

Chapter 9 Tourism

Key Points

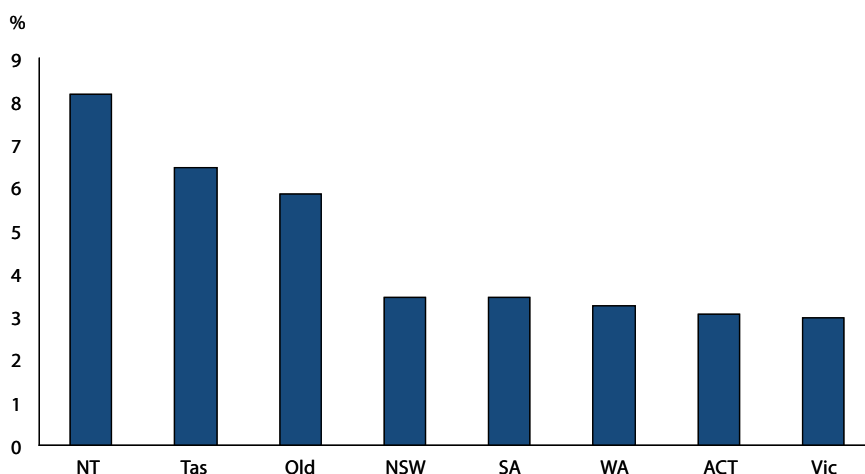
- Tourism is an important part of the Territory economy, creating demand and generating employment in a range of different industries, including hospitality, retail trade, transport and construction.
- In 2004-05, the tourism industry accounted for 7.4 per cent of gross state product, and is a major employer in the Territory.
- The tourism industry, both nationally and in the Territory, experienced a number of setbacks in recent years, including the global economic slowdown in 2001, terrorist attacks in New York, London, Madrid and Bali, the collapse of Ansett and the SARS outbreak.
- In 2004-05, the tourism industry in the Territory showed signs of recovery, with visitor numbers increasing by 8.4 per cent.
- Tourism-related investment has also been increasing, with a number of projects currently under way or scheduled to start in 2006. These include projects to develop additional tourist accommodation and the Darwin Waterfront Development project.
- The outlook for tourism in the Northern Territory is broadly positive. Nationally, continued low unemployment and solid wages growth should support further growth in both intra-Territory and interstate visitor numbers.

The tourism industry plays a significant role in the Territory economy, contributing more to gross state product (GSP) than in any other jurisdiction. 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 industry.

Tourism is different to other industries as it is defined by the nature of the consumers, including holiday, business and government-related visitors, rather than the types of goods and services involved. Tourists create demand in a range of industries including accommodation, cafes, restaurants, cultural and recreational services, retail trade and transport. Tourism also generates activity in the construction industry for hotels and other tourism-related infrastructure. As such, measurement of the tourist industry is not as straightforward as other industries, and to a large extent relies on surveys of expenditure by international and domestic visitors.

Tourism accounted for 7.4 per cent of Territory GSP and 6.1 per cent of state final demand (SFD) in 2004-05, compared to 3.6 per cent and 3.5 per cent nationally (Chart 9.1).

Chart 9.1: Estimate of Tourism as a Percentage of GSP, 2004-05



Source: Northern Territory Treasury, Tourism NT, ABS Cat. No. 5249.0

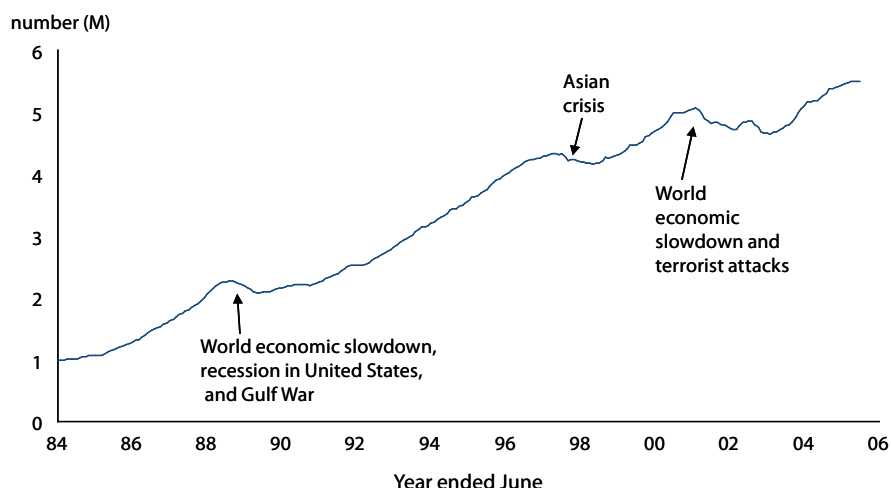
Drivers of Growth

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

Visitor Numbers

Nationally, the tourism industry has experienced a number of setbacks in recent years. The onset of the global economic slowdown in 2001, the terrorist attacks in New York, London, Madrid and Bali, the collapse of Ansett and the severe acute respiratory syndrome (SARS) outbreak all contributed to a downturn in tourism activity in the following years, particularly inbound international tourism. Over the same period, the Australian dollar appreciated significantly, compounding the negative impact on international tourist numbers (Chart 9.2).

Chart 9.2: Overseas Short-term Arrivals, Australia



Source: ABS Cat. No. 3401.0



Following three years of decline, the number of visitors to the Territory increased by 8.4 per cent to 1.4 million in 2004-05. Visitor nights have also increased, up 5.1 per cent to 9.2 million nights (Table 9.1).

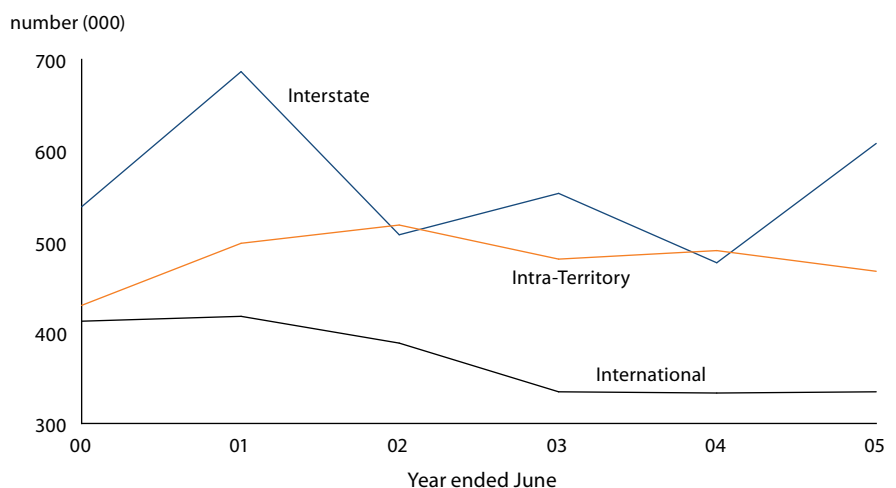
International Visitors

Nationally, international tourist numbers began to recover from the global tourism downturn in mid 2003, with growth in international short-term arrivals of 8.6 per cent in the year to June 2004, and 6.9 per cent in the year to June 2005 (Chart 9.2). The number of visitors to Australia, as recorded by Tourism Australia, showed increases of 9.0 per cent and 6.3 per cent in 2003-04 and 2004-05 respectively. Latest data reports that the recovery in international numbers nationally is beginning to flow through to the Territory. Following a fall of 13.7 per cent in 2002-03, international visitor numbers to the Territory were flat in 2003-04 and 2004-05 (Chart 9.3, Table 9.1). However, in the year to December 2005, international numbers increased by 8.2 per cent, due to stronger results in the September and December quarters.

Interstate Visitors

Interstate visitor numbers recovered in 2004-05, up by 28 per cent to 608 000, with interstate visitor nights increasing by 10 per cent to 5.2 million nights (Chart 9.3, Table 9.1). Although the number of interstate visitors has tended to be relatively volatile, 2004-05 was above the average of the past five years. Visitor nights in 2004-05, however, remain below the average over the same period, indicating a reduction in the average length of stay.

Chart 9.3: Territory Visitors



Source: Tourism NT

Table 9.1: Visitor Nights in the Northern Territory

	Intra-Territory		Interstate		International		Total	
	(000)	% Change	(000)	% Change	(000)	% Change	(000)	% Change
1999-00	1 351		5 533		3 391		10 275	
2000-01	1 567	15.9	6 262	13.2	4 019	18.5	11 847	15.3
2001-02	1 663	6.2	5 091	-18.7	3 196	-20.5	9 950	-16.0
2002-03	1 532	-7.9	5 887	15.6	2 792	-12.6	10 211	2.6
2003-04	1 441	-5.9	4 715	-19.9	2 620	-6.1	8 776	-14.1
2004-05	1 327	-7.9	5 193	10.1	2 705	3.2	9 225	5.1
Five year annual average		-0.4		-1.3		-4.4		-2.1

Source: Tourism NT

Intra-Territory Visitors

Intra-Territory visitor numbers decreased by 4.7 per cent to 467 000 visitors in 2004-05, while visitor nights fell by 7.9 per cent to 1.3 million nights (Chart 9.3, Table 9.1). Intra-Territory visitors account for over one-third of total visitor numbers in the Territory, however, intra-Territory visitor nights represent a much smaller percentage of the total (about 14.7 per cent over the past six years) as the average length of stay by Territorians is much lower than both international or interstate visitors.

Market Segments

Visitor Composition

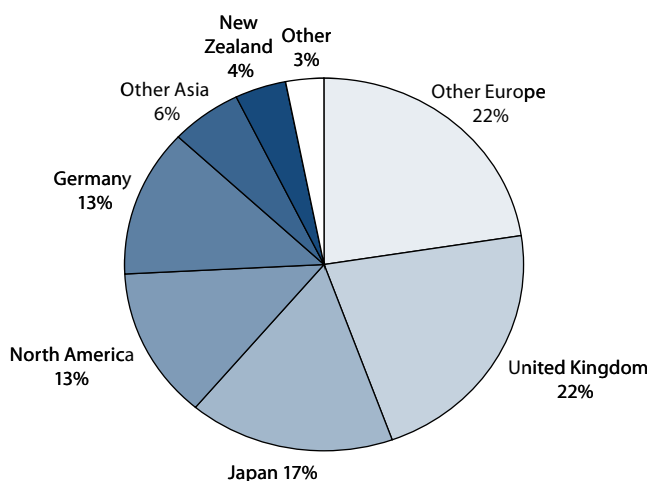
Interstate visitors continue to remain the largest source of demand for tourism in the Territory, representing about 40 per cent of all visitors over the past five years. Strong growth in interstate visitor numbers in 2004-05 resulted in an 8 per cent increase in total visitor numbers, while the international and intra-Territory visitor numbers remained flat. Intra-Territory visitors accounted for an average of 35 per cent of total visitors over the past five years, while international numbers made up the remaining 26 per cent.

Domestic visitors to the Territory tend to stay longer than visitors to other jurisdictions reflecting the remoteness and nature of the Territory's attractions. By contrast, international visitors to the Territory have a much shorter average length of stay than in other jurisdictions, staying an average of 8 nights in 2004-05, compared to 17 nights on average in other jurisdictions.

International Visitors

Tourism Australia estimates that 334 000 international visitors came to the Territory in 2004-05. Of these, about 57 per cent were from Europe, with visitors from the United Kingdom (22 per cent), Germany (13 per cent) and from other parts of Europe (22 per cent). Japan (17 per cent) and North America (13 per cent) were other significant source markets (Chart 9.4).

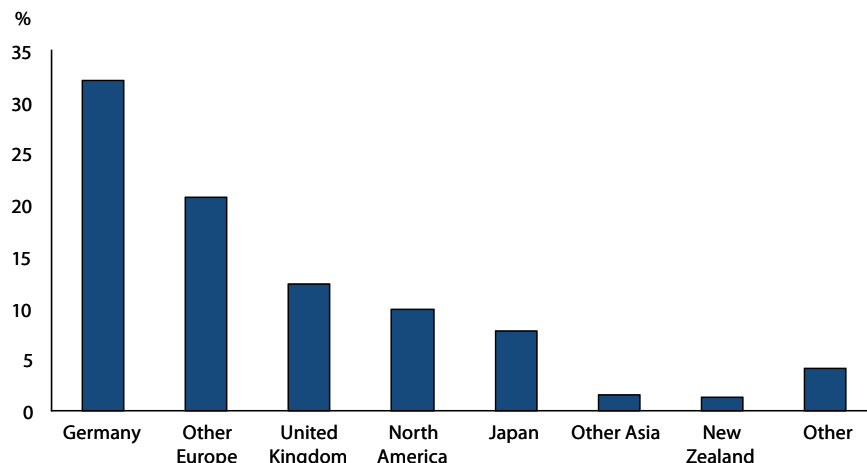
Chart 9.4: International Visitors to the Territory, 2004-05



Source: Tourism NT

A high proportion of Germans and other Europeans visiting Australia continue to be attracted to the Territory, and in 2004-05 more than 20 per cent of these visitors to Australia visited the Territory. Historically, only a small proportion of visitors to Australia from Asia (not including Japan) and New Zealand visited the Territory (Chart 9.5).

Chart 9.5: Proportion of International Arrivals to Australia who visit the Territory, 2000-01 to 2004-05



Source: Tourism NT, ABS Cat. No. 3401.0

Backpackers International backpackers are much more significant to the Territory than for other jurisdictions, accounting for 32 per cent of international visitor numbers in 2004-05, compared to 19 per cent on average across other jurisdictions. However, like international visitors in general, international backpackers tend to stay fewer nights in the Territory compared to other jurisdictions.

The number of international backpackers to the Territory declined in recent years. Over the past four years, international backpacker numbers have decreased by an average of 8.1 per cent per year, to 108 500 backpackers in 2004-05. During the same period, international backpackers to Australia increased marginally by 0.6 per cent, suggesting a decline in backpacker interest in the Territory.

Backpackers from the United Kingdom represented 29 per cent of the total number of international backpackers to the Territory. Germany and other European countries are also key source markets.

Self-Drive Market Self-drive visitors, consisting primarily of domestic (interstate and intra-Territory) visitors, are an important part of the Territory's tourism market. Self-drive visitors to the Territory increased by 10 per cent to 169 000 visitors in 2004-05, following a decrease of 28 per cent in 2003-04. The increase came from domestic self-drive visitors, who increased by 16 per cent to 134 000 visitors in 2004-05.

Cruise and Defence Ships There were more than 11 000 cruise ship passengers in 2005, an increase of 6 per cent from 2004. After remaining fairly stable between 2001 and 2004, cruise ship visits increased by 50 per cent in 2005, with a total of 33 visits. However, the average number of passengers per ship declined substantially.

Cruise ship numbers are expected to increase again in 2006 with a total of 45 visits, representing a 36 per cent increase on 2005. Over one-third of these visits will be made by the luxury cruise ship *Orion*, which has been based in Australia since April 2005, offering 17 cruises to East Timor and the Kimberleys in 2006. Typically, cruise ship visits are scheduled between December and April, to coincide with winter in the northern hemisphere.

Darwin is an important port of call for navy personnel, with a large number of Australian and international navy ships docking each year. In 2005, 77 naval ships visited Darwin for a total of 267 visit days, down from 94 ships and 320 visit days in 2004. Although naval ship visits still represent a significant injection into the Territory economy, their numbers have been steadily declining from their peak of 375 ships in 1999, when visits were unusually high due to increased military activity related to Timor-Leste.

On average, cruise ship passengers and crew spend about \$180 and \$150 per person per day respectively while on land in the Territory. Spending by navy personnel is estimated to be between \$150 and \$200 per person per day.

Destinations

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. Each year the Territory's national parks attract more than a million visitors.

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-Kata Tjuta).

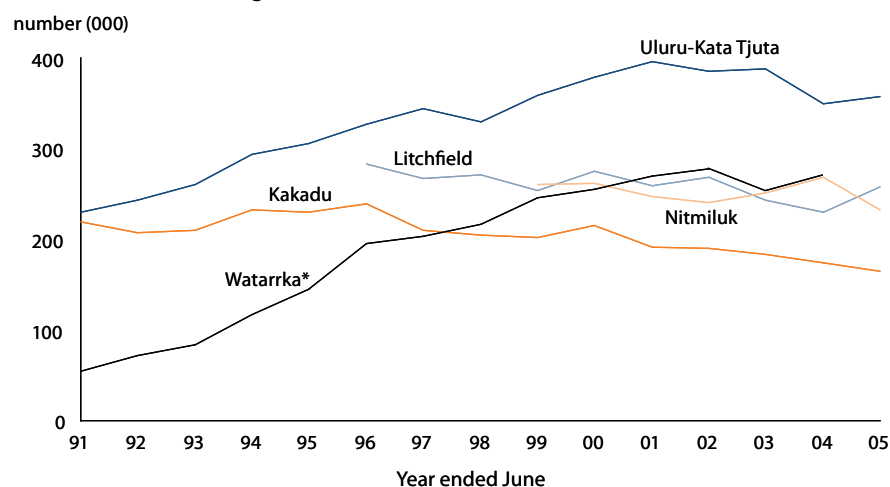
Visitors to the Centre increased by 11 per cent to 629 000 visitors in 2004-05, after three years of decline from a peak of 745 000 in 2000-01. The Top End has likewise been recovering from the recent downturn, with increases in visitor numbers of 0.5 per cent in 2003-04, and 9.7 per cent to 794 000 in 2004-05. Annual visitors to the Katherine region have been volatile over the five years to 2004-05, peaking at 366 000 visitors in 2001-02, followed by a fall of 24 per cent in 2002-03, before rising to 302 000 visitors in 2004-05.

National Parks

Uluru-Kata Tjuta (Ayers Rock and the Olgas) continues to be the most visited national park in the Territory, having steadily grown in popularity over the past two decades. The park attracted 357 000 visitors in 2004-05, up from 349 000 visitors in 2003-04. Visitors to Watarrka National Park (Kings Canyon) increased by 19 000 to 270 000 visitors in 2003-04 (data for 2004-05 is unavailable). In the decade to 2003-04, visitors to Watarrka have increased at an annual average rate of 8.7 per cent, reflecting improved access and facilities. After two years of decline, visitor numbers to Litchfield National Park have recovered somewhat, increasing by 29 000 (to 258 000 visitors) in 2004-05. Visitors to Nitmiluk National Park (Katherine Gorge) decreased by 37 000 to 232 000 visitors over the same period. Visitor numbers to Kakadu National Park continue their steady decline from the 1995-96 peak, falling at an average annual rate of 3.2 per cent over the past decade. With 165 000 visitors in 2004-05, 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 overall decline in visitors to the Territory's major national parks in recent years reflects in part the weakness of the tourism industry, but may also reflect more reliable and consistent counting methods since 2000.

Chart 9.6: Visitors to Northern Territory National Parks



* Visitor numbers to Watarrka National Park are not available for 2004-05
Source: Tourism NT



Capacity

Air Transport

About three-quarters of interstate and international visitors enter the Territory by air. As such, air access remains a key factor for the Territory's tourism industry and the importance of competitive, reliable and accessible services cannot be overstated.

In 2005, average weekly international seat capacity into the Territory increased by 9.8 per cent to 1926 seats, the highest level since 2001. In December 2005, the low cost carrier Tiger Airways began a four times weekly service between Singapore and Darwin, resulting in an additional 720 seats per week on this route. In January 2006, Qantas introduced a four times weekly service from Sydney to Mumbai via Darwin, resulting in Darwin gaining three additional weekly services from Sydney.

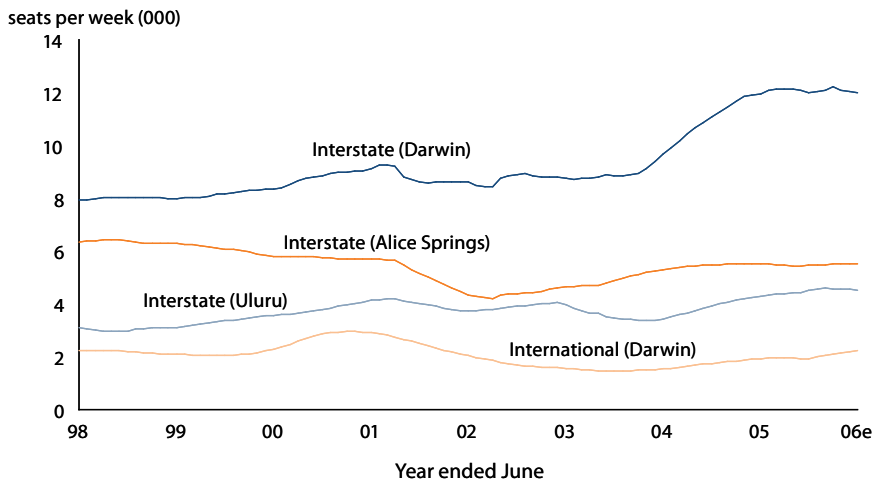
Royal Brunei announced in April 2006 that they would temporarily reduce services to Darwin from three to two per week. A date for the reinstatement of the third service is not known.

Domestic seat capacity increased by 8.1 per cent in calendar year 2005, reaching a record yearly average of almost 12 000 seats per week. This reflects increased capacity on Qantas services, which more than offset the withdrawal of Virgin Blue's Alice Springs-Adelaide and Darwin-Melbourne services in September 2005. Further increases are expected for 2006, with Qantas subsidiary Jetstar entering the Territory market, providing an additional 700 seats from May 2006, increasing to 900 seats in June 2006.

An emerging feature of the international carrier market is the currently small but significant charter flight segment. Alice Springs airport accommodated its first direct international charter service from Japan in 2003. There there since been seven charters in total, bringing more than 2000 Japanese travellers into Alice Springs. In late 2005, a further two flights from Tokyo and Osaka were announced, with 700 Japanese visitors arriving in Alice Springs in December 2005 and January 2006. This brings the total number of charters from Japan to nine.

For more detail on Territory air capacity, see Chapter 14 Transport and Communication.

Chart 9.7: Territory Airline Capacity (moving annual average)



Note: Cairns-Gove and Cairns-Groote Eylandt services are not included. The Cairns-Gove service has a capacity of 805 seats per week; the Cairns-Groote Eylandt service ceased in 2003.

Source: Department of Planning and Infrastructure

Rail Transport From its beginning in February 2004 through to December 2005, the Adelaide to Darwin railway has carried almost 140 000 passengers, exceeding initial expectations of around 40 000 passengers per year. In 2005, the service ran once a week, with a second service running twice a week for the peak season of May to July. The second weekly service was extended to the full year from March 2006.

Accommodation Northern Territory hotel and motel occupancy rates increased by 4 percentage points to 60 per cent in 2004-05, while occupancy rates for backpacker hostels continued their steady decline, falling 3 percentage points to 43 per cent. The number of beds in Territory hotels, motels and hostels has remained fairly steady, increasing by 2 per cent over the past five years.

Investment related to tourism infrastructure, as with much non-residential building activity, tends to be volatile, especially in smaller jurisdictions like the Territory. Development over the past few years has been relatively subdued, however tourism-related investment has recently been increasing. Construction of the Darwin Airport Resort was completed in May 2005, at a value of \$10 million, and a number of other projects are under way, or are scheduled to start in 2006, including further tourist accommodation development and the Darwin Waterfront Development project (see 'Tourism Investment' below for more details).

Outlook

Visitor Numbers The outlook for tourism in the Northern Territory is broadly positive. Continued low unemployment and solid wages growth should support further growth in both intra-Territory and interstate visitor numbers.

Global economic growth, led by the United States and China, is becoming more broadly based, with improving conditions in Japan and Europe (both key markets for tourism in the Northern Territory), as well as East Asia and other emerging economic regions. Growth in the world economy is estimated to have been well above average in 2005, and this is likely to continue in 2006.

In the absence of major international shocks, such as terrorist attacks or health epidemics, growth in international arrivals to Australia should continue in 2006 and 2007. The short to medium term potential for further depreciation of the Australian dollar could also drive growth in international visitor numbers, while encouraging more Australians to take domestic holidays. A key challenge for the Northern Territory will be to recapture and expand its share of the international tourism market in Australia.

In 2003-04, the Northern Territory Tourist Commission (now Tourism NT) received a funding increase of \$27.5 million over three years aimed at helping rebuild tourism demand following the 2001 downturn. A funding increase of \$10 million per year from 2006-07 will enable a continuation of marketing and tourism development activities at current levels, following a major update of the Northern Territory's tourism brand in March 2005.

Tourism Investment Both government and private sector investment in the tourism industry will continue in 2006 and 2007, with a number of major projects being planned or currently under way.

The first stage of the \$1.1 billion Darwin Waterfront Development is well under way. Stage 1 is scheduled for completion in 2008, and includes the construction of the Convention and Exhibition Centre, retail and recreation facilities and a hotel consisting of 141 serviced holiday apartments. A new \$4.5 million cruise ship terminal will also be built at Fort Hill Wharf and is scheduled to be completed by December 2006.



Other current and upcoming projects include:

- the \$100 million Outrigger Pandanas development in Darwin, consisting mainly of serviced holiday apartments, to be completed in 2007;
- a new \$20 million redevelopment of the Mirambeena Resort to create an extra 126 rooms;
- the \$27 million Desert Rest Solar Holiday Village in Alice Springs;
- the \$60 million Darwin Chinatown development to be completed in 2009; and
- the Territory Government is currently seeking expressions of interest for the development of a low-rise tropical resort at the Little Mindil site in Darwin.

The Melaleuca on Mitchell 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 sealing of the Mereenie loop road (linking Alice Springs and Yulara via Kings Canyon) and the Litchfield loop road providing better access to Litchfield National Park over the next few years will improve basic infrastructure. These are significant longer term investments in the tourism industry in these regions.

Risks The major risks to continued recovery in the tourism industry include unlikely events such as terrorist attacks or an international health crisis due to an influenza pandemic, either of which could have a sudden and significant impact on international travel intentions. Nonetheless, as the global economic expansion continues, notably in the Territory's key source markets, and the drivers of demand for tourism services remain positive, growth in visitor numbers to the Territory are expected to strengthen in the short to medium term.