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# Glossary of Visitor Economy terms

<table>
<thead>
<tr>
<th>Term</th>
<th>Meaning</th>
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<tbody>
<tr>
<td>Visitor</td>
<td>Anyone who either consumes or desires travel-related services for stays of less than a year</td>
</tr>
<tr>
<td>Segments</td>
<td><strong>Types of visitors</strong> (for international visitors, as declared on passenger arrival cards)</td>
</tr>
<tr>
<td>Holiday</td>
<td>Travel for the primary purpose of rest and recreation (including participating in sport, attending sporting, cultural events or festivals, shopping, or accompanying a conference attendee)</td>
</tr>
<tr>
<td>Visiting friends and relatives (VFR)</td>
<td>Travel for the primary purpose of visiting friends and relatives, including weddings</td>
</tr>
<tr>
<td>Business</td>
<td>Travel for purposes relating to employment (including fly-in-fly-out work, meetings, conferences, conventions and training)</td>
</tr>
<tr>
<td>Work</td>
<td>(International travellers only) Travel for the primary purpose of ongoing employment and work in Australia for less than a year</td>
</tr>
<tr>
<td>Education</td>
<td>(International travellers only) Travel for the primary purpose of study/upskilling in Australia for less than a year</td>
</tr>
<tr>
<td>Destinations</td>
<td><strong>Where visitors go</strong></td>
</tr>
<tr>
<td>Cities</td>
<td>The tourism regions of state and territory capitals: Adelaide, Brisbane, Canberra, Darwin, Hobart, Melbourne, Perth and Sydney</td>
</tr>
<tr>
<td>Clusters</td>
<td>Geographic areas of coordinated visitor activity, often with a recognised attraction as a hub</td>
</tr>
<tr>
<td>Regions</td>
<td>Any geographic part of Australia outside the cities</td>
</tr>
<tr>
<td>Source markets</td>
<td>Major groups of countries from which international visitors come to Australia</td>
</tr>
<tr>
<td>Developed Asia</td>
<td>Japan, Korea, Singapore, Taiwan</td>
</tr>
<tr>
<td>Developed English</td>
<td>Canada, New Zealand, UK, USA</td>
</tr>
<tr>
<td>Emerging Asia</td>
<td>Indonesia, Malaysia, Philippines, Thailand, Vietnam</td>
</tr>
<tr>
<td>Other Western</td>
<td>European countries such as France, Germany, Italy, Netherlands, Scandinavia and Switzerland</td>
</tr>
<tr>
<td>Providers</td>
<td>Those providing or promoting services to a visitor</td>
</tr>
<tr>
<td>Accommodation</td>
<td>Places visitors stay, including hotels, resorts, motels, serviced apartments, caravan parks, B&amp;Bs, and sharing economy providers (Airbnb)</td>
</tr>
<tr>
<td>Aviation</td>
<td>All airlines and airport services</td>
</tr>
<tr>
<td>Culture, arts and recreation</td>
<td>Cultural services, heritage sites, museums, nature reserves, casinos, other gambling services and sports and recreation services; including function and event centres</td>
</tr>
<tr>
<td>Education and training</td>
<td>Tertiary education and adult, community and other education services (attributable to the Visitor Economy)</td>
</tr>
<tr>
<td>Term</td>
<td>Meaning</td>
</tr>
<tr>
<td>------------------------------------------------</td>
<td>--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td><strong>Food services</strong></td>
<td>Places that serve food and drinks, including cafes, restaurants and takeaway food services (including catering) and pubs, bars, taverns and clubs</td>
</tr>
<tr>
<td><strong>Ground transport</strong></td>
<td>Water, rail, road transport (incl. taxis), passenger car rental/hiring and transport equipment rental and scenic and sightseeing transport, including cruising</td>
</tr>
<tr>
<td><strong>Travel agency and information services</strong></td>
<td>All businesses and individuals acting as agents in selling travel, tour and accommodation services, and providing travel arrangement and reservation services for airlines, cars, hotels and restaurants</td>
</tr>
<tr>
<td><strong>Retail</strong></td>
<td>All retail trade, including motor-vehicle, fuel, food and other store-based sales</td>
</tr>
<tr>
<td><strong>Economics</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Visitor Economy</strong></td>
<td>All those who either consume or desire travel-related services, and those who provide or promote those services</td>
</tr>
<tr>
<td><strong>CAGR</strong></td>
<td>Compound annual growth rate</td>
</tr>
<tr>
<td><strong>GVA</strong></td>
<td>Gross Value Add, being the tax-adjusted value for the amount of goods and services that have been produced in a sub-segment of the economy, minus the costs that are directly attributable to that production</td>
</tr>
<tr>
<td><strong>Supply side</strong></td>
<td>All businesses who provide or promote services to visitors</td>
</tr>
<tr>
<td><strong>Demand side</strong></td>
<td>All individuals who consume or desire travel-related services</td>
</tr>
<tr>
<td><strong>Infrastructure</strong></td>
<td>Physical and digital assets needed to provide services to visitors, including transport, accommodation, communication, health and human services</td>
</tr>
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Introduction

Australia’s $138 billion Visitor Economy is both a critical part of the national economy and an extremely complex ecosystem. The Visitor Economy is broader than that which people normally regard as ‘tourism’: it spans those traveling for holidays, education or business and those visiting friends and relatives – both domestic and international – as well as the businesses and destinations that serve them.

This report comes at a critical time for the Visitor Economy. As we know, Covid-19 has had a devastating effect, with total spend in Australia falling 49 percent from $138 billion in calendar year 2019 to $71 billion in 2020. The short-term focus must be on survival and recovery.

However, that recovery must also position the Visitor Economy to thrive through the decade to come. Even before the pandemic shock waves hit, the sector was grappling with imbalances in its key markets and in its workforce. It is also facing shifts in visitor demographics and preferences, the accelerating disruptions of digitisation and automation, and the need to consolidate its social licence to operate. Negotiating those challenges is a sector with myriad participants pursuing multiple ends, which are not always aligned.

What then could the Visitor Economy do to build long-term resilient growth through to at least 2030? One that sustains its natural assets, stimulates economic value and jobs, and contributes to the broader life and identity of the nation?

To answer those questions, Austrade has engaged extensively with all elements of the Visitor Economy, and commissioned invaluable data and insights from McKinsey and Company to support the findings of this report. Its conclusion is as follows:

The Visitor Economy must now build its future by diversifying its source markets; modernising its offer, assets and workforce; and collaborating at all levels to do so.

Of these three themes – diversify, modernise and collaborate – the lynchpin is modernisation: putting to good use the innovations of the digital age, and helping people develop the social, cognitive and technology skills they need to serve our visitors well.

The payoff from that work is imagined in the 2030 vision suggested in this report. There will be opportunities to draw visitors from more global diverse markets, and for more Australian destinations, if the Visitor Economy draws on its collaborative as well as its competitive instincts.

The report is intended to serve two purposes. First, to suggest opportunities to act on and to stimulate the industry’s own conversations, decisions and actions. Second, as a resource for the ‘Reimagining the Visitor Economy’ Expert Panel to draw on to help the government shape a policy framework to guide the sector to long-term, sustainable and resilient prosperity.

It is delivered in 6 chapters:

1. **The Visitor Economy**: The visitors and providers that comprise it, and their value to Australia.

2. **This decade’s journey**: From its enviable position in 2019 to how hard it was hit by the pandemic in 2020, to a realistic vision for 2030.
3. Understanding the markets: The dominant domestic and various international markets from which our visitors come, and their potential for further diversification.

4. Giving powerful reasons to come: Our expanding cities, regions, culture, events and universities can each make distinctive, compelling cases for visitors to add more value to our economy and national life.

5. Making their stay: Our visitors will depend on efficient and inspiring digital experiences, aviation, accommodation and workforces.

6. A national project: Our different sectors, industries and governments need to collaborate to target demand, innovate products and processes, attract investment and prepare their workforce.

Austrade would like to thank all those involved in the report’s completion, and to encourage all parts of the Visitor Economy to consider its findings, and engage with the Expert Panel.
The Visitor Economy

Executive summary

Visitors have different purposes, seek very different things, and are willing to spend vastly different amounts. A visitor is anyone who travels within Australia for less than a year: not just for holidays, but also to visit friends and relatives, or on business, for work, or for education.

Fulfilling all their desires takes an extremely diverse set of businesses, spanning several industry sectors and operating across cities and regional destinations. The Visitor Economy takes in anyone who provides or promotes services to visitors, and goes well beyond ‘tourism’.

The Visitor Economy is essential to Australia’s wellbeing

The Visitor Economy makes an enormous contribution to Australia, financially and strategically. In 2019, it added over $61.2 billion to the economy, provided 686,000 jobs, and was growing 45 percent faster than the rest of the economy. Every dollar earned generates 82 cents in other parts of the economy, a higher multiplier than any of those of mining, agriculture or financial services. Beyond that, it is critical to Australia’s international soft power, and to enhancing our sense of national identity.

The Visitor Economy depends on both domestic and international visitors. Domestic travellers dominate the sector, accounting for 77 percent of its $138 billion revenues. However, international visitors account for 30 percent of the value added by the Visitor Economy, with much of it from young people who are here for study or working holidays.

Covid-19 brought a very good run to a shuddering halt

Back in 2011, the long-term Tourism 2020 strategy set the very ambitious target of $115 billion to $140 billion in overnight visitor spend by 2020 – and reached it. Revenues grew at an average 9 percent per year in the four years leading up to the pandemic. All segments contributed from December 2011 to December 2019, with 2 percent growth in international business, 9 percent growth in domestic business, and 11 percent growth in international education. There were underlying fragilities – such as an overreliance on a few key markets in the international holiday and education segments, and difficulties in attracting workers with the right skills – but efforts had begun to address these and other issues.

The pandemic put a halt to this momentum, though the fallout has been very uneven. Total spend fell 43 percent between the fourth quarters of 2019 and 2020, driven by a (continuing) 98 percent reduction in international tourism. Interstate travel bounced back to 31 percent of 2019 levels as of December 2020, while intrastate tourism actually reached 95 percent of 2019 levels over this time. Business, event and education travel has been drastically affected. Cities have had the twofold blow of losing both international travellers and business travellers: Melbourne visitation was down 58 percent for the year, Sydney’s down by 42 percent.

The hard brakes on demand came from border closures and social restrictions. However, people also stopped travelling for lack of confidence: in continued border closures, in job and income security, and in the rollout of vaccines.
Demand will return

For Australian destinations, the short-term focus must be on survival and recovery. However, that recovery needs to set the Visitor Economy up for a return to long-term sustainable growth in the decade to come, and to conquer the market, technology, geopolitical and other challenges it brings.

The likelihood is that domestic and international travel will return to strong growth through the 2020s. Forecasts suggest that domestic spend could rebound to pre-Covid levels by 2023. International travel might not reach its pre-Covid levels until as late as 2025, and may even grow strongly as pent-up demand is unleashed, but may have permanently lost two years’ growth from its pre-Covid trendlines. People will want to travel again after lockdowns, they want to spend money on study and experiences rather than products, there are fast-growing populations of very wealthy people in our traditional markets, and fast-growing middle classes in emerging markets.

As visitors return, the immediate need is to boost labour supply, as labour shortages are now reducing the ability of the sector to meet demand and quality expectations. To alleviate this, wage levels, reskilling opportunities and visa restrictions could be reviewed.

Time to launch a new vision

This report’s overall message is as follows:

The Visitor Economy must build its future through diversifying its source markets, modernising its offer, assets and workforce, and collaborating at all levels to do so.

If the Visitor Economy takes up this challenge, this is what observers may see as the decade progresses to 2030.

- **By 2030, the Covid-19 shock is a distant memory, but its lessons are not.** Providers are enjoying the largest boom in domestic travel since records began, with a welcome cash splash from high-end holiday makers, as Australians appreciate even more what they can do at home. Investors have responded to strong demand forecasts and low interest rates by restoring the pre-Covid investment pipeline. Workforce vacancies and critical skill shortages have been sensibly addressed as visa restrictions were relaxed, wages rose, people reskilled, and workers moved from businesses that closed through the pandemic to those that remained. A well-executed strategy for opening international borders has seen the welcome return of education, holiday and business travellers.

- **A more prosperous, diverse and resilient Visitor Economy emerges.** By mid-decade, our visitors are more diverse and, on average, spending more. The initial surge of domestic travel has been maintained; Australian domestic visitors are spending 75 percent of their travel budget at home, up from 70 percent, investing in great experiences and activities as they do overseas, in addition to having a break from it all. International holidaymakers are more diversified, coming as frequently from India and the Emerging Asian markets as they are from our traditional English-speaking and Developed Asian markets. More of these domestic and international holidays are luxury ones, investing over $1,000 per night on Australia’s great offers of sun, adventure and food.
• **More ‘bucket-list’ destinations and events.** More people are travelling to and within Australia because they have more reasons to do so. Our cities are known globally as ‘visited and loved’, as well as ‘liveable’. Each has its own personality, and a fierce public-private coalition making sure its city has the vision, infrastructure, drawcards, events and promotion to break through in a competitive market. Australians have bucket-list destinations in each State and Territory, drawn by anchor attractions, efficient access, great hosts and the journey itself. Destinations are investing those revenues into their assets, making them ready for international visitors who have heard that there is more to Australia than the Bridge, the Rock and the Reef. Australia’s cities and regions each have a calendar of events spanning business, sport and culture.

• **Distinctive variety and quality of experience.** Australia is known as one of those rare places that offer a variety of valued experiences, at a high quality. In our distinctive destinations, our diverse population is offering the diverse experiences they themselves enjoy. Visitors are impressed by the high-quality personal service, and the range of authentic, immersive experiences. There is a strong digital complement to our physical attractions, and new venues showcase total digital immersion. Indigenous businesses are an integral part of the visitor economy offering a range of authentic experiences, and sharing their knowledge of land, nature, culture and cuisine. Business, event attendees and students will add these experiences to their trips. They notice just how safe and welcoming Australia is to travel, with local communities that support both visitors and the businesses who cater for them. Visitors notice Australia’s strides towards sustainability, including the steps taken to protect fragile destinations. They will want to come back.

• **A high-quality, welcoming student experience.** The international student market is well balanced and highly valued by the broader community beyond its economic benefits. Although Australia is a still a relatively expensive place to study, it is recognised as a worthwhile investment given our globally recognised quality of education. Australia continues to be a top destination for international students due to flexible working options, our diverse and welcoming communities, as well as exciting travel options in urban and natural environments. Students are as likely to come from India and Emerging Asia as they are from Developed Asia. They rank 6 of our cities in the world’s top 25 for study, up from 4 in 2019.

• **Streamlined access to and around Australia.** Those travelling to and within Australia are able to research, review, book and pay for the adventure through their smartphones. Open-skies policies ensure that sustainable competition is benefiting passengers on both international and domestic routes. Visitors from our emerging source markets can find point-to-point flights, and land at the world’s most modern airport at Western Sydney, or others taking its lead. They find modern, available, affordable accommodation where they need it most, through both conventional and share-economy channels, with more luxury rooms available for that faster-growing market. They can get to attractions and around their destinations quickly and easily. Even in remote locations, they enjoy high-speed internet and modern facilities, as regional infrastructure catches up to that in cities.

• **A resilient and diverse, collaborative industry making all this happen.** All participants in the Visitor Economy are excelling in their contributing roles. Businesses are more resilient and innovative, increasing their technology resources, attracting the personal service and technology staff they need, and have contingency plans for natural, economic, health and market shocks. Businesses are benefitting from a diverse, skilled workforce, with an increasing share of Indigenous people directly engaged in the Visitor
Economy, greater staff retention and falling staff-vacancy rates. That workforce is sharpening its digital and people skills through mentoring and industry-driven tertiary programs, increasing its wages and the sector’s customer-experience ratings.

Destination businesses are in healthy ‘co-competition’, collaborating on marketing, community support and investment, and drawing more on locally shared resources, including skilled people. Investors have developed the accommodation, assets and infrastructure to meet the tourism boom, having avoided the trap of underinvestment when times were tough.

Well-connected Commonwealth, state and local governments are enabling that collaboration right through the customer journey by supporting an industry-led skills council with a remit to ensure that actions in education, training and visas match demand with supply. Their investment in rigorous data and research has paid off, with better targeted policies and robust evaluation, and a striking lift in marketing and investment success rates.

That is the vision that the Visitor Economy can create: not at all easy, but very achievable. This report considers how it can be done.

**Achieving the vision**

This report details 30 major findings and suggests opportunities to act on them. They boil down to just three themes: diversify markets and destinations, modernise the supply side, and collaborate to do both: see Figure 1.

**Figure 1: Diversify, modernise and collaborate**

Leaders of the Visitor Economy may collaborate to diversify its markets and the destinations available to them, and to modernise their workforce, technology, assets and infrastructure. While source markets are diversifying, modern visitors are also looking for authentic, sustainable and accessible experiences. Destination businesses, sector industry bodies and
governments at all levels may collaborate more to meet visitor needs, and to build resilience into the Visitor Economy.

- **Diversify.** Australia is fortunate to have strong core markets in domestic, traditional English-speaking countries and China. It has the opportunity to ride the growth momentum of both high-end and Emerging Asia and India segments.

  As the Visitor Economy grows and its markets diversify, destinations and providers can diversify as well, able to focus on larger segments that align with their offering. Being all things to all people is open to only the largest of destinations.

- **Modernise.** Taking full advantage of the digital revolution is just one aspect of modernisation. It speaks as much to the millennial traveller, curious about the world and wanting authentic experiences, as it does to all segments looking for a range of Indigenous, eco-tourism and luxury experiences. It addresses investment in infrastructure and assets to make them sustainable and accessible. And only a modern workforce with prized soft and hard skills can deliver those outcomes.

- **Collaborate.** Strong national governance would focus on the data, strategies, promotion and advocacy needed to diversify our markets and destinations, and modernise our Visitor Economy’s supply side. Providers and destinations may make their own choices, but co-opetition may be more productive than pure competition. Destinations may contribute to and leverage national or regional strategies, share and use data, and invest in infrastructure and shared assets. Providers may share people, resources and assets, particularly in the regions.

Most of these opportunities are already being considered by governments, industry bodies, destinations and providers. However, this report may have insights that can add to the confidence in acting on them, or present new data and ideas to discuss and pursue.
Key Findings and Opportunities

This section captures each of the major findings in the report in brief, and suggests the opportunities that they may imply.

The Visitor Economy

1. **The Visitor Economy is essential to Australia’s wellbeing.** The Visitor Economy’s contribution to Australia is enormous, financially and strategically, one that Australian consumers, industry and government must rally behind post-Covid. If considered as a single sector in 2018-19, the Visitor Economy:¹
   - earned $39.6 billion in exports, the fourth-biggest sector,
   - provided 686,000 jobs², the eighth-biggest employer, and
   - was growing 45 percent faster than the rest of the economy.

   It also continues to underpin strong, long-term international relationships, enhancing ‘Brand Australia’ and our own sense of national identity. **Section 1.2**

2. **Domestic visitors dominate spend in the Visitor Economy.** Domestic visitors account for 77 percent of total visitor spend, 70 percent of GVA, 72 percent of employment in the Visitor Economy and 91 percent of visitor spend in regional Australia. **Section 1.4**

3. **International visitors make an outsized contribution to Australia’s wealth.** International visitors contribute 30 percent of the Visitor Economy’s GVA. On average, each international holidaymaker spent 8 times more than a domestic holidaymaker, and each international student and each working holidaymaker contributed significantly more. **Section 1.4**

4. **The Visitor Economy achieved the ambitious goals set out in Tourism 2020.** The sector grew an average 9 percent per year in the 4 years to 2019. All segments contributed, from 4 percent growth in international business up to 12 percent for domestic business and 13 percent for international education. Mainland China contributed over 50 percent of the growth in international revenue. **Section 1.5**

The pandemic and recovery

The sector is now at an inflection point. **Section 2.1**

5. **Covid-19 hit jobs in the Visitor Economy disproportionately hard.** Over 11 percent of Visitor Economy jobs were lost in the year to December 2020, compared to 2 percent of jobs economy wide. The lack of workers, including international workers, has limited operations in some regions and sectors.

6. **Domestic holiday and VFR segments could recover before 2023, if industry can refocus.** Modelling predicts that these segments could recover well while Australians are prevented from travelling overseas or are reticent to do so.

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² ABS, Detailed Labour Force, December 2019 quarter
7. **The domestic business-travel segment can recover but has been disrupted.** Spend fell by 53 percent in 2020 and has been structurally disrupted with the rapid acceleration of remote-working technologies. It may never recover to its pre-Covid rate of growth of 12 percent per year between 2015 and 2019.

8. **International travel can recover, with timing depending on vaccine success and the reopening of the international border.** International spend dropped 75 percent in the year to December 2020. Assuming a successful global vaccine rollout, modelling suggests that pent-up demand will return international holiday and VFR to their pre-Covid levels sometime before 2025.

9. **International education will recover, but speed and timing of recovery is uncertain.** The pipeline of international students to Australia has been severely disrupted by the closure of international borders. Timing for recovery of the market is uncertain, with some analysis predicting it may take several years once borders reopen.

**Understand our markets**

10. **Global visitor trends will affect market segments.** Over the next decade, there will be accelerating trends in an expanding travel-ready middle class throughout Asia, the rise of millennials as the biggest age-based category, the ageing populations of Australia, Europe and Asia, and the rising propensity for travel by people with a disability or with accessibility issues. These and other visitors are also likely to be seeking more in the way of immersive, nature, active, authentic and experiential travel, digital innovation, both in travelling to and while at the drawing attractions, and safe, sustainable, environmentally friendly travel. *Section 3.1*

   **Opportunity:** Consider how to cater for accelerating demographic trends and shifting visitor preferences in all destinations and businesses, with more opportunities to specialise as sub-segments grow larger.

11. **The Visitor Economy has a generational opportunity to increase its share of Australians’ travel spend.** Australia spends more per capita on travel than any other nation. However, Australians spend a larger share of this expenditure on international travel (30 percent) than the global average of 25 percent – meaning that there is room to shift more spend towards domestic travel. In the wake of the pandemic, more people will travel domestically and explore new destinations. *Section 3.2*

   **Opportunity:** Consider how to capitalise on the longer-term opportunity to build relationships with new domestic visitors during this period of unprecedented disruption (e.g. promote and incentivise return visits from new visitors).
12. Business travel has been permanently disrupted by the widespread acceptance of virtual meetings.

Prior to Covid-19, business travel was Australia’s fastest-growing domestic segment. The pandemic vividly demonstrated the capacity of digital channels to handle most day-to-day business meetings. Section 3.3

*Opportunity:* In a world of slower growth in business travel, those heavily reliant on the business segment may consider building closer relationships through immersive experiences, and finding ways to diversify into other visitor segments.

13. The international holiday market has growth potential in Asia to balance the existing core English-speaking and Mainland China markets. Section 3.4

a) **Developed English markets remain a large, core market.** They were our largest market in 2019, their $2.7 billion spend accounting for 26 percent of the total, although growth had slowed to just 5 percent.

b) **China has dominated recent growth, to our benefit.** China rose from 14 percent of international spend in 2010 to reach 20 percent in 2019, or $2.1 billion. This boosted our global market share of spend by a healthy 2.4 percent per year (rather than 0.4 percent without China). However, it also concentrated our source markets: the proportion of spend from our top 5 markets rose to 54 percent, up from 48 percent 6 years ago.

c) **Developed Asia and Emerging Asia are growing strongly.** Spending by holidaymakers from Japan, South Korea, Taiwan, Hong Kong and Singapore reached $2.44 billion in 2019, after growing at an average of 10 percent per year from 2015. The emerging nations of Southeast Asia were outpacing them with, for example, Indonesia’s and Thailand’s spend growing at 19 percent from 2015 to 2019.

d) **Working holiday makers (WHMs) contribute economically and culturally.** WHMs made 308,000 trips to Australia in 2019, spending about $2.6 billion, a third of it in the regions.³ That spend would rank fourth among markets if WHMs were considered a market in their own right, equal to the holiday and VFR segments of South Korean visitors.⁴ They also perform critical, largely seasonal, jobs in regional areas, particularly in hospitality and agriculture, and make strong cross-cultural connections and international relationships that underpin Australia’s ‘soft power’ overseas.⁵

*Opportunities:* Once travel opens up, consider accelerating efforts to promote Australia to the growing middle class in our fastest-growing markets of Emerging Asia, India and Developed Asia, with tailored strategies to provide compelling experiences for visitors from these markets.

³ TRA, *International Visitor Survey results; Tourism Accommodation Australia, 2019, Report into second year visas.*

⁴ TRA, *International Visitor Survey results.*

14. **The high-end market, both international and domestic, is attractive for Australia.** *Section 3.5*

   a) **It is a high-growth market, in which Australia is underperforming.** Globally the high-end market is growing at 6 percent per year (50 percent faster than the total market), while in Australia it is growing at only 1.8 percent per year.

   b) **International travellers are looking for what Australia has.** The three biggest global sub-markets are demand for (i) sun and beach, (ii) adventure, and (iii) culture and food.

   c) **Domestic travellers may be ready now.** Australian travellers who are willing to spend $1,000 per night were ten times more likely to do so overseas than at home – but the borders are now closed.

   **Opportunities:** Consider promoting destinations with the greatest opportunity to build or upgrade luxury offerings, looking to international and Australian examples and experience for inspiration.

**Give compelling reasons to come**

**Education**

15. **The valuable international education market has growth markets to develop, particularly but not only in Emerging Asia.** *Section 3.6*

   a) **International education is valuable.** After growing at 13 percent per year for the 4 years to 2019, international education now accounts for more Visitor Economy spend than international holiday travel. When combined with international students staying over one year on their trip (who are not counted in current measurements of the Visitor Economy), total education spend reaches $40 billion and total economic contribution reaches over $20 billion: double that of all other international visitors combined. International education also helps develop strong relationships with other nations, and visitor markets from them.

   b) **There is an opportunity to diversify into emerging markets.** Chinese students accounted for 55 percent of market spend in 2019, too high to be sustainable. However, Australia also enjoyed strong growth from India (22 percent) and Emerging Asia (9 percent) from 2015 to 2019, while the large US, Taiwan and Japan markets also grew at 3, 8 and 7 percent respectively over the same period.

   **Opportunities:** See next two findings.

16. **The education sector is at immediate risk of international students switching to other provider markets through the Covid-19 disruption.** The international student pipeline to Australia has been severely disrupted. International student enrolments fell 17 per cent in the first quarter of 2021 compared to the same period in 2020. A November 2020 survey found that 53 percent were considering switching to another destination if they could start face-to-face tuition there sooner. *Section 4.4*
Opportunities:
- Consider all potential avenues to encourage international students to return as quickly and as safely as possible to start or resume their studies.
- Consider further innovation in online and remote technologies.

17. **The education sector is vulnerable in the longer term, with some challenging perceptions and a more competitive international education market.**
Some international students consider Australia an expensive place to study, and some have voiced a concern of not feeling welcome in Australia. For example, international students are currently four times more likely to report feeling ‘unwelcome’ in Australia than they are in the United Kingdom. Market competition is also increasing, as traditional source markets increasingly invest in the quality of their educational institutions. Finally, the widespread adoption of remote learning may not only create opportunities for Australia’s international student market, but may also reduce the time and money students spend in Australia. *Section 4.4*

Opportunities:
- Consider how best to target students from growth markets, including promotion of the working options for international students.
- Consider how best to maintain Australia’s premium price positioning, including engaging our unique and welcoming multicultural communities, while continuing to enhance the quality of educational experience for international (and domestic) students.

**Destinations**

18. **Cities have the capacity to sustainably raise visitation levels to match their ‘liveability’ rankings.** *Section 4.1*

Australian cities sit disproportionately high in *The Economist’s* rankings of the world’s most liveable cities (5 in the top 20 in 2019; Sydney and Melbourne in the top 3), and the QS rankings of best cities for students (5 in the top 50). However, Sydney and Melbourne are the only ones to make *Euromonitor’s* 100 most-visited cities – and only just – and they make up 30 percent of Australia’s total Visitor Economy revenues.

Opportunities: Consider extending:
- coalitions to ensure that city strategies have a strong Visitor Economy vision with one or more city drawcards (icons, events, nightlife, culture or education) and clear target markets
- collaborative efforts to improve digital and physical infrastructure, and investments in drawcard experiences and their promotion
19. **Regions have the capacity to offer more integrated ‘ecosystems’ of compelling experiences and infrastructure.**  
*Section 4.2*

a) **More regional destinations in more states could attract more visitors.** There are no destinations in Tasmania or South Australia in Australia’s top 10 locations for either domestic and international visits, and Western Australia and the Northern Territory have only the Margaret River (domestic) and Uluru (international). Five of the top 6 international destinations are on the ‘Byron to Reef’ northeast coastline.

b) **Domestic visitors are the priority near-term market.** Regions outside capital cities account for 48 percent of Visitor Economy revenues. Over 90 percent of that spend comes from domestic visitors to a wider range of destinations. Other destinations that rely more on international travellers will have to compete for domestic business in the near term.

c) **Increasing awareness of Indigenous experiences and improving business capability are keys to successfully embedding the Indigenous experience into the overall visitor economy and visitor experience.** Research shows that the demand for Indigenous experiences should grow significantly with better awareness of the experiences available. Meeting the demand must be done in a way that balances respect for traditional ways, while implementing best business and customer experience practices.

d) **For sustainable growth, destinations will need a collaborative 7-point plan.** To benefit from global trends and manage emerging risks, regional destinations would have to confirm that they have a collaborative 7-point plan that comprises a compelling anchor attraction, a supporting ecosystem of activities, seamless physical and digital access, options for high-end accommodation, strong promotion, a strong social licence to operate and dedicated management of resilience and sustainability risks. Activities may be selected from the growing trends for authentic, adventure, cultural, indigenous, luxury, digital and eco-tourism experiences.

**Opportunities:**
- Consider how to improve business capability and awareness of Indigenous experiences in a way that balances respect for traditional ways and implements best customer and business practices.
- Consider how best to prioritise destinations with high potential, and to accelerate their growth through a collaborative 7-point plan.

20. **Business and consumer events will play a critical part in long-term and post-pandemic strategies for national, city and regional visitor economies.**  
*Section 4.3*

a) **Events have multiple, critical roles for the Visitor Economy.** Events drove over 10 million visitor trips in 2019, with international business eventgoers spending 80 percent more per night than international holiday makers. Their broader benefits include adding $5 billion to the Australian economy, stimulating and underwriting infrastructure investment, and building our national profile and international relationships.
b) **Coordinated event strategies at national, city and regional levels pay dividends.** Successful event destinations organise and promote an annual calendar of 10 to 15 anchor events, with aligned satellite events and highly skilled delivery teams. Funding pools can be a wise investment: for example, the Business Events Bid Fund has generated $31 value for every dollar invested since July 2018.

*Opportunities: Consider how best to:*
- leverage events to kick-start travel post-Covid,
- stimulate and promote a calendar of events in destination strategies, and
- explore financial enablers such as funding pools to mitigate upfront costs.

## Make their stay

### Workforce

21. **To add to the immediate labour supply, the sector might consider rapid reskilling programs, higher wages, and the relaxation of work restrictions.** Industry interviews reveal that labour shortages are reducing the availability of hospitality services. Accommodation and food services had lost 83,000 jobs through the pandemic to February 2021, the most of any sector. However, businesses in the Visitor Economy may consider the impact of these subsectors having the lowest hourly wages of any sector ($26 per hour), 33 percent below the average of $39 per hour. Visa rules may be unnecessarily constraining in-country international visitors from contributing to the workforce. *Section 5.1*

*Opportunities:*
- Consider the potential for enhancing wage levels and reskilling efforts.
- Consider reviewing restrictions and processing times for visas, particularly for work and holiday and temporary skill shortage visas.
- Consider early re-entry of working holiday makers and international students.

22. **While the Visitor Economy should be providing skilled personal service and immersive experiences, much of the workforce it relies on is relatively low-skilled, lowly paid and vulnerable.** Almost half of the workers in the Visitor Economy are part-time, they are 6 times more likely to be seasonal than in the rest of the economy, and two-thirds are on wages 33 percent lower than the average wage. Modelling predicts that the Visitor Economy will need 120 percent more people with cognitive, social and technological skills over the next 10 years, but Australia will have a shortage of about 750,000 people with such skills (and a surplus of 1.1 million people with lower skills or qualifications). *Section 5.1*

*Opportunities:*
- Consider how best to nurture the workforce as a competitive advantage.
• Consider the best formal and informal means to develop the necessary mix of cognitive, social and technology skills.
• Consider enhancing national mechanisms to assess the state of the labour market and suggest actions to match demand with supply.
• Consider drawing on more diverse and underemployed labour sources, including people with a disability and older Australians.

**Digital**

Digital is transforming the end-to-end visitor experience, raising expectations for adoption and innovation.

23. **Visitor preferences and expectations have already shifted towards digital.** Many visitor segments are already heavy digital users in reviewing, booking and paying for their travel: mobile travel booking had reached at least 36 percent in 2019. Covid-19 has accelerated that trend: in just a few months of 2020, consumer adoption of digital tools in everyday life had vaulted forward over 5 years. *Section 3.1*

24. **The extent to which providers are being disrupted by digital technologies, and their intent and capacity to respond, is highly variable.** Travel agents and distribution channels are being heavily disrupted by digital intermediaries and may find greater returns by servicing more complex travel needs. Small and medium-size enterprises (SMEs) comprise approximately 95 percent of businesses in the Visitor Economy, yet 56 percent of surveyed SMEs remain tentative. Leaders are starting to reimagine the end-to-end visitor experience through digital lenses. *Section 5.2*

**Opportunities:**

• Consider how best to mobilise efforts to connect visitors, destinations and providers through digital platforms.
• Consider enhancing links between Visitor Economy leaders and the start-up and innovation ecosystems.
• Consider additional ways in which SMEs can adopt digital platforms and skills.
• Consider policies to stimulate innovation and ensure that the gains of digital adoption are not concentrated in global tech giants.

**Aviation**

The aviation industry may support growth in international markets with more point-to-point long-haul flights, investing in digital solutions to enhance airport capacity, and leveraging emerging technology on domestic and international routes. *Section 5.3*

25. **Aviation to and within Australia is competitively priced, given distance handicaps.** Prices on most inbound routes have been falling since Chinese airlines commenced inbound flights in 2015. Average fares within Australia in 2019 lay midway between European and US fares for all trip distances. However, that average is due to low fares on high-traffic routes, and there are no apparent market-based solutions to the relatively high fares on many regional routes.

26. **When borders open, there may be capacity constraints on inbound routes from target growth markets.** Most international flights rely on Middle East or Asia
hubs, leaving gaps on point-to-point connectivity with key growth markets (e.g. just two direct flight routes per week between Australia and India in 2019). This may worsen as foreign airlines rationalise and consolidate their routes post-Covid, despite Australia’s range of ‘open sky’ agreements.

**Opportunities:**

- Consider how best to implement the review of Kingsford-Smith international bottlenecks until WSA provides a long-term solution.
- Consider further investment in and policies to support long-haul technology that enables more direct flight options, as an alternative to hub transits.

27. **Technology improvements to long- and short-haul aircraft, biofuels and airports may work in Australia’s favour.** Longer-range, lower-emission aircraft are addressing sustainability issues as well as international connectivity. Airlines are pursuing sustainable aviation fuels to reduce costs and address emissions. Western Sydney Airport (WSA) will demonstrate the benefits of a digitally enabled airport, in addition to alleviating Sydney’s capacity constraint. Longer-term, VTOL (vertical take-off and landing) technology may introduce competition and allow more point-to-point travel on domestic routes.

**Opportunities:**

- Consider further investment in technology that addresses sustainability concerns and enables more long-haul, point-to-point options.
- Consider making carbon-offset programs ‘opt-out’ rather than ‘opt-in’.
- Consider how to leverage WSA as a model for future airport upgrades.
- Consider infrastructure that enables new VTOL technology, not only in capital cities but also in regional hubs.
- Consider further policies that encourage new business models and technologies.

**Accommodation**

The sector may need to hold its nerve and invest selectively now to meet the forecast growth ahead, particularly in high-end and peak-season accommodation, in addition to better all-year utilisation of existing stock. *Section 5.4*

28. **Pre-Covid, accommodation was facing capacity constraints.** In 2019, annual average occupancy rates exceeded 80 percent in many cities, well above the global average of approximately 60 percent. After low investment from 2000 to 2015, an upswing was halted by the pandemic before all needs could be met. If the international market bounces back as forecast in 2025–26, travellers may not be able to find rooms even outside peak times.

29. **There is a shortage of high-end accommodation, particularly in regions.** In many attractive areas, travellers are paying less than they are prepared to. For example, about 30 percent of travellers to Alice Springs, Adelaide, Tasmania, Barossa, Canberra, Brisbane and the Kimberley are high-end – three times more than the proportion of high-end rooms available.
30. **Traditional supply may not meet peak-season demand.** Investments in traditional supply may either fail the full-year business case or lead to destination overinvestment. The sharing economy (e.g. Airbnb) supports some demand, but may induce community resistance and raise social licence concerns. Destinations may diversify asset use and promote off-peak stays to offset seasonality.

**Opportunities:** Consider how best to achieve the right mix of traditional and non-traditional supply to meet the needs of visitors, including how to secure and hold community support, and consider how best to provide certainty for investment on border re-openings and approval processes.

**Competitive visas and border experiences**

31. **Visa availability may not meet the needs of target growth markets.** Readily available visas are essential to fill short-term gaps in the Visitor Economy workforce, for business visitors to be able to travel at relatively short notice, and for the decisions of education and holiday visitors. **Section 5.5**

**Opportunities:** Consider whether and how to ensure that visa costs, processing time and conditions, and border experiences are competitive with peer markets.

**Collaboration across the Visitor Economy**

The Australian Visitor Economy is seeking to recover from the impact of Covid-19, modernise its supply side, modernise and diversify its destinations and diversify its longer-term markets.

Achieving these objectives is more than possible, just as it was through collaboration between the industry and Australian, state and territory governments on the Tourism 2020 Strategy. There is an opportunity to expand and enhance this collaboration to meet and manage the challenges of the next decade. **Chapter 6**

**Opportunities:** Consider what might be needed to:

- Clearly define roles, increase coordination and reduce duplication in Visitor Economy collaboration at all levels,
- Foster a collaborative, cross-regional approach to marketing and developing our destinations, attractions, and supporting infrastructure,
- Maximise certainty around trading conditions and forecasts,
- Review differences in conditions for city and regional investment to ensure that drivers and barriers are fully addressed,
- Increase transparency and efficiency of approval timelines, and remove unnecessary obstacles to investment, and
- Explore opportunities to aggregate data (from providers, governments and third parties) and to share analyses to better inform strategies and initiatives.
1 The Visitor Economy to 2019

Visitors have different purposes, seek vastly different experiences, and are willing to spend vastly different amounts. A visitor is anyone who travels within Australia for less than a year. They may be visiting on holiday, visiting friends and relatives, on business or for work, or for education.

Their stories are diverse: an 18-year old international student coming to Melbourne to study, a 36-year-old contractor flying in and out of the Pilbara, a 54-year-old theatregoer from interstate taking in the Adelaide Fringe, and a 72-year-old American enjoying retirement with a first visit to the Reef. Very few ‘markets’ have such a broad set of consumers.

Fulfilling all their desires takes an extremely diverse set of businesses, spanning several industry sectors and operating across cities and regional destinations. The Visitor Economy takes in anyone who provides or promotes services to visitors, and goes well beyond ‘tourism’.

These various businesses, destinations and industries rarely see themselves as one ‘Visitor Economy’. Sectors in the Visitor Economy such as tourism, retail, education and agriculture have their own histories, institutions and challenges. For Australia to fulfil its potential for a prosperous, resilient and sustainable Visitor Economy, they must see themselves as part of the one industry sector.

In this chapter:

1.1 Defining the Visitor Economy sets out its diverse international and domestic markets and provider segments

1.2 The Visitor Economy is essential is a snapshot of its financial and broader national value

1.3 Visitor contributions sets out how each segment of visitors contributes economically to Australia

1.4 Visitor Economy contributions to sectors and regions suggests how visitor spending adds value to Australia’s many sectors and regions, and

1.5 Success in delivering the 2020 Tourism strategy reviews how the Visitor Economy exceeded the targets it set for the decade.

1.1 Defining ‘the Visitor Economy’

At its broadest level, the Visitor Economy includes:

- those who either consume or desire services for stays of less than a year (‘visitors’, our Visitor Economy ‘markets’, or the ‘the demand side’), and
- those who either provide or promote any one of those services (‘providers’, or the ‘supply side’).

Our visitors are diverse

This report adopts the industry definitions for ‘domestic’ or ‘international’ visitors, who are travelling for one of 5 primary services set out in Table 1.
• **Domestic visitors** are Australians or residents who travel either for one or more overnight stays at least 40 km from home, or a day trip longer than 4 hours and more than 50 km from home. In 2019, there were 366 million domestic-traveller trips. (Those making short, local day trips are therefore not part of the ‘Visitor Economy’.)

• **International visitors** are non-residents who visit Australia for less than a year, for any purpose. In 2019, there were 9.5 million international-traveller trips.

### Table 1: The 5 visitor segments

<table>
<thead>
<tr>
<th>Segment</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Holiday</td>
<td>Travel for the primary purpose of rest, recreation, and leisure (including participating in sport, attending sporting, cultural events or festivals, shopping, or accompanying a conference attendee)</td>
</tr>
<tr>
<td>Visiting friends and relatives (VFR)</td>
<td>Travel for the primary purpose of visiting friends and relatives, including weddings</td>
</tr>
<tr>
<td>Business</td>
<td>Travel for purposes relating to employment (including fly-in-fly-out work, meetings, conferences, conventions and training)</td>
</tr>
<tr>
<td>Work</td>
<td>(International travellers only) Travel for the primary purpose of ongoing employment and work at the destination</td>
</tr>
<tr>
<td>Education</td>
<td>(International travellers only) Travel for the primary purpose of study/upskilling in Australia (for less than a year at a time)</td>
</tr>
</tbody>
</table>

**Providers are equally diverse**

A ‘provider’ in the Visitor Economy is anyone who provides or promotes services to create any part of a visitor’s end-to-end experience. Given the diversity of visitors, it is not surprising that the providers who cater to them are equally diverse. They span at least the 8 subsectors set out in Table 2.

Within these subsectors, the Visitor Economy spans a great range of businesses, from global airline and accommodation brands through to our 312,000 small businesses. Over 95 percent of these businesses employ fewer than 20 people, and only 11 percent earn over $2 million per annum.

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6 Specifically, those residents who are at least 15 years old, and have lived in their current private dwelling in Australia for at least three months. Their ‘visits’ within Australia are at least 40 km for an overnight trip or a day trip longer than 4 hours and more than 50 km from home.

7 International students who stay for longer than 12 months without returning home are therefore not included in Visitor Economy statistics or analysis, unless otherwise stated.
### Table 2: Sub-sectors participating wholly or partially in the Visitor Economy

<table>
<thead>
<tr>
<th>Sub-sector</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Accommodation</strong></td>
<td>Places travellers stay, including hotels, resorts, motels, serviced apartments, caravan parks, B&amp;Bs and sharing economy providers (Airbnb), etc.</td>
</tr>
<tr>
<td><strong>Aviation</strong></td>
<td>All airlines and airport services</td>
</tr>
<tr>
<td><strong>Culture, arts and recreation</strong></td>
<td>Cultural services, heritage sites, museums, nature reserves, casinos, other gambling services and sports and recreation services; including function and event centres</td>
</tr>
<tr>
<td><strong>Travel agency and information services</strong></td>
<td>All businesses and individuals acting as agents in selling travel, tour and accommodation services, and providing travel arrangement and reservation services for airlines, cars, hotels and restaurants</td>
</tr>
<tr>
<td><strong>Education and training</strong></td>
<td>Tertiary education and adult, community and other education services (attributable to the Visitor Economy)</td>
</tr>
<tr>
<td><strong>Food services</strong></td>
<td>Places that serve food and drinks, including cafes, restaurants and takeaway food services (including catering) and pubs, bars, taverns and clubs</td>
</tr>
<tr>
<td><strong>Retail</strong></td>
<td>All retail trade, including motor-vehicle, fuel, food and other store-based sales</td>
</tr>
<tr>
<td><strong>Ground transport</strong></td>
<td>Water, rail, road transport (including taxis), passenger car rental/hiring and transport equipment rental, and scenic and sightseeing transport, including cruising</td>
</tr>
</tbody>
</table>
1.2 The Visitor Economy is essential to Australia’s wellbeing

Australia’s Visitor Economy spans our national economy, activity and sense of national identity. A strong Visitor Economy indicates that our confidence, curiosity and communities are also strong, underpinning personal experiences. This section considers:

- the economic value of the Visitor Economy, relative to other sectors, and
- the value of the Visitor Economy both to ‘Brand Australia’ and to our individual self-perceptions as Australians.

**The Visitor Economy is a surprisingly large slice of the Australian economy**

As we have seen, the Visitor Economy is not a single sector or industry, and so the term rarely appears in the Australian Bureau of Statistics national accounts. To aggregate its contributions, we need to identify how much of the retail, education, travel, transport and business and professional-services sectors serve domestic and international visitors.

If considered as a single sector, the Visitor Economy:

- earned over $39.6 billion in exports in 2018-19, making it Australia’s fourth-biggest export earner (see Figure 2),
- earned over $132.6 billion (or $138 billion in calendar year 2019) in spend that added $61.2 billion to our gross domestic product, a contribution that grew 34 percent in the 5 years leading up to 2018-19, compared to 22 percent for the economy as a whole,
- provided 686,000 jobs for more than 1-in-20 Australian workers (December 2019), the economy’s eighth-largest source of jobs, and
- sustained over 312,000 or 1-in-8 Australian businesses.

**Figure 2: The Visitor Economy is significant for exports and jobs**

<table>
<thead>
<tr>
<th>Export earnings 2018-19, $B</th>
<th>Number of jobs per industry Nov 2019, 000s</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Iron ore</td>
<td>77.2</td>
</tr>
<tr>
<td>2. Coal</td>
<td>69.6</td>
</tr>
<tr>
<td>3. Natural gas</td>
<td>49.7</td>
</tr>
<tr>
<td><strong>4. Visitor economy</strong></td>
<td><strong>39.6</strong></td>
</tr>
<tr>
<td>5. Gold</td>
<td>18.9</td>
</tr>
<tr>
<td><strong>8. Visitor economy</strong></td>
<td><strong>686</strong></td>
</tr>
</tbody>
</table>


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Australia’s brand also benefits in many indirect ways
The Visitor Economy helps shape what people think of Australia, an impact that is valuable in its own right, which in turn helps underpin future spending decisions. Many young international visitors entrust Australia with their formative experiences, through their education and long holidays, working or not. At their best, these experiences give our visitors lasting memories and international networks, and in some instances can lead to visitors investigating temporary or permanent migration. It also gives Australia longstanding goodwill and relationships that are invaluable to our soft power overseas. Australia’s ability to influence global outcomes has now placed it in the top 10 of the Global Soft Power Index, ahead of countries like Russia and Italy with similarly sized economies.9

Similarly, the Visitor Economy is important to our own national psyche – what Australians think about themselves and their country, collectively and individually. Australians are not alone in being sensitive to how we think of ourselves and to overseas perceptions of us. The Visitor Economy both forms and tests those perceptions, as it promotes, attracts and enables travel to and throughout the continent. Do we feel ‘Australia’ is our own suburb or workplace, or the whole gamut of its natural and created possibilities?

As the Visitor Economy accounts for more and more of our national economy and activity, the more powerfully it will shape national and international perceptions of ‘Australia’. The more its strategies align with our broader national and personal objectives, the greater their chance of success.

1.3 Visitor contributions to the Visitor Economy
The Visitor Economy’s aggregate size and complexity ensure that it will remain a national priority. However, more granular analyses help determine which parts of the Visitor Economy are the most valuable and have the greatest potential, or the greatest needs.

This section zooms in from the big picture to consider:

- how the domestic segments dominate Visitor Economy spend, and
- how international segments make surprisingly large contributions to the Visitor Economy’s GVA.

These divisions have implications for broader social and economic policy, such as the national objectives for economic growth, migration and visas, jobs and regional workforces, health care and education.

Domestic travellers account for 77 percent of total spend
Figure 3 below takes the $138 billion overnight spend by visitors on their experiences in and around Australia in 2019 and breaks it down by both visitor origin (domestic and international) and purpose (holiday, VFR, business, education and work).

Looking down the figure shows that domestic travellers dominate the sector, spending $107 billion on their 366 million trips, or 77 percent of the Visitor Economy total. The $10 billion spent by international holiday makers was well shy of the $53 billion spent by

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9 Brand Finance, Global Soft Power Index.
Australians on domestic holidays, the $26 billion Australians spent on business trips within Australia, and even the $21 billion Australians spent visiting friends and family here.

However, international students who stay for more than one year on one trip are not included in formal measures of the Visitor Economy (they are instead considered temporary migrants). If they were, their spending of $28 billion in 2019 would take the total spend by international students to $40 billion, easily the second largest of all segments.

Looking across the figure highlights that holiday visitors are matched (domestically) and outspent (internationally) by other segments of the Visitor Economy. Of the $31 billion spent by international visitors in Australia, only 32 percent or $10 billion is holiday spend, which is less than the $12 billion spend from students and similar to the $9 billion from business, working and VFR visitors combined.

Figure 3: Domestic travel makes up 77 percent of visitor spend

<table>
<thead>
<tr>
<th>Visitor Economy spend</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>$138B</td>
</tr>
<tr>
<td>Domestic</td>
<td>$107B</td>
</tr>
<tr>
<td>77%</td>
<td></td>
</tr>
<tr>
<td>International</td>
<td>$31B</td>
</tr>
<tr>
<td>23%</td>
<td></td>
</tr>
<tr>
<td>Holiday</td>
<td>$53B</td>
</tr>
<tr>
<td>38%</td>
<td></td>
</tr>
<tr>
<td>Business</td>
<td>$26B</td>
</tr>
<tr>
<td>19%</td>
<td></td>
</tr>
<tr>
<td>VFR</td>
<td>$21B</td>
</tr>
<tr>
<td>15%</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>$7B</td>
</tr>
<tr>
<td>5%</td>
<td></td>
</tr>
</tbody>
</table>

1. Includes only the proportion of international airfares that represent a cost base in Australia

Source: Tourism Research Australia, International and National Visitor Surveys

International visitors add more value per dollar spent

The direct-spend view only tells part of the visitor story. Firstly, if Australians did not spend their $107 billion travelling domestically, they would likely have spent much of it on something else that would add to the Australian economy. In contrast, the $31 billion spent by international visitors in 2019 all added to aggregate demand in Australia. As well, domestic and international visitors have different spending patterns. International visitors are more likely to stay in commercial accommodation (instead of with friends), eat out (instead of self-catering) and go on tours (instead of independent travel) – all higher value-adding activities.

This additional value of international visitors is shown in Figure 4. Although international visitors contribute only 23 percent of the total spend, they add more value for each dollar spent, and so their share of value-add rises to 30 percent of the total.
Equally interesting is the broader economic contribution of longer-staying international visitors. People visiting Australia for education or working holidays often work part-time or full-time to fund their stay. For example, 2016 census data indicate that 51.8 percent of international students were employed on census night,\textsuperscript{10} and Tourism Research Australia (TRA) data show that 80 percent of working holiday makers worked during their stay in 2019.\textsuperscript{11}

Figure 5 shows the full extent of the GVA contribution of international students. Those in the Visitor Economy (staying less than one year per trip) contributed $4.6 billion in 2019. However, the contribution of those who stay more than one year was greater, and lifted the total contribution of international students to $20.7 billion: almost as much as the GVA of domestic holiday makers, and more than double the combined GVA of all other international visitors.

The significance of this holistic approach to international education cannot be understated. Without a viable international education sector, the visitor economy loses one its largest and fastest growing components. Policies that affect students and education providers within the Visitor Economy may best be considered with those affecting Australia’s broader international education sector. International students make other significant direct and indirect contributions to the Australian economy, notably through their participation in the job market (including in Visitor Economy occupations), and also drawing their friends and relatives to visit from overseas.

\textsuperscript{10} ABS, \textit{Insights from the Australian Census and Temporary Entrants Integrated Dataset}.
\textsuperscript{11} TRA \textit{International Visitor Survey, 2019}.
**Figure 5: Net economic contributions are relatively high for long-stay international visitors**

### Contributions of visitor segments

<table>
<thead>
<tr>
<th>Segment</th>
<th>Share of Visitor Economy spend</th>
<th>Trips #M</th>
<th>Total GVA contribution $M</th>
<th>GVA Per visitor $</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Domestic</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Holiday</td>
<td></td>
<td>38</td>
<td>158.1</td>
<td>135</td>
</tr>
<tr>
<td>VFR</td>
<td></td>
<td>15</td>
<td>108.7</td>
<td>78</td>
</tr>
<tr>
<td>Business</td>
<td></td>
<td>19</td>
<td>61.5</td>
<td>168</td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td>5</td>
<td>37.6</td>
<td>77</td>
</tr>
<tr>
<td><strong>International</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Holiday + VFR</td>
<td></td>
<td>11</td>
<td>5,838</td>
<td>882</td>
</tr>
<tr>
<td>Business</td>
<td></td>
<td>2</td>
<td>863</td>
<td>852</td>
</tr>
<tr>
<td>Education - all international students</td>
<td></td>
<td>9</td>
<td>0.6-1.0</td>
<td>4,570 – 20,670</td>
</tr>
<tr>
<td>Work</td>
<td></td>
<td>1</td>
<td>0.2 (^1)</td>
<td>n/a</td>
</tr>
</tbody>
</table>

Sources: TRA International and national visitor surveys; ABS tourism satellite accounts; team analysis

1. Assumes one trip per international student.
2. Assumes 50% of trips are temporary migrants and 50% working holiday makers.
3. GVA based on what each group spends in the Australian economy. All international students (both Visitor Economy and those staying more than one year).

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### 1.4 Visitor Economy contributions to sectors and regions

The Visitor Economy’s sizeable national contribution is derived from a diverse range of domestic and international visitors. Their spend is then divided between:

- eight major sectors of the Australian economy, and
- Australia’s different regions and cities.

Understanding these contributions helps in designing policy and collaboration across the Visitor Economy: see Chapter 6.

### Contributions to industry sectors beyond ‘travel’

Again drawing on the TRA 2019 data, Figure 6 shows how the Visitor Economy adds at least $56 billion in value to each of 8 industry sectors, with large variations in the amount of that contribution. As one might expect, the Travel agency and information centre services, Accommodation and Aviation sectors secure up to 95 percent of their revenues from visitors. Ground transport, Food services and Culture, arts and recreation receive a lesser share of their revenues from them, and Retail trade and Education and training less than one-tenth.
Contributions to regional destinations

Finally, the sector is critical for some regions and niches of our economy. Visitor spend is split almost evenly between our eight state and territory capitals and the rest of Australia (together, ‘the regions’): see Figure 7. However, while our cities receive substantial income from both domestic and international visitors, our regions receive over 90 percent of Visitor Economy spend from domestic travellers. That figure becomes even more stark when we consider that two ‘regional’ destinations – Lasseter (Uluru) and Tropical North Queensland (the Reef) – gain just 34 percent and 26 percent of their spend from international tourists. In effect, then, most regions are almost completely dependent on domestic travellers.

Given these diverse economic metrics, actions taken in different parts of the Visitor Economy will have very different implications for job creation and for economic growth, in different parts of the country.

12 TRA, *International and National Visitor Survey*. 

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**Figure 6: The Visitor Economy contributes to many sectors**

<table>
<thead>
<tr>
<th>Sectors</th>
<th>VE contribution to industry GVA 2019, %</th>
<th>VE direct value add FY19, $M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Travel agency and information centre services</td>
<td>95</td>
<td>5,618</td>
</tr>
<tr>
<td>Accommodation</td>
<td>74</td>
<td>6,769</td>
</tr>
<tr>
<td>Aviation(^1)</td>
<td>54</td>
<td>6,251</td>
</tr>
<tr>
<td>Transport</td>
<td>46</td>
<td>5,132</td>
</tr>
<tr>
<td>Food services</td>
<td>26</td>
<td>9,702</td>
</tr>
<tr>
<td>Culture, arts and recreation</td>
<td>16</td>
<td>2,580</td>
</tr>
<tr>
<td>Retail trade</td>
<td>8</td>
<td>7,080</td>
</tr>
<tr>
<td>Education and training</td>
<td>6</td>
<td>6,135</td>
</tr>
<tr>
<td>All other industries</td>
<td>0</td>
<td>7,010</td>
</tr>
<tr>
<td>Total visitor economy</td>
<td>3%</td>
<td>56,277</td>
</tr>
</tbody>
</table>

\(^1\) Aviation and transport sectors split based on assumption that aviation is 75% of the air and water and other transport sector. 

Source: TRA International and national visitor surveys; ABS tourism satellite accounts; team analysis.
1.5 Success in delivering the 2020 Strategy

The Visitor Economy grew very strongly in the 5 years leading up to the pandemic, on average by 9 percent per year, to meet the very ambitious goals set out in *Tourism 2020*. All segments of visitors contributed to this growth, ranging from 4 percent growth in international business up to 12 percent for domestic business and 13 percent for international education.

In particular, domestic travel was very healthy. All major segments of domestic travel increased their number of trips well beyond population growth in the 5 years to 2019 – holidays by 6 percent, family visits by 8 percent and business trips by 14 percent: see Section 3.2 below. This is particularly important, given how reliant Australia’s regional economies are on domestic spend.

In addition, Australia had successfully aligned with China’s economic rise. Of the $8 billion growth in international spend between 2015 and 2019, students from Mainland China accounted for $4 billion, and inbound Chinese holiday visitors contributed another $132 million. At the same time, Australia has been gaining share of travellers from Hong Kong, Singapore, Taiwan, Indonesia, Vietnam and the Philippines. As well, the number of travellers from India and Japan has been growing at 14 percent and 10 percent respectively over the period.

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14 TRA, *International and National Visitor Surveys*.
15 TRA, *International and National Visitor Surveys*. 
2 Pandemic recovery and the 2030 vision

Australia’s Visitor Economy did extremely well in the decade to 2019, fully recovering from the 2007–08 global financial crisis, and exceeding almost all performance metrics in the Tourism 2020 strategy.16

The sector is now at an inflection point. Many of its participants have borne the full brunt of the Covid downturn, while some are unable to cope with domestic demand. We are only part way through the pandemic, its endpoint is unknown and the economy’s trajectory is uncertain.

This chapter considers this point in history from two very different perspectives:

2.1 Covid-19 impact and recovery is our best assessment of how hard the pandemic has hit the Visitor Economy and when it is forecast to recover.

2.2 A 2030 vision for the Visitor Economy looks back from late in the decade to what the Visitor Economy may achieve if it adopts the findings in this report.

The following chapters detail how our cities, towns and businesses may achieve that vision by offering more diverse and complete experiences to a more diverse and growing market.

That is not to say it will be easy. Even before Covid-19, Australia’s Visitor Economy had structural weaknesses, including an over-reliance on some key markets and destinations, and a growing mismatch between the skills of its workforce and the skills required. The coming decade will also bring its share of trends and disruptions, as well as risks and opportunities posed by changing demographics and technology.

2.1 Covid-19 impact and recovery

The Visitor Economy was crunched hard by Covid-19, as all its participants know. The impact was felt in all market segments, at all destinations, and by all providers. However, the impact has been uneven across the different segments and locations, and the recovery will also be. Interstate travel is expected to recover more quickly, while international travel is dependent on vaccine adoption and the speed at which international borders fully re-open. Meanwhile, business and student travel have not only been disrupted by Covid-19 but also now face structural changes from the adoption of digital technologies.

This section gives an overview of the Covid experience for:

- the major domestic and international demand segments, and
- the job market supporting the visitor economy.

It acknowledges that forecasts are highly sensitive to the very uncertain nature of the pandemic and the vaccine rollout internationally.

The experience of particular demand segments, destinations and supply sectors are discussed in their sections below.

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16 Except international spend (target of $52b – $63.4b in 2020).
Demand segment impact and recovery

Overall, spend in the December quarter of 2020 was 43 percent lower than in the year before. International spend fell by 98 percent and interstate spend fell by 69 percent, while intrastate spend fell by just 5 percent as visitors sought to avoid interstate border closures.¹⁷

Forecasts for Visitor Economy spend have been made by a Global Tourism Recovery Model, using Oxford Economic recovery scenarios. Domestic spend could rebound to pre-Covid levels by 2023; international travel might not reach its pre-Covid levels until 2025 and, while it may then grow as much as, or even more strongly than, in 2015–20, it may never catch up to its pre-Covid trendlines: see Figure 8.

Figure 8: Domestic spend may recover its pre-Covid trend, while international spend has permanently lost two years of growth

Business travel spend in Australia fell by 53 percent in the year to December 2020, and global forecasts indicate that recovery will be slow, and will vary by proximity of destination (making international business travel to Australia less likely), reason for travel, and industry sector.¹⁸ Given the instant acceptance and deep penetration of video conferencing and other remote working tools, some believe business travel may never recover to its pre-pandemic level. In one global survey, 30 per cent of CFOs expect that their company’s travel budget will never return to their 2019 levels.¹⁹ While individual firms may keep their spend low, population and economic growth may see aggregate business spend recover to pre-Covid near 2025: see Figure 9.

¹⁷ TRA, International and National Visitor Survey.
Figure 9: Business spend may also have lost 2 years of growth

Jobs impact and recovery

The Australian Visitor Economy provided about 686,000 jobs in December 2019, with positions growing at 3 percent annually since 2015. The pandemic hit that employment hard. Almost 90,000 jobs (11 percent) were lost in the year to December 2020, compared to 2 percent economy-wide. The accommodation and food-services sectors were able to employ about 83,000 fewer people in February 2021 than they did a year earlier, while the education and training sector has not yet replaced 37,000 lost jobs: see Figure 10.20

While job numbers economy-wide have largely recovered, many laid-off Visitor Economy workers have exited their sectors entirely. The industry is also less able to access the pools of visiting student and work-and-holiday labour than it previously could. As a result, there is an urgent need to fill labour shortages in the accommodation and food-services sectors. This issue is taken up in Section 5.5.

The Visitor Economy

2.2 A 2030 vision for the Visitor Economy

For Australian destinations, the short-term focus must be on survival and recovery. However, that recovery must also set them up for the decade to come, and for the market, technology, geopolitical and other challenges it brings.

The likelihood is that domestic and international travel will grow strongly through the 2020s. People will want to travel again after lockdowns, and will want to spend money on study and experiences rather than products. There are fast-growing populations of wealthier people in our traditional markets, and fast-growing middle classes in emerging markets to consider.

This longer-term perspective opens the opportunity for the Visitor Economy.

The Visitor Economy must build its future through diversifying its source markets, modernising its offer, assets and workforce, and collaborating at all levels to do so.

If destinations and businesses do take up this opportunity, supported by their industry bodies and enabled by their governments, this is what being part of the Visitor Economy may feel like as the decade progresses.

- The Covid shock is a distant memory, but its lessons are not. Providers are enjoying the largest boom in domestic travel since records began, in particular the cash splash of high-end holiday makers. Investors have responded to strong demand forecasts and low interest rates by restoring the pre-Covid investment pipeline. Workforce vacancies and critical skill shortages have been addressed as visa restrictions were relaxed, wages rose and workers moved from businesses that closed through the pandemic to those that remained. A well-executed strategy for opening international borders has seen the welcome return of education and holiday visitors, often from new point-to-point air routes.

Figure 10: Hospitality jobs have lost the most jobs in the pandemic

<table>
<thead>
<tr>
<th>Tourism-related industries</th>
<th>Jobs lost and recovered 2020-21, 000s</th>
<th>Jobs still lost 2021, 000s</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accommodation and food services</td>
<td>277</td>
<td>83</td>
</tr>
<tr>
<td>Transport, postal and warehousing</td>
<td>98</td>
<td>6</td>
</tr>
<tr>
<td>Arts and recreation services</td>
<td>93</td>
<td></td>
</tr>
<tr>
<td>Retail Trade</td>
<td>84</td>
<td></td>
</tr>
<tr>
<td>Other industries</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Health care and social assistance</td>
<td>73</td>
<td></td>
</tr>
<tr>
<td>Professional, scientific and technical services</td>
<td>65</td>
<td></td>
</tr>
<tr>
<td>Other services</td>
<td>55</td>
<td></td>
</tr>
<tr>
<td>Manufacturing</td>
<td>71</td>
<td>20</td>
</tr>
<tr>
<td>Education and training</td>
<td>64</td>
<td>37</td>
</tr>
<tr>
<td>Wholesale trade</td>
<td>20</td>
<td></td>
</tr>
<tr>
<td>Mining</td>
<td>11</td>
<td></td>
</tr>
<tr>
<td>Information media and telecommunications</td>
<td>24</td>
<td>10</td>
</tr>
<tr>
<td>Rental, hiring and real estate services</td>
<td>8</td>
<td>5</td>
</tr>
<tr>
<td>Construction</td>
<td>31</td>
<td>31</td>
</tr>
<tr>
<td>Administration and support services</td>
<td>60</td>
<td>55</td>
</tr>
</tbody>
</table>

Source: Team analysis, ABS Detailed Labour Force
• **A more prosperous, diverse and resilient Visitor Economy emerges.** By mid-decade, our visitors are more diverse and, on average, spending more. The initial surge of domestic travel has been maintained; Australian domestic visitors are spending 75 percent of their travel budget at home, up from 70 percent, investing in great experiences and activities as they might overseas, on top of taking breaks from day-to-day demands. International holiday makers are more diversified, coming as frequently from India and the Emerging Asian markets as they do from our traditional English-speaking and Developed Asian markets. More of these domestic and international holidays are luxury ones, with visitors investing over $1,000 per night on Australia’s outstanding offers of sun, adventure and food.

• **More ‘bucket-list’ destinations and events.** More people are travelling to and within Australia because they have more reasons to do so. Our cities are known globally as ‘visited and loved’, not just ‘liveable’. Each has its own personality, and a fierce public-private coalition making sure their cities have the vision, infrastructure, drawcards, events and promotion to break through. Australians have bucket-list destinations in each State and Territory, drawn by anchor attractions, efficient access, superlative hosts and the journey itself. Destinations are investing those revenues into their assets, making them ready for international visitors who have heard that there’s more to Australia than the Bridge, the Rock and the Reef. Australia’s cities and regions each have a calendar of events spanning business, sport and culture.

• **Distinctive variety and quality of experience.** Australia is known as one of those rare places that offers all types of valued experiences, at a high quality. In our distinctive destinations, our diverse population is offering the distinctive experiences they themselves enjoy. Visitors are impressed by the high-quality personal service, and the range of authentic, immersive experiences. There is a strong digital complement to our physical attractions, and new venues showcase total digital immersion. Business, event attendees and students will add these experiences to their trips. They notice just how safe and welcoming Australia is to travel in, with local communities that support both visitors and the businesses who cater for them. Visitors notice how Australia is adopting sustainable and resilient practices, including taking steps to protect fragile destinations and prepare for extreme weather events. They will want to come back.

• **A high-quality, welcoming student experience.** The international student market is well balanced and highly valued by the broader community beyond its economic benefits. Although Australia is a still a relatively expensive place to study, it is recognised as a worthwhile investment given our globally recognised quality of education. Australia continues to be a top destination for international students due to flexible working options, our diverse and welcoming communities, as well as exciting travel options in urban and natural environments. Students are as likely to come from India and Emerging Asia as they are from Developed Asia. They rank 6 of our cities in the world’s top 25 for study, up from 4 in 2019.

• **Modern, streamlined access to and around Australia.** Those travelling to Australia are able to explore, review, book and pay for their adventures through their smartphones. Visitors from our emerging source markets will find point-to-point flights, and land at the world’s most modern airport at Western Sydney or others taking its lead. They find modern, available, affordable rooms where they need them, through both conventional and Airbnb channels, with more luxury rooms available for that faster-growing market. Even in remote locations, they enjoy high-speed internet and modern facilities, as regional infrastructure catches up to what is available in the cities.
• **A modern, diverse and collaborative industry making all this happen.** All participants in the Visitor Economy are excelling in their contributing roles.

Businesses are becoming more resilient and innovative, increasing their allocation to technology, attracting the personal service and technology staff they need, and having contingency plans for natural, economic, health and market shocks. Businesses are benefiting from a diverse workforce, with an increasing share of Indigenous people, greater staff retention and low vacancy rates. That workforce is sharpening its digital and people skills through good management, mentoring and industry-approved tertiary programs, radically improving the sector’s customer-experience ratings.

Destination businesses are in healthy ‘co-opetition’, collaborating on marketing, community support and investment, and drawing more on locally shared resources, including skilled people. Investors have ensured that they have the accommodation and infrastructure to meet the mid-decade tourism boom, avoiding the trap of under-investing when times were tough.

Well-connected Commonwealth, state and local governments are enabling that collaboration right along the customer journey. They are supporting the industry-led skills council that ensures that actions in education, training and visas match demand with supply better. Their investment in robust data capabilities has paid off, with better-targeted policies and robust evaluation, and a striking lift in marketing and investment success rates.

This is the vision the Visitor Economy can create: not at all easy, but very achievable. Chapters 3 to 5 consider how it can be done.
3 Understanding our source markets

Chapters 1 and 2 confirm Australia as a premium visitor destination and a major contributor to the nation’s economy. Over the next decade, the Visitor Economy must first recover from the pandemic, then set itself up to diversify and modernise for a prosperous, resilient and sustainable future.

Diversity will be the most important shift for Australia’s Visitor Economy in the 2020s. The rise of Australia’s Visitor Economy over the past 40 years has focused on large campaigns in relatively few countries and the historic growth of China’s middle classes, with benefits accruing to relatively few destinations.

Australia has an extraordinary range of experiences, places and cultures to visit, and offers its people an extraordinary range of destinations and roles in which to work.

Chapter 3 reviews the opportunities for Australia to share those diverse experiences, places and cultures with new growth markets while sustaining its core ones. It first considers global and local visitor trends in demographics and preferences, and then reviews the potential for Australia in the major market segment shown in Figure 11 (duplicated from above for convenience).

3.1 Global visitor trends will affect some or all market segments.

3.2 Domestic visitors present a unique opportunity in the wake of Covid-19, if we can inspire the world’s greatest travellers to take more of their trips at home.

3.3 Business travel will need to adapt to a new digitally connected world, and should focus accordingly on building business relationships through shared experiences.

3.4 International holiday visitors should see consolidated gains in core international leisure markets, and diversification into faster-growing Emerging Asia regions.

3.5 The high-end market is an attractive market in which Australia can do better.

3.6 International education remains a core segment for Australia with strong opportunities to diversify.

3.7 Our growth, core and at-risk markets require different strategies to thrive.

The chapter presents a range of findings for the major segments of the Visitor Economy: in some areas suggesting diversification, in others prioritisation, and in others the need to protect a large market at risk. These assessments take into account each segment’s past economic contribution, as well as assessments of their medium-term growth potential (net of Covid-19 and other international trends), Australia’s ability to capture a share of that future growth, and its implications for policy priorities such as regional employment.
3.1 Global visitor trends will affect market segments

Some visitor trends will favour Australia, while others may be more challenging. Most, however, are realities to which Australia must respond.

Those looking to optimise the industry’s sustainable growth would keep abreast of global trends and markets, and identify the needs and growth prospects of each. Our review of potential trends focuses on the magnitude of their impact, their relevance to Australia and their likelihood of either sustaining or accelerating the Visitor Economy.21

This section first reviews the four accelerating trends in visitor demographics over the next decade:

- an expanding travel-ready middle class throughout Asia,
- the rise of millennials as the biggest age-based category,
- countering that, the ageing populations of Australia, Europe and Asia, and
- the rising propensity for travel by people with a disability or with accessibility issues.

It then considers how these and other modern visitors are also likely to be seeking more:

- immersive, nature, active, authentic and experiential travel,
- digital innovation, both in travelling to and while at the drawing attractions, and
- safe and sustainable travel.

Some of these dynamics will favour Australia (the growing middle class in Asia, and trend to nature and active experiences), while others may be more challenging. Most, however, are realities to which Australia must respond. If we do so positively, we will strengthen our attraction for visitors; if we do not, visitors may look elsewhere.

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21 Taking in insights from international experts, OECD reports, TRA consumer research and visitor surveys.
Opportunity: Consider how to cater for accelerating demographic trends and shifting visitor preferences in all destinations and businesses, with more opportunities to specialise as sub-segments grow larger.

Core demographic trends are accelerating

The demographic trends most significant for the Visitor Economy are familiar by now:

- **An expanding Asian middle class.** By the end of the decade, Asia’s middle class is expected to grow 75 percent, from 2 billion up to 3.5 billion, while their total spend doubles to approximately $36 trillion – a rise of 103 percent, or about 5 times the average for the rest of the world.\(^ {22}\) As their disposable income rises, the market for international travel will grow accordingly. While the trend is accelerating, the segment needs may change. About 70 percent of Chinese holiday visitors travel with family, often with visiting students – there is a noticeable shift in preference for small-group, semi-self-guided travel.\(^ {23}\) As a result, more travellers are looking for experiences and accommodation that can be enjoyed by all ages, and the high standard of digital payment and bookings that Asian residents are now conditioned to at home.\(^ {24}\)

- **The rise of millennials.** Those born from 1981 will make up roughly 45 percent of visitors globally by 2025, and together with Generation Z and later generations they will dominate all travel by 2040, not just travel for education. Whether from Australia or abroad, they are looking for cultural experiences far more than their elders, with low-cost, environmentally sustainable travel. About 60 percent ranked ‘authentic culture’ as that which they seek most in their travels,\(^ {25}\) they are 13 percent more likely than their elders to seek out cultural or historical landmarks, and two-thirds use smartphones to book their travel.

- **Ageing populations.** By 2025, one in 8 international trips will be taken by a retiree aged 60 or above.\(^ {26}\) The size of that market will almost double in the coming decade, as the global ageing population grows by 40 percent to 1.4 billion by 2030, with an increasing propensity to spend their retirement on travel.\(^ {27}\) The older traveler is looking for comfortable accommodation, easy transitions through the ‘first and last mile’ of transport, and attractions with information readily and personally available.

- **Rising propensity for people with a disability to travel.** More people with disabilities are wishing to travel and are entitled to good access to infrastructure and attractions when they do. Australian governments at all levels are working on a new National Disability Strategy 2021-2031 which aims to build a more inclusive society and remove barriers to participation, creating more opportunity for people with disability to participate socially and economically. Policies such as Australia’s National Disability Income Scheme are also designed to give greater choice and control towards social and economic participation. Thus in 2017, TRA and Austrade estimated that more than 1.3 million people with a disability, or 7 percent of Australian adults, were looking for accessible overnight and/or day trips.\(^ {28}\)

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\(^ {24}\) Meetings with industry experts.


\(^ {28}\) Austrade and Tourism Research Australia, January 2018, *Accessible Tourism in Victoria and Queensland*. 

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Visitors are seeking safe, (digitally) immersive, sustainable experiences

The dominant trends in visitor preferences are shared by all visitor demographics, not just the ones mentioned above.

- **Experiential tourism.** People are tilting their travel spend towards experiences over purchasing products, with experiential tourism being one of the fastest growing of all travel categories pre-Covid, at 9 percent annually.\(^{29}\) That is consistent with a broader shift: in the USA, total economy spend on experiences has been growing twice as fast as spend on products since 2000.\(^{30}\) Some predict that soft adventure (lower risk and skill) and hard adventure will grow at 6 percent annually post-Covid, doubling growth in the overall travel market. Millennials are more likely to seek hard adventure, while less active older travellers are more likely to seek immersion in the things they enjoy, like food and wine or history. For all segments, there is a growing desire to experience nature in all its forms, and to engage more and learn from authentic cultural and First Nation experiences.\(^{31}\)

- **Sustainable practices.** The proportion of holiday and business travellers who prioritise ‘sustainable practices’ is rising noticeably decade to decade. In a 2019 survey conducted by McKinsey and Company, about 60 percent of millennials and Generation Z travellers from the USA, the UK and Australia agreed that it was important to prioritise those practices.\(^{32}\)

  That intent may be practically expressed by spending on inherently sustainable activities. At the moment, this is quite a weak factor in decision making, ranking 15\(^{th}\) of the 21 holiday-importance factors in the 2021 Consumer Demand Project (CDP)\(^{33}\). However, Technavio forecast in September 2020 that eco-tourism would grow at 10 per year through to 2023, two-and-a-half times faster than the overall tourism market. Fortunately, the CDP ranked Australia as the destination most associated with sustainable tourism experiences. With excellent assets like Tasmania’s Three Capes Walk or Overland Track and abundant destinations with potential, that reputation can only strengthen.

- **Digital access and experiences.** Visitors are looking to benefit from the digital revolution in two ways. The first appears before they travel, by discovering, planning, booking and paying through digital devices: see Section 5.2. Key demographic segments such as millennials, business and Asian travellers expect a streamlined digital experience. The second is with the experience itself, by expanding their perceptions and enjoyment of core attractions. Tokyo’s TeamLab digital art museum is a standout example of queue-forming success, but digital enhancement of natural, cultural and sporting experiences is also highly valued. In the business and education segments, the transition to digital was dramatically accelerated by the pandemic: Zoom calls jumped 30-fold in April 2020 alone. Video meetings and lessons replaced their physical versions, and will remain part of everyday operations.

- **Safety and security.** Although Covid safety issues predominate at the moment, more general concern for personal safety and security continues to rise. Natural disasters,

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\(^{29}\) Phocuswright, *The In-Destination Experience: Why We Travel*, 2018.


\(^{31}\) Meetings with industry experts; Phocuswright, *The In-Destination Experience: Why We Travel*, 2018.


\(^{33}\) Tourism Australia, *Consumer Demand Project*, 2021.
global terrorism, state security interventions and local conflicts have all been either on the rise, or more graphically visible, or both. Broader international sentiment about travelling to Australia varies, with recent decreases in confidence in the USA, Hong Kong and Japan – probably as much due to our bushfires and floods as to the pandemic. Safety and security rank consistently high in international student surveys: see Section 4.4.  

### 3.2 Domestic holidays: pivot from overseas

**There is still a generational opportunity for Australia to gain a greater share of Australians’ travel spend.**

The first market segment to consider is the one that contributes the largest amount of Visitor Economy spend: the domestic holiday maker. Australia spends more per capita on travel than any other nation. However, Australians spend a larger share of this spend on international travel (30 percent) than the global average of 25 percent – meaning there is room to shift more spend to domestic travel. People are more likely to travel domestically in the wake of the pandemic. If destinations can inspire them, they may explore new places and spend more when they do, creating a ‘new normal’ for domestic travel.

This section considers:

- why focusing on domestic holiday makers is the immediate priority for the Visitor Economy, and
- the different paths by which their spend in Australia might be increased.

*Opportunity:* Consider how to capitalise on the longer-term opportunity for building relationships with new domestic visitors during this period of unprecedented disruption (for example, promoting and incentivising return visits from new visitors).

**Domestic holiday makers are the priority**

There are several reasons why the holiday segment should be prioritised among domestic segments:

- It is the most valuable segment nationally. As presented in Section 1.2, it has the highest spend, adds the most value and jobs, and grew three times faster than the rest of the Australian economy from 2015 to 2019.

- It is the most valuable segment for regional jobs. They make up over 90 percent of the regional visitor business, spending over $60 billion outside capital cities each year, 10 times that of international visitors. Diverting Australians from overseas holidays to ones at home would benefit regions proportionately more than the cities.

- There are strong drivers for growth in the medium term. As seen in Section 2.1, intrastate travel was already 14 percent higher in the fourth quarter of 2020 than it was a year earlier. Interstate travel, down 71 percent over the same period, may rebound strongly once borders are reliably opened. Australians may be reticent to travel overseas, with enough experiences available at home before taking those risks.

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35 TRA, National and International Visitor Surveys.
36 TRA, National and International Visitor Surveys.
Catering for this segment will also cater for those visiting friends and relatives, among all others. The VFR segment is not a call-out priority in this report, as it is traditionally robust and it is difficult to influence. However, ensuring that holiday visitors are well catered for (good digital access and infrastructure, good flight and accommodation choices) will help meet the needs of this segment while helping regional economies.

**Paths to increase domestic holiday spend**

Getting Australians to spend more on domestic holidays will not be easy, as Australians already spend a lot of time and money on those trips. Their spend grew at a very strong 9 percent annually from 2015 to 2019. In 2018, Australians spent more per capita on travel than any of our comparator nations – about US$6,700 per person per year, about double that of the French and Canadians, for example: see Figure 12 below.

Other constraints are the family’s available holiday period and budget, given the stagnant wage growth in Australia. The sector will need to convince Australian families to dip into the large pool of savings that some accrued during 2020. While many will be willing to do so, others will still be conservative in their spending until the economic outlook is brighter, and many also will be recovering from a lack of income in 2020.

The two likely paths to higher spend are therefore:

- **Divert holidays from overseas to Australia.** Many Australians may be willing to travel more domestically, especially until Covid-related fears subside. Australians spend around 29.8 percent of total travel spend overseas, which is 5-6 percentage points more than either the global average or New Zealand: see Figure 12. Matching their levels would see us reaching our 2030 aspiration of lifting domestic travel spend about 10 percent above the momentum case.

  That should be possible. Australians may be open to new destinations at home, especially for activities many now pursue overseas. Only one-third select their home destination because ‘they’ve been there before’. Of the 5.6 million annual holiday trips Australians take overseas, over 1.4 million are to ‘beach and culture’ destinations like Indonesia and the Pacific, and another 0.7 million are to countries known for their natural beauty and outdoor activities (New Zealand, Canada and South Africa) – all of which can be found here at home.

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40 TRA, *International and National Visitor Surveys*. 

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This opportunity to shift from international to domestic travel applies to cruise holidays as well. Australia has been one of the world’s fastest-growing cruise destinations, with passengers tripling since 2010. In 2018, 5.8 percent of Australians took an ocean cruise, the world’s highest market penetration. Of those, only 34 percent took a cruise within Australian waters, the rest being taken in the South Pacific or beyond. With those international options unavailable, experienced and potentially new passengers are thinking of cruising around Australia, rather than not at all: see Figure 13.

**Figure 13: Australians are thinking of cruising in domestic waters**

**Most popular cruise destination for Australians searching the internet**

*Increase in number of internet clicks tracked*

**For sailing date within 1 year**

<table>
<thead>
<tr>
<th>Destination</th>
<th>Clicks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia and NZ</td>
<td>70%</td>
</tr>
<tr>
<td>South Pacific</td>
<td>20%</td>
</tr>
<tr>
<td>Asia</td>
<td>7%</td>
</tr>
<tr>
<td>Baltic Sea</td>
<td>2%</td>
</tr>
</tbody>
</table>

**For sailing in 1 to 2 years’ time**

<table>
<thead>
<tr>
<th>Destination</th>
<th>Clicks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia and NZ</td>
<td>47%</td>
</tr>
<tr>
<td>South Pacific</td>
<td>28%</td>
</tr>
<tr>
<td>Asia</td>
<td>14%</td>
</tr>
<tr>
<td>Baltic Sea</td>
<td>6%</td>
</tr>
<tr>
<td>Alaska</td>
<td>5%</td>
</tr>
</tbody>
</table>

Source: Cruise Lines International Association
• **Holiday in Australia as you would overseas.** This means taking longer trips to multiple sites in, likely, the one state or territory, rather than short trips to a single city or region. It also means spending more on activities and seeing sights in locations they might not have the chance to visit again – just as Australians do overseas.

The daily spend of Australia’s domestic visitors was almost flat from 2015 to 2019, and just 6 percent of domestic trips cost more than $500 per day, compared with 36 percent of overseas trips. In part that is because Australians travelling at home do very little compared to international visitors. Only 44 percent of domestic visitors explore our ‘great outdoors’ (compared to 86 percent of international visitors), only 16 percent explore arts and heritage (cf. 58 percent) and only 18 percent seek out local tourist attractions (cf. 80 percent): see Figure 14. For Australians to spend more on these activities, more of them will have to become irresistible. Destinations will need to keep investing in their attractions, as well as in making them accessible to all.

A promising opportunity for growth in this holiday market is in high-end luxury travel: see Section 3.5 below.

**Figure 14: Australians spend little on activities, compared with international holiday visitors**

<table>
<thead>
<tr>
<th>Activities undertaken whilst in Australia</th>
<th>Domestic holiday makers</th>
<th>International holiday makers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social activities</td>
<td>84</td>
<td>97</td>
</tr>
<tr>
<td>Outdoor/Nature</td>
<td>44</td>
<td>86</td>
</tr>
<tr>
<td>Active outdoor/sports</td>
<td>24</td>
<td>30</td>
</tr>
<tr>
<td>Arts/Heritage</td>
<td>16</td>
<td>58</td>
</tr>
<tr>
<td>Local attractions/Tourist activities</td>
<td>18</td>
<td>80</td>
</tr>
<tr>
<td>Other activities</td>
<td>2</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: TRA National and International Visitor Surveys, team analysis

### 3.3 Business travel: focus on relationships

**Business travel can counter the new virtual realities of corporate life by focusing on building relationships through diverse, shared experiences.**

Domestic business was Australia’s fastest-growing domestic segment, but the pandemic vividly demonstrated the capacity of digital channels to handle most day-to-day business meetings.

---

41 There is no available data on what Australians spend on activities overseas to compare with what they spend in Australia.
This section presents how:

- the strong trends in business travel were interrupted by the pandemic, and
- the future for business travel lies with business relationships rather than transactions.

The initial focus would be on domestic business, but the approach would also meet the needs of international business travel, for now a relatively low-priority segment.

**Opportunity:** In a world of slower growth in business travel, those heavily reliant on the business segment may consider building closer relationships through immersive experiences, and ways to diversify into other visitor segments.

### Strong domestic growth pre-Covid

In 2019, prior to the pandemic, domestic business travel accounted for 19 percent of all travel spend in Australia and was the fastest-growing domestic segment. Its growth was due entirely to the number of trips rising by a very high 14 percent a year, from 36.1 million in 2015 to reach 61.5 million. Both the length of overnight trips (averaging 3.5 nights) and the spend per night (averaging $236) stayed constant.\(^{42}\) Travel to capital cities accounted for 60 percent of business spend, with a significant proportion of the regional share being for fly-in-fly-out (FIFO) mine workers. International business was a much smaller segment pre-Covid, contributing only $2 billion or 1.5 percent of total revenues, after rising at a modest 4 percent a year from 2015 to 2019, with no region having a disproportionate market share.\(^{43}\)

As seen in Section 2.1, domestic business travel spend fell by 53 percent in the year to December 2020. The pandemic’s ‘experiment’ with working from home showed both the opportunities and the limits of remote working, but it permanently demonstrated the capacity of web apps to handle most day-to-day business meetings. This will remain a long-term structural challenge to business travel. International business travel is even more vulnerable, as it risks disruption from geo-political factors such as trade disputes, pandemics and environmental impacts and policies, in addition to video-conferencing.\(^{44}\)

### Diversify spend for business relationships

The future for business travel therefore lies with business relationships rather than transactions. Even before the pandemic, business visitors were diversifying their spend, seeking out entertainment, tours and education more than business transactions. Providers could focus on two types of business travel to continue that trend and build up business relationships:

- ‘multi-modal’ trips that combine business and holiday experiences, with the latter either shared with business associates or with local friends and family, and
- business events that are engineered to focus on the relationship experience, and which combine business and more social satellite events at the destination, for group trips, connectivity trips and the like. For example, the NOJIMA Japan Incentive in 2019 drew 3,150 people to Australia for a week-long calendar of activities that built corporate relationships while rewarding employees.\(^{45}\)

\(^{42}\) TRA, *International and National Visitor Surveys.*
\(^{43}\) TRA, *International and National Visitor Surveys.*
\(^{44}\) Interviews with industry experts.
\(^{45}\) Interviews with Tourism Australia.
Of these strategies, the Visitor Economy’s promotional focus would be on hosting business events which appeal to domestic and international travellers alike, as it is difficult to influence a business’s internal travel choices. However, Australian cities need to have particularly sharp value propositions for international events, given the handicap of being a remote, end-point destination rather than a convenient hub.

3.4 International holidays: sustain core, grow SE Asia

The Visitor Economy has the opportunity to diversify into faster-growing regions to drive new growth, while consolidating gains in core international markets.

As with its domestic counterpart, the combined holiday-maker and VFR segment is the largest component of the international visitor market. While the pandemic has obviously put a halt to international holidays, it also offers the opportunity to review and, if necessary, reset priorities among international target markets and how best to engage with them.

This section considers how:

- The international holiday and VFR segment was one of Australia’s stronger performing before Covid-19 struck.
- Australia is in a strong position to attract global tourists when borders re-open, assuming a timely rollout of vaccines.
- The Visitor Economy can maintain a well-balanced inbound market by:
  - sustaining its traditional sources (Developed Asia, English-speaking and other Western markets), and
  - doubling down on fast-growing Emerging Asia and Indian markets.
- Working holidays make a valuable financial and strategic contribution to Australia.

Opportunities: Once travel opens up, consider accelerating efforts to promote Australia to the growing middle class in our fastest-growing markets of Emerging Asia, India and Developed Asia, with tailored strategies to provide compelling experiences for visitors from these markets.

A healthy segment before the pandemic

Inbound holiday makers accounted for approximately 33 percent of international visitor spend in 2019, after growing at healthy 7 percent per year since 2015. Capital cities were the biggest recipients, accounting for 69 percent or $7 billion of their spend.

That spend came from a balanced spread of regions: 26 percent from the traditional English-speaking market, 20 percent from China, 23 percent from the Developed Asian market, 17 percent from Other Western markets, 7 percent from Emerging Asia and 5 percent from less developed markets: see Figure 15. (The country components of these markets are given below.)

However, the growth rates of these regions are almost in reverse order, with Emerging Asia growing fastest at 15 percent, and the English-speaking markets slowing to 4 percent. This suggests that almost all our market regions are converging in importance.

46 TRA, International and National Visitor Surveys.
47 TRA, International and National Visitor Surveys.
Australia well positioned for the post-pandemic international market

International border closures halted holiday travel from February 2020, and Oxford Economics forecasts that international travel of any type is unlikely to return to that level before 2025: see Section 2.1.

Research by Tourism Australia’s Consumer Demand Project suggests that, once borders reopen, Australia will be well positioned to capture more than its share of international demand. We are perceived internationally to have managed the pandemic well, and prospective visitors in 11 key source markets indicated that they are more likely to travel to Australia than to Japan, France, Italy or New Zealand, amongst other countries.48

The longer-term prognosis is also good, as many of the longer-term trends in visitor demographics and preferences favour Australia: see Section 3.1. The rising global millennial and Asian middle-class populations will have much to like if Australia can capitalise on its natural and safe urban environments to offer immersive, active and experiential travel. However, the Australian experience will be expected to be sustainable, digitally innovative, and accessible to older people and to people with a disability.

A well-balanced market of holiday visitors

Post-pandemic, the Visitor Economy should seek to achieve a well-balanced inbound market by nurturing its traditional sources (English-speaking and other Western markets) and doubling down on fast-growing Asian markets. To understand these market dynamics, we need to drill down from the regional groupings into their component national markets: see Figure 16. Here we see, for example, that the United States had momentum as a very strong

48 Tourism Australia, Consumer Demand Project, 2021.
market for Australia, growing at 10 percent annually, while all of Asia had been growing quickly in both spend and spend per trip.

**Figure 16: Within regional groups, there are large variations in country trajectories**

<table>
<thead>
<tr>
<th>Region</th>
<th>Country</th>
<th>Total spend 2019, $M</th>
<th>CAGR 2015–19</th>
<th>Spend per trip 2019, $000s</th>
</tr>
</thead>
<tbody>
<tr>
<td>Developed English</td>
<td>United States of America</td>
<td>918</td>
<td>↑10%</td>
<td>2.3</td>
</tr>
<tr>
<td></td>
<td>Canada</td>
<td>232</td>
<td>▼4%</td>
<td>2.9</td>
</tr>
<tr>
<td></td>
<td>United Kingdom</td>
<td>809</td>
<td>▼2%</td>
<td>3.6</td>
</tr>
<tr>
<td></td>
<td>New Zealand</td>
<td>746</td>
<td>▼5%</td>
<td>1.5</td>
</tr>
<tr>
<td>China</td>
<td>China</td>
<td>1,104</td>
<td>↑8%</td>
<td>3.1</td>
</tr>
<tr>
<td>Developed Asia</td>
<td>Japan</td>
<td>682</td>
<td>↑15%</td>
<td>2.2</td>
</tr>
<tr>
<td></td>
<td>Singapore</td>
<td>422</td>
<td>▼10%</td>
<td>1.8</td>
</tr>
<tr>
<td></td>
<td>Korea</td>
<td>581</td>
<td>▼11%</td>
<td>3.4</td>
</tr>
<tr>
<td></td>
<td>Taiwan</td>
<td>364</td>
<td>▼8%</td>
<td>3.1</td>
</tr>
<tr>
<td>Other Western</td>
<td>Germany</td>
<td>451</td>
<td>▼5%</td>
<td>3.7</td>
</tr>
<tr>
<td></td>
<td>France</td>
<td>284</td>
<td>▼4%</td>
<td>3.8</td>
</tr>
<tr>
<td></td>
<td>Scandinavia</td>
<td>192</td>
<td>▼3%</td>
<td>3.6</td>
</tr>
<tr>
<td></td>
<td>Other Europe</td>
<td>421</td>
<td>↑11%</td>
<td>2.9</td>
</tr>
<tr>
<td>Emerging Asia</td>
<td>Emerging Asia</td>
<td>705</td>
<td>↑15%</td>
<td>2.0</td>
</tr>
<tr>
<td>India</td>
<td>India</td>
<td>1128</td>
<td>↑8%</td>
<td>2.0</td>
</tr>
<tr>
<td>Other</td>
<td>Other</td>
<td>449</td>
<td>▼3%</td>
<td>2.3</td>
</tr>
</tbody>
</table>

Source: TRA International Visitor Survey, team analysis

**Nurture and expand our core markets**

Our traditional English-speaking markets were still our largest holiday market segment pre-Covid. They accounted for 20 percent of all international spend in 2019. This was well above Australia’s ‘fair market share’ for countries within a similar flight distance: about 55 percent above that for the UK.⁴⁹ Revenue from US visitors alone was $918 million, second only to China’s $2.1 billion, and growing at a healthy 10 percent annually as Australia maintained its share of rising US outbound travel during the Trump presidency.

Though there are challenges to fast growth across these markets, they still should be well supported. Oxford Economics expects strong annual growth (3.1 percent to 4.1 percent) in outbound trips to continue throughout the 2020s.

The Other Western markets of France, Germany and Scandinavia are still significant, though less so, with combined spend of almost $930 million and pre-Covid growth at a modest 4 percent. However, newer European markets were growing at 11 percent and have already reached $420 million in spend. Through the 2020s, these new markets will ensure that Europe remains as important a region to Australia as Developed Asia. However, Other Western markets in Europe are also more sensitive to the ‘flight shame’ of the carbon footprint of international flights, so Australia will need to promote the availability of carbon offset schemes that put money back into the Australian environments that Europeans want to visit.

Another core international market for Australia to continue nurturing is its cruise-passenger segment. The 300,000 cruise visitors to Australia in 2019 made inbound cruises the fourth-largest source market for international holiday visitors, especially those from the USA and Japan, with strong growth from Asia. Further growth, however, may come up against port

capacity barriers. Sydney’s Circular Quay is now capacity constrained, and ports other than the new Port of Brisbane are unable to cater for the new classes of superliner.

**China may remain Australia’s largest single-nation market, unless geopolitical significantly worsen**

Chinese holiday makers accounted for 20 percent of international holiday spend in 2019, after growing at a fast 8 percent per year since 2015, with Australia’s share of visitors from China also rising a healthy 9 percent per year. The outlook remains positive, all else being equal, given the continuing rise of China’s middle class and the strong alignment of Australia’s offer to their preferences: see Section 3.1. Chinese visitors were prioritising experiences pre-Covid, with natural scenery, historic sites and theme parks their three most popular activities in 2017. Most Chinese visitors visit with their families, with activities sought for the whole family (for example, wellness for grandparents, fine dining for parents, activities and short courses for children). As a result, Australia should cater to a forecast doubling of demand for semi-self-guided and high-end small-group package tours. However, with the China market being affected by geopolitical uncertainty, Australia should also continue to maintain a healthy balance in its holiday-maker markets.

**Developed and Emerging Asian markets should continue to grow strongly.**

For convenience we have divided the rest of Asia into two segments, while not underestimating the vast differences in language, culture and perspectives each contains. The more developed markets for travel to Australia are Japan, South Korea, Taiwan, Hong Kong and Singapore. Taken together, their spend in Australia reached $2.44 billion in 2019, after growing at an average of 10 percent per year. However, the emerging nations of Southeast Asia were outpacing them, with Indonesia’s and Thailand’s spend, for example, growing at 19 percent from 2015 to 2019.

Both these markets should continue to grow for Australia. As yet, we do not earn our ‘fair share’ of outbound visitors from Hong Kong, South Korea, Indonesia, Thailand and the Philippines. Together these countries comprise a population of well over 400 million but to date their travellers have been more likely to holiday in Japan, Europe or the USA than to come here. Yet their growing middle-class preferences increasingly align with what Australia offers. A 2018 survey of high-value visitors from Asia identified top drivers of destination choice to include nature and wildlife, safety and security, food and wine, clean cities, and family-friendly and coastal offerings. A continuing Tourism Australia study shows that Australia is very strongly associated with these attributes, particularly for the nature and coastal ones: see Figure 17.

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50 TRA, *International and National Visitor Surveys*.
51 McKinsey 2017 China Outbound Travel Survey.
52 Interviews with industry experts; McKinsey & Company, China Outbound Traveller Survey, 2018.
54 TRA, *International and National Visitor Surveys*.
Figure 17: Australia very highly associated with safety and with coastal, natural and wildlife offerings

Top-ranking countries\(^1\) for respondents’ association with ....

<table>
<thead>
<tr>
<th>Nature and Wildlife</th>
<th>Aquatic and Coastal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia NZ</td>
<td>Hawaii Switzerland</td>
</tr>
<tr>
<td>2014 160</td>
<td>2014 160</td>
</tr>
<tr>
<td>2015 140</td>
<td>2015 140</td>
</tr>
<tr>
<td>2016 120</td>
<td>2016 120</td>
</tr>
<tr>
<td>2017 100</td>
<td>2017 100</td>
</tr>
<tr>
<td>2018 80</td>
<td>2018 80</td>
</tr>
<tr>
<td>2019 60</td>
<td>2019 60</td>
</tr>
<tr>
<td>2020 40</td>
<td>2020 40</td>
</tr>
<tr>
<td>2021 20</td>
<td>2021 20</td>
</tr>
</tbody>
</table>

Safety and Security

| Japan Australia Switzerland NZ Canada |
| 2014 140 | 2014 140 |
| 2015 120 | 2015 120 |
| 2016 100 | 2016 100 |
| 2017 80 | 2017 80 |
| 2018 60 | 2018 60 |
| 2019 40 | 2019 40 |
| 2020 20 | 2020 20 |
| 2021 0 | 2021 0 |

Good Food and Wine

| Italy France Japan Spain Australia NZ |
| 2014 180 | 2014 180 |
| 2015 160 | 2015 160 |
| 2016 140 | 2016 140 |
| 2017 120 | 2017 120 |
| 2018 100 | 2018 100 |
| 2019 80 | 2019 80 |
| 2020 60 | 2020 60 |
| 2021 40 | 2021 40 |

1. 11 market aggregate; total travellers; indexed to top 10 OOR destinations
Source: Tourism Australia, International Consumer Demand Project, 2021

Working holidays make a valuable contribution

Working holiday makers (WHMs, typically younger visitors or backpackers making longer trips to Australia) are a quite different sub-segment of the holiday visitor market.\(^57\) Their total number of trips stayed flat between 2015 and 2019, and were declining from the traditional UK and European markets. No new inbound trips have been made since the pandemic began, and it is essential that this market is revived when borders reopen.

The value of WHMs is high in both spend and broader terms. In 2019, they made 308,000 trips to Australia, spending about $2.6 billion and adding roughly $1.5 billion to our GDP.\(^58\) They usually visited two or more states and spent almost everything they earned: $2.6 billion in total and almost a third of it in the regions.\(^59\) That spend would rank fourth among markets if WHMs were considered one market, equal to the holiday and VFR segments of South Korean visitors.\(^60\)

Beyond raw spend, WHMs perform critical, largely seasonal jobs in regional areas, particularly in hospitality and agriculture. In the Northern Territory peak season, for example, WHMs can make up more than half of the staff in hospitality, primary industry and construction businesses.\(^61\) They also tend to make strong cross-cultural connections and many of the long-term international relationships that underpin Australia’s ‘soft power’

\(^{57}\) Segments within the Visitor Economy are based on self-identification, not visa type. People who stay in Australia for less than a year on a working holiday maker visa might be considered in both holiday and work segments. However, two-thirds of such visitors indicated they were here for holiday purposes, and so all working holiday makers are considered here rather than the work segment of this Report.

\(^{58}\) ABS Australian satellite accounts.

\(^{59}\) TRA, International Visitor Survey; Tourism Accommodation Australia, Report into second year visas, 2019.

\(^{60}\) TRA, International Visitor Survey.

\(^{61}\) Australian Government Departments, Submission 41, Attachment C.
overseas.\textsuperscript{62} Those on working-holiday visas are also the most likely to become Australian residents, possibly increasing the likelihood of migration later on. Reviving their visits is critical to the visitor economy and the broader Australian one, particularly in light of current labour shortage concerns in many regions: see Section 5.1.

### 3.5 Global high-end holiday market: a clear opportunity

**Capture more of the fast-growing luxury market, first among domestic travellers, and then international.**

The global high-end holiday market is defined as travelling groups who spend over $500 per night per person. They have diverse interests that range across soft and hard adventures, and enjoy traditional food, wine and culture in quite modern ways. Doing well in the market would lift the yield on Australia’s assets. This section considers how:

- the high-end market is an attractive market that plays to Australia’s strengths, and
- the domestic market is the best place to start.

**Opportunities:** Consider promoting destinations with the greatest opportunity to build or upgrade luxury offerings, looking to international and Australian examples and experience for inspiration.

**An attractive market that should play to Australia’s strengths**

Before the Covid disruption, high-end spend was forecast to rise at 6 percent annually through to 2025, outpacing the overall market’s 4.8 percent.\textsuperscript{63} Given pent-up demand and the wealthier segment’s greater capacity to travel, that forecast could be expected to hold. To date, however, Australia has not been earning its share of this critical market, growing its market at only 1.8 percent per year.

This should be an opportunity for Australia, as we are rich in three assets wealthier holiday visitors seek the most: beach relaxation, ‘soft or hard’ adventure and immersion in culture and food.

- **Sun and beach relaxation** is a US$401 billion global opportunity, making up 45 percent of the high-end market: see Figure 18. Australia’s beaches and other coastal assets are arguably the world’s best, and looming improvements in aviation speed and convenience will make them more accessible: see Section 5.3.

- **‘Soft or hard’ adventure** is a US$205 billion opportunity, or 23 percent of that market. Adventure travel is expected to grow at double the pace of the overall market. Australia has the locations, though not yet the reputation, for both ‘soft’ (family) or ‘hard’ (millennial) adventure: see Section 3.1.

- **Culture and food** is a US$169 billion opportunity. Australia ranked in the top 5 countries for food and wine in the 2018 Tourism Australia High-Value Traveller survey: see Figure 17 above. However, our international projection of culture is uncertain, with strong elements of Indigenous culture balanced by mixed perceptions of our arts (art, music and theatre) and history (mix of Indigenous, settler and more recent multi-cultural).\textsuperscript{64}

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\textsuperscript{63} Amadeus; Oxford Economics, *Shaping the Future of Luxury Travel*, 2015.

\textsuperscript{64} Tourism Australia, *Consumer Demand Project*, 2020.
To increase their share of both Australian and global high-end holiday visitors, providers and destinations should target combinations of these three highly attractive drawcards.

**Figure 18: Australia ticks all three boxes for the luxury market**

### Luxury holiday market size and distribution

<table>
<thead>
<tr>
<th>Category</th>
<th>2018, US$B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Luxury holiday market</td>
<td>891</td>
</tr>
<tr>
<td>Sun and beach</td>
<td>401</td>
</tr>
<tr>
<td>Adventure</td>
<td>205</td>
</tr>
<tr>
<td>Culture and food</td>
<td>169</td>
</tr>
<tr>
<td>Other</td>
<td>116</td>
</tr>
</tbody>
</table>


**The domestic market is the best place to start**

Australians make 25 percent more luxury trips than the average international holiday visitor and ‘represent the highest consumers of luxury travel leisure nights’, according to the CEO of Virtuoso Luxury Travel. Those spending over $500 per night are more than twice as likely to do so overseas (65 percent of outbound spend) than at home (30 percent of domestic spend: see the bottom row in Figure 19). The sub-category of those spending over $1,000 per night was growing at 8 percent annually pre-Covid, with those travellers almost 4 times more likely to spend it overseas than at home. There is a clear opportunity to tilt some of these spends to domestic holidays, if the case can be made: see Section 3.2.

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3.6 International education: diversify to India and SE Asia

The highly valuable international education segment has seen a high concentration of students from particular markets including China, but there are opportunities for growth from India and the Emerging Asian market.

Australia has become an attractive destination for international students, as education providers have been highly effective in securing a large share of the international market for Australia. The segment is one of the largest contributors to long-term national economic and strategic benefits, but is also one that faces a most competitive international market. This section considers how:

- International education is a highly valuable segment for Australia,
- China’s current share is large yet vulnerable, and
- There are opportunities in emerging markets to rebalance the international student body.

Australia may pursue these opportunities while supporting its core markets as discussed in Section 4.4.

International education is a highly valuable segment

International students are arguably Australia’s highest-value international-visitor segment. After growing at 13 percent per year for the four years to 2019, their total spend of $12 billion in 2019 was fast approaching that of the international holiday and VFR segment.

---

66 ‘International students’ in the Visitor Economy have been traditionally defined as those who stay for less than 1 year at a time (i.e. they leave Australia at least once a year, no matter how long their course is). This does not include the many students who stay in Australia more than one year without leaving, so the volume and composition of Visitor Economy students does not equate to total international student figures.
Each of the 594,000 international students in the Visitor Economy in 2019 stayed an average 129 days per trip.

**China’s current share is high and vulnerable.**

However, these very positive numbers disguise challenges for Australia’s international education sector. The first is its heavy reliance on students from mainland China, who made up 55 percent of spend by the 2019 intake, a share four times that of the next biggest region or nation: see Figure 20.\(^67\) By comparison, the biggest sources of international students in the global market are China (17.8 percent), the UK (7 percent), India (6.7 percent), Vietnam (1.9 percent) and South Korea (1.8 percent): see Figure 21 below. Australia’s international student body does not reflect those proportions at all.

**Figure 20: China dominates Australia’s international student market**

<table>
<thead>
<tr>
<th>Region</th>
<th>Total education spend 2019, $M</th>
<th>Share of spend 2019</th>
<th>CAGR 2015-2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>6,804</td>
<td>55%</td>
<td>22%</td>
</tr>
<tr>
<td>Emerging Asia</td>
<td>1,327</td>
<td>11%</td>
<td>9%</td>
</tr>
<tr>
<td>India</td>
<td>573</td>
<td>5%</td>
<td>22%</td>
</tr>
<tr>
<td>Developed Asia</td>
<td>1,461</td>
<td>12%</td>
<td>2%</td>
</tr>
<tr>
<td>Developed English</td>
<td>484</td>
<td>4%</td>
<td>-5%</td>
</tr>
<tr>
<td>Other Western</td>
<td>439</td>
<td>4%</td>
<td>-1%</td>
</tr>
<tr>
<td>Other</td>
<td>1,275</td>
<td>10%</td>
<td>11%</td>
</tr>
</tbody>
</table>

Priority

Significant spend, strong growth

Diversify

Significant spend, accelerate growth

Source: TRA, International Visitor Survey

\(^67\) TRA, *International Visitor Survey.*
Figure 21: Australia’s international students are not representative of the international market

<table>
<thead>
<tr>
<th>Region</th>
<th>Total spend 2019, $B</th>
<th>CAGR 2015–19, %</th>
<th>Share of global international student market 2019, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indonesia</td>
<td>302</td>
<td>11%</td>
<td>0.9</td>
</tr>
<tr>
<td>Malaysia</td>
<td>402</td>
<td>2%</td>
<td>1.1</td>
</tr>
<tr>
<td>Thailand</td>
<td>209</td>
<td>8%</td>
<td>0.6</td>
</tr>
<tr>
<td>Vietnam</td>
<td>303</td>
<td>24%</td>
<td>1.9</td>
</tr>
<tr>
<td>Philippines</td>
<td>93</td>
<td>7%</td>
<td>0.3</td>
</tr>
<tr>
<td>India</td>
<td>573</td>
<td>22%</td>
<td>6.7</td>
</tr>
<tr>
<td>Japan</td>
<td>329</td>
<td>7%</td>
<td>0.6</td>
</tr>
<tr>
<td>Singapore</td>
<td>338</td>
<td>-2%</td>
<td>0.4</td>
</tr>
<tr>
<td>Korea</td>
<td>249</td>
<td>-1%</td>
<td>1.8</td>
</tr>
<tr>
<td>Taiwan</td>
<td>173</td>
<td>8%</td>
<td>N/A</td>
</tr>
<tr>
<td>USA</td>
<td>278</td>
<td>3%</td>
<td>1.5</td>
</tr>
<tr>
<td>Canada</td>
<td>94</td>
<td>-6%</td>
<td>0.9</td>
</tr>
<tr>
<td>UK</td>
<td>0</td>
<td>-58%</td>
<td>N/A</td>
</tr>
<tr>
<td>New Zealand</td>
<td>53</td>
<td>-21%</td>
<td>0.1</td>
</tr>
<tr>
<td>Other Western</td>
<td>427</td>
<td>-6%</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>1,187</td>
<td>11%</td>
<td></td>
</tr>
</tbody>
</table>

Source: UNWTO, Oxford Economics visitor inflow and outflow data; TRA International Visitor Survey; Unicef, Global Flow of Tertiary Students 2019

It may be that both China’s students and Australian universities are looking to diversify their choices.68 There were 21,000 fewer students from China enrolling in 2020 than there were in 2019, the biggest drop amongst top source countries.69 China is fast developing its own world-class universities, with six now in the global QS Top 100 (one fewer than Australia: see Figure 27 below) and many more emerging. As well, China’s government has issued safety warnings about travel to and study in Australia.70

Emerging Asia and India the most promising high-growth markets.

Fortunately, Australia is receiving strong interest from India and Emerging Asia nations, both with similar long-term socio-economic dynamics. Together they make up 15 percent of our intake, have added over $700 million in spend in the 4 years to 2019, and have large populations with a fast-emerging middle class looking for quality education not always available at home.71 The more advanced economies in the Developed Asia and Developed English markets also have pockets of potential.

- **Emerging Asia is already significant, and growing.** This market already represents a significant (11 percent) and growing portion of international student spend in Australia. That is not surprising, given that the region’s total population is over 670 million, with 4 nations in the world’s 20 most populous (Indonesia 276 million, Philippines 110 million, Vietnam 98 million and Thailand 70 million) and a growing middle class. Spending by Vietnamese students in Australia grew by 24 percent from 2015 to 2019, making it our fastest-growing segment and part of the surge which has made them the world’s fourth-

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68 Press and media, interviews with industry experts.
69 Austrade, *Current Education Data*.
largest international student population. Overall, the region grew at a strong 9 percent per year from 2015 to 2019.

- **India is a large market globally, and growing in Australia.** Indian students made up 6.7 percent of the global market in 2019 and were then on track to overtake the UK to become the world’s second biggest market. For Australia, the India intake grew at 22 percent per year from 2015 to 2019, as fast as that of China, to double within 3.5 years. India’s middle class continues to grow, it does not yet have a university in the QS Top 100, and it shares English as the common language across its diverse cultures. However, there is a risk that this level of continued growth will be reduced by the pandemic.

- **Developed markets have only pockets of growth.** The USA may remain a strong market, being by far our biggest English-speaking market, and having grown at a respectable 4 percent per year from 2015 to 2019. However, students from countries with high-quality education are increasingly likely to stay at home. For example, UK students are the second largest global cohort, but their numbers in Australia have fallen at the rate of 11 percent a year since 2015.

  Similarly, Australian universities have seen minimal growth in Developing Asia, who again have strong options at home. The exception may be Taiwan: student numbers are now exceeding 10,000 after growing at 8 percent a year.

How Australia may best pursue these markets is discussed at Section 4.4 below, with the global market becoming more complicated by the sector’s increasing reliance on online delivery.

### 3.7 Actions for growth, sustain and at-risk markets

As this chapter suggests, each market segment in the Visitor Economy faces different opportunities and challenges. The strategies they may need are in part governed by their differing growth potentials: high, stable and at risk.

- **Growth markets into which we should aim to (further) diversify and grow.** Domestic, high-end and Asia ex-China holiday makers are all critical to enlarge the breadth and depth of the Visitor Economy. Capturing strong shares of these markets will require ever stronger market intelligence, distribution channels, digital experiences, point-to-point travel and travel infrastructure. Marketing could focus on international and domestic visitors equally, and include multi-experience packages curated to capture high-end, higher-yield segments.

- **Existing markets that we should support and sustain.** English-speaking and Chinese holiday makers and Chinese students were very large contributors of visitor spend pre-Covid, and many destinations and providers are geared to welcome them. The actions suggested above should add to or enhance current activity geared for existing markets, rather than be at their expense.

- **Risk markets that we will need to manage.** International and domestic business will need rebuilding post-Covid and targeted and innovative propositions in the long term.

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72 QS Top Universities, *World University Rankings 2020*. 
Now that we have identified which visitor segments to target, we have to make a compelling case for them to come here, whether it be for holidays, big events, education or business.
4 Giving powerful reasons to come

There are 3 big reasons to travel to or around Australia: to visit a city or a regional destination (for leisure or business), to attend an event, or to pursue education.

There is fierce global competition in all these markets, and Australia has its ‘distance handicap’. Flying to and around Australia takes considerably more time and expense than elsewhere, even though airfares have been trending down. That has helped protect us through the pandemic, but now Australian destinations will have to work harder than ever to ensure that the visitor’s experience is worth that additional investment.

This chapter considers how Australia’s offers can become increasingly modern, diverse and collaborative through the decade:

4.1 City magnets: world-class cities that are magnets to visitors.
4.2 Regional destinations that are packed with experiences.
4.3 Event ecosystems that generate trip after trip.
4.4 Quality education in welcoming communities.

4.1 City magnets

Cities could shift their domestic and international profiles from ‘liveable’ cities to ‘visited, loved and liveable’ cities – modern and diverse in their visitor experience.

Hobart’s Museum of Old and New Art (MONA) is testimony to what imagination and collaboration can create for a state: the ‘MONA effect’ has become the term that describes the sharp increase in visitors, not only to Hobart but also to the rest of Tasmania, since its opening in 2011. It has prompted an ever-growing selection of cultural festivals and boutique food and wine establishments to create a fresh international image as a cultural escape worth making.73

This section considers how:

• The pandemic disruption may have short and longer-term consequences,
• Sydney and Melbourne may be global cities, but all of Australia’s very ‘liveable’ cities have the potential to be ‘visited, loved and liveable’, and
• To make sure they are, visitor economies can form coalitions and strategies to confirm city brands, supporting them with holistic planning, events and promotion, all in pursuit of attracting visitors and surpassing their needs.

Opportunities: Consider extending: coalitions to ensure that city strategies have a strong Visitor Economy vision with one or more city drawcards (icons, events, nightlife, culture or education) and clear target markets; and collaborative efforts to improve digital and physical infrastructure, and investments in drawcard experiences and their promotion.

The pandemic’s short and longer-term disruption

Cities are experiencing a threefold impact during the pandemic, with the loss of both international and business visitors, as well as their own CBD workers. Sydney lost 42

73 Interviews with industry experts; press and media.
percent of visitors in 2020, Melbourne lost 58 percent and all other cities lost, on average, 32 percent of visitors. City hotel occupancy rates have hit all-time lows: from a pre-Covid average of over 80 percent in Sydney and Melbourne down to 10 percent at points of the 2020–21 summer ‘peak’ season. Many workers in hotels, as well as in theatres, cafes, bars and restaurants, relied on JobKeeper, but many were ineligible casuals and found more secure work in other industries, if at all.

This is a structural adjustment that may take some time to play out. However, some shifts may favour the Visitor Economy in the medium term. Cities are becoming more balanced, with many suburban areas becoming working hubs, complete with more lively daytime trade and entertainment options. Conversely, economists are calling for empty office buildings in the CBDs to be converted to dwellings, which would bring more daytime variation and active nightlife to what have become monocultural ‘dead hearts’.

In the nearer term, cities could work to attract their two most immediate markets, domestic holiday and business visitors, building up the facilities and expertise that can later attract international visitors. For domestic visitors, cities can prepare and promote domestic ‘staycations’ that promote the strategic personality of each city (see below), and attract interstate visitors. For business visitors, cities can stage national business conferences and other events again to build on their specific industry reputations: see Section 4.3.

However, these steps will not be enough to rejuvenate our cities and fulfil their potential as global and domestic magnets for visitors of all types. Any additional investment needs a longer-term strategy.

**Shifting ‘liveable’ cities to ‘visited, loved and liveable’**

While Sydney and Melbourne are already global tourism cities, our other capitals can take advantage of our growing domestic market, and set themselves up to capture more international visitors.

Prior to the pandemic, Australia’s largest cities were popular destinations for domestic and international visitors, and critical gateways for the rest of the country. Sydney or Melbourne earned Top 100 positions in Euromonitor rankings of the world’s most visited cities. These are truly international cities, within Melbourne ranking #2 (falling just behind Vienna after being #1 for 7 years) and Sydney #3 in the Economist Intelligence Unit’s global liveability rankings. They also rank in the top 10 QS best cities for a student to live in: Melbourne #3 and Sydney #9. To hold their global status, they will need to continue to invest in their value proposition as a destination.

However, the $43.1 billion spent in Sydney and Melbourne (see Figure 22) accounts for more than 30 percent of all visitor spend, and 59 percent of all international spend. That dominance suggests there may be opportunities for other cities. All of them rank high in the EIU’s global liveability (Adelaide #10, Perth #14 and Brisbane #18) and in the Top 50 QS global best cities for students (Brisbane #22, Canberra #23, Adelaide #26 and Perth #41). This is extraordinary for a country of this population. People who spend time in these cities

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75 Smith, A, ‘Vacant CBD offices could be used for housing’, Sydney Morning Herald, 20 April 2021.
77 Economist Intelligence Unit, The Global Liveability Index, 2019.
78 QS Top Universities, QS Best Student Cities 2019.
love their stability, health care, culture, environment, education, climate, sport, food and beverages – to name a few qualities measured in the rankings. The challenge for the Visitor Economy is to create reasons for people to come and experience those qualities. That may take events like Dark Mofo and other attractions to break into the national and international consciousness.

Figure 22: Four of the top 5 destinations are our biggest cities

<table>
<thead>
<tr>
<th>Destination</th>
<th>Total visits 2019, 000</th>
<th>Total spend 2019, $B</th>
<th>Share of whole region GVA 2018–19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sydney</td>
<td>44.9</td>
<td>22.8</td>
<td>2.5%</td>
</tr>
<tr>
<td>Melbourne</td>
<td>39.5</td>
<td>20.3</td>
<td>2.7%</td>
</tr>
<tr>
<td>Brisbane</td>
<td>31.1</td>
<td>10.4</td>
<td>2.6%</td>
</tr>
<tr>
<td>Perth</td>
<td>22.3</td>
<td>7.4</td>
<td>1.9%</td>
</tr>
<tr>
<td>North Coast NSW</td>
<td>15.3</td>
<td>5.2</td>
<td>6.9%</td>
</tr>
<tr>
<td>Gold Coast</td>
<td>14.2</td>
<td>5.9</td>
<td>7.7%</td>
</tr>
<tr>
<td>Hunter</td>
<td>13.3</td>
<td>3.2</td>
<td>2.7%</td>
</tr>
<tr>
<td>South Coast</td>
<td>12.8</td>
<td>3.3</td>
<td>5.3%</td>
</tr>
<tr>
<td>Sunshine Coast</td>
<td>12.3</td>
<td>3.7</td>
<td>7.3%</td>
</tr>
<tr>
<td>Adelaide</td>
<td>9.7</td>
<td>4.5</td>
<td>2.8%</td>
</tr>
</tbody>
</table>

Source: TRA International and National Visitor Surveys

A collaborative strategy to make cities ‘visited and loved’

To meet that challenge, providers in each city might further collaborate and build broad community support for a holistic city-visitor strategy, one that keeps their cities firmly in mind in an increasingly competitive travel market, and is consistent with or even a major component of their city’s overall strategy.

There are four major tasks in creating this city vision: forming coalitions to align the city and visitor strategies, getting the basics right for visitors as well as residents, establishing the drawcards and personality that the city will be known for, and promoting the end result.

- **Form coalitions to ensure city plans support Visitor Economy strategies.** All our cities seek better economic, social and environmental outcomes for their residents, and have major public plans to that end – for example, the *Future Melbourne 2026* strategy. However, as these plans appropriately focus on the needs of residents, they tend to have a less holistic focus on the segments that make up the Visitor Economy. Organisations such as the Committee for Sydney and Committee for Melbourne exist to help all stakeholders focus on and contribute to their city’s aspirations. Providers will need to form coalitions to ensure that they are well-represented at the planning table (particularly at its decision-making end), and that there is a strong fact-based understanding of their needs.

- **Improve digital and physical infrastructure.** Cities that are good to live in and visit have good connectivity (transport, streetscape and digital) and good personal security (safety, health services and accommodation). As shown by their global rankings,
Australian cities provide these attributes well for residents, but more is needed to attract a greater share of visitors:

- **Digital connectivity.** Digital platforms that seamlessly assist bookings, transport and social media for their visitors, including those with a disability, are critical for cities and the digitally advanced millennial, student and Asian visitors they want to attract: see Section 5.2.

- **Transport.** Australian cities have invested heavily in public transport over the past decade, but their over-reliance on private vehicles means most sit halfway down the 100 cities in the 2017 Arcadis Mobility Index. Visitors are more heavily dependent on public transport, and appreciate shared mobility, multilingual information, access for people with disabilities and streamlined ticketing and payments. This applies to travel within the city, as well as connecting with airports and cruise terminals.

- **Safety.** Australian cities rank very highly as places to study (see Section 4.4) and Melbourne and Sydney rank in the top 12 worldwide for digital, health, infrastructure and personal security. However, that reputation can be undone by reports like those in 2019 of robberies and physical attacks targeting international students in Melbourne.

- **Build the drawcards and personality that the city will be known for.** Many global destinations centre their Visitor Economy strategies on a unique event, attraction or personality that keeps them high on the global visiting ‘bucket-list’. While cities need to have something for everyone, they do need a strong reputation for at least one outstanding attraction.

- **Promote the strengths.** All research, promotion and distribution channels can be aligned for a city to change market perceptions. For example, ‘Glasgow: Scotland with style’ was the cheeky 2004 campaign of Scotland’s second city, prioritising culture and attracting major events to increase its hotel occupancy rate from 68.8 percent to 77.1 percent within four years, and making it the UK’s fourth most-visited city by international visitors.

Many cities are already doing many of these things. The push is for them to proceed in a holistic, collaborative way, and for Australian cities to be in co-opetition, sharing ideas and differentiating their visions, in the knowledge that stronger outcomes in one will benefit all.

In the shorter term, cities can work to attract their two most immediate markets – domestic tourists and business visitors – by promoting domestic ‘staycations’ that start to build the strategic flavour of each city. Any additional investment, however, would need to align with a longer-term strategy.

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79 Arcadis, *Sustainable Cities Mobility Index 2017.*
80 Economist Intelligence Unit, *Safe Cities Index, 2017.*
81 Wilks J, ‘Recent campus attacks show universities need to do more to protect international students’, *The Conversation*, 10 July 2019.
Settling on a city’s brand or personality

Cities do not need to compete directly. The size and diversity of the Visitor Economy’s market segments means that a distinctive proposition can attract a large number of fans.

- **Icon cities.** Sydney will always have its Bridge and Opera House but it no longer has a monopoly on iconic attractions, as Hobart’s MONA shows. Spain’s Bilbao was an industrial backwater before the Guggenheim put it firmly on the tourist trail. Even cities with existing icons can add more: New York’s High Line is an elevated rail track converted into an urban park, attracting 8 million visitors each year and making its neighbourhood a hip new architectural hotspot.¹

- **Event cities.** As we discuss in Section 4.3 below, cities can generate a regular calendar of diverse events that can support infrastructure, venues, accommodation and flights over a whole year.

- **Night-life cities.** Melbourne prides itself on its nightlife, but others are seeking to match it. Sydney’s 24-hour Economy Strategy is aiming to regain its right to be called a night-time city. To do so, it is diversifying its nightlife with cultural, leisure and social activities for all ages, and supporting it with after-hours public transport, essential services and stores. In 2018, Perth achieved the highest growth in the number of night-time establishments, employment and turnover, albeit off a lower base.¹

- **Culture cities.** Melbourne has built excellent cultural venues and a strong independent arts sector over many years, capped by the Melbourne International Comedy Festival and Melbourne Writers’ Festival, to become known as Australia’s cultural (and sporting) capital: 38 percent of surveyed domestic visitors in 2017 thought Melbourne the most creative Asia Pacific city (compared to 28 percent for Sydney).¹

- **Education cities.** These are cities with campuses as a visible part of the urban streetscape, strong student-support services, and safe, social and cultural ecosystems: see Section 4.4 below. Universities work with adjacent precincts to enliven the culture while prioritising safety.
4.2 Regions packed with experiences

Regions should drive growth in domestic visitors and capture niche international markets with more integrated ‘ecosystems’ of diverse experiences and modern infrastructure.

If the Visitor Economy develops more world-class clusters, it will offer more choices to domestic and international visitors, and more opportunities for providers to share their passions. This section considers how:

- Most destinations rely on domestic visitors, who helped them through the pandemic,
- More regional destinations in more states could attract more visitors,
- Destinations could become more attractive for domestic holiday makers,
- They may consider niche strategies for international and business visitors,
- They may pursue Indigenous-led Visitor Economy partnerships, and
- They must strengthen resilience planning and sustainability practices.

For regional destinations to succeed, they would confirm that they have a collaborative 7-point plan that comprises a compelling anchor attraction, a supporting ecosystem of activities, seamless physical and digital access, options for high-end accommodation, strong promotion, a strong social licence to operate and dedicated management of climate-change risks. Activities may be selected from the growing trends for authentic, adventure, cultural, Indigenous, luxury, digital and eco-tourism experiences.

Opportunity: Consider how best to prioritise destinations with high potential, and to accelerate their growth through a collaborative 7-point plan.

Most destinations rely on domestic visitors

Our regions have long had a healthy share of the Visitor Economy, albeit one split into very different economic experiences. Pre-pandemic, destinations outside the capital cities accounted for 48 percent of overall Visitor Economy spend, split almost evenly between destinations less and more than three hours’ travel from a capital city.\(^{83}\)

Domestic visitors are the lynchpins of regional destinations, accounting for over 90 percent of regional spend. That is nicely spread with the top 10 destinations accounting for only 46 percent of total domestic regional spend in 2019, and no one destination earning more than 8 percent: see Figure 22 above. This reflects that much domestic travel is intrastate, with urban dwellers visiting nearby coastlines and food and wine regions like the Barossa, the Margaret River and the Hunter. The Hunter is the most visited non-coast destination, due to its proximity to Sydney and its ability to project itself as a true multi-experience destination – and to its including the coastal city of Newcastle.

These relatively local trips ensured that overall occupancy rates for regional accommodation recovered much faster than those in the capital cities: see Section 5.4. However, locations like Tropical North Queensland, that earned at least 20 percent of revenues from international visitors pre-Covid, saw a 52 percent drop in spend, almost double that of other regions. With air and other services constrained, these locations lost more than just international business. For example, the Lasseter region (spanning Uluru-Kata Tjuta and Watarrka National Parks) lost 77 percent of visitor spend in the pandemic. Conversely, the

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\(^{83}\) All data in this Section is from TRA, *International and National Visitor Survey.*
The pandemic has steered domestic visitors heavily towards their home-state attractions, in a boom that may be hard to sustain once borders re-open.

**Figure 23: The coast dominates regional visits**

<table>
<thead>
<tr>
<th>Domestic visits</th>
<th>2019, 000s</th>
</tr>
</thead>
<tbody>
<tr>
<td>North Coast, NSW</td>
<td>Coastal regions</td>
</tr>
<tr>
<td>Gold Coast, QLD</td>
<td>Inland regions</td>
</tr>
<tr>
<td>Hunter, NSW</td>
<td></td>
</tr>
<tr>
<td>South Coast, NSW</td>
<td></td>
</tr>
<tr>
<td>Sunshine Coast, QLD</td>
<td></td>
</tr>
<tr>
<td>Mornington Peninsula, VIC</td>
<td></td>
</tr>
<tr>
<td>Australia’s South West WA</td>
<td></td>
</tr>
<tr>
<td>Central Coast, NSW</td>
<td></td>
</tr>
<tr>
<td>Great Ocean Road, VIC</td>
<td></td>
</tr>
<tr>
<td>Central NSW</td>
<td></td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td><strong>225,633</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>International visits</th>
<th>2019, 000s</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gold Coast, QLD</td>
<td></td>
</tr>
<tr>
<td>TNQ, QLD</td>
<td></td>
</tr>
<tr>
<td>North Coast, NSW</td>
<td></td>
</tr>
<tr>
<td>Sunshine Coast, QLD</td>
<td></td>
</tr>
<tr>
<td>Great Ocean Road, VIC</td>
<td></td>
</tr>
<tr>
<td>Whitsundays, QLD</td>
<td></td>
</tr>
<tr>
<td>Hunter, NSW</td>
<td></td>
</tr>
<tr>
<td>Australia’s South West WA</td>
<td></td>
</tr>
<tr>
<td>South Coast, NSW</td>
<td></td>
</tr>
<tr>
<td>Lasseter, NT</td>
<td></td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td><strong>6,498</strong></td>
</tr>
</tbody>
</table>

Source: TRA, International Visitor Surveys and National Visitor Surveys
More regional destinations in more states could attract more visitors

After the top 5 domestic destinations, there is a relatively steep drop in visitation and spend to the next dozen, which include highly attractive places like the Margaret River, Broome and the Kimberley, and the High Country. Iconic places like the Whitsundays and Lasseter (NT) do not appear in the top 10 domestic destinations, reflecting the distances and cost entailed in getting to them, which may suggest that many Australian visitors think they can postpone their trips to these places to ‘later’. As importantly, no regions at all from South Australia, the Northern Territory or Tasmania ranked in the top 15.

In addition, international visitors heavily concentrate their spend on the north-eastern coastline: see Figure 23. Well may we say “the Reef and the Rock”, but Uluru-Kata Tjuta only just scrapes into the top 10 destinations in terms of spend. Overall, the top 10 destinations account for 68 percent of international spend in the regions (and the top two account for 41 percent), indicating a more concentrated top 10 than for domestic visitors.

A more vibrant and resilient Visitor Economy would see a more even spread of domestic and international visitors across more destinations. It would have more ‘bucket-list’ destinations for domestic visitors – the Northern Territory road trip, the Margaret River or Fraser Island – with more of those destinations highly sought after by international visitors.

Create more attractive destinations for Australian holiday makers

Trips to Australia’s regional destinations are overwhelmingly domestic holidays, so it makes sense for destinations to cater well for them. Other reasons for travel (work and business or education) may be a niche strategy for some destinations, as we discuss below.

If more destinations could become must-see experiences to attract people interstate, they could leverage that investment and turnover to attract people from overseas. To do so, a destination would need seven distinct strengths:

1. **An anchor attraction**, one that people want to go to. Some destinations are blessed with natural features or cultural experiences, while others have built up an irresistible food, wine and culture region, often highlighted by annual events.

2. **A supporting ecosystem that delivers ‘classic’ itineraries.** A destination needs diverse, quality experiences for multi-generational visitors, to avoid being a one-hit wonder. These may span cultural, immersive or adventure activities alongside the anchor attraction, as well as offering consistently strong service, accommodation and dining. Destinations and their anchor attractions may consider supporting pilots of new attractions to test how they can cater to the accelerating trends in consumer preferences and demographics. They may consider deeper welcomes to country as starting points for Indigenous-led enterprises that offer First Nation nature, aquatic and culinary experiences: see further below.

3. **Luxury accommodation options.** Wealthier Australians are keen to visit regional destinations for the nature and adventure they offer, but the high-end market is not well catered for in regional destinations: see Section 5.4. Boutique high-end accommodation can be its own destination, but it is more likely to succeed if it is nestled in a region with a strong supporting visitor ecosystem. Given high-end visitor preferences, their accommodation would ideally be in a culturally enriched natural environment.

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84 All data in this Section is from TRA, *International and National Visitor Survey.*
4. **Seamless physical and digital access.** This would include regular and affordable direct flights, or the benefit of being close to a capital city. It would also include easy public or shared transport when there, parking that does not detract from the site itself, and broadband access of global city quality. Destinations should ensure there is physical and digital access for the elderly and people with a disability. Destinations that wish to cater for cruise passengers have the additional challenge of building port facilities that pass operational, financial, community and environmental tests.

5. **Strong marketing of that value proposition.** This includes outreach of all types, as well as a digital preview of the destination that inspires commitment once the idea has been planted.

6. **A strong social licence to operate.** Even more so than cities, the Visitor Economy in regional destinations needs balanced development and the full support of the community. Visitor Economy businesses will only operate successfully if they are welcome in their communities, for they and their customers can easily sense when they are not.

7. **Dedicated resilience and sustainability strategies,** including adaptation to increased costs and risks to peak seasons and natural attractions (see below).

The experience of the Great Ocean Road since its 2015 strategic master plan suggests how the social licence and additional social infrastructure may be just as important as the development itself. The plan brought investment in accommodation, car parks and roads, and lifted visitation from 4.8 million in 2015 to 7 million in 2019.\(^{85}\) While the additional income and employment were appreciated, the heavy bus and car traffic changed the nature of small coastal communities. Although the pandemic has returned the region to relative tranquility, it also offers the opportunity to reconsider what facilities are needed to serve both increased visitation and local communities.\(^{86}\)

Australia has a number of world-class natural attractions and diverse experiences that could be candidates for sustainably increased visitation. For example, Mungo National Park has rock formations and desert landscapes to challenge Lasseter, but attracts only 5 percent of Lasseter’s visitor spend; the Barossa has the epicurean qualities to match those of the Hunter region, but takes in only 7 percent of the Hunter region’s revenues. The Margaret River region is the same distance from Perth as the Great Ocean Road is from Melbourne, but has seen only 3 percent growth between 2015 and 2019.\(^{87}\) A number of locations, including the Flinders Ranges, Shark Bay, Kimberley, Kakadu, Menindee Lakes, Snowy Mountains and Tasmania, all have qualities for building destination appeal.

### Consider niche strategies for international and business visitors

The seven strategic elements outlined above are needed for domestic visitors, but once in place they will be equally ready for international visitors. With revenues from domestic visitors, destinations and providers may invest further to attract and cater for their targeted global markets. But these would be incremental actions, rather than starting from scratch. Similarly, destinations may seek to draw more business travel from the capital cities, with high-quality infrastructure and connectivity for meetings, conferences, incentives and

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\(^{85}\) TRA, *International and National Visitor Survey.*

\(^{86}\) ABC News, ‘Victoria’s Great Ocean Road is going quiet, and it’s both a blessing and a curse for locals’, 24 January 2021.

\(^{87}\) TRA, *International and National Visitor Survey results.*
events. Facilities to host business events would be the major investment, assuming that physical and digital access is in place for holiday makers. For example, the Gold Coast was able to attract 49 percent of all conferences, meetings and incentives in Queensland during 2019, much of it from interstate. The Gold Coast Convention and Exhibition Centre and the Currumbin Wildlife Sanctuary provided the venues and hospitality, while Destination Gold Coast pursued the marketing. Higher yields could be earned with higher-end accommodation options. But none of that would be possible without supporting ecosystems and physical and digital access already in place.

### Pursue Indigenous-led Visitor Economy partnerships

Indigenous experiences can be offered as much in the cities as in the regions. However, we discuss their potential in this section because our research suggests that visitors prefer their Aboriginal experiences to engage with nature and wildlife, rather than with urban cultures. This section considers both the interest in Aboriginal experiences, and the need for Indigenous-led partnerships to provide them.

- **There is evidence of a strong latent interest in Indigenous experiences that the Visitor Economy may both stimulate and meet.** The evidence for growing interest in Indigenous events or experiences is real but modest. Tourism Australia’s 2021 CDP found that an Indigenous experience ranks only 17th of 21 factors in people’s travel choices; only German respondents ranked it in the top 10.

  However, the CDP also showed how ready visitors may be to put an Australian Aboriginal experience on their itinerary. The respondents revealed that Australia is the country they most associate with an Indigenous experience, so the more interested they become, the more Australia will benefit. Their awareness of Indigenous experiences in Australia is currently very low but, when introduced to what is available, respondents found them very appealing. In addition, those finding them the most appealing were from our target source markets, the top being India (55 percent of respondents finding it ‘very’ appealing, and 88 percent ‘very or somewhat’), Indonesia, China, Malaysia and the USA. Overall, the intention to engage in Aboriginal experience rose from 37 percent to 51 percent as a result of learning more about them. Of most interest was engagement with nature and wildlife, coastal and aquatic, and culinary experiences.

- **Meeting that demand must be done in a way that balances respect for traditional ways, culture and intellectual property with the best business, customer-experience, curatorial and digital expertise.** Although Indigenous-led and controlled initiatives are essential to meet demand, appropriate collaborations may be needed to bridge institutional, capability and resource gaps. The voices of Indigenous Australians and the broader Visitor Economy should be raised together to ensure that Indigenous culture and pride are celebrated and supported. Recognition and promotion continues to be offered through the National Indigenous Australians Agency (through the Indigenous Tourism Fund) and Tourism Australia (through its signature experience program, Discover Aboriginal Experiences).

  Capability gaps can be closed by Indigenous-led collaborative initiatives that respect the intellectual property of Indigenous people. Strong examples of these ventures were

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89 Meetings with industry experts; Phocuswright, 2018, *The In-Destination Experience: Why We Travel*.
90 Tourism Australia 2021, *Consumer Demand Project*.
highlighted in the Indigenous Tourism Champions Program, which provided access to business development specialists, targeted funding and international and trade marketing for selected quality Indigenous tourism businesses.

However, capability and resources may not be sufficient to provide reliably powerful and sustainable experiences. Challenges include access to start-up finance and capital, and recruiting and retaining appropriately skilled labour. There may therefore be richer collaborations with tourism, business, cultural, curatorial and digital experts, from a wider range of national and international backgrounds.

Resource gaps are also emerging in deeper marketing analysis. Initiatives are typically local, with little capacity to explore the international and national desires for Indigenous experience, and how to meet them. Their primary research is patchy feedback from their own customers. Research is needed to close this gap. To the extent that it is culturally possible and appropriate, pathways could be explored for Indigenous ventures to attain the scale they would need to undertake their own research.

Indigenous-led ventures that target nature and culinary experiences are an essential part of a destination’s ecosystem of experiences. 

**Opportunity:** Consider how to improve business capability and awareness of Indigenous experiences in a way that balances respect for traditional ways and implements best customer and business practices.

### Strengthen resilience planning

Regional destinations have had strong reminders over the last two summers of how natural disasters can threaten attractions, communities and businesses. Regional visitor economies will have to strengthen their resilience planning, including the greater risk of lost seasons, and higher capital and operating costs.

- **Greater risk of lost seasons owing to extreme weather events.** The 2020 Australian bushfires spanned the peak summer holiday season and cost the Visitor Economy approximately $4.5 billion in cancellations and damaged property. The 2021 floods severely affected the Easter holiday season after rainfalls not seen since 1961. Rising temperatures may also shorten visitor seasons in outback locations, with daytime temperatures in the Red Centre expected to exceed 35 degrees on 113 days per year by 2030, up from 80 days today. Business continuity and resilience plans must factor in the increased likelihood of extreme weather events, and the compounded severity of these events in the future.

- **Rising costs to manage natural-disaster risk.** The insurance industry was one of the earliest to track the rising severity and probability of natural disasters, and factor them

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91 Meetings with industry experts.
93 Thompson A and Cormack L, ‘NSW weather as it happened: Floods across Sydney and NSW as more rain lashes the state, Warragamba Dam spills’, The Sydney Morning Herald, 21 March 2020.
95 CSIRO and BoM, State of the Climate 2020.
into its risk assessments.\textsuperscript{96} In the wake of the 2020–21 disasters, bushfire premiums in Victoria’s alpine resorts rose by 400 percent, and bushfire and storm premiums for caravan parks have become almost prohibitive.\textsuperscript{97} Assets in at-risk areas will also need to be upgraded or rebuilt to more resilient building standards.

As regional businesses and communities become aware of the need to reduce their vulnerability to disaster risks, they may create and realise value by addressing those risks. The Australian Government’s 2020 Guidance for Strategic Decisions on Disaster Risk suggests that communities take a more whole-of-system, resilience approach to managing risks to them and their visitors, rather than focusing on the most immediate hazards.\textsuperscript{98}

### 4.3 Event ecosystems

**Make diverse events a key element of long-term national, city and regional strategies, and of post-pandemic strategies.**

Australia’s big events – cultural, sporting and business – drove over 10 million visitor trips in 2019, adding $5 billion to the Australian economy.\textsuperscript{99} Attending them may be mandatory, or an excuse to finally visit Australia or travel interstate. Hosting them can stimulate and underwrite investment, and build profiles and relationships. Australia’s destinations will need to attract these events to accelerate their Covid recovery, and help underpin the infrastructure on which other visitors rely.

This section considers how:

- Events have multiple, critical roles for the Visitor Economy, and
- Event strategies at national, city and regional levels need to ensure that they have the right number of show-stopping events on their calendars, each with an ecosystem of satellite events, and access and financial infrastructure in place.

**Opportunities:** Consider how best to leverage events to kick-start travel post-Covid, stimulate and promote a calendar of events in destination strategies, and explore financial enablers such as funding pools to mitigate upfront costs.

**Events have multiple, critical roles for the Visitor Economy**

Events have benefits well beyond the direct revenue. They drive incremental trips and spend to adjacent providers, help promote the destination (generating invaluable word of mouth), and underwrite investment in infrastructure. Cultural and sporting events like Mardi Gras, the Adelaide Fringe and the Ashes also play key roles in our national stories. Business events can generate more new business for Australian enterprises, build relationships and provide a powerful tool for knowledge sharing.

Event visitors tend to spend more than other visitors, and therefore generate more jobs and investment. Overall, those attending an event spend about twice as much per night as holiday visitors. For example, those arriving from overseas for a business event in 2019

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\textsuperscript{96} See for example IAG and Swiss Re’s involvement with Origin, Visy and Westpac in The Business Roundtable on Climate Change’s 2006 report *The Business Case for Early Action on Climate Change.*

\textsuperscript{97} Peck J, “Bushfire insurance premiums up by as much as 400 percent in Victoria’s alpine regions”, *ABC News*, 11 December 2020.

\textsuperscript{98} Department of Home Affairs, *Guidance for businesses to help reduce disaster risk*, 2020.

\textsuperscript{99} TRA, *International and National Survey*; interviews with industry experts.
spent on average $4,800 during their whole trip, 83 percent higher than a holiday maker’s $2,600.\footnote{TRA, International and National Survey; interviews with Tourism Australia.}

Each of the three main event sectors has a successful history in Australia. Figure 24 shows the following:

- **Business events** attracted over 1.8 million visitor trips in 2019, growing at over 8 percent annually since 2015, with indicative events being Amway China Incentive Event (2019; 6,500 visitors) and the International Aeronautical Congress (2017; 4,470 visitors).\footnote{Business Events Council, *Value of Business Events to Australia: FY19 high-level update*, 2020.}

- **Cultural events** attracted over 5 million visitor trips in 2019, growing at over 6 percent annually since 2015. For example, Vivid Sydney 2019 attracted 86,700 international travel packages, up 19 percent on 2018, among its total 2.4 million attendees. \footnote{Destination NSW, ‘Vivid Sydney 2019 breaks all records for visitation’, 6 September 2019.} The Adelaide Fringe attracted almost 35,000 interstate and international visitors in 2019, a 72 percent increase on 2018, and generated $36.6 million in visitor spending, up 24 percent.\footnote{Adelaide Fringe, ‘2019 Adelaide Fringe increases tourist attendance by 72 percent’, 5 June 2019.}

- **Sporting events** such as the Grand Prix, State of Origin and Australian Open attracted approximately 4.6 million visitors, about 10 percent of them international.\footnote{TRA, *International and National Visitor Surveys*.}

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**Figure 24: Events draw in the crowds**

<table>
<thead>
<tr>
<th>Overnight holiday makers attending events</th>
<th>CAGR 2015–19</th>
<th>CAGR 2015–19</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Domestic visitors</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Festivals, fairs and cultural events</td>
<td>4,019</td>
<td>7%</td>
</tr>
<tr>
<td>Business events</td>
<td>1,198</td>
<td>9%</td>
</tr>
<tr>
<td>Sporting events</td>
<td>4,177</td>
<td>5%</td>
</tr>
<tr>
<td><strong>International visitors</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Festivals, fairs and cultural events</td>
<td>1,013</td>
<td>4%</td>
</tr>
<tr>
<td>Business events</td>
<td>625</td>
<td>7%</td>
</tr>
<tr>
<td>Sporting events</td>
<td>449</td>
<td>1%</td>
</tr>
</tbody>
</table>

Source: Tourism Australia; Business Events Council; TRA, National and International Visitor Surveys

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**Building event ecosystems**

Australia’s proven track record of hosting major events has led to successful bids for upcoming global sporting events: the ICC Men’s 20/20 in 2022, the Women’s Soccer World Cup 2023 and of course the Olympics in 2032. Our record of Covid management will add to that advantage, assuming that there is a timely vaccine rollout.

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\footnote{TRA, *International and National Survey*; interviews with Tourism Australia.}
\footnote{Business Events Council, *Value of Business Events to Australia: FY19 high-level update*, 2020.}
\footnote{Destination NSW, ‘Vivid Sydney 2019 breaks all records for visitation’, 6 September 2019.}
\footnote{Adelaide Fringe, ‘2019 Adelaide Fringe increases tourist attendance by 72 percent’, 5 June 2019.}
\footnote{TRA, *International and National Visitor Surveys*.}
This record can feed into a steady stream of major events, at both national and destination levels, to add resilience to the Visitor Economy. Destinations may confirm that their event and visitor strategies are closely aligned, and have four essential elements in place.

1. **A calendar of annual events that aligns with the destination’s natural advantages.** World-class event cities have 10–15 anchor events spread throughout the year, aligned with target-market travel preferences and school holidays, as well as periods of low demand. Cities like Dubai and Singapore have been able to leverage their positions as travel hubs to become event destinations. Others adopt a more thematic strategy that aligns with their global reputation. For example, Berlin regularly hosts medical and advanced science conferences, drawing on about 1,500 professional associations and 22 technology parks. San Francisco can attract events that showcase the digital and high-tech wonders of Silicon Valley.

Australia has national recognition for sport and mining, a strong drawcard for global events in Western Australia. Yet Australia’s cities are also building a reputation for world-class cultural and social events such as Sydney’s New Year’s Eve and Vivid, Adelaide’s International Writers’ and Fringe Festivals and Hobart’s Dark Mofo.

2. **Satellite-event capability.** It is rare for a stand-alone drawcard to bring visitors across the oceans or interstate, as the Olympics or Edinburgh Fringe may do, and then go on to generate repeat business. Rather, the anchor event will need a host of satellite events to maintain energy, cater for a wide range of visitor interests, and spread arrivals and departures over a longer period. For example, the Singapore F1 Grand Prix is accompanied by a month of activities which span film and the broader arts, DJ productions, game and comic conventions, gourmet wine and food, and the Singapore Lantern Festival. This strategy also enables regional participation in the event: for example, state-wide Dark Mofo (not just Hobart), or state-wide Vivid across NSW.

3. **Well-connected physical infrastructure.** Australia’s cities have good pieces of infrastructure, but will have to consider whether they have the full package. Leading event destinations such as Orlando (USA), Singapore or Tokyo offer large and flexible event spaces that are embedded in highly efficient public-transport networks. These enable event goers (for business events in particular) to focus on the relationships they are there to build, rather than logistics they endure.

4. **Appropriate financial enablers.** As an Australian event automatically adds a day or two’s travel to the visitor’s itinerary, the role of financial enablers may be significant. Some governments have a ‘subvention fund’ to lessen the risks of organisations which seek to host international or large national events. Tourism Australia’s Business Events Bid Fund does exactly that, having supported 40 competitive bid successes since July 2018 for events which generated $982 million in economic value or $31 for every dollar invested. South Korea, the Netherlands, Cyprus and Malaysia are just some of the many other countries which have adopted a subvention-fund strategy. Organisers can apply for a grant, loan or guarantee from the fund to cover venue deposits, organiser fees and marketing costs until delegate and sponsorship revenue is secured.

By their nature, these ecosystems are collaborations between all relevant municipal, government and industry parties. It may be that events are needed now, to bring together

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105 Visit Berlin, *Berlin as a Centre for Science: Facts and Figures.*
the brightest minds in the relevant sectors and conceive new and renewed (inter)national-scale events to capture the imagination of industry, government and visitors.

4.4 Quality, welcoming education

The education sector should act quickly to retain its international market, with a strategy to diversify its students, modernise its offer and increase its value perception.

Australia is a leading provider of international tertiary students, finishing 2018 almost equal second with the UK in tertiary enrolments and market share: see Figure 25. These tertiary students made up 74.8 percent of international education spend in Australia in 2019, with 21.3 percent being students in English-as-a-second-language and other vocational training. Our historically high quality of education and strong multicultural community in an English-speaking country have been attractive to international students.

However:

- There is an immediate need to address the risk of enrolled students switching to another destination as a result of the Covid disruption, and
- Australia must offer a more welcoming, premium student experience to maintain its status as a premium price destination in an increasingly competitive market for international education.

Opportunities: Consider all potential avenues to encourage international students to return as quickly and as safely as possible to start/resume their studies. Consider further innovation in online and remote technologies. Consider how best to target students from growth markets, including promotion of the working options for international students. Consider how best to maintain Australia’s premium price positioning, including engaging our unique and welcoming multicultural communities, while continuing to enhance the quality of educational experience for international (and domestic) students.

Address the Covid-induced risk of students switching to other destinations

The pandemic has forced a reset of individual student plans and, consequently, of the sector as a whole resulting in the international student pipeline to Australia being severely disrupted. International student enrolments fell 17 per cent to just over 550,000 enrolments in the first quarter of 2021 compared to the same period in 2020. This decline is however being moderated by an increase in the number of enrolled students outside Australia over the period from July 2020 to March 2021.

With our borders still closed, a 2020 IDP Education survey found that 53 percent of students enrolled in Australia are considering a switch to another destination if they are unable to start on campus soon, and 44 percent of students are only willing to study online for three months before transitioning to face-to-face learning. As a result of this and other factors,

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107 ABS Education Related Travel, by Type of Expenditure.
108 Department of Education, Skills and Employment, International student data monthly summary, March 2021
109 Department of Education, Skills and Employment, International students outside Australia due to COVID 19, Research Snapshot May 2021
some analysts have predicted that higher education enrolments may continue to drop through to 2023 before they start to recover.\textsuperscript{111}

In our favour is the fact that international students believe Australia is a relatively Covid-safe place, assuming timely roll-out of vaccinations, and has a strong and accessible healthcare system. In the IDP Education survey mentioned above, only 21 percent of students thought it unsafe to travel to Australia, compared with 54 percent for the USA and 51 percent for the UK.

Figure 25: Australia on the verge of second-largest share of the international student market

<table>
<thead>
<tr>
<th>Top 6 host countries for international tertiary students</th>
<th>% total students</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>2018</td>
</tr>
<tr>
<td>France</td>
<td>France</td>
</tr>
<tr>
<td>7.3</td>
<td>4.0</td>
</tr>
<tr>
<td>Canada</td>
<td>Canada</td>
</tr>
<tr>
<td>6.9</td>
<td>4.0</td>
</tr>
<tr>
<td>Germany</td>
<td>Germany</td>
</tr>
<tr>
<td>7.3</td>
<td>6.0</td>
</tr>
<tr>
<td>Australia</td>
<td>Australia</td>
</tr>
<tr>
<td>10.0</td>
<td>8.0</td>
</tr>
<tr>
<td>UK</td>
<td>UK</td>
</tr>
<tr>
<td>18.7</td>
<td>18.0</td>
</tr>
<tr>
<td>USA</td>
<td>USA</td>
</tr>
</tbody>
</table>


A quality, welcoming education experience will be worth the cost

From this position, Australia is seeking to adjust and strengthen its value proposition for international students in order to retain its leading market position. The Department of Education, Skills and Employment is now developing the Australian Strategy for International Education 2021–2030.

In Section 3.6 above, we suggest that the emerging middle classes of India and Emerging Asia might be our target source markets. The costs of living and of university fees loom large in their considerations, and both are high in Australia. In a 2019 IDP survey, 38 percent of students who were deciding to study elsewhere cited the cost of tuition as the main reason, with 23 percent citing cost of living: see Figure 26. A year later, an IDP survey of student reasons for changing their study plans found that 18 percent of students who had been studying in Australia found the cost of living had been too expensive, compared to 9 percent in Canada and 7 percent in the USA.\textsuperscript{112}

\textsuperscript{111} Strategic Project Partners, \textit{International Students – no fast return to normal}, 29 March 2021.

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Figure 26: Cost of tuition and living expenses are the leading barriers to study in Australia

The Australian Strategy for International Education consultation paper has identified three experiences prospective students are seeking in Australia, given the cost: the best possible student experience; a distinctly Australian experience and community connection; and a strong technology experience. Australia has strong advantages in each of these areas:

- **The quality of tertiary education for both international and domestic students, including using models that blend online and face-to-face learning.** Australia has a strong historic reputation for education, with seven universities in the QS top 100, behind the leaders (the USA and UK), but ahead of most comparable markets: see Figure 27.

  Making that equation more difficult is the balance of online and face-to-face learning. The pandemic experience has demonstrated that some part of the learning experience can be delivered online in an engaging way. Those new capabilities may be a double-edged sword for Australia, however. They may increase overseas demand for courses offered by Australian universities, but may also reduce the total student time and spend in Australia, a risk to the overall Visitor Economy. Australia may need to sharpen its offerings further to respond to this challenge.

- **The strength of Australia’s thriving multicultural community.** Australia now has a very high proportion of residents born overseas, after high levels of immigration since World War II. By 2019, 30 percent of Australia’s resident population was born overseas, compared to New Zealand’s 22 percent, Canada’s 21 percent, 15 percent in the USA and 14 percent in the UK. That should be an advantage in the education market – students can interact with people from the host nation and many others, while having the additional comfort and support of their own language and cultural groups. Disappointingly, however, international students are four times more likely to report...

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### Reasons for students not selecting Australia

<table>
<thead>
<tr>
<th>Share of responses that identified reason 2019, % respondents who did not select Australia</th>
<th>Change total responses 2017–19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of tuition is too high</td>
<td>38</td>
</tr>
<tr>
<td>Cost of living is too expensive</td>
<td>23</td>
</tr>
<tr>
<td>Don’t have family or friends there</td>
<td>21</td>
</tr>
<tr>
<td>Quality of education</td>
<td>20</td>
</tr>
<tr>
<td>Better post-study work opportunities elsewhere</td>
<td>19</td>
</tr>
<tr>
<td>Too many international students</td>
<td>10</td>
</tr>
<tr>
<td>Lack of scholarship opportunities</td>
<td>10</td>
</tr>
<tr>
<td>Wouldn’t feel safe there</td>
<td>9</td>
</tr>
</tbody>
</table>

Source: IDP Connect Student and Parent research for Austrade, 2019

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114 QS Top Universities, *World University Rankings 2020*.
115 ABS, *Migration, Australia April 2021*. 

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feeling ‘unwelcome’ in Australia than they do in the UK, and perceptions of feeling welcome were not enhanced during Covid. So, for example, 8 percent of students surveyed by IDP Connect in 2020 felt they were not welcomed,\textsuperscript{116} compared to 2 percent in the UK and 3 percent in NZ. That proportion would equate to 35,600 international students at risk in Australia.

- **An opportunity to work in Australia, during and after study.** Work rights rank as highly in the minds of international students and their families as the quality of their education (see Figure 26 above) and are the second-most important decision factor for Indian students. Recognising this, host nations are strengthening their proposition. For example, the US Citizenship Act of 2021 would, if passed, allow eligible students to apply for legal permanent residence status while completing their studies, and doctoral graduates in science, technology, engineering, and mathematics (‘STEM’) fields easier access to the US ‘green card’ and to remain in the USA while they search for employment.\textsuperscript{117} Canada’s visa settings are also very competitive in this area. While Australian post-study work years exceed those of most comparator countries, the minimum study requirements for eligibility (two years) are above those of the USA and UK (one year).\textsuperscript{118}

**Figure 27: Australia has 7 universities in the global top 100 but other countries are catching up**

![Bar chart showing universities in QS 'Top 100 Universities 2020']

Source: QS University Rankings 2010 and 2021


\textsuperscript{118} International Education Association of Australia, *Global Perspectives on International Student Employability*, 2019.
5 Making their stay

If potential visitors have identified a compelling reason to come to Australia, it is up to the Visitor Economy’s core supply sectors to deliver the access and diverse accommodation they need, and the experiences they seek. Doing so will rely on a modern workforce and a digital working environment.

This chapter considers how the Visitor Economy may pursue the following:

5.1 A workforce for the future, a ‘friendly and effective’, multilingual workforce with higher-paying specialisations in personal service and digital technologies

5.2 Digitisation that opens opportunities for providers to deliver base services more efficiently, and offer more services that cannot be automated

5.3 Aviation that keeps addressing capacity constraints, and accelerates technology to sustainably conquer Australia’s tyranny of distance

5.4 Accommodation with investment and innovation to meet peak-period and high-end demand, and to erase impressions of ‘tired’ middle-market stock

5.5 Visas that are more competitive and accessible to our target growth markets

5.1 Preparing a workforce for the future

While the Visitor Economy has immediate labour market concerns, it has the longer-term opportunity to modernise its workforce – more permanent, skilled, and higher paid – capitalising on automation and digitisation.

Australia’s Visitor Economy workforce is as diverse as its visitors, spanning sandwich-makers in Sydney, university tutors in Townsville, surf coaches in Coolangatta and marketers in Paris, to name a few. Many of their roles are too busy for one person, while many others have been lost or made precarious by the pandemic. Some of their roles are exhilarating, while many others are repetitive and vulnerable: low paid, low skill and casual.

The immediate Covid disruption comes at a time of accelerating change from automation and digitisation. Yet these may be the forces to give Visitor Economy businesses and workers more confidence in their future. Automation and digitisation have the potential to raise pay, security and skills – though at the cost of low-end jobs – and create higher-paying specialisations in personal service and digital technologies that will attract people to the sector.

This section considers how the sector may:

- address immediate labour shortages by considering rapid-reskilling programs, higher wages, and relaxing work restrictions on visas, and
- pursue an industry-wide skills transition to build a more permanent, skilled, higher-paid workforce, capitalising on automation and digitisation.

**Opportunities:** In the short term: consider the potential for enhancing wage levels and reskilling efforts, consider reviewing restrictions and processing times for visas, particularly work and holiday and temporary skill shortage visas, and consider early re-entry of working holiday makers and international students.
In the longer term: consider how best to nurture the workforce as a competitive advantage; the best formal and informal means to develop the necessary mix of cognitive, social and technology skills; how best to enhance national mechanisms to assess the state of the labour market and suggest actions to match demand with supply; and how best to draw on more diverse and underemployed labour supplies, including people with a disability and older Australians.

Addressing short-term labour issues

The Visitor Economy has become more reliant on labour from working holiday makers, international students and other migrant labour, particularly for low-skilled work and in regional destinations. In 2021, however, closed borders have restricted the supply of these workers, with no increase in the number of Australian residents willing to do that work. The shortage of available low-paid hotel staff is reducing the availability of rooms in both regional and city hotels: see Section 2.1.

The loss of international working holiday makers (WHMs) has been a double hit to the Visitor Economy. The number of WHMs in the country fell from almost 120,000 in March 2020 to fewer than 40,000 in March 2021. The impact has been felt across the farm and hospitality sectors. WHMs made up 14 percent of farm workers and 6 percent of hospitality workers in December 2019, and so vacancies for positions like housekeepers and kitchenhands doubled in the year to December 2020.

Until international borders open, there are a number of possibilities to address these labour shortages which could be considered in addition to those already implemented by the Australian Government in response to Covid:

- Some student visas may be converted into a temporary skill shortage visa (subclass 482) to enable full-time work during a pause in studies, and
- Visas that allow graduates to work (subclass 485) might be easier to obtain: currently they cost $1,650 and the estimated processing time for 75 percent of applicants is 8 months.

When borders re-open, there could be further options to review the availability, conditions and processing time of work and holiday visas (subclass 462) and temporary skill shortage visas. For example:

- The processing time for a temporary skill shortage visa might be accelerated: an employer wanting to urgently fill a vacancy is unlikely to sponsor a visa application that has a processing time of up to 7 months for 75 percent of applicants,
- Holders of work and holiday visas might be able to work for the same employer for more than 6 months,
- Exemptions may be applied for relevant skills, time limits and wage thresholds to work in remote and regional Australia at appropriate wage levels, and
- Visitor Economy roles such as cooks and kitchen hands might be granted an expanded temporary activity visa (subclass 408).

120 ABS Detailed Labour Force.
121 For example, the temporary relaxation of the 40-hour-a-fortnight working limit for those on student visas (subclass 500).
122 Web research.
However, addressing the long-term need for upgraded skills and wages may be just as important for addressing the short-term skills gap.

**Addressing long-term structural weaknesses**

The transient, seasonal, and low-pay nature of the Visitor Economy workforce are structural weaknesses that are likely to undermine the health of the Visitor Economy itself. All visitors are expecting higher levels of service, and relying more on digital transactions so that they can focus on the personal experience. A well-paid, permanent workforce is more likely to be developing those personal and digital skills.

At first glance, the make-up of the pre-pandemic workforce had many positives. Outside aviation and ground transport, women made up most of the Visitor Economy workforce in 2019. Over half of tourism workers (52 percent) were in regional areas, making up 8 percent of the total regional workforce (compared to 4 percent in cities) and up to 60 percent in some regions (for example, the Tasmanian East Coast).\(^{123}\)

However, structural weaknesses were constraining the workforce’s skills and performance, as they had for some time:

- **Part-time staff are almost half the workforce,** as the sector relied on those taking ‘working holidays’ and ‘gap years’ rather than those seeking long-term career development. Part-time workers were 48 percent of the Visitor Economy workforce in 2018-19, up from 41 percent in 2004–05: see Figure 28.

- **Jobs in the sector have been more seasonal and insecure** than in the broader economy. The workforce rises and falls by 6 percent each year, while seasonal variations in the rest of the national workforce average less than 1 percent: see Figure 29 below.

- **For all that insecurity, average pay has been low.** Two-thirds of Visitor Economy jobs were in food, retail and accommodation in 2019 – the lowest-paid sectors in Australia at $26 to $28 per hour, compared to the national average of $39: see Figure 30 below. As a result, those two-thirds of the Visitor Economy workforce contribute just one-third of the sector’s direct value add.

\(^{123}\) ABS, Detailed Labour Force.
Figure 28: Tourism offers many jobs, but many are part-time

<table>
<thead>
<tr>
<th>Industry</th>
<th>Total number of tourism jobs monthly, month of Dec 2019</th>
<th>CAGR 2015-19</th>
<th>Female workforce 2018-19</th>
<th>Part-time workforce 2018-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food services</td>
<td>270</td>
<td>↑ 4%</td>
<td>53%</td>
<td>63%</td>
</tr>
<tr>
<td>Retail trade</td>
<td>113</td>
<td>↑ 1%</td>
<td>56%</td>
<td>51%</td>
</tr>
<tr>
<td>Accommodation</td>
<td>84</td>
<td>↑ -2%</td>
<td>60%</td>
<td>48%</td>
</tr>
<tr>
<td>Education and training</td>
<td>56</td>
<td>↑ 4%</td>
<td>72%</td>
<td>39%</td>
</tr>
<tr>
<td>Culture, arts and recreation</td>
<td>41</td>
<td>↑ 3%</td>
<td>50%</td>
<td>49%</td>
</tr>
<tr>
<td>Transport</td>
<td>40</td>
<td>↑ 3%</td>
<td>20%</td>
<td>20%</td>
</tr>
<tr>
<td>Aviation</td>
<td>41</td>
<td>↑ 4%</td>
<td>33%</td>
<td>23%</td>
</tr>
<tr>
<td>Travel agency and information centre services</td>
<td>42</td>
<td>↑ 1%</td>
<td>68%</td>
<td>26%</td>
</tr>
<tr>
<td>Other industries</td>
<td>23</td>
<td>↑ 2%</td>
<td>43%</td>
<td>25%</td>
</tr>
<tr>
<td>Total visitor economy</td>
<td>686</td>
<td>↑ 3%</td>
<td>53%</td>
<td>48%</td>
</tr>
</tbody>
</table>

Source: ABS Tourism Satellite Account

Figure 29: Visitor Economy jobs are the economy’s most insecure

Australian seasonal change in jobs growth
Quarter to quarter, %

Source: ABS Tourism Satellite Account
Figure 30: Visitor Economy pay is well below the national average

<table>
<thead>
<tr>
<th>Sub-sector</th>
<th>Cash earnings of non-managerial employees</th>
<th>Average per hour, $</th>
<th>Visitor Economy share of jobs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mining</td>
<td></td>
<td>61</td>
<td></td>
</tr>
<tr>
<td>Electricity, gas, water and waste services</td>
<td></td>
<td>49</td>
<td></td>
</tr>
<tr>
<td>Finance and insurance services</td>
<td></td>
<td>48</td>
<td></td>
</tr>
<tr>
<td>Information media and telecommunications</td>
<td></td>
<td>47</td>
<td></td>
</tr>
<tr>
<td>Professional, scientific and technical services</td>
<td></td>
<td>46</td>
<td></td>
</tr>
<tr>
<td>Education and training (8%)</td>
<td></td>
<td>45</td>
<td></td>
</tr>
<tr>
<td>Public administration and safety</td>
<td></td>
<td>44</td>
<td></td>
</tr>
<tr>
<td>Health care and social assistance</td>
<td></td>
<td>41</td>
<td></td>
</tr>
<tr>
<td>Construction</td>
<td></td>
<td>40</td>
<td></td>
</tr>
<tr>
<td>Transport, postal and warehousing (10%)</td>
<td></td>
<td>38</td>
<td></td>
</tr>
<tr>
<td>Administrative and support services</td>
<td></td>
<td>36</td>
<td></td>
</tr>
<tr>
<td>Wholesale trade</td>
<td></td>
<td>35</td>
<td></td>
</tr>
<tr>
<td>Arts and recreation services (6%)</td>
<td></td>
<td>35</td>
<td></td>
</tr>
<tr>
<td>Manufacturing</td>
<td></td>
<td>34</td>
<td></td>
</tr>
<tr>
<td>Rental, hiring and real estate services</td>
<td></td>
<td>28</td>
<td></td>
</tr>
<tr>
<td>Retail trade (16%)</td>
<td></td>
<td>26</td>
<td></td>
</tr>
<tr>
<td>Accommodation and food services (52%)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Average: 39

Personal and digital skills needed in the age of automation

The post-Covid recovery may be an opportunity to accelerate a transition towards addressing the structural weaknesses in the Visitor Economy workforce – a transition that will be happening in any case, as discussed below.

Recovery from the pandemic is likely to usher a new cohort of people into the sector, as many of those with prolonged job losses have moved on to other roles, especially in capital cities, where tourism accounts for only 4 percent of total employment. For that cohort, there will be more digitisation and automation, and the mix of roles and the competencies that the sector needs will be different.

Already, more than a quarter of food and accommodation businesses report that Covid-19 has permanently changed the nature of their services and the roles their staff play. Check-in apps and capacity limits have led more people to book in advance, and to use virtual menus. These apps are replacing some of the routine administrative tasks in hospitality, freeing staff to cater for guests with greater independence and social skills.

These shifts are in line with longer-term digitisation and automation trends. McKinsey Global Institute has modelled the time taken to complete key tasks involved in each occupation and industry. In restaurants, for example, almost half of all labour time involves repetitive physical activities and machinery operations. Consequently, up to 30 percent of restaurant and accommodation jobs are vulnerable to automation.

These trends are likely to re-mix the competencies required in the Visitor Economy, without reducing the total number of staff. Productivity gains from automation are expected to increase aggregate incomes across the economy, and so the demand for restaurant and accommodation services, creating more jobs but of a different type. These jobs will require.

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more of the personal, cognitive skills that more and more people are educated for and expect to use.

Figure 31 shows the change in the skill mix expected over the next decade. The left-hand side shows the reduced need for low-level skills across all industries. The right-hand side shows what that may mean for hospitality: demand for physical labour will fall by about 20 percent, but be offset 6 times over by demand for cognitive, social and technological skills.

**Figure 31: Covid has accelerated the shift in skills that the hospitality workforce needs**

<table>
<thead>
<tr>
<th>Change in total hours of work</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>All industries</strong></td>
<td></td>
</tr>
<tr>
<td>Physical and manual</td>
<td>0</td>
</tr>
<tr>
<td>Basic cognitive</td>
<td>20</td>
</tr>
<tr>
<td>Higher cognitive</td>
<td>40</td>
</tr>
<tr>
<td>Social and emotional</td>
<td>60</td>
</tr>
<tr>
<td>Technological</td>
<td>80</td>
</tr>
<tr>
<td><strong>Hospitality industries</strong></td>
<td></td>
</tr>
<tr>
<td>Physical and manual</td>
<td>-20</td>
</tr>
<tr>
<td>Basic cognitive</td>
<td>0</td>
</tr>
<tr>
<td>Higher cognitive</td>
<td>20</td>
</tr>
<tr>
<td>Social and emotional</td>
<td>40</td>
</tr>
<tr>
<td>Technological</td>
<td>60</td>
</tr>
</tbody>
</table>

*Source: McKinsey, Australia’s Automation Opportunity, 2021; team analysis*

**Building the workforce of the future**

The transition of the Visitor Economy workforce is obviously complex, encompassing management, investment, technology, workforce and regulatory issues. More advanced businesses will already be working through those issues, and pursuing the talent they need for the next decade.

However, a wider industry effort may be needed to ensure that the necessary skills are available. Visitor Economy collaboration may be needed to:

- support the many small businesses for whom this transition is challenging,
- engage with education and training providers to ensure that graduates and lifelong learners who have a passion for the Visitor Economy also have the soft skills and the technology skills they need,
- enhance Indigenous employment outcomes, particularly in regional and remote Australia, where Indigenous people represent an under-utilised and under-employed labour market,
- engage with pools of suitable workers which may not have been fully considered before (such as people with a disability and older Australians, see below),
- harness case studies and start conversations on what works for businesses to recruit and keep the people they need,
ensure industry-led skill councils can assess the state of labour market and suggest actions to better match demand with supply, and to assist workers no longer employed in other industries to transition to tourism,

ensure education policies value cognitive, social and emotional skills as much as technological ones, and

ensure there is relevant Visitor Economy training and accreditation from TAFE, other higher education providers and professional bodies.

Businesses in the Visitor Economy may take a broader approach to where and how they source workers. For example, as the community becomes more inclusive, employers could increasingly explore opportunities for the inclusion of groups sometimes excluded or subject to discrimination, including people with disability and older people. As businesses review their labour issues in response to the pandemic, this may be an opportunity for them.

5.2 A digitally enabled Visitor Economy

Digital technology is already transforming the end-to-end visitor journey, creating more diverse experiences and raising expectations for adoption and innovation.

Digital devices, platforms and experiences have already transformed how we travel, learn and do business. The pace of that transformation is not slowing, but continually opening up new opportunities for providers and destinations that can work at the digital frontier. However, it has also reached the point where even the smallest businesses in the Visitor Economy must be able to work comfortably with digital platforms.

This section considers four actions that may be needed for some providers to open up further opportunities, and for others to adapt to the digital transformation:

- travel agents and information providers to focus on more complex travel needs,
- smaller SMEs to build up their digital muscle,
- leaders, destinations and industry bodies to reimagine the visitor experience, and
- industry platforms to connect visitors, destinations and providers.

All these actions will be enabled by advanced data and analytics at an industry level: see Section 6.1.

Opportunities: Consider how best to mobilise efforts to connect visitors, destinations and providers through digital platforms; enhancing links between Visitor Economy leaders and the start-up and innovation ecosystems; consider additional avenues for SMEs to adopt digital platforms and skills; consider further policies to stimulate innovation and ensure that the gains of digital adoption are not concentrated in global tech giants.

Travel agents to focus on more complex travel needs

The Australian Federation of Travel Agents (AFTA) reports that many agents experienced a 90 percent drop in revenue in the year to March 2021.\(^{126}\) Of the 29,000 workers employed in travel agency and information services in December 2019, over 19,000 remained on JobKeeper at the scheme’s closure in March 2021.\(^{127}\) As 66 percent of agent bookings were

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\(^{126}\) AFTA Media Release, October 2020.
\(^{127}\) ABS, Tourism Satellite Account.
for international flights and cruises, a short-term recovery from the Covid shock will be challenging.

The longer-term concern is that digital intermediaries are heavily disrupting the distribution side of the Visitor Economy. Revenues for online travel agencies (OTAs) and metasearch providers grew quickly through the last decade: 10 percent per annum in Europe, 12 percent in Asia, and 6 percent in North America. Now, OTAs like Expedia and Booking.com are expanding their services to bookings beyond air and accommodation, and including communication between visitors and providers. Metasearch engines like TripAdvisor and Kayak now offer reviews of dining and other experiences, and enable instant bookings through OTAs. These intermediaries are also acquiring start-up challengers and software-connectivity companies to maintain their competitive positions.

While traditional agents will struggle to compete on basic bookings, they will retain a critical role for more complex travel needs (for example, curating experiences, bespoke services, and meeting safety, logistical, accessibility and personal service needs).

**SMEs to build their digital muscle**

As we saw in Section 1.1, about 95 percent of businesses in the Visitor Economy have fewer than 20 employees. Few businesses of that size have the confidence and capability to invest heavily in digital innovation. A 2018 survey by the ANZ Bank found that more than 56 percent of SMEs across the economy were either dismissive of or tentative towards digital technologies (digitech): see Figure 32. Many Visitor Economy businesses also share Australia’s SME ambivalence towards digitech. Telstra has suggested, based on ABS data, that, while over 50 percent of all Australian businesses had a web presence in 2018, fewer small businesses were using ‘outward facing’ digitech than were using accounting and other business-process software.

**Figure 32: Few Australian SMEs are digitally confident, and the Visitor Economy is no exception**

<table>
<thead>
<tr>
<th>ANZ SME digital mindsets survey</th>
<th>2018, % of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Digitally dismissive</td>
<td>Low confidence exploring digital technologies</td>
</tr>
<tr>
<td>Digitally advanced</td>
<td>Strong digital understanding and capabilities, highest use of digital tools</td>
</tr>
<tr>
<td>Digitally tentative</td>
<td>Reliant on external help to increase digital capability, lowest use of digital</td>
</tr>
<tr>
<td>Digitally confident</td>
<td>Believe they have benefited from digital tools, likely to have used more than three tools</td>
</tr>
</tbody>
</table>

Source: ANZ, ‘The Digital Economy: transforming Australian businesses’, 2018

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128 PhocusWright, ‘Travel research: What the world’s biggest OTAs have been up to’, May 2019.
129 Telstra, 2018 Telstra Small Business Intelligence Report.
The industry needs to find ways to help SMEs overcome that reticence. For SMEs across Australia’s service industries who have done so, digital adoption has offered a 15 percent to 20 percent increase in customer satisfaction, a 20 percent to 40 percent reduction in costs, and 20 percent increases in conversion rates and growth. That is consistent with the ANZ Bank’s view that small businesses with up to 19 employees can boost revenue by 27 percent and save 10 hours’ labour a week using digital tools.

Many small businesses are adopting winning ideas and innovations, but others may need help to implement them well. The Visitor Economy can support adoption across the market by highlighting customer preferences, leveraging existing business-support programs available from the government, celebrating successful Australian innovation, and tracking down the global innovations most likely to have Australian applications. Efforts can also be made to ensure digital tools and platforms are designed to be accessible to those with a disability.

Leaders, destinations and industry bodies to reimagine the visitor experience

Industry leaders and destinations can go further, reimagining the visitor experience through digital lenses – before, during and after travelling. For them to do so, industry bodies may help them link into Australia’s broader ecosystems for digital innovation.

Digital lenses may reinvigorate the two major visitor experiences:

- **The ‘inspiration’ or previewing experience.** YouTube already offers a direct channel for destinations and providers to project their experiences to potential visitors. Deeper digital immersion will generate more excitement, allowing visitors to fully explore regional clusters and build their own. Later in the decade, more accessible platforms for virtual reality will further enthuse visitors, as well as generating potential revenues from virtual visitors.

- **The ‘in trip’ experience.** Museums and other attractions are adding augmented and virtual reality enhancements to their existing shows, as well as exhibiting leading practitioners in digital and immersive art. Destinations and universities may open digital doors to nearby cultural, sporting and social events – with multilingual options – with exclusive tours and deals across social platforms.

Entrepreneurs and digital specialists are already innovating fast across the country. They will continue to tap into the creative hubs, investment sources and talent networks that are now emerging nationally and in many destinations. There are two sets of opportunities for stimulating more innovation:

- **Connections with innovation and start-up ecosystems** (accelerators, incubators and funders). These ecosystems may see the Visitor Economy as a promising area for innovation, given Australia’s leading global position and the inherently international nature of the market. Industry bodies may support or set up an experience lab in those ecosystems to use innovation techniques such as hackathons, sandboxes and ideation to reimagine spatial and experiential tourism. They may also engage with innovation precincts around universities to invite international students into their programs and explore ways to engage this priority market.

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• **Economic policies that stimulate innovation and competition**, both in the Visitor Economy and in sectors like logistics, construction and retail that are costs to the Visitor Economy. For example, the Queensland Advancing Regional Innovation Program might advance innovation within the Visitor Economy, a significant contributor to regional economies. Consideration could be given to reforming competition policy to ensure that oligopolistic practices do not take advantage of the highly fragmented Visitor Economy. Visitor economy businesses should leverage available incentives for innovation to spur digital development.

**Industry platforms to connect visitors, destinations and providers**

Digital processes and channels are an opportunity for smaller businesses to access new markets and develop new products and services, in particular by linking with digital ecosystems in their local business and broader interest-based communities. Examples are the Australian Tourism Data Warehouse, which showcases provider offers, and Tourism Exchange Australia (TXA), a matchmaker connecting suppliers with intermediaries: see Figure 33. TXA is a booking exchange platform through which global intermediaries and distributors can see and book local products. It is a safe, supported way for SMEs to enter the digital marketplace to showcase their offer and draw bookings from a global market.

Such platforms can be expanded so that visitors could use them for more seamless travel around Australia, even if dozens of small enterprises and attractions make up the trip. Destination platforms may integrate real-time translation services, easier booking of events, attractions and restaurants, secure wi-fi connections throughout their journeys, and hop-on-hop-off travel passes throughout Australia. With appropriate data and security, these platforms may further personalise the visitor experience.

**Figure 33: TXA is a matchmaker for local suppliers and global intermediaries**

5.3 **Aviation: preparing for future growth**

The aviation industry may support growth with low-emission, long-haul flights, new technologies for short-haul flights, and digitally enabled airport capacity.

As discussed in Section 2.1, international travel is predicted to rebound strongly in 2025–26, and Australia will need to remain an attractive long-haul destination to regain or
increase its global market share. The sector has always been at the forefront of engineering, digital and service innovation, and the next decade will be no exception.

This section considers how:

- Pre-pandemic, the aviation sector offered competitive market prices both to and within Australia considering flight distances, and acknowledging that market prices are expensive for the needs of many regional passengers,
- The pandemic reduced domestic flights by 73 percent in the year to January 2021, and international flights to all but repatriation needs,
- The sector should continue to address capacity constraints to prepare for future visitor growth, and
- The sector may accelerate future-ready aviation with long-range, low-emission aircraft, VTOL (vertical take-off and landing) technology, and new digitally enabled airports.

**Opportunities:** Consider how to best implement the review of Sydney Kingsford Smith Airport international bottlenecks until WSA provides a long-term solution, and consider further investment in and policies to support long-haul technology that enables more direct flight options as an alternative to hub transits.

Consider further investment in technology that addresses sustainability concerns and enables more long-haul, point-to-point options; making carbon offset programs ‘opt-out’ rather than ‘opt-in’; how to leverage WSA as a model for future airport upgrades; infrastructure that enables new VTOL technology, not only in capital cities but also in regional hubs; and further policies that encourage new business models and technologies.

### Aviation is competitively priced, given the distances

Australia’s regulatory framework is working to keep access high and prices low, particularly for high-traffic international and domestic routes. However, many regional destinations can only secure infrequent, expensive options – and, given the distances, flights are a necessity. The economics of these low-traffic routes confirm that there are no easy fixes, and there is a long history of regional airlines which have tried.

- **International prices are an unavoidable barrier, despite recent falls.** Pre-Covid, yields and prices on inbound Australian flights (except from Japan) were falling faster than the global average. The driver was new Chinese airlines joining inbound routes in 2015: see Figure 34: Prices had been falling on most routes pre-Covid

There are mixed views on the direction of prices post-Covid. Some suggest that prices may be temporarily high as airlines recover from the pandemic, but that by mid-decade a global surge in international travel will drive volume and competition and keep prices low. Others suggest that prices may start low as airlines seek to attract customers, but in the medium term will return to more sustainable prices as airlines look to recoup losses and pay down debt. In addition, international business travel is not expected to

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133 Meetings with industry experts.
134 Meetings with industry experts.
return to previous levels, which will undermine flight profitability, and so potentially reduce flights and increase economy fares.\textsuperscript{135}

**Figure 34: Prices had been falling on most routes pre-Covid**

Changes in yield for inbound flights to Australia  
2015-2019, average cost per passenger per km, %

<table>
<thead>
<tr>
<th>Country</th>
<th>Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>-31</td>
</tr>
<tr>
<td>USA</td>
<td>6</td>
</tr>
<tr>
<td>UK</td>
<td>-4</td>
</tr>
<tr>
<td>New Zealand</td>
<td>-7</td>
</tr>
<tr>
<td>India</td>
<td>7</td>
</tr>
<tr>
<td>Japan</td>
<td>-5</td>
</tr>
<tr>
<td>Singapore</td>
<td>11</td>
</tr>
<tr>
<td>Korea</td>
<td>-11</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>-24</td>
</tr>
<tr>
<td>Malaysia</td>
<td>-9</td>
</tr>
</tbody>
</table>

Source: IATA, "Passenger Intelligence Survey (PAXis)"

- **Competitive average domestic fares are a result of low fares on high-traffic inter-capital routes.** Average fares in Australia in 2019 sat midway between European and US fares for all trip distances: Figure 35.\textsuperscript{136} European flights were cheaper, as the market has many national and private carriers, operating diverse business models, with a large population and realistic road and rail competition. US flights were more expensive, as the market consolidated after a series of bankruptcies to having just three major players – not truly competitive in a market of that size.

However, neither market has a route to match Sydney–Melbourne in flights (approximately 175 per day) and passenger numbers. The resulting low fares on that and a few other Australian routes keep the average fares down. Low-traffic regional routes are serviced by fewer carriers and have high airfares and few daily flights. This has proven to be an extremely hard nut to crack for regional passengers: see Box: “Addressing Australia’s high regional fares”.

\textsuperscript{135} IATA, ‘Recovery Delayed as International Travel Remains Locked Down’, 28 July 2020.  
\textsuperscript{136} IATA, Global Passenger Survey, March 2021.
Aviation was hard hit by the pandemic

The aviation sector was directly affected by the cancellation of visitation discussed in Section 2.1. Domestic aviation trips fell by 90 percent between January and April 2020, with carriers pulling services from all routes, over 12,000 job losses, and the voluntary administration of Virgin Australia. A year later trip numbers were still down by 60 percent (see Figure 36); however, confidence was being rapidly restored by April 2021. Meanwhile, international passenger numbers flatlined through 2020, being limited to repatriation flights. This is in addition to the impact on the domestic and international cruise sector, affecting approximately 3,000 jobs across direct employees, food and beverage suppliers, travel agents, tour operators and accommodation.\(^{137}\)

\(^{137}\) Cruise Lines International Association, 2021.
**Continue to address capacity constraints**

International aviation is forecast to bounce back strongly by 2025, so Australia needs to ensure that it is not hampered by capacity constraints, either on flight routes or at airports.

Capacity has grown steadily since 2015, particularly from China (a 90 percent increase) and Japan (a 40 percent increase): see Figure 37. Most long-haul international flights come through aviation hubs in the Middle East or Southeast Asia, which helps reduce fares. However, that does leave gaps in direct flights from growth markets. For example, India is emerging as one of our most promising student and holiday markets, yet there were only two direct flights per week to Australian in 2019.138 In theory, more direct flights can be put on from key source markets as Australia has a broad range of 'open sky' agreements with those countries. However, many international airlines may rationalise and consolidate their routes to recover post-Covid, and may eliminate any unprofitable direct flights to Australia.

The only current airport capacity constraint is Sydney’s Kingsford Smith Airport (KSA), which is limited by curfew and noise regulations to receive 17 million passengers a year (40 percent of Australia’s inbound traffic).139 Australia could push incoming flights to other cities, but Sydney is still the preferred point of entry for most visitors. Opening WSA in 2026 is the primary action to relieve the KSA bottleneck as it will result in a tripling of Sydney’s total passenger traffic capacity by 2063, in addition to a more immediate slot-management review to increase aircraft movement outside KSA’s curfew. As discussed below, the technology advances of WSA will also benefit the inbound market.

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Leverage future-ready aviation

Technology improvements to long- and short-haul aircraft, biofuels and airports may work in Australia’s favour, and the Visitor Economy may collaborate to accelerate their development.

- **Smaller long-range aircraft may open up point-to-point international travel.** Australia would benefit from more frequent, direct flights from its source markets. Smaller, long-range aircraft such as the Boeing 787 Dreamliner and A321(X)LR will enable this development, overcoming the need to fly through midway hubs. Pre-Covid, airline carriers were making significant investment in acquiring these new long-haul aircraft. The pandemic disruption is triggering the failure of some international airlines, and the consequential discount sale of aircraft. This is a generational opportunity for new entrants and start-ups to apply different business models to short- and long-haul travel. That capacity could be online by 2026, ready to meet the release of pent-up demand for international travel.

- **In the longer term, regional routes may benefit from breakthrough short-haul technology.** While advances in long-haul aircraft have been evolutionary, step-changes in short-haul technology are imminent. Air taxis may be available for high-end short journeys from 2025, building on UberAir’s 2020 proposals to run a helicopter fleet between Melbourne airport and the city. There is longer-term potential for unmanned and vertical lift-off mobility, with significant investment in start-ups like Joby, Volcopter, Lilium and eHang. Such technologies may disrupt some domestic and regional routes before 2030, as long as there is investment in take-off and landing infrastructure.

- **Low-emission aviation is gathering momentum.** More promising for longer routes is the emergence of new hybrid-engine aircraft that are likely to be more affordable, more

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140 Interviews with industry experts.
141 Interviews with industry experts.
142 Interviews with industry experts, press and media.
sustainable and quieter than traditional alternatives. For example, the Faradir BEHA, an 18-seater hybrid-electric plane, may be available by 2025 and needs a runway only 27 percent of the length needed by traditional craft. Another prospect is the Eviation Alice, a 9-seat fully-electric plane that aims to be approximately 60 percent cheaper to fly than existing alternatives when available commercially in 2035.¹⁴³ In the longer term, these alternatives may open up smaller airports, as well as attracting tourists seeking more sustainable travel.

These advances in aircraft technology are in keeping with the aviation industry’s longstanding attempts to minimise the unavoidable carbon footprint of their flights. Domestic and international carriers are pursuing plans and targets for sustainable aviation fuels, and will continue to work with airports to secure certified fuels, storage and delivery infrastructure for biofuels and other sustainable aviation fuels.¹⁴⁴

To offset unavoidable flight emissions, airlines could make their carbon credit programs ‘opt out’ rather than ‘opt in’, increase the transparency of how offsets are generated, and favour offset schemes that put money back into the Australian environments to which visitors are travelling.

- **Destinations may accelerate future-ready airports.** The new WSA aims to be known as the world’s most advanced airport when it opens: adopting the best available technology, developing some of its own, and becoming a model for other Australian airports to follow.¹⁴⁵ Its innovation focuses on both customer and aircraft flows. Domestic and international visitors using WSA will have a virtual partner for their home-to-WSA journey, parking, check-in, gateway and pre-flight experience. Regular visitors will feel known and welcome, with their baggage, security and even coffees more personalised. Similarly, airlines using WSA will have a virtual partner to manage data flow and reduce aircraft turnaround time. Together they will target time sinks such as fuel, baggage and waste handling. By using virtual and augmented reality, WSA aims to help airport staff be at the right place at the right time, reducing costs and delays.

These technologies will all help Australia’s aviation sector serve visitor needs over the coming decades. The Visitor Economy should ensure that its regulatory framework continues to keep access high and prices low, and consider appropriate solutions for reducing prices that are unsustainably high on some routes.

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¹⁴³ Interviews with industry experts, press and media.
¹⁴⁴ Interviews with industry experts, press and media.
¹⁴⁵ Interviews with industry experts, press and media.
Addressing Australia’s high regional fares

High regional fares have resisted a history of deregulation and competition. Unfortunately, air travel to Australia’s regional centres for either tourism or business remains painfully expensive and often inconvenient. Low-traffic regional routes are serviced by fewer carriers with higher airfares and few daily flights. In Figure 38, the dividing line is the average price per kilometre for all fares in Australia. The red-marked low-traffic regional routes are found primarily above the line (noting these are often low volume routes), with the high-traffic city-based routes below it. Many of the regional routes are used by the fly-in-fly-out workforce of our remote mines, so their high fares reflect the high willingness to pay of those businesses. However, others relied on for tourism and standard commercial travel can be far higher than city routes of the same distance.

Figure 38: Though regional flights are essential, distance and low passenger numbers make them expensive

While per-kilometre operating costs may explain some of the fare differential, the major reason is the mutually reinforcing dynamic of low traffic and low competition. When there is more competition on a route, prices will fall, further increasing traffic and sustaining that competition: see Figure 39. This is particularly the case because, once a third carrier is introduced, it will typically be a low-cost carrier, and will generally ensure that the average price per kilometre will be lower for this category.146

146 Interviews with industry experts.
However, securing that competition in Australia is difficult to achieve. Australia’s domestic aviation has long been an effective duopoly, entrenched from 1952 to 1990 under the ‘Two Airlines’ policy to protect two major operators from the threat of a new entry. Since then, we have allowed foreign owners to set up an Australian-based airline, but our cabotage rules do not allow foreign airlines to fly our domestic routes (very much the global norm). The only exception is Air New Zealand, which is permitted to fly our domestic routes, but has declined the offer. New airlines that have entered the market (Compass, Virgin, Tiger) have focused only on high-traffic, low-cost holiday routes, which has helped only the Eastern seaboard. Rex remains the largest domestic regional carrier, but cannot underwrite its regional flights with profits from high-traffic routes. As the collapse of Compass, Ansett and Tigerair shows, there are existential risks in being the one-too-many airline: see Figure 40.

Figure 40: Being the third carrier in Australia has long been a risky business

Timeline of major industry developments
1990 to 2020

Source: ACCC
5.4 Accommodation: balancing supply and demand

The sector may need to hold its nerve and invest selectively now to modernise its stock and meet the forecast growth ahead.

Like the Visitor Economy itself, the accommodation sector spans an enormous range of providers: from boutique to international brand, from city tower to outback glampsite. Each provider has its own opportunities, many of which can be pursued only in collaboration with other businesses in its local visitor economy.

This section considers:

- how pre-Covid, cyclical investment in accommodation was leading to capacity constraints in some destinations, and
- how these could be addressed with innovative solutions to meet peak-season demand, including promoting low-season stays, investment in high-end accommodation, particularly in regions, and investment to update middle-market stock.

Opportunities: Consider how best to achieve the right mix of traditional and non-traditional supply to meet the needs of visitors, including how to secure and hold community support, and consider how best to provide certainty for investment on border re-openings and approval processes.

Capacity constraints pre-Covid

The cyclical nature of the Australian accommodation sector was very much in evidence from 1995 to 2015. The lead-up to the Sydney Olympics saw intense investment to meet the turn-of-century demand and enthusiasm, after which the market found itself oversupplied. In response, and as a result of the 2003 SARS and 2007 financial crises, there was little investment through to 2015. Accommodation stock was by then in relatively short supply, and a little tired, with prices relatively high against those of Australia’s international peers: see Figure 41.

Figure 41: Australian prices have returned to peer markets in the last few years

![Graph showing average daily rates (all classes) for Australia and its peers from 2015 to 2020](source: STR Australian Accommodation Monitor 2018-19 and GlobalData)
Investment has returned over the last five years, in particular for city hotels. The additional competition (including from Airbnb, see below) capped Australian prices to bring them back to peer markets by 2019, before Covid-19 reduced the prices in all markets.147 However, the investment did not extend far enough to meet peak-period and high-end demand in many destinations, or to upgrade ‘tired’ middle-market stock, particularly in the regions.148

**Accommodation is recovering in the regions, less so in the cities**

Now, investment to remedy these constraints may be either delayed or cancelled by Covid-19. The pandemic dropped occupancy rates across Australia by 73 percent year-on-year to April 2020: see Figure 42. Regional destinations are recovering more quickly because of higher levels of intrastate travel caused by international and interstate border closures. City recovery will be slower owing to depressed demand from business travel and international visitors: see Section 2.1.

In both cases, confidence is needed to restore investment. If the international market bounces back in 2025–26 as forecast, there is a risk that visitors will not be able to find the rooms they need, even outside peak times. The sector will need to maintain its nerve and invest now to benefit from the times ahead.

**Figure 42: Occupancy rates are recovering more quickly in the regions**

<table>
<thead>
<tr>
<th>Change in hotel room demand</th>
<th>2019 to 2020, 7-day average change between same periods, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital cities</td>
<td>Regional Australia</td>
</tr>
<tr>
<td>May</td>
<td>0</td>
</tr>
<tr>
<td>June</td>
<td>-1</td>
</tr>
<tr>
<td>July</td>
<td>-5</td>
</tr>
<tr>
<td>Aug</td>
<td>-10</td>
</tr>
<tr>
<td>Sept</td>
<td>-20</td>
</tr>
<tr>
<td>Source: STR Hotel Occupancy Data 2020; ABC, ‘Coronavirus has seen hotel occupancy rates plummet, and the solution may be close to home’, 17 September 2020</td>
<td></td>
</tr>
</tbody>
</table>

**Meeting peak-period demand**

Australia’s occupancy rates have been well above global averages, particularly in the capital cities and in upscale regional accommodation: see Figure 43. For example, the occupancy rate for mid-scale and economy classes in Melbourne averaged 81 percent, well clear of the global average of 60 percent. However, such a high average suggests that occupancy rates

are nudging uncomfortably high in peak season. For example, in the very different market of regional Northern Territory, the upscale and upper-mid classes’ average of 71.8 percent occupancy disguises two extremes: a low-season occupancy of 48.8 percent and a high-season one of 97.8 percent.\textsuperscript{149}

Figure 43: Occupancy rates in Australia have been high, in most sectors

To meet peak-period demand without over-investment, more non-traditional supply like Airbnb, share and hostel accommodation may be needed, with regulatory frameworks to meet both community standards and consumer options.\textsuperscript{150} Airbnb is already helping to fill the peak-period gaps, for example by doubling its listings in NSW in the three years before Covid-19 struck: see Figure 44. Using peak-period surge pricing and promoting low-season stays will be just as important to even out booking cycles and fill rooms in quieter periods. CBD hotels are more problematic. All but Brisbane, Perth and Darwin were hitting occupancy limits pre-Covid. Now, not only have they been severely affected by the pandemic, but they also face a structural decline in demand from the rise of virtual meetings. City efforts to generate additional ‘staycation’ and event business will be critical: see Chapter 4.

\textsuperscript{149} STR and Austrade, Australian Accommodation Monitor, 2019 and 2020.

\textsuperscript{150} Sigler T and Panczak R, ‘Ever wondered how many Airbnbs Australia has and where they all are?’, The Conversation, 13 February 2020.
Meeting high-end demand

Australia has lagged behind international peers in capitalising on strong global growth in luxury travel: see Section 3.5. While the number of luxury rooms leapt forward at 6.7 percent per year globally from 2010 to 2019, Australia saw only a 1.8 percent growth rate: see Figure 45 horizontal axis. In addition, while global high-end prices rose to match the growth in demand, Australia’s prices actually fell.\textsuperscript{151}

Figure 45: Australia lagging behind global growth in high-end rooms and rates

Growth in room prices and occupation
CAGR %, 2010-19

Source: GlobalData

\textsuperscript{151} Globaldata, \textit{Travel and Tourism in Australia to 2020}, 2019.
Addressing high-end and mid-range needs in regions

In particular, Australia has underinvested in high-end accommodation at world-famous natural attractions that can be the hub of a cluster of regional experiences. While the regions attract as much tourism spend as our capital cities, they are outspent by 3.5 times in room investment: see the right-hand column in Figure 46. As a result, there is relatively little high-end accommodation available in regional areas (see Figure 47: High-end accommodation unavailable in many regions), and much of the mid-range accommodation has not been refreshed. This is perhaps one reason to explain the fact that, while 74 percent of reviews on Booking.com are very positive, only 15 percent reach the ‘wonderful’ level, compared to 37 percent in New Zealand and 29 percent in the UK. 152

Figure 46: Accommodation investment has been heavily weighted towards cities

<table>
<thead>
<tr>
<th></th>
<th>Total tourism spend in region 2019, $B</th>
<th>Total project value for projects &gt;$20m2 2019-20, $B</th>
<th>Number of new rooms2 2019-20, 000s</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital cities¹</td>
<td>70</td>
<td>56</td>
<td>50</td>
</tr>
<tr>
<td>Regions</td>
<td>66</td>
<td>15</td>
<td>14</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3.7x</td>
<td>3.5x</td>
</tr>
</tbody>
</table>

1. Capital cities includes Gold Coast for investment data only
2. Only planning, proposed, recently opened and under construction included; project value and rooms based on available STR data and projects captured by Investment Monitor

Source: TRA, Investment Monitor 2019-20

152 Web search.
Further analysis suggests that there may be several tourism regions in Australia where visitors would have been willing to spend more on accommodation than they had been asked to. In Figure 48, the vertical axis shows the proportion of visitors that are regarded as ‘high-spend visitors’ to a destination, who may be willing to pay for higher-cost accommodation (the horizontal axis). Places like the Gold Coast, the Tamar Valley (Launceston), the Alice and the Barossa have a high proportion of high-spend visitors, but charge comparatively modest room rates.

That is not to say that building high-end assets in regional areas is easy, particularly greenfield developments. Compared to building in a city, their business cases must incorporate higher construction costs, the costs of additional infrastructure and more complex planning processes to address broader environmental and community concerns.
5.5 Competitive visas and border experiences

Australian visas and border experiences may be modernised to guard against being a barrier to target markets.

Readily available visas are essential for the Visitor Economy to be able to fill short-term gaps in its workforce, and for business visitors to be able to travel at relatively short notice. They are also a factor in the decisions of education and holiday visitors. However, the conditions that visas place on international visitors who intend to work in Australia, or have the opportunity to do so when they are here, present a more difficult issue.

This section considers how:

- Australian holiday, business and education visas are a barrier to target markets
- the Visitor Economy would benefit from visas with more relaxed restrictions on work, and
- high-tech and efficient border systems are important to the overall visitor experience.

**Opportunities:** Consider whether and how to ensure that visa costs, processing time and conditions, and border experiences are competitive with those of peer markets.

**Australian visas and border experiences may be a barrier to target markets**

The Visitor Economy needs to ensure that Australia’s visa and passenger arrival experiences are not inappropriate barriers for its core or growth segments. For example:

- high-end (and probably all) travellers increasingly expect a streamlined and high-tech user experience at port and airport arrivals, as well as an efficient and cost-competitive visa process
- holiday visas need to be readily available for Emerging Asia markets (see below)
student visas may allow for more, or more flexible, work options (see Section 4.4), and
work and holiday visas may be easier to obtain (see Section 5.1).

The arrival experience spans not only visas, but also biometric and health checks where required, multilingual interfaces and smart gates to accelerate stress-free movement through Australian ports and airports.

Although a relatively marginal expense, visas are still significant in the minds of international holiday makers. In the 2021 Consumer Demand Project, 14 percent of respondents rated ‘ease of visa process’ in their top 5 factors – the same as or ahead of direct flights, vibrant cities, sustainable tourism, authentic Indigenous experience or world-class events.\(^\text{153}\)

Australia currently offers visas (subclass 601) with no application fee to holiday visitors from traditional source markets such as Western Europe, Developed Asia and the USA, and is trialling a digital app for electronic travel authorities for these markets. However, visitors from our priority Emerging Asia markets must apply for a visitor visa (subclass 600) which is advertised to cost $145 and must wait for the visa to be processed.

**Visa policies that may help the Visitor Economy**

The Australian Government will always set visa policies that balance Visitor Economy needs with broader policy goals. However, the Visitor Economy may seek to advocate for the following changes to current policies:

- ensure that Covid-safe visas are introduced and processed quickly to take advantage of Australia’s reputation as a Covid-safe travel destination,
- reduce the cost and processing time of visa applications from Developed and Emerging Asia, in particular from neighbouring countries, to help reboot visitation post-pandemic in what will be a very competitive international market,
- ensure that the rights to work for international students (pre-, during, and post-study) are competitive in the global market (see Section 4.4), and
- ensure that the Visitor Economy has access to needed high- and low-skill labour from skilled, work and holiday, and student visitors, particularly to fill roles in regional Australia: see Section 5.1.

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\(^{153}\) Tourism Australia, *Consumer Demand Project*, 2021.
6 A national project towards the 2030 vision

The Australian Visitor Economy is seeking to recover from the impact of Covid-19, to attract more visitors from different segments, and to ensure excellence and diversity in all its experiences and locations on offer. Achieving these objectives is more than possible, but the sector will need to match and exceed its past collaboration and strategic thinking.

These shifts will take deliberate action from individual providers and destinations, strong support and advocacy from industry groups, and significant coordination at local, state and national levels. All in all, a ‘national project’ to deliver on the 2030 vision.

This chapter sets out:

6.1 Collaboration on demand, investment and data.
6.2 A three-stage roadmap for the Visitor Economy to achieve its 2030 vision.

6.1 Collaboration across the Visitor Economy

Achieving the 2030 vision will require healthy competition between providers and destinations, as well as coordination up, down and across the Visitor Economy.

This section considers how collaboration is needed to target demand segments, to stimulate investment and to develop advanced data and analytics.

Collaboration is also required to reskill the Visitor Economy workforce and to ensure digital adoption: see Chapter 5.

Opportunities: Consider what might be needed to:

- Clearly define roles, increase coordination and reduce duplication in Visitor Economy collaboration at all levels,
- Foster a collaborative, cross-regional approach to marketing and developing our destinations, attractions and supporting infrastructure,
- Maximise certainty around trading conditions and forecasts,
- Review differences in conditions for city and regional investment to ensure that drivers and barriers are fully addressed,
- Increase transparency and efficiency of approval timelines, and remove unnecessary obstacles to investment, and
- Explore opportunities to aggregate data (from providers, governments and third parties) and to share analyses to better inform strategies and initiatives.

Co-opetition to target demand

Destinations and operators will make their own decisions that either align with or diverge from the national ‘image’. They will be the ones considering whether to target Australia’s traditional markets, or markets emerging with faster growth, and/or how to adapt to the expected lower levels of business travel: see Chapter 3. As these individual actors make
their decisions, there are clear roles for industry bodies and governments to play in supporting them.

- **Destination clusters may kick-start ‘co-opetition’** (co-operative competition) by building a common vision around an anchor attraction and a diverse, supporting ecosystem of experiences: see Section 4.3. Fulfilling that vision may see providers in regional destinations share resources, including people. They may consider job-sharing arrangements and employer 'co-operatives' to ensure that full-time contracts can be offered to people with valuable skills that no one provider can employ full-time. They may also collaborate on programs to assist workers no longer employed in other regional industries to transition to a sustainable Visitor Economy. They may even pool funds to be cornerstone investors in essential infrastructure that may be too low down on government priority lists.

- **Industry bodies can accelerate co-opetition** by ensuring that destinations and providers have access to the information and advice they need and that, in aggregate, their plans align with national aspirations. Industry bodies are in a thought-provoking position: able to shape and declare aspirations, yet unable to take direct action at the coalface. They may work with their peer and regional bodies to commit to an aspiration for the next 10 years, as they did in 2010, as a marker for their own performance for the decade. They may cascade targets and themes down through regional industry organisations that may assist destinations and sectors more directly. Conversely, they may assist destinations to set their own aspirations, and help identify what can be done nationally to help them fulfil those aspirations.

- **Governments can enable this co-opetition** by ensuring that collaborative institutions are in place to share aspirations, identify roadblocks and measure progress. Austrade may confer with industry bodies to ensure that there is a shared, integrated vision for the Visitor Economy over the next 10 years, with regular reviews. The opportunity and challenge are to ensure that there is integrated collaboration across local, state and Commonwealth government. The successful collaboration between the Australian, state and territory governments for the *Tourism 2020 Strategy* could be enhanced to meet the needs of the new decade. The Australian government, through Tourism Research Australia, may continue to create and share market data needed for destination and sector strategies and investment: see below. Tourism Australia may continue its critical role in aggregating marketing actions and results, providing both an integrated picture of the Australian visitor experience and examples to inspire destinations and businesses. That effort may be amplified as state and local governments align on their destination visions.

**Collaboration on investment**

As we discuss in Chapter 4, it is up to Australia’s city and regional destinations to ensure they have the hard and soft assets they need to attract their target markets. Only they and their providers, as collaborative communities within the Visitor Economy, can determine what they need to fulfil their vision. However, industry bodies and governments have enabling roles.

- **Industry bodies** may aggregate and advocate for the needs of their destinations. Industry associations for the different subsectors can aggregate and share their demand forecasts, particularly through the recovery from Covid-19: see further on data below. They can leverage their relationships to ensure that the Visitor Economy has a stronger
seat at city and regional planning tables. They can ensure that the vision for the Visitor Economy is well understood nationally, so that destinations and providers can make decisions on whether to leverage that vision, or differentiate from it.

- **Governments** may enable investment by maximising certainty around trading conditions and forecasts, and removing unnecessary regulatory obstacles or disincentives to investment. The Australian, state and territory governments each have investment attraction agencies that may collaborate to win more investment into Visitor Economy infrastructure. A clear timeline for reopening the international border will be the most immediate and beneficial action to reinvigorate the investment pipeline. As always, certainty and efficiency in the timing and process of key approvals are essential for investment pipelines to be fulfilled. Public or public–private investment with clear cost benefits, such as the Western Sydney Airport and its connecting infrastructure, may also be appropriate.

**Collaboration on advanced industry data and analytics**

The faster the Visitor Economy evolves in response to customer demographics and disruptive trends, the more value there is in accessible, granular data. Digital platforms have evolved to allow the Visitor Economy to track and forecast its performance and trends in real time. Australia has platforms that may be expanded for this collaborative role.\(^{154}\)

Even more valuable is the capacity to draw insights from those data and share them with industry and government to accelerate market and policy responses. Assuming that trust is maintained, SMEs could share more data with an industry platform, in return for having insights at their fingertips, or other incentives. Similarly, an industry platform could access metadata from payment platforms and other larger enterprises to generate and publish further insights, with government facilitation where needed.

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\(^{154}\) Tourism Research Australia (TRA), the Australian Tourism Data Warehouse (ATDW) and Tourism Exchange Australia (TXA).
6.2 A roadmap to 2030

To reshape the Visitor Economy and pursue its opportunities over the next decade, participants at all levels may wish to collaborate on a clear and comprehensive roadmap.

Figure 49 is only a very high-level capture of the priorities suggested in this report. There would be much more work to develop it into a strong vision that is shared throughout the Visitor Economy. Allowing for the Covid recovery, a decade will not be a long time to secure and then achieve that vision.

**Figure 49: Roadmap to fulfil the decade’s aspirations**

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Short-term must haves</strong></td>
<td><strong>Medium-term delivery</strong></td>
<td><strong>Long-term aspiration</strong></td>
</tr>
<tr>
<td>1. Strongly pivot to domestic demand</td>
<td>1. Diversify international source markets for holiday makers, business and education visitors and key demand segments (millennials, luxury and international students)</td>
<td>1. Embrace new technological advancements, particularly in aviation, electric vehicles and automation, with enabling infrastructure and regulation</td>
</tr>
<tr>
<td>2. Secure a 2030 Vision and set up the framework for integrated planning, data sharing, monitoring and metrics</td>
<td>2. Drive innovation and digitisation to deliver a customer experience that can personalise each step of their journey, through continued investment in an innovation ecosystem</td>
<td>2. Confirm a broad social licence for the Visitor Economy as a responsible, sustainable and essential contributor to our economy and workforce</td>
</tr>
<tr>
<td>3. Businesses to transition and reshape following the pandemic. Industry to identify opportunities to diversify product offerings and consider workforce needs and government to review the regulatory environment for constraints to the Visitor Economy recovery and longer-term prosperity</td>
<td>3. Target key demand segments with marketing campaigns that zero in on their preferences</td>
<td>3. Continue to diversify the markets and offers of the Visitor Economy, to manage potential economic, health and environmental shocks</td>
</tr>
<tr>
<td></td>
<td>4. Develop a culture of collaboration and robust evaluation between industry and government, with data, insights, feedback and advice shared across the Visitor Economy</td>
<td></td>
</tr>
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