



**Australian Government**  
**Department of Resources**  
**Energy and Tourism**

# **TOURISM WHITE PAPER EVALUATION**

## **FINAL REPORT**

**APRIL 2008**

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## **EXECUTIVE SUMMARY**

### **BACKGROUND**

The 2003 Tourism White Paper (TWP), *A Medium to Long Term Strategy for Tourism*, outlined a comprehensive ten-year strategy for the tourism industry featuring substantial new investment and an organisational restructure of Australian Government support. The intention was to secure the long term sustainable growth of the tourism sector. The focus was on increasing the yield from tourism activity and building the capacity and capability of the industry, while ensuring that the economic and social benefits from tourism were spread across both metropolitan and regional Australia.

The TWP contained a range of program initiatives and a structural reform agenda backed by \$235 million in additional funding from the Australian Government over four and a half years to 2007-08. The strategy placed considerable emphasis on greater collaboration between the tourism industry and government and across governments, including the adoption of a whole of government approach in the development and implementation of tourism related policy. The key organisational reform was the creation of Tourism Australia, operating under the *Tourism Australia Act 2004* and the *Commonwealth Authorities and Companies Act 1997*. The Tourism White Paper Implementation Plan was released in 2004.

To place the industry in context, in 2005-06 tourism accounted for 3.9 per cent of Gross Domestic Product and employed approximately 465,000 people or 4.6 per cent of the total labour force. Tourism is the leading export industry within the services sector, accounting for \$20.5 billion or 10.5 per cent of total export earnings in 2005-06.

The TWP recognised that, while tourism had been a significant and growing part of the Australian economy for some time, there was scope to further expand the sector and its contribution to the economy by removing impediments to industry growth. The TWP also responded to the difficult external environment at the time, with a number of events outside the control of the industry and Government impacting on the potential growth of the industry. In laying out a strategy and providing the supporting financial resources, the TWP sought to address these issues and enable the Australian tourism industry to better withstand external shocks and to meet emerging challenges in an increasingly competitive marketplace.

The TWP noted the need for ongoing monitoring and evaluation of the strategy, with the Government foreshadowing at the time of release a comprehensive review to assess the effectiveness of its initiatives in achieving the stated objectives. Industry representatives participated in the implementation and monitoring through the Industry Implementation Advisory Group (IIAG). *The Tourism White Paper Implementation Plan 2004*, released in August 2004, provided an overview of the achievements and progress at that time. Annual progress reports were released in 2005 and 2006. An Evaluation Framework was developed and subsequently endorsed

by the IAG in November 2005. A more detailed evaluation plan, including methodologies, was subsequently developed.

As foreshadowed in the *Tourism White Paper Evaluation Framework*, the evaluation includes:

- analysis of 'headline' indicators, which measure the change in overall industry performance against the baseline industry performance in 2003-04 including:
  - growth in total yield;
  - growth in contribution to GDP;
  - growth in employment;
  - growth in visitor dispersal<sup>2</sup>;
  - growth in visitor numbers;
  - growth in visitor nights; and
  - growth in global market share.
- assessment of the outcomes from specific TWP initiatives including:
  - the impact of the work of Tourism Australia;
  - the Australian Tourism Development Program;
  - the Business Ready Program for Indigenous Tourism;
  - the Tourism and Conservation Partnerships Initiative;
  - the enhanced research and statistics arrangements; and
  - the new accreditation and consultative arrangements.

The governance arrangements for Tourism Australia were confirmed in 2007, with some minor amendments to the Tourism Australia Act to improve both the Board's independence and accountability. This review was part of the wider review of the governance arrangements of Australian Government statutory authorities against the principles identified in the *Review of the Corporate Governance of Statutory Authorities and Office Holders* conducted by Mr John Uhrig AO.

*The Tourism White Paper Evaluation – Interim Report* was prepared in late 2006 and provided a preliminary assessment of the effectiveness of the TWP. This final evaluation report updates the findings of the interim report and so reflects the guidance endorsed by the previous government.

## METHODOLOGICAL ISSUES

As an activity defined by consumption, as compared to production, tourism falls outside the definition of traditional industries and so the collection of data and analysis of tourism activity presents special challenges. The Australian Tourism Satellite Account developed by the Australian Bureau of Statistics defines the scope of activity and provides the data for a better understanding of the scale of and trends in tourism activity. Data from the Tourism Satellite Account is fundamental to this evaluation. Where quoted 2005-06 data is generally the most recent available drawn from the April 2007 Tourism Satellite Account release. Otherwise the data quoted is that available at the time of writing.



Methodological issues that lead to some uncertainty in several of the conclusions are:

- difficulties in determining the strength of causal relationships in the presence of strong dynamic external factors in source markets such as economic conditions, exchange rates, fuel prices, airline operations, and competitor marketing activities;
- lags between the activity/program and the timing of the expected outcome;
- lags in data collection e.g. the availability of the latest Tourism Satellite Account data;
- changes in classification and measurement over the period of the evaluation; and
- the use of proxy data for certain industry parameters e.g. investment, profitability and productivity.

## **FINDINGS**

### **Performance of tourism – headline indicators**

#### **International tourism**

Inbound tourism has performed well since the release of the TWP with overall increases in visitor arrivals, yields and length of stay, all key objectives of the TWP and core business for the marketing activities of Tourism Australia. Between 2003-04 and 2006-07:

- inbound visitor arrivals increased by 11.5 per cent with the strongest growth occurring in 2004-05 (up by 6.9 per cent). While this demonstrated a good recovery from the SARS crisis in 2003 growth tapered off in 2005-06;
- total yield from international visitors (measured by the Total Inbound Economic Value) increased by 15.6 per cent to reach \$22.6 billion, with the strongest growth occurring in 2006-07. Yield per visitor rose by 3.6 per cent to \$4,013; and
- visitor nights spent in Australia increased by 20.8 per cent with the average length of stay rising from 28 days to 31 days.

Australia's performance across markets was mixed. Arrivals from the key emerging markets of China (Tier 1), Korea (Tier 1) and India (Tier 2) grew strongly over the review period. Australia also performed well in some smaller established European markets such as France, Ireland (Tier 2) and Italy.

However, some important Asian markets such as Japan (Tier 1), Malaysia (Tier 2), Taiwan (Tier 2), Thailand and Indonesia posted negative growth over the review period. This was due to a number of factors including: Australia's high exchange rate, the emergence of low cost carriers in Asia and the growth of short haul intra-Asian travel, rising oil prices and aggressive marketing by some Asian destinations coupled with restored confidence in travelling in Asia after the SARS crisis.

Notwithstanding the slowing growth in arrivals in the last two years, visitors to Australia are staying longer and spending more – two key objectives of the TWP.

## **Domestic tourism**

Domestic tourism marketing is primarily the responsibility of the States and Territories. Tourism Australia's current domestic strategy is to encourage Australians to travel more within Australia by utilising, with industry support, domestic media content initiatives that raise the compelling nature of an Australian holiday. Tourism Australia's role is dealt with separately below.

Domestic tourism activity has been characterised by a long term weakness with continued declines in activity in 2004-05 and 2005-06, reflecting a number of factors including: shifts in consumption patterns, rising personal and household debt, busier lifestyles and more recently a strong exchange rate boosting outbound travel. This decline in domestic tourism is not unique to Australia.

However, 2006-07 saw a moderate recovery in activity with domestic visitor nights and day trips increasing by 2.6 per cent and 5.5 per cent respectively on 2005-06 figures. Overall for the period 2003-04 to 2006-07 domestic visitor nights fell by 2.8 per cent while day trips increased by 0.7 per cent.

Despite the flat activity, domestic tourism expenditure increased by 12.2 per cent between 2003-04 and 2006-07 – with good growth occurring in 2005-06 (up 4.5 per cent) and 2006-07 (up 7.0 per cent).

## **Regional dispersal<sup>1</sup>**

While visitation by international visitors to regional Australia since 2003-04 has shown good growth, the rate of dispersal over the review period has not increased due to similarly strong growth in visitor nights spent in the gateway cities of Sydney, Melbourne, Brisbane and Perth.

Encouraging regional dispersal of inbound leisure tourism has become more difficult as visitors from the faster growing Asian inbound leisure markets tend to favour city visitation and are less interested in visiting regional Australia.

Domestic dispersal as measured by the proportion of domestic visitor nights spent outside the capital cities declined from 64.4 per cent in 2003-04 to 63.3 per cent in 2006-07 reflecting a 4.4 per cent decline in domestic visitor nights spent in regional Australia.

The appreciation of the Australian dollar and the resulting strong growth in outbound travel over the review period had an adverse effect on domestic leisure travel, which was more pronounced in regional areas. As domestic tourism activity recovered in 2006-07 the rate of dispersal improved slightly in that year compared to 2005-06.

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<sup>1</sup> For inbound tourism regional dispersal refers to visitation outside Australia's main international aviation gateways of Sydney, Melbourne, Brisbane and Perth. For domestic tourism regional dispersal refers to visitation outside Australia's capital cities.

## **Tourism and the economy**

All the major economic indicators for tourism have recorded positive growth in 2005-06 compared to 2003-04 with increases in tourism GDP (up 6.6 per cent), employment (up 3.5 per cent) and exports (up 4.7 per cent). However, because other sectors of the economy have expanded at a faster rate, the share of tourism in these measures has declined over the period under review.

An underlying theme running through the TWP is the need to secure the long term sustainability of the Australian tourism industry, by increasing the competitiveness of the sector. Key to this objective is lifting the sector's investment levels, profitability and productivity. While it is difficult to measure the precise effect of the TWP, the tourism sector appears to have performed well in this regard:

- building work in hotels and similar establishments has recorded solid growth since 2003-04. Between 2003-04 and 2006-07 the value of building work in commercial accommodation rose from \$0.87 billion to \$1.26 billion, an increase of 45 per cent;
- while the total number of available rooms grew by 5.7 per cent between 2003-04 and 2006-07, the number of room nights occupied rose by 11.3 per cent pushing up the room occupancy rate from 61.5 per cent to 65.2 per cent. Takings from accommodation increased from \$5.55 billion in 2003-04 to \$7.1 billion in 2006-07, a 28 per cent increase;
- between 2003-04 and 2006-07 labour productivity increased by 4.8 index points in the '*Accommodation, cafes and restaurants*' sector, by 8.6 index points in the '*Transport and storage*' sector and by 0.9 index points in the '*Cultural and recreational services*' sector. Labour productivity across all industries in 2006-07 increased by 2.4 index points from 2003-04.

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## **Promoting Australia as a tourist destination**

### **International activity**

The additional funding provided to Tourism Australia has enhanced Australia's voice in key markets. Tourism Australia prioritises markets under a tier system (see Appendix B). Markets, including the important emerging markets of China (Tier 1) and India (Tier 2), are receiving increased support and a more comprehensive strategy has been made possible.

A new marketing campaign was launched in February 2006 - *A Unique Invitation 'Where the Bloody Hell Are You?'*. TA's Brand Tracking Study shows a strong campaign performance in 2006 with positive changes in Australia's brand health across most markets that were measured. While the United Kingdom (Tier 1), South Korea (Tier 1) and Taiwan (Tier 2) continued to build on the gains of 2006, the results for the Tier 1 countries of Japan, the United States of America, China and Germany were not as strong in 2007.

Further research undertaken as part of the evaluation shows that TA's overall marketing efforts have been effective:

- A survey conducted as part of Tourism Research Australia's International Visitor Survey in the first six months of 2007 found that:
  - 51 per cent of the 2.29 million international tourist arrivals to Australia had seen a TA ad and of these people, 21.9 per cent indicated that it had influenced their decision to travel to Australia;
  - international visitors to Australia who saw a TA ad and were influenced to visit Australia as a result, contributed \$1.22 billion in Total Inbound Economic Value to the Australian economy.
- TA's Brand Tracking Study shows that for 2007 across all markets, exposure to a TA communication more than doubled the percentage of people intending to come to Australia over the next 12 months.
- A recent econometric study by Econtech found that a \$1 million increase in marketing expenditure would lead to a 9,000 to 11,000 increase in arrivals and a \$23 million to \$36 million increase in travel credits.
- Overseas intermediaries (inbound tour operators, wholesalers, agencies, airlines etc) are satisfied with TA with the majority indicating their desire to continue their involvement with TA.

Reflecting its role as a leverage marketing organisation TA also formed several successful partnerships for cooperative marketing activities. In the period between 2003-04 and 2006-07 TA's marketing related revenue from partners has increased from \$15.1 million to \$23.1 million, a 53 per cent increase.

Importantly, despite the injection of White Paper funding, the private sector has continued independently to make a substantial contribution to tourism marketing. A restricted survey by the ABS of private sector tourism businesses found that between 2003-04 and 2005-06 international tourism marketing expenditure by private sector firms increased by 10.6 per cent to nearly \$216 million.

The Aussie Specialists Program continues to expand with solid increases in the number of qualified travel agents in several key markets. There are now some 10,000 qualified agents around the world providing an extensive network of advocate agents selling Australia as a tourist destination.

### **Domestic activity**

In 2005-06, TA funding for domestic tourism marketing represented around 0.4 per cent of total domestic tourism marketing. TA's role in domestic tourism, given the limited available funding, is to act as a catalyst to encourage more effective marketing by the larger spenders of the private sector and the State and Territory governments.

TA's strategy in domestic tourism is to raise the perceived value and status of an Australian holiday by creating credible media content – in print, electronic and online media environments – by showcasing Australia's tourism experiences. TA has developed a Domestic Content Strategy to create national media partnerships to lift the aspiration for and knowledge of the Australian holiday offer.

The development of TA's marketing strategy for domestic tourism has to be viewed against the backdrop of the difficult conditions facing the sector. TA's tourism brand tracking reveals fairly static expectations for domestic travel, with both preference and intention to travel domestically declining slightly in the three years to June 2007.

Domestic tourism is likely to face continuing difficult conditions with the appreciation of the Australian dollar increasing the cost competitiveness of overseas travel, financial and work pressures on households restricting the time available for domestic travel, and fierce competition for consumption expenditure. The Tourism Ministers' Council has established a working group to examine and develop strategies to address the current challenges facing domestic tourism.

A restricted survey by the ABS found that in 2005-06 private sector firms engaged in tourism spent approximately \$624 million on domestic tourism marketing, up 9.7 per cent compared to 2003-04.

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## **Supporting tourism in regional Australia**

### **Australian Tourism Development Program (ATDP)**

The ATDP is a major initiative of the TWP. It is a major grants program which aims to increase investment and innovation in Australia's regional tourism industries. To assist in the evaluation, the Department commissioned an independent review of the ATDP to examine its effectiveness. Given the limited time the program had been operating, the review also encompassed the ATDP's predecessor. The review concluded that the program has successfully leveraged significant investment in tourism and assisted in improving the supply, dispersal and diversity of tourism product across Australia. As intended, the ATDP has also facilitated a number of partnerships within the tourism industry, and between the industry and other business and government sectors.

While the ATDP has been successful in achieving its objectives, it can have an ongoing impact on the tourism industry, particularly in addressing some of the challenges confronting the domestic tourism market and in ensuring that Australia's product offering continues to be developed to take advantage of the further growth in international visitation.

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## **Supporting indigenous and sustainable tourism**

### **Indigenous Tourism**

The Business Ready Program for Indigenous Tourism (BRPIT) was developed as a pilot program to provide mentoring to indigenous tourism businesses to develop their business management skills and to assist them to increase their potential for commercialising tourism products. The program has evolved over time with some significant changes being made to its operation, notably the extension of the first round of the program to run for the full duration of the program and the reduction of the number of businesses being mentored.

The outcomes of the program to date show that mentoring is an effective mechanism for transferring skills to indigenous businesses with participating businesses indicating the program is meeting its objectives in helping them achieve long-term sustainability. However, the majority of the businesses in the program have yet to show a significant profit or are only just beyond the point of breaking even. It is also evident that there are numerous agencies, both public and private, operating in this policy space, with the BRPIT being a small element of the overall resources available for indigenous business development. In developing the next steps for indigenous tourism development, it will be necessary to consider how the available resources can be better targeted to stimulate further indigenous tourism business development.

A clearer indication of the value of the program will emerge when mentors report on achievements against performance indicators at the conclusion of the program in June 2008. However, given the size of the size and scope of the projects, outcomes are likely to be limited.

### **Tourism and Conservation**

The White Paper recognised Australia's strong asset base for nature based tourism is an important element in its overall competitive advantage in tourism. The difficulty for this segment of the market is in developing the recognition of its economic importance, thereby attracting sufficient investment in nature based and eco-tourism product development.

The Tourism and Conservation Partnerships Initiative provided funding for relatively small ventures aiming to connect tourism businesses, community groups, protected area managers, conservation organisations and government agencies in projects that will bring economic benefits through tourism while managing Australia's unique landscape and biodiversity. The program took a new direction in 2006-07, funding two larger scale projects rather than calling for a third round of seed funding applications. In this way, the program achieved a higher profile and a more focused contribution to nature based tourism for the limited funding available.

While many of the projects funded in the first two rounds of the program have evolved to the stage where they can look to attract further private sector investment, the success of the program in catalysing investment in this segment of the market has been limited. The challenge for future policy development in nature based tourism is how to achieve high impact results stimulating further private sector investment.

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### **Enhancing research and statistics**

All major initiatives announced under the TWP in relation to improvements to Australia's tourism research and statistical capability have been implemented. Key improvements include:

- increases in the sample size of the International and National Visitor Surveys and the introduction of the Destination Visitor Survey Program leading to better estimates, particularly at the regional level; and
- the launch of TRA-Online which is expected to improve the accessibility and dissemination of Tourism Research Australia's (TRA) products considerably.

These initiatives have provided government and industry with data which have assisted a greater understanding of tourism markets and the development of better informed policies and plans.

An assessment of the effectiveness of the consolidation of the tourism research function within TRA, identified significant improvements in TRA operations and outputs reflecting both greater engagement with stakeholders and the production of more robust tourism statistics, especially at a regional level, made possible by the additional funding provide under the TWP.

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### **Consultative arrangements**

The TWP emphasised the importance of greater cooperation and consultation among key tourism stakeholders within government and industry. It also outlined a whole-of-government approach to tourism aimed at removing duplication, maximising opportunities and facilitating partnerships and innovation.

In developing closer links with industry and fostering greater cooperation within and between different levels of government, the Australian Government has established a number of advisory bodies. These arrangements have successfully provided a mechanism for industry and Government consultation. The Government has also concluded an Intergovernmental Arrangement between the Australian Government and State and Territory Governments to strengthen collaboration and coordination across all levels of government.

Australia rejoined the United Nations World Tourism Organisation (UNWTO) in September 2004. Membership of UNWTO has provided the opportunity for Australia to engage more extensively with the international tourism community and opened the way for Australian consultants to become involved in a range of UNWTO sponsored projects.

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### **Tourism accreditation initiatives**

Quality is very important in the current very competitive environment. The primary TWP accreditation initiative has been funding industry to design, develop and maintain a tourism business and accreditation portal, [www.qualitytourism.com.au](http://www.qualitytourism.com.au), that includes the capacity for completion of accreditation online and covers generic, sector-specific and product based accreditation programs.

The portal also provides a one-stop shop for tourism businesses in relation to business improvement information, including reference to resources such as [www.business.gov.au](http://www.business.gov.au).

Overall, however, the portal has not met the expectations of industry and most state and territory governments. Less than 1000 business have been accredited through the use of the Portal. Its future remains uncertain as Australian Government's commitment ceases at 30 June 2008.

## **CHAPTER 1 – INTRODUCTION**

Tourism is an important industry for Australia. In 2005-06 it directly accounted for 3.9 per cent of Australia's Gross Domestic Product (GDP), and was directly responsible for the employment of approximately 465,000 people. In the same year international visitors to Australia consumed \$20.5 billion worth of products, representing 10.5 per cent of total exports.

While domestic tourism is by far the largest segment, accounting for 75 per cent of the industry, it has remained relatively flat for a long time. Most of the growth in tourism in recent years has come from inbound tourism with overseas visitor arrivals for the ten years to 1996-97 increasing at an average annual rate of 7.3 per cent. Beginning in 1998 the sector entered a period of volatility and was impacted by a number of international external shocks culminating in the SARS crisis in 2003 which saw total arrivals to Australia decline by 2.0 per cent in that year.

The TWP was developed during this time of volatility and in recognition of the need to secure the resilience of the sector to better withstand such external shocks.

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### **THE TOURISM WHITE PAPER: OBJECTIVES AND STRATEGIES**

The *Tourism White Paper: A Medium to Long Term Strategy for Tourism* was launched in November 2003. It outlines a strategy involving substantial new investment and restructuring with the central aim of securing the long term sustainable growth of the tourism sector. In particular, the TWP focuses on two significant areas: improving yield and increasing dispersal. The strategy aims to increase the national economic benefit and enhance the economic viability of the industry while ensuring that both the economic and social benefits from tourism are spread across both metropolitan and regional Australia.

The TWP is backed by \$235 million over four and a half years in additional funding from the Australian Government. The strategy places considerable emphasis on greater collaboration between industry and government and within government, including the adoption of a whole of government approach in the development and implementation of tourism related policy.

Key structural reforms contained in the TWP include:

- the establishment of a new tourism body, Tourism Australia, through the merger of the Australian Tourist Commission, See Australia, the Tourism Forecasting Council, and the Bureau of Tourism Research; and
- the establishment of two new units within Tourism Australia, namely: Tourism Events Australia and Tourism Research Australia.



The \$235 million in additional funding was provided over four and a half years, beginning in the middle of 2003-04 and finishing in 2007-08. With the exception of the accreditation initiative and tourism and conservation funding, all TWP initiatives are funded through to June 2008. Key funding initiatives announced in the TWP include:

- an additional \$120.6 million over four-and-a-half years to boost international marketing;
- an additional \$45.5 million over four-and-a-half years to promote domestic and regional tourism;
- an additional \$14.7 million over four years and a half to develop and promote niche and events tourism;
- \$21.5 million over four years to extend the provision of quality research and statistics;
- \$18.7 million over four years under the Australian Tourism Development Program to increase the diversity of tourism products and boost collaboration between regions particularly in rural and regional Australia;
- \$3.8 million over four years under the Business Ready Program for Indigenous Tourism to assist indigenous tourism businesses to develop business and management skills and a better understanding of the tourism industry;
- \$2 million over two years to develop a national framework for voluntary tourism accreditation;
- \$4.6 million over three years under the Tourism and Conservation Partnerships Initiative to help facilitate the development of nature-based tourism attractions, while increasing capacity to protect and conserve the environment; and
- \$1.4 million over four years for Australia's membership to the United Nations World Tourism Organization.

The additional \$120.6 million in support of international marketing was incremental to base funding of \$90 million per annum. Following the announcement of the TWP initiatives there was some reallocation of funds to reflect changing priorities. The reallocations were relatively minor and mainly involved a redistribution of funds within the overall TWP funding. The most important was a \$12.5 million increase in funding for the Australian Tourism Development Program, funded by a reduction in Tourism Australia's allocation (\$7.5 million) and the transfer of \$5 million from the former Regional Tourism Program. The initial budget allocation of \$4.6 million for the Tourism and Conservation Partnerships Initiative was reduced by \$0.9 million to \$3.7 million to fund other departmental priorities.

In developing closer links with industry and fostering greater cooperation between different levels of government and within government, the Australian Government established a number of advisory bodies including the Tourism Minister's Advisory Council and the National Tourism and Aviation Advisory Committee. It has also concluded an Intergovernmental Arrangement between the Australian Government and State and Territory Governments to reflect changes in the international and domestic tourism environment and to strengthen collaboration and coordination across all levels of government.

Following release of the TWP and as part of the commitment to improved communications with industry and within government, the Department developed a

detailed implementation plan (*The TWP Implementation Plan 2004*) in consultation with key industry and government stakeholders. This was released in August 2004 and set out actions, strategies and timeframes for the implementation of TWP initiatives.

The Plan also provided for annual reporting on progress against TWP initiatives and strategies. Two annual progress reports for 2005 and 2006 have been prepared and posted on the Department's website – [www.industry.gov.au/tourism](http://www.industry.gov.au/tourism).

## EVALUATION METHODOLOGY

The TWP represents the single biggest additional investment by an Australian Government in tourism. At the time of its release, the Government foreshadowed that a comprehensive review of the TWP would be undertaken to assess the effectiveness of its initiatives in achieving their stated objectives. The central question for the review is whether the TWP returned a wealth dividend to the nation that justified the additional \$235 million invested by the Government.

As the TWP strategy embraces diverse initiatives which range from supplementary funding for international marketing through to new institutional and consultative arrangements, the evaluation will assess the effect of the strategy in terms of its total effect on industry outcomes as well as the success of individual programs against their objectives.

In order to establish a plan for gathering the information needed to undertake the evaluation an Evaluation Framework was developed in collaboration with industry and endorsed by the Industry Implementation Advisory Group in November 2005. The Framework set out the broad parameters for the evaluation in terms of what would be measured and outlined procedural arrangements for the conduct of the evaluation. A copy of the Framework is at **Appendix A**. This evaluation is an attempt to answer the questions contained in the Framework.

As foreshadowed in the Framework, the evaluation includes 'headline' indicators, which measure the change in overall industry performance against the baseline recorded performance as at 30 June 2004. Headline indicators that are reported on include growth in :

- visitor numbers and visitor nights;
- visitor yield;
- visitor dispersal;
- global market share;
- tourism's contribution to GDP; and
- employment.

The analysis of these headline indicators is complemented with a review of programs announced in the TWP. This report contains an assessment of initiatives announced and funded under the TWP including: the Australian Tourism Development Program, the Business Ready Program for Indigenous Tourism, the Tourism Conservation

initiative and the enhanced research and statistics initiatives, as well as an evaluation of the performance of Tourism Australia's marketing activities.

The evaluation seeks, where possible, to track causal linkages between the initiatives of the White Paper and industry outcomes to reveal the 'additionality' which TWP initiatives may bring to these outcomes. However, this may not always be possible. Where causality cannot easily be established, the evaluation draws on multiple indicators and data sources under a 'weight of evidence approach'.

In some instances, for example in assessing the marketing performance of Tourism Australia, the issue of effectiveness cannot be disaggregated between that attributable to baseline funding and that attributable to the White Paper supplementation. In these instances the total Commonwealth investment in tourism will be subject to evaluation.

It is also important to contextualise the assessment of performance by establishing the broader context in which the tourism industry currently operates and comparing performance with that of competitor markets. The evaluation will therefore compare Australia's tourism performance against international performance. The analysis will be moderated by consideration of external factors that impact on the sector, such as Government policy changes, fuel prices, exchange rate movements, economic conditions in target markets, short term shocks, long term trends and competitor strategies.

From the outset the Department considered that it was critically important that the evaluation be credible with Government and industry. This was especially true in evaluating the effectiveness of Tourism Australia's activities, which represent the largest single investment by the Government in support of the tourism sector.

In developing the framework for the evaluation, the Department concluded that it was not within the expertise of government agencies to assess the methodology developed by Tourism Australia to evaluate its marketing performance. As a result, an external panel of marketing experts was established to review and validate Tourism Australia's evaluation methodology. The panel was established in November 2005 and reviewed and endorsed the proposed evaluation methodology in May 2006. The evaluation contained in Chapter 4 of this report is based on this methodology.

This evaluation report provides an update on the interim report prepared in December 2007. The interim report was based on information that was available up until the middle of 2006 and contained a number of information gaps as in some cases there had been little time since implementation for any clear trends to emerge while in other cases the information needed to assess performance was not yet available. These gaps have been addressed to the extent possible in this final evaluation report.

Following the election of a new Australian Government in November 2007, the Department of Industry, Tourism and Resources (DITR) was split with responsibility for tourism moving to the new Department of Resources, Energy and Tourism (DRET). Throughout this report, DITR and DRET will be referred to as the Department.

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## **CHAPTER 2 – INDUSTRY PERFORMANCE AND COMPETITIVENESS**

### **SUMMARY OF KEY FINDINGS**

#### **Inbound tourism**

- Overall for the period 2003-04 – 2006-07 international visitor arrivals increased by 11.5 per cent. Arrivals grew strongly in 2004-05 (6.9 per cent) partly reflecting a post SARS recovery, but growth slowed to 1.4 per cent in 2005-06 before picking up again in 2006-07, up by 2.9 per cent.
- Australia's performance across markets was mixed. Arrivals from the key emerging markets of China, Korea and India grew very strongly over the review period. Australia also performed well in some smaller established European markets such as France, Ireland and Italy.
- However, some important Asian markets such as Japan, Malaysia, Taiwan, Thailand and Indonesia posted negative growth over the review period. This was due to a number of factors including: Australia's high exchange rate, the emergence of low cost carriers in Asia and the growth of short haul intra-Asian travel, rising oil prices and aggressive marketing by some Asian destinations coupled with restored confidence in travelling in Asia after the SARS crisis.
- Due to the slowing growth in international visitor arrivals in the last two years, Australia's global share of visitor arrivals declined from 0.68 per cent in 2003 to 0.65 per cent in 2006.
- Between 2003-04 and 2006-07 total yield from international visitors showed good growth rising by 15.6 per cent (6.2 per cent in real terms) to reach \$22.6 billion. Over the same period yield per visitor rose by 3.6 per cent to \$4,013.
- Visitor nights for the period under review increased by 20.8 per cent while the average length of stay rose from 28 days to 31 days. The trend of visitors to stay longer and spend more was more strongly reflected in Asian markets (e.g. Singapore, China and Korea).
- Average length of stay for leisure purposes increased from 21 days to 24 days with good growth coming from emerging Asian markets – China, Korea, and India – as well as some established European markets (e.g. France and Italy).
- This result suggests that while growth in arrivals has slowed, Australia has been attracting higher spending and longer staying visitors.

#### **Domestic tourism**

- Domestic tourism activity has been characterised by a long term weakness with continued declines in activity in 2004-05 and 2005-06.
- 2006-07 saw a modest recovery in domestic tourism with domestic visitor nights and day trips increasing by 2.6 per cent and 5.5 per cent respectively on

2005-06. Overall for the period 2003-04 – 2006-07 domestic visitor nights fell by 2.8 per cent while day trips increased by 0.7 per cent.

- Despite the flat activity, domestic tourism expenditure increased by 12.2 per cent between 2003-04 and 2006-07 with good growth occurring in 2005-06 (up 4.5 per cent) and 2006-07 (up 7.0 per cent).

### **Regional dispersal**

- Visitation by international visitors to regional Australia since 2003-04 has shown good growth with a 22.8 per cent increase in international visitor nights spent in regional Australia between 2003-04 and 2006-07.
- However, despite this, the rate of dispersal over this period has not increased due to similarly strong growth in visitor nights spent in Australia's main gateways.
- Encouraging regional dispersal of inbound leisure tourism has become more difficult because the faster growing Asian inbound leisure markets favour city visitation and show less interest in visiting regional Australia.
- Domestic dispersal as measured by the proportion of visitor nights spent outside the capital cities declined from 64.4 per cent in 2003-04 to 63.3 per cent in 2006-07, reflecting a 4.4 per cent decline in visitor nights spent in regional Australia.
- The appreciation of the Australian dollar and the resulting strong growth in outbound travel over the review period had an adverse effect on domestic leisure travel, which was more pronounced in regional areas.
- As domestic tourism activity recovered in 2006-07, the rate of dispersal improved slightly in comparison to 2005-06.

### **Tourism and the economy**

- All key macro indicators for tourism recorded positive growth in 2005-06 compared with 2003-04:
  - tourism GDP increased by 6.6 per cent to \$37.6 billion;
  - total tourism employment rose by 3.5 per cent to over 464,500 jobs;
  - tourism exports increased by 4.7 per cent to \$20.5 billion.
- While growing in absolute terms, in relative terms tourism has declined as the Australian economy, driven largely by the resources boom, grew even faster causing tourism's share in the three indicators listed above to fall.
- Building work in hotels and similar establishments has recorded solid growth since 2003-04. Between 2003-04 and 2006-07 the value of building work in commercial accommodation rose from \$0.87 billion to \$1.26 billion, an increase of 45 per cent.
- While the total number of available rooms grew by 5.7 per cent between 2003-04 and 2006-07, this was more than matched by an increase in the number of room nights occupied (+11.3 per cent) pushing up the room occupancy rate from 61.5 per cent to 65.2 per cent. Takings from accommodation increased from \$5.55 billion in 2003-04 to \$7.1 billion in 2006-07, a 28 per cent increase.

- This may indicate that despite the overall growth accommodation building work in the last four years, the expansion in room capacity has not kept up with the growth in demand. Should this continue in the future, occupancy rates and takings from accommodation will continue to rise boosting returns in the sector, but also reducing the sector's price competitiveness.
  - Between 2003-04 and 2006-07 labour productivity increased by 4.8 index points in the '*Accommodation, cafes and restaurants*' sector, and by 8.6 index points in the '*Transport and storage*' sector. Labour productivity across all industries in 2006-07 increased by 2.4 index points from 2003-04.
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## INTRODUCTION

This chapter will examine the performance of the tourism sector since 2003-04 in relation to the headline indicators developed in the Evaluation Framework<sup>2</sup>. In particular the chapter will concentrate on tourism indicators including international arrivals, domestic tourism activity, yield, length of stay and visitor dispersal. Broader economic indicators such as investment, profitability and productivity will also be examined.

The chapter is prefaced by a discussion of the historical performance of tourism, pre 2003-04, to set the context for the analysis that follows.

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## TOURISM IN THE AUSTRALIAN ECONOMY

Tourism is an important sector of the Australian economy. According to the latest Tourism Satellite Account, in 2005-06 tourism contributed \$37.6 billion to Australia's Gross Domestic Product, employed nearly 465, 000 people and generated \$20.5 billion worth of exports<sup>3</sup>.

Domestic tourism is by far the largest segment of the tourism industry, accounting for around 75 per cent of total tourism consumption, with inbound tourism accounting for 25 per cent. Approximately 47 per cent of total tourism expenditure occurs in regional Australia. Domestic visitors spend relatively more in regional Australia – 53 cents in every dollar – compared to international visitors who spend 21 cents in every dollar.

Internationally, Australia is regarded as a long haul destination. Because of this, in terms of international visitor arrivals Australia is a relatively minor player, ranking in the high 30s with a global market share of 0.65 per cent in 2006. By contrast, in terms of tourism receipts Australia was ranked 8<sup>th</sup> in the world, accounting for 2.4 per cent of international tourism receipts in 2006<sup>4</sup>. To an extent this reflects the longer stay of overseas visitors who must generally travel long distances to visit Australia.

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## INBOUND TOURISM

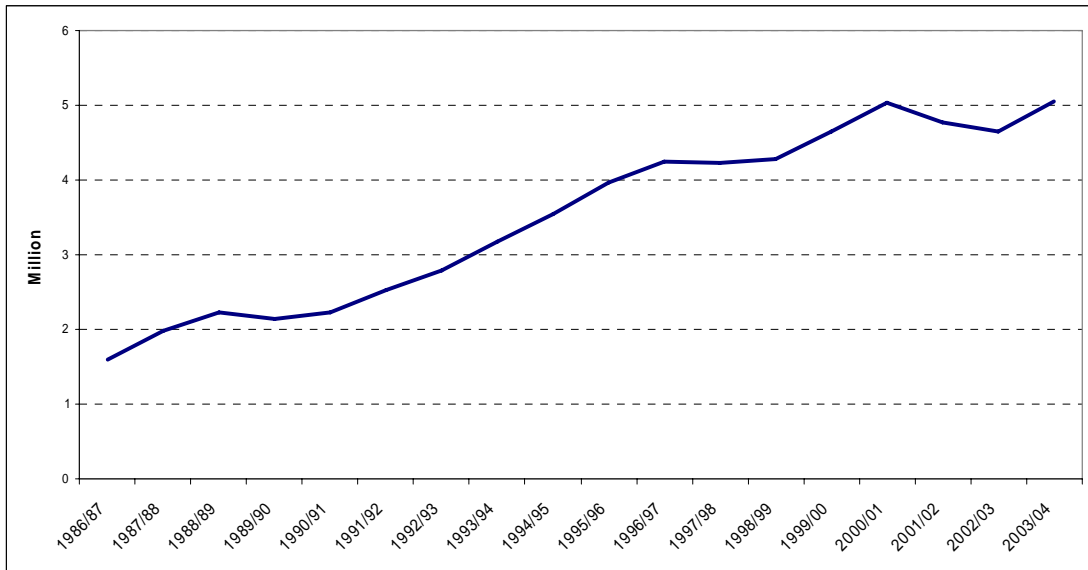
The growth of Australia's inbound tourism over the last twenty years has been strong. In 1986-87 there were 1.59 million visitor arrivals to Australia. By 1996-97 these had increased to 4.25 million and despite several external shocks, by 2003-04, Australia had a record 5.1 million visitors. Between 1986-87 and 2003-04 international visitor arrivals to Australia increased at an annual average rate of 7.3 per cent with much of the stronger growth occurring in the early to mid 1990s.

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<sup>2</sup> See Appendix A.

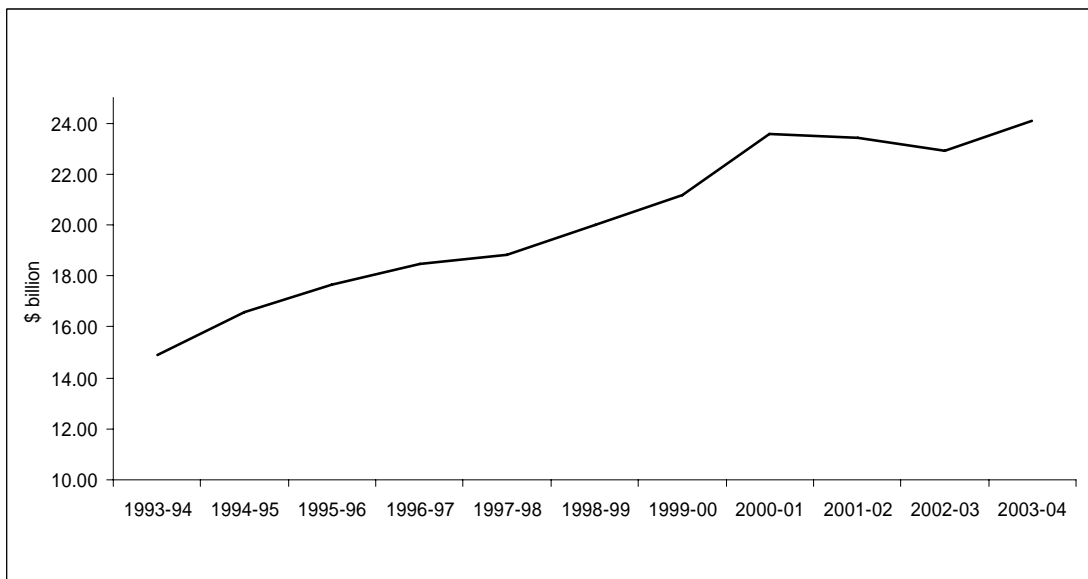
<sup>3</sup> ABS, *Tourism Satellite Account, Cat. No 5249.0, (2007)*.

<sup>4</sup> UNWTO, *Tourism Highlights, 2007 Edition*.

**Chart 2.1: International visitor arrivals**

Source: ABS, Overseas Arrivals and Departures, Australia, Cat. No. 3401.0.

In line with the long term growth in visitor arrivals tourism export earnings also increased considerably. In 1993, the Australian Bureau of Statistics introduced a series called 'tourism related exports'. This series is derived by combining total travel services (business, education-related and other personal travel), passenger fares, and the air transport component of other transportation services which relates to agency fees and commission receipts. Data from this series are available from 1993-94. In the period between 1993-94 and 2003-04 tourism credits increased in real terms from \$14.9 billion to \$24.1 billion – an increase of 62 per cent.

**Chart 2.2: Tourism services credits (2003-04 prices)**

Source: ABS, Balance of Payments and International Investment Position, Australia, Cat. No. 5302.0 and Consumer Price Index, Australia, Cat No. 6401.0.



Despite the strong long term growth, in 1998 the sector entered a sustained period of volatility as a number of external shocks impacted heavily on international travel both to Australia and globally. Significant events that have had an effect on inbound tourism include:

- the Asian economic crisis in 1998 which disrupted growth from some of the emerging east Asian markets;
- a prolonged period of sluggish performance by the Japanese economy;
- the Iraqi war, and the threat of global terrorism; and
- the outbreak of the Severe Acute Respiratory Syndrome (SARS) in 2003.

As a result of these events the number of inbound visitors to Australia declined in 1998 and again for three consecutive years between 2001 and 2003. Arrivals recovered strongly in 2004 and continued to grow in 2005 and 2006, but at a slower rate.

These developments in Australian inbound tourism are also reflected in world tourism. Growth in world tourism was virtually uninterrupted until 2001 when world travel was affected by the events of September 2001. In 2003 world travel was again disrupted by the outbreak of SARS and world arrivals declined by 1.7 per cent – though the Asia Pacific region was much more heavily affected, suffering a 9 per cent drop in visitor arrivals. International travel recovered strongly in 2004, up by 10.1 per cent and continued to show good growth in 2005 and 2006 increasing by 5.5 per cent and 5.4 per cent respectively<sup>5</sup>.

## DOMESTIC TOURISM<sup>6</sup>

Unlike international tourism, domestic tourism activity has been relatively flat in recent years.

**Table 2.1: Domestic tourism**

	Overnight tourism			Day tourism	
	Trips (million)	Visitor nights (million)	Expenditure* (\$ million)	Trips (million)	Expenditure* (\$ million)
1998-99	73.8	297.4	33,878	160.3	10,922
1999-00	72.0	290.6	34,373	167.1	12,035
2000-01	73.8	291.6	38,230	152.8	12,578
2001-02	75.0	288.7	38,559	142.3	11,491
2002-03	75.2	302.3	40,586	143.2	12,027
2003-04	74.4	295.9	39,106	137.9	11,709

Source: Tourism Research Australia, National Visitor Survey.

\* Nominal terms.

Between 1998-99 and 2003-04 the number of domestic overnight trips and domestic visitor nights remained virtually unchanged. Over the same period overnight visitor expenditure increased in nominal terms by 15.4 per cent. For the period between

<sup>5</sup> UNWTO World Tourism Barometer, Vol 5, No. 3, October 2007.

<sup>6</sup> Two breaks in the domestic tourism data series (in 1995 and in 1998) make historical comparisons of the performance of the sector problematic. It was not until 1998 when the more rigorous survey of the National Visitor Survey (NVS) was introduced that greater confidence in the accuracy of the data was obtained. Indeed reliable data on travel expenditure are only available for the period covered by the NVS.

1998-99 and 2003-04 the number of day trips fell by 14.0 per cent while day trip expenditure increased in nominal terms by 7.2 per cent to \$11.7 billion.

Some key factors driving domestic tourism trends include:

- changing consumption patterns in favour of durable household goods and at the expense of domestic travel;
- higher levels of personal and household debt putting pressure on people's disposable income and hence their capacity to travel;
- leakages from domestic to outbound leisure travel fuelled by an appreciating domestic currency; and
- changes in the labour market manifested in a stockpiling of leave, which have affected people's propensity to travel domestically.

## ASSESSMENT OF PERFORMANCE SINCE 2003-04

The TWP funding period commenced in mid 2003-04. Notwithstanding the long term objectives of the TWP and the time lags between the announcement of a new policy and the development and implementation of the relevant initiatives there was an expectation that performance would be measured from the first full year of TWP funding i.e. 2004-05. As outlined in the Evaluation Framework, the performance of the tourism sector as a whole is to be assessed against 2003-04 as the benchmark year by using a range of headline indicators. These indicators relate to industry specific measures (inbound visitor arrivals, yield, visitor nights, and dispersal) and broader economic indicators (tourism GDP, exports, employment, investment, productivity, and profitability).

On this basis the analysis that follows is divided into: performance of tourism; and tourism and the economy.

### Performance of tourism

#### Inbound tourism

**Table 2.2: Inbound tourism – headline indicators**

	2003-04	2004-05	2005-06	2006-07	% Change 06-07/03-04
Visitor arrivals ('000)	5,057	5,408	5,484	5,641	11.5
Yield – Total inbound economic value (\$ billion)	19.59	19.62	20.53	22.64	15.5
Yield per visitor (\$)	3,874	3,628	3,744	4,013	3.6
Visitor nights ('000)	132,070	129,241	145,216	159,542	20.8
Visitor dispersal* (%)	33.6	35.5	34.3	34.2	Na
Market share (%)	0.68	0.68	0.68	0.65	Na

Source: ABS, Overseas Arrivals and Departures, Australia, Cat. No. 3401.0; Tourism Research Australia, International Visitor Survey; UNWTO, Tourism Highlights 2006 and 2007 editions.

\* Visitor dispersal is measured as the share of visitor nights spent by overseas outside Australia's four main gateways (Sydney, Melbourne, Brisbane and Perth).

## Arrivals

International visitor arrivals to Australia increased by 6.9 per cent in 2004-05 to 5.4 million, partly reflecting the recovery from the SARS crisis in the previous year. Growth in arrivals slowed to 1.4 per cent in 2005-06, but bounced back to 2.9 per cent in 2006-07, when arrivals reached a record 5.6 million. Overall for the period 2003-04 – 2006-07 visitor arrivals increased by 11.5 per cent.

Travel for leisure purposes (holiday and visiting friends and relatives (VFR)) is of particular interest to this evaluation as it is the category of tourism that Tourism Australia primarily focuses its activities on. In 2004-05 arrivals for the purpose of holidays rose by 10 per cent, partly reflecting pent up demand after the SARS crisis in 2003. This growth was not sustained, however, and in 2005-06 arrivals for the purpose of holidays increased by 1.0 per cent and remained flat in 2006-07. Overall, between 2003-04 and 2006-07 visitor arrivals for holiday purposes increased by 11.3 per cent – making it the slowest growing visitor category (apart from 'other').

**Table 2.3: Visitor arrivals by main purpose of visit – ('000)**

	2003-04	2004-05	2005-06	2006-07	% Change 06-07/03-04
Holiday	2,603.0	2,865.9	2,895.1	2,896.1	11.3
Visiting Friends & Relatives	985.9	1,097.4	1,108.9	1,153.3	17.0
Conventions/ Conferences	148.3	160.9	169.7	183.3	23.6
Business	487.5	518.4	596.0	640.8	31.4
Education	249.8	248.5	271.1	289.5	15.9
Employment	109.3	84.1	137.5	164.0	50.0
Other	473.4	432.6	305.6	314.5	-33.6

Source: ABS, Overseas Arrivals and Departures, Australia, Cat. No. 3401.0.

A similar pattern can be observed for VFR arrivals, which in 2004-05 increased by 11.3 per cent, but slowed down in 2005-06 to a 1 per cent growth. However, unlike inbound holiday travel, growth in VFR arrivals recovered to 4 per cent in 2006-07.

Arrivals for business purposes and for conferences and conventions have performed consistently well since 2003-04 showing good annual increases. Between 2003-04 and 2006-07, arrivals for business purposes and for conferences and conventions rose by 31.4 per cent and 23.6 per cent respectively.

The post SARS recovery in 2004-05 was reflected in positive growth in arrivals from nearly all of Australia's key inbound markets. The exceptions were Malaysia and Indonesia for which arrivals declined by 3.4 per cent and 9.8 per cent respectively, while Taiwan and Thailand remained flat. Our biggest inbound market New Zealand showed good growth (+16.8 per cent) while China rose by 26.3 per cent. Good growth was also achieved from Hong Kong (+12.9 per cent), India (+10.2 per cent), Korea (+9.7 per cent) and Italy (+13.5 per cent).

In 2005-06 performance in terms of visitor arrivals was more varied. Most markets showed positive growth though at considerably lower rates than those achieved in

2004-05. Arrivals from some of our key Asian markets were weaker with Japan declining by 3.8 per cent, Singapore by 5.6 per cent, Malaysia by 9.5 per cent and Thailand by 5.0 per cent. By contrast India recorded strong positive growth, increasing by 33.3 per cent or by some 20,000 visitors.

**Table 2.4: Number of arrivals – Selected key markets**

	Number of arrivals ('000)				% Change 06-07/03-04
	2003-04	2004-05	2005-06	2006-07	
New Zealand	926	1,082	1,091	1,115	20.4
United Kingdom	686	699	709	733	6.8
Japan	688	701	674	610	-11.3
USA	430	445	452	455	5.8
China	217	274	292	338	56.1
Korea	216	237	243	271	25.6
Singapore	253	267	252	263	4.3
Malaysia	175	169	153	157	-10.3
Hong Kong	132	149	159	153	15.8
Germany	141	143	150	149	5.5
Canada	93	103	107	110	19.0
Taiwan	104	104	102	92	-11.3
India	54	59	79	88	63.7
Indonesia	91	82	82	85	-6.7
Thailand	79	79	75	77	-2.4
France	57	59	66	70	22.0
Ireland	54	57	59	63	16.6
Italy	44	50	51	53	21.8

Source: ABS, Overseas Arrivals and Departures, Australia, Cat. No. 3401.0.  
Percentage change based on unrounded arrival numbers.

Arrivals from Japan continued to decline in 2006-07, with Hong Kong, Germany and Taiwan also recording falls. By contrast Singapore, Malaysia and Thailand returned to positive growth, while China (up 15.8 per cent), Korea and India (up 11.5 per cent each) continued to perform strongly, confirming their status as important emerging markets for Australia.

For the period between 2003-04 and 2006-07, arrivals from some important Asian markets Japan, Malaysia, Taiwan, Indonesia and Thailand declined, while China, New Zealand, Korea, Hong Kong, India, France and Italy provided solid positive growth. Growth in arrivals from more established western hemisphere markets (UK, US and Germany) was positive, but modest.

The discussion that follows compares Australia's inbound performance against the performance of the tourism sector globally. As world travel statistics are on a calendar year basis, a comparison of Australia's inbound performance in relation to the rest of the world also has to be on a calendar year basis.

Table 2.5 shows that at an aggregate level, in the period between 2003 and 2005, Australia's growth in inbound visitor arrivals was on par with growth in world arrivals, but Australia lost ground in 2006. Between 2003 and 2004 international visitor arrivals to Australia rose by 9.9 per cent compared to an increase in total world arrivals of 10.1 per cent. Between 2004 and 2005 visitor arrivals to Australia increased by 5.4 per cent on 2004, virtually the same as the growth in world arrivals. As a result for the period 2003 to 2005 Australia's share of world visitor arrivals

remained steady at 0.68 per cent. However, in 2006 the growth in visitor arrivals to Australia slowed to 0.6 per cent, considerably below the 5.4 per cent growth in world travel for that year leading to a slight fall in Australia's share of international arrivals – to 0.65 per cent.

**Table 2.5: Arrivals to Australia and total departures from selected markets – % changes**

	2002		2003		2004		2005		2006	
	Aust	World	Aust	World	Aust	World	Aust	World	Aust	World
New Zealand	-3.0	0.5	6.2	6.2	23.1	26.1	6.4	8.0	-2.1	-0.6
United Kingdom	4.1	1.9	4.7	3.4	0.5	4.5	4.8	3.6	3.6	3.1
Japan	6.2	1.9	-12.2	-19.5	13.1	26.6	-3.5	3.4	-5.0	0.8
USA	-2.7	-2.3	-2.8	-3.1	2.7	9.9	2.9	2.7	2.2	Na
China	20.3	36.8	-7.4	21.8	42.6	42.7	13.5	7.5	8.2	Na
Singapore	-3.1	4.7	-11.7	-4.1	-0.9	22.4	5.9	-0.1	-4.7	7.3
Korea	8.0	18.0	9.3	0.5	2.2	24.6	18.3	14.2	4.2	15.2
Hong Kong	-2.1	5.6	-14.5	-5.6	6.3	13.1	16.3	4.9	-3.1	4.9
Malaysia	6.4	-3.8	-2.1	-3.8	7.3	6.6	-0.5	8.9	-9.5	Na
Germany	8.8	-1.5	2.3	-1.8	2.0	-3.1	4.3	7.0	1.2	-8.0
Canada	-2.6	na	-3.1	0.2	11.6	10.5	4.4	7.7	7.0	7.7
Taiwan	-11.8	na	-9.6	-19.1	12.3	31.4	12.2	5.5	-15.5	5.6
India	-6.4	8.2	1.6	21.4	8.3	16.1	22.5	15.6	23.1	Na
Thailand	3.6	11.9	-11.8	-4.4	9.2	26.0	-3.3	12.4	-4.2	Na
France	-0.8	na	3.6	2.4	13.4	13.7	9.6	5.4	5.6	0.9
Ireland	-6.4	na	10.0	6.4	1.5	9.7	11.4	13.0	-1.2	12.0
Italy	0.0	Na	-4.8	6.7	14.0	-12.9	8.50	6.2	0.8	3.6
Total all arrivals	-0.3	2.9	-2.0	-1.8	9.9	10.1	5.4	5.5	0.6	5.4

Source: ABS, Overseas Arrivals and Departures, Australia, Cat. No. 3401.0; UNWTO Online Tourism Fact Book, September 2007; UNWTO Tourism Barometer October 2007.

Table 2.5 suggests that for the period between 2003 and 2006 Australia's performance in terms of inbound arrivals has been mixed. Japan, Singapore and Thailand are three markets where Australia has clearly lost market share, falling considerably behind the growth in outbound travel from these markets. The year 2005 was a very good year for inbound travel to Australia with good gains made in a number of markets including China, Singapore, Korea, Hong Kong, Germany, the UK, France, India and Taiwan. Some of these gains were reversed in 2006, when Australia lost market share especially in some the key East Asian markets (2006 outbound data for China, Malaysia and Thailand are not yet available).

There are several reasons behind the relative decline in visitation from East Asia, among them: low cost carriers offering very low priced airfares for intra regional

travel; rising fuel prices; capacity constraints on some Asian routes particularly those servicing the growing Chinese market and those available to Australian outbound tourists; the continued high value of the Australian currency; and an increase in confidence to travel to Asian destinations post SARS. These factors will be discussed at greater length in Chapter 3.

### Yields

One of the major TWP objectives was to encourage a focus on industry yield rather than just arrivals. In 2005 Tourism Research Australia developed a new concept of yield, Total Inbound Economic Value (TIEV), to measure the financial contribution of inbound tourism to the economy. TIEV represents the total amount of money that flows to the Australian tourism industry through the exportation of Australian tourism services. It includes the total trip spending by inbound visitors less key leakages of this spending to non-Australian entities (such payments to overseas based airlines, wholesalers and travel agents).

Due to the focus of Tourism Australia's activities on attracting tourists visiting for leisure, for the purposes of this evaluation inbound tourism industry performance will be measured both in terms of total inbound economic value (TIEV) and total economic value from leisure inbound tourism (Leisure TIEV).

**Table 2.6: Total inbound economic value – Top 10 markets**

	Yield (\$ million)				% Change 06-07/03-04
	2003-04	2004-05	2005-06	2006-07	
UK	3,613	3,316	3,274	3,760	4.1
Japan	2,036	2,007	2,058	1,716	-15.7
USA	1,966	1,883	1,937	1,980	0.7
NZ	1,692	1,959	2,060	2,166	28.0
China	1,186	1,553	1,485	1,840	55.1
Korea	817	878	1,016	1,307	60.0
Singapore	716	679	777	924	29.1
Germany	803	749	746	809	0.7
Hong Kong	540	485	584	621	15.0
Malaysia	630	599	607	706	12.1
Total	19,594	19,615	20,526	22,636	15.5
<i>Total (real*)</i>	<i>21,313</i>	<i>20,818</i>	<i>20,952</i>	<i>22,636</i>	<i>6.2</i>

Source: Tourism Research Australia, International Visitor Survey; Tourism Forecasting Committee, October 2007.

\* Base: Quarter 2, 2007.

Between 2003-04 and 2006-07 TIEV increased by 15.5 per cent to \$22.6 billion in nominal terms. In 2006-07, TIEV increased by 10.3 per cent compared to a 4.6 per cent increase in the previous year. Growth in TIEV since 2003-04 has varied among our top ten markets with good growth coming from China (+55.1 per cent), Korea (+60.0 per cent), Singapore (+29.1 per cent), New Zealand (+28 per cent), Hong Kong (+15.0 per cent) and Malaysia (+12.1 per cent). For Singapore and Malaysia the strongest growth occurred in 2006-07 despite a relatively softer growth in arrivals from these countries. Japan was the one major market where TIEV declined in

absolute terms between 2003-04 and 2006-07 (-15.7 per cent) reflecting a decline in Japanese visitor arrivals (-11.3 per cent).

Between 2003-04 and 2006-07, growth in TIEV (+15.5 per cent) exceeded growth in arrivals (+11.5 per cent), reflecting an increase in yield per visitor for the period of 3.6 per cent (see Table 2.2). Importantly, much of the growth in TIEV occurred in 2006-07 indicating that the TWP's focus on yield may be beginning to produce results.

In real terms (after adjusting for inflation) between 2003-04 and 2006-07 TIEV increased by 6.2 per cent. Growth in real TIEV has varied across markets, but it fell in some established markets such as the US and Germany (-7 per cent each), the UK (-4 per cent) and Japan (-23 per cent). In the case of Japan and the US a contributing factor in this decline is the strong appreciation of the Australian dollar against these countries' currencies. In the case of the US, however, the decline in the TIEV, was largely driven by steep falls in non-leisure TIEV, particularly employment and education rather than leisure TIEV.

Table 2.7 shows that between 2003-04 and 2006-07, leisure TIEV grew by less than TIEV as a whole. Importantly however, leisure TIEV grew strongly in 2006-07, rising by 9.6 per cent on 2005-06. This result is particularly significant because high exchange rates impact more heavily on discretionary leisure travel than on other forms of travel. Similarly, increases in airfares associated with fuel surcharges are more likely to impact especially on budget leisure travel, as the proportional impact of a fixed fuel surcharge on total trip costs is far higher for this form of travel. Further, because Australia is a long haul destination, fuel surcharges affect Australia's inbound travel more than other destinations.

**Table 2.7: Leisure and non-leisure TIEV**

	2003-04 (\$ billion)	2004-05 (\$ billion)	2005-06 (\$ billion)	2006-07 (\$ billion)	% Change 06-07/03-04
Leisure	12.9	13.6	13.5	14.8	15.1
Non Leisure	6.7	6.0	7.0	7.8	16.4
Total TIEV	19.6	19.6	20.5	22.6	15.5

Source: Tourism Research Australia, International Visitor Survey

Within the seven major or Tier 1 markets that provided around 65 per cent of total leisure TIEV in 2006-07 the growth in leisure TIEV between 2003-04 and 2006-07 varied considerably as shown in Table 2.8.

**Table 2.8: Leisure TIEV – Tier 1 markets**

	2003-04 (\$ million)	2004-05 (\$ million)	2005-06 (\$ million)	2006-07 (\$ million)	% Change 06-07/03-04
UK	3,017	2,935	2,877	3,296	9.2
Japan	1,553	1,624	1,591	1,316	-15.3
NZ	1,275	1,499	1,469	1,573	23.3
USA	1,013	1,144	1,125	1,172	15.7
China	457	629	623	779	70.5
Korea	529	591	623	794	50.0
Germany	582	593	589	609	4.6

Source: Tourism Research Australia, International Visitor Survey

Table 2.8 shows that, between 2003-04 to 2006-07, of the largest sources of inbound leisure economic value the Chinese, New Zealand and Korean markets showed strong growth while the Japan markets showed falls. Growth in TIEV from the UK and German markets was relatively low. The UK market was influenced by the impact of the 2003 Rugby World Cup in boosting the base year leisure spending data. Similarly, arrivals from Japan in 2003-04 were boosted by Australia's 'safe haven' status in the immediate aftermath of the SARS crisis (most noticeably with school groups). The Japanese data also reflect both the influence of the appreciation of the A\$ against the Yen and the switch by Japanese outbound travellers to An-Kin-Tan (closer, shorter) destinations such as Korea and China.

### Length of stay

An important factor determining the magnitude of TIEV is length of stay and the number of nights spent in Australia. Being a long haul destination, international visitors to Australia have a relatively long length of stay.

**Table 2.9: Visitor nights and length of stay – Top 10 markets**

	2003-04		2004-05		2005-06		2006-07	
	Visitor nights ('000)	Average stay*	Visitor nights ('000)	Average stay*	Visitor nights ('000)	Average stay*	Visitor nights ('000)	Average stay*
UK	26,602	41	21,556	33	21,950	33	22,826	33
Japan	10,830	17	10,050	15	10,901	17	10,991	19
USA	10,164	25	9,058	22	9,941	24	9,704	23
NZ	11,261	13	12,763	13	14,262	15	14,085	14
China	8,551	41	11,532	44	12,147	44	15,435	48
Korea	5,733	29	6,453	30	8,894	40	11,369	46
Singapore	4,396	20	3,966	17	4,901	23	5,656	25
Germany	6,320	46	5,517	40	6,490	45	6,672	46
Malaysia	4,318	28	4,403	30	4,969	37	5,261	37
Hong Kong	3,587	30	2,906	22	4,182	29	4,244	31
<b>Total</b>	<b>132,070</b>	<b>28</b>	<b>129,241</b>	<b>26</b>	<b>145,216</b>	<b>29</b>	<b>159,542</b>	<b>31</b>

Source: Tourism Research Australia, International Visitor Survey.

\* Average stay per visitor. Figures include

In 2004-05, visitor nights and average stay fell by 2.1 per cent and 7.1 per cent respectively. However, both visitor nights and average stay showed solid growth in both 2005-06 and 2006-07. Over the three-year period to 2006-07, visitor nights increased by 20.8 per cent, with the strongest growth coming from Asian markets such as China (80.5 per cent), Korea (98.3 per cent) and Singapore (28.7 per cent). Visitor nights for the UK and the US declined sharply in 2004-05 and though they recovered in subsequent years they are still below their 2003-04 levels.

The above discussion incorporates short term arrivals to Australia for all purposes including leisure as well as business, education and employment. The average length of stay for visitors travelling to Australia for education and employment purposes tends to be higher than stay for leisure purposes.

Table 2.10 shows average length of stay for inbound visitors for leisure purposes only. Overall for the period 2003-04 to 2006-07, average length of stay for all leisure visitors increased from 21 days to 24 days. As was the case with total arrivals, the largest increases in average stay occurred in Asian markets, particularly the new



emerging markets of China, Korea and India. Good growth was also achieved in some established European markets e.g. France and Italy.

**Table 2.10. Average length of stay – Leisure (days)**

	2003-04	2004-05	2005-06	2006-07
UK	36	33	32	32
Japan	10	11	11	12
USA	18	17	18	19
NZ	12	13	13	13
China	21	29	23	27
Korea	20	19	25	32
Singapore	12	10	12	13
Germany	40	37	40	41
Malaysia	13	14	14	16
Hong Kong	13	13	15	16
India	22	20	31	38
Taiwan	11	10	16	17
Thailand	13	19	20	25
France	27	29	29	49
Italy	25	21	43	35
<b>Total</b>	<b>21</b>	<b>21</b>	<b>22</b>	<b>24</b>

Source: Tourism Research Australia, International Visitor Survey.

## Domestic tourism

**Table 2.11: Domestic tourism – headline indicators**

	2003-04	2004-05	2005-06	2006-07	% Change 06-07/03-04
Overnight trips ('000)	74,356	72,178	71,934	73,571	-1.1
Day trips ('000)	137,900	131,151	131,601	138,815	0.7
Visitor nights ('000)	295,873	289,690	280,396	287,578	-2.8
Yield – Total expenditure (\$ billion)	50.81	50.99	53.30	57.02	12.2
Dispersal* (%)	64.4	64.2	62.4	63.3	na

Source: Tourism Research Australia, National Visitor Survey.

\* Visitor dispersal is measured as the share of domestic visitor nights spent outside the capital cities.

Domestic tourism has not performed as strongly as inbound tourism over the evaluation period. Between 2003-04 and 2006-07, overnight trips fell by 1.1 per cent while visitor nights fell by 2.8 per cent. Over the same period, day travel increased by less than 1 per cent. Notwithstanding the decline in the amount of domestic travel, total domestic tourism expenditure increased by 12.2 per cent in nominal terms with the strongest growth occurring in the last two years.

An encouraging sign is the rebound in domestic tourism activity in 2006-07. In that year, overnight trips and visitor nights increased by 2.3 per cent and 2.6 per cent

respectively, while day trips rose by 5.5 per cent. Total domestic tourism expenditure in 2006-07 increased by 7.0 per cent.

**Table 2.12: Domestic visitor nights by purpose**

	2003-04 '000	2004-05 '000	2005-06 '000	2006-07 '000	% Change 06-07/03-04
Holiday	133,908	133,469	131,743	140,365	4.8
VFR	101,585	95,910	88,889	88,710	-12.7
Business	41,767	40,505	41,357	43,508	4.2
Other	12,318	13,659	13,880	13,459	9.3
Total*	295,873	289,690	280,396	287,578	-2.8

Source: Tourism Research Australia, National Visitor Survey.

\* Total includes visitor nights for which purpose of visit was not asked for each stop over.

Looking at overnight travel, the biggest fall between 2003-04 and 2006-07 occurred in the VFR segment where visitor nights dropped by 12.7 per cent. Over the same period, visitor nights for holiday purposes increased by 4.8 per cent, as a result of the strong result in 2006-07 (+6.5 per cent).

**Table 2.13: Overnight travel expenditure by purpose**

	2003-04 \$ million	2004-05 \$ million	2005-06 \$ million	2006-07 \$ million	% Change 06-07/03-04
Holiday	19,769	20,614	21,957	23,998	21.4
VFR	9,085	9,080	9,213	9,279	2.1
Business	9,094	8,287	7,947	8,517	-6.3
Other	1,159	1,400	1,575	1,328	14.6
Total	39,106	39,381	40,691	43,122	10.3

Source: Tourism Research Australia, National Visitor Survey.

Between 2003-04 and 2006-07 total overnight expenditure increased by 10.3 per cent, mainly as a result of good growth in the domestic holiday segment. Domestic overnight holiday spending has been trending up since 2003-04, with a 21.4 per cent increase between 2003-04 and 2006-07. This is in contrast to VFR spending which remained relatively flat and business travel spending which fell over the same period.

Notwithstanding an overall improvement in the performance of domestic tourism in 2006-07 this segment of the industry has had to face a number of challenges reflecting a combination of short and long term factors, including:

- changing consumption patterns characterised by shift away from domestic tourism;
- a strong Australian dollar encouraging more outbound travel;
- recovering confidence in the safety of outbound travel following the September 11 terrorism, Bali bombing and SARS;
- rising global fuel prices which had some impact on drive tourism, the choice between driving and flying;
- the increasing role of domestic low cost carriers which have:
  - impacted on the regional dispersal of domestic tourism, as many regional centres on drive touring routes were flown over;
  - reduced domestic visitor nights as consumers reduced the duration of their trips;

- airline competition internationally, including much lower airfares to New Zealand from late 2003;
- changes in the attitudes of business to business travel, including growing use of other approaches to business meetings (teleconferences, etc); and
- drought in regional areas reducing the attractiveness of some destinations.

An important development particularly since 2002-03 that has impacted on domestic tourism has been the growth in outbound travel, which increased by 19.5 per cent and 16.6 per cent in 2003-04 and 2004-05 respectively. Outbound travel has continued to grow though at a slower pace – up by 5.3 per cent in 2005-06 and 6 per cent in 2006-07.

The rising Australian dollar has been an important factor contributing to the growth in outbound travel in recent years. As the Australian dollar continues to strengthen the price competitiveness of overseas travel improves relative to other consumption choices, particularly close-to-home Asian (mainly holiday/leisure based) destinations. This suggests that growth in domestic leisure travel could come under renewed pressure in 2007 – in the year to October 2007 outbound travel from Australia increased by 10.1 per cent compared to the same period in 2006.

A report commissioned by the Department on the state of domestic tourism highlighted the link between domestic and outbound travel<sup>7</sup>. According to the report between 1999 and 2005 the strongest growth in outbound visitor nights was for short haul destinations, with nights spent in New Zealand and Asia increasing by 50 per cent each. Growth in nights to longer haul destinations was weaker. The report notes that trips to short haul destinations tend to be of shorter duration and involve lower airfares compared to longer haul destinations and have more similarities to some segments of domestic travel. With short haul travel being a substitute for domestic travel, it is not surprising that a decline in domestic tourism activity has coincided with an increase in travel to short haul destinations.

There is also evidence that petrol prices have had a negative impact on some overnight travel segments with around 73 per cent of all overnight trips involving use of a private motor vehicle, and a notable decline in these trips in 2004-05 (-5.2 per cent) and in 2005-06 (-2.1 per cent)<sup>8</sup>. For 2006-07 the share of overnight trips involving use of a private motor vehicle is down to 72 per cent.

The stagnation of the domestic tourism sector in recent years is not confined to Australia alone. A study commissioned by the Department on the state of Australian domestic tourism found that other developed countries have experienced similar patterns of domestic tourism performance as Australia, with overall levels remaining relatively static in recent years. An analysis of domestic tourism trends in Canada, New Zealand and the United Kingdom has shown a widespread decline in domestic travel propensity in all three countries<sup>9</sup>.

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<sup>7</sup> Tourism Research Australia, An assessment of the Australian domestic tourism market, 2006.

<sup>8</sup> Tourism Research Australia, National Visitor Survey, June 2006 (2005 and 2004).

<sup>9</sup> Tourism Research Australia, An assessment of the Australian domestic tourism market, 2006.

At the Tourism Ministers' Council (TMC) meeting in August 2006, Federal, State and Territory Tourism Ministers agreed to the Australian Government convening a taskforce, comprising ASCOT members and Tourism Research Australia to develop an action plan to tackle issues affecting domestic tourism. Based on the outcomes of further research, and consultation with selected Regional Tourism Organisations across Australia, State and Territory Tourism Industry Councils, and industry organisations represented on the Tourism Ministers' Advisory Council, the Action Plan addressed:

- domestic marketing communications;
- destination Management Planning;
- private sector investment in tourism infrastructure;
- development of domestic tourism product;
- distribution channels;
- ongoing research; and
- recognition and advocacy of tourism's contribution to economic, social and environmental activity.

The Action Plan was endorsed by the TMC in August 2007, and an Implementation Group has since been convened to oversee its implementation. In relation to each of the abovementioned issues, the Implementation Group will identify the most efficient and effective means of implementation; funding sources (where necessary); and report on outcomes of implementation to TMC prior to its August 2008 meeting.

### **Regional dispersal**

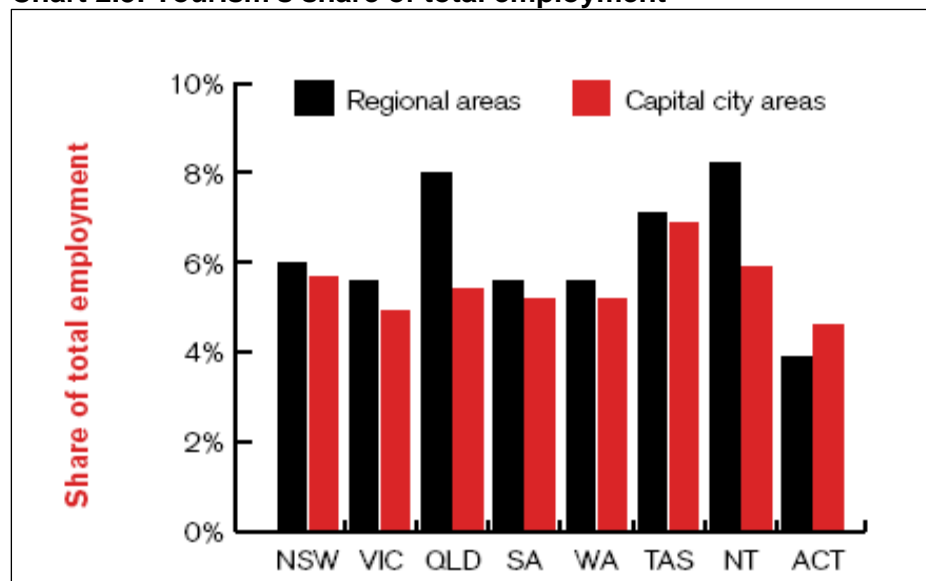
The Tourism White Paper noted: *“Tourism plays a key part in the development of regional and rural areas and can play an important role in nurturing and promoting Australia’s culture and heritage. Regional tourism (beyond the capital cities) accounts for around 185,000 jobs or 7 per cent of rural and regional employment, compared to 6 per cent for tourism nationally. Over 70 per cent of domestic and 23 per cent of international tourist visitor nights are spent in regional and rural Australia.”* (page xvi<sup>10</sup>).

Tourism is a major employer among all industries in many areas of regional Australia. In 2004-05, tourism directly provided some 73,600 jobs in regional NSW, representing 6.5 per cent of total regional employment. Just under 40 per cent of all tourism jobs in NSW are in regional areas<sup>11</sup>.

TTF Australia's estimates for regional employment for 2004 indicate that approximately 205,000 jobs or 38 per cent of tourism jobs directly related to tourism spending are in regional Australia. Chart 2.3 shows that in all States and the Northern Territory regions tourism's share of total employment is higher than it is capital cities – in the case of Queensland and the Northern Territory noticeably so.

<sup>10</sup> This data analysis relies on defining regional Australia as tourism outside the capital cities. For inbound tourism restricted international aviation links suggest defining regional areas as visitation outside the Sydney, Melbourne, Brisbane and Perth regions.

<sup>11</sup> TTF Australia, NSW Tourism Employment Atlas 2006.

**Chart 2.3: Tourism's share of total employment**

Source: TTF Australia (2004), National Tourism Employment Atlas, 2004.

### Inbound tourism dispersal

A key objective of the TWP was to encourage regional dispersal of tourism, particularly of inbound leisure tourism. Tourism Australia defines regional dispersal as visitation by international visitors to areas outside the main gateways of Sydney, Melbourne, Brisbane and Perth.

**Table 2.14: Total inbound visitor dispersal**

	2003-04	2004-05	2005-06	2006-07	% Change 06-07/03-04
Visitor nights in regional Australia (million)	44.4	45.9	49.9	54.6	22.8
Dispersal rate (%)	33.6	35.5	34.3	34.2%	na
Expenditure in regional Australia (\$ billion)	na	4.4	4.7	5.0	na
Share of regional expenditure in total expenditure	na	35.1%	35.2%	33.1%	na

Source: Tourism Research Australia, International Visitor Survey.

Visitation by international visitors to regional Australia since 2003-04 has shown good growth. In 2005-06, the number of visitor nights spent by international visitors in regional Australia increased by 8.7 per cent to 49.9 million nights, but because visitation to the main gateways increased more strongly, the rate of dispersal, measured by the proportion of visitor nights spent outside the main gateways, declined from 35.5 per cent in 2004-05 to 34.3 per cent in 2005-06. In 2006-07 the number of visitor nights spent in regional Australia grew further by 9.4 per cent to reach 54.6 million nights. The rate of dispersal declined only slightly from 34.3 per cent in 2005-06 to 34.2 per cent in 2006-07. Overall between 2003-04 and 2006-07 the dispersal rate rose by 0.6 of a percentage point.

Inbound visitor expenditure in regional areas increased from \$4.4 billion in 2004-05 to \$5.0 billion in 2006-07, a 13.6 per cent increase – no data are available for 2003-04. Over the same period, the share of visitor expenditure in regional Australia declined from 35.1 per cent to 33.1 per cent again reflecting strong growth in expenditure in the gateways.

Table 2.15 shows dispersal rates by markets for 2003-04 to 2006-07. Dispersal in leisure tourism fell slightly from 41 per cent in 2003-04 to 40 per cent in 2006-07 (see Table 2.15). Encouraging regional dispersal of inbound leisure tourism has become more difficult as the faster growing inbound leisure markets of Asia have a greater preference for city visitation and less interest in visiting regional Australia.

**Table 2.15: Total and leisure international visitor nights in regional Australia**

Market	% Total Dispersed Nights				% Leisure Dispersed Nights			
	2003/04	2004/05	2005/06	2006/07	2003/04	2004/05	2005/06	2006/07
<b>Tier 1 Markets</b>								
UK	38	45	40	40	41	45	41	41
Japan	42	45	43	40	57	50	52	42
NZ	39	45	43	50	50	49	52	54
USA	42	45	46	41	46	49	44	46
South Korea	17	15	20	23	15	17	20	29
China	15	15	17	16	19	10	18	13
Germany	50	55	51	50	61	62	54	58
Total	36	39	37	36	44	43	42	41
<b>Tier 2 Markets</b>								
Ireland	31	33	28	30	35	33	31	36
Canada	46	43	49	42	52	45	51	47
Singapore	18	21	20	22	29	25	29	28
Malaysia	25	28	30	29	21	18	19	21
Taiwan	20	23	23	22	21	24	17	23
India	19	15	21	18	24	21	17	19
Hong Kong	18	21	18	21	26	24	22	23
Total	25	27	27	26	33	31	30	31
<b>Tier 3 Markets</b>								
Netherlands	60	56	59	54	63	56	61	6
Switzerland	45	54	50	51	53	63	54	55
France	34	43	45	46	43	46	49	46
Italy	31	41	30	45	48	51	33	54
Scandinavia	47	41	45	46	48	52	50	51
Gulf countries	21	21	19	43	44	41	26	54
Thailand	23	18	22	23	22	26	29	27
Total	42	40	39	43	51	51	46	50
<b>Tier 4 Markets</b>								
Indonesia	10	13	15	18	15	19	20	21
Total Inbound to Australia	34	36	34	34	41	41	40	40

Source: Tourism Research Australia, International Visitor Survey.

Notes: Regional dispersal defined as share of international visitor nights in Australia spent outside the Sydney, Melbourne, Brisbane and Perth tourism regions.

High growth markets of China (13 per cent of nights spent outside the main gateways), Korea (29 per cent) and India (19 per cent) each had much lower than

average shares of total nights spent in regional destinations in 2006-07. Table 2.15 suggests mixed results in terms of changes in dispersal among different countries. For Asian markets dispersal (for leisure visitors) increased for Korea, Taiwan, Thailand and the Gulf States, but fell for Japan, Hong Kong, China and India. In the case of the emerging markets of India and China, a falling dispersal rate may be expected as the rapid expansion in arrivals is driven by first time visitors who tend to visit and stay in the metropolitan centres.

Another important factor affecting dispersal is the availability of international aviation gateways. As Australia is commonly a long haul destination from overseas and has large distances between primary cities, international aviation access is a major influence on regional dispersal. Australia's international aviation policy regards Sydney, Melbourne, Brisbane and Perth as the primary international gateways and capacity access (flights or seats per week) to these airports is a major focus of negotiations with other countries over international aviation.

Under Australian Government policy international aviation access to all other airports in Australia is subject to the "Regional Package" providing unlimited capacity access for overseas airlines. The "Regional Package" was introduced in 1999 and has been offered as a key element of all subsequent bilateral negotiations and is now included in many of Australia's bilateral aviation agreements. However, notwithstanding the increased opportunities for overseas and Australian airlines to service regional airports under the "Regional Package", the four major international gateways airports provided over 90 per cent of the international air capacity into Australia in early 2006.

#### Domestic tourism dispersal

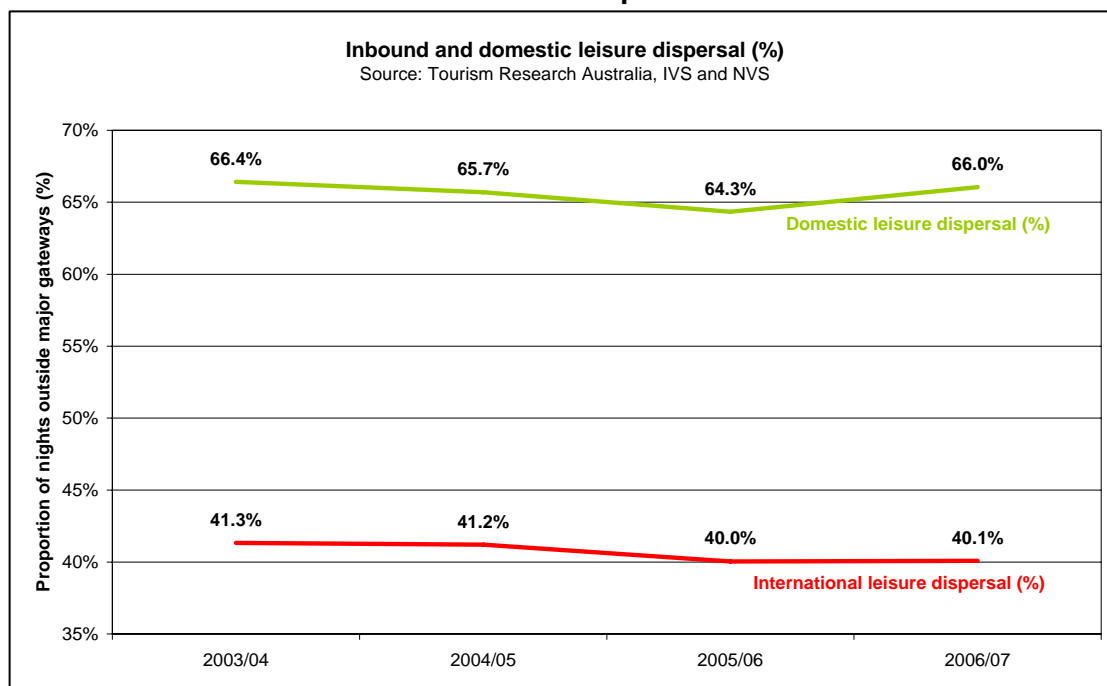
**Table 2.16. Domestic tourism dispersal – visitor nights (million)**

	2003-04	2004-05	2005-06	2006-07	% Change 06-07/03-04
Capital cities	105.5	103.8	105.5	105.7	0.2
Regional	190.4	185.9	174.9	181.9	-4.5
Total	295.9	289.7	280.4	287.6	-2.8
Dispersal rate (%)	64.4	64.2	62.4	63.3	na

Source: Tourism Research Australia, National Visitor Survey.

For the period 2003-04 to 2006-07 domestic visitor nights spent in regional Australia declined by 4.5 per cent. By contrast domestic visitor nights spent in capital cities increased marginally (+0.2 per cent). As a result for the review period domestic tourism dispersal, as measured by the proportion of visitor nights spent outside the capital cities, fell from 64.4 per cent to 63.3 per cent. In 2006-07, however, regional domestic overnight tourism grew more strongly than in the capital cities. The number of visitor nights spent in non-capital cities increased by 4 per cent compared to 2005-06, while visitor nights spent in capital cities increased by 0.2 per cent pushing up the rate of dispersal from 62.4 per cent to 63.3 per cent.

Domestic leisure dispersal increased from 64.3 per cent in 2005-06 to 66 per cent, but fell slightly for the period 2003-04 to 2006-07 (see Chart 2.4). The Chart also shows that domestic overnight leisure travel has a much higher level of regional dispersal than inbound leisure travel.

**Chart 2.4: Inbound and domestic leisure dispersal**

Source: Tourism Research Australia, Analysis Team

**Table 2.17: Domestic tourism overnight expenditure in regional Australia**

		2003-04	2004-05	2005-06	2006-07
Total	\$ billion	23.1	24.0	24.0	25.5
	Share (%)	59	61	59	59
Leisure	\$ billion	16.3	17.4	17.5	na
	Share (%)	69	70	69	na

Source: Tourism Research Australia, Analysis Team.

Between 2003-04 and 2006-07 total domestic overnight regional tourism expenditure increased by 10.3 per cent to \$25.5 billion, while the share of regional expenditure remained steady at 59 per cent. Overnight leisure tourism expenditure in regional Australia increased by 7.4 per cent for the period 2003-04 – 2005-06. For both leisure and total overnight tourism there was a small decrease in the share of expenditure between 2004-05 and 2006-07.



## **Tourism and the economy**

### **Tourism in the Australian economy**

A difficulty in measuring the magnitude of tourism as an industry and its contribution to the economy is that while all the products that are produced and consumed in meeting tourism demand are included in the National Accounts, tourism is not separately identified as a conventional industry in these accounts. This is because in the Australian and New Zealand Standard Industrial Classification (ANZSIC), which underlies our national accounts, industries are defined on the basis of the primary goods and services that they produce, whereas tourism is defined according to the status of the consumer – it is the status of the consumer as a tourist that determines whether the production of a commodity is included within the scope of tourism.

To overcome this gap the Australian Bureau of Statistics developed the Australian Tourism Satellite Account (ATSA), which provides key economic data on tourism (GDP, employment, exports and consumption) within the national accounting framework. Table 2.18 shows key economic data from the latest ATSA.

**Table 2.18: Tourism and the economy –headline indicators**

	2003-04	2004-05	2005-06	% Change 05-06/03-04
Tourism GDP (\$ million)	35,262	35,638	37,592	6.6
Tourism share of GDP (%)	4.2	4.0	3.9	na
Tourism employment ('000)	448.6	458.6	464.5	3.5
Tourism share of employment (%)	4.7	4.7	4.6	na
Tourism exports (\$ billion)	19.6	19.6	20.5	4.6
Tourism share of exports (%)	13.3	11.7	10.5	na
Tourism consumption (\$ billion)	75.8	76.8	80.7	6.5

Source: ABS, Tourism Satellite Account, Cat. No. 5249.0.

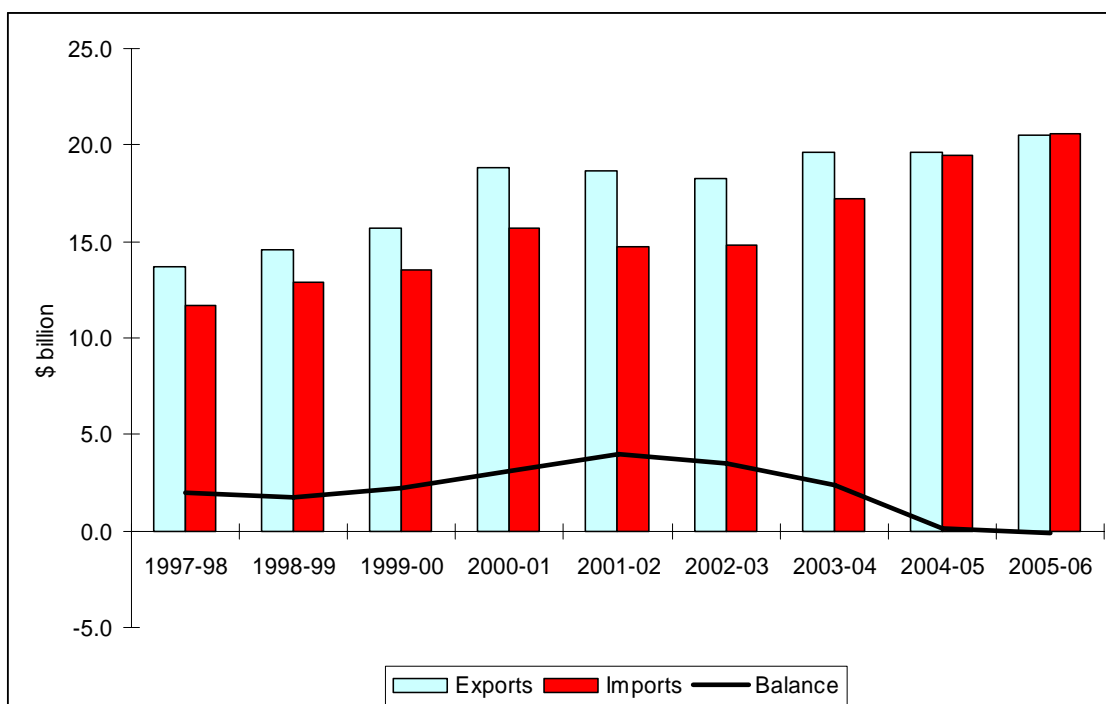
In absolute terms all key macro indicators for tourism have recorded positive growth in 2005-06 compared to 2003-04. Tourism GDP increased by 6.6 per cent to \$37.6 billion in 2005-06, while total tourism employment rose by 3.5 per cent to approximately 465,000 jobs. Over the period 2003-04 and 2005-06 tourism exports increased from \$19.6 billion to \$20.5 billion a 4.6 per cent increase.

Notwithstanding these positive results the share of tourism in most of the above macro-economic indicators has declined, with other sectors of the economy expanding at a faster rate than tourism. Nevertheless, tourism continues to be a vital sector of the Australian economy. When compared to the traditional industries published in ABS statistics using ANZSIC divisions the gross value added of the tourism industry ranks 12<sup>th</sup> out of 17 industry sectors – ahead of agriculture, forestry and fishing; electricity gas and water supply, and communication services to name a few. Similarly, exports of tourism goods and services compare favourably with Australia's 'traditional' export products. During 2005-06 tourism exports exceeded exports of iron, steel and non ferrous metals and food and live animals, though they were less than coal<sup>12</sup>.

<sup>12</sup> ABS, Tourism Satellite Account, Cat. No. 5249.0.

Chart 2.5 shows the growth in tourism exports and imports since the ATSA was first introduced in 1997-98. Until 2005-06 tourism was making a positive contribution to the balance of payments with the tourism trade surplus peaking at \$4.1 billion in 2001-02 as a result of a 6.6 per cent drop in outbound travel expenditure. Strong growth in outbound travel since then has seen the surplus reduced in subsequent years and in 2005-06 for the first time tourism imports slightly exceed tourism exports – by \$59 million. While there are no ATSA data for 2006-07 yet available, indications from the International Visitor Survey and strong growth in outbound travel in June quarter of 2007 suggest that trade in tourism services will record another deficit in 2006-07.

**Chart 2.5: Tourism exports and imports**



Source: ABS, Tourism Satellite Account, Cat. No. 5249.0.

### Investment, profitability and productivity

An underlying theme running through the TWP is the intention to secure the long term sustainability of the Australian tourism industry, by raising the competitiveness of the sector. Key to this objective is lifting the sector's investment levels, profitability and productivity. The ATSA does not, however, contain information on these indicators. Generally, information on these indicators is collected indirectly by using as proxies industries in the national accounts that have a significant tourism component. There are three sectors in the national accounts that are most relevant to tourism: *'Accommodation, cafes and restaurants'*, *'Transport and storage'* and *'Cultural and recreational services'*.

Between 2003-04 and 2006-07 the investment rate in the *'Accommodation, cafes and restaurants'* sector rose steadily from 18.4 per cent to 21.3 per cent. Investment in this sector generally tends to be lower than the all industry average – 27.4 per cent in

2006-07<sup>13</sup>. The investment rate in the '*Cultural and recreational services*' sector rose from 36.5 per cent to 37.9 per cent. The investment rate in the '*Transport and storage*' sector rose from 49.6 per cent in 2003-04 to 53.2 per cent in 2005-06, but subsequently fell to 48.8 per cent in 2006-07. The high capital intensity of this sector means that its investment rate is considerably higher than the all industry average. The investment rate across all industries for the period 2003-04 – 2006-07 increased from 25.8 per cent to 27.4 per cent<sup>14</sup>.

Another good measure of investment activity in tourism accommodation is the value of building work in hotels and similar establishments. On the basis of this indicator, tourism has performed very well since 2003-04. In 2004-05, the value of such work was approximately \$1.06 billion compared to \$0.87 billion in 2003-04, an increase of 22 per cent. In 2005-06, the value of non-residential accommodation building work continued to rise, reaching \$1.28 billion (+21 per cent) before easing slightly in 2006-07 to \$1.26 billion<sup>15</sup>.

For hotels, motels and serviced apartments with 15 or more rooms, the number of establishments has increased from 3,992 in June 2004 to 4,206 in June 2007. Collectively these establishments employed 115,340 persons in June 2007 compared to 112,506 persons in June 2004. While the total number of available rooms grew by 5.7 per cent between 2003-04 and 2006-07, this was more than matched by an increase in the number of room nights occupied from 45.8 million to 50.9 million, up by 11.3 per cent thus pushing up the room occupancy rate over this period from 61.5 per cent to 65.2 per cent. Takings from accommodation increased from \$5.55 billion in 2003-04 to \$6.44 billion in 2005-06 and to \$7.11 billion in 2006-07 – a total increase of 28 per cent for the period. Takings per room night occupied increased from \$121 in 2003-04 to \$140 in 2006-07<sup>16</sup>.

According to a report commissioned by the Department as part of the Government's National Tourism Investment Strategy, over the period from 1998-99 to 2003-04 return on investment in the tourism sector has averaged 11.8 per cent, with peak returns of approximately 12.5 per cent occurring in 1998-99 and 2003-04. Investment returns in tourism have traditionally been lower than in the rest of the economy which over the same period has averaged 14.9 per cent, three percentage points higher than tourism<sup>17</sup>.

Labour input in the three tourism related industries, '*Accommodation, cafes and restaurants*', '*Transport and storage*', and '*Cultural and recreational services*' increased in 2006-07 by 4.6 index points, 5.1 index points and 12 index points respectively compared to 2003-04. Over the same period labour productivity (measured as gross value added per hour worked) increased by 4.8 index points in the '*Accommodation, cafes and restaurants*' sector, by 8.6 index points in the '*Transport and storage*' sector and by 0.9 index points in the '*Cultural and recreational services*'

<sup>13</sup> ABS, Australia's System of National Accounts 2006-07, Cat. No. 5204.0.

<sup>14</sup> *ibid*

<sup>15</sup> ABS, Building Activity Australia, October 2007, Cat. No. 8752.0.

<sup>16</sup> ABS, Tourist Accommodation, Australia, June 2007, Cat. No. 8635.0.

<sup>17</sup> AEC Group Limited, National Tourism Investment Strategy, July 2006.

sector. Labour productivity across all industries in 2006-07 increased by 2.4 index points compared to 2003-04<sup>18</sup>.

In concluding it should be noted that despite the paucity of tourism specific statistics on some of the economic variables discussed above, researchers are developing techniques using the ATSA and Computable General Equilibrium models to generate better focused tourism data. These might encompass different measures of tourism yield, e.g. tourism value added per visitor by market, and gross operating surplus and will enable a more accurate assessment of the performance of tourism in terms of profitability, productivity and price and of its importance in terms of the sector's economy-wide and inter industry effects.

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<sup>18</sup> ABS, Australian System of National Accounts, 2006-07, Cat No. 5204.0.

## **CHAPTER 3 – IMPACT OF EXTERNAL FACTORS**

### **SUMMARY OF KEY FINDINGS**

- The performance of inbound Australian tourism is affected by a number of external factors including world economic conditions, the exchange rate, cost of jet fuel and the growth of low cost air carriers as well as tourism marketing efforts by other destinations. While measuring the precise impact of these factors is very difficult, they have all played a role in the overall performance of the sector in the last three years.
  - Since 2003 the global economy has remained strong contributing positively to the growth of Australian inbound tourism, although an easing in world economic growth in 2005 may have contributed to the lower growth in arrivals in that year.
  - Between 2003-04 and 2006-07 the Australian dollar appreciated against some currencies and depreciated against others. The Australian dollar strengthened considerably against the Japanese Yen, the American dollar and the Hong Kong dollar contributing to the relatively weak performance of these markets over the last two years.
  - Over the last three years there have been substantial increases in fuel surcharges by airlines in response to escalating fuel prices. Increases in fuel surcharges tend to have a larger impact on the cost of travel to longer haul destinations and particularly on budget leisure travel. Package travel to Australia in 2005-06 and 2006-07 was down by 13.5 per cent and 3 per cent respectively with large falls occurring in some key Asian markets.
  - The strong growth in Low Cost Carriers (LCCs) particularly in Asia has presented a challenge for Australian inbound tourism as LCCs tend to focus on short haul intra-regional travel at the expense of long haul destinations. According to the UNWTO, in 2005 intraregional travel in East Asia was the main driver of tourism growth in the region with LCCs playing an important role in this growth.
  - In marketing Australia as a tourism destination, TA competes against some 175 National Tourism Organisations (NTOs). While TA was among the five best funded NTOs, in 2005 most NTOs received a significant boost to their funding, considerably exceeding TA's increase of 2 per cent.
-

## INTRODUCTION

The analysis in the previous Chapter examined a number of key indicators of the performance of the tourism sector and benchmarked them against the level of performance prior to the provision of TWP funding and in comparison with other countries.

Such analysis is complicated by the fact that there are a range of other external factors that influence the performance of the tourism sector, making it very difficult to isolate the effect of the Tourism White Paper funding alone. These external effects can be economic, social, health or security related.

Inbound travel to Australia was affected by the Asian economic crisis in 1997 and then for three consecutive years between 2001 and 2003 adversely impacted by acts of terrorism, war and SARS. This chapter will look at a range of external factors that have had a bearing on the performance of tourism between 2003-04 and 2005-06 including:

- global economic conditions,
- exchange rates;
- low cost carriers;
- higher fuel prices; and
- marketing activities by other countries.

## ECONOMIC CONDITIONS

A number of econometric studies<sup>19</sup> have consistently shown that inbound travel to Australia is highly sensitive to the state of the economy in the source markets. Research commissioned by the Department recently found the elasticity of visitor arrivals in relation to foreign income (as measured by OECD GDP per capita) to be just above 3, suggesting that, if all other factors, e.g. exchange rates, were held constant, a one per cent increase in world GDP is associated with a three per cent increase in visitor arrivals to Australia<sup>20</sup>

Over the last three years, global economic conditions have been benign contributing positively to growth in international tourism. As shown in Table 3.1 world GDP showed good growth in the years between 2003 and 2007. In all economies that are important to Australian tourism – advanced, newly industrialised Asian and developing Asian economies – economic growth has also been healthy since 2003.

Despite higher oil prices the world economy performed well in 2006 growing by 5.4 per cent in real terms, compared to a 4.8 per cent growth in 2005. World economic

<sup>19</sup> Example studies include: Determinants of International Tourist Flows: A Multivariable Regression Analysis, Geoff Crouch, Monash University, 1991; The Economic Value of Tourism for Australia: A Post-September 2001 Stock-take and Update (Access Economics, 2002).

<sup>20</sup> Econtech, Impact of Tourism Marketing, 2006.

growth eased to 5.2 per cent in 2007 and is projected to moderate further in 2008 as economic activity slows in Asian economies.

Between 2003 and 2006, world inflation fluctuated within a relatively narrow band, but rose to 3.9 per cent in 2007, pushed by higher energy and food prices. Australia has also been experiencing stronger inflationary pressures in the second half of 2007.

**Table 3.1: Global key economic indicators**

Country Grouping	2003	2004	2005	2006	2007 <sup>e</sup>	2008 <sup>p</sup>
<b>World</b>						
Real GDP (annual % change)	4.0	5.3	4.8	5.4	5.2	4.8
Inflation (CPI) (%)	3.5	3.6	3.7	3.6	3.9	3.6
<b>Advanced economies</b>						
Real GDP (annual % change)	1.9	3.2	2.5	2.9	2.5	2.3
Inflation (CPI) (%)	1.8	2.0	2.3	2.3	2.1	2.0
Unemployment rate (%)	6.5	6.3	6.0	5.6	5.3	5.5
<b>Newly industrialised Asian economies</b>						
Real GDP (annual % change)	3.2	5.9	4.7	5.3	4.9	4.4
Inflation (CPI) (%)	1.5	2.4	2.3	1.6	2.0	2.3
Unemployment rate (%)	4.4	4.2	4.0	3.7	3.5	3.4
<b>Developing Asia</b>						
Real GDP (annual % change)	8.3	8.8	9.2	9.8	9.8	8.8
Inflation (CPI) (%)	2.5	4.1	3.6	4.0	5.3	4.4

Source: IMF, World Economic Outlook Database, October 2007.

(e) estimate, (p) projected.

While solid world economic growth has clearly encouraged an overall growth in international travel, the relatively steady global economic environment does not seem to have been a driving force in any significant changes in international travel. Australia benefited from a post SARS recovery in economic conditions in 2004 with a strong recovery in visitor arrivals, but in subsequent years this growth tapered off partly as a result of other external factors, discussed in the remainder of this chapter.

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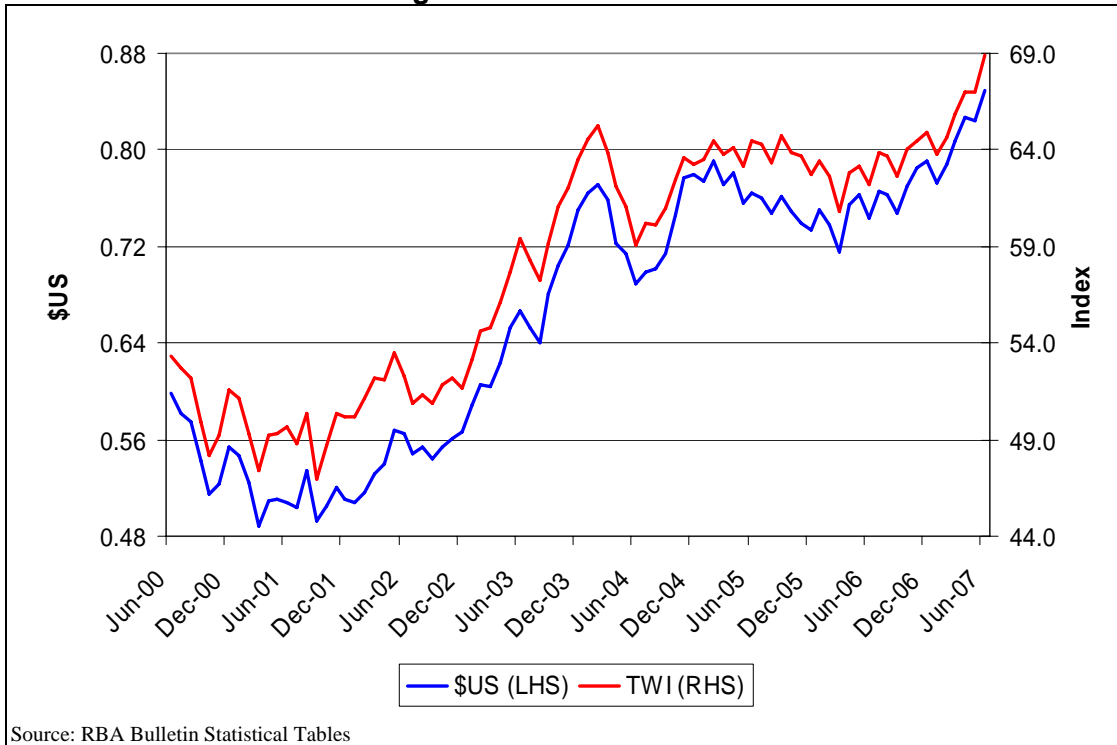
## EXCHANGE RATES

Movements in the exchange rates can be a significant factor influencing the choice of destination. An appreciation of the Australian dollar makes the cost of a holiday here more expensive and so reduces the price competitiveness of Australia as a tourist destination. The impact of currency changes is generally expected to affect discretionary leisure travel to a greater extent than travel associated with business, employment or education where the costs are not as likely to accrue to the individual.

Further, because packages and land content for brochures are priced well in advance of travel, it is common that exchange rate changes have a lagged impact on travel demand. Brochure pricing can be decided between six and eighteen months ahead of travel. This lag can impact negatively on intermediary margins and therefore interest in selling Australia as a destination.

In a recent study, Econtech found that the exchange rate has a statistically significant impact on visitor arrivals. According to Econtech, all other factors held constant, a 1 per cent increase in the real exchange rate reduces visitor arrivals by 0.35 per cent<sup>21</sup>.

**Chart 3.1: Australia's exchange rate**



The \$A strengthened against the \$US and in trade weighted terms in 2003, rising steadily from around 60 US cents at the start of the year to be worth 75 US cents by the end of that year. There was some weakening during the middle of 2004, however the \$A subsequently recovered and fluctuated around the mid 70 US cents before beginning to appreciate strongly in 2007 rising to around US 90 cents in September/October 2007. The continued strength of the Australian currency may have been a negative factor through its impact on the level of price competitiveness of Australia as a tourist destination.

Beyond what is a more significant influence on inbound tourist travel exchange rates can also indirectly influence inbound tourism through their interaction with aviation developments. A higher \$A will encourage more of the available seating capacity to be occupied by outbound travellers. The impact of the strong \$A boosting outbound travel will be most pronounced in high load factor periods. For the first three months of 2007, outbound departures were up by 10 per cent, while inbound arrivals were up by 5 per cent, meaning there are fewer seats available for inbound than the changes in seat capacity suggests<sup>22</sup>. Currently international aviation seat capacity is not keeping pace with growth in outbound and inbound travel. According to the Bureau of Transport and Regional Economics in 2006 there was a 1.4 per cent decline in direct capacity to Australia compared to 2005.

<sup>21</sup> Impact of Tourism Marketing, Econtech, 2006.

<sup>22</sup> Tourism Australia, Aviation Overview of top Eastern markets, May 2007.



Table 3.2 shows movements in the Australian dollar against the currencies of our top ten markets. It can be seen that there has not been a consistent movement in the value of the Australian currency since 2003 across all markets – the Australian dollar appreciated against some currencies and depreciated against others. In a few cases these movements have been significant. For example, between 2003-04 and 2006-07 the Australian dollar has strengthened considerably against the Japanese Yen, the American dollar and the Hong Kong dollar contributing to the relatively weak performance from these markets over the last two years – Japan and Hong Kong had negative growth in 2006-07 while the US was almost flat.

**Table 3.2: Exchange rates – Top ten markets**

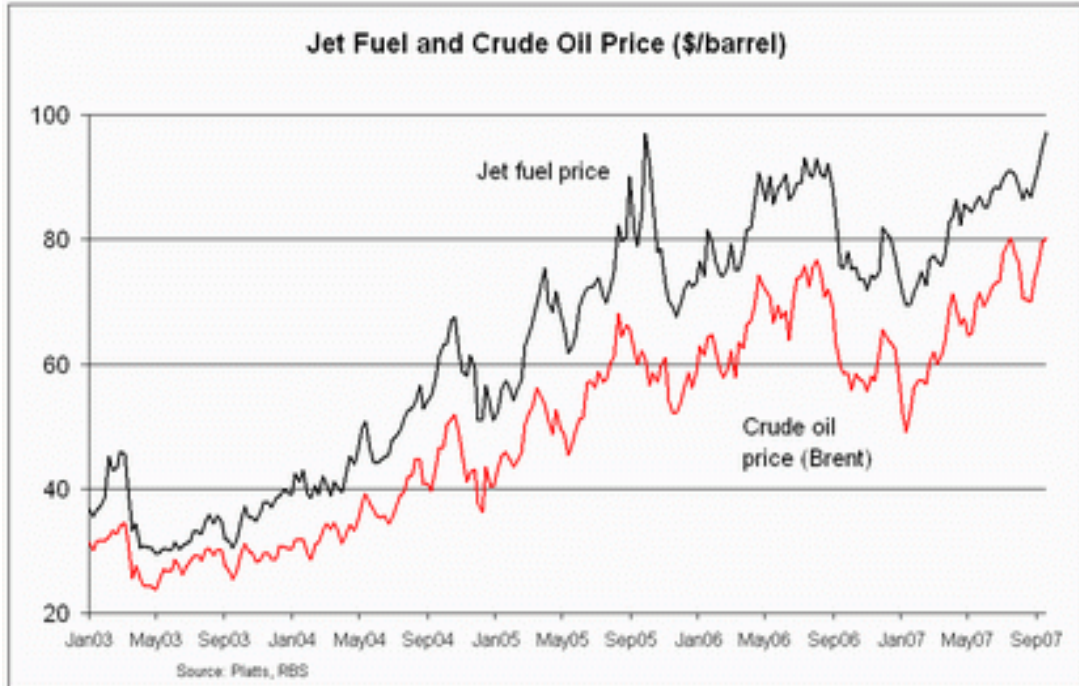
	2003-04	2004-05	2005-06	2006-07	% Change 06-07/03-04
New Zealand (NZ\$/A)	1.134	1.084	1.122	1.142	0.7
United Kingdom (£/A)	0.408	0.406	0.421	0.407	0.2
Japan (¥/A)	78.471	80.625	85.869	93.901	19.7
United States (US\$/A)	0.714	0.755	0.746	0.791	10.8
China (Yuan/A)	5.909	6.245	6.013	6.163	4.3
Singapore (S\$/A)	1.226	1.255	1.225	1.221	-0.4
Korea (Won/A)	837.901	800.858	742.297	742.481	-11.4
Hong Kong (HK\$/A)	5.556	5.877	5.791	6.164	10.9
Malaysia (Ringgit/A)	2.713	2.867	2.780	2.802	3.3
Germany (€/A)	0.598	0.593	0.612	0.603	0.8

Source: Reserve Bank of Australia, Electronic database.

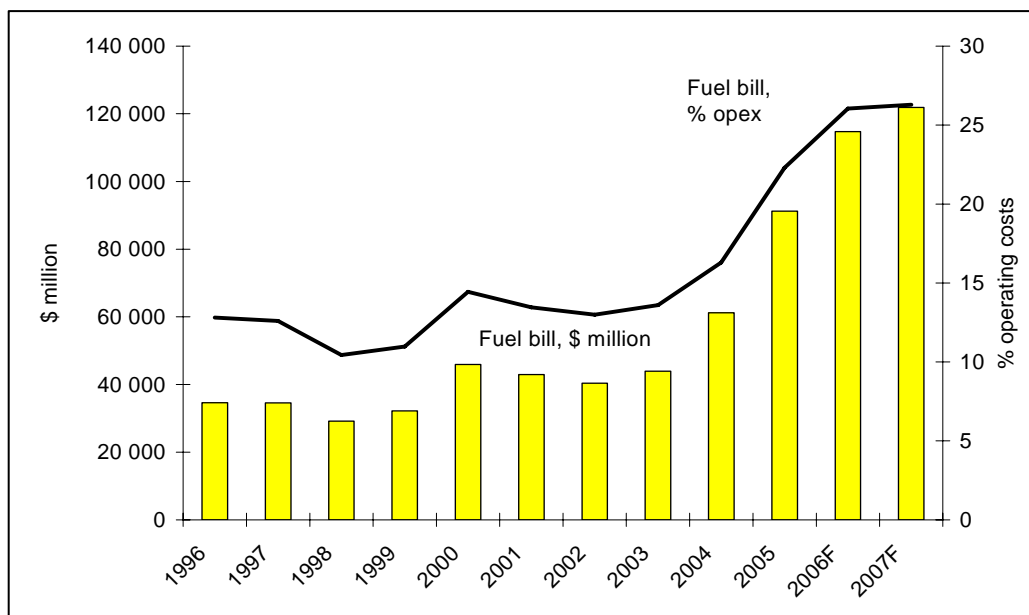
## RISING FUEL PRICES

Fuel prices continue to be high and to exert a negative force on inbound tourism. Crude oil prices began trending upwards in the middle of 2003. After peaking at US\$74 a barrel (Brent fob) in September 2006, prices eased to US\$54 a barrel in January 2007 but started climbing again soon after to reach US\$92 a barrel in November 2007. In 2007 crude oil prices averaged US\$72 a barrel compared to compared to US\$65 a barrel in 2006 and US\$29 a barrel in 2003.

Chart 3.2 shows how jet fuel prices have mirrored the movements in crude oil prices. With higher crude oil prices flowing through to higher prices for jet fuel airlines have been faced with escalating fuel costs. Chart 3.3 shows the increase in fuel costs for the airline industry over the past ten years. It can be seen that between 2002 and 2006 fuel costs increased from around \$40 billion to more than \$100 billion.

**Chart 3.2: Jet fuel and crude oil prices**

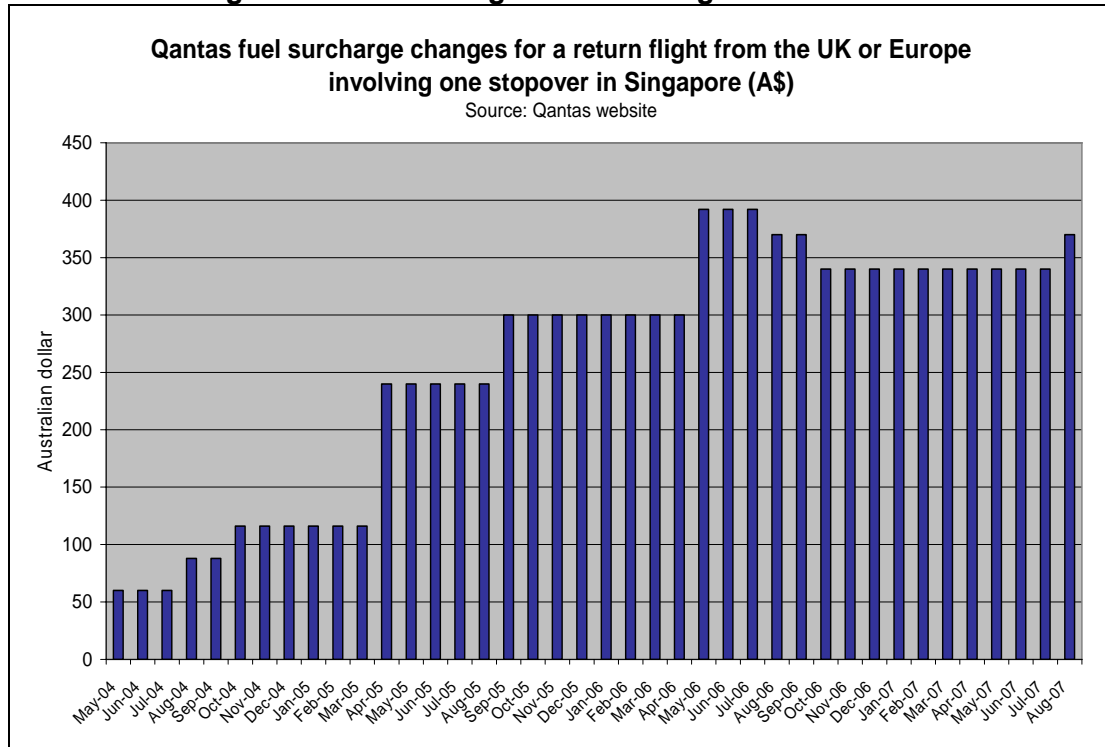
Source: IATA Website.

**Chart 3.3: Airline fuel prices**

Source: IATA

% opex: % of operating costs

Inevitably, airlines had to raise fares mainly through the introduction of fuel surcharges, to compensate for escalating fuel prices. Chart 3.4 traces Qantas fuel surcharges for a return flight from the UK. It can be seen that since May 2004 the surcharge rose consistently peaking in April 2006 at nearly \$400 before easing slightly in September 2006. Although this information only relates to Qantas it is quite typical of the pattern of nearly all international airlines servicing Australia in imposing fuel surcharges. For example for routes from Europe during 2006 it was not unusual for fuel surcharges for a return trip to be between \$A250 and \$A350.

**Chart 3.4: Changes to fuel surcharge for return flight from the UK**

Increases in fuel surcharges tend to have a larger impact on the cost of travel to longer haul destinations, especially those involving multi stage routes for leisure travellers. As Australia is a medium to long haul destination for the majority of travellers, the competitiveness of Australia as a travel destination is eroded when fuel surcharges rise. Furthermore, increases in airfares are more likely to impact on discretionary leisure and especially budget leisure travel as the proportional impact of a fixed fuel surcharge on total trip costs tends to be higher for budget leisure travel. This type of traveller is also far more price sensitive than other travellers.

Increases in fuel surcharges can therefore lead to the postponement or even cancellation of travel (particularly at the discount end of the market) and can also reduce expenditure from most classes of travel. In fact package travel to Australia in 2006-07 – in terms of arrivals – was down by 3 per cent on 2005-06, with large falls occurring in some key Asian markets: Malaysia (-19.4 per cent), Japan (-14 per cent), Taiwan/Thailand (-6 per cent), Germany (-4 per cent), US/NZ (-3 per cent). By contrast total inbound leisure arrivals in 2005-06 increased by 1 per cent.

Jet fuel prices have also been a factor prompting airlines to reduce services to Australia. Aviation capacity constraints on some routes have been a factor restricting the supply of seats and pushing up airfares. With available seats estimated to be 1.2 per cent lower in 2007 (January-June) than in 2006, the forecast level of demand is expected to boost load factors from the 2006 average of 74 per cent to 76 per cent. This comes on top of a fall in available seat capacity of 1.4 per cent in 2006.

The reduction in available seats to Australia, contrasts with increases in available seats for some competing destinations. Strong business travel between Japan, China and Korea has encouraged airlines to schedule much increased capacity and allowed for leisure travel to be discounted heavily (subsidised) as a result. For example, in the

month of June 2007 there were over 620,000 international airline seats from Japan to China and just under 560,000 international airline seats to Korea, as compared to 87,000 seats to Australia<sup>23</sup>. Compared to June 2004, seats from Japan to China in June 2007 were up by 35 per cent and seats to Korea were up by 36 per cent. In contrast over the same period, seats to Australia were down by 3 per cent<sup>24</sup>.

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## LOW COST CARRIERS

From an inbound perspective Low Cost Carriers (LCCs) typically present a challenge for Australia as they tend to focus on short haul destinations. LCCs both in Europe and in Asia encourage intra-regional travel and so divert potential visitors from long haul destinations. This, however, may be changing as Asian LCCs are beginning to launch medium/long haul services which promise more affordable travel to Australia. Further as LCCs in Asia are increasingly servicing northern and westerly ports in Australia they are providing new access opportunities for budget travellers from Europe to combine a joint East Asia/Australia itinerary.

According to the UNWTO, in 2005 intraregional travel in East Asia was the main driver of tourism growth in the region. For example, neighbouring countries were the major beneficiaries of South Koreans 26 per cent increased spending abroad in the first six months of 2005 with more and more Koreans taking short weekend breaks to coastal cities in China. Hong Kong and Macao have also benefited from increased intraregional demand, with Macao attributing its good result to increased air capacity, especially from no frills airlines out of Singapore, Thailand and Malaysia<sup>25</sup>.

Similarly in Japan a trend towards “an-kin-an” (short, cheap, quick) travel, particularly to China and Korea offers strong competition for longer haul destinations such as Australia. The latest estimates from the Japan Tourism Marketing Co. indicate that Japanese outbound travel has increased by 1.3 per cent in the January-July 2006 period (compared to the same period a year earlier). Over the same period Japanese travel to Australia declined by 3.3 per cent, reflecting a decline in Australia's market share from the Japanese market.

Over the past three years there has been significant growth in the number of destinations serviced by LCCs. In December 2003, the LCC network serviced 17 destinations within the South East Asian region with international services. By April 2006 this number had increased to 57 destinations – around half of which are international services.

During this time not only has the number of destinations serviced increased but the destinations offered have very low price points. Anecdotal evidence suggests that average fares have fallen significantly over the past three years within the Asian region with airfares within Asia advertised at around AUD\$35 throughout 2006. For example, the Air Asia website (Airasia.com) indicated on 13 July 2006 that fares from Kuala Lumpur to Bali, could vary from MRY100 (A\$35) to MRY280 (A\$100) one

<sup>23</sup> Sabre (2007), Data inquiry from Tourism Australia using the ‘Sabre ADI system’.

<sup>24</sup> *ibid.*

<sup>25</sup> UNWTO World Tourism Barometer, October 2005.

way depending on demand conditions. This compares to much higher airfares offered by Malaysia Airlines to Australia. The cheapest return flight found on Malaysia Airlines website on 13 July was MYR2,097 (A\$730) from Kuala Lumpur to Sydney, or over ten times that of the cheapest return Air Asia flight to Bali.

Monitoring of the Air Asia web site also shows the extent of opportunistic discounting that is taking place on international flights within Asia with flights from Kuala Lumpur to Phuket and Bangkok from RM9.99 one-way (approx A\$3.65 one-way or \$7.30 return), and Singapore to Bangkok from \$0.05 Singapore dollars.

Outbound figures from some of our key East Asian markets appear to support the conclusion that much of the growth in outbound travel has favoured short haul destinations. For example the largest increases in outbound travel from Singapore in 2005 were to East Asian destinations, namely Hong Kong (+20 per cent), Malaysia (+15 per cent), Korea (+13 per cent) and China (+11 per cent). Similarly East Asian destinations (Singapore, Thailand, Hong Kong and Indonesia) were the biggest beneficiaries of greater outbound travel from Malaysia.

## MARKETING BY COMPETITOR DESTINATIONS

In 2003 there were around 175 National Tourism Offices (NTOs) around the world competing to attract tourists. Over time increased marketing by NTOs in source markets can have a considerable impact on visitor arrivals to a destination at the expense of other competitive destinations.

Asian economies became far more supportive of tourism during the Asian economic crisis. This approach was reinforced by the impact of the threat to tourism during the SARS crisis<sup>26</sup>. The large SARS recovery packages put in place for Hong Kong and (A\$2 billion) and Singapore (A\$200 million) had large tourism components. In many cases these packages were supported by marketing initiatives from the private sector. For example, Cathay Pacific provided 10,000 complimentary air tickets to the Hong Kong Tourism Board to support Hong Kong's tourism recovery.

Such actions induced increased funding by a range of other countries concerned to level the playing field in attracting tourists. The US Government, while traditionally contributing very limited funding for tourism, committed US\$50 million for overseas promotion in 2003. This was in addition to sizeable commitment by US State Governments to State Tourism Office budgets, which in 2001-02 amounted to US\$630 million. In 2001-02, the highest spending five US States provided their State Tourism Offices with a total budget of US\$226 million. Hawaii and Illinois had larger tourism budgets than Australia in this year<sup>27</sup>.

<sup>26</sup> Tourism Futures International (2003), "Australasian Tourism Review – Public Version" a submission on behalf of Qantas and Air New Zealand to the ACCC review of the proposed Alliance, pp 21-22.

- Budget for Thailand is estimated at A\$280.5 million as budget for 2003 comprises Baht 3,311 million (marketing) and Baht 3,575 million (development) expressed in A\$ using the then current exchange rate (24.5475).
- Budget for Malaysia is estimated at A\$428.8 million comprising RM 314 million (development), RM 200 million (infrastructure) and RM 400 million (special tourism fund) expressed in \$A using the then current exchange rate (2.13214)

<sup>27</sup> Tourism Futures International (2003), "Australasian Tourism Review – Public Version" a submission on behalf of Qantas and Air New Zealand to the ACCC review of the proposed Alliance, page 23.

**Table 3.3: Funding of National Tourism Organisations**

	NTO budget from government US\$ million		Private Sector co-operative marketing US\$ million	Intern'l tourism receipts per US\$1 of NTO government funding (US\$)	Intern'l tourism receipts as share of services exports (%)
	2004	2005	2005	2004	2004
Australia	92	93	20	174	53
Canada	48	47	11	332	27
France	33	34	29	1,541	38
Germany	31	31	8	1,129	22
Greece	117	142	10	137	39
India	16	24	0	363	14
South Korea	37	40	0	190	14
Macao	30	39	0	311	na
Malaysia	118	118	0	86	46
Mexico	85	115	34	158	77
New Zealand	42	46	1	147	64
South Africa	45	55	15	156	71
Spain	106	120	0	532	54
Thailand	32	32	0	395	56
United Kingdom	65	65	24	522	16

Source: UNWTO, Annex VI<sup>28</sup>.

Recently the UNWTO published a review of the 'Structures and Budgets of National Tourism Organizations', providing information on the size and focus of the budgets of NTOs in some of Australia's competitor destinations<sup>29</sup>. Table 3.3 shows that in 2004 and 2005 Tourism Australia, the Australian NTO, was among the five best funded NTOs, although in 2005 most NTOs received a significant boost to their funding, considerably exceeding TA's increase of 2 per cent. Table 3.3 also highlights that Australia has a comparatively high share of private sector co-operative marketing funding, as well as international tourism receipts per US\$1 of NTO Government budget support.

The UNWTO report does not contain data on Government tourism support beyond funding provided to NTOs. As such, it tends to understate the total tourism marketing support by governments. For example, the report estimated that the tourism bureaus of the 13 Canadian Provinces spent directly and indirectly a total of around \$US1 billion on tourism in 2002-03. In addition further spending occurred at the city, town and economic region level by destination marketing organisations. Closer to home, according to State and Territory Government budget papers, funding to State Tourism Organisations in 2002-03 amounted to A\$290.7million.

In terms of spend by market, TA has the highest tourism expenditure in Australia, New Zealand and Japan. It has the second highest tourism expenditure in the USA and the third highest in the UK. TA ranks in the top ten for tourism expenditure within Korea, Malaysia and Singapore.

<sup>28</sup> UNWTO (2006), 'Structures and Budgets of National Tourism Organizations 2004-2005', World Tourism Organization.

<sup>29</sup> Ibid.

## **CHAPTER 4 – PROMOTING AUSTRALIA AS A TOURIST DESTINATION**

### **SUMMARY OF KEY FINDINGS**

#### **Overview of Tourism Australia**

Since its inception in July 2004, the overarching objective of Tourism Australia (TA) has been to create a sustainable economic benefit by bolstering a vibrant tourism industry that in turn will drive jobs growth for Australians. To achieve this, TA focuses on three core industry objectives:

- increasing the economic value of total inbound and domestic overnight visitor spending from leisure travellers (holiday and VFR);
- increasing the dispersal of this economic value into regional Australia; and
- increasing arrivals of total inbound and domestic overnight visitors.

While increasing arrivals and yield is a key objective of TA's marketing and promotional activities, the number of visitors to Australia (both international and domestic) is influenced by a range of factors most of which are outside the control of TA or the Australian Government, as discussed in Chapter 3. Accordingly, there is a differentiation between the Australian tourism industry performance as an overall goal and how TA measures its contribution to that industry performance.

As a leverage marketing organisation, TA aims to stimulate sustainable international and domestic demand for Australian tourism experiences. Consequently, a substantial part TA's performance is assessed in terms of its:

- *Global Performance* – increasing the demand pool through a shift from awareness and preference of Australia as a travel destination to an intention to visit over the next 12 months; and by an increase in brand equity measured by brand knowledge and image; and
- *Local Market Performance* – measured by growth in consumer engagement (e.g. individual campaign performance, public relations and website use) and increased trade engagement (i.e. Aussie Specialist performance and trade show performance).

While TA's marketing activity is principally targeted at leisure visitors, other international, non leisure travellers (business, education or employment) are also exposed and influenced by TA's marketing although to a lesser degree. In measuring the effectiveness of TA's marketing campaign it is, therefore, difficult to separate the impact of marketing on arrivals for leisure and non leisure purposes.

It should be noted that much of the material presented in this Chapter is descriptive in nature, providing a comprehensive picture of TA's promotional and marketing activities. Exceptions are the analysis of the visibility and influence of TA's marketing and the discussion of changes in Australia's brand health.

## International marketing

- Immediately following the launch of the “Unique Australian Invitation” (‘So where the bloody hell are you’ campaign) in February 2006 TA's Brand Tracking Study showed positive results across a number of Tier 1 markets. Between 2005 and 2006:
  - intention to travel to Australia increased in all key markets that were measured, namely the UK (+2 percentage points), South Korea (+10 percentage points) and Germany (+1 percentage point). The exception was the US where intention remained steady;
  - most of these markets also showed positive results in terms of awareness, preference, booking and visitation. For the UK both awareness and preference rose by 4 percentage points; for the US awareness rose by 2 percentage points and preference by 3 percentage points. The biggest improvements in awareness and preference, up 33 percentage points and 20 percentage points respectively, were achieved for South Korea;
  - Singapore (the only Tier 2 market for which comparisons can be made for 2005 and 2006) returned good results with solid gains in terms of awareness, preference and intention to visit.
- This performance was not fully sustained in 2007. A comparison between 2006 and 2007 shows that while the UK, South Korea and Taiwan continued to build on the gains of 2006, the results for Japan, the US, China and Germany were either flat or negative:
  - intention to travel increased by 1 percentage for the UK and South Korea, but fell for the US (-1 percentage point), and China and Germany (-2 percentage points each).
- The results of TA's Brand Tracking Study show that for 2007 across all markets, exposure to a TA communication more than doubled the percentage of people intending to come to Australia over the next 12 months.
- A survey conducted as part of Tourism Research Australia's International Visitor Survey has shown that TA's marketing campaign has been effective in stimulating travel to Australia. According to the survey results, in the first six months of 2007:
  - 51 per cent of the 2.29 million international tourist arrivals to Australia had seen a TA ad and of these people, 21.9 per cent or 255,616 people indicated that it had influenced their decision to travel to Australia;
  - international visitors to Australia who saw a TA ad and were influenced to visit Australia as a result, contributed \$1.22 billion in Total Inbound Economic Value (TIEV) to the Australian economy.
- A number of studies in recent years have shown that inbound tourism is highly responsive to international marketing of Australia as a tourist destination. Most recently an econometric analysis by Econtech found that a \$1 million increase in marketing expenditure would lead to a 9,000 to 11,000 increase in arrivals and a \$23 million to \$36 million increase in travel credits.
- Industry surveys indicate that in-market trade partners are generally positive about the campaign and its ability to deliver against the strategic objectives. Overseas intermediaries (inbound tour operators, wholesalers, agencies, airlines



etc) are also satisfied with TA with the majority indicating their desire to continue their involvement with TA.

- Reflecting its status as a leverage marketing organisation TA has a range of active partnerships with industry partners, ranging from co-operative marketing arrangements around a particular advertising campaign to media and travel industry partnerships:
  - in the period between 2003-04 and 2006-07, TA's marketing related revenue from partners has increased from \$15.1 million to \$23.1 million, a 53 per cent increase;
  - in addition to direct revenues TA also receives indirect support through joint marketing programs. For example, in 2006-07 TA contributed \$7.26 million toward Global Program initiatives with National Geographic and Discovery that supported a total of leveraged marketing effort valued at \$30 million.
- The private sector has continued to make a substantial contribution to tourism marketing, dispelling concerns that the extra government funding would result in reduced marketing expenditure by tourism businesses. A restricted survey by the ABS of private sector tourism businesses found that between 2003-04 and 2005-06 international tourism marketing expenditure by private sector firms increased by 10.6 per cent to nearly \$216 million.
- Between 2003-04 and 2006-07 the Aussie Specialists Program has expanded considerably with solid increases in the number of qualified travel agents in several key markets – the UK, North America, India and China. There are now some 10,000 qualified agents around the world providing an extensive network of advocate agents selling Australia as a tourist destination.
- Over the same period the value of publicity generated by foreign media under the Visiting Journalist Program has fallen from \$377 million in 2003-04 to \$320 million in 2006-07.

### **Domestic marketing**

- The promotion of domestic tourism is primarily the responsibility of State and Territory governments.
- TA's role in domestic tourism, given the limited available funding, is to act as a catalyst to encourage more effective marketing by the larger spenders of the private sector and the State and Territory governments.
- TA's domestic tourism brand tracking reveals fairly static expectations for domestic travel, with both preference and intention to travel domestically remaining flat in the three years to June 2007.
- TA's objective is to raise the perceived value and status of an Australian holiday by creating credible media content – in print, electronic and online media environments – showcasing domestic tourism experiences in a way that will compel the target market to take a holiday in Australia. TA has developed a Domestic Content Strategy to lift the aspiration for and knowledge of an Australian holiday.
- A key element of the strategy is the formation of partnerships with key media organisations to feature Australian holiday content. To date the total media

value of Australia's domestic content strategy is in excess \$25 million. Based on an \$8 million spend for 2006-07 this means a return on investment of 3.1 times the media cost.

- More than half of those aged 25-65 living in Sydney, Melbourne or Brisbane are aware of at least one content initiative and agree that the initiative made them think about taking a holiday or break soon, while nearly half agreed it made them think that Australian holidays or breaks could be as good or better as those overseas.
- A restricted survey by the ABS found that in 2005-06 private sector firms engaged in tourism spent approximately \$624 million on domestic tourism marketing, up 9.7 per cent compared to 2003-04.

### **Supporting Australian tourism experiences**

- Funding for niche product development is an integral component of TA's objective of encouraging the global 'experience seeker' and the travel distribution system to enhance their current image of Australia based on a deeper knowledge, by focusing on products and destinations which deliver compelling Australian experiences.
- The Australian Experience Unit was established at the beginning of 2005 to match the 'best of Australia' with the global target market – the 'experience seeker'.
- TA has identified seven Key Australian Experiences (Australia's Aboriginal, Coastal, Food and Wine, Major Cities, Journeys, Nature and Outback experiences) as offering a distinct competitive advantage in terms of global destinations.
- In order to raise the profile of these seven 'assets', the Australian Experience Unit has prioritised and established some key partnerships to achieve the successful development and implementation of experience-based projects. These partnerships range from other government agencies (state and federal); regional tourism bodies; research providers; industry associations to major media groups such as National Geographic.

### **Supporting business event tourism**

- In 2006, Tourism Events Australia was established as a division within TA to focus on marketing Australia as a premium business and major events destination.
  - In 2005-06 and 2006-07, Tourism Events Australia was involved in a number of activities to promote Australia as a destination for holding business and major events. These activities have included: corporate familiarisations, trade shows (including Dreamtime in 2006, APEC in 2007), and the production of destination supplements.
- Tourism Events Australia is also participating in Team Australia, a co-operative venture between TA and members of the Association of Australian Convention Bureaux. Team Australia was formed to increase the effectiveness of Australia's international business event marketing efforts by collectively planning and resourcing projects.

## INTRODUCTION

For Australia to be successful in positioning itself as a world leading tourist destination, there needs to be a mix of brand and product based marketing and promotion. Strengthening and enhancing Australia's appeal and image as a tourist destination through brand marketing is critical in underpinning the other processes required to convert demand into actual travel to Australia.

A large component of TWP funding, approximately \$165 million was allocated to TA to support its marketing activities for international (\$120.6 million) and domestic tourism (\$45.5 million). A review of the marketing performance of TA is therefore a crucial part of this evaluation.

A methodology for assessing TA's marketing performance was developed by TA and endorsed by an external panel of marketing experts. This methodology incorporates the following key elements:

- *Industry Performance* – measured by growth in yield and visitor dispersal, and increased visitor arrivals.
- *Global Performance* – measured by the shift from awareness and preference of Australia as a travel destination to an intention to visit over the next 12 months and by an increase in brand equity measured by brand knowledge and image.
- *Local Market Performance* – measured by growth in consumer engagement (e.g. individual campaign performance, public relations and website use) and increased trade engagement (i.e. Aussie Specialist performance and trade show performance).

*Industry Performance* was covered in Chapter 2 of this report. This Chapter will examine the second and third elements of the methodology listed above.

In conducting this review it should be recognised that establishing the direct relationship between tourism marketing and visitation is a difficult exercise because many other variables affect tourism industry performance besides marketing. Sophisticated approaches are therefore necessary to assess the impact of Government marketing funding on Australian tourism. For the purpose of this evaluation the approach relies on a “weight of evidence” review of available indicators of TA marketing effectiveness (as adopted in previous evaluations) including:

- a review of the economic analysis of the impact of government marketing expenditure on visitation; and
- analysis of data from the International Visitor Survey supplementary questions measuring the visibility and influence of TA marketing on the decision to travel to Australia.

The details of what evidence to include in the weight of evidence approach was decided in consultation with the external panel.

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## **TOURISM AUSTRALIA: ROLE AND OBJECTIVES**

### **The objectives and activities of Tourism Australia**

TA's key focus is to create sustainable economic benefit and jobs for Australians from the tourism industry<sup>30</sup>. To deliver on this goal, TA's marketing chiefly targets leisure travel i.e. holiday and 'Visiting Friends and Relatives' (VFR) travellers for both inbound and domestic overnight travel as its primary measures of tourism industry performance. TA is also focused on three core industry objectives:

- increasing the economic value of total inbound and domestic overnight visitor spending from leisure travellers (holiday and VFR);
- increasing the dispersal of this economic value into regional Australia; and
- increasing arrivals of total inbound and domestic overnight visitors.

TA has as its major internal objective to increase the demand pool – that is, increase the number of international leisure travellers intending to visit Australia in the next year. (Holiday and VFR visitors normally have similar leisure objectives for their visit to Australia, although VFR visitors spend less time in commercial accommodation.)

Other international [non-leisure] travellers for business, education or employment purposes are also generally influenced by TA's leisure marketing although to a lesser extent. However, TA does target business meetings, school groups, working holiday maker visitors to Australia and business incentive groups. This approach leaves the promotion of inbound education tourism to other agencies, including the active university sector and is detailed through a Memorandum of Understanding, which commenced in August 2003 between a number of Australian Government agencies including: TA, the Department of Education, Employment and Workplace Relations, the Department of Foreign Affairs and Trade, Austrade and the Department of Immigration and Citizenship. Nevertheless, there is little doubt that Australia's large education exporters benefit indirectly from TA marketing, which raises general awareness of Australia and its lifestyle.

Domestic overnight leisure travel spending (holiday and VFR) is also more influenced by TA's marketing efforts than is spending by domestic overnight business or other purpose travellers or domestic day trip travellers. It should be noted that TA has a more limited role promoting domestic overnight leisure tourism than promoting inbound leisure tourism. The private sector and the State and Territories have the more dominant role in promoting particular destinations and products to domestic tourists.

Taken together the two primary TA targets of inbound leisure tourism and domestic leisure overnight tourism represent \$52.30 billion in economic value for Australia (2003-04 dollars), or 60 per cent of total tourism economic value. TA's government appropriation in 2006-07 of \$149.9 million<sup>31</sup> (2003-04 dollars), represented around

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<sup>30</sup> TA (2006), 'Corporate Plan 2006-07 to 2008-09'.

<sup>31</sup> TA (2007), 'Annual Report 2006-07'.

0.3 of a cent in each dollar of economic value to the Australian economy from the core target markets.

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### **Key activities of TA in promoting inbound tourism**

TA pursues a range of activities aimed at encouraging inbound tourism from Australia's core target market of 'experience seekers'. 'Experience seekers' are a distinctive type of traveller who were found to be open minded, better educated, less materialistic and more media savvy. They are generally people who pursue travel to open themselves to new experiences that lead to personal growth, and possess a mindset less impacted by cultural differences. They are also more interested in participating in the normal life of their destination, collecting experiences, interacting with the local people and using travel to educate themselves in contrast with their usual lives<sup>32</sup>. TA has focused on 'experience seekers', as research has shown this group to be a significant market in all of Australia's inbound markets and because they are less deterred from visiting Australia by the barriers of distance and cost.

The core aims of TA in encouraging inbound tourism are to<sup>33</sup>:

- deliver the most effective implementation of TA strategies within the source markets through increasing knowledge of Australian travel opportunities among the target 'experience seekers', in close consultation with marketing partners, travel distributors, the local media and visiting Australian tourism product suppliers;
  - develop and deliver a global Brand Australia campaign that includes:
    - delivery of a global consumer marketing communications strategy aimed at raising intention to travel to Australia among 'experience seekers';
    - development of a website and global digital programs that support the development of the global brand campaign; and
    - co-ordination with private sector marketing partners to deliver the global brand campaign via multi-channel environments in the world's media;
  - encourage positive media reporting of leisure tourism opportunities in Australia, through a visiting journalists program and providing targeted communication to journalists in their home markets;
  - promote inbound business tourism;
  - develop a more focused understanding of particular tourism niche product experiences with overseas consumers and travel sellers;
  - work with Australian tourism suppliers to ensure they take maximum advantage of TA services and align their marketing with Brand Australia strategies;
  - organise key trade events to bring buyers and sellers of Australian tourism together; and
  - research overseas consumers' views of Australia and developments in distribution, aviation and overseas economies that influence inbound tourism to Australia.
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<sup>32</sup> Tourism Australia (2006), 'The Global Traveller' extracts from Market Insights presentations.

<sup>33</sup> Tourism Australia (2006), 'Tourism Australia Annual Operating Plan 2006-07'.

## EVALUATING INBOUND TOURISM MARKETING ACTIVITIES

An evaluation of TA's inbound marketing effectiveness constitutes the core of an overall evaluation of TA as around \$7 out of every \$10 of Government funding to TA is devoted to inbound tourism marketing<sup>34</sup>.

### Estimating the impact of tourism marketing on inbound tourism

A number of studies in recent years have shown that inbound tourism is highly responsive to international marketing of Australia as a tourist destination.

An econometric analysis by Access Economics using data over the period 1967-68 to 2000-01 showed that an increase of \$1 million in Australian Tourist Commission promotion generated an additional \$11 million to \$16 million (in 2000-01 prices) in tourism export income per annum. Access Economics also recognised that inbound tourism marketing has a further beneficial spill over of raising awareness of other Australian goods and services, like wine and education, and therefore makes it easier for these sectors to penetrate overseas markets<sup>35</sup>.

More recently, the Department commissioned updated modelling from Econtech to look at the returns to tourism exports from inbound tourism marketing. The results from Econtech's modelling analysis show that there is a statistically significant relationship between marketing expenditure and inbound tourism. Econtech estimated that the long-run elasticity of marketing expenditure ranged between 0.18 and 0.22 for visitor arrivals, and between 0.15 and 0.24 for travel credits (a measure of tourism export revenue). On the basis of these elasticities, a \$1 million increase in marketing expenditure would lead to a 9,000 to 11,000 increase in arrivals and a \$23 million to \$36 million increase in travel credits<sup>36</sup>. These results show a stronger return to Government funding than did the earlier results from Access Economics.

Using these findings, Econtech then simulated the impact of a cessation of marketing funding by the Australian Government on the economy. Assuming a 20 per cent reduction in travel credits (approximately the mid point between 15 and 24 per cent of the estimated elasticity range) Econtech's modelling shows that over the long run under the 'No Tourism Marketing' scenario, Australia's GDP would be 0.1 per cent or \$713 million lower. Exports and imports are both estimated to be 1.3 per cent lower and consumption 0.2 per cent lower. Falls in production (and employment) in tourism related industries such as accommodation, hotels restaurants, transport and the arts were the main contributors to the fall in GDP<sup>37</sup>.

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<sup>34</sup> Tourism Australia, Annual Operating Plan, 2007-08

<sup>35</sup> Access Economics (2002), 'The Economic Value of Tourism for Australia: A Post-September 2001 Stock-take & Update'.

<sup>36</sup> Econtech, Impact of Tourism Marketing, 2006.

<sup>37</sup> *ibid.*

## **The visibility of TA marketing/advertising and its influence**

The previous section described studies undertaken by Access Economics and Econtech which examine the impact of public sector tourism marketing expenditure on international visitor arrivals and tourism expenditure. The studies found that there is an economic link between government expenditure on tourism marketing and international visitor arrivals and expenditure. TA has also provided an analysis of the performance of its marketing activity largely in the form of results from its brand tracking study. The results are also positive.

In order to assess the impact of TA's \$360 million dollar 'A Uniquely Australian Invitation' in particular to quantify the benefit, at the instigation of the Department a series of supplementary questions were included in Tourism Research Australia's 2007 International Visitor Survey. These questions asked whether the visitors to Australia had seen a TA advertisement and whether that advertisement had influenced their decision to travel to Australia. The methodology for this study is based on a UNWTO paper<sup>38</sup> on evaluating National Tourism Organisations marketing activities, presented at a conference in Malaysia in September 2006, which the Department attended.

It should be recognised at the outset that the survey results do not show how strong the influence of advertising was on the decision to travel to Australia, particularly in comparison with other drivers. In other words, they do not establish that the advertising was the critical factor in convincing tourists to visit, only that it influenced that decision in some way. In addition some of the methodological limitations of the survey should also be recognised, including the:

- respondents' acknowledged difficulty in recalling communications and recalling TA advertising specifically as opposed to all the other messages about Australia they would be exposed to;
- limitations of self assessed feedback on whether such exposure influenced decisions to travel; and
- cultural differences affecting visitor responses to questions.

Despite these limitations the survey provides a valuable insight into the influence of tourism marketing on the decision to travel to Australia and the rate of return on investment. It is also important to note that this is not a comparative study where the impact of the current campaign is compared to the results of previous campaigns. Rather it presents a snapshot view of the role of TA marketing in influencing travel to Australia at given point in time.

While the complete results for the whole of 2007 are not available, initial results for the first six months of 2007 appear to provide confirmation that the rollout of TA's marketing campaign has been effective in stimulating travel to Australia. As shown in Table 4.1, 51 per cent or 1.17 million of the 2.29 million international tourist arrivals to Australia, in the period January to June 2007 (TA Tier 1 to Tier 3 markets), indicated that they had seen a TA ad 6 months prior to their travel and of these people,

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<sup>38</sup> Evaluating NTO Marketing Activities, A joint European Travel Commission and World Tourism Organization Project carried out by the University of Luton (UK), WTO, 2003.

21.9 per cent or 255,616 people indicated that it had influenced their decision to travel to Australia.

**Table 4.1: The penetration of TA marketing/advertising and its influence – Arrivals**

	Arrivals	No. saw ad	No. influenced	% saw ad	% influenced
UK	321,166	215,756	31,727	67.2	14.7
Japan	260,543	60,677	17,514	23.3	28.9
New Zealand	471,220	386,395	48,951	82.0	12.7
USA	218,814	103,553	18,755	47.3	18.1
Germany	66,496	25,606	7,146	38.5	27.9
Korea	122,092	31,940	12,989	26.2	40.7
China	171,528	55,558	31,908	32.4	57.4
<b>Total Tier 1</b>				<b>53.9</b>	<b>19.2</b>
Ireland	37,570	18,812	4,868	50.1	25.9
Canada	54,964	27,844	3,989	50.7	14.3
Singapore	111,637	68,712	21,238	61.5	30.9
Malaysia	69,112	30,128	10,227	43.6	33.9
Hong Kong	68,195	34,910	10,091	51.2	28.9
Taiwan	43,110	19,844	10,546	46.0	53.1
India	44,873	15,407	4,737	34.3	30.7
<b>Total Tier 2</b>				<b>50.2</b>	<b>30.5</b>
Indonesia	35,070	10,408	4,095	29.7	39.3
Thailand	38,580	13,818	6,077	35.8	44.0
Gulf	18,137	6,157	1,078	33.9	17.5
Netherlands	20,688	7,846	995	37.9	12.7
Switzerland	17,774	5,263	1,297	29.6	24.6
Austria	8,606	3,245	659	37.7	20.3
Italy	20,194	5,284	1,160	26.2	22.0
France	29,361	6,734	1,524	22.9	22.6
Nordic	38,532	12,112	4,046	31.4	33.4
<b>Total Tier 3</b>				<b>31.2</b>	<b>23.1</b>
<b>Total all</b>	<b>2,288,263</b>	<b>1,166,011</b>	<b>255,616</b>	<b>51.0</b>	<b>21.9</b>

Source: Tourism Research Australia, International Visitor Survey supplementary questions.

How to read: In the first half of 2007, there were 321,166 UK visitors; of which 215,756 (67%) saw a TA adv; of which 31,727 (15%) were influenced.

Table 4.1 breaks the results down according to three Tiers. It can be seen that TA ads were seen by around half the international visitors to Australia in Tier 1 and Tier 2 but by under a third of Tier 3 visitors. TA advertising achieved highest visibility in Tier 1 markets of New Zealand (82.0 per cent) and UK (67.2 per cent). Tier 1 market, Japan recorded the lowest level of recognition for TA ads at 23.3 per cent.

The results show that, despite the higher visibility of TA advertising in some Tier 1 markets, advertising in Tier 2 markets had a greater overall influence on travel – 19.2 per cent of visitors in Tier 1 markets who saw a TA ad were directly influenced to travel to Australia by the ad, in comparison with 30 per cent in Tier 2. This may indicate that marketing spending is most effective in less established markets where the range of influences and knowledge of Australia is less prevalent. It may also demonstrate that TA's marketing has the capacity to not only influence arrivals from



established markets, but also to build on the growth potential of less established markets.

Markets where TA ads had the strongest direct influence on travel to Australia include: China, where 57.4 per cent of visitors who saw a TA ad influenced by it to travel to Australia; Taiwan (53.1 per cent); Thailand (44.0 per cent); Korea (40.7 per cent); Indonesia (39.3 per cent). This may indicate that the campaign is more effective in our short haul markets and highlights the challenge that Australia faces in long haul markets where the cost and effort associated with the journey can act as an obstacle in the final decision to travel to Australia.

The survey also provides expenditure information. As can be seen in Table 4.2, expenditure in Australia in the first six months of 2007 by international visitors who indicated they had seen a TA ad was \$3.3 billion while expenditure in Australia by those who indicated that they were influenced by TA advertising was \$0.82 billion. In other words, in the first six months of 2007, international visitors to Australia who were influenced to come here by having seen a TA ad, spent \$820 million in Australia as part of their trip. This represents 25 per cent of total spending in Australia by those that saw a TA ad.

To better understand the economic cost and benefit of tourism marketing it is useful to examine the effect on the agreed measure of tourism yield – Total Inbound Economic Value (TIEV). This measures the tourism spending which directly contributes to the Australian economy. It includes expenditure by international visitors within Australia as well expenditure made by international tourists outside Australia but which contributes to the Australian economy.

As shown in Table 4.2, international visitors to Australia who saw and were influenced by the TA ads, contributed \$1.22 billion in TIEV or 10.9 per cent of the TIEV from all international visitors. This represents a substantial wealth dividend in comparison with TA's marketing spend.

**Table 4.2: The penetration of TA marketing/advertising and its influence – Expenditure**

	Expenditure by those who saw ad \$ million	Expenditure by those influenced \$ million	Share of expenditure by those influenced %	TIEV \$ million	Share of TIEV %
UK	603,716	98,120	16.3	179,133	10.3
Japan	135,998	41,002	30.1	66,151	8.2
New Zealand	612,652	83,125	13.6	116,397	11.5
USA	239,868	50,084	20.9	84,563	8.2
Germany	91,264	23,273	25.5	35,007	9.6
Korea	133,964	67,563	50.4	87,195	13.1
China	224,008	96,090	42.9	131,576	12.8
<b>Total Tier 1</b>			<b>22.5</b>		
Ireland	81,765	28,110	34.4	39,776	15.3
Canada	99,858	13,406	13.4	20,554	6.4
Singapore	233,460	70,396	30.2	84,143	18.1
Malaysia	131,578	27,559	20.9	33,015	8.2
Hong Kong	125,154	36,494	29.2	44,851	13.7
Taiwan	46,970	22,087	47.0	31,686	18.1
India	67,902	23,213	34.2	33,719	13.3
<b>Total Tier 2</b>			<b>28.1</b>		
Indonesia	46,558	19,227	41.3	22,822	11.5
Thailand	48,287	14,315	29.6	18,743	9.9
Gulf	25,614	1,962	7.7	2,473	2.0
Netherlands	23,231	4,137	17.8	6,911	6.1
Switzerland	18,853	5,347	28.4	7,574	6.3
Austria	17,610	2,685	15.2	3,622	7.3
Italy	9,892	1,812	18.3	3,174	3.0
France	17,866	5,069	28.4	7,188	4.3
Nordic	49,331	13,931	28.2	20,720	9.0
<b>Total Tier 3</b>			<b>26.6</b>		
<b>Total all</b>	<b>3,295,838</b>	<b>824,551</b>	<b>25.0</b>	<b>1,221,364</b>	<b>10.9</b>

Source: International Visitor Survey, 2007.

How to read: UK visitors spent \$955m; of which \$98m was spent by a visitor influenced to travel to Australia by TA marketing. This translates to TIEV of \$179m or 10.3% of total market TIEV.

Table 4.3 provides an indication of Australia's marketing expenditure in some key markets compared to expenditure by other countries (share of voice). It can be seen that for the markets where TA ranks in the top ten in terms of marketing spend, the visibility of its ads among travellers is quite high ranging from 39 per cent to 82 per cent. The exception is Japan where only 23.3 per cent of travellers who visited Australia indicated that they had seen a TA ad prior to their travel.

**Table 4.3: Spend by NTOs in main markets**

Share of Voice (Spend) by NTO in main markets (Jan-Jun 2007)*							
<b>NZ</b>			<b>Germany</b>				
Rank		TOTAL AUD\$	SOV %	Rank	TOTAL AUD\$	SOV %	
1	<b>Tourism Australia</b>	1,279	40%	1	Turkey	12,445	14%
2	Fiji Visitors Bureau	795	25%	2	Austria	11,871	13%
3	New Caledonia Tourism	557	17%	3	<b>Tourism Australia</b>	7,127	8%
4	Tourism Malaysia	275	9%	4	Italy	7,112	8%
5	Tahiti Tourism	90	3%	5	Spain	6,683	7%
6	Cook Island Tourism	90	3%	6	Cyprus	5,389	6%
7	India Tourist Authority	51	2%	7	Greece	5,002	5%
8	Vanuatu National Tourism	39	1%	8	Croatia	2,715	3%
9	Singapore Tourism Board	21	1%	9	France	2,651	3%
10	Dubai Tourism & Commerce Mkt.	18	1%	10	Switzerland	2,444	3%
	Others	3	0%		Others	27,680	30%
	<b>TOTAL NTOs</b>	<b>3,218</b>	<b>100%</b>		<b>TOTAL NTOs</b>	<b>91,119</b>	<b>100%</b>
<b>USA</b>			<b>Malaysia</b>				
Rank		TOTAL AUD\$	SOV %	Rank	TOTAL AUD\$	SOV %	
1	Bahamas	16,346	13%	1	Malaysia	5,563	67%
2	Mexico	14,667	12%	2	<b>Tourism Australia</b>	991	12%
3	Ireland	9,419	7%	3	Singapore	921	11%
4	Aruba	8,556	7%	4	Korea	235	3%
5	Turkey	7,151	6%	5	China	144	2%
6	United Arab Emirates	6,308	5%	6	Turkish	108	1%
7	<b>Tourism Australia</b>	5,600	4%	7	India	97	1%
8	Cayman Islands	5,156	4%	8	Taiwan	63	1%
9	Bermuda	4,313	3%	9	Hong Kong	58	1%
10	British Columbia	4,193	3%	10	Thailand	57	1%
	Others	45,213	36%		Others	15	0%
	<b>TOTAL NTOs</b>	<b>126,922</b>	<b>100%</b>		<b>TOTAL NTOs</b>	<b>8,252</b>	<b>100%</b>
<b>Japan</b>			<b>Singapore</b>				
Rank		TOTAL AUD\$	SOV %	Rank	TOTAL AUD\$	SOV %	
1	Korea	8,925	30%	1	Malaysia	1,184	47%
2	Malaysia	5,709	19%	2	Korea	664	26%
3	<b>Tourism Australia</b>	3,462	12%	3	India	166	7%
4	China	1,900	6%	4	<b>Tourism Australia</b>	161	6%
5	Belgium	1,416	5%	5	Hong Kong	102	4%
6	Guam	1,368	5%	6	Thailand	84	3%
7	New Zealand	991	3%	7	Taiwan	71	3%
8	Thailand	979	3%	8	New Zealand	55	2%
9	Singapore	953	3%	9	Philippines	32	1%
10	Switzerland	686	2%	10	Britain	11	0%
	Others	2,905	10%		Others	15	1%
	<b>TOTAL NTOs</b>	<b>29,294</b>	<b>100%</b>		<b>TOTAL NTOs</b>	<b>2,544</b>	<b>100%</b>
<b>UK</b>			<b>Italy</b>				
Rank		TOTAL AUD\$	SOV %	Rank	TOTAL AUD\$	SOV %	
1	Turkey	5,542	15%	1	Greece	2,488	12%
2	Ireland	4,946	13%	2	Ireland	2,273	11%
3	<b>Tourism Australia</b>	4,734	13%	3	Morocco	2,150	11%
4	Cyprus	2,117	6%	4	Spain	1,990	10%
5	Malta	1,882	5%	5	Tunisia	1,540	8%
6	Jamaica	1,681	5%	6	Turkey	1,316	6%
7	Spain	1,671	5%	7	Croatia	1,189	6%
8	South Africa	1,488	4%	8	Austria	989	5%
9	Malaysia	1,123	3%	9	Brasil	665	3%
10	Japan	1,099	3%	10	Israel	477	2%
	Others	10,717	29%		Others	5,188	26%
	<b>TOTAL NTOs</b>	<b>36,999</b>	<b>100%</b>		<b>TOTAL NTOs</b>	<b>20,265</b>	<b>100%</b>

Source: CARAT

Notes: \* Data on China not available on a consistent format though limited information available suggests Singapore dominates spending in China.

It is important to point out that in practice, the share of voice for Australia in NTO statistics may overstate Australia's overall share due to the existence of comparatively large spending by overseas provincial Governments (e.g. Canadian Provinces and US States) as well as destinations such as Las Vegas, which is not captured in national share of voice data.

### **The new Brand Australia campaign**

The Global Brand Campaign, "A Uniquely Australian Invitation" was unveiled to industry in Sydney on 23 February 2006, and then subsequently launched at trade

events in key markets during February and March 2006. A first burst of advertising activity of 4-6 weeks in the period March-June 2006 reflected the start of the launch of the campaign in most established markets. Further activity followed to complete the “launch” of the campaign and to ensure the target audience were repeatedly exposed to the campaign message. This allowed other communication elements such as public relations, to work efficiently.

This first burst of activity required continued investment to move from launch phase into a maintenance phase, especially given media weights and advertising recall. In the period October 2006 - June 2007 the campaign has been on air in all Tier 1 markets<sup>39</sup> with three bursts of advertising activity. The key Global Brand Campaign activity for Tier 1 markets for 2006-07 and audience reach measures are summarised in Table 4.4.

**Table 4.4: 2006-07 Brand activity – Tier 1 markets**

Region	Brand campaign activity period			Potential % of target audience seeing ad twice or more
	1st Burst	2nd Burst	3rd Burst	
				Television
UK	1 Oct - 29 Oct			30%
Germany	10 Sep - 8 Oct			25%
Japan	5 Nov - 10 Dec	6 May - 30 Jun		68%
Korea	4 Mar - 6 May			40%
China	4 Mar - 15 Apr			69%
NZ	6 Aug - 12 Nov	7 Jan - 21 Jan	4 Mar - 3 Jun	72%
US	17 Sep - 31 May			37%

Source: Carat Media, 21 September 2007

Some Tier 2 markets also had bursts of brand activity, while other markets launched through co-operative marketing campaigns.

**Table 4.5: 2006-07 Brand activity – Tier 2 markets**

Region	Brand campaign activity period		
	1st Burst	2nd Burst	3rd Burst
Ireland	Jan - Mar 07	Apr - Jun 07	
Canada			
Singapore			
Malaysia	Jan - Mar 07	Apr - Jun 07	
Taiwan	Oct - Dec 06		
India			
Hong Kong	Oct - Dec 06	Jan - Mar 07	

Source: Carat Media, 2007 Media Plan

### **Changes in Australia’s brand health**

TA’s global marketing performance is ultimately measured through growth in the demand pool for Australia (the number of those intending to travel to Australia in the next 12 months), brand equity (comprising knowledge and image dimensions), website usage and stakeholder perceptions. All of these measures take time to move

<sup>39</sup> A discussion of TA’s classification of tourism markets into different tiers is in Appendix B.

especially when media weights (which determine consumer exposure to campaign elements) are low.

TA commenced a new version of its ongoing Brand Tracking Study in January 2005. This study was designed to provide the most appropriate diagnostics for the upcoming campaign to be launched in 2006. In evaluating the progress of Australia's brand health, TA is therefore able to compare limited benchmark data throughout 2005 with data from August 2007.

There are five specific measures used by TA to summarise the state of Australia's brand health. These measures enable the derivation of what is known as the attrition curve which describes the transition through the purchase cycle from awareness of Australia through intention to visit Australia to booking. The five attrition curve measures are described in Table 4.6.

**Table 4.6: Attrition curve measurement points**

Measure	Definition
Destination Awareness	Percentage of people who have heard "most" / "a lot" about Australia as a holiday destination
Preference	Percentage of people seriously considering going to Australia in the next 3-4 years
Intention	Percentage of people seriously intending to go to Australia in the next 12 months
Booking	Percentage of people currently booked to travel to Australia
Visited (past 12 months)	Percentage of people who have visited Australia in the past 12 months

Data which reflect change over time are available at this stage in Tier 1 markets as these are continuously tracked. To date, Tier 2 markets have been measured on the basis of two dips of research timed to measure the impact of campaign activity in the market. However, as of November 2007, all Tier 1 and Tier 2 markets are being tracked continuously ensuring brand health and communications measures are available monthly, demonstrating changes over time.

TA brand tracking compares preference of Australia with a range of the most popular outbound destinations in the major markets. Table 4.7 provides this analysis for our top seven inbound markets.

**Table 4.7: Percentage of people seriously considering going to Australia in the next 3-4 years**

Top five preferences per Tier one Market				
<b>UK</b>	<b>Country of preference</b>	<b>2006 %</b>	<b>Country of preference</b>	<b>2007 %</b>
	USA	50.7	USA	58.8
	FRANCE	40.7	FRANCE	38.6
	ITALY	32.0	AUSTRALIA	31.4
	AUSTRALIA	31.3	ITALY	30.7
	CANADA	19.0	CANADA	21.3
<b>JAPAN</b>	<b>Country of preference</b>	<b>2006 %</b>	<b>Country of preference</b>	<b>2007 %</b>
	USA	53.3	USA	48.3
	CHINA	37.7	CHINA	40.6
	ITALY	24.4	ITALY	23.3
	AUSTRALIA	22.2	KOREA	22.8
	KOREA	22.1	AUSTRALIA	19.3
<b>NZ</b>	<b>Country of preference</b>	<b>2006 %</b>	<b>Country of preference</b>	<b>2007 %</b>
	AUSTRALIA	77.7	Measure not available	
	UK + IRELAND	34.8		
	USA	33.0		
	FIJI	20.10		
	CHINA	13.6		
<b>USA</b>	<b>Country of preference</b>	<b>2006 %</b>	<b>Country of preference</b>	<b>2007 %</b>
	UK + IRELAND	41.2	UK + IRELAND	39.33
	ITALY	37.7	ITALY	38.7
	MEXICO	34.0	MEXICO	35.2
	CANADA	28.0	CANADA	26.7
	FRANCE	24.3	FRANCE	25.4
	AUSTRALIA (6 <sup>th</sup> )	21.1	AUSTRALIA (6 <sup>th</sup> )	17.9
<b>CHINA</b>	<b>Country of preference</b>	<b>2006 %</b>	<b>Country of preference</b>	<b>2007 %</b>
	JAPAN	21.5	JAPAN	24.1
	AUSTRALIA	20.8	AUSTRALIA	21.3
	FRANCE	18.4	SINGAPORE	17.1
	CHINA	16.7	FRANCE	16.5
	SINGAPORE	16.5	USA	15.9
<b>SOUTH KOREA</b>	<b>Country of preference</b>	<b>2006 %</b>	<b>Country of preference</b>	<b>2007 %</b>
	CHINA	54.0	JAPAN	59.1
	JAPAN	49.9	CHINA	57.6
	USA	35.7	USA	37.3
	THAILAND	30.7	THAILAND	28.4
	AUSTRALIA	22.9	AUSTRALIA	23.5
<b>GERMANY</b>	<b>Country of preference</b>	<b>2006 %</b>	<b>Country of preference</b>	<b>2007 %</b>
	ITALY	35.4	USA	36.4
	USA	32.6	ITALY	33.5
	FRANCE	28.6	UK + IRELAND	27.7
	UK + IRELAND	28.0	FRANCE	27.5
	AUSTRIA	24.9	AUSTRIA	22.7
	AUSTRALIA (6 <sup>th</sup> )	21.7	AUSTRALIA (6 <sup>th</sup> )	18.4

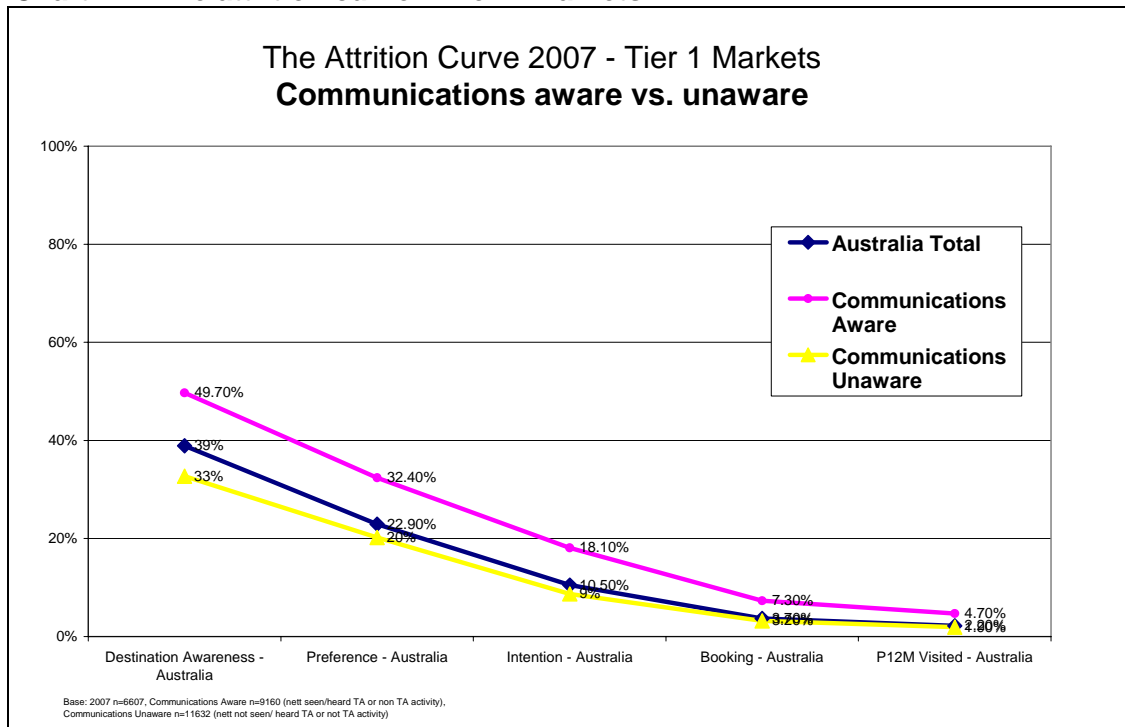
\* Data collected through the Brand Tracking Study as at October 2007.

Overall, we are not seeing any significant changes in preference for Australia. Australia has jumped from 4<sup>th</sup> to 3<sup>rd</sup> in terms of preference out of the UK, while falling from 4<sup>th</sup> to 5<sup>th</sup> in Japan. In all other markets, Australia has maintained its ranking, with only minor indicative changes to the percentage of people seriously considering visiting Australia in the next 3 to 4 years.

In this highly competitive market place we are seeing a growth in preference for short haul destinations. Given this growth, Australia is performing well to maintain its ranking and achieve comparable percentages scores. While these results are only indicative, it is encouraging to see slight increases in percentage scores in the UK, China and South Korea.

TA Brand Tracking also provides measures of the full attrition curve by market. In considering the attrition curve by market it is important to recognise that many other factors beyond NTO marketing influence the attrition curve measures and the visitors most interested in a destination. For example, the distribution of the Lord of the Rings films in association with marketing by New Zealand coincided with a lift in New Zealand awareness, as September 11 terrorism reduced preference and intention measures for the USA.

**Chart 4.1: The attrition curve – Tier 1 markets**



As shown in the attrition curve above (Chart 4.1), there is a noticeable difference between measures of preference and intention amongst respondents who recall exposure to TA communications, compared to those who do not.

Whilst it is axiomatic that those who are aware of TA's communications have higher levels of awareness of Australia as a holiday destination it does not follow that this will automatically lead to higher levels of preference, intention and booking. These measures are more significantly influenced by consumer reactions to the imagery, content, relevance and ultimately message take of the communication. To be effective communication has to be motivating as well as visible. This is why significant resources are expended in testing the impact of communication prior to any launch.

The 'communications unaware' figure can be seen to set a market baseline for attrition curve measures. That is with no TA communication 33 per cent of respondents have some level of awareness of Australia as a holiday destination and 9 per cent intend to travel in the next 12 months. Exposure to TA's communication more than doubles the percentage of people intending to come to Australia in the next 12 months. Communication which did not increase overall appeal would not automatically have the same effect.

Further evidence of the efficiency of the communication can be obtained by comparing performance with previous campaign activity (A different light). The Unique Australian Invitation campaign reached the same or higher levels of awareness, preference intention as Different Light in a much shorter timeframe and often with lower levels of spend.

**Table 4.8: Attrition curve measures for 2005, 2006 and 2007**

Australian Attrition Curve Data by Source Market 2005					
Source Markets	Awareness	Preference	Intention	Booking	Visit
UK	45%	27%	10%	4%	3%
USA	31%	18%	6%	3%	2%
Japan - OLS	33%	24%	14%	5%	4%
Japan - Jukunen	40%	25%	13%	6%	6%
South Korea	12%	3%	2%	0%	0%
China - Shanghai	30%	21%	14%	11%	0%
China - Beijing	34%	20%	15%	13%	1%
Germany	33%	21%	6%	2%	1%
Singapore	61%	43%	24%	10%	8%
Italy	9%	7%	2%	0%	0%

Australian Attrition Curve Data by Source Market 2006					
Tier 1 Source Markets	Awareness	Preference	Intention	Booking	Visit
UK	49%	31%	12%	5%	4%
Japan - Total	39%	22%	15%	3%	3%
New Zealand	90%	78%	64%	29%	24%
USA	33%	21%	6%	2%	2%
South Korea	45%	23%	12%	4%	3%
China - Total	36%	21%	12%	4%	1%
Germany	35%	22%	7%	1%	1%
Tier 2 Source Markets	Awareness	Preference	Intention	Booking	Visit
Ireland	45%	31%	9%	2%	1%
Canada	27%	14%	3%	1%	0%
Singapore	69%	52%	38%	13%	10%
Malaysia	44%	32%	17%	6%	5%
Taiwan	42%	27%	14%	5%	2%
India	68%	59%	32%	6%	6%
HK	47%	32%	19%	9%	4%

Australian Attrition Curve Data by Source Market 2007					
Tier 1 Source Markets	Awareness	Preference	Intention	Booking	Visit
UK	50%	31%	13%	5%	4%
Japan - Total	36%	19%	12%	3%	3%
New Zealand	na	na	na	na	na
USA	30%	18%	5%	2%	1%
South Korea	47%	24%	13%	5%	4%
China - Total	35%	21%	10%	4%	1%
Germany	30%	18%	5%	1%	1%
Tier 2 Source Markets	Awareness	Preference	Intention	Booking	Visit
Ireland	na	na	na	na	na
Canada	na	na	na	na	na
Singapore	na	na	na	na	na
Malaysia	na	na	na	na	na
Taiwan	49%	33%	23%	8%	1%
India	na	na	na	na	na
HK	na	na	na	na	na

Source: TA's Global Brand Health and Communications Tracking 2007, conducted by TNS. Data as at October 2007

Table 4.8 allows for the development of some commentary over time and campaigns as the 2005 figures measure the end of the Different Light campaign, 2006 the launch



of the Unique Australian Invitation and 2007 Unique Australian Invitation campaign wear-in (familiarity) albeit with relatively small media weights.

In terms of 2005 vs. 2006 there are three markets which cannot be compared due to significant changes in coverage, geographic coverage and/or target markets. These are Japan, New Zealand and China. Those which can be compared generally provide a strong positive story with large percentage increases on most measures.

Comparing 2006 to 2007 tells a somewhat different story which would also be impacted by campaign wear-in and media weights (launch phase vs. longer term). The UK, South Korea and Taiwan continue to build year on year while performance was not as strong in Japan, the US and Germany.

Table 4.9 shows the attrition curve points in all Tier 1 and 2 markets to date (from the launch of the campaign to 30 September 2007) rather than just for a specific time period.

**Table 4.9: Brand Health (Attrition Curve) to date**

Australian Attrition Curve Data by Source Market						
TOTAL Market: to September-30-07						
Tier 1 Source market:	Awareness	Preference	Intention	Booking	Visit	
UK	48%	30%	12%	5%	4%	
Japan	37%	22%	13%	4%	3%	
New Zealand	90%	78%	64%	29%	24%	
USA	32%	20%	6%	2%	2%	
Korea	45%	24%	13%	4%	4%	
China	35%	21%	12%	6%	1%	
Germany	33%	20%	6%	1%	1%	
Tier 2 Source market:	Awareness	Preference	Intention	Booking	Visit	
Ireland	45%	31%	9%	2%	1%	
Canada	27%	14%	3%	1%	0%	
Singapore	64%	47%	30%	11%	9%	
Malaysia	44%	32%	17%	6%	5%	
Taiwan	45%	29%	17%	6%	2%	
India	68%	59%	32%	6%	6%	
Hong Kong	47%	32%	19%	9%	4%	

The attrition curve maps out the proportion of our target market that is aware of Australia as a destination and the proportion of our market that is seriously considering visiting Australia in the next 3-4 years and so on through Intention, Booking and Past Visitation. For example, in the UK we have an awareness rating of 48 per cent and a preference rating of 30 per cent. This means we notionally lose 18 per cent of our target market between these two phases (known as attrition) and that we “retain” 30 per cent of our target market. Table 4.10 shows the percentage of travellers “retained” between each stage of the Attrition Curve.

**Table 4.10: Retention rates between stages of attrition**

Retention Rates between Stages of Attrition				
TOTAL Market: to September-30-07				
Tier 1 Source market:	A ? P	P ? I	I ? B	B ? V
UK	63%	39%	43%	74%
Japan	58%	61%	29%	87%
New Zealand	86%	83%	44%	84%
USA	62%	29%	39%	77%
Korea	53%	54%	33%	81%
China	60%	57%	53%	13%
Germany	63%	29%	24%	64%
Tier 2 Source market:	A ? P	P ? I	I ? B	B ? V
Ireland	70%	27%	24%	65%
Canada	53%	23%	31%	40%
Singapore	73%	64%	37%	81%
Malaysia	73%	53%	34%	78%
Taiwan	66%	59%	35%	25%
India	87%	54%	20%	89%
Hong Kong	67%	58%	46%	51%

The table demonstrates the challenges faced retaining people between preference to intention and intention to booking. It is at these points overall that we face greatest attrition in general. The figures in white demonstrate that we have seen significant attrition between the stages of the curve. When Brand Health and Retention measures from 2005 to July 2007 are examined, the local market challenge is demonstrated by any statistically significant differences which occur between the stages of the Attrition Curve.

In particular, there are significant differences (and therefore a market challenge) between Preference and Intention for: the UK, the US, Ireland, Canada, Singapore, Malaysia, India and Hong Kong. There are also significant differences between Intention and Booking for all markets except the UK and China. For Ireland and Malaysia it is not possible to say that the reported differences are statistically significant due to the small sample size.

TA's activity is expected to produce positive effects on all five measures of Brand Health, but with special focus on increasing the retention of the market in the preference and intention stages of the purchase cycle. Historically, Australia has enjoyed comparatively healthy awareness, but much lower preference and lower still intention to visit.

Another key measure in the brand tracking which should show evidence of movement is that of "buzz". This measure is designed to capture the key themes which people mention in response to the open-ended question: "What have you heard recently about Australia as a holiday destination?" Recorded 'buzz' may or may not be directly attributable to TA activity but is a useful barometer of brand affinity. Responses given are grouped in terms of 'positive', 'neutral' and 'negative' mentions.

Following the launch of the Unique Australian Invitation campaign in 2006, most markets have experienced an increase in the amount of 'positive buzz' about Australia. The markets which experienced a significant increase in positive buzz pre to post campaign launch were:

- China up from 8 per cent to 14 per cent;
- Japan up from 16 per cent to 22 per cent;
- Germany up from 22 per cent to 32 per cent;
- UK up from 30 per cent to 42 per cent; and
- US up from 28 per cent to 39 per cent.

The most immediate measure of the impact of the campaign is visits to the dedicated website [www.wherethebloodyhellareyou.com](http://www.wherethebloodyhellareyou.com). As at 25 September 2007, over 1.5 million unique visitors from over 200 countries have visited the dedicated website, and the television commercial was viewed 1,032,073 times. 75,000 viral emails were sent from the site. China is the country with the largest number of visitors to the dedicated website, representing 25 per cent of all visitors. The share of traffic of the top ten markets is outlined below:

- China – 25 per cent;
- Australia – 14 per cent;
- US – 14 per cent;
- Japan – 11 per cent;
- UK – 10 per cent;
- Germany – 5 per cent;
- Canada – 5 per cent;
- Korea – 3 per cent;
- Hong Kong – 2 per cent; and
- Italy – 1 per cent.

In addition, across Tier 1 markets, over 700,000 interactive viewings of the television commercial were generated within online advertising units.

### **Brand equity among intermediaries**

The equity of Brand Australia (or its perceived value) amongst intermediaries can be measured as a function of the willingness of those intermediaries (inbound tour operators, wholesalers, agencies, airlines, finance companies etc) to associate, work with and or invest in specific programs. The extent to which this is the case and the financial backing received from industry intermediaries is covered in sections dealing with partnerships/co-operative activity.

TA conducted stakeholder surveys in key international markets to gauge interest in working with TA to bring tourists to Australia. The results have been positive. Across the seven Tier 1 markets plus Singapore and Hong Kong the response from industry to the campaign was generally positive, though the Japanese trade had a less positive reaction than other markets.

It should be noted that TA's marketing campaign was designed to directly engage consumers rather than intermediaries, and that education of the trade in some markets (in relation to matters such as changing consumers/market segmentation) is an ongoing role for TA.

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### **Cooperative activities by TA with industry partners**

Reflecting its objective to be a leverage marketing organisation TA has a range of active partnerships with industry partners. These partnerships encompass traditional co-operative marketing arrangements around a particular advertising campaign, but extend to media partnerships and partnerships with Australian industry in providing support to visiting journalists and travel agents.

TA seeks to engage and support partners by facilitating a range of programs at each stage of the distribution system – assisting the link between consumers and suppliers. These activities range from “high-touch” programs such as training for Aussie Specialist Travel Agents and travel missions for wholesalers/tour operators to “low touch” programs such as TA's bank of online programs.

TA's media and content partnerships are designed to establish global relationships with key lifestyle media channels that speak directly to TA's target market – the 'experience seeker' – in order to leverage global media buy that is consistent with TA's global creative strategy (print, entertainment and electronic). A primary goal of the global media and content partnerships is to leverage relationships with suppliers (for example National Geographic and Discovery Channel) that provide opportunities to engage with TA's target market via programming and editorial content, but also to provide opportunity for linking public relations activity (expanding consumer contact with Brand Australia).

TA's Cooperative Brand Partnerships consolidate current travel related brand marketing partnerships (e.g. TA's activities with airlines such as Qantas and credit card companies such as American Express and Visa) and identify potential new partners that share communication with the 'experience seeker'. Activity under this partnership framework facilitates alignment of TA marketing activities with key industry representatives, which results in considerable leverage of TA's marketing spend.

The following table summarises the total cooperative funding TA has received since its establishment (marketing and non marketing related revenue – excluding bank interest):

**Table 4.11: External co-operative funding received by TA (Annual Reports)**

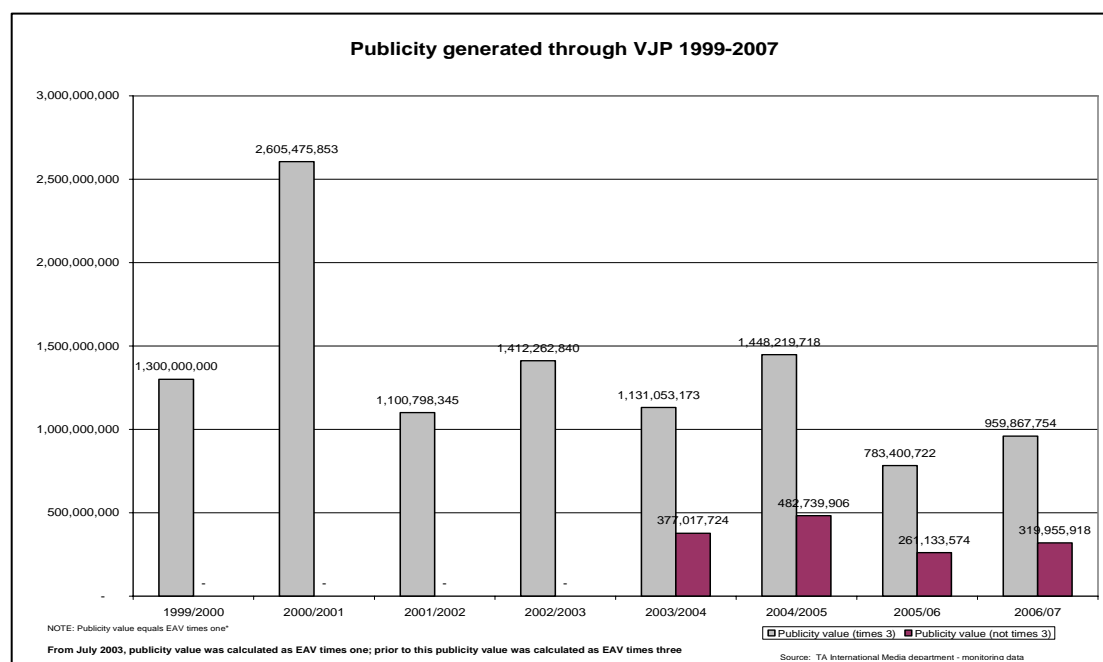
	2003-04 \$ million	2004-05 \$ million	2005-06 \$ million	2006-07 \$ million (budget)
Marketing	15.1	25.8	24.2	23.1
Non Marketing	2.0	2.1	2.5	2.31
Total	17.1	27.9	26.7	25.4

Marketing related revenue from partners has increased by 53 per cent in the period 2003-04 to 2006-07. Marketing revenue relates to direct revenues received for consumer marketing, trade marketing, information services, product development, business tourism, strategic research, and corporate strategy (for example co-operative brand advertising such as a joint QANTAS commercial). Some of this revenue is a direct result of Tourism Research Australia's revenue generating activities.

In addition to direct revenues TA also receives indirect support through joint marketing programs. Due to the nature of these programs these funds do not form part of the reported level of industry contributions to TA, but are in addition to it. For example, in 2006-07 TA contributed \$7.26 million toward Global Program initiatives with National Geographic and Discovery (including Discovery Channel) that supported a total of leveraged marketing effort valued at \$30 million.

TA also receives indirect revenue to assist in covering costs associated with the Visiting Journalists Program (VJP). The VJP is the key program used by TA to gain media coverage of Australia. The resulting television and print reports on Australia provide a highly valuable tool for promoting Australia. There is some uncertainty about how the effectiveness of the resulting media coverage of Australia should be valued. At one level, editorial commentary has much greater credibility in the eyes of readers/viewers than advertising in the same media. However, the message is obviously far less focused on core TA messages than traditional advertising.

Up until 2003, TA valued space/time in media from VJP stories/articles at three times the paid advertising equivalent value, an approach which is still commonly used in other areas. However, from 2003 TA has moved to value VJP stories at one to one with paid advertising equivalent space and time. TA also recognises that it is important to assess VJP stories/articles for their level of support for core Brand Australia messaging, and a new system for valuing VJP stories and articles is now in place. As Chart 4.2 shows it is not surprising that the peak year of VJP activity and equivalent advertising value encompassed the Sydney Olympics. It is also important to note that media activity fluctuates over time. For example publicity generated in 2004-05 was boosted by a major Italian visit.

**Chart 4.2: Publicity generated through the VJP**

VJP	2003-04	*2004-05	2005-06	2006-07
Visits	741	802	1008	676
Publicity generated (\$ million)	377	483	260	320

\* Includes major one off Italian visit

Non marketing revenue relates to items such as co-location rents, and funds related to the Destination Australian Partnership (DAP). DAP also accounts for the substantial increase in non marketing revenue from 2004-05 onwards which is received in the European region. DAP is a joint initiative between TA and the State and Territory Tourist Organisations (STOs), that seeks to better align marketing activities and operations, improve the effectiveness in marketing Australia overseas and reduce duplication and overlap within the UK and European market. The initiative involves TA and the STOs working together in one office environment to improve partnerships and co-operative marketing initiatives.

TA also has trade and distribution partnerships which involve the alignment of trade and distribution partner activity to TA objectives through clear in-market communication and engagement, development of premium relationship models with trade and retail partners based on demonstrated commitment and strategic alignment to Australia. These partnerships help to broaden TA's distribution base across all channels by consolidating support for existing players and applying tools that foster the entry of new players.

An example of a TA initiative that illustrates the value of partnerships encouraging a visitation to Australia is the Aussie Specialist Program. A more detailed description of this program is at Appendix C.

Another type of partnership in which TA participates is supplier partnerships. Typically these partnerships involve TA working closely with STOs, Regional Tourist Organisations and industry to facilitate entry, access and interface to markets;

to maximise effectiveness of collaborative marketing spend and to connect consumers, media and trade with product for example through the trade shows. Another important role of TA supplier partnerships is to ensure product development plans and strategies match customer demands (for example, TA's work with STOs on development of the TA Experiences program, product research, market briefings and partnership marketing).

The contribution of cooperative funding provided by partners and the close working relationship in designing marketing campaigns with private sector and State Government partners is a large part aspect of TA's role in encouraging inbound tourism growth.

TA coordinates and participates in around thirty five international trade shows and events each year to promote Australia as a premier travel destination. The majority of these trade shows and events are held in key international markets, providing the Australian tourism industry with the opportunity to meet with travel agents and wholesalers from around the world.

Events that TA organises and that industry can participate in include Australian Tourism Exchange (ATE) which is Australia's premier tourism trade event. ATE provides a forum for Australian tourism businesses to showcase their product, meet overseas contacts and negotiate business deals. In addition to ATE, TA also coordinates the Corroboree North America, the Luxury Travel Expo (in Las Vegas and New York City), the American Express Travel and Education Expo, Oz-Talk South East Asia, the China International Travel Mart, and travel Missions in markets such as India, Korea, and Japan.

## EVALUATING DOMESTIC TOURISM MARKETING ACTIVITIES

TA's role in domestic tourism given the limited available funding is to act as a catalyst for encouraging greater leisure travel by seeking to change:

- the perceived status of Australian domestic holidays; and
- attitudes to taking leave from work.

The much larger role of promoting particular destinations or businesses is the domain of the private sector and State and Territory Governments.

**Table 4.12: Spending from Australian Government funding within TA for domestic tourism**

Year	Funding for Domestic Tourism (project dollars)	
	Current dollars \$ million	2006-07 dollars \$ million
2003-04	na	na
2004-05	\$10.2	\$10.8
2005-06	\$4.0	\$4.1
2006-07	\$9.1	\$9.1

Source: Tourism Australia accounting data

Notes: does not include industry contributed funding to this activity area. These figures include the return of funding from this function to the Department of \$1m, \$3.5m and \$2.5m in 2004-05, 2005-06 and 2006-07 for other tourism programs of the Department.

### **Domestic tourism marketing strategy within TA**

Australian domestic tourism product is diverse and dispersed, often poorly understood by consumers and not the key focus of travel agents and distributors – who earn more commission selling outbound travel. TA research has shown that<sup>40</sup>:

- there is widespread dissatisfaction with Australian holidays – Australian 'experience seekers' love them but no longer aspire or dream to go on them;
- there is immense competition for the holiday dollar and the appeal of overseas alternatives is very strong;
- Australian holidays often deliver less to the Australian 'experience seeker' because they put less into the holiday;
- they have simpler expectations of an Australian holiday;
- they are not actively seeking new or different experiences within Australia; and
- their perceptions of Australia are anchored very much in the natural environment.

In a report commissioned by the Department, Tourism Research Australia provided a comprehensive overview of the performance of domestic tourism between 1985 and 2005<sup>41</sup>. This report identified a range of economic and social factors putting pressure on domestic tourism, including:

- motivations for/rewards from holidays have changed and can now be replaced by other leisure products and services;
- “Australia” needs to market itself differently to compete with outbound and other leisure activities;
- as lives get busier leisure time is spent relaxing at home and catching up on household/life tasks and things which people do not regularly have time to do;
- there are significant real and imagined impediments to people taking leave entitlements;
- higher costs of domestic travel is greatly impacting on travel decisions of some sectors of society; and
- baby boomers will/are not the anticipated bonanza for tourism as the realities of self funded retirement and longer life expectancies hit home.

Indeed TA's domestic tourism brand tracking reveals fairly static expectations for domestic travel in the two years to June 2006. Information from the Holiday Tracking Survey, as shown below, indicates that both preference and intention to travel domestically have been reasonably static in the last three years though with slight falls in the year ending June 2007. More specifically:

- as at June 2007, 81.9 per cent of Australians had a preference to travel domestically in the next two years – compared to 83.9 per cent as at June 2004;
- as at June 2007, 63.6 per cent of Australians intended to travel domestically within the next year – compared to 65.6 per cent as at June 2004.

<sup>40</sup> Tourism Australia (2006), 'Domestic target debrief', Market Insights Team.

<sup>41</sup> Tourism Research Australia, *An assessment of the Australian domestic tourism market*, 2006.



**Table 4.13: Domestic tourism preference and intention**

DOMESTIC PREFERENCE - INTRA/INTERSTATE					
When respondents asked to answer "In the next 2 years where would you like to spend a holiday?"					
PREFERENCE	TOTAL	YEAR END			
		Jun-04	Jun-05	Jun-06	Jun-07
Total prefer (intrastate)	<b>63.2%</b>	64.3%	63.3%	61.6%	59.7%
Total prefer (interstate)	<b>68.6%</b>	69.8%	68.5%	67.2%	64.4%
TOTAL Trip Preference	<b>83.4%</b>	83.9%	83.4%	82.7%	81.9%

Read: 81.9 per cent of Australians want to travel domestically within the next 2 years at year end June 2007 compared to 83.9 per cent at year end June 04.

DOMESTIC INTENTION - INTRA/INTERSTATE					
When respondents asked to answer "Where do you intend to travel in the next 12 months?"					
INTENTION	TOTAL	YEAR END			
		Jun-04	Jun-05	Jun-06	Jun-07
Total intend (intrastate)	<b>46.6%</b>	47.6%	45.9%	45.2%	43.5%
Total intend (interstate)	<b>33.4%</b>	34.0%	33.8%	33.8%	32.7%
TOTAL given trip intention destination	<b>65.3%</b>	65.6%	65.4%	65.2%	63.6%

Read: 63.6 per cent of Australians at year end June 2007 intend on travelling domestically within the next 12 months compared with 65.6% at year end June 04.

Source: Roy Morgan Research Holiday Tracking Survey Jul06-Jun07

It is, however, difficult to draw clear cut conclusions of whether there are meaningful shifts in domestic travel preferences or intention after allowing for sampling error.

Contributing to these findings is that overseas holidays have become cheaper with the stronger Australian dollar, Australians have become wealthier and more interested in the rest of the world, and different experiences have gained in value against possessions<sup>42</sup>.

TA market research has established that a key challenge is to lift the 'braggability' and 'knowledge' of what an Australian holiday delivers to the core target market of Australian 'experience seekers'. The related challenge is to encourage Australians to reduce the stockpile of their recreational leave in the face of increasing work pressures and difficulties in planning a holiday (huge choice, limited planning time)<sup>43</sup>.

<sup>42</sup> One of the more important but less remarked impacts on Australian tourism of the year 2000 tax reform was the impact of GST on the domestic tourism industry. Domestic tourism is highly exposed to import competition and far more so than other service industries. The effect of the GST system was to impose the GST on industry import competition at the time the goods entered the country or services were performed here. However, this was not the case for domestic tourism's import competition of outbound tourism which is GST free. While domestic tourism was probably relatively advantaged compared to goods producers prior to the raft of tax reforms introduced in 2000, this was not the case afterwards. Allowing for input credits has meant that domestic tourism's import competition gained a price advantage of up to 6-7 per cent over domestic tourism businesses. This is presumed to have only had a small impact in the 2003-04 to 2005-06 period compared to the similar price impact of the appreciating Australian dollar and the larger issue of an improving global outlook for the safety of international travel.

<sup>43</sup> Tourism Australia (2006), 'Tourism Australia Annual Operating Plan' section C1.

To address these issues TA's strategies include:

- the creation and execution of consumer marketing activity encouraging Australians to travel more within Australia via a content driven approach;
- harnessing the tourism industry's support around domestic media content initiatives to raise the compelling nature of an Australian holiday to a target audience; and
- the development of the pilot 'No Leave, No Life' program in 12 Australian businesses.

The domestic content initiatives are separate to TA's 'No Leave, No Life' pilot program. Whilst both programs have different target audiences, the messaging or high level objective is the same – to encourage more Australians to holiday domestically.

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### **Content strategy**

TA's approach to marketing Australian holidays to domestic consumers has been based on extensive consumer research and the identification of a core target audience, the 'Experience Seeker'. The 'Experience Seeker' represents 17 per cent of Australians who opt for both interstate and international holiday destinations but contribute 71 per cent of the spend by this group.

The domestic strategy is also based on comprehensive and ongoing consultation with STOs and industry about the role TA should play in the domestic arena. This strategy to date, has received strong support from the industry in adding value to the existing destination campaigns and operator activity.

To be effective in encouraging this audience to holiday domestically, TA aims to raise the value and status of an Australian holiday by using the vehicle of credible Australia-based media content – in print, electronic and online media environments. The focus is on harnessing industry support and lifting the volume of credible national media content on Australian holiday experiences. Australia is currently being dwarfed by overseas tactical advertising as well as editorial content and TA's domestic strategy seeks to assist in re-balancing this area for the industry as a whole.

Tourism Australia has developed a Domestic Content Strategy to create national media partnerships to lift the aspiration and knowledge of what an Australian holiday can offer. It also provides a media platform for the Australian industry to speak directly with these consumers without the competition of outbound advertising and editorial messages. The strategy aims to showcase domestic tourism experiences which appeal to the target market in a way that will compel them to take a holiday in Australia. The activities are focussed on delivering national opportunities that would otherwise not have happened without Tourism Australia's involvement.

The Domestic Content Strategy includes partnerships to feature Australian holiday content with Publishing Broadcasting Limited (PBL), Fairfax, News Limited, the Australia Broadcasting Corporation, Seven Network, and the Federal Publishing Company.

TA has been working closely with STOs and industry on editorial contributions for each of the domestic content initiatives with great success. In addition to the STOs editorial input, more than half of the media content initiatives include advertising opportunities exclusively for the domestic tourism industry.

The first of the domestic media content partnerships conducted last year with Fairfax received a bronze award in the Media Federation Awards. TA is also a finalist in 2007 for the **Australian Marketing Institute's (AMI) Annual Awards**, which recognise outstanding examples of marketing programs in accordance with best practice criteria in numerous categories:

- Getaway Wonders Series One partnership has been entered in the Marketing Communications category;
- Channel Seven My Australia partnership in the Consumer Insight category; and
- No Leave No Life is a finalist in both Consumer Insight and Social Marketing category.

In addition 'No Leave No Life' is a finalist in the Single Medium Campaigns category of the **Australian Direct Marketing Awards**, which recognise and celebrate the best in Australian Direct Marketing.

To date the strategy includes over 25 planned major content initiatives across television/pint/online media. These initiatives have covered to date:

- over 500 destinations;
- more than 5,000 experiences;
- to date over \$2.5 million worth of advertising support bought from domestic tourism partners via co-operative advertising opportunities;
- the total media value of Australia's domestic content strategy is in excess \$25million to date. Based on an \$8 million spend for 2006-07 means a return on investment of 3.1 times the media cost; and
- over 500 advertisers.

Completed content initiatives include:

- Explore magazine editions I, II and III;
- Getaway – Seven Wonders Down Under special episode – 3 August 2006;
- Ninemsn Australia Travel section – August 2006 to July 2007;
- Donna Hay Magazine – 22 July 2006;
- *Wish You Were Here* photographic competition, The Weekend Australian Magazine - December 2006;
- ABC's Life etc. My Secret Australia – September/October 2006;
- FPC 'Editor's Choice - An Insiders Guide to Australia's Most Beautiful Beaches' – October 2006 issues;
- *Aus Geo Map* – September 2006 – February 2007; and
- Channel Seven Vignettes – Airing on TV in October 2006 and February 2007.

Domestic activities in 2007-08 include those listed in Table 4.14 below:

**Table 4.14: Domestic media activities 2007-08**

Activity	Timing
<b>'Hidden Wonders'</b>	
<i>Network Nine Getaway TV</i>	Aug 23 & Summer 08
<i>Cinema – Val Morgan</i>	Sept 07– May 08
<i>Cinema – Moonlight Outdoor</i>	Nov 07 – February 08
<i>Hidden Wonders Magazine</i>	August – October 07
<i>Ninemsn Travel Australia</i>	July 07 – June 08
<b>"My Australia"</b>	
<i>Channel 7 TV Vignettes</i>	August-Nov 07 & Feb and March 07
<i>Yahoo 7 'My Australia' site</i>	July 07 – June 08
<i>Time Inc. My Australia photography magazine</i>	August 6 08
<i>Time Inc. My Australia photo competition</i>	August - December
<i>Time Inc. My Australia Calendar</i>	December
<b>Explore</b>	
<i>Fairfax Explore Edition 5</i>	August 26
<i>Fairfax Explore Edition 6</i>	March 30
<i>Explore E-Newsletters</i>	4 times year
<i>Book Out Australia</i>	January 25, 08
<i>New Australian Luxury</i>	June 08
<b>Lonely Planet</b>	
<i>Lonely Planet BlueList Aust</i>	September/October 07

## **No Leave No Life national research study**

### **The Result**

In December 2006 a survey was undertaken to evaluate the success of the 'No Leave No Life' (NLNL) pilot program among employees in participating organisations. There was a good response from employees in the public sector and not-for-profit organisations. However, responses from private sector companies were limited. The survey results overall provided clear direction for future strategy development on the program:

- Almost all had heard about the campaign and seen the promotional material provided by TA.
- One-third had also used the [www.noleavenolife.com.au](http://www.noleavenolife.com.au) website and reported finding it easy to use.
- Holiday packages offered by Qantas Holidays on the site were not considered to be compelling.
- Also very low awareness of the additional discount offered on any domestic Qantas Holiday available in the market.

### **Change in attitude to annual leave taking**

The program was successful in changing employees' attitudes towards the management of annual leave taking in their organisation. Nearly four in five employees (82 per cent) said that they had noticed an improvement since becoming involved in the NLNL program. When asked whether management was supportive toward staff taking leave, nearly half (48 per cent) rated their organisation as being very supportive.

Nearly 1 in 5 respondents (18 per cent) reported that the NLNL program had resulted in them intending to take more leave. However, 82 per cent said that there had been no change in their intentions. This suggests that the constraints in the workplace to taking leave are still relatively strong in the organisations surveyed.

### **Shifts in accrued leave balances**

With the exception of the Department of Defence no organisation participating in the pilot was prepared to disclose the organisation's leave balances or shifts in leave balances post the pilot – mainly due to privacy concerns. The Department of Defence 'championed' the program internally as part of a broader focus on addressing leave accumulation and has requested permission from TA to continue to rollout elements of the program. It has reported that there was a 15-20 per cent increase in leave taking in January 2007 and that NLNL was a key element in this.

A key finding of the evaluation of the program is that it is only truly successful if the participating organisation's CEO and leadership as a whole 'champion' the program internally and this is beyond the control of TA.

The recommendation is to explore another more relevant Australian Government agency partner to rollout the program with the support of Tourism Australia. If this approach is unsuccessful, then the recommendation is to proceed with a 'Disk and Distribute' model to CEOs in Australian Government agencies, State agencies, AHRI membership contacts and major corporate organisations across Australia. This will ensure the knowledge and insights from this innovative program continue to be shared at a low resource cost to TA.

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### **Results of Domestic Campaigns**

Most Australians (67%) living in Sydney, Melbourne or Brisbane are aware of at least one of TA's content initiatives. This high level of awareness has provided positive results in response to the domestic campaign with more than half of those aware agreeing that the initiative made them think about taking a holiday or break soon. Nearly half agreed the initiative made them think that Australian holidays or breaks were as good as or better than overseas holidays.

**Table 4.15: Key Results of domestic campaigns**

	Space Campaign (Print)	Brand Australia	Ernie Dingo	Spaces campaign	Content
<i>Base: Campaign Recallers (general)</i>	%	%	%	%	%
It really made me think about taking a holiday or break soon	58	53	43	45	52
It helped me decide to take my next holiday or break in Australia	50	36	40	39	26
It made me think that Australian holidays or breaks would be better than overseas holidays	52	43	49	43	44*

Source: TNS 2006-07

\* as good as overseas holidays

## THE ROLE OF THE PRIVATE SECTOR IN FUNDING TOURISM MARKETING

It is important to recognise that the private sector also contributes to the overall marketing of tourism through its own activities.

TA commissioned the Australian Bureau of Statistics (ABS) to conduct two surveys. The objectives of these surveys were to provide information about the level of, and changes in, expenditure by private sector in marketing Australian tourism domestically and internationally for the years 2003-04 and 2005-06. The results of 2003-04 were to be used as a benchmark for the second survey to determine whether private sector marketing expenditure had grown in the years since the TWP was launched. When the TWP was developed, there were some concerns that the extra government funding for marketing would lead to reduced expenditure by private businesses. The survey used a broad definition of marketing including internet sites and own staff costs, but was restricted in its coverage by failing to include retailers, travel agents, overseas owned airlines and smaller operators and therefore underestimated the total private sector contribution to Australia's international and domestic tourism marketing.

The following section summarises the results from the ABS surveys.

### **Inbound tourism marketing spend**

The restricted survey by the ABS of 789 private sector firms with inbound tourism marketing expenditure for 2005-06 found that these firms spent just over \$215 million on international tourism marketing, up 10.6 per cent compared to 2003-04. Further details can be found in Table 4.14 below.

**Table 4.16: Private sector inbound tourism marketing spending in 2005-06 by industry**

Industry	Inbound tourism marketing spending 2005-06	Share of total private sector inbound tourism marketing spending (%)	Change (%) 05-06/ 03-04
Accommodation <sup>^</sup>	\$68.9m	32	-22.1
Inbound Tour Operators	\$11.2m	5	-33.0
Tour Operators	\$15.2m	7	52.3
Theme parks, attractions <sup>^</sup>	\$13.2m	6	13.3
Casinos	\$39.8m	18	122.9
Convention/exhibition centres	\$6.5m	3	38.1
Cruise operation	\$5.6m	3	34.8
Other #	\$55.4m	26	32.8
<b>TOTAL<sup>^</sup></b>	<b>\$215.7m</b>	<b>100</b>	<b>10.6</b>

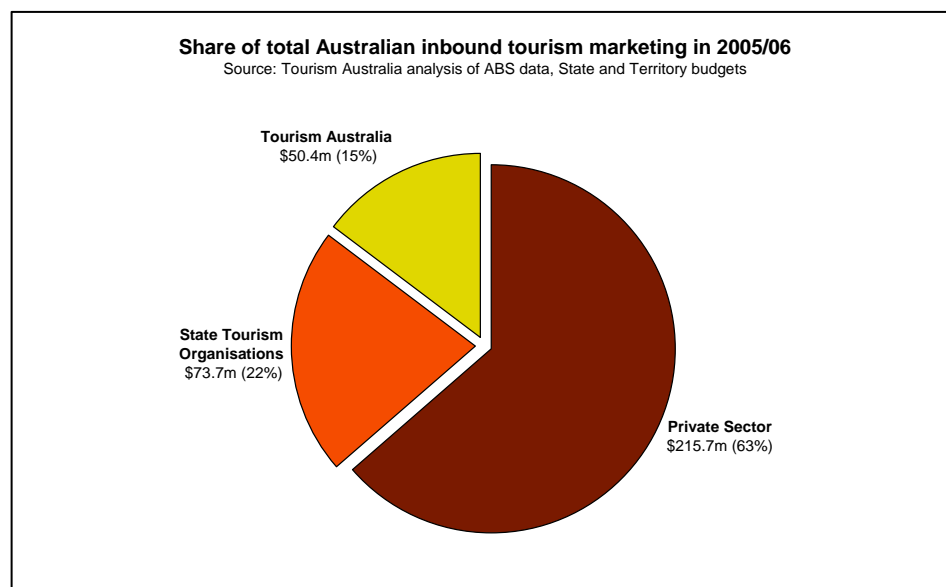
Source: Australian Bureau of Statistics, 'Survey of private sector tourism marketing spending'.

<sup>^</sup> estimate has a relative standard error of 10% to less than 25% and should be used with caution

# includes airlines, car hire, coach and rail operators, and duty free retail outlets.

TA also estimates that 20 per cent or \$67.5 million of State/Territory Tourism Organisation spending is devoted to inbound tourism marketing<sup>44</sup>.

Chart 4.4 shows that the private sector provides significant support for inbound tourism marketing even allowing for market failure arguments, though there is a strong argument for a coordinated and consistent approach for messages to have a cumulative impact. It is not the case that the Australian Government is being asked to fully fund inbound tourism marketing.

**Chart 4.4: Shares of total inbound marketing**

<sup>44</sup> Total State and Territory government funding for their State Tourism Organisation of \$337.3 million in 2005-06, the 20 per cent assumption implies international market spending of \$67.5 million.

## **Domestic tourism marketing spend**

A restricted survey by the ABS of 1,269 private sector firms with domestic tourism marketing expenditure for the 2005-06 year found that these firms spent just over \$624.3 million on domestic tourism marketing, up 9.7 per cent compared to 2003-04. Further details can be found in Table 4.15 below.

**Table 4.17: Private sector domestic tourism marketing spending in 2005-06 by industry**

<b>Industry</b>	<b>Domestic tourism marketing spending \$million</b>	<b>Share of total private sector domestic tourism marketing spending %</b>	<b>Change (%) 05-06/ 03-04</b>
Accommodation <sup>^</sup>	272.2	43.6	-3.3%
Inbound tour operation	2.0	0.3	9.4%
Tour operation	12.9	2.1	-22.6%
Theme parks/attractions	45.5	7.3	25.4%
Casinos	82.3	13.2	25.0%
Convention/exhibition centres	8.2	1.3	31.8%
Cruise operation	14.7	2.4	47.7%
Other(b)	186.5	29.9	23.9%
<i>Total</i>	624.3	100.0	9.7%

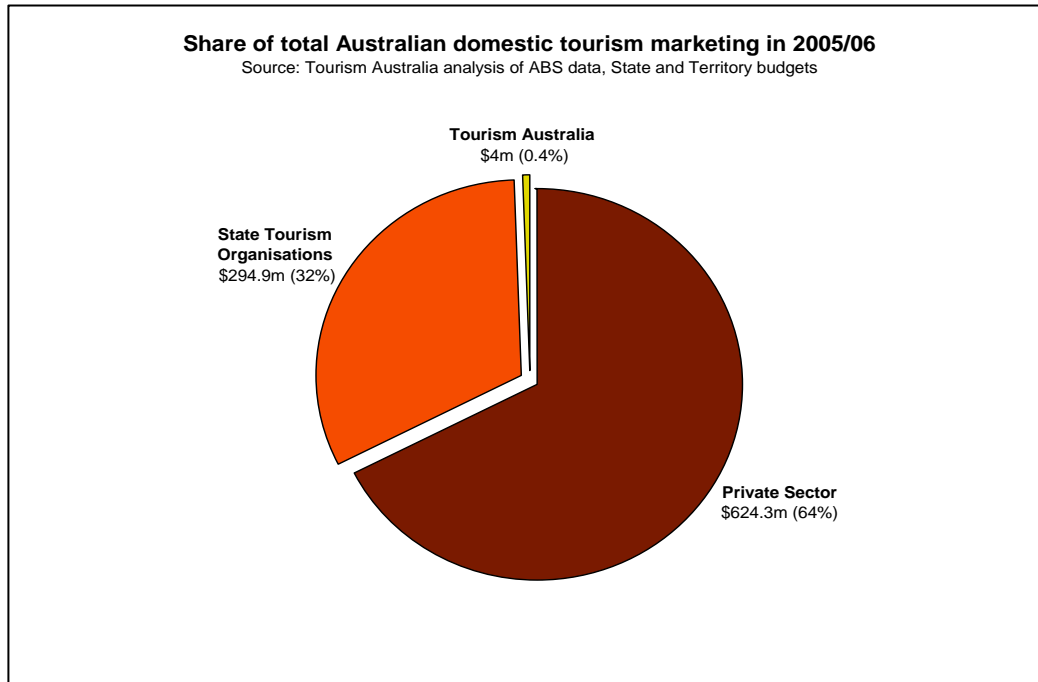
Nb.^ It proved impractical because of compliance burden to collect data from small operators. It proved impractical for general retailers and travel agents to estimate the share of their marketing spending devoted to domestic and inbound tourists. Global tourism firms with marketing areas offshore were typically not included in the survey results. Other includes: domestic passenger airlines, car hire, coach and passenger rail operators, and duty free retail outlets.

Source: Australian Bureau of Statistics, Tourism Marketing Expenditure, Australia 2005-06, Cat No. 8691.0.

Owing to the much lower barriers to entry (including less market failure and lower cost) of domestic compared to inbound tourism marketing we expect that a broader survey of the hundreds of thousands of SMEs in tourism related industries would demonstrate far higher total private sector marketing expenditure on domestic tourism.

It is also estimated that around 80 per cent of State/Territory Tourism Organisation spending is devoted to domestic tourism marketing. With total State and Territory government funding for STOs of \$337.3 million in 2005-06, the 80 per cent assumption implies domestic marketing spending of \$269.84 million.



**Chart 4.5: Share of total domestic tourism marketing 2005-06**

Source: Tourism Australia analysis of ABS data, State and Territory budgets.

## DEVELOPMENT OF HIGH YIELD NICHE SEGMENTS

A key objective of the White Paper structural reform agenda for tourism was to encourage growth in high yield tourism. As noted in the Tourism White Paper:

*“Like other market sectors, tourism customers are attracted to the diverse range of new and innovative products and experiences provided by the market. Such innovation and improvement is the basis of growth and success. Australia needs to be at the forefront of such innovation, with a focus on developing high-yield market segments.”* (Source: Tourism White Paper, Page 29).

### **Evolution from niche development to ‘Australian Experiences’**

Since 2004-05 TA has spent around \$3 million per annum on this function. Funding for niche product development is an aspect of TA’s objective of encouraging the global 'experience seeker' and the travel distribution system to move from their current image of Australia to a greater level of knowledge, by focusing on products and destinations which deliver compelling Australian experiences. This has involved support for innovation and marketing by product owners in particular activities important to the long term health of Australian tourism – ecotourism, indigenous tourism, backpacking and food and wine tourism.

**Table 4.18: Spending from Australian Government funding within TA for niche development**

Year	Funding for Niche Development	
	Current dollars \$ million	2006-7 dollars \$ million
2003-04	1.3	1.4
2004-05	2.6	2.8
2005-06	3.4	3.5
2006-07	3.0	3.0

Source: Tourism Australia accounting data.

Notes: Does not include industry contributed funding to this activity area.

Currently there are 13,506 products listed in the Australian Tourism Data Warehouse.

**Table 4.19: Product listing in the Australian Tourism Data Warehouse**

	Total Product Offerings
White Paper segments	2007-08
Backpackers	442
Business Tourism	0
Caravanning	948
Cruise Shipping	589
Cycling tourism	269
Cultural & Heritage	3,684
Food & Wine	969
Indigenous	566
International students & study	1,608
Nature based & eco-tourism	3,672
Seniors Tourism	0
Sports Tourism	759
Total Records	13,506

Experiences are the drivers and motivators of our target audience. As such, Australia needs to highlight the experiences which best meet these motivations, and highlight those which distinctively differentiate Australia relative to the competition. This approach will expand the experience palette for Australia, generate greater conversation and involvement with the destination, increase dispersal and ultimately, lead to higher spend and revenue for Australian tourism.

The Australian Experience Unit was established at the beginning of 2005 to match the 'best of Australia' with the global target market – the 'experience seeker'.

The 'best of' Australian Experiences are categorised into seven product truths – Nature; Aboriginal; Outback; Coastal Lifestyle; Food and Wine; Cities and Journeys – all of which in varying degrees, contribute toward regional dispersal and greater economic returns. Out of the seven, three offer a distinct competitive advantage in terms of global destinations, which have and will continue to be a focus for Tourism Australia in terms of our brand strategy and executions. These are:

- Australia's Aboriginal experiences;
- Australia's Nature experiences; and
- Australia's Outback experiences

In order to raise the profile of these three ‘assets’, the Australian Experience Unit has established some key partnerships to achieve the successful development and implementation of experienced-based projects. These partnerships range from other government agencies (state and federal); regional tourism bodies; research providers; industry associations to major media groups such as National Geographic.

The Australian Experience Unit has also developed and delivered the Australian Experiences Content Platform (AECP) which includes a database of lead product and experiences that: respond to the global Experience Seeker’s needs; support criteria developed in conjunction with DAMA; and has been developed and delivered in conjunction with STOs. The AECP is now used by TA and STOs to assist marketing activities, trade events, public relations and visiting journalist program work.

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### **Australia’s Aboriginal experiences**

The Tourism White Paper noted that the tourism industry was only meeting half the market demand for indigenous tourism experiences.

*“International visitors are clearly interested in experiencing these cultures, but at this stage, our tourism industry has not been able to develop sufficient Indigenous tourism product to meet that demand.”* (Source: Tourism White Paper, page 31)

### **Indigenous culture is the unique Australian tourism experience.**

The product development research conducted by TA in Germany and Singapore identified Indigenous culture as one of the core experiences Australia offers. While on its own it was not necessarily found to be the primary motivator for visitors to Australia, experiencing Australia’s Indigenous culture was seen as a core component of the complete Australian experience (particularly out of the German market).

Australia’s Indigenous culture was also seen to be inextricably linked to the outback by both markets. This was seen as the necessary way to have a truly authentic indigenous experience.

In Germany, the top five Indigenous experiences were:

- tours of sacred and historic Aboriginal sites with a local Aboriginal tour guide;
- learning about the Aboriginal Dreamtime;
- learning about traditional Aboriginal food and medicines;
- going on an Aboriginal guided tour; and
- viewing Aboriginal cave paintings, carvings or rock art.

In Singapore, the top 5 indigenous experiences were:

- tours of sacred and historic Aboriginal sites with a local Aboriginal tour guide;
- participating in a traditional Aboriginal festival;
- going on an Aboriginal guided tour;
- staying with an Aboriginal community; and
- taking part in a traditional Aboriginal fishing experience

Since the White Paper was introduced, TA has:

- established Indigenous Tourism Australia (ITA) and appointment of Aden Ridgeway as Executive Chairman;
  - launched the ITA Web Portal in September 2006 in partnership with the Department, the Indigenous Land Corporation (ILC) and Indigenous Business Australia (IBA). This portal provides Indigenous tourism operators with a business services network. ITA and STOs have committed funding to maintaining the portal until 2008-09;
  - established the Government Forum on Indigenous Tourism which meets quarterly. This is an alliance which includes representatives of State and Territory tourism government agencies and various Federal Government departments. The forum has now completed a National Tourism Product Audit of all export-ready Indigenous tourism businesses. The forum is a primary contributor in the National Indigenous Tourism Research Agenda;
  - sponsored production of ‘Walkabout Australia’ guide for Indigenous tourism experiences;
  - sponsored Australian Indigenous tourism conferences;
  - presented at ATA Business Development Symposium;
  - sponsored Mark Olive’s *Outback Café* television series on the Lifestyle Channel. The first series of six episodes showed the renowned Indigenous chef, Mark Olive, travelling around Australia and cooking with native foods;
  - produced the Indigenous Collateral that has been distributed at Trade Shows and the Indigenous Experiences Roadshow. Collateral includes an Aboriginal Experiences DVD, the National Indigenous Tourism Product Manual and the Australian Traveller Aboriginal Experiences magazine; and
  - led the inaugural “Indigenous Experiences” Roadshow in the UK and Europe in February/March 2007. The Roadshow consisted of dedicated workshop and networking sessions incorporating trade appointments, bush tucker demonstrations and dance performances in five cities throughout the UK and Europe – London, Milan, Paris, Utrecht and Berlin. Significant media exposure and business opportunities were generated as a result of the Roadshow.
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### **Australia’s nature experiences**

TA has achieved the following activities in respect to nature tourism:

- sponsored production of a National Geographic DVD;
  - sponsored and participated in the Eco tourism conference;
  - participated in the Wildlife Tourism Conference;
  - prepared the scoping document of key walks in Australia; and
  - with Parks Australia, the unit established and managed the National Landscapes Program which was officially launched in December 2006. The program is widely supported by STOs, Regional Tourism Organisations and industry.
-

### **Australia's outback experiences**

TA has achieved the following activities in respect to outback tourism:

- participated in the Cross Border development of the outback steering committee and strategy sessions;
- member of the (Desert Knowledge Australia's) Outback Awareness Group – Outback Week involvement (2007); and
- sourced content for Australian Geographic's "Across the Top" Map.

These activities are aligned with providing 'experience seekers' with knowledge and communication of experiential content – destinations and products – within TA's programs, and externally through the global distribution networks. TA has also facilitated the research, development and implementation of a national experiences content framework to communicate a more compelling image of Australia. In doing this, potential visitors, ranging from epicures to ecotourists, will be provided with a greater knowledge of the excellent and distinctive options offered by Australia. The aim is to present the country as a more compelling destination.

TA is working with State and Territory colleagues on detailed research into the experience, product and activity needs of 'experience seekers' and general travellers in the German and Singapore markets. In addition TA has shared research into product development needs in 'fly and stay' and beach tourism categories in the domestic market with the States and Territories.

In addition to the accomplishments listed, Tourism Research Australia has developed the following research snapshots:

- Caravan and Camping (2005, 2006 and 2007);
- Wine Tourism (2005);
- Culinary Tourism (2005);
- Food and Wine Tourism (2007);
- 2005 – Nature Based Tourism (2005 and 2006);
- Indigenous Based Tourism (2005 and 2006);
- Mature Aged Travellers (2005);
- Backpackers (2005);
- Backpacker Accommodation (2006 and 2007);
- Cultural and Heritage (2005, 2006 and 2007) and;
- Bed and Breakfast Accommodation (2007).

The snapshots are an ideal way of distributing data about niche markets as they give quick and easy information about visitors who participate in those activities, and are free of charge. Each of the snapshots is also made freely available on the Tourism Australia and Tourism Research Australia websites.

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## DEVELOPMENT OF BUSINESS EVENT TOURISM

TA's predecessor, the Australian Tourist Commission, had provided limited support for business event tourism, prior to the TWP. However, this function received an enhanced profile in the TWP, and subsequently in the operations of TA, which established Tourism Events Australia in 2005 to lead the international marketing of Australia as a destination for business events. The Tourism Events Australia team is based in Sydney with designated Business Events staff in the United Kingdom, Europe, America, Asia and New Zealand.

In this role, Tourism Events Australia has a range of programs including marketing and communications, trade events and corporate familiarisations. This is undertaken in association with industry partners and 13 convention and visitor bureaux around the country. TA's involvement in business events is to act as a coordinating agent for marketing Australia among a decentralised and often competing range of better funded stakeholders who pursue this business for their own region.

**Table 4.20: Spending from Australian Government funding within TA for Business Events and Major Events**

Year	Funding for Business Events	
	Current dollars \$ million	2006-07 dollars \$ million
2003-04	1.4	1.5
2004-05	2.6	2.8
2005-06	2.0	2.1
2006-07	3.1	3.1

Source: Tourism Australia accounting data.

Notes: Does not include industry contributed funding to this activity area.

### **TA's strategy in supporting business events and major events**

The *Tourism Australia Act 2004* outlined the requirement for TA to establish Tourism Events Australia as a division focused on marketing Australia as a premium business as well as major events destination.

A business event is defined as a corporate meeting, incentive, conference or exhibition. The business events sector attracts 550,000 international visitors per annum and makes a significant contribution to tourism revenue. These sectors largely operate as four different industries and while Tourism Events Australia maintains relationships in all sectors, the primary focus of the global business events team is incentive business with a secondary focus on the corporate end user. An example of an incentive was the arrival from China of over 13,000 Amway sellers in early 2005 who were being rewarded for sales success with a trip to Australia and opportunity for additional sales training.

The goals of the business events unit within Tourism Events Australia are to:

- brand, promote and position Australia as a premium business events destination;
- initiate and support industry in-market activities by facilitating relationships within the distribution channels; and
- provide strategic information and models which will assist industry in meeting business events objectives.

Highlights and results for Business Events in 2006-07 include the following:

- The Team Australia Business Events Educational was held in Shanghai in March 2007. The event was managed by Team Australia, a cooperative venture between participating members of the Association of Australian Convention Bureaux and Tourism Australia. Fifty-three corporate buyers and 50 agents were recruited from 12 Asian markets.
- Hosted four corporate familiarisation programs in 2006-07. The fully-hosted tours were designed for buyers of travel product and services. Five buyers from New Zealand, five from North America, 19 from Asia and four from the UK experienced business events products in different parts of Australia. Media representatives also attended the programs.
- Launched the new '*Re-energise in Australia*' campaign to the Australian industry at the Asia-Pacific Incentive and Meetings Expo in Melbourne in February 2007. The campaign targeted corporate business event decision makers and their influencers as well as Intermediaries (or agents) in the UK, North America and Asia. The campaign included direct mailing of a uniquely Australian gift and event kit, a virtual online guide and knowledge resource on [events.australia.com](http://events.australia.com), and utilisation of the latest email marketing and database procurement technology.
- The '*Re-energise in Australia*' direct mail campaign that reached 218 corporate decision makers and their influencers and 150 Intermediaries in Asia; 72 corporate decision makers and their influencers and 72 Intermediaries in the UK, and 80 corporate decision makers and their influencers and 80 Intermediaries in North America.
- Maintained and updated the dedicated business events website, [events.australia.com](http://events.australia.com). The website was also expanded to three additional languages – Simplified Chinese, Traditional Chinese and Korean – in June 2007.
- Distributed the monthly Tourism Events Australia e-newsletter to around 4,000 Australian business events industry members. In addition, an e-newsletter was distributed quarterly to a qualified international Business Events databases in Europe, North America and in key Asian markets in Traditional Chinese, Simplified Chinese, Korean and Thai.
- Represented Australia along with key industry partners at six high profile trade events including: Incentive Travel and Meeting Executive in Chicago, USA; International Travel Exchange in Las Vegas, USA; Meeting Professionals International Professional Education Conference in New Orleans, USA; Meeting Professionals International World Education Congress New Orleans, USA; the European Incentive and Business Travel and Meetings Exhibition in Barcelona, Spain; and International Meetings and Events Expo in Frankfurt, Germany.

- Hosted Tourism Australia's premier incentive travel trade show, Dreamtime in November 2006 on the Gold Coast. Around 100 qualified international incentive travel buyer companies from 20 countries met with over 60 incentive specialist operator companies from around Australia. Around 13 international and Australian based incentive trade journalists also attended the event.
- Tourism Events Australia became a dedicated business unit focused entirely on marketing Australia as a business events destination.

In order to inform the development of strategy, new research was commissioned on the Association market. This was undertaken by the STCRC and is due for completion in December 2007.

Major events are an integral activity undertaken by Tourism Australia. Major events not only attract domestic and international visitors but provide excellent branding opportunities for the country. TA's focus is on any event that can amplify the Australia message as a compelling visitor destination. A qualifying major event can be a sporting, cultural, festival or business event which has the potential to attract visitors but also add to the brand equity of Australia.

In 2006-07, Tourism Events Australia worked to ensure that tourism programs have been built to maximise the leverage available from a range of events that included:

- 2006 Commonwealth Games;
- the Great Australia Outback Cattle Drive;
- Year of the Surf Lifesaver; and
- 2006-07 Ashes Series.

The major events sector has consistently performed well, with Australia successfully bidding for and hosting some of the world's greatest events. In recognition of the value and importance of this sector, Tourism Events Australia is dedicating resources to marketing Australia as a major events destination. The focus will be the development and integration of key events into Tourism Australia's domestic and international marketing strategy.

To ensure Australia's continued ability to attract and conduct the very best major events it is important that the major events industry has access to world leading analytical models and intelligence, events are integrated, supported and promoted and consumer communication channels are developed and enhanced. TA's involvement in key major events includes:

- **Melbourne 2006 Commonwealth Games** – The Melbourne 2006 Commonwealth Games was the largest sporting and cultural event ever staged in the city. Over 12 days of competition took place, with a record 4,500 elite athletes from 71 nations competing in 16 sports and 24 disciplines, from 15-26 March 2006. TA worked with the Australian Government's Commonwealth Games Taskforce and Tourism Victoria to maximise the tourism benefits of the Games through a domestic and international marketing and media program.
- **Football Federation Australia (FFA)** – TA partnered with Football Federation Australia in a Major Events capacity in the lead up and during the FIFA World Cup held in Germany from 9 June to 9 July, 2006. With Germany being a key growth market for tourism to Australia, the World Cup provided a great



opportunity to work together with the Australian team, the Qantas Socceroos, in a cross promotional program to build the profile of Australia as a key tourism destination and the Socceroos and football in Australia.

- **The Ashes Tour** – The Ashes, voted Australia’s most treasured national team sporting prize and one of the premium sporting events on the Australian major events calendar, was held in Australia from November 2006 through to January 2007. From a tourism perspective, the Ashes provided an opportunity to build an affinity for Australia for future visits around other cricketing major events. TA will work with Cricket Australia in building a tourism program for the sport to not only add value to the Ashes and future cricket major events but also maximise the tourism impact for Australia.
  - **Great Australian Cattle Drive** – A key experience in Australia’s major events calendar, this event relives one of the world's greatest cattle drives and showcases the Australian Outback to visitors and media from around Australia and the world. As a sponsor of the 2007 Great Australian Outback Cattle Drive, TA worked with Australian Major Events in building an integrated leveraging program from Global PR and International Marketing through to specific programming through TA’s media partners.
  - **2007 – Year of the Surf Lifesaver** – Year of the Surf Lifesaver (YSL) marks the 100<sup>th</sup> anniversary of Surf Life Saving in Australia, an organisation which has saved over 500,000 lives on Australian beaches. YSL also highlights the important role of surf lifesavers and surf lifesaving clubs, along with our professional life guards play in keeping Australian beaches safe in creating Australian beach culture. TA will work with Year of the Surf Lifesaver organisers in building a domestic and international leveraging program to maximise the events’ exposure whilst capturing the essence of Aussie Beach culture into the TA marketing program.
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## **CHAPTER 5 – SUPPORTING TOURISM IN REGIONAL AUSTRALIA**

### **SUMMARY OF KEY FINDINGS**

#### **Review of the Australian Tourism Development Program (ATDP)**

- On the evidence available so far, it appears that the program is assisting in improving the supply, dispersal and diversity of tourism products and services across Australia. The current 105 Category 1 projects provide direct funding to develop new, or enhance existing tourist facilities, of which the majority are either attractions or tourist accommodation. The current 51 Category 2 projects are strategic tourism development projects, based on the development and marketing of cross-regional touring routes and/or involve research, product development, destination management and marketing activities, all aimed at supporting the development of high-quality tourism products and delivering spill-over benefits to other tourism and non-tourism businesses.
  - The ATDP is leveraging significant amounts of additional investment in tourism facilities and development projects across Australia. According to the Allen Consulting Group Evaluation, Category 1 projects are generating on average \$4 additional investment for every \$1 of ATDP funds. Category 2 projects, unlike Category 1 projects, do not actually require matching funds, but appear to be generating an additional \$1.20 for every \$1 of ATDP funding.
  - While Category 2 projects are not required to include matching cash, they do require an element of collaboration between organisations participating in the project, as well as demonstrated support from local and/or regional communities. In this regard, Category 2 projects have facilitated a number of partnerships within the tourism industry, and between the tourism industry and other business and government sectors. Improved communication channels, coordination and cross-border relations have "brought together networks of people and organisations to find solutions to common problems, and initiate and implement innovative solutions".
  - An examination of ATDP funding applications compared to the number of projects approved, suggests that there are many more good proposals than there are funds to support them. This finding was supported by the Allen Group's evaluation.
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## INTRODUCTION

Tourism is an important driver for regional development, providing an opportunity for regional communities to develop in a sustainable way and playing a vital role in the economic diversification of regional Australia. Regional tourism accounts for over half of total tourism expenditure in Australia. For the year ended 31 March 2007, over half of expenditure by both domestic day visitors (57 per cent) and domestic overnight visitors (53 per cent) was spent in regional areas of Australia. In the same year, approximately 22 per cent of expenditure by international visitors was spent in regional areas.

The TWP noted that there was significant potential for regions in Australia to grasp tourism related opportunities for growth. At the same time there was scope for regional groups to work better together to build tourism products and experiences that focus on quality and value and are not constrained by regional borders. The Australian Tourism Development Program is a TWP initiative introduced to help regions capitalise on these tourism related opportunities and to foster greater regional collaboration for the development of tourism across Australia.

This chapter briefly describes the Australian Tourism Development Program and provides an assessment of the performance of the program so far.

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## OBJECTIVES

The Australian Tourism Development Program (ATDP) is a major funding program which is fostering investment and innovation in Australia's regional tourism industries. The rationale for the ATDP, now in its fourth year of operation, centres on the significant economic, social and cultural benefits that tourism can bring to regional communities and the role for government in filling a market need to provide tourism development funding.

The objective of the ATDP is to assist in the development of continuous tourism experiences throughout Australia by supporting initiatives that will:

- promote tourism development in regional Australia;
  - contribute to long term economic growth;
  - increase visitation and yield throughout Australia;
  - enhance visitor dispersal and tourism expenditure throughout Australia; and
  - increase Australia's competitiveness as a tourism destination.
-

## **DESCRIPTION**

### **Overview**

The *ATDP* is a highly competitive merit-based grants program. There are two separate categories for the grant:

- Category 1: these grants are between \$50,000 and \$100,000 and generally focus on providing or enhancing tourism products and/or services; and
  - Category 2: these grants range from \$100,000 to \$500,000 for large scale multi-faceted activities that involve collaboration and/or implementation of effective strategies for tourism market development.
- 

### **Funding**

A total of \$31 million was allocated to the ATDP over four years from 2004-05 to 2007-08. This comprises \$23.5 million allocated in 2004-05 as part of the TWP, and an additional \$7.5 million announced in January 2006.

A key initiative of the previous government's May 2007 budget was the commitment of an additional \$34.9 million to continue, expand, and enhance the ATDP through to 2010-11. The funding includes \$5 million in each of 2007-08 and 2008-09 for tourism projects located in Exceptional Circumstance Declared Areas.

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### **Program delivery and assessment of applications**

AusIndustry has primary responsibility for program management and delivery. This includes assessing applications, providing feedback to unsuccessful applicants, contract negotiations and monitoring.

To date there have been four rounds of ATDP funding resulting from the TWP. Successful projects in Round 1 were announced in September 2004, in Round 2 in October 2005, in Round 3 in December 2006 and in Round 4 in July 2007. Across the four rounds, a total of \$26.3 million has been allocated to 156 projects.

Round 5, applications for which closed on 20 July 2007, is specifically reserved for tourism projects located in Exceptional Circumstance Declared Areas. As this is outside the original scope of the TWP, this fifth round has not been included in this review. It will, however, be included in a broader external review of the ATDP expected to be conducted in late 2008.

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### **This evaluation**

#### **Purpose, scope and methodology**

The TWP Evaluation Framework stipulates an assessment of the ATDP to determine its effectiveness in achieving regional and rural tourism outcomes. Specifically the

framework asks: *'Is the ATDP increasing the supply, dispersal and diversity of tourism product; and increasing collaboration between regional and local bodies to improve regional tourism promotion?'*

Given the short life of the ATDP it is too early to provide a comprehensive assessment of its performance in achieving the broader objectives relating to long term economic growth, visitation and yield, visitor dispersal and expenditure. As a result, this assessment has focused on the following specific ATDP objectives:

- promotion of tourism development in regional and rural Australia: number, location, value and *types* of projects; and
- facilitation of collaboration and partnerships between tourism organisations and/or operators to more effectively capture market opportunities:
  - how projects have addressed collaboration and partnerships through their activities; and
  - how effective these arrangements have been.

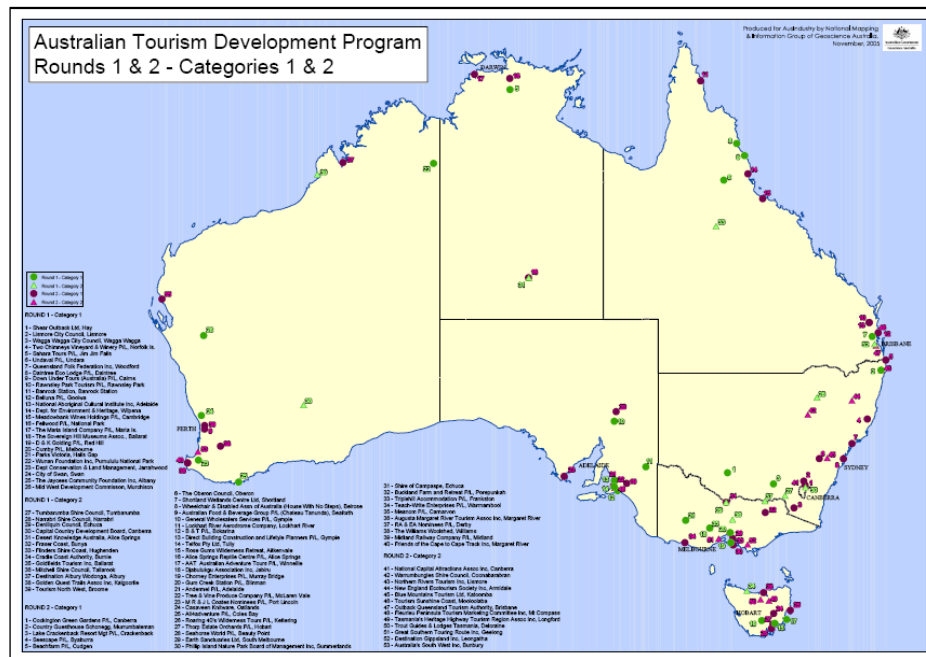
This analysis of Category 1 and 2 projects, based primarily on a desktop evaluation of both categories of project conducted by the department in 2006, was supplemented by the findings of an 2006 review of ATDP and its predecessor, the Regional Tourism Program (RTP), undertaken by Allen Consulting Group that focused on Category 1 projects.

## **KEY FINDINGS**

### **Dispersal of ATDP projects**

Chart 5.1 shows the dispersal of ATDP projects, both Category 1 and 2, across Australia. As intended many of the Category 2 projects cover multiple regions, if not multiple states. For example, the "Desert Knowledge" project involves five State Tourism Organisations and five Regional Tourism organisations, along with the many local tourism organisations across the five states.

It can be seen from the Chart that both rounds have achieved good project dispersal across Australia.

**Chart 5.1: Dispersal of ATDP Projects Category 1 & 2, Rounds 1 & 2**

## Supply and diversity of tourism product

This section evaluates the program by project category. The Category 1 analysis relies on the findings of the external Allen Consulting Group Review and that part of the department's desktop evaluation that referred to Category 1 projects. The Category 2 analysis relies solely on the departmental desktop evaluation.

### **Category 1 projects**

#### The Allen Consulting Group Review

In conducting its review Allen Consulting sent survey proformas to 93 managers of RTP and ATDP projects successfully completed in the 2000-01 to 2004-05 period. Forty one surveys (7 relating to the ATDP and the rest the RTP) were returned – a 44 per cent response rate. Key findings of the Allen Consulting Group's Evaluation Report (July 2006) are:

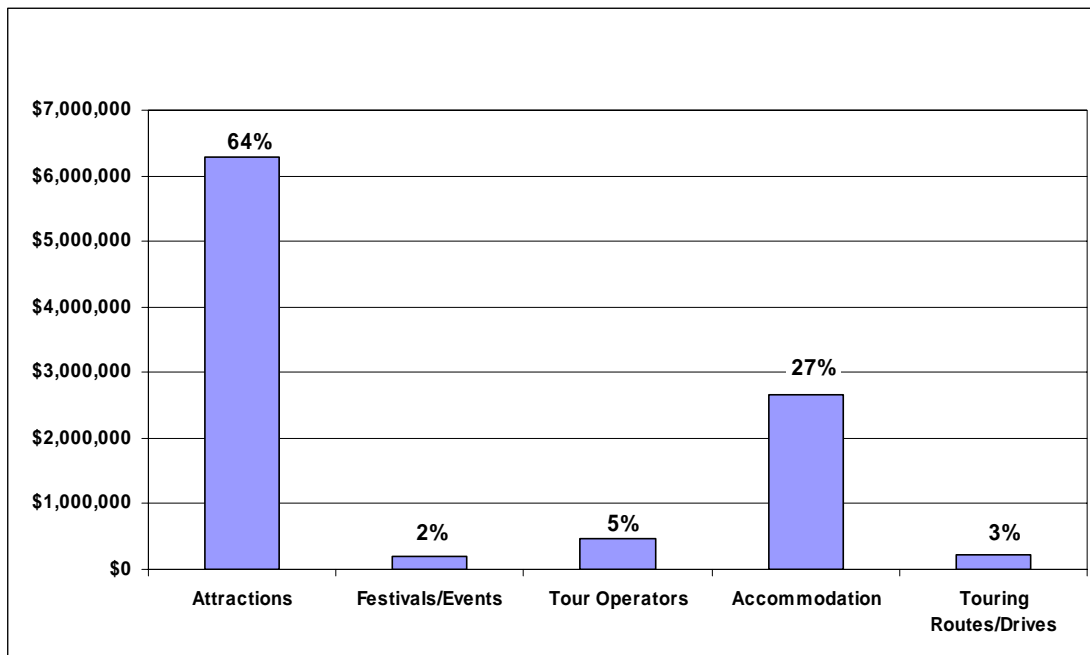
- The ATDP represents a good transition from the previous RTP, and the future impact of the ATDP appears likely to exceed that of the RTP.
- The ATDP and RTP are leveraging additional investment in tourism facilities. Twenty-one respondents reported raising an additional \$12 million in capital investment between them. Compared to the \$1.6 million in grant funding that they received, this indicates a leveraging ratio of around \$7.50 of extra investment for every \$1 of program funding. However, this does not account for the survey respondents that indicated that they did not attract any additional investment – taking the total grant funding paid to survey respondents, the leveraging ratio comes to around \$4 of additional investment for every \$1 of grant funding.

- The RTP and ATDP meet a real need in tourism development funding and have allowed many projects to proceed that would otherwise not have gone ahead (of those surveyed, 51 per cent indicated that their projects would not have proceeded without program funding, and another 36 per cent thought that the project would have gone ahead, but on a smaller scale, or over a longer period of time, or both).
- RTP/ATDP is generating benefits to regional communities through: increased revenue and visitation, increased employment and improved economic sustainability and increased economic activity.
- The consultants also found that the strength and number of highly rated but unsuccessful applications demonstrates that there is a case for continuing to fund the ATDP.

### Desktop evaluation

For the purposes of this evaluation, Category 1 projects were classified into five broad product groups as shown in Chart 5.2.

**Chart 5.2: ATDP Category 1 projects**



It can be seen that the majority of Category 1 projects are focused on developing new, or enhancing existing attractions, ranging from adventure experiences, through to food and wine, indigenous, nature-based, health and wellbeing, heritage, and agri-tourism experiences. Most of the remaining projects are mainly for various forms of tourist accommodation, ranging from bush camps to luxury cabins, guest houses, eco-lodges and tree houses (Atherton Tablelands).

Given the spread of funds across the five product groups and the range of products within each group, it is evident that the ATDP effectively encourages product diversity within the Australian tourism industry.

It is estimated that the ATDP Category 1 projects (\$9.77 million in total) will potentially generate \$39.48 million in additional investment, based on the Allen Group's July 2006 evaluation of the RTP and ATDP that suggested a return of approximately \$4 additional investment for every \$1 of ATDP funding.

## **Category 2 projects**

### **Introduction**

The majority of Category 2 projects focus on either the development and marketing of cross-regional touring routes and/or more integrated tourism development involving research, product and industry development, and destination management as well as marketing activities. This represents a good balance between assisting dispersal through cross regional tourism routes and assisting specific product development through the more integrated projects.

A cornerstone of the TWP was the facilitation of cooperation and collaboration in the Australian tourism industry. The ATDP is a tool designed, in part, to foster cooperation and collaboration in the broader industry setting, with these elements being a key criterion in the evaluation of Category 2 funding applications.

Although government-funded tourism development projects generally aim to deliver benefits to local communities and improve the tourism product offering to tourists, the participants in ATDP Category 2 projects have identified a number of particular benefits (and challenges) that partnerships and collaboration have brought about (or are expected to occur) as a result of the implementation of these projects.

### **Partnerships**

The desktop review of the collaborative aspects of the Category 2 projects showed that the ATDP is bringing together a wide range of partners ranging from state, regional and local tourism organisations, chambers of commerce and various industry associations, to other government agencies such as main roads, national parks, land management, fisheries and natural resource management. Business operators, Indigenous communities and organisations, arts, culture and heritage groups and other community and special interest groups are also key partners in many of these projects. The commitment of these partners has been demonstrated by direct financial and in-kind contributions to the projects, and by the numerous letters of support accompanying the initial grant application documents.

Furthermore, the ATDP funding agreement requires that a Project Management Committee be established, and that that committee comprise representatives of each of the project partners, further encouraging collaboration and cooperation.

### **Economic and financial benefits**

Through the cooperative sharing of resources, participants have been able to reduce duplication of effort and achieve economies of scale in many areas, such as market research and marketing collateral production and distribution. Participants have also benefited through greater industry buy-in to cooperative marketing and branding activities, and the possibility for Regional and Local Tourism Organisations to tap into the media buying power and other resources of the State Tourism Organisations.



## Social benefits

Improved coordination and communication has been reported by the majority of participants though better coordination and enhancement of information provided by Visitor Information Centres, improved communication networks and strengthening of relationships across borders, improved coordination of different sectors of the tourism industry itself, and improved links with other business sectors.

Many participants have, or expect to, add value to the strategic objectives, programs and projects of other development agencies operating in the same regions. This includes Tourism Australia, State Tourism Organisations, economic development agencies, local council programs, Area Consultative Committees, and projects funded through the Department of Transport and Regional Services' Regional Partnerships program.

Others have reported that the collaborative nature of the Category 2 projects has "brought together networks of people and organisations to find solutions to common problems, and initiate and implement innovative solutions". Apart from finding innovative solutions to marketing, product and industry development issues, participants have reported that collaboration has assisted in conflict resolution, overcoming parochialism, fostering community ownership and support for tourism, and generating enthusiasm and momentum among local operators.

## Challenges

A significant number of participants have reported a number of challenges when faced with implementing a collaborative tourism development project. However, these challenges can also be viewed as opportunities to rectify some of the very issues surrounding sustainable tourism development in regional areas that the ATDP was originally established to address.

Issues raised by participants include: the effort required to establish workable structures and processes; the roles and responsibilities of the partners; and achieving appropriate cooperation between the collaborators. However, while these issues may have hindered progress in some projects, overcoming them will undoubtedly result in stronger working arrangements across borders, between different tourism organisations, and between tourism and other business sectors.

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## **Unmet demand for ATDP Funding**

Table 5.1 details the numbers of applications received over the four ATDP rounds, versus the number of project funded. In total 1,143 applications were received and 156 projects funded – 105 under Category 1 and 51 under Category 2. On average, only 14 per cent of ATDP funding applications are approved. Although a number of applications in any round may not merit funding on the basis of the quality of the application itself, these figures indicate that there is considerable unmet demand for tourism development grant funding such as that provided through the ATDP.

**Table 5.1: Applications received versus ATDP funds granted**

<b>Category 1</b>	Number of Applications	Number Approved	% Approved
Round 1	299	23	8
Round 2	192	35	18
Round 3	144	30	21
Round 4	127	17	13
<i>Total</i>	<i>762</i>	<i>105</i>	<i>14</i>
<b>Category 2</b>			
Round 1	170	13	8
Round 2	94	13	14
Round 3	71	15	21
Round 4	46	10	22
<i>Total</i>	<i>381</i>	<i>51</i>	<i>13</i>
<b>TOTAL</b>	<b>1143</b>	<b>156</b>	<b>14</b>

## **CHAPTER 6 – SUPPORTING INDIGENOUS AND SUSTAINABLE TOURISM**

### **SUMMARY OF KEY FINDINGS**

#### **Business Ready Program for Indigenous Tourism (BRPIT)**

- BRPIT is a pilot program that remunerates selected business mentors to identify a prospective portfolio of Indigenous tourism businesses and work with them to develop their management and business skills and to assist them to commercialise their product and operate successfully within the Australian tourism industry.
- BRPIT has evolved extensively from its original program format. Changes, most notably the decision to extend the first round of the program until the program finishes in June 2008, have meant that there will only be one round of the program to evaluate at its conclusion.
- Refinements to program delivery have ensured that those businesses that were identified as having the greatest potential for success are now being provided with mentoring through to March 2008.
- Anecdotal evidence indicates that participating businesses believe the program is meeting its objectives in helping them achieve long-term sustainability. However, the majority of the businesses in the program have yet to show a significant profit or are only just beyond the point of breaking even.
- It appears that many of the participant Indigenous tourism businesses might have received some form of assistance from government programs had BRPIT not existed, but it would not have been as focused on tourism outcomes.
- A much clearer indication of the value of the program will emerge when mentors report on achievements against performance indicators at the conclusion of the program in June 2008. However, given the size and scope of the project, outcomes are likely to be limited.

#### **Tourism and Conservation Partnerships Initiative**

- The Tourism and Conservation Partnerships Initiative was a small seed funding program aiming to connect tourism businesses, community groups, protected area managers, conservation organisations and government agencies in projects that delivered economic benefits through tourism, while managing Australia's unique landscape and biodiversity.
- The final evaluation consists of a desktop review of the Final Project Outcome reports presented to the Department by the business ventures at the completion of the funding agreements.
- The Initiative funded six business ventures in 2004-05 and fifteen in 2005-06. All these projects have completed feasibility studies and developed business plans. A quarter of the ventures are market ready with the bulk of the remainder

working towards implementation. Many of the projects are looking for commercial funding opportunities.

- The program took a new direction in 2006-07, funding two larger scale projects rather than calling for a third round of seed funding applications. Future programs may broaden in scope incorporating nature-based tourism more generally in regional planning.
  - The majority of ventures have reported the continuation of strong partnership support, initiated through the program, as they progress to product implementation. Over half of the ventures have indicated that their business planning would not have moved forward without this government assistance.
  - The conservation outcomes for the program appear positive, based primarily on the number of formal environmental protection agreements, highlighting the contribution that tourism can make to environmental protection and conservation.
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## INTRODUCTION

The TWP noted that tourism offers particular opportunities for Indigenous Australians. In many areas of regional and remote Australia, tourism provides a pathway for sustainable economic growth while at the same time helping the preservation of Indigenous culture and traditions. Indigenous tourism in Australia also has the potential to provide a unique competitive advantage which clearly differentiates the Australian tourism experience from others around the world.

Australia's unique and diverse natural environment is also a major drawcard for international and domestic tourists and the tourism industry has an important role to play in ensuring this environment is sustained. The development of a socially responsible, ecologically sustainable tourism industry based on the integration of economic, social and environmental objectives and constraints is a key theme of the TWP.

This chapter will review two TWP initiatives, the Business Ready Program for Indigenous Tourism and the Tourism and Conservation Partnerships Initiative, which were introduced to support the development of Indigenous tourism and the pursuit of ecologically sustainable tourism respectively.

## BUSINESS READY PROGRAM FOR INDIGENOUS TOURISM

### Description and objectives

The Business Ready Program for Indigenous Tourism (BRPIT) was designed to address the strong demand for Indigenous tourism products which appears to exceed the number of market ready Indigenous tourism experiences currently available. Research by TA shows that Aboriginal tourism experiences are regarded as desirable for most international visitors, particularly for Western markets such as Germany, the United Kingdom and North America. Research commissioned by the Department from Colmar Brunton (2004) also suggests that 45 per cent of Australians have an interest in an Indigenous tourism experience.

BRPIT is a pilot program that remunerates selected business mentors to identify a prospective portfolio of Indigenous tourism businesses in their region and work with them to:

- provide tailored intensive support to develop their management, business and strategic planning skills;
- assist individual, start-ups and existing Indigenous tourism businesses to increase their potential for commercialising tourism products or services; and
- ensure the businesses are capable of operating successfully within the Australian tourism industry.

BRPIT has funding of \$3.83 million over four years from 2004-05 to 2007-08. Originally, the Program was designed to allow a total of ten full or part-time

equivalent business mentors to be funded in two program rounds to provide support and development opportunities to a nominated portfolio of approximately ten Indigenous tourism businesses each. Six business mentors were selected through an open tender process for the first round of the Program.

In May 2006, the then Minister for Small Business and Tourism decided to continue with the current six mentors and their businesses through to the conclusion of program funding in June 2008, rather than proceed to a second round. The Minister also decided to reduce the number of businesses in each portfolio to a maximum of five. It was considered that a longer and more intensive period of mentoring will give these businesses sufficient time and assistance to develop the business skills which will provide a solid base for growing their operations and will give a far greater assurance of long-term success.

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### **Delivery**

The first round of BRPIT tenders opened on 27 September 2004 and closed on 29 October 2004. Tenders were assessed by a Departmental Tender Assessment Panel. All approved business mentors were appointed for an 18 month period and signed a Mentor Agreement. A BRPIT Steering Committee was established to oversee the program and provide recommendations to the Program Delegate. Membership of the committee includes independent experts on small business, tourism and Indigenous development.

The first five mentors were announced on 26 June 2005 and the sixth mentor on 11 August 2005. The mentors and regions covered are:

- Diverse Travel Australia Pty Ltd (South Australia) – mentoring businesses in Adelaide and surrounding regions and out to northern South Australia;
- Parkes Forbes Enterprise Development Centre Inc (New South Wales) – mentoring businesses in western NSW;
- TLE North Pty Ltd (Northern Territory) – mentoring businesses in the NT top end, including Kakadu, West Arnhem and Katherine regions;
- Freeman Productions Pty Ltd (Queensland) – mentoring businesses in northern Queensland;
- Price – Louvel Partnership (Western Australia) – mentoring businesses in Broome, Kimberley and Halls Creek regions; and
- Andrew West and Associates Pty Ltd (Northern Territory) – mentoring businesses in the Central Australian region.

In the first round of the program, an incentive payment was included in each mentor agreement. The payment was linked to the effectiveness of the mentoring program demonstrated through an increase in turnover for the businesses within each mentor's portfolio.

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## **Monitoring**

The program is monitored on an on-going basis, both through an associated formal research project and through feedback sought from program stakeholders.

The Department is partnering with Southern Cross University (SCU) to research issues linked to the program. Research focuses on the success and failure factors for the Indigenous tourism businesses being mentored and forms part of a PhD study. The researchers conduct extensive face-to-face interviews with all businesses in the program and provide independent feedback on the Program through regular reporting. Monitoring and assessment of the program occurs through:

- regular quarterly reporting to the Department by the business mentors which is linked to their payment schedule;
- independent research observations from SCU researchers who report to the Department on a regular basis; and
- a mid-term review of mentor performance undertaken prior to renewal of contracts in 2006.

The Department has also undertaken a program of visits to all BRPIT mentors and the majority of Indigenous tourism businesses during 2007. Only one mentor remains to be visited and this will occur by year's end.

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## **This evaluation**

### **Key findings**

At July 2006, there were 56 businesses mentored under the program, of which 31 were established businesses; 22 were start-ups; and, three were at the concept stage. In September 2006, a decision was made to reduce the number of businesses in each portfolio to a maximum of five. Consequently, as at November 2006, there were a total of 25 businesses in the program of which 14 are established and 11 are start-up businesses. The types of products/services provided by these businesses include: cultural tours; Indigenous art; accommodation services; Indigenous performing/visual arts; retail food/beverage services to the tourist market; and a range of other products such as boat hire for tourists, and Indigenous food.

Key areas of mentoring support have been product development; business planning, structure and registrations, insurances, task and time management; marketing; office set up; industry knowledge and partnerships; customer service; financial management; and, identifying appropriate training needs.

The key performance indicator for the first phase of BRPIT, designed to demonstrate the effective transfer of business skills to operators, was based on a qualitative assessment of businesses as 'business ready'. This was coupled with the incentive payment to mentors for increased business turnover. No mentors were able to achieve this level of performance in the first 18 months of mentoring and no businesses graduated early.

A mid term review of BRPIT conducted in August 2006, and findings provided by the SCU researchers, has highlighted a number of issues which seem to have affected progress of the program to date:

- The amount of time that mentors spend with each business and the range of contact methods – face-to-face visits, telephone conversations, facsimile and emails. Face-to-face contact is considered the most effective learning method, particularly given the significant time it takes to build confidence and trust when dealing with Indigenous people.
- The majority of businesses are located in remote or outer regional locations, therefore much of the mentors' time is spent travelling.
- Remoteness also leads to a lack of effective telecommunications technology significantly impacting the progress of tourism enterprises.
- Seasonality factors are a major business inhibitor, particularly the wet season in the north of Australia which dictates the length of the tourism season and isolates businesses and communities in the off-season leading to a 'boom and bust' cycle.
- Traditional cultural factors can have a major impact on business operations as traditional ceremonies can take precedence over commerce. Family and local commitments and obligations are also a factor.
- A low educational base for many operators means businesses are still struggling to produce necessary documents such as adequate business plans and financial year data.
- Inability to raise business capital through traditional means – this is particularly hampered by a lack of land tenure for individuals.
- Many businesses desire to be less dependent on government funding, however, many are still heavily reliant on programs such as the Community Development Employment Projects funding which is being phased out.

Changes to BRPIT to date, including the extension of mentoring periods and reduction in business numbers, have been made to address some of these problems.

### **New performance indicators**

New performance indicators were developed for the second phase of the program to reflect the evolution and refinement of the program, primarily the decision to retain the current business mentors. The revised key performance indicators based on business skills, profitability, sustainability and employment, reflect the current position of the businesses in the program, many of which began the program as start-ups.

Mentor performance will now be measured against the following key performance indicators:

- *Business Skills:* A demonstrated improvement in the business skills of the key employees in the portfolio. Indigenous owners and managers should be able to provide evidence of the business skills that they have acquired from the mentoring services – for example, the development of business/marketing plans, ability to independently handle financial management and customer service, and the establishment of linkages to the networks within the tourism industry i.e. suppliers and customers.



- *Profitability:* Businesses within the portfolio have improved or achieved profitability. Benchmarks for each business to be agreed prior to the execution of new agreements or upon the recruitment of a new business to the portfolio.
- *Ongoing Concern (Sustainability):* Businesses within the portfolio have traded continuously as commercial enterprises for two or more consecutive years and will continue to trade after mentoring support is withdrawn. (For businesses that can only operate in defined tourism seasons, trading over consecutive seasons will suffice and diversification will be encouraged as a long term goal.) Supporting evidence of continuing trade to include a stable level of past sales and future bookings.
- *Employment:* Businesses within the portfolio have created employment opportunities for Indigenous people. The employment opportunities will include the business owners and operators and part time and casual positions.

It is expected that mentors will report on these indicators throughout the contract period.

### **Outstanding issues**

There are still issues which remain to be addressed. For example, where tourism businesses are impacted by the weather in northern Australia which limits the tourism season, operators may need to look at diversifying the business in the off-season to retain a year-round cash flow. While successful businesses can and should be drivers for improvements in cultural and social conditions, operators must accept that businesses need to be profit focused.

### **Unmet demand**

Given that BRPIT is a small pilot program which is now effectively a single round, opportunities for Indigenous tourism businesses to participate have been confined to six specific regions of Australia. While these regions were chosen for their high tourism potential and range of Indigenous tourism businesses and business concepts available, there are major regions of Australia, particularly in tourism gateways and metropolitan areas, where BRPIT mentoring services have not been available. In some cases, demand may have been met by other government programs at both the federal and state level.

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### **Conclusions**

BRPIT has evolved extensively from its original program format. Changes to the program have been based on ongoing consultation with program participants and key stakeholders and the specific needs of the program participants, i.e. the Indigenous tourism operators. The changes to the program, most notably the decision to extend the first round of the program until the program finishes in June 2008, has meant that the program can only be effectively evaluated at its conclusion.

The performance indicators for the first round of the program were based on the effectiveness of the mentoring program and financial success of the businesses within each mentor's portfolio, with mentor agreements including an incentive payment. None of the mentors were able to meet these targets and this was also factored into the

restructuring of the program. The key performance indicators were therefore redrafted and included in the mentors' contract extensions.

It is not yet possible to provide a robust assessment of the success of the business mentoring, however refinements to program delivery have ensured that those Indigenous tourism businesses that were identified as having the greatest potential for success are now being provided with intensive mentoring to March 2008. Anecdotal evidence from researchers has indicated that businesses believe the program is meeting its objectives in helping these businesses achieve long-term sustainability.

In terms of program delivery to date, it appears that many of the participant Indigenous tourism businesses might have received some form of assistance from government programs had BRPIT not existed but that the assistance would not have been as focussed on tourism outcomes and on the need for Indigenous people to drive their own destinies by owning and managing their enterprises.

The program appears to have been particularly important to existing Indigenous tourism businesses in giving them an opportunity to boost their business skills and address specific weaknesses. Based on financial statements supplied to the Department, many of the businesses in the program have yet to show a significant profit or are only just beyond the point of breaking even. A much clearer indication of the value of the program to the businesses will emerge when mentors report on achievements against performance indicators at the conclusion of the program.

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## **THE TOURISM AND CONSERVATION PARTNERSHIPS INITIATIVE**

The Tourism and Conservation Partnerships Initiative aimed to connect tourism businesses, community groups, protected area managers, conservation organisations and government agencies in projects that delivered economic benefits and protected Australia's unique landscape and biodiversity. In particular, the Initiative sought to address the structural, regulatory and attitudinal constraints to partnerships between operators and park agencies.

The Initiative had two distinct components: the Tourism and Conservation Partnerships Initiative, and the Research, Regulatory Reform and Agenda elements. The initial TWP allocation for the tourism and conservation initiative was \$4.6 million over three year to 2006-07. This allocation was subsequently reduced to \$3.7 million.

### **Objectives**

The Tourism and Conservation Partnerships provided funding for the development of feasibility studies and business planning to:

- increase the number and diversity of nature-based tourism ventures that feature native ecosystems; and
  - increase the tourism industry's direct contribution to biodiversity and conservation.
- 

### **Program description and delivery**

The Department provided \$409,200 in funding to six ventures in 2004-05 and \$810,913 to fourteen ventures in 2005-06 for the development of feasibility studies and business plans. One venture, funded in 2004-05 went on to receive implementation funding of \$181,500 in 2005-06. In 2006-07, \$660,000 was provided for tourism infrastructure in Uluru-Kata Tjuta National Park and \$220,000 for a regional development plan for the Tarkine in north-west Tasmania.

The selection process involved two competitive merit based rounds with 176 expressions of interest received in 2004 of which 17 were invited to submit proposals for funding, with 13 proposals received and 6 funded. In 2005 97 expressions of interest were received of which 39 were invited to submit proposals for funding; with 31 proposals received and 15 funded. Projects selected in 2006 were discretionary.

Funding in 2004-05 was delivered to projects in Victoria, Queensland, South Australia, Northern Territory and Tasmania, while in 2005-06 funds went to Queensland, South Australia, Tasmania, the ACT and Western Australia.

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## **This evaluation**

### **Purpose and scope**

This evaluation of the Tourism and Conservation Partnerships Initiative addresses the question asked in the Evaluation Framework:

*'Did the Tourism and conservation feasibility studies demonstrate business models that led to an increase in nature based tourism ventures and an increase in conservation?'*

The evaluation consists of a desktop review of the Final Project Outcome reports presented to the Department by the business ventures at the completion of their funding agreements. All 21 ventures funded under the initiative are reviewed to identify the stage of business implementation attained and their level of contribution to conservation.

### **Key findings**

#### **Increase in nature based tourism ventures**

Tourism and conservation feasibility studies demonstrate business models that led to an increase in nature based tourism ventures. Five of the business ventures are market ready, have commenced operations or are taking advanced bookings. The remainder are working towards implementation, having identified the need for longer lead times, in some cases over two years to formalise partnerships, gain approvals, source funding or build infrastructure. Three of the projects will not progress, due to issues with partnership agreements and development applications.

Half of the projects explored the integration of scientific research and conservation activities with tour based products. Initial results indicate that tours are best delivered to small groups of participants to ensure a distinctive visitor experience, maintain scientific reliability and minimise environmental impacts on sensitive ecosystems. Unique conservation based visitor experiences are niche market products which are unviable as stand alone products necessitating integration into well established business infrastructure and the absorption of equipment, administration and marketing expenses.

The remaining business ventures focused on the development of nature-based tourism attractions and accommodation within a variety of environments. Initial results indicate the ventures are able to demonstrate higher turnover but create financial challenges with amplified levels of investment in visitor infrastructure.

The key barrier to implementation for many of the projects has been limited financial resources for visitor infrastructure, such as walking trails, eco-cabins and toilet facilities, necessary to enhance visitor experiences and maintain environmental integrity.

Visitor infrastructure in Uluru-Kata Tjuta National Park addresses tourism congestion issues, as well as improved presentation of natural and cultural heritage at one of

Australia's iconic natural attractions. The new facilities will open up a range of nature-based tourism business opportunities from the site, including opportunities for Indigenous tourism businesses. These are expected to commence operations in 2009-10.

The Tarkine regional development plan has actively engaged the wider community in building the potential for nature-based tourism within this largely untouched wilderness. New nature-based tourism businesses are encouraged to provide experiences that reinforce the conservation values and environmental sustainability of the region, while focusing on sustainable economic development.

### Increase in conservation

Tourism and conservation feasibility studies demonstrate business models that led to an increase in conservation. All the projects demonstrated that tourism can contribute to conservation. Key findings are that tourism products are able to:

- support conservation through direct financial contributions to land management or scientific research programs;
- contribute through conservation work undertaken by tourists as part of their experience, including direct assistance to researchers in field, data collection for on-going flora and fauna surveys, or revegetation;
- incorporate environmental interpretation, thereby increasing public understanding of biodiversity and healthy environments; and
- conserve indigenous cultural traditions and land management practises through Indigenous interpretation.

A significant result of some of these ventures has been the permanent protection of important natural environments. Seven of the ventures are in the process of placing formal Heritage Listings or Conservation Management Agreements on land. The remainder will conduct the tourism operations on Indigenous land or within existing protected areas.

### General observations

The program has brought together a wide range of partners including; public private partnerships, partnerships between not-for-profit organisations, private business and research institutes, indigenous communities and government. Commitment to these relationships was formalised through memorandums of understanding, direct financial and in-kind contributions to the projects. The majority of ventures reported the continuation of the strong partnership support initiated through the program, as they continue to progress towards product implementation. In some cases, this has opened up new business opportunities that otherwise would not have been considered.

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## **CHAPTER 7 – ENHANCING RESEARCH AND STATISTICS**

### **SUMMARY OF KEY FINDINGS**

- All major initiatives announced under the TWP in relation to improvements to Australia's tourism research and statistical capability have been successfully implemented. Improvements include:
    - increases in the sample size of the International and National Visitor Surveys and the introduction of the Destination Visitor Survey Program leading to better estimates, particularly at the regional level; and
    - the launch of TRA-Online which is expected to improve the accessibility and dissemination of TRA's products considerably.
  - An assessment of the effectiveness of the consolidation of the tourism research function within Tourism Research Australia (TRA) identified significant improvements in TRA operations and outputs.
  - Stakeholders indicated particular satisfaction with improvements in the availability of reliable data, particularly at the regional level, brought about by these data enhancements.
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### **INTRODUCTION**

The TWP noted that:

*“Timely and accurate data and research is vital to the Australian tourism industry. It provides a foundation for informed decision making and underpins strategic business planning, including new product development, and also helps in public policy planning.....Over coming years, the tourism industry will need better information for investment decisions, developing niche markets and understanding consumer needs.” (Source: Tourism White Paper, Page 11)*

In recognition of the importance of tourism research and statistics the Australian Government through the TWP provided \$21.5 million over four years to 2007-08 to the Department and TA (including Tourism Research Australia) for the expansion of tourism research and statistics. The majority of this money has been provided to expand the scope of tourism surveys and to improve the dissemination and accessibility of this data.

It should be mentioned at the outset that it is too early to provide an assessment of the precise impact of these changes particularly on industry performance, although the increased sample sizes of two key surveys the National and International Visitor

Surveys has contributed to the availability of more robust statistics particularly at a regional level.

A description of specific initiatives funded under the TWP follows below.

## **TOURISM AUSTRALIA RESEARCH AND STATISTICS INITIATIVES**

### **Funding**

Between 2004-05 and 2006-07 TA spent between \$5 and \$6 million per annum on the operations of Tourism Research Australia (TRA), including the Tourism Forecasting Committee.

**Table 7.1: Funding for TRA Research**

<b>Year</b>	<b>Funding for TRA Research</b>	
	Current dollars \$million	2006-07 dollars \$ million
2003-04	na	na
2004-05	5.2	5.4
2005-06	5.5	5.7
2006-07 (budget)	5.4	5.4

Source: Tourism Australia accounting data.

Notes: Does not include industry contributed funding to this activity area.

A range of enhancements have been made since the TWP using both additional resources from White Paper funding and important revisions to processes initiated by TRA management to improve delivery effectiveness.

### **Increased sample sizes for the International and National Visitor Surveys**

Prior to the TWP, the Australian Government and state/territory governments had shared the cost of the major tourism statistical collections on a 50/50 basis. This meant in practice that gaining support for enhancements to the collections required agreement by all jurisdictions.

The White Paper structural reform provided the funding and organisational impetus to push through a range of long overdue enhancements to tourism statistical data from the former Bureau of Tourism Research (now TRA). Funding was provided to TRA on the basis that the states/territories would not reduce their funding of TRA.

A total of \$7.6 million over the four years between 2004-05 and 2007-08 was provided to TRA for the expansion of the NVS and the IVS (see below). This cost is a contribution to the consultancy cost of data collection and does not include any internal TRA costs.

National Visitor Survey (NVS) enhancements:

- from January 2005, the sample size of this TRA survey was increased to 120,000 interviews per year, from 80,000 interviews;
- the increased size is aimed at providing more reliable data at the regional level, particularly for the smaller states and territories; and
- other improvements have been made to the survey, such as the establishment of core and non-core data items, and better timeliness of the results.

International Visitor Survey (IVS) enhancements:

- from January 2005, the sample size of this TRA survey has been doubled to 40,000 interviews per year, from the previous 20,000 interviews, including 32,000 conducted in English;
- as with the NVS, the increased size is aimed at providing more reliable data at the regional level, particularly for the smaller states and territories;
- other improvements have been made to the survey, such as the establishment of core and non-core data items, better timeliness of the results and foreign language interviews.

At the same time as making changes in sample sizes for the IVS and NVS surveys, TRA undertook significant internal work to test the private sector market for the provision of these surveys. This resulted in a change in the survey provider for both surveys leading to cost savings and the opportunity to enhance survey quality.

TRA in close association with TA trialled a fresh approach to collecting data from visitors from China, Korea and Japan surveying these visitors in their native language rather than in English. The answers provided were more accurate and led to time savings.

In a break with the previous approach between the Australian Government and the States and Territories over funding of tourism statistics, TRA's management initiated individually tailored Service Level Agreements with the States/Territories for TRA services in respect of their annual funding. This has resulted in improved use within the States/Territories of TRA services, greater discipline on the requests by States/Territories and a more focused and improved working relationship between TRA and the States and Territories.

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### **Improved dissemination – TRA ONLINE**

The implementation and launch of the TRA website in December 2006 has given a broader range of users' access to TRA tourism data and research in a more accessible manner across the internet. Users can now download over 200 research publications free in PDF format, which has resulted in a huge increase in dissemination. The website now averages 6,000 unique monthly visitors and about 6,000 publications are downloaded each month.

The website also provides access to a new service called TRA ONLINE DATA. This facility allows users to create tables and queries online using TRA's unit record databases. In addition, users have the option of saving tables, viewing maps and



creating charts on the fly. Another improvement is user access to automated online reports prepared by TRA. The automation has increased timeliness and accessibility and substantially reduces repetitive report production processes.

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### **Provision of timely regional tourism expenditure data**

An important improvement in the reporting of the results of the IVS and NVS has been the implementation of regular quarterly reporting of regional tourism expenditure results. This is an important aid to Government agencies allowing consideration of the strength of regional tourism performance.

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### **Enhanced analysis of domestic tourism performance**

As a result of the previous paucity of analysis of domestic tourism performance, from late 2004 TRA began a more systematic analysis of the performance of domestic tourism. This analysis led to:

- a major research report released in late 2006, which provided a comprehensive assessment of the trends in the domestic tourism market;
- a report released in early 2007 that investigated changes in consumer attitudes, motivations and behaviours that influence tourism activity; and
- report which examines future levels of tourism activity and tourism product demand will be released in late 2007.

The first two reports mentioned above provided research and analysis which underpinned the National Action Plan on Domestic Tourism.

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### **Introduction of Destination Visitor Surveys**

In 2004, the Australian Standing Committee on Tourism Working Group on Research and Statistics recommended the development and implementation of a destination based survey collection to supplement the other collections, and in particular to provide information on jurisdictions, which were not adequately covered before.

In 2005 TRA developed the methodology for destination surveys. This methodology complements the NVS/IVS collections while addressing quality issues such as representativeness of samples and the consistency and comparability of results between survey collections (benchmarking). This work has also involved creating 'modules of questions' including a 'satisfaction' and 'expenditure' modules.

TRA has delivered over 30 projects reaching over 70 destinations Australia wide. A total of \$2.9 million over the four years between 2004-05 and 2007-08 had been provided to TRA for this initiative under TWP funding.

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### **Development of measures of economic value**

With input from TA, TRA developed a methodology for measuring the economic value of both inbound (TIEV – total inbound economic value) and domestic (TDEV – total domestic economic value) tourism yield. These provide measures of tourism industry performance and the contribution of the industry to the wider economy in more timely and accurate fashion than was previously available. Historical series are published in each quarterly release of the IVS and NVS, while forecasts are provided in the biannual publication of the Tourism Forecasting Committee.

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### **Forecasting research and development**

The additional funding made available through the TWP has enhanced the provision of tourism forecasts. For example, TRA is now better placed to provide forecasting expertise to stakeholders across federal and state governments and industry. In addition TRA works more closely with the Department and STOs to develop their understanding of the future trends and potential of the tourism industry.

The creation of a research fellow position at Monash University has led to enhancements in forecasting techniques and is allowing a more thorough investigation of forecasting at the State and regional level.

The Tourism Forecasting Committee (TFC) was also formed as an initiative of the White Paper. Compared with its predecessor, the Tourism Forecasting Council, the TFC draws upon a wider range of industry experts and is thus better positioned to provide independent and respected forecasts of tourism activity to government, industry and potential investors.

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## **TOURISM RESEARCH AUSTRALIA CONSOLIDATION REVIEW**

In April 2007 the Department contracted the Allen Consulting Group to conduct an independent assessment of the effectiveness of the consolidation of the tourism research function within TRA. The review involved a combination of desktop research and a survey of key TRA clients and stakeholders.

The findings of the review reflect positively on TRA with significant improvements identified across a number of important areas reflecting both improved levels of service and engagement with stakeholders and an increase and improvement in the range of outputs produced by TRA made possible by the additional funding provide under the TWP. Key improvements include:

- increases in the sample size of the International and National Visitor Surveys and the introduction of the Destination Visitor Survey Program have led to better estimates at the regional level;
- a shift away from detailed academic style reports in favour of snapshots and fact sheets making publications more relevant to industry and more timely;

- better tourism forecasts reflecting improvements in methodology, more extensive consultations with industry and other tourism experts and the development of new measures of performance such as tourism yield; and
- the launch of TRA-Online in December 2006 which is expected to improve the accessibility and dissemination of TRA's products considerably.

State and regional tourism organisations were particularly enthusiastic about the Destination Visitor Survey and acknowledged the improvement in the IVS and NVS indicators following the expansion of the surveys' sample size. Stakeholders were also very satisfied with the level of TRA's engagement and its responsiveness to their information needs. Respondents from regional tourism and local government organisations would like to see more detailed data at the local level and build better working links with TRA. TRA is aware of the issue and is working to address it. For example it is presently developing local government level tourism statistics and working with Monash University to develop tourism region level forecasts.

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## OTHER RESEARCH AND STATISTICS INITIATIVES

Of the \$21.5 million, \$5.4 million was allocated to the Department for three initiatives. These are:

- The expansion of the ABS's **Survey of Tourist Accommodation** from 1 January 2005 to include hotels, motels and serviced apartments with 5 to 14 rooms (from the previous coverage of 15 and more rooms) and the ongoing quarterly collection of data on caravan parks, visitor hostels and holiday flats/units (this data was previously collected once every three years). The first results for the expanded survey, relating to the March and June quarters 2005, were released on 30 September 2005. An amount of \$2.17 million over the four years from 2004-05 to 2007-08 will be paid to the ABS for this expansion.
- Securing 4-year funding to 2007-08 for the production by the ABS of the **Australian Tourism Satellite Account (ATSA)**. Previously, the Account was funded on a year to year basis. A total of \$1,265,000 over the four years has been provided for the ATSA.
- The provision of \$2 million over four year for strategic tourism research under the TWP **Strategic Research Fund (SRF)**. Several projects funded under the SRF have had made a significant contribution in informing the key elements of the Government's tourism policy. Projects funded and completed under this initiative include:
  - research to support the National Tourism Investment Strategy and the Emerging Markets Strategy;
  - econometric modelling to estimate the impact of extending the GST on foreign tour operators;
  - research on the substitutability of tourism with other consumer and non consumer products followed by a two stage assessment of the state of the domestic tourism market which underpinned the National Action Plan on Domestic Tourism;

- an analysis of the impact of tourism marketing on international visitor arrivals; and
  - an assessment of the effectiveness of the consolidation of the tourism research function within TA as part of this evaluation.
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## **CHAPTER 8 – CONSULTATIVE ARRANGEMENTS AND ACCREDITATION**

### **SUMMARY OF KEY FINDINGS**

- As foreshadowed in the TWP, the Government has established a number of consultative groups and developed an intergovernmental agreement with the States and Territories to improve the level of consultation and cooperation among tourism stakeholders both in industry and government.
- Australia's membership of the United Nations World Tourism Organisation (UNWTO) has provided the opportunity for Australia to engage more extensively with the international tourism community and opened the way for Australian consultants to become involved in a range of UNWTO sponsored projects.
- The 'Quality Tourism' portal was launched in 2006 providing a one-stop shop for tourism businesses to access business improvement information including accreditation programs and packages.

### **INTRODUCTION**

The TWP recognised that greater consultation and cooperation between industry and government is critical for developing and implementing policy that is relevant and responsive to the concerns and needs of the sector. This has provided the impetus for the establishment of a number of consultative groups bringing together stakeholders from government and industry as well as fostering a whole of government approach to the development of tourism in Australia. At an international level Australia also rejoined the UNWTO to facilitate greater engagement with the global tourism community.

The TWP identified accreditation as a means to improve the quality of Australia's tourism products and services, and subsequently Australia's international competitiveness. The principal initiative funded under the TWP in relation to accreditation was the development of a tourism business and accreditation portal.

### **CONSULTATIVE ARRANGEMENTS**

An important and innovative aspect of the TWP was increasing emphasis on greater cooperation and consultation among key tourism stakeholders within government and industry. The TWP also outlined a whole-of-government approach to tourism aimed at removing duplication, maximising opportunities and facilitating partnerships and innovation. This is particularly important for tourism as the sector typically transcends normal industry classifications and responsibility for many issues that

impact on tourism is spread across several portfolios both at the federal and state government level.

In developing closer links with industry and fostering greater cooperation between different levels of government and within government, the Australian Government established a number of advisory bodies including:

- the **Industry Implementation Advisory Group (IIAG)**, established in December 2003 to assist with the implementation of the TWP initiatives. Following the successful implementation of TWP initiatives the group was reconstituted as the **Tourism Minister's Advisory Council (TMAC)** and given an expanded brief that includes provision of advice on strategic issues affecting the sustainable development and growth of the Australian tourism industry. Both the IIAG and TMAC have played an important role in facilitating the contribution of industry to implementing the recommendations of the TWP;
- the **National Tourism and Aviation Advisory Committee (NTAAC)**, established in December 2004, to address issues of mutual concern to the tourism and aviation industries. An independent review commissioned by the Department and completed in April 2007 found that NTAAC as an advisory forum is both unique and valuable and that there is suitable representation across government and industry on the Committee. The review also found that there is scope for better facilitation of dialogue on competing interests and for greater contribution by Committee members at NTAAC meetings;
- the **Australian Travel Industry Consultative Committee**, that considers issues impacting on the travel agent industry;
- the **National Tourism Investment Strategy Consultative Group**, assisting the Minister for Small Business and Tourism to develop the National Tourism Investment Strategy. Following the development of the strategy the Group has disbanded;
- the **Emerging Markets Strategy Consultative Group**, assisting the development of the Emerging Markets Strategy;
- the **Portal Consultative Group**, advising on the development of the tourism business and accreditation portal. The Group has disbanded following the launch of the portal;
- the **Fair Go for Tourists Working Group**, comprising officials from the Australian, Queensland, New South Wales and Victorian governments; and
- the **Restaurant and Catering Industry Action Agenda Implementation Group**. The Group has disbanded following the completion of this Action Agenda.

The Government has also concluded an Intergovernmental Arrangement between the Australian Government and State and Territory Governments to strengthen collaboration and coordination across all levels of government.

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## **MEMBERSHIP OF THE UNITED NATIONS WORLD TOURISM ORGANISATION**

Australia rejoined the UNWTO in September 2004 as a White Paper initiative. There are a number of benefits to Australian tourism relating to UNWTO membership, which include:

- access to the valuable tourism research and statistical data accumulated by UNWTO;
- opportunity to influence UNWTO policies and programs;
- opportunity for Australia to engage with other UNWTO members on tourism matters of mutual interest; and
- opportunity for Australian tourism consultants to become involved in UNWTO projects.

Each of these is discussed in more detail below.

### **Research and data**

Australia is involved in the UNWTO Committee on Statistics and Microeconomic Analysis, which meets annually. Australia's involvement in this committee has allowed us to be more strongly involved in tourism research projects and statistical developments internationally. It has also raised Australia's profile as a progressive leader in the field of tourism research and statistical collection.

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### **Priority interests**

Australia has been working with the UNWTO to ensure that three key priority areas of interest to Australia are included in the UNWTO forward work program:

- quality – cooperative approaches to address the abuse of tourism as a vehicle for illegal and unethical behaviour;
- traveller security – to assure the sustainability of the tourism sector; and
- crisis preparedness – planning for the management of crisis situations.

Additional areas of priority for Australia are labour and skills shortages and encouraging growth in domestic tourism. Australia's promotion of these issues has been favourably received by the UNWTO and Australia is endeavouring to have the issue of labour/skills shortages also included in the UNWTO future work program. Australia has also been engaged in the UNWTO's current review of international statistical standards for measuring the value of tourism and its impact on the economy.

Australia has also influenced UNWTO policy through its membership of the UNWTO Working Group on Travel Advisories. This Working Group was established following the presentation to the UNWTO of Australia's policy approach to travel advisories. Travel advisories are a relatively sensitive issue for many UNWTO members. At the UNWTO General Assembly in late 2005, members agreed to a set

of guidelines on travel advisories consistent with our position – a positive outcome for Australia.

The then Head of Tourism Division, Mr Philip Noonan, participated in the 2005 and 2007 General Assemblies. A key agenda item for the 2007 General Assembly was climate change and its impacts on the tourism industry. The UNWTO's General Assemblies are held every two years.

Australia is a member of the UNWTO Working Group on Crisis Preparedness and Risk Management. Australia's engagement with UNWTO on these issues has received strong attention from Australian and international tourism industry stakeholders. Australia has been twice asked to deliver presentations at international conferences on our experience with crisis management, with a particular focus on Australia's National Tourism Incident Response Plan. For example Australia delivered a presentation at the UNWTO 'Asia-Pacific Seminar on Crisis Management' held in New Delhi in April 2005. The Indian seminar reaffirmed Australia's leadership in tourism crisis management with the National Tourism Incident Response Plan held out as the benchmark for tourism crisis management. The UNWTO also endorsed and participated in the APEC Tourism Forum held on the Gold Coast in May 2007. This Forum focused on collaboration in times of crisis.

The UNWTO has also recognised Australia's expertise in risk management, notably contributing to the work undertaken by Australian consultants at the APEC International Centre for Sustainable Tourism (AICST) in preparing the 2007 update of their 2004 report *'Tourism Risk Management in the Asia Pacific Region'*.

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### **Consultancy opportunities**

A major benefit of Australia's participation in the UNWTO is the ability for Australian companies, agencies and research institutions (e.g. the Cooperative Research Centre for Sustainable Tourism - STCRC) to tender for UNWTO projects. Without UNWTO membership Australian entities could not do so. Much of the UNWTO focus is on capacity building of tourism infrastructure in developing member economies as a means of alleviating poverty and encouraging economic growth based on tourism. Australia is skilled at providing tourism infrastructure development assistance and is particularly well placed to do so for the Asia-Pacific region because of its physical location and its cultural linkages to the region. For that reason the UNWTO has sought Australia's leadership in pursuing UNWTO activities in the Pacific.

The UNWTO has indicated considerable interest in working more with Australian consultants in the delivery of UNWTO sponsored projects. For example, UNWTO has commissioned a STCRC team to work on a project to develop a standard methodology for measuring the meetings, incentives, conventions and exhibitions industry. The Department is working with the STCRC on this project.

Australian consultants also worked on the United Nations Development Programme (UNDP)-Bangkok funded Tourism Development Plan that assisted with tourism recovery following the Boxing Day tsunami. This project focused on Thailand's three



most southern provinces. Australia also contributed to the UNWTO tsunami relief operations through an AusAID funded tourism program administered through the Department. The tsunami project required a coordinated collaborative approach from a number of stakeholder agencies (the Department, DFAT, AusAID and the STCRC).

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## TOURISM ACCREDITATION INITIATIVES

The TWP identified accreditation as a means to improve the quality of Australia's tourism products and services, and subsequently Australia's international competitiveness. While accreditation is primarily an industry responsibility, the Australian Government announced seed funding of \$2 million under the TWP to assist industry to develop a national, voluntary accreditation system that:

- better accommodates generic, sector-specific and product based programs;
- delivers value in benefits for accredited businesses including improvement in back office systems;
- develops and markets a strong brand which conveys clear and reliable information to stakeholders; and
- is sustainable without further assistance after two years.

The primary TWP accreditation initiative has been funding industry to design, develop and maintain a tourism business and accreditation portal, [www.qualitytourism.com.au](http://www.qualitytourism.com.au), that includes the capacity for completion of accreditation online and covers generic, sector-specific and product based accreditation programs.

In August 2006, the Hon Fran Bailey MP officially launched the 'Quality Tourism' portal. The portal provides a one-stop shop for tourism businesses in relation to business improvement information in addition to accreditation, including reference to resources such as [www.business.gov.au](http://www.business.gov.au).

As part of the development process, a small consultative group made up of industry representatives was formed to provide guidance to Decipher Technologies Pty Ltd on the portal's development. Funding for development of the portal includes guaranteed minimum maintenance for accreditation program owners until June 2008 to ensure the full benefit to industry can be realised in achieving long term sustainability.

In providing the capacity for completion of accreditation online, the portal assists predominantly accreditation program managers, but also tourism businesses in streamlining processes. The accreditation programs available through the portal serve to improve business processes for individual businesses, or individuals operating in the industry to improve its competitiveness and sustainability.

In addition to the development of the portal, grants were funded to the Australian tourism industry for promotion for the portal. The promotional activities complemented the marketing of the [www.qualitytourism.com.au](http://www.qualitytourism.com.au) brand by Decipher Technologies Pty Ltd as providing clear and reliable information to stakeholders on business improvement, including in relation to accreditation.

The Quality Tourism Portal has not met the expectations of industry and most state and territory governments. Less than 1000 business have been accredited through the use of the Portal. Its future remains uncertain as Australian Government's commitment ceases at 30 June 2008. Furthermore, a number of states and territories and industry bodies continue to pursue their own accreditation processes and have avoided any involvement with the Portal.

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## **APPENDIX A**

### **TOURISM WHITE PAPER: EVALUATION FRAMEWORK**

#### **Objective**

The Tourism White Paper charts a ten year course for the industry, for which Government has committed funding for the first four and a half years. The White Paper notes that the Strategy will be implemented over a four-and-a-half year period to 2007-08, the achievements of which are to be reviewed. This review will need to assess the full investment by the Government in Tourism Australia (base funding and White Paper funding) and in associated funded initiatives. Demonstrated success against agreed indicators will be critical in guiding Cabinet consideration of any case for continued funding. An important element in this consideration will be evaluation against a suite of performance measures that cover the key objectives of the White Paper. DITR has developed the attached measurement framework [see table at end of this Appendix] for this purpose. The framework will form the basis of a formal evaluation strategy to be introduced in the second quarter of 2005, in order to ensure that the necessary survey instruments are in place to monitor effectiveness from the 2004-05 year onwards.

The central question for the package of White Paper initiatives will be whether it returned a wealth dividend to the nation that justified the additional \$235 million invested by the Government under the White Paper over the four years to 2007-08, and implicitly, the \$600 million plus invested in support of Tourism over that period.

As the issue of effectiveness cannot be disaggregated between that attributable to baseline funding and that attributable to the White Paper supplementation, the total Commonwealth investment in tourism will be subject to evaluation. Such evaluation will be critical in guiding any consideration that may be given to future funding beyond 2007-08.

#### **Methodology**

The evaluation will measure 'headline' indicators which express the return on the Government's investment. These in turn will be complemented with more detailed analysis which addresses the range of initiatives and their causal links to the market performance of the industry.

The 'headline' indicators will need to measure the change in industry performance against the baseline performance as at 30 June 2004. Against that baseline, they will:

- focus on **additionality** by benchmarking against the recorded performance, forecast trends and global market share as estimated at 30 June 2004;
- express the **multipliers** that accrue to each dollar invested in the White Paper package; and
- express internal **stretch targets** for achievement under the White Paper.

The evaluation of the White Paper will essentially involve answering the following questions:

- Did the industry improve its performance overall?
- Did the interventions of the White Paper achieve their stated objectives?
- If so, did they contribute to the performance of the industry overall?

The ‘headline’ indicators will be measured against the 30 June 2004 baseline, and will include:

- Key Headline Indicators
  - growth in total yield<sup>1</sup>
  - growth in total yield/White Paper expenditure
- Economic Headline Indicators
  - growth in contribution to GDP
  - growth in employment
  - growth in sector tax revenue/White Paper expenditure
- Other Headline Indicators
  - growth in visitor dispersal<sup>2</sup>
  - growth in visitor numbers
  - growth in visitor nights
  - growth in global market share

<sup>1</sup>A universally accepted definition of ‘Yield’ in the tourism sector does not exist. The Tourism White Paper Industry Implementation Advisory Group (IIAG) has endorsed the use of the Tourism Forecasting Committee’s ‘Total Domestic Economic Value’ (Real) and ‘Total Inbound Economic Value’ (Real), which are measures of tourism expenditure, as a proxy measure for ‘Yield’. Tourism Research Australia also estimates ‘Yield’, using the Tourism Satellite Account, based on the Gross Operating Surplus generated through tourism activity. Both measures will be used in the evaluation.

<sup>2</sup>There are a number of different definitions of ‘regions’ in the tourism sector and across Government. Tourism Australia defines regional as all areas ‘outside the capital cities plus the Gold Coast’. There is some argument that a better definition for tourism would be ‘beyond the major capital city gateways’. The definition to be adopted will be given further consideration as part of the evaluation process.

Behind these ‘headline’ indicators lies a more complex analysis. The White Paper strategy embraces diverse initiatives which range from supplementary funding for Brand Australia through to new institutional and consultative arrangements. It is appropriate to measure the effect of the strategy for both its total effect on industry outcomes, and its achievement of objectives specific to the key components of the strategy. It will be necessary to track causal linkages between the initiatives of the White Paper and industry outcomes, but this will not always be possible. Causal linking reveals the ‘additionality’ which White Paper initiatives may bring to industry outcomes. Where causality cannot easily be established, the evaluation will draw on multiple indicators and data sources under a ‘weight of evidence approach’.

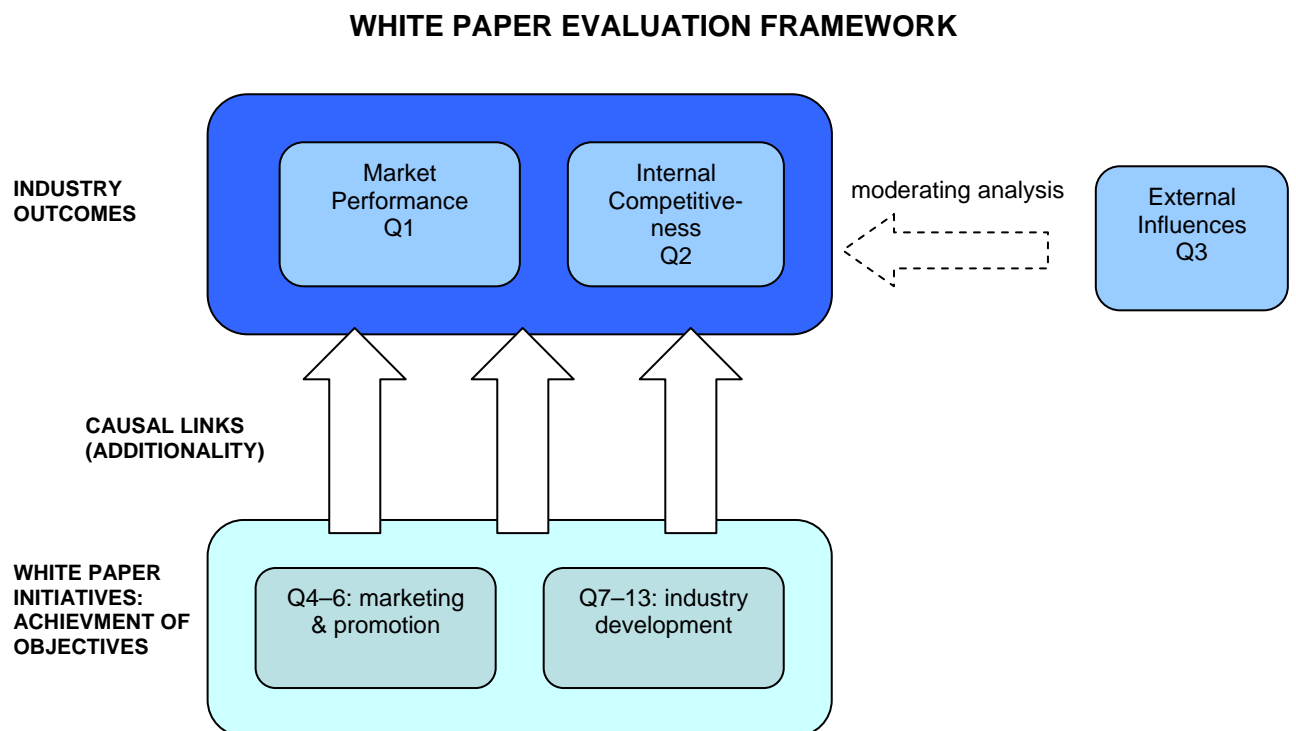
While there will be a focus on additionality, it will be important to contextualise the assessment of performance by comparing performance with that of competitor markets.

The measurement framework detailed in the Appendix will assess:

1. the **performance of the industry** over the White Paper period, noting that this will:
  - assess performance against business as usual (historical trends and TFC forecasts) and competitor performance (global market share);
  - assess whether the internal health of the sector has improved commensurate with market performance; and
  - moderate this analysis with consideration of external variables such as **Government policy changes**, shocks, fuel prices, exchange rate movements, disposable income in target markets, and competitor strategies.
2. whether the major **White Paper initiatives met their specified objectives**, and the extent to which they contributed to the performance of the industry.

These two assessments will focus on the questions which need to be addressed in the case to be put to Cabinet for any continued funding. Much of the data required to address these questions can be drawn from existing data sets. The attached framework takes the questions as the departure point, suggests appropriate indicators for measuring results against each question, identifies existing or proposed survey instruments to apply such indicators, and identifies the agency which is or would be custodian of each survey instrument.

Schematically, the approach can be illustrated as follows:



Note: See Appendix A for details of Q1 to Q13

## **Additional Data Requirements**

Although the performance indicators have been developed using existing data/information sources where possible, a number of additional collection activities will need to be undertaken:

- A stakeholder survey which would address a number of questions in the evaluation framework (A phone based ‘executive’ survey of 15/20 minutes covering 150 key stakeholders.)
- Net benefit economic modelling (Computable General Equilibrium) which would attempt to quantify the impact of the White Paper on tourism and the economy, and broader changes in tourism’s impact on the economy.
- The question of external factors that affected Australia’s competitive position – this may need to be covered by an external consultant, or Tourism Australia may be able to cover this issue.
- Benchmarking Tourism Australia’s brand tracking methodology. While this is being funded directly by Tourism Australia, any third party validation will need to be funded as a new activity, probably by DITR.
- Tourism investment measures will be covered through consultancy research for the National Tourism Investment Strategy, and funded through the strategic research fund.
- ATDP participant survey, run by DITR/AusIndustry, collecting certain business data.
- Tourism Conservation Partnership - participant survey and expert assessment.
- Indigenous Business Ready evaluation – expert assessment and contracted research student.
- Evaluation of achievements as a member of the WTO. This could be conducted in-house, or externally.

Initial estimates suggest that the cost of collecting this additional data/information may be around \$170,000. This estimate will be refined further over the coming months as details under the framework are developed. (See Appendix for more detailed costing)

## **Management**

Management of the evaluation will require coordination through a senior management committee comprising of members of TA (including TRA) and ITR.

ITR will have overall management responsibility for reporting on the White Paper’s effectiveness. However, the responsibility for coordinating inputs on specific areas will be managed as follows:

- |                                 |     |                  |
|---------------------------------|-----|------------------|
| • Industry performance          | ITR | (Questions 1-3)  |
| • Marketing initiatives         | TA  | (Questions 4-6)  |
| • Other White Paper initiatives | ITR | (Questions 7-13) |

Although DITR will be responsible for overall management, a major portion of the evaluation (questions 4-6) will derive directly from Tourism Australia’s internal

evaluation against the Key Performance Indicators (KPI's) contained in the Tourism Australia Corporate Plan and Statement of Outcomes and Outputs.

The White Paper interventions are grouped under those which relate to marketing, and all others. Some indicators go beyond the Tourism Australia indicators in order to address initiatives for which Tourism Australia is not directly responsible, or to monitor effects which should derive from the synergies of the White Paper initiatives as a whole – 'sum of the parts' effects.

It is critically important that the evaluation is considered credible with Government and industry when drawn upon in consideration of any further funding for the sector beyond 2007-08. This is especially true in evaluating the effectiveness of the Brand Australia campaign, which represents the largest single investment by the Government in support of the tourism sector. Evaluation of marketing campaigns is not within the normal expertise of Government, nor that of the economic consulting houses normally drawn upon by Government.

In this context, the management committee will need to be confident that the methodology adopted will stand up against international best practice and external scrutiny. For this reason it is proposed to:

- establish an external panel of experts to validate the evaluation methodologies especially those relating to brand effectiveness;
- engage with industry through the IIAG at regular stages throughout the evaluation.
- engage with relevant coordinating Departments including the ANAO at regular stages throughout the evaluation cycle.

### **Timeline**

The additional tourism funding under the Strategy finishes in 2007-08. This means that any future additional funding would need to be considered for the May 2008 Budget. On this basis, the evaluation/performance reporting would need to be assembled in mid to late 2007.

This suggests that for a range of data, the results for the full four years will not be available to assist the evaluation. For example, it will only be in April 2008 that the ABS is able to release Tourism Satellite Account data for the reference year 2006-07. Data such as a stakeholder survey can be conducted closer to the evaluation deadlines.

The lags inherent in some of the data series will not stand in the way of the major evaluation to be undertaken in late 2007, or in the way of the requirement for the Minister to report annually on progress against the White Paper.

The annual report will consist of an evaluation of the overall performance of the industry as well as an update on the progress of a number of key White Paper initiatives. The first annual evaluation will relate to the 2004/2005 fiscal year.

Issue	Indicator	Collection Instrument	Who	Collection Cycle	Cost*
1 Did industry improve its market performance?	Visitor yield	IVS, NVS and modelling	TRA	Annual	nil
	Share of GVA/GDP	Satellite Account	DITR	Annual	nil
	Share of employment	Satellite Account	DITR	Annual	nil
	Tourism's share of domestic spending	National Accounts	DITR	Annual	nil
	Share of exports	Satellite Account	DITR	Annual	nil
	Net economic benefit	CGE modelling	Consultant	Once mid/late 2007	\$ 70,000
	Visitor numbers/nights	IVS, NVS	DITR	Annual	nil
	Domestic and International visitor conversion	TA Brand Tracking Data	TA	Annual	nil
	Global market share	WTO and IVS	DITR	Annual	nil
2 Did industry improve its internal competitiveness?	Investment rates	Tourism Investment Strategy	Consultant	Once mid/late 2007	nil
	Profitability	Satellite Account, EAS	DITR	Once mid/late 2007	nil
	Productivity	Satellite Account	DITR	Once mid/late 2007	nil
	Marketing expenditure	ABS tourism marketing survey	TA	Once mid/late 2007	nil
	Skill vacancies	Labour market survey data	DEWR/DEST	Annual	nil
	Quality	TAAL data, TRA surveys	DITR/TAAL	Annual	nil
	Capital utilisation (accommodation occupancy rates)	STA	DITR	Annual	nil
	Longevity of enterprise life	ABS Business Register	ABS	Twice mid/late 2005 and mid/late 2007	nil
3 What external factors affected the outcomes for industry?	Tourism Trade Weighted Index	TTWI data	STCRC	Once mid/late 2007	nil
	GDP changes in Australia and key inbound markets	Treasury/IMF reports	DITR	Once mid/late 2007	nil
	Competitor tourism marketing/development strategies	TA commercial intelligence	TA	Once mid/late 2007	nil
	Relative access and costs of aviation for competitor markets	TA commercial intelligence	TA	Once mid/late 2007	nil
	Revealed preferences of consumers in target markets	TA commercial intelligence	TA	Once mid/late 2007	nil
	Major domestic/international incidents/shocks	Various sources of analysis	DITR	Once mid/late 2007	nil
4(a) Has Brand Australia increased international awareness and consideration of Australia as a holiday destination and increased intentions to visit ?	TA brand tracking KPIs (awareness, consideration and intention)	TA brand tracking data	TA	Annual	nil
4(b) Has Brand Australia 1) increased domestic intentions to holiday within Australia 2) led to a reduction in accrued holiday leave?	TA brand tracking KPIs (preference and intention)	TA brand tracking data	TA	Annual	nil
	Amount of unused leave in Australian Economy	ABS data/TA employer survey	ABS/TA	Annual	nil
5 Was greater collaboration achieved between government and industry to market Australia?	Industry expenditure on marketing	ABS tourism marketing survey	TA	Once mid/late 2007	nil
	TA collaborative marketing KPIs	TA co-operative marketing data	TA	Once mid/late 2007	nil
	Increased funding from Industry, State/Territory Governments	TA	TA	Annual	nil
	Industry satisfaction with structural arrangements of TA	Stakeholder survey	DITR	Once mid/late 2007	\$ 20,000 **



6 Has Australia increased the number/share of major international business and other events?	TA Events KPIs Improvement in co-ordination to attract major international events	TA Events tracking data Stakeholder survey	TA DITR	Annual Once mid/late 2007	nil \$ 20,000	**
7 Did ATDP increase the supply, dispersal and diversity of tourism product; and increase collaboration between regional and local bodies to improve regional tourism promotion?	AusIndustry KPIs for ATDP Individual project evaluation of grants Increased share in visitation to regions receiving a grant Has grant fostered ongoing collaboration across regions	Program data Participants survey TRA surveys Participants survey	AusIndustry DITR DITR DITR	Annual Once mid/late 2007 Once mid/late 2007 Once mid/late 2007	nil nil nil nil	
8 Has Australia increased travel/yield in regional Australia?	Domestic tourism increase as a percentage of GDP Increased share of International & Domestic visitation to regional Australia	Satellite Account TRA survey - IVS,NVS	DITR DITR	Annual Annual	nil nil	
9 Did the Tourism & Conservation feasibility studies demonstrate business models that led to an increase in nature based tourism ventures and an increase in conservation?	Feasibility studies lead to investment and commercial ventures. Feasibility studies lead to increased conservation and biodiversity.	Participant survey Expert assessment.	DITR Consultant	Once mid/late 2007 Once mid/late 2007	nil \$ 30,000	
10 Did the Business Ready Program for Indigenous Tourism effectively transfer business skills to operators?	Number of existing and new businesses assessed as 'business ready' Individual project evaluation	Expert assessment Business survey	Consultant PhD Student	Once mid/late 2007 Once mid/late 2007	\$ 30,000 nil	
11 Did targeting high yield niche segments succeed in getting more of the targeted segments to visit, and did it increase overall tourism yield?	Total visitor numbers and yield Growth in number of targeted niche products Growth in targeted niche visitors and yield Reduction in seasonality of visitation (o/s, domestic)	TRA surveys and yield analysis Tourism Data Warehouse data TRA surveys and yield analysis TRA surveys	DITR/TA DITR/TA DITR/TA DITR/TA	Once mid/late 2007 Once mid/late 2007 Once mid/late 2007 Once mid/late 2007	nil nil nil nil	*** *** *** ***
12 Did the research and statistics initiatives meet industry and government needs for planning and investment?	Stakeholder satisfaction with statistical and research enhancements Increased availability and dissemination of data Increased industry use of Tourism Satellite Account data	Stakeholder survey Stakeholder survey Stakeholder survey	DITR DITR DITR	Once mid/late 2007 Once mid/late 2008 Once mid/late 2007	\$ 20,000 \$ 20,001 \$ 20,000	**  **
13 Have the new consultative arrangements increased the level of collaboration and responsiveness at government to government and government to industry levels?	Stakeholder satisfaction with consultative/collaborative arrangements Achievements as a member of the WTO	Stakeholder survey 'In house' assessment	DITR DITR	Once mid/late 2007 Once mid/late 2007	\$ 20,000 nil	**  
<b>External validation of final report</b>				Consultant	Once mid/late 2007	\$ 20,000
					\$ 170,000	

Note: Annual data will be collected in the six months following each financial year, 2004-05 to 2006-07.

\* Costs relate to external consultancies only and will be incurred in the latter half of 2007.

The costs of DITR/TA staff time have not been included, nor have costs associated with the participant surveys for issues 7 and 9 which will be conducted 'in house'.

\*\* The stakeholder survey will collect data relating to a number of indicators and is expected to cost \$20,000 in total.

\*\*\* The manner in which niche markets will be targetted and reported on was still under development at the time the framework was being developed. The indicators and manner of assessment may vary from what is recorded here.

## **APPENDIX B**

### **TOURISM AUSTRALIA'S CLASSIFICATION OF INBOUND MARKETS BY TIERS**

Tourism Australia (TA) classifies inbound source markets into three tiers, as an aid to decision making over allocating marketing resources and as an aid to monitoring inbound tourism market performance.

#### **Tier 1 markets**

Markets in this tier include: Australia, United Kingdom, Japan, New Zealand, USA, Germany, Korea and China.

Markets in this tier typically have some but not all of the following attributes:

- deliver the vast majority of the total Australian tourism business by spend;
- targeted to achieve total leisure inbound economic value in excess of \$600m per year;
- targeted to deliver the majority of TA's desired volume of growth in spend by 2008/09;
- deliver consumers consistent with dispersal objectives;
- highly synchronised with the 'experience seeker';
- can be impacted by global marketing activity;
- present unique segment opportunities to drive higher yield business;
- have sophisticated marketing and distribution infrastructure that can be leveraged to drive growth; and
- have available air services capacity

Source: TA analysis of TRA-IVS data.

Notes: TIEV is real leisure tourism inbound economic value while dispersal is the share of international visitor nights spent outside the regions of the four major international airports (Sydney, Melbourne, Brisbane and Perth).

In 2006-07, TA allocated 78 per cent of total marketing spend to Tier 1 markets, this equates to just over \$45 million on pure marketing programs (not including any overhead costs).

#### **Tier 2 markets**

Markets in this tier include: Ireland, Singapore, Canada, Malaysia, Hong Kong, Taiwan and India. Tier 2 markets typically have some but not all of the following attributes:

- work currently off a modest base, but offer strong growth opportunities in terms of visitor spend in the short to medium term;
- are targeted to achieve more than \$200 million per year in total inbound economic value by 2008/09 or offer high growth potential (greater than 50 per cent);
- can have 'experience seeker' and global marketing communications strategies applied;

- include priority emerging markets to be fostered under the TWP emerging markets program;
- present unique opportunities for higher yield segments and “bonus point” strategies; and
- have available air services capacity.

Source: TA analysis of TRA-IVS data.

Notes: TIEV is real leisure tourism inbound economic value while dispersal is the share of international visitor nights spent outside the regions of the four major international airports (Sydney, Melbourne, Brisbane and Perth).

### **Tier 3 markets**

Tier 3 markets are less valuable than Tier 2 markets, but commonly have strong dispersal of their visitors to the regions. Tier 3 markets have less comprehensive support from TA than Tier 2 markets.

### **Tier 4 markets**

The final category is Tier 4 markets which are all other markets. These markets commonly receive very limited TA support, but can benefit from support through the Austrade network and the Aussie Enthusiast Program.

## **APPENDIX C**

### **PROFILING THE AUSSIE SPECIALISTS PROGRAM**

The Aussie Specialists Program (ASP) is TA's global online training program, designed to give travel agents and distributors the knowledge and skills to sell Australia more effectively. ASP is voluntary and each agent manages their own learning pace via personalised log in details and must pass a basic exam to qualify and sit a renewal exam each year.

The program is available in different languages, in addition to English the program is translated into French, German and Italian in Europe and Chinese, simplified Chinese, and Korean in Asia.

The popularity of the program has grown significantly over the past three years and has been awarded best training program two years running in the UK's 'Selling Long haul' Awards. In Asia it won the PPATA Grand Award for Training, for being the first web based online training program. In America the program won Best Destination Specialist Program as voted by Travel Age West Readers in 2007.

Tour operators have also recognised the importance of the program as a way to increase selling and conversion skills and partner TA by championing the program to their preferred agent network while integrating their branding and messaging ('wrapping the ASP program').

From July 2004 to July 2007, the number of qualified agents in the UK increased by 72 per cent to 2,743. Growth in regions such as North America has also been significant with total numbers now at 1,623 and qualified agents in New Zealand now totalling 550.

Penetration in the Asian markets has continued, with an increase of 223 per cent in the number of qualified agents in the past three years. The total number of qualified agents now stands at 1,893 from 1138 agencies, with growth boosted by the emerging markets of China and India.

The total number of qualified agents globally stands at 10,000, providing an extensive network of advocate agents around the world actively selling Australia. In addition, TA events such as Corroboree (UK and USA) and Discover Australia (Germany) facilitated over 1,200 qualified Aussie Specialists visiting Australia over the past two years with each event including workshops for Australian based product suppliers. Such face to face training is invaluable to Australian tourism products as these agents would be otherwise difficult to access given their geographic spread around the globe.

Tracking sales from the ASP network is difficult in most countries due to the nature of the distribution system with many retail agents buying through travel consolidators. In the US and NZ leads are tracked through the Premier Aussie Specialists Program. This two tier program was introduced on 1 January 2005 in the US and gives premier agents exposure on aus.com. The Premier program varies slightly between regions.

For example, travel agents in the US are charged US\$900 a year to participate in the program, New Zealand agents NZ \$300, and in the UK it is free.

Premier Agents are the highest converting distribution channel in America at 50 per cent in 2007. Premier Agents maintain the highest booking value per trip in America averaging US\$10,000 per booking – as per TA's passenger study.

*(Figures correct at September 2007)*