

Reimagining the Visitor Economy

Discussion Paper - May 2021

A partnership between governments and industry to reimagine the visitor economy

Australians are great travellers: we spend more per capita on travel than any other nation. The visitor economy employs 1 in 20 Australian workers, involves over 312,000 businesses¹ and was worth \$138 billion in 2019². It was our fourth largest export sector in 2018-19³.

The visitor economy encompasses domestic and international tourism, including international students, business and leisure travellers, as well as associated industries such as hospitality, aviation and accommodation.

Pre-COVID-19, the visitor economy was in a strong position. Between 2015 and 2019, it grew by an average of 9 per cent each year; domestic holiday and business travel spend grew by 8 per cent and 12 per cent respectively; international education spend grew by 13 per cent⁴.

COVID-19 has been a disruptive event, disproportionately impacting jobs across the visitor economy. Over 13 per cent of visitor economy jobs were lost in the year to December 2020, compared to 4 per cent of jobs economy-wide⁵. The lack of international workers has also limited operations in some regions and sectors.

As Australia recovers from the pandemic, **the visitor economy must fortify its future by diversifying its source markets and offerings, modernising its assets and workforce, and collaborating to do so.** The solutions to drive sustainable growth in the visitor economy will need to be led by industry, and enabled by all levels of government.

The Expert Panel to Reimagine the Visitor Economy has been asked to provide advice to industry and government on the future of Australia's visitor economy. To inform the Expert Panel's advice, we want to hear from interested parties on how the visitor economy can innovate, boost productivity and yield and build long term sustainable growth in the post-COVID-19 world. **We are looking for practical advice and solutions** that can be implemented by businesses and/or governments.

Further details of the Expert Panel's terms of reference can be found at www.austrade.gov.au/reimagine.

How can you get involved?

We seek your input to identify what the visitor economy needs in order to be resilient, competitive, sustainable and profitable over the next ten years.

An easy and fast way to engage is through the **Visitor Economy Stakeholder Consultation Survey**, available at www.austrade.gov.au/reimagine.

We also welcome your **solutions and insights** to the questions asked in this document. We accept responses via written submission to visitoreconomy@austrade.gov.au by **5:00 pm Friday 11 June 2021**.

Please note: We will publish your submissions on our website unless you advise otherwise. Please let us know in your covering email if you wish for your submission to remain confidential.

Industry-led, government enabled recovery

Questions

- How can we better foster collaboration between businesses and governments to offer great experiences, create and sustain high-yield destinations and make the best system wide decisions?
- Where are the regulatory bottlenecks to the visitor economy?
- How can we increase collaboration between businesses within regions and destinations to improve the visitor experience?
- How can industry bodies enhance their offerings and engagement to drive business improvement and resilience?

Now is the time to work together in new ways

With the anticipated rise of several new types of traveller – for example, millennials seeking adventurous experiences, multi-generational family groups from key international markets (such as North and South America, Asia, UK and Europe) and locals seeking luxury eco getaways – we need to invest in new products and new destinations.

We have identified 10 structural trends that will affect the visitor economy to 2030:

Demand driven trends	Visitor demographics	1 Pivot to domestic market
		2 Rising Asian middle class
		3 Aging population and growing millennials
	Visitor preferences	4 Experiential tourism
		5 Sustainable travel
		6 Enhanced digitisation
		7 Safety and security
Supply driven trends	Supply side challenges and opportunities	8 Labour, skills and workforce
		9 Modernising and diversifying offerings and infrastructure
		10 Sustainability and social license

Destinations and operators will need assets and infrastructure that meet demand forecasts, add to the visitor experience, and give access to those who need it.

This means understanding what the traveller of the future wants through:

- understanding the user experience and preferences, including by collecting good data;
- building investment confidence for new infrastructure;
- streamlining planning approvals to nurture new destinations and reimagine existing destinations;
- fostering collaboration between businesses, industry bodies and governments; and
- innovative thinking in terms of workforce attraction and retention.

Industry bodies can provide leadership especially around workforce challenges and courting investment, governments at all levels have a part to play and businesses need to trust that cooperation and competition can co-exist to everyone's benefit. New mechanisms and system-wide architecture to work more effectively in partnership may be necessary.

Capturing the domestic travel opportunity

Questions

- What needs to be done to encourage domestic visitors to travel for longer, spend more and diversify the destinations they visit?
- What will domestic business travel look like in 2030 and what needs to be done to adapt?
- How will the sector need to transform to be successful into the next decade?
- What investment is required to ensure accommodation and experiences meets market expectations and drives high-value tourists?
- What are the barriers to building new, and refresh existing, tourism infrastructure?

Domestic visitors make up the vast majority of the visitor economy

Figure 1: Domestic and international traveller spend in 2019



* Excluding international airfares

Source: Tourism Research Australia & National Visitor Survey

Domestic visitors are the backbone of the visitor economy and will drive its recovery. In 2018-19 - pre-COVID - domestic visitors and business travellers contributed 77 per cent of the \$138 billion total spend.

However, as a result of the COVID-19 pandemic, lockdowns and border closures, interstate domestic visitor spend has considerably fallen. Business travel, which was the fastest growing segment of the domestic visitor economy before the pandemic, is unlikely to return to pre-COVID-19 levels, due to the mainstreaming of videoconferencing and organisational cost-savings.

Over the next decade, there are significant opportunities to divert Australians to travel within Australia rather than travel overseas and encourage them to travel within Australia as they would overseas – by taking longer trips, visiting multiple locations and visiting local attractions and experiences.

Diversifying our international customer base

Questions

- How can Australia position itself for new international markets for holiday travel (including the luxury segment), business travel, events and international education?
- How should Australia sustain and support its existing core international markets?
- How best should Australia expand its share of the high-end holiday market (defined as spend over \$500/night)?
- What is needed to make Australia more competitive in the international education and major events markets?
- How competitive is Australia's visitor visa system compared to other markets and what can be done to improve it?

International visitors, students, and short-term overseas workers spent \$31 billion in Australia in 2019

International visitors, students and business travellers contribute economically and play an important role in strengthening people-to-people links between Australia and our regional and global neighbours, and promoting Australia's image overseas.

International students and working holiday makers are particularly valuable: each trip by these cohorts adds significantly more to Australia's economy than a domestic leisure trip. Of these travellers, China dominated as the largest single source market: in 2019, 58 per cent of international students were from China, a far higher concentration than other comparable markets⁶.

Post-COVID, a well-balanced inbound market can support the visitor economy, Australia's labour market needs, and our educational institutions

We have an opportunity for Australia to consolidate existing markets, and position itself to diversify and grow into new markets, such as India and South East Asia, which have large populations and growing middle classes.

With international airfares likely to be high once borders reopen, Australia also has an opportunity to grow its share of the global high-end/luxury holiday market (high-value consumers who spend over \$500 per night per person). Globally the high-end luxury market is growing at 6.7 per cent per year (50 per cent faster than the total market), while in Australia it is only growing at 1.8 per cent per year⁷. Over the next decade, there is an opportunity to capture more high-end travel as our tourism offering aligns with key experiences high-end travellers seek: sun and beach; adventure; and culture and food.

Labour, skills and workforce

Questions

- What does the visitor economy workforce of the future look like? How will the skills mix we need be different?
- How can the sector develop and promote career pathways to make the visitor economy a career of choice?
- How can we attract and retain workers in the sector, especially in the regions?
- How do we build the skills we need for the visitor economy in the future through training and business support services?
- How do we address labour shortages, including through skills/training programs and accreditation, and through changes to the migration program?

COVID-19 has exacerbated structural problems in the visitor economy workforce

Historically, the visitor economy workforce has been large (665,000 direct jobs in 2018-19, with strong growth⁸). However, travel restrictions throughout the pandemic have contributed to an estimated 80,500 job losses by the end of 2020⁹.

Even as the sector begins to recover, many experienced workers have moved on to other industries, creating labour shortages that will hamper recovery across the sector. This situation will amplify the existing challenge of attracting and retaining skilled labour, particularly in the regions, given that the work in the visitor economy is generally lower-paid, part-time and/or seasonal: as at 2021, half the visitor economy workforce is part-time¹⁰.

Further, the sudden departure from Australia of a large proportion of international students and Working Holiday Makers has reduced the size of available part-time and seasonal workers. These workforce challenges then limit the variety and quality of experiences and services the sector can offer and are a constraint on both recovery and growth.

The visitor economy needs a world-class labour force with the right skills at the right time and in the right place

The nature of some jobs in the sector was already changing to meet changing customer preferences. In the future, more jobs may be automated through various technological innovations while other service roles could expand. The post-COVID workforce will look different – in size, location, skill level and make-up.

Now, more than ever, industry and governments will need to work together to address the range of issues that span labour supply and recruitment, workforce development, and participation and retention. These issues are interlinked and require a fresh collaborative approach if a lasting solution to the visitor economy workforce is to be achieved.

Indigenous Tourism

Questions

- What opportunities can be created to empower local Indigenous communities to get involved in the visitor economy, start-up businesses and provide in-demand authentic travel experiences?
- How can Indigenous experiences be enhanced, and given a greater profile – in both the regions and cities, and to domestic visitors?
- How can industry bodies and governments of all levels best enable an Indigenous tourism sector that is resilient, sustainable and profitable in the medium to long term? What are the barriers to achieving this goal?

Indigenous tourism is a growing and valuable segment of the visitor economy

Australia's Indigenous cultures are the oldest continuous cultures in the world and Australia is proud of its Aboriginal and Torres Strait Islander heritage. Indigenous tourism, which includes providers who offer an authentic, Indigenous experiences; non-Indigenous providers that employ Indigenous Australians; and Indigenous-owned businesses within the visitor economy, are a valuable part of the wider economy. Indigenous tourism also offers a unique point of difference for international visitors.

Pre-COVID-19, the Indigenous tourism sector was a relatively small component of the visitor economy. There are significant opportunities to grow this sector in both the regions and cities, to ensure Indigenous Australians capture a fair share of the economic and employment opportunities generated by Australia's visitor economy.

Governments and industry should work in partnership with local communities to grow Indigenous tourism

Over the coming decade, the visitor economy should position itself to promote Australia's diverse Indigenous cultures to both domestic and international visitors, and grow the number of Indigenous-owned businesses within the visitor economy. Visitors should be encouraged to travel to destinations in both cities and beyond to seek new and authentic experiences, including growing engagement with Indigenous arts and cultures.

Building on the *National Agreement on Closing the Gap*, and initiatives such as the *Indigenous Tourism Fund*, governments and industry need to work in partnership with local Indigenous communities across Australia and empower them to start-up businesses, and develop service offerings to visitors who are seeking authentic cultural experiences.

Innovation: digital and new products

Questions

- How can technology and digital assets improve the visitor experience?
- What are the barriers to the adoption of digital technologies for visitor economy providers?
- How can small businesses, including those in regional and remote Australia, be supported to take advantage of technological advancements and become digitally capable?
- What digital skills and capabilities are required in the visitor economy to support growth and innovation?

Technology has disrupted the visitor economy

Australia's international borders have been closed to non-essential travel since March 2020. Now is a time to modernise our product offerings, ensure they meet market expectations and demand, and position our tourism, education and business sectors for strong growth as borders reopen.

The emergence of social media, augmented reality, and new booking and payment platforms have disrupted the traditional visitor economy and changed visitor preferences. They have also presented opportunities for providers to reach new markets, innovate and develop new products and experiences for visitors.

Although providers in the visitor economy may want to take advantage of the opportunities presented by digital technologies, they face significant barriers, including start-up costs and skilled labour shortages, particularly in regional and remote Australia.

Technology presents an opportunity to reach new markets and develop new offerings

For businesses who have embraced digital technologies across Australia's service industries, research indicates the benefits include up to a 20 per cent increase in customer satisfaction, 40 per cent reduction in costs, and 20 per cent increase in conversion rates and growth¹¹.

Many providers in the visitor economy are adopting digital technologies and developing new products and experiences for visitors, but there are also many providers who may need support. Governments and industry need to work together to help providers overcome barriers and grow their businesses.

Resilience, sustainability and social license

Questions

- What is needed to build more resilient businesses given the likelihood of ongoing economic and environmental shocks?
- What practical measures can industry participants take to strengthen social sustainability for the visitor economy and a strong social licence from their communities?
- How can Australia successfully position itself as an environmentally sustainable destination to domestic and international visitors?
- What is required to build an understanding of the different aspects of sustainability across all providers in the visitor economy?

Building a resilient visitor economy

COVID-19 was a major shock to the visitor economy. Businesses need to consider how they can protect themselves from further shocks, whether economic or environmental, to ensure a sustainable visitor economy into the future.

Society expects participants in the visitor economy will effectively balance economic, social and environmental factors

Economic sustainability will come from innovative and profitable businesses who seize opportunities to collaborate, support their workers and deliver more and better world class experiences for visitors. However, with growing numbers of visitors there is potential for overcrowding and degradation of our natural and built resources.

Successful social sustainability means balancing the interests of residents and visitors, an understanding by communities of the value contributed by visitors, and equally an appreciation by providers of having a 'social licence' from traditional owners and residents to operate in their communities.

Australia has an abundance of natural and cultural assets that are drawcards which drive visitors to and across our country. Success in environmental sustainability requires efforts to protect our natural assets, biodiversity and natural heritage.

Visitor economy participants should adjust their thinking to meet society's sustainability expectations

There may be risks associated with 'over-tourism' which could negatively impact the environment, the visitor experience and local residents' quality of life.

If approached correctly, local residents can be powerful ambassadors for their regional visitor economy – encouraging and welcoming visitors in the recognition that the visitor economy provides jobs, economic and social benefits, yet does so in a way that does not degrade the community.

Visitor economy providers should become increasingly aware of their environmental footprint, and take steps to build their sustainability credentials, and build their climate and disaster resilience. They should respond to the increasing demands from visitors to deliver travel in an environmentally sensitive way.

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The Australian Trade and Investment Commission (Austrade) will collect, handle and disclose your personal information in accordance with our [Privacy Policy](#). Austrade will use your information to identify what the visitor economy needs to be resilient, competitive, sustainable and profitable over the next ten years and inform whole-of-government policy development.

Participating in the stakeholder consultation and providing the requested information is voluntary. Information you provide in your response, including personal information, may be disclosed to the Australian Government and third parties who provide services to Austrade, for the purposes of informing and supporting the work of Austrade. Austrade will publish your submissions on our website (www.austrade.gov.au/reimagine) unless you advise otherwise. This information may also be used to communicate with you about your response and the consultation process.

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¹ Tourism Research Australia, *Tourism Businesses in Australia: June 2014 to 2019*

² Tourism Research Australia, *National Visitor Survey and International Visitor Survey*

³ Australian Bureau of Statistics, *Tourism Satellite Account*

⁴ Tourism Research Australia, *National Visitor Survey and International Visitor Survey*

⁵ Australian Bureau of Statistics, *Tourism Satellite Account: quarterly tourism labour statistics, Australia, experimental estimates methodology, 2021*

⁶ Tourism Research Australia, *International Visitor Survey*

⁷ Globaldata, *Travel and Tourism in Australia to 2020*

⁸ Australian Bureau of Statistics, *Tourism Satellite Account*

⁹ Australian Bureau of Statistics, *Tourism Satellite Account: quarterly tourism labour statistics, Australia, experimental estimates methodology, 2021*

¹⁰ Australian Bureau of Statistics, *Tourism Satellite Account*

¹¹ McKinsey Digital, *Service industries can fuel growth by making digital customer experiences a priority, 2020*