



# RESEARCH NOTE

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## Australia's Boom Industry: Tourism

### MAJOR FINDINGS

1. *Despite the rapid growth in inbound tourism, by far the bulk of Australian tourism activity is attributable to Australians travelling in their own country.*
2. *Nevertheless tourism is Australia's largest export industry - in 1993/94, our current account deficit would have been nearly 10% higher in the absence of tourism.*
3. *Although the industry is dominated by a small number of very large companies such as national airlines and hotel chains, most players are small businesses and these are highly decentralised.*

### The Australian Tourism Industry's Structure And Product

- Unlike most industries, tourism does not have clearly defined boundaries; rather, it is an amalgam of 'input industries' such as transport, accommodation and hospitality. Conventional measures of the tourism industry embrace the whole of these 'input industries' even though they also serve private, business and social activities quite remote from mainstream 'tourism'.
- Thus in attempting to measure the size of the industry, the picture becomes complicated because travellers often combine within a single trip a range of 'tourism', private, business and social activities.
- Although popular perceptions of Australian tourism stress inbound (international) visits, in reality, domestic tourism is by far the most significant, accounting for 70% of tourism expenditure.
- The industry contains a small number of very large players such as the major airlines and hotel chains plus a large number of much smaller businesses such as specialist retailers, local coach operators, travel agencies, tour and catering franchisees and motel and

caravan park proprietors - over 80% of businesses employ less than 20 people. Its highly decentralised structure contributes significantly to regional development.

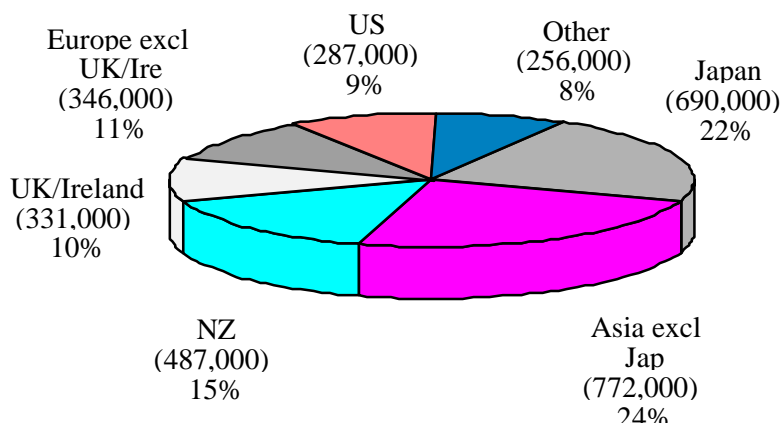
- Reported positive attributes of the Australian 'tourism product' are the country's natural beauty and unique attractions, its multicultural diversity, open space, relatively low crime rate, the 'friendliness of the locals' and the availability of cheap food and shopping.
- Negative attributes include Australia's geographical remoteness, the lack of quality and diversity in shopping / restrictive shopping hours, language and related cultural barriers and 'graffiti and litter blight' particularly in cities .
- Since the mid 1980s, inbound tourism has enjoyed considerable international competitive advantage from a relatively 'cheap' Australian dollar. New tourist accommodation capacity, enhanced tourism industry training, lower real air fares, vastly improved national highway and telecommunications networks, declines in the real cost of petrol and the partial deregulation of domestic aviation have also been significant factors in boosting tourism.

### Its Significance To The National Economy

- Tourism accounts for around 6% of GDP or \$30 billion annually and generates over 460 000 jobs or 6% of the work force.
- The most rapid growth has been in international tourism. In 1993 inbound visitors increased by 15% and over the past three years, tourism has made an important net contribution to the balance of payments on current account - in 1993/94, it generated net foreign exchange earnings of \$1.6 billion. Australia's current account deficit in 1993/94 would have been nearly 10% higher in the absence of tourism. In terms of gross earnings it is a major export 'industry'.
- Since the late 1980s, our inbound tourism growth rate has been among the highest in the OECD but this has been from a relatively small base. Data for world tourist arrivals produced by the World Tourism Organisation shows that Australia's share of world international visitor arrivals was only 0.6% in 1993/94. Major sources of inbound tourists and relative market growth rates are illustrated in the charts.

### The National Tourism Strategy

## ARRIVALS BY MARKET, 1993-94



- This policy framework is intended to guide the industry's long term development. It was released by the Commonwealth in 1992 and formalises its commitment to developing the industry in an economically, socially and environmentally sustainable manner.
- It commits the Government to a range of promotional, research and statistical services; the Australian Tourism Commission, the Bureau of Tourism Research, the Tourism Forecasting Council and the Department of Tourism are central to these roles.
- Federal financial aid to tourism includes assistance provided via the various programs administered by the Tourism Portfolio and through the Export Market Development Grants Scheme (EMDGS).
- In dollar terms, the most significant Tourism Portfolio Pro-

gram relates to the marketing activities of the Australian Tourism Commission; outlays under this Program have grown substantially - from \$38 million in 1988/89 to over \$77 million in 1993/94. Grant payments under the EMDGS in 1993/94 amounted to nearly \$17 million.

### Some Significant National Issues In Tourism

**Infrastructure:** • The effects of transport infrastructure constraints on Australian tourism, in particular, the problem of Sydney Airport congestion, bottlenecks in the National Highways network and the lack of a national, high speed rail passenger network • The fragmentation of the national airports system under the Government's proposals for privatising the Federal Airports Corporation.

**Economic Policy:** • The pace of labor market reform in the hospi-

tality industry • The need for continued Federal financial support for marketing tourism overseas • The susceptibility of Australia's tourism industry to international economic shock • The role of foreign investment in tourism infrastructure development.

**Transport Policy:** • The costs and benefits of Australia's bilateral air service agreements regime versus 'open skies' • The stalling of progress in developing a common Trans-Tasman aviation market • Allowing foreigners a greater ownership stake in Qantas.

**Other:** • The impact of Australian visa controls on tourism • The impact of rapid tourism growth on the quality of the Australian tourism product, including environmental and infrastructure investment implications.

#### Sources:

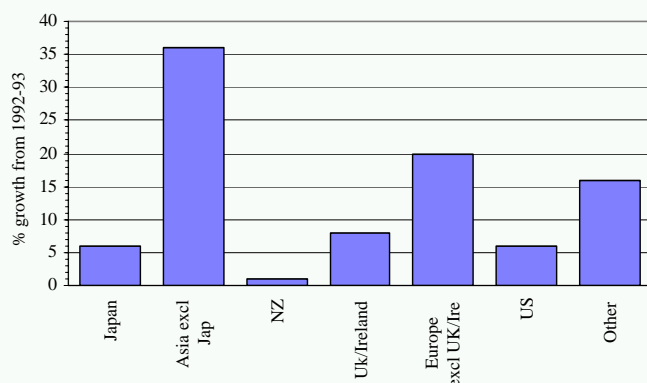
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## GROWTH IN ARRIVALS, 1993-94



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