A dedicated China Plan – recognising China’s importance to Australia’s long term future and building on more than a decade of foundation work in China
• A continued global markets strategy and partnership with Australian industry to achieve the Potential.
WHAT DOES IT MEAN FOR YOU?

It means being part of a bigger picture for Australian tourism, a competitive, flourishing, profitable industry that is a world leader.

It means:

• Having a competitive mind set – understanding and maximising our competitive advantage.
• Understanding the characteristics of the consumer and using research to drive everything that we do.
• Marketing and distributing Australian tourism products in a coordinated way, working with partners that allow us to leverage activity so that Australia receives a higher return from its investment.
• Developing products that our customers want and increasing investment where it is needed.
• Governments and industry working cooperatively to increase investment and skills – ensuring we have the right infrastructure in place, that we have a healthy aviation environment and that we have a service oriented labour force that can meet the needs of our customers.

WHO IS ON BOARD?

There has been significant consultation in the development of the 2020 Tourism Industry Potential. This included all state and territory tourism organisations, the National Long-Term Tourism Strategy Working Groups, industry associations and many industry leaders. National tourism organisations – The Tourism and Transport Forum, Australian Tourism Export Council, National Tourism Alliance – and the businesses and associations they represent are highly supportive of the plan to deliver the Potential.

At the October 2010 Tourism Ministers’ Council meeting, federal, state and territory tourism ministers committed to working towards achieving the 2020 Tourism Industry Potential. The Council also agreed to progress the National Long-Term Tourism Strategy towards reaching Australia’s 2020 Tourism Potential and called on industry and government to work together to address demand and supply-side challenges which could limit Australia’s tourism industry reaching its Potential.

HOW DO YOU GET INVOLVED?

The 2020 Tourism Industry Potential work is an initiative of Tourism Australia with the assistance of the Department of Resources, Energy and Tourism working closely across all levels of government and industry.

If you want more information on the 2020 Tourism Industry Potential please contact:

Corporate Communications, Tourism Australia
ask.us@tourism.australia.com

Tourism Division, Department of Resources, Energy and Tourism
Phone +61 2 6213 6745

WEBSITES

For information on addressing quality issues:

For information on the National Long-Term Tourism Strategy:

For information on characteristics of the consumer:

www.tourism.australia.com.au

2020 Tourism Industry Potential • November 2010
The 2020 Potential provides a challenge to the accommodation sector to make decisions that will allow us to boost market share that will return us to the type of growth we enjoyed in the lead-up to the 2000 Olympics. The HMAA members are ready and willing to provide the extra quality beds needed to greatly boost the economic benefits of tourism, and look forward to doing this collaboratively with our industry partners.”

Lorraine Duffy
Chief Executive HMAA

“The 2020 Potential sets an ambitious target for our sector but one that is achievable if we work collaboratively across all parts of the tourism industry. The Australian Hotels Association looks forward to working with our members on initiatives to drive investment to ensure Australia has relevant accommodation and services to support achievement of the 2020 target of $140 billion in tourism related expenditure by 2020.”

Des Crowe, Chief Executive, Australian Hotels Association

“In 2008, the National Tourism Alliance member associations identified in their tourism strategic planning the importance of goals and measurement to the future direction for tourism. When we were approached to become involved in the Potential for tourism in Australia, the National Tourism Alliance jumped at the chance, seeking active engagement as a partner in the discussions about what is possible for Australia to achieve. The work on the Potential has been well researched, and is strongly supported by the National Tourism Alliance as it provides an opportunity for us to work together towards a common goal.”

Col Hughes, Chairman, National Tourism Alliance
"Our sincere thanks for the work undertaken on the 10 year industry potential launched at the Tourism Directions conference. This was a very important piece of work for the tourism and hospitality industry that was long overdue. The future of our industry can only be assured through the development of strategies around key metrics. For the first time this is now possible based on a solid data platform."

John Hart, Chief Executive Officer, Restaurant and Catering Association

"The industry capability project is the right project at the right time in the industry’s history. It provides the industry with an aspirational mission, while the Long-Term Tourism Strategy seeks to provide the pathways to achieving that mission. I congratulate Tourism Australia for having the vision and confidence to propose the project and I am sure the industry and other stakeholders will harness their collective energies to support it."

Matthew Hingerty
Former Managing Director
Australian Tourism Export Council

"Tourism has long suffered for a lack of authoritative data and analysis of its wider economic benefits to demonstrate to policy makers and investors the advantages of this sector. This commendable work provides this platform and should inspire greater effort and performance from the Australian tourism community."

Christopher Brown
Former Managing Director
Tourism and Transport Forum