

Chapter 14 Tourism

Key Points

- Tourism is important to the Territory economy and contributes relatively more to gross state product than other jurisdictions.
- Total tourism expenditure declined by 12.4 per cent to \$1.7 billion in 2007-08, but total visitor numbers have recorded positive average annual growth over the last five years.
- Cruise ship visitors to the Territory have increased significantly and the newly completed Darwin Convention Centre is attracting visitors to Darwin and is set to be a key driver of medium to long-term tourism growth in the Territory.
- Tourist numbers are estimated to decline in 2008-09, with travel decisions being deferred due to uncertain economic conditions. However, the medium to long-term outlook for tourist numbers and expenditure is positive.

Background

Tourism plays a significant role in the Territory economy, contributing relatively more to gross state product (GSP) than in any other jurisdiction. Tourism in the Territory is estimated to represent 6.4 per cent of GSP in 2006-07, compared to 4.9 per cent in Tasmania and 4.5 per cent in Queensland. Nationally, tourism contributes 3.7 per cent to gross domestic product (GDP).

As defined by the Australian Bureau of Statistics (ABS) and international standards, the term tourism is not restricted to leisure activity. It also includes travel for business or other reasons, such as education, provided the destination is outside the person's usual environment.

Growth in tourism is closely linked to prevailing economic conditions both domestically and internationally. Key factors influencing the decision to travel are household disposable income levels, safety and health concerns, travel costs for different destinations and currency exchange rates. These factors affect tourist numbers and expenditure in destinations around the world, in Australia and in the Territory.

Tourism is a discretionary component of consumer expenditure, particularly when it is for leisure purposes. As such, travel is particularly influenced by household disposable income and consumer confidence. For example, rising incomes in developing countries such as China and India will increase the number of people able to travel, with more people from these countries likely to travel to overseas destinations, including the Territory.

Safety and health concerns appear to affect travel decisions. For example, visitor numbers to the Territory were low between 2001-02 and 2003-04, a period which included the terrorist attacks in New York, the Bali bombings, the Severe Acute Respiratory Syndrome (SARS) outbreak and war in Iraq. These events discouraged international travel and appear to have contributed to a drop in tourist numbers to the Territory, despite its relative safety.

The Territory is a relatively isolated destination and travel around the Territory involves long distances. Fuel costs are therefore likely to affect tourism numbers and expenditure, with the high cost of fuel during 2007-08 leading to a 35 per cent decline in self-drive visitors to the Territory. In addition, falling investment markets have recently impacted on superannuation funds, leading to lower incomes for self funded retirees, or 'grey nomads'.

Tourist numbers are also influenced by regular events in the Territory such as the Darwin Cup, Arafura Games, Masters Games and defence exercises. Large one-off events in other jurisdictions can also result in a flow-on of international visitors to the Territory, for example, the Commonwealth Games.

Tourism's Contribution to the Economy

Tourists use goods and services from a range of industries, including accommodation, cafés, restaurants and food outlets, cultural and recreational services, retail trade and transport. In some industries, a high proportion of output is directly linked to tourism, while in others only a small proportion may be attributed.

Tourism's contribution to the economy is not easily measured. For statistical purposes, an industry is defined as consisting of businesses that undertake similar processes of production. However, the tourism industry is defined by the type of customer, rather than the type of product. For this reason, tourist expenditure is spread across a number of industries as defined by the ABS. For example, a tourist might purchase a hotel room, a sight-seeing tour, a meal at a restaurant and souvenirs. These purchases would be recorded in separate industries as defined by the ABS.

The ABS estimates the contribution tourism makes to the economy across all industries to get a proxy measure of total tourism activity. This is recorded in the Tourism Satellite Account, but only at a national level.

To obtain state-by-state estimates of the contribution of tourism to the economy, the Sustainable Tourism Cooperative Research Centre (STCRC) produces individual Tourism Satellite Accounts.

This chapter reports on the contribution of tourism to the Territory economy in 2006-07 (the most recent data available). Also considered are estimates of visitor numbers and expenditure in the Territory in 2007-08.

Table 14.1: Estimates of the Contribution of Tourism, 2006-07

	NSW	Vic	Qld	SA	WA	Tas	NT	ACT	Aus
Direct contribution of tourism (\$M)	13 337	8 249	8 785	2 255	3 654	1 024	934	696	38 936
Tourism share of GSP, GDP (%)	3.98	3.33	4.49	3.24	2.59	4.86	6.44	3.22	3.72
Indirect contribution of tourism (\$M)	9 217	6 873	6 099	1 992	3 356	757	749	529	29 572
Tourism consumption (\$M)	26 984	16 886	21 568	4 693	8 487	2 397	2 173	1 574	84 762

Source: Sustainable Tourism Cooperative Research Centre, 2008

Direct Contribution to GSP

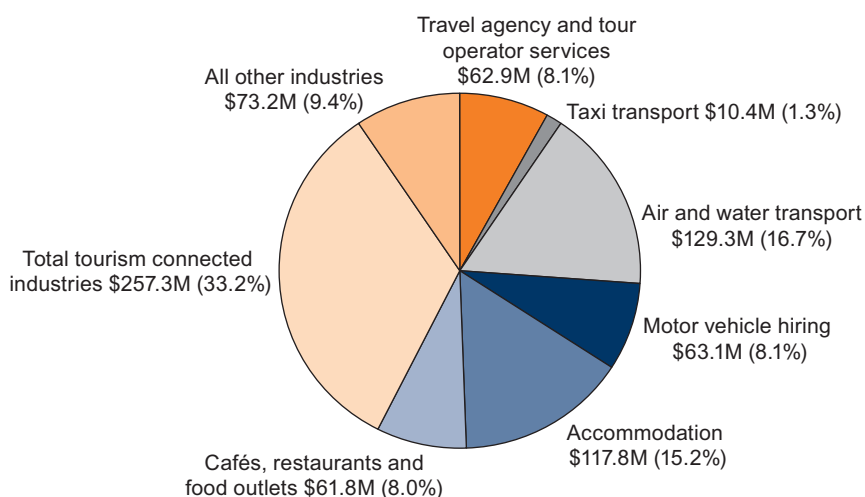
In the Territory in 2006-07, the direct contribution of tourism to the economy was about \$934 million, or about 2.4 per cent of the \$38.9 billion contributed by tourism to national GDP. Although accounting for a relatively small amount of national expenditure, tourism is important to the Territory economy, contributing a similar amount to GSP as manufacturing and construction.

Estimates of tourism's contribution to gross value added (GVA), which is GSP less taxes, for each industry in the Territory are shown below.

The GVA method is the international standard and also allows tourism's contribution to the economy to be compared to traditional industries and other regions.

There are three industry classifications in the tourism satellite account – tourism characteristic industries, tourism connected industries and all other industries. Where at least 25 per cent of an industry's output is consumed by visitors, an industry is known as a 'tourism characteristic industry'. An example is the accommodation industry. Where an industry's output is consumed by visitors in volumes which are significant for the visitor and / or the producer, this industry is known as a 'tourism connected industry'. An example is the retail trade industry. Industries that do not produce tourism products, although some of their products may be consumed by visitors, are classified as 'all other industries'. Of the tourism characteristic industries, air and water transport, accommodation, hiring of motor vehicles and travel agency and tour operators were the largest contributors to tourism GVA (Chart 14.1).

Chart 14.1: Tourism Components of GVA, 2006-07



Source: Sustainable Tourism Cooperative Research Centre, 2008

In 2006-07, air and water transport comprised 16.7 per cent of tourism GVA. This is a reflection of the Territory's remote location and distances between populated centres and destinations. For example, Uluru is about 400 kilometres from Alice Springs, and about 1900 kilometres from Darwin.

Accommodation accounted for 15.2 per cent of the tourism component of GVA, with people tending to stay longer in the Territory after having to travel further to visit the Territory.

Hiring of motor vehicles accounted for 8.1 per cent of tourism GVA. This may reflect that people are moving towards flying to the Territory and then hiring a car, instead of driving from interstate.

Total tourism connected industries, including manufacturing, other transport, clubs, pubs, taverns and bars, and retail trade, together contributed 33.2 per cent of tourism GVA.

Indirect Contribution to the Economy

In 2006-07, the estimated indirect contribution of tourism to the economy in the Territory was \$748.7 million in GSP. This is an estimate of the economic impact as a result of expenditure for visitors, not by visitors.

The indirect contribution to the economy illustrates the flow-on effects of expenditure made by visitors. For example, where a visitor purchases a steak from a restaurant, indirect tourism demand is generated for butchers and cattle farmers.

Nationally, the indirect contribution of tourism to GDP was \$29.6 billion, with the Territory accounting for \$748.7 million or 2.5 per cent.

Tourism Consumption

In 2006-07, the estimated tourism consumption in the Territory was \$2.2 billion and represented 2.6 per cent of the national total tourism consumption of \$84.8 billion.

Tourism consumption is derived from Tourism Research Australia expenditure data and is adjusted by STCRC to include an imputed value for non-market services such as rent on holiday houses owned by the visitor, and the value of subsidised services consumed by the visitors, such as entrance fees to museums and art galleries where a component is covered by a government subsidy.

Tourism Employment

In 2006-07, approximately 9700 people in the Territory were employed as a direct result of tourism, or 9.4 per cent of total employment. Of these employees, 31 per cent were employed in retail trade, 13.5 per cent in accommodation, 10 per cent in road transport and vehicle hiring, and 10 per cent in travel agency and tour operator services.

In comparison, about 4.7 per cent of people nationally were employed in 2006-07 as a result of tourism.

However, these employment numbers are derived by the STCRC, and should be interpreted with some caution.

Other Measures of Tourism Activity

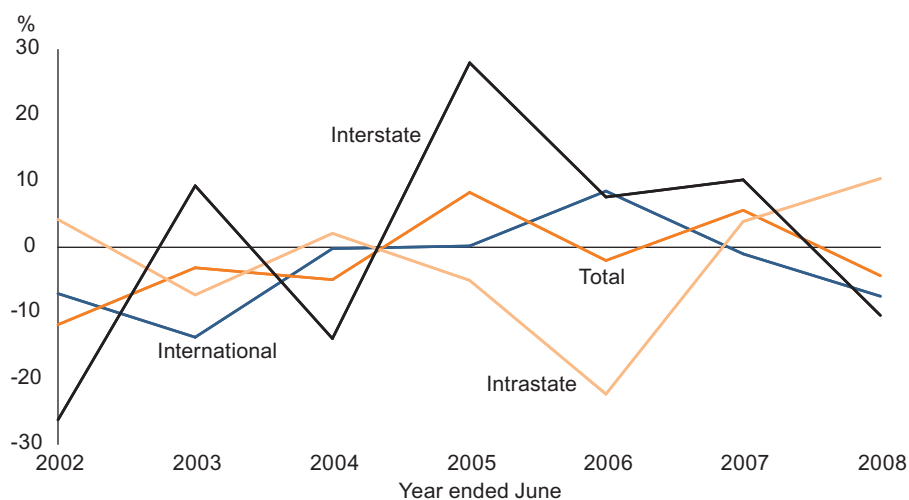
Tourism Research Australia (TRA) is a business unit of Tourism Australia which collects data on tourism, including visitor numbers, visitor nights and expenditure.

Data recorded for 2007-08 by TRA indicates that total tourism activity in the Territory slowed, compared to 2006-07. Visitor numbers were down 4.3 per cent, visitor nights were down 12.7 per cent and visitor expenditure was down 12.4 per cent in the year. However, the levels recorded for these three indicators in 2007-08 are above those recorded two years earlier.

Visitor Numbers

In 2007-08, there were 1 394 000 overnight visitors in the Territory, with 46 per cent interstate visitors, 30 per cent intrastate and 24 per cent international. Of all the visitors to the Territory, 57 per cent were on holidays and 27 per cent were business visitors (Chart 14.2).

Chart 14.2: Overnight Visitors to the Territory (year-on-year percentage change)



Source: Tourism Research Australia, 2008

The number of international visitors to the Territory fell by 7.5 per cent in 2007-08 compared to the previous year. Of the 332 000 international visitors to the Territory, 29 per cent were from 'other Europe', 19 per cent were from the United Kingdom and 15 per cent were from North America. About 90 per cent of all international visitors were in the Territory for a holiday.

There were 647 000 interstate overnight visitors to the Territory in 2007-08, down 10.4 per cent from the previous year. Around 55 per cent of interstate visitors come to the Territory for a holiday. Over the past three years, 25 per cent of visitors came from Victoria, 23 per cent from New South Wales and 22 per cent from Queensland.

There were 415 000 intrastate visitors in the Territory in 2007-08, up 10.4 per cent from the previous year. The increase in travel within the Territory may be partly attributed to increased numbers of public servants and contractors moving throughout the Territory implementing the Northern Territory Emergency Response and Closing the Gap strategy in Indigenous communities.

Visitor Nights

In 2007-08, international visitors spent about 2.8 million nights in the Territory, a decrease of 12.8 per cent from the previous year. On average, international visitors spent 8.5 nights in the Territory in 2007-08, compared to 9 nights in 2006-07.

Interstate visitors spent about 5.2 million nights in the Territory in 2007-08, a decrease of 17.6 per cent from the year before. The average length of stay was 8.0 nights in 2007-08, down from 8.7 nights in the previous year.

In line with increased intrastate visitor numbers, intrastate visitor nights also increased by 13.4 per cent to 1.4 million nights in 2007-08. The average length of stay for intrastate visitors was also higher than the previous year at 3.4 nights, up from 3.3 nights.

In 2007-08, total visitors to the Territory were less than the previous year and they were staying for shorter periods of time, indicating that their expenditure in the Territory would also be lower in the period.

Visitor Expenditure

In 2007-08, total visitor expenditure in the Territory was estimated to have decreased by 12.4 per cent to \$1.7 billion. This is consistent with visitor activity recorded in the Territory over this period.

Total visitor expenditure comprises expenditure by international visitors, domestic overnight visitors and same day visitors, all of which reduced in 2007-08. Nationally, total visitor expenditure rose by 4.2 per cent (Table 14.2).

Table 14.2: Visitor Expenditure, 2007-08 (year-on-year percentage change)

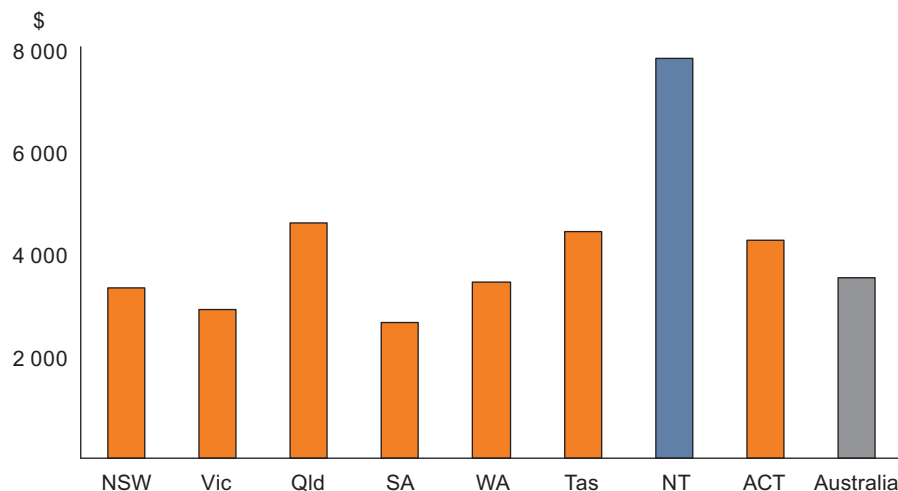
	International		Domestic		Same Day		Total	
	\$M	% change	\$M	% change	\$M	% change	\$M	% change
NSW	6 015	7.7	12 406	2.0	4 725	3.4	23 146	3.7
Vic	3 265	9.5	8 699	9.2	3 361	4.2	15 325	8.1
Qld	3 918	6.8	12 585	5.4	3 090	0.6	19 593	4.9
SA	520	14.5	2 872	5.9	866	-7.0	4 258	4.0
WA	1 759	14.0	4 288	-5.3	1 357	4.7	7 404	0.5
Tas	258	6.6	1 578	8.4	373	-14.3	2 209	3.6
NT	370	-12.5	1 236	-12.9	111	-6.7	1 717	-12.4
ACT	211	3.9	992	6.7	261	4.8	1 464	5.9
Australia	16 318	8.1	44 660	3.6	14 144	1.8	75 122	4.2

Source: Tourism Research Australia, 2008

Illustrating the importance of tourism to Territory residents, in 2007-08 the Territory recorded the highest level of total visitor expenditure per head of resident population at \$7806, compared to \$3514 nationally (Chart 14.3).

The significant difference in visitor expenditure per resident is largely due to the Territory's relatively small resident population compared to other jurisdictions, the relatively high number of visitors and the longer average stay for visitors to the Territory. The average duration of stay for domestic travellers in the Territory for 2007-08 was six nights, the highest of the jurisdictions and above the national average of four nights.

Chart 14.3: Tourism Expenditure Per Head of Resident Population, 2007-08



Source: Northern Territory Treasury, Tourism Research Australia, ABS Cat. No. 3101.0

Cruise Ship Visitors

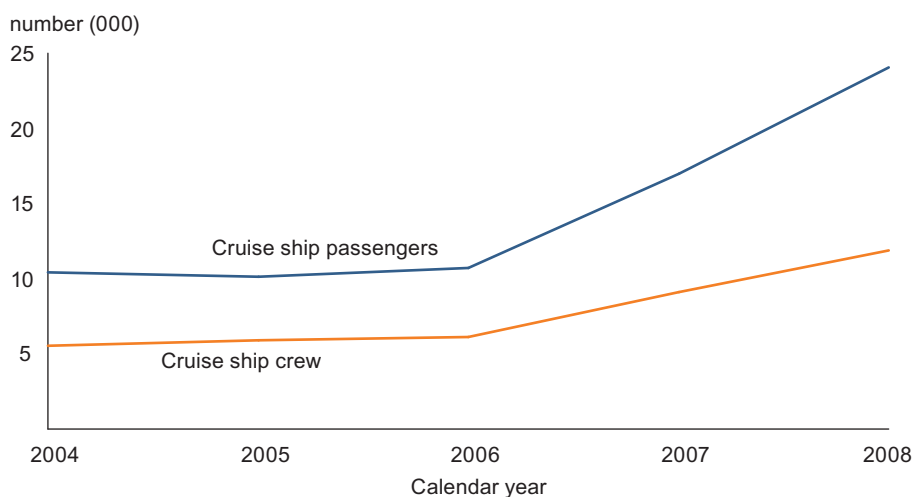
The cruise ship market has continued to grow over recent years and now makes a significant contribution to the Territory economy. In 2007-08, cruise shipping-related expenditure generated about \$27 million.

In 2008, a record number of passengers and crew arrived in Darwin by cruise ship, comprising 24 060 passengers and 11 892 crew (almost 36 000 tourists). This was 37 per cent higher than the 26 000 visitors in the previous year, and more than double the 16 800 passengers and crew that visited Darwin in 2006 (Chart 14.4).

In 2009, 30 ships are expected to visit Darwin. The profile of ships visiting has changed, larger ships holding more passengers now visit, resulting in more tourists visiting the Territory.

Darwin's new \$5 million cruise ship terminal means Darwin is ready to accommodate further passenger increases in years to come.

Chart 14.4: Territory Cruise Ship Visitors



Source: Tourism NT, Darwin Port Corporation

Convention Centres

Since the opening of the Darwin Convention Centre in mid 2008, 15 conventions have been held, hosting more than 7000 delegates. The calendar of events for 2009 includes 27 conventions hosting over 13 000 delegates. As such, the Convention Centre is likely to attract more tourists to the Darwin area.

In 2008, the Alice Springs Convention Centre held 28 conferences with more than 10 000 delegates. In 2009, 21 events have been scheduled with over 4600 delegates.

Airline Capacity

Tourism in the Territory will benefit from increased airline seat capacity into Darwin and Alice Springs airports which, along with declining fuel costs, may induce competition to reduce air ticket prices, resulting in more visitors to the Territory.

SkyWest recently announced it was re-introducing flights between Darwin and Perth. Virgin Blue has also announced the re-introduction of Darwin to Melbourne flights and commencement of new flights to Perth.

Tiger Airways, since ceasing operations to Darwin, has increased its seat capacity into Alice Springs airport, and has commenced flights between Adelaide and Alice Springs, in addition to Melbourne and Alice Springs flights.

Finally, the Darwin Jetstar hub will see seven aircraft and 280 crew based in Darwin by 2012. This has been facilitated by the Northern Territory Government, with a five year agreement worth \$8 million, allowing the discount airline's A320 passenger jets to fly to a host of new destinations within four to five hours flying range of Darwin.

Table 14.3 shows key tourism indicators over the last five years.

Table 14.3: Tourism Indicators

Northern Territory	2003-04	2004-05	2005-06	2006-07	2007-08	Year-on-year % change	5-yr average % growth
Visitor Numbers (Overnight visitors only) (000)¹	1 301	1 409	1 380	1 457	1 394	-4.3	0.4
Intrastate overnight	491	466	362	376	415	10.4	-2.9
Interstate overnight	476	609	655	722	647	-10.4	3.2
International	334	334	363	359	332	-7.5	-0.2
Visitor Nights (000)	8 776	9 226	9 225	10 782	9 418	-12.7	-1.6
Intrastate	1 441	1 325	1 063	1 227	1 392	13.4	-1.9
Interstate	4 715	5 196	5 322	6 309	5 197	-17.6	-2.5
International	2 620	2 705	2 840	3 246	2 829	-12.8	0.3
Average Nights per visitor (number)	6.7	6.5	6.7	7.4	6.8	-8.7	-2.0
Intrastate	2.9	2.8	2.9	3.3	3.4	2.8	1.0
Interstate	9.9	8.5	8.1	8.7	8.0	-8.1	-5.5
International	7.8	8.1	7.8	9.0	8.5	-6.0	0.4
Total Expenditure (\$M)²	na	1 637	1 624	1 961	1 717	-12.4	na
Domestic Overnight	na	1 139	1 165	1 419	1 236	-12.9	na
International	na	395	360	423	370	-12.5	na
Domestic Day	na	103	99	119	111	-6.7	na
Average Expenditure per visitor (\$)	na	1 161	1 177	1 346	1 232	-8.5	na
Domestic	na	1 060	1 146	1 292	1 164	-9.9	na
International	na	1 181	992	1 178	1 114	-5.4	na
Average Expenditure per night	na	177	176	182	182	0.2	na
Domestic	na	175	182	188	188	-0.4	na
International	na	146	127	130	131	0.4	na
International backpacker numbers (000)³	99	85	92	94	87	-7.5	-0.4
Backpackers as a proportion of international visitors (%)	30	25	25	26	26	0.0	-0.4
Backpackers as a proportion of total visitors (%)	8	6	7	6	6	0.0	-1.6
International backpacker nights (000)	674	594	664	670	566	-15.5	-2.0
Self-drive visitors entering NT (000)⁴	153	169	241	212	137	-35.3	-8.5
Domestic	115	134	194	171	101	-40.9	-10.1
International	38	35	47	41	36	-11.8	-2.8
Self-drive visitors within NT (000)	554	564	510	473	496	4.8	-2.6
Domestic	480	490	439	397	423	6.5	-3.1
International	74	74	71	76	73	-4.1	0.3
Cruise ship passenger numbers*	10 433	10 107	10 708	17 012	24 060	41.4	na
Cruise ship crew numbers*	5 519	5 922	611	9 100	11 892	30.7	na
National Park Visitor Numbers (000)							
Kakadu ⁵	174	165	196	216	236	9.3	5.1
Uluru-Kata Tjuta ⁶	349	357	352	338	322	-4.7	-3.7
Nitmiluk	269	232	234	234	252	7.7	0.1
Watarrka	270	258	203	194	208	7.2	-3.7
Litchfield	229	258	234	267	268	0.4	2.0

*Calendar year data.

na: not available

¹ International and domestic tourism data are obtained from the TRA International Visitor Survey and National Visitor Survey and are calculated using different methodologies² International expenditure includes package expenditure and domestic expenditure includes airfares and long distance traffic costs³ This data series shows the number of people who spent one or more nights in backpacker/hostel accommodation on their trip to the Territory⁴ These figures are subject to high volatility and should be interpreted with caution⁵ Kakadu National Park visitor numbers are generated using calibrated vehicle counters⁶ Uluru-Kata Tjuta National Park visitor numbers represent ticket sales and do not include children under 16 years of age who have free entry

Sources: Tourism Research Australia, Tourism NT, Darwin Port Corporation, (former) Department of Business, Economic and Regional Development, Parks Australia, Department of Natural Resources, Environment, the Arts and Sport

Outlook

As tourism spending is discretionary, uncertain economic conditions in Australia and globally are likely to have a substantial impact on Australia and the Territory's tourism market. In particular, international traveller numbers to Australia and the Territory are expected to decline in the short term. Sustained declines in visitors will impact negatively on the Territory tourism industry, with businesses in regional areas and those which rely heavily on the international market most likely to be affected.

The downturn in the global economy will impact tourism destinations around the world as consumers economise on holidays. Precautionary saving could be expected to increase in these uncertain times. For the Territory, maintaining or growing tourism market share over the next two years will be challenging and competition between tourism destinations will be more aggressive.

The Territory is already feeling the effects of slowing demand for travel services, with the latest tourism statistics indicating declines in both international and interstate holiday visitors, although some sectors of the industry remain buoyant. Assessing the full impact on the tourism industry is difficult, especially given the unprecedented nature of the economic crisis. Consumer and business confidence is low and could be expected to decline further. As a result, growth in visitor numbers to the Territory is not expected to return until 2010.

However, weaker exchange rates will act to reduce the propensity for Territorians and Australians to travel overseas and, in the short term, the Territory may be able to attract domestic tourists forgoing an overseas holiday. Self-drive holidays within the Territory may increase, supported by petrol prices that have declined from the peaks experienced in 2008, although this may be offset by a trend towards holidaying closer to home.

In addition, recent expenditure on tourism infrastructure including the Darwin Convention Centre and the cruise ship terminal, along with increased accommodation stock and air capacity, places the Territory in a good position to benefit from future tourism growth. In the long term, the industry can look to continuing to benefit from its positioning as a nature and cultural destination.