

## Chapter 9 Tourism

### Key Points

- During the 1990s, the Territory's tourism sector expanded considerably, driven by solid growth in international visitor numbers which increased at an average rate of around 13 per cent per year.
- In the period 2001 to 2004 international discretionary travel declined as weaker global economic conditions were exacerbated by terrorist attacks, geopolitical uncertainty and the Severe Acute Respiratory Syndrome (SARS) outbreak. Over the past year, the appreciation of the Australian dollar has also acted to constrain the pickup in international visitors to Australia.
- In the Territory, after four years of negative growth, visitor numbers are estimated to have increased by around 8 per cent (to 1.65 million) in 2004-05 with growth of 5 per cent (to 1.74 million) expected in 2005-06. International visitor numbers are expected to rebound by 24 per cent in 2004-05 and by a further 9 per cent in 2005-06.
- The Northern Territory Tourist Commission (NTTC) estimates that total expenditure by tourists to the Territory increased by 7.5 per cent to \$1161 million in 2003-04, of which international visitors accounted for 26 per cent.
- Stronger demand for the Ghan passenger service has led to a second weekly return service to Darwin during the peak season in 2005.
- The appreciation of the Australian dollar is a major risk to the outlook. A strong dollar will act to constrain the strength of the upswing in international visitors while encouraging Australians to travel abroad.

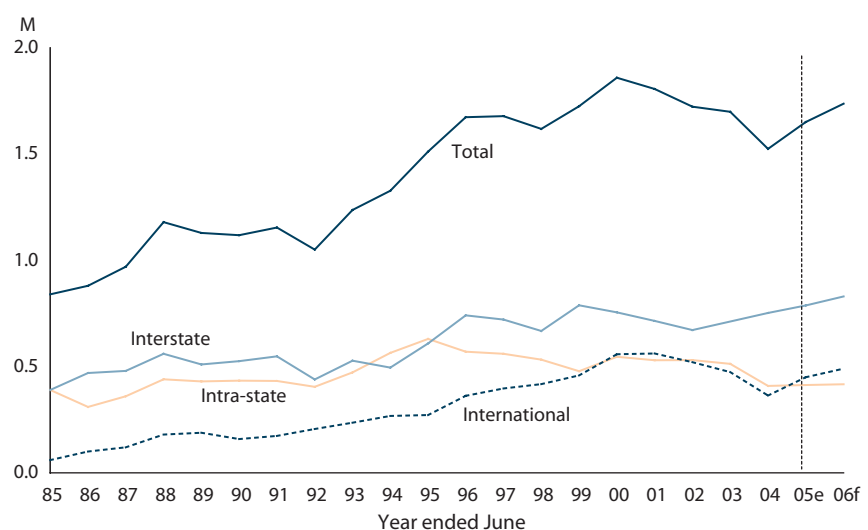
### Significant Industry

The tourism sector plays a significant role in the Territory economy, contributing more to Gross State Product (GSP) and employment than in any other jurisdiction (see table 9.1). The Territory's unique flora, fauna and geographical features, as well as Aboriginal art and culture, are key attractions for visitors. Cruise and defence force ship visits also make a significant contribution to the Territory's tourism sector.

### Visitor Numbers

After four consecutive years of decline, total visitor numbers are estimated to increase by around 8 per cent to 1.65 million in 2004-05, with growth of about 5 per cent (to 1.74 million) expected in 2005-06. Critical to the strength of the rebound in visitor numbers will be increased international visitor numbers. Growth in this segment is estimated at about 24 per cent in 2004-05, followed by about 9 per cent in 2005-06.

Chart 9.1: Visitor Numbers, Northern Territory (millions)



e: estimate; f: forecast

Source: NT Treasury, Northern Territory Tourist Commission

The positive short-term outlook is based on improving global economic conditions, particularly in the Territory's major source markets, an easing of health and safety concerns and increased domestic and international advertising.

## International Visitors

Over the past decade, growth in the sector has been driven by international visitor numbers. During the 1990s, overseas visitor numbers to the Territory increased at an average rate of around 13 per cent per annum. In the past few years, international discretionary travel to the Territory has declined considerably as a consequence of the war in Iraq, the Severe Acute Respiratory Syndrome (SARS), reduced international air seating capacity and weak economic conditions in major source markets. This has been exacerbated by the more recent impacts of the appreciation of the Australian dollar on inbound tourism as well as advertising competition from other jurisdictions for international visitors.

While international visitor numbers to the Territory have declined in recent years, their spending still represented close to 26 per cent of tourism expenditure in the Territory in 2003-04.

## Spread of Tourism Expenditure

Tourism output is not uniquely defined by the type of goods and services produced, but by the consumers of those products, including holiday, business and government-related visitors (see glossary for visitor definition). As such, tourism is not separately identified as an industry in the State Accounts. Tourism expenditure is spread over a number of production classified industries including accommodation, cafes and restaurants, cultural and recreational services, and retail trade and transport. Tourism also generates activity in the construction industry for the building of hotels and other tourism-related infrastructure.

## Output and Employment

Using two of the standard Australian Bureau of Statistics (ABS) classifications, 'Accommodation, Cafes and Restaurants' and 'Cultural and Recreational Services' as an estimator of tourism output, the tourism sector accounted for approximately 4.9 per cent of Territory GSP in 2003-04, compared to 3.6 per cent nationally. On the same basis, tourism accounted for an estimated 7.9 per cent of Territory employment in 2003-04, compared to 7.4 per cent nationally.

## Drivers of Growth

Tourism growth over any period reflects prevailing economic conditions both domestically and internationally. Factors such as exchange rates and disposable household income growth are key drivers. Tourism expenditure is largely a discretionary component of consumer expenditure and is essentially a 'luxury' product. As such, income growth and consumer confidence can have a pronounced effect on tourism activity. International tourism is particularly sensitive to geopolitical conditions and health and safety concerns, while the availability and cost of airfares and fuel prices also have an impact on Territory tourist activity. Additionally, visitor numbers are influenced by defence activities, large one-off events such as the Sydney Olympics, and regular events such as the Darwin Cup and the Arafura and Masters Games.

Table 9.1: Tourism as a Percentage of GSP (2003-04)

	Accommodation, Cafes and Restaurants	Cultural and Recreational Services	Total
New South Wales	2.1	1.8	4.0
Victoria	1.5	1.7	3.2
Queensland	2.6	1.3	3.8
South Australia	1.8	1.5	3.3
Western Australia	1.4	1.2	2.7
Tasmania	2.5	1.3	3.7
<b>Northern Territory</b>	<b>2.6</b>	<b>2.3</b>	<b>4.9</b>
Australian Capital Territory	2.1	2.4	4.5
<b>Australia</b>	<b>2.0</b>	<b>1.6</b>	<b>3.6</b>

Source: ABS Cat. No. 5220.0

Table 9.2: Visitor Numbers to the Northern Territory

Year ended June	Intra-Territory		Interstate		International		Total	
	(000)	% Ch	(000)	% Ch	(000)	% Ch	(000)	% Ch
1985	390.0	4.1	390.0	29.6	60.0	1.9	840.0	14.5
1986	310.0	-20.5	470.0	19.6	100.0	86.8	880.0	4.7
1987	360.0	16.1	480.0	1.6	120.0	17.2	970.0	9.4
1988	440.0	22.2	560.0	16.7	180.0	44.0	1 180.0	22.0
1989	430.4	-2.2	510.1	-8.8	188.6	6.6	1 129.1	-4.1
1990	433.8	0.8	525.4	3.0	158.9	-15.7	1 118.1	-1.0
1991	432.1	-0.4	548.2	4.3	173.8	9.3	1 154.1	3.2
1992	405.0	-6.3	439.1	-19.9	206.6	18.9	1 050.7	-9.0
1993	472.8	16.7	527.9	20.2	236.3	14.4	1 236.9	17.7
1994	564.3	19.4	494.9	-6.3	268.0	13.5	1 327.2	7.3
1995	630.4	11.7	609.1	23.1	272.3	1.6	1 511.8	13.9
1996	570.2	-9.5	741.4	21.7	362.2	33.0	1 673.7	10.7
1997	560.1	-1.8	721.3	-2.7	397.1	9.6	1 678.5	0.3
1998	533.0	-4.8	667.4	-7.5	417.8	5.2	1 618.2	-3.6
1999	478.5	-10.2	788.3	18.1	458.5	9.7	1 725.3	6.6
2000	546.4	14.2	755.0	-4.2	558.2	21.7	1 859.6	7.8
2001	529.7	-3.1	714.7	-5.3	561.8	0.7	1 806.2	-2.9
2002	530.3	0.1	672.0	-6.0	520.9	-7.3	1 723.3	-4.6
2003	513.1	-3.3	712.5	6.0	473.7	-9.1	1 699.2	-1.4
2004	408.8	-20.3	752.1	5.6	363.9	-23.2	1 524.9	-10.3
2005e	413.0	1.0	788.0	4.8	450.0	23.6	1 651.0	8.3
2006f	417.0	1.0	830.0	5.3	490.0	8.9	1 737.0	5.2

e: estimate; f: forecast

Source: Northern Territory Tourist Commission

Note: Prior to 1995-96 methodological changes occurred within the Northern Territory Travel Monitor, which means caution should be exercised when comparing data prior to 1995-96 with data from 1995-96 onwards.

### Higher Yield Visitors

In the Territory, visitor numbers and nights were down in 2003-04, although expenditure is estimated to have increased solidly (see tables 9.2, 9.3 and 9.4). This suggests that the Territory is attracting the higher yield visitors from across all sectors. Total visitor numbers fell by 10.3 per cent, as international and intra-Territory visitor numbers fell by 23.2 per cent and 20.3 per cent respectively, while interstate visitor numbers increased by 5.6 per cent. Total spending by intra-Territory and interstate visitors increased by 19.1 per cent and 18.5 per cent respectively, while international visitor spending declined by 15.3 per cent in 2003-04.

### International Setbacks

The tourism sector, both nationally and in the Territory, has experienced a number of considerable setbacks in recent years. The onset of the global economic slowdown in 2001, the September 11 terrorist attacks, the collapse of Ansett, the Bali bombing, the Iraq war, the SARS outbreak and the recent appreciation of the Australian dollar have all contributed to dampen tourism activity, particularly inbound international tourism.

### Domestic

Amidst these shocks, the main drivers of domestic tourism demand turned positive in the period after the downturn in 2000-01. Nationally, the past four years have been characterised by solid employment growth, low interest rates and inflation with buoyant consumer sentiment encouraging borrowing and consumption. Interstate tourism to the Territory was largely responsive to these positive drivers over the past three years, with Australians delaying or deferring outbound international travel in favour of holidaying in the relatively safe domestic environment. Increased domestic advertising contributed to the solid increase in interstate visitors in 2003-04.

**International** Nationally, international tourism demand recovered in 2004 from the global downturn in international travel associated with the Iraq war, the SARS outbreak and continued weakness in the global economy that affected consumer confidence. Increasing visitor numbers are being supported by the strengthening global economic outlook, being led by the US, although the Japanese and European zone economies are still struggling to sustain modest growth rates. These regions are major source markets for international visitors to Australia, and particularly to the Territory. However, the recovery in international visitors to Australia is yet to be felt in the Territory, although recent tourism statistics are showing signs of improvement.

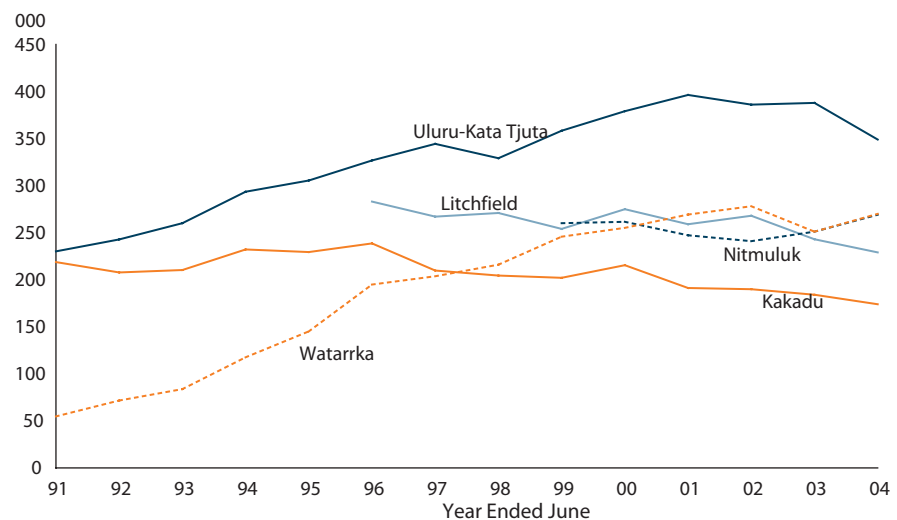
The Territory typically attracts around 10 per cent of the short-term international arrivals to Australia, and weaker growth in this category since 2001 has affected the number of international visitors to the Territory. Short-term arrivals to Australia have started to recover after three consecutive years of weak growth. The Territory attracted just 7.2 per cent of short-term international arrivals (to Australia) in 2003-04, down from 10.2 per cent in 2002-03. One significant reason for this loss in market share appears to be the competitiveness of international advertising campaigns undertaken by other Australian states and territories.

A pick up in international visitors to Australia in 2004-05 is expected to flow through to the Territory, with the NTTC expecting visitor numbers to increase by almost 25 per cent.

## Destinations

**Attractions** The Territory's unique flora, fauna and geographical features are key attractions for visitors, with Aboriginal art and culture another major drawcard for the Territory's national parks. Over the decade to 2003-04, Uluru-Kata Tjuta National Park (Ayers Rock and the Olgas) has continued to increase in popularity, with visitor numbers growing at an average rate of 1.7 per cent per annum. The park attracted 349 000 visitors in 2003-04, down from 388 000 in 2002-03. Visitors to Nitmiluk National Park increased by 18 000 to 269 000 over the same period.

Chart 9.2: Visitors to National Parks



Source: Northern Territory Tourist Commission

**Major Tourist Regions** The Territory's major tourist regions are the Top End, which includes Darwin, Kakadu, Arnhem and Daly, and the Centre, which includes Alice Springs, MacDonnell, Tanami and Petermann (Uluru). It is estimated that approximately 90 per cent of tourists to the Territory visit the Top End, the Centre or both. Visitor numbers to the Centre region showed strong growth during the 1990s, however, after peaking at 809 000 in 1999-00, numbers have declined over the past four years to 601 000 in 2003-04. The recent downturn has had a similar effect on visitor numbers to the Top End region. After peaking at 933 000 in 1999-00, visitor numbers to the Top End are estimated to have declined to 762 000 in 2002-03, but have recovered slightly to 764 000 in 2003-04. Annual visitor numbers to the Katherine region have been volatile over the five years to 2003-04, ranging from 327 000 in 1998-99 to 219 000 in 2003-04.

**National Parks** Visitor numbers to Litchfield National Park declined for the second consecutive year, down by 14 000 (to 229 000 people) in 2003-04. Visitor numbers to Watarrka National Park (Kings Canyon) increased by 19 000 to 270 000. In the decade to 2003-04, visitor numbers to Watarrka have increased at an annual average rate of 8.7 per cent reflecting improved access and facilities. Visitor numbers to Kakadu National Park continue their steady decline from the 1995-96 peak, falling at an average annual rate of 2.8 per cent over the past decade. With 174 000 visitors in 2003-04, Kakadu was by far the least visited of the Territory's major national parks, attracting fewer than half the numbers visiting Uluru-Kata Tjuta.

The decline in visitor numbers to the Territory's major national parks in recent years reflects in part the weakness of the tourism industry but it is also likely to reflect more reliable and consistent counting methods since 2000. However, the improving outlook for tourism and increased advertising (including an additional \$375 000 to be spent on advertising Kakadu and Uluru-Kata Tjuta national parks as part of the Government's \$27.5 million additional tourism funding over three years), is expected to boost visitor numbers to national parks in the short to medium term.

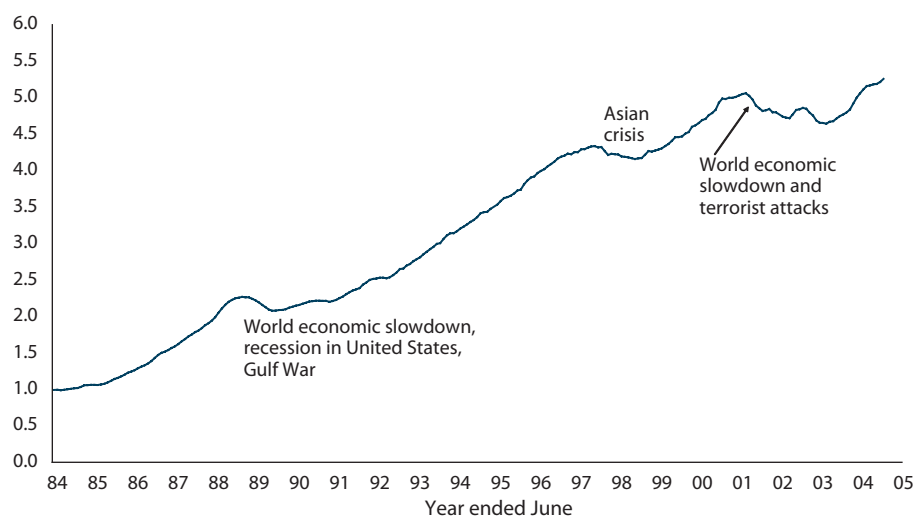
## Visitor Numbers

Following strong growth in the mid to late 1990s, visitor numbers to the Territory peaked in 1999-00 at 1.86 million. Since then, annual visitor numbers have fallen, and were estimated at 1.52 million in 2003-04 (and at around 1994-95 levels).

**Positive Long-term Trend** Aside from recent weakness, visitor numbers to and within the Territory have displayed a general upward trend over the past 20 years, growing at an annual average rate of 3.4 per cent. International visitors have been the major growth category during this period, increasing at an annual average rate of about 10.6 per cent, despite declining significantly in the period 2000-01 to 2003-04. In 1984-85, international visitors represented 7.1 per cent of total visitors to the Territory and has increased to about 27 per cent in recent years. Comparatively weaker growth in intra-Territory visitor numbers has resulted in domestic visitors steadily falling as a proportion of total visitors over the past 20 years.

**Recent Weakness** The sharp slowdown in the high growth international visitor sector in recent years has been the major influence on Territory tourism. This has been exacerbated by weak to negative growth in intra-Territory visitors over the same period. After three years of declining visitation, interstate visitor numbers have been strengthening since 2003. At the national level, international short-term visitor arrivals have improved solidly since early 2004, although the flow through is yet to be felt in the Territory as competition between jurisdictions for international tourist numbers has intensified over the past year.

Chart 9.3: Overseas Short-term Arrivals, Australia (millions)



Source: ABS Cat. No. 3401.0

## Visitor Nights

After reporting no growth in 2002-03, the NTTC's Commercial Accommodation Survey (CAS) estimates that total visitor nights in commercial accommodation increased slightly in 2003-04.

### Length of Stay

Visitor data for all sectors (including visitors who stay with friends and family) show that during 2003-04, visitor nights decreased by 19.5 per cent, with the average length of stay decreasing from 5.6 nights to 5.1 nights. Interstate visitor nights decreased by 16.7 per cent in 2003-04, with the average length of stay falling from 7.9 nights in 2002-03 to 6.3 nights. Intra-Territory visitor nights fell by 25.7 per cent, with the average length of stay decreasing from 3.7 nights to 3.5 nights. International visitor nights fell by 21.3 per cent in 2003-04, with a slight increase in the average length of stay from 4.3 to 4.4 nights.

### Length of Stay by Region

Of the four tourist regions (Top End, Centre, Katherine and Tennant Creek), visitors to the Top End region generally stay the longest. In 2003-04, visitors to the Top End region stayed 5.7 nights on average, down from 7.0 nights in 2002-03. The Katherine and Centre regions also recorded a decrease in the average length of stay per visitor, falling from 3.9 to 3.4 nights and 3.9 to 3.8 nights respectively over the same period. Tennant Creek was the only region to record an increase in 2003-04, from 1.9 to 2.4 nights.

Table 9.3: Visitor Nights in the Northern Territory

	Intra-Territory		Interstate		International		Total	
	(000)	% Ch	(000)	% Ch	(000)	% Ch	(000)	% Ch
1996-97	1 823		5 442		1 841		9 106	
1997-98	1 764	-3.2	5 925	8.9	2 227	21.0	9 916	8.9
1998-99	1 563	-11.4	6 238	5.3	1 871	-16.0	9 673	-2.5
1999-00	1 581	1.1	6 473	3.8	2 487	32.9	10 542	9.0
2000-01	1 833	16.0	5 381	-16.9	2 640	6.1	9 854	-6.5
2001-02	1 764	-3.8	5 314	-1.2	2 357	-10.7	9 435	-4.2
2002-03	1 912	8.4	5 656	6.4	2 026	-14.1	9 594	1.7
2003-04	1 419	-25.8	4 710	-16.7	1 595	-21.3	7 724	-19.5
Seven year annual average		-3.5		-2.0		-2.0		-2.3

Source: Northern Territory Tourist Commission

## Expenditure

Despite falling visitor numbers and weak growth in visitor nights in the period 2000-01 to 2003-04, visitor expenditure (in nominal terms) has continued to increase indicating increased spending per visitor. The NTTC estimates that total expenditure increased by 7.5 per cent to about \$1.2 billion in 2003-04. Tourist expenditure is primarily on accommodation, tours, transport and food. In 2003-04, interstate visitors were the major contributor to expenditure growth, while international visitor expenditure fell sharply.

The NTTC estimates that international visitors accounted for about 26 per cent of total visitor expenditure in 2003-04, each spending an average of \$187 per day, up from \$174 per day in 2002-03. This is markedly higher than interstate and intra-Territory visitors, who are estimated to have spent about \$153 and \$101 per day respectively. Visitors from North America had the highest daily expenditure in 2003-04 at about \$248, followed by visitors from other parts of Europe at about \$189 per day. In the seven years from 1997-98, nominal international visitor expenditure has increased at an average annual rate of 3.2 per cent, below the growth rate of total visitor expenditure of 4.6 per cent per annum over the same period.

Table 9.4: Visitor Expenditure in the Northern Territory

	Intra-Territory		Interstate		International		Total	
	(\$M)	Change	(\$M)	change	(\$M)	change	(\$M)	change
1996-97	111.0		493.0		240.0		845.0	
1997-98	91.2	-17.8	495.2	0.4	262.0	9.2	848.4	0.4
1998-99	100.7	10.4	527.3	6.5	270.6	3.3	898.6	5.9
1999-00	110.3	9.6	568.1	7.7	322.7	19.3	1 001.1	11.4
2000-01	119.7	8.5	524.6	-7.6	376.5	16.7	1 020.9	2.0
2001-02	125.7	5.0	552.1	5.2	348.8	-7.4	1 026.5	0.6
2002-03	120.1	-4.5	607.2	10.0	352.5	1.1	1 079.8	5.2
2003-04	143.0	19.1	719.6	18.5	298.6	-15.3	1 161.2	7.5
Seven year annual average		3.7		5.6		3.2		4.6

Source: Northern Territory Tourist Commission

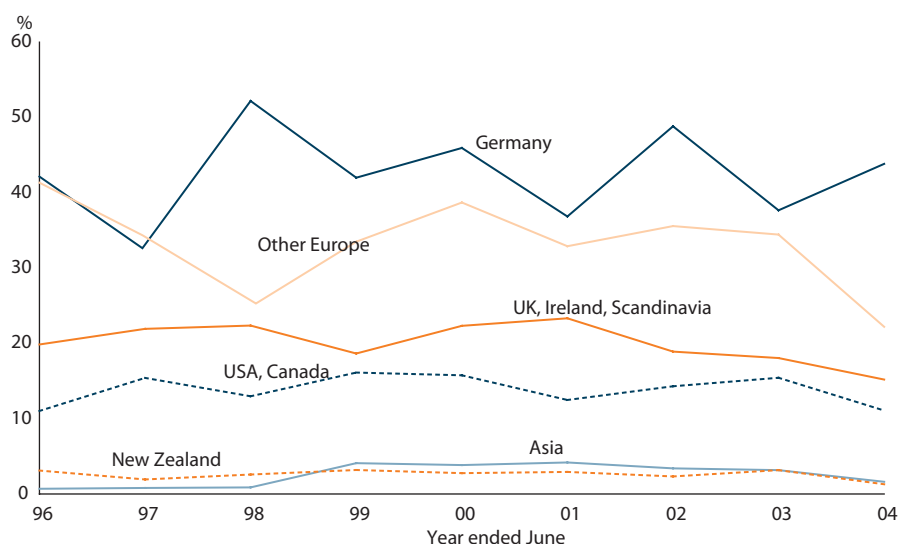
## Market Segments

### Visitor Composition

Since the early 1990s, the proportion of visitors to the Territory who are international has increased from around 20 per cent in 1993-94 to about 24 per cent in 2003-04. As a proportion of total visitors to the Territory, the international category peaked at around 30 per cent in 2000-01, reflecting global economic conditions and, to some extent, the impact of the Sydney Olympics on tourism nationally. During the strong growth period in the decade to 2001, the international visitor segment was the main contributor to overall growth in total visitor numbers to the Territory, and the fallback in this market in recent years has had a significant impact on overall growth. Despite strong growth in international tourist arrivals nationally in 2003-04, the proportion of international visitors to the Territory fell to about 24 per cent, while interstate visitors remained the largest visitor category at 49 per cent, followed by intra-Territory visitors at 27 per cent.

Due to the remoteness and nature of the Territory's attractions, a significant proportion of visitors to the Territory tend to be 'long-stay' visitors such as backpackers (primarily from the international market) and 'self-drivers'. Combined, backpackers and self-drivers account for around 25 per cent of total visitors to the Territory in 2003-04. In addition to these market segments, defence force and cruise ship visits contribute significantly to Territory tourism.

Chart 9.4: Northern Territory Share of International Arrivals to Australia



Source: Northern Territory Tourist Commission, ABS Cat. No. 3401.0

### International Proportions

Of the estimated 364 000 international visitors to the Territory in 2003-04, around 66 per cent were from Europe, with 34 per cent from the United Kingdom / Ireland / Scandinavia, 17 per cent from Germany and 15 per cent from other parts of Europe. North America and Asia were other significant source markets, representing about 16 per cent and 9 per cent of international visitors respectively. A high proportion of Germans and 'Other Europeans' visiting Australia continue to be attracted to the Territory, and in 2003-04 around one third of these visitors to Australia visited the Territory. By contrast, of the visitors to Australia from Asia (including Japan) and New Zealand, only a small proportion visited the Territory, consistent with historical patterns (see Chart 9.4).

### Interstate and Intra-Territory Visitors

In 2003-04, interstate visitor numbers increased by 5.6 per cent to 752 000. Visitors from Victoria and Tasmania combined formed the largest proportion of interstate visitors at about 34 per cent. Intra-Territory visitation fell by about 20 per cent to 409 000 in 2003-04, but is expected to increase by 1.0 per cent in 2004-05.

### Backpackers

Data on hostel activity serve as an indicator of activity in the backpacker sector, since they are the primary users of this type of accommodation. In 2003-04, of the 108 000 visitors that the Northern Territory Tourist Commission classifies as backpackers, 94 000 stayed in backpacker or hostel accommodation, an increase of 2 per cent on the previous year. These visitors accounted for a total of 434 000 nights, down from 505 000 in 2002-03, and stayed an average of 4.6 nights, also lower than in the previous year (5.5 nights). Despite the decline in visitor nights in 2003-04, expenditure per visitor in this segment of the market increased from an average \$793 per visitor in 2002-03 to \$872 in 2003-04.

Of all backpackers travelling in the Territory in 2003-04, 80 per cent were international visitors. The United Kingdom / Ireland / Scandinavia region represented the largest proportion (at 41 per cent), with Germany and other European countries also key source markets for backpackers. Domestic backpackers made up 20 per cent of the market, slightly down on the previous year.

### Self-drive Market

Self-drive visitor numbers to the Territory decreased by 13 per cent to 271 000 in 2003-04, following an increase of 11 per cent in 2002-03. The decrease came from the international self-drive visitor segment, which fell by 40 per cent to 37 000 in 2003-04.

Excluding intra-Territory tourists, the NTTC reports that in 2003-04 Victoria and Tasmania combined represented 26 per cent of the self-drive market, while 20 per cent were from New South Wales and the Australian Capital Territory. Following increases in the past couple of years, self-drive visitors from Victoria and Tasmania combined decreased by close to 3 per cent in 2003-04, while self-drive visitors from New South Wales and the Australian Capital Territory combined increased by about 12 per cent in 2003-04.

#### Cruise and Defence Ships

Cruise and defence force ships visiting Darwin make a significant contribution to Territory tourism. Typically, visits are scheduled between November to April, with the average cruise ship passenger spending around \$180 per person per day and crew spending around \$150 per person per day while on land in the Territory. Spending by Navy personnel is estimated to be around \$150 per person per day.

Like other segments of the tourism industry, the cruise ship market has been affected by weak global economic growth and increased travel risks in recent years. While cruise ships arrivals have remained fairly stable since 2001, two new ships using Darwin as a permanent transit will boost numbers in 2005. Cruise ship visits to Darwin were unchanged at 22 in 2004, with 14 larger cruise ships visiting and *The Coral Princess* docking eight times. Cruise ship visits are estimated to increase to 33 in 2005, with total passengers estimated at around 11 000 with total crew of around 6700.

*The Coral Princess* operates regular expedition cruises from Broome to Darwin during April to October and can take up to 45 passengers. *The Coral Princess* is expected to dock 4 times in 2005. In addition, in 2005, Coral Princess Cruises will launch the new cruise ship *Oceanic Princess*, which can cater for up to 76 passengers, and is expected to dock 7 times in 2005. The luxury expedition cruise ship *Orion* will be based in Darwin from May 2005 until September 2005, offering 13 new cruises to East Timor and the Kimberleys with a maximum of 106 passengers. The majority of new cruise ship services visiting Darwin will be between December and April. A new cruise ship terminal is to be built at Fort Hill Wharf in 2005-06 as part of the Darwin City Waterfront Redevelopment project.

Darwin is an important base for Navy personnel, with a large number of Australian and international navy ships docking each year. In 2004, 94 naval ships visited Darwin for a total of 320 visit days, down from 109 ships and 357 visit days in 2003.

### Tourism Capacity

Following three consecutive years of decline due to weaker demand, Northern Territory occupancy rates increased by 1.8 per cent in 2003-04.

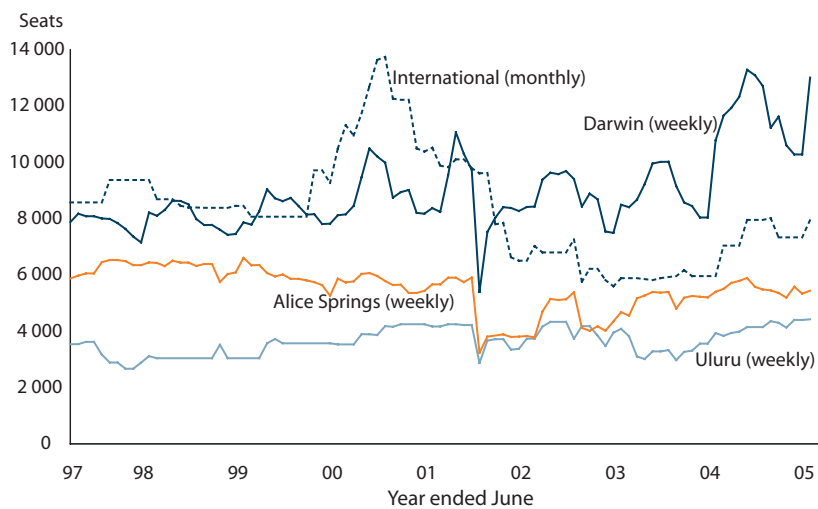
#### Tourism Projects

Tourism-related investment, as for much non-residential building activity, tends to be 'lumpy', especially in smaller jurisdictions like the Territory. With relatively subdued tourism activity in recent years, development has been sluggish, with a number of projects delayed due to weak demand.

#### Air Access

Close to two-thirds of interstate and international visitors enter the Territory by air. As such, air access remains a key factor for the Territory tourism industry and the importance of competitive, reliable and accessible services cannot be overstated.

Chart 9.5: Airline Seating Capacity into the Territory



Source: Department of Infrastructure, Planning and Environment

**Domestic Capacity** The collapse of Ansett in 2001 and subsequent reduction in airline capacity coincided with decreased global demand for tourism. Prior to September 2001, Ansett had 42 per cent of scheduled domestic capacity into the Territory and as such, its collapse had a significant short-term impact on domestic visitor numbers to the Territory. In aggregate, domestic capacity into the Territory has largely been restored with the entry of Virgin Blue and increased Qantas flights. Both airlines have since increased their frequency and air capacity into and out of Darwin airport. The recent recovery in domestic air capacity, despite continuing seasonal fluctuations, is also assisted by Skywest entering the market. In Darwin, increased capacity has also been associated with increased fly-in fly-out employment.

**Recovering** Passenger arrival and departure data for Darwin airport reflects the impact of the upturn in domestic air capacity over the past year and a half. Domestic passenger numbers through Darwin airport have recovered to above the levels in the period immediately preceding the collapse of Ansett. Alice Springs airport passenger numbers, although improving since 2003, continue to be affected by capacity constraints, with arrivals still slightly below pre-Ansett collapse levels.

**Domestic Carriers** Virgin Blue expanded the number of flights into the Territory in 2004, and direct flights between Darwin and Melbourne commenced in April, adding around 430 seats per week to capacity. Additionally, Western Australia's major regional airline, Skywest, commenced a service to Darwin from Perth via Broome in April, adding almost 300 seats per week to capacity. Qantas continues to add capacity where necessary to cope with demand. In line with seasonal demand, Qantas added additional services between Darwin and Brisbane, and Darwin and Melbourne in April, with additional services between Darwin and Sydney during May to cope with demand during this period.

**International Capacity** International seating capacity will be a fundamental component influencing the strength of the recovery in international visitor numbers to the Territory. International seating capacity into Darwin declined markedly after the peak in 2000 but is starting to show signs of improving. A new twice-weekly service by Australian Airlines between Singapore and Darwin commenced in 2004, providing an extra 540 seats into Darwin each week and increasing the number of flights between Singapore and Darwin to five per week. Merpati Airlines have resumed flying the Kupang-Darwin route twice weekly, in co-operation with Airnorth, since mid 2004. There are ongoing discussions with a number of Asian airlines and other low cost carriers regarding additional international and domestic services to the Northern Territory.

**Charter flights** An emerging feature of the international carrier market is the currently small but significant charter flight segment. Silk Air, a subsidiary of Singapore Airlines, provided charter services for international passengers to Darwin in early 2004 to connect with the cruise ship *Europa*. In February 2005, Silk Air operated charter flights into Darwin from Singapore. In 2003, charter flights also transferred some 750 Japanese visitors to Central Australia, and are expected to do the same in April and May 2005.

**Railway Impact** The Adelaide to Darwin railway has the potential to create significant tourism related opportunities in the Territory. The Ghan passenger train was expected to transport 40 000 tourists to the Top End in its first year of operation. However bookings in the first year exceeded expectations, with more than 70 000 passengers choosing to travel on the train. The outlook for 2005 is promising as increased demand for the service has led to a second weekly return service to Darwin during the peak season from May to July.

## Tourism Outlook

**Visitor Numbers to Improve** Total visitor numbers are estimated to increase by about 8 per cent (to 1.65 million) in 2004-05 and by 5 per cent (to 1.74 million) in 2005-06. International visitor numbers to the Territory are expected to rebound strongly in 2004-05, while domestic visitor numbers are expected to stabilise at close to long-term average growth rates.

**Driven by International Visitors** Critical to the strength of the rebound in visitor numbers will be growth in international visitors. Growth in this segment is estimated at 23.6 per cent in 2004-05, and 8.9 per cent in 2005-06. The positive short-term outlook is based on improving global economic conditions, an easing of the health and safety concerns and increased advertising.

A sharper rebound in international visitor numbers to the Territory than nationally is anticipated in 2004-05 and 2005-06. The Territory experienced a significantly larger decline in international visitor numbers than nationally during the recent downturn, and as such there is a greater scope for recovery.

**Interstate and Intra-Territory** Following weak to negative growth in recent years, growth in intra-Territory visitor numbers is expected to improve only marginally by 1.0 per cent, in both 2004-05 and 2005-06. Interstate visitor numbers are expected to increase by 4.8 per cent and 5.3 per cent in 2004-05 and 2005-06 respectively.

**Drivers of Growth** Expectation of an increase in transport services, including both airline and rail capacity are factors influencing the strong growth forecast, as are the increased demand effects associated with an extra \$27.5 million in NTTC funding, heavily skewed towards attracting international and interstate visitors. This includes an extra \$10 million in expenditure over 2004-05 and 2005-06 on international and domestic marketing activities and tourism development.

**Top End Region** The Top End region is expected to experience a strong tourist season in 2005, with upcoming major events such as the Arafura Games, V8 Supercars, Darwin Festival and the Darwin Cup. Based on forward bookings, the NTTC is predicting a shortage of accommodation and is expected to be the ongoing situation given the success of the Ghan passenger service and additional airline capacity.

**Tourism Projects** Tourism projects in the planning stage include the \$27 million Desert Rest holiday village in Alice Springs and the Darwin City Waterfront Redevelopment, including a convention and exhibition centre and recreation and accommodation facilities, are expected to commence construction in 2005. Additionally, a new \$20 million extension to the Mirambeena hotel has been proposed as well as the construction of \$13 million Wildman Wilderness Lodge in Kakadu. The Melaleuca backpacker hostel in Darwin was completed in 2004, and is the first stage of a larger development proposed to include retail and recreational facilities. The recently completed Quest complex in the Darwin CBD offers 96 serviced apartments and while the \$9.7 million hotel at the airport is nearing completion.

The sealing of the Mereenie and Litchfield Loop Roads over the next few years will improve basic infrastructure and is a significant longer term investment in the tourism sector in these regions.

**Risks to Outlook** While the outlook for tourism is improving, the major risk to forecast growth is associated with the impact of the strength of the exchange rate relative to the Territory's major international source markets. The risk is that the strong Australian dollar not only constrains international visitor arrivals, but that it also leads to greater outbound tourism as Australians travel abroad rather than holidaying domestically.

A further risk relates to the possibility of terrorist attacks and regional health fears such as SARS, which can have a sudden and significant impact on international travel intentions. Nonetheless, as the global economic recovery continues to gain momentum, notably in the Territory's key source markets, and the drivers of demand for tourism services continue to improve, growth in visitor numbers to the Territory can be expected to strengthen in the short to medium term.