

Chapter 9 Tourism

Key Points

- » Tourism plays a significant role in the Northern Territory economy, creating demand and generating employment in a range of different industries, including hospitality, retail trade and transport.
- » Since 2003-04, tourism's contribution to the economy has been measured by a new method.
- » In 2005-06, tourism gross value added was estimated at \$715.6 million, accounting for 7.2 per cent of Territory gross state product. Tourism consumption was \$2 billion in the Territory in 2005-06, which is 22 per cent of total consumption in the Territory.
- » Total visitor numbers including international, domestic overnight and domestic same day, declined moderately in 2005-06. Higher visitor expenditure resulted in minimal change in tourism expenditure levels in 2005-06.
- » In 2006-07, tourism in the Territory is expected to be broadly positive, with the outlook for 2007-08 forecasting steady growth.

Concepts and Definitions of Tourism

Tourism 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 Indigenous art and culture, are key attractions for visitors. Cruise and defence force ship visits also make a significant contribution to Territory tourism.

The growth in tourism 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, and 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 Commonwealth Games, and regular events such as the Darwin Cup, Arafura Games, Masters Games and defence exercises.

Concept of Tourism

Tourism is defined differently to other standard industries, being defined by the nature of the consumer, rather than by the process in which goods and services are produced. That is, tourism is defined by the status of the customer as a visitor, and non-tourism by the status of the customer as a resident. Tourism is a component of many other standard industries, as tourists create demand in a range of industries including accommodation, cafes, restaurants, cultural and recreational services, retail trade and transport. In some standard industries, a high proportion of output is directly linked to tourism, and in others, only a small proportion may be attributed to tourism.

Tourism comprises the activities of visitors travelling to, and staying in, places outside their usual environment for not more than one consecutive year for leisure, business and other purposes. This identifies tourism as more than just leisure travel, also including travel for business, health, education, religious and other reasons. It includes most short-term domestic and international travel away from the normal place of residence.

Definitions of Tourism Measures

Standard Australian Bureau of Statistics (ABS) measures of production are not available for tourism. As tourism output is included, in varying degrees, in all industries, the ABS uses a 'satellite' account to extract the tourism contribution in all industries and then totals them to get a proxy measure of total tourism activity in the Australian economy.

The tourism satellite account (TSA) calculates a measure of tourism activity using national accounts, and is not available at the state level. Recently however, in collaboration with Tourism NT, the Northern Territory Tourism Satellite Account (NT TSA) has been developed by the Sustainable Tourism Cooperative Research Centre (STCRC), and used to report the value of tourism activity in the Territory for 2003-04.

The measures of tourism activity generated from the TSA are tourism gross value added (TGVA), tourism gross state product (TGSP) and tourism consumption. Of the three tourism measures discussed in this chapter, TGVA and TGSP are supply side measures, while tourism consumption is a demand side measure. The measures are defined as follows:

- TGVA measures the value of production of tourism-related goods and services in all industries, less the value of inputs used to produce these goods and services. TGVA excludes taxes such as GST. This provides a measure of tourism's contribution to the economy from the industry or supply side.
- TGSP represents the total market value (inclusive of taxes less subsidies) of goods and services produced in the Territory that were consumed by visitors, after subtracting the cost of goods and services used in their production. Essentially, tourism GSP is a measure of the actual prices that visitors pay for goods and services.
- Tourism consumption measures expenditure by a visitor, or on behalf of a visitor, for and during their stay at the destination.

The difference between TGVA and TGSP reflects the difference between producer and market prices, namely taxes minus subsidies. Tourism consumption measures the total market value of the good or service, including the value added at each stage of the production process. By contrast, TGVA and TGSP measure the value added only at the final stage of production. As such, tourism consumption is significantly larger than TGVA and TGSP.

Tourism Measures 2003-04 to 2005-06

Northern Territory Treasury has used the estimates of TGVA, TGSP and tourism consumption as a benchmark for tourism activity, and moved them forward using Tourism Research Australia (TRA) expenditure data and ABS data, to estimate the contribution of tourism to the economy in 2004-05 and 2005-06. Table 9.1 presents the three measures of tourism for the Territory.

Table 9.1: Tourism Measures for the Northern Territory; TGVA, TGSP and Tourism Consumption

	2003-04	2004-05	% change	2005-06	% change
	\$M	\$M		\$M	
TGVA	532.1	624.3	17.3	715.6	14.6
TGSP	658.7	772.8	17.3	885.9	14.6
Tourism Consumption	1703.0	1995.9	17.2	1997.9	0.1

Source: Northern Territory Treasury, Tourism NT

Between 2003-04 and 2004-05, tourism consumption reported significant growth of 17.2 per cent. This was in line with growth in total visitor numbers, driven by strong increases in domestic overnight visitors. This could in part reflect the high levels of fly-in fly-out (FIFO) workers at the Wickham Point LNG plant and the Alcan G3 refinery expansion at Gove. In 2005-06, tourism consumption growth stabilises in line with visitor numbers.

Over the same period, TGVA and TGSP have reported solid growth in line with the broadly based expansion across the Territory economy.

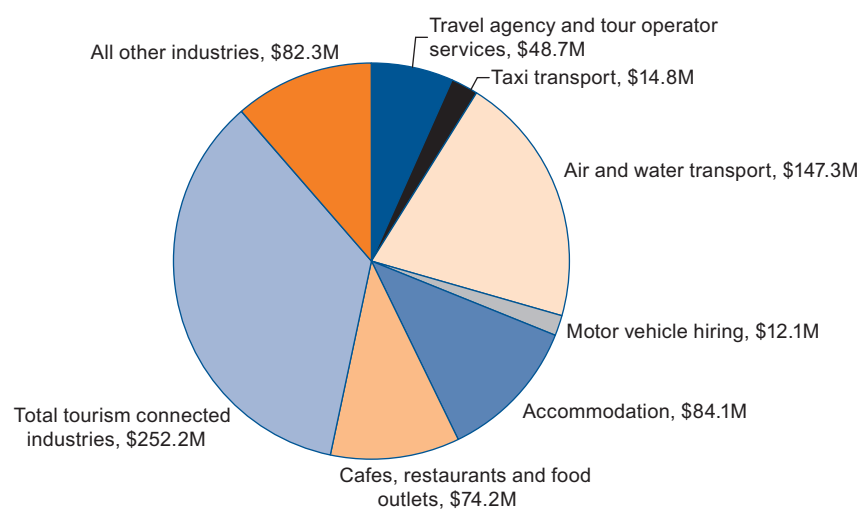
Tourism Gross Value Added

Using the STCRC 2003-04 figures as a base, Northern Territory Treasury estimates that in 2005-06, TGVA is \$715.6 million in the Territory. Air and water transport is the largest single contributor to tourism gross value added, contributing \$147.3 million. (For more information on air and water transport, see the Transport and Communication chapter.) The accommodation and cafes, and restaurants and food outlets industries are also major contributors to TGVA, measuring \$84.1 million and \$74.2 million respectively. Among the remaining tourism characteristic industries, travel agency and tour operator services contribute \$48.7 million, taxi transport contributes \$14.8 million, and motor vehicle hiring contributes \$12.1 million (Chart 9.1).

Total tourism-connected industries, including manufacturing, other transport, clubs, pubs, taverns and bars, and retail trade, are valued at \$252.2 million in 2005-06.

The residual component to TGVA is classified as all other industries, and is valued at \$82.3 million in 2005-06 in the Territory (Chart 9.1).

Chart 9.1: Tourism Gross Value Added



Source: Tourism NT, Northern Territory Treasury

In the Territory, tourism accounts for 7.2 per cent of GSP in 2005-06, compared to 3.7 per cent at a national level. TGSP is valued at \$886 million in the Territory in 2005-06.

Historically, compared to other jurisdictions, tourism's contribution to GSP is higher in the Territory than any other jurisdiction, and significantly higher than the national level.

Tourism Consumption

Tourism consumption, as reported in the NT TSA, is derived from Tourism Research Australia (TRA) expenditure data and is adjusted by STCRC to include a number of additional components, including prepaid airfares and package tours purchased overseas, as well as imputed non-market services such as actual and imputed rent on holiday houses.

Tourism consumption in the Territory in 2005-06 is estimated by Treasury using a methodology to move TRA data forward based on movements in total visitor expenditure, which accounts for 80 per cent of consumption. In 2005-06, tourism consumption is estimated to be \$2 billion in the Territory.

Total visitor expenditure comprises international visitor expenditure, domestic overnight visitor expenditure, and same day visitor expenditure.

Time series data is not available for TRA expenditure data before 2004-05. In 2005-06, total visitor expenditure to the Territory is estimated to increase by \$10 million to \$1.65 billion. The Territory has the second lowest recorded growth in total visitor expenditure of the jurisdictions behind Queensland in 2005-06, at 0.6 per cent. Nationally, total visitor expenditure has risen by 5.0 per cent (Table 9.2).

In 2005-06, both international and same day visitor expenditure decreased in the Territory, by \$12 million and \$4 million respectively. This decrease is offset by domestic overnight expenditure, which increased by \$26 million in 2005-06 (Table 9.2).

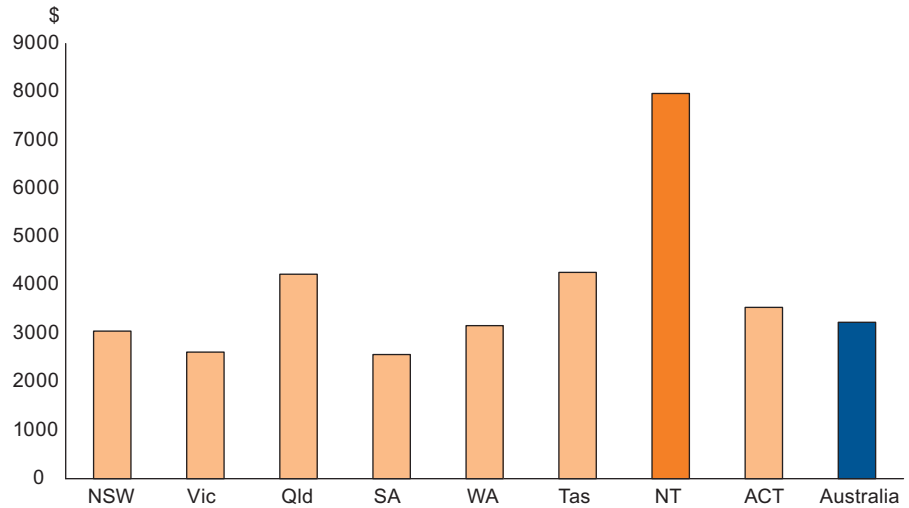
Table 9.2: TRA Visitor Expenditure, 2004-05 to 2005-06

	International \$M	% change	Domestic overnight \$M	% change	Same day \$M	% change	Total \$M	% change
NSW	4 959	6.2	11 569	2.5	4 328	12.0	20 856	5.2
Vic	2 494	4.6	7 931	8.5	2 891	8.8	13 316	7.8
Qld	3 388	7.7	11 149	-1.5	2 602	0.7	17 139	0.5
SA	512	25.2	2 583	4.8	895	5.9	3 990	7.3
WA	1 305	6.5	3 979	5.4	1 213	15.3	6 497	7.4
Tas	211	30.2	1 487	9.8	387	14.5	2 085	12.5
NT	383	-3.0	1 165	2.3	99	-3.9	1 647	0.6
ACT	149	-2.0	822	14.2	195	13.4	1 166	11.7
Australia	13 402	6.8	40 691	3.3	12 611	8.6	66 704	5.0

Source: Tourism Research Australia

Tourism is worth more to Territory residents than in any other jurisdiction. Illustrating the importance of tourism to Territory residents, the Territory records the highest level of total visitor expenditure per capita at \$7969, compared to \$3237 nationally (Chart 9.2).

Chart 9.2: Tourism Expenditure Per Capita, 2005-06



Source: Northern Territory Treasury, Tourism Research Australia, ABS Cat. No. 3101.0

Tourism Visitors

International Visitors

In 2005-06, international visitor expenditure in the Territory is \$383 million, down from \$395 million in 2004-05. International visitor expenditure comprised 23 per cent of total visitor expenditure in 2005-06.

Despite an increase of 8.7 per cent in international visitors to the Territory in 2005-06 (Chart 9.3), a 3.2 per cent fall in average visitor nights over the same period contributed in part to a fall in total international visitor expenditure of 3.0 per cent.

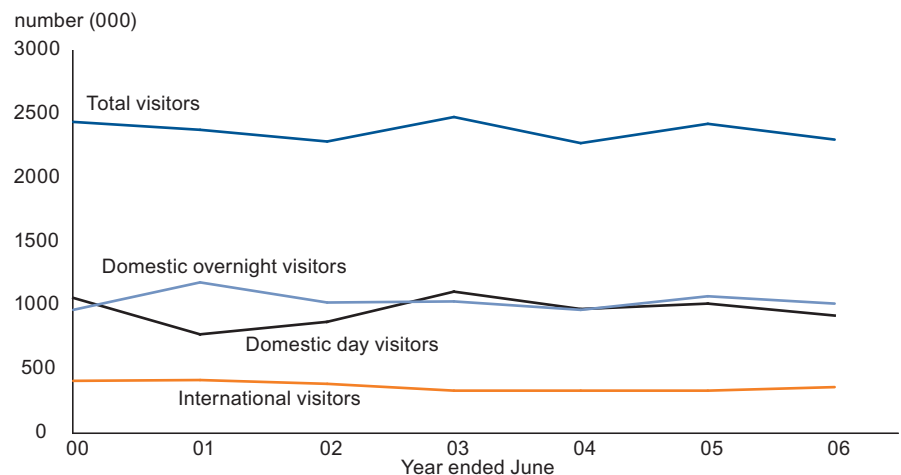
Domestic Overnight Visitors

The domestic overnight visitor category includes both interstate and intra-Territory overnight visitors, with interstate visitors accounting for around two-thirds of the total.

The domestic overnight market is typically the largest contributor to tourism visitor expenditure in the Territory. In 2005-06, domestic overnight expenditure increased by \$26 million to \$1165 million, making up 71 per cent of total visitor expenditure in the Territory.

The increase in domestic overnight visitor expenditure is attributed to growth in interstate visitor numbers and expenditure per visitor. This increase may be a result of positive wages growth, as well as the greater affordability of flights. Although holiday visitors formed the majority of interstate visitors in 2005-06, business visitors, such as FIFO visitors working on large engineering projects such as the Alcan G3 refinery expansion in Gove, also contributed to the increase in interstate visitors.

Chart 9.3: Territory Visitors



Source: Tourism Research Australia

Same Day Visitors Same day visitor expenditure largely represents intra-Territory visitors, although interstate same day visitors are also a significant component.

In 2005-06, same day visitor expenditure made up 6 per cent of total visitor expenditure, and was valued at \$99 million, \$4 million less than in 2004-05. A fall of 94 000 domestic day visitors, partly due to interstate visitors staying for longer periods in 2005-06, as well as a decline in intra-Territory day visitors (Chart 9.3) is leading to the decrease in same day visitor expenditure (Table 9.2).

Tourism NT states that lower intra-Territory visitor numbers in 2005-06 may be due to the introduction of low-cost carrier Tiger Airways to the Territory, resulting in a shift of interest from intra-Territory visitation to outbound travel, combined with higher fuel prices and competition from other household goods and services. Further, the transient nature and demographic mix of Territorians may influence trends in intra-Territory visitors.

For further insight into tourism activity indicators, see figures and comments in Table 9.3 at the end of the chapter.

Tourism Initiatives

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. An ongoing funding increase of \$10 million per year from 2006-07 has enabled continuation of marketing and tourism development activities, following a major update of the Northern Territory's tourism brand in March 2005.

The Australian Government has launched a major tourism project Australia wide. The National Landscapes initiative, a partnership between conservation management and tourism sectors in Australia, was established in 2006 as a marketing strategy to enhance tourism and benefit regional economies. The initiative aims to capture distinctive areas in Australia with "superlative" natural and cultural resources, and market them globally. In December 2006, the Red Centre Way, an area stretching from Alice Springs to Uluru, was announced as Australia's first National Landscape. As part of the National Landscape Initiative, the Red Centre Way will be promoted nationally and internationally through joint Northern Territory and Australian government marketing operations.

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 tourism infrastructure. At a total cost of \$58 million, these are significant longer term investments in the Territory's tourism industry.

Outlook

Tourism NT is forecasting international visitor expenditure in the Territory will increase by 8.0 per cent in 2006-07, before moderating due to competition from inter-Asian destinations. International visitor numbers are forecast to increase by 1.9 per cent in 2006-07, and grow steadily to 2.6 per cent in 2008-09.

The limited availability of cheap flights to the Territory has, in the past, resulted in low dispersal of both interstate and international visitors in Australia beyond east coast destinations. With more affordable domestic and international airfares in 2006-07 and beyond, interstate and international visitors to the Territory are expected to increase, with interstate visitors increasing by 1.6 per cent in 2006-07 and 2.4 per cent in

2007-08. Interstate visitor expenditure is forecast to grow at an average annual rate of 2.2 per cent to 2008-09.

Following a significant decrease in tourism activity and expenditure in 2005-06, intra-Territory visitor activity is expected to increase in the short term and then stabilise. Intra-Territory expenditure is forecast to increase by 2.9 per cent in 2006-07. The increase in expenditure is due to an expected increase of 3.3 per cent in intra-Territory visitors, driven by solid wages growth, low unemployment and lower fuel prices.

Table 9.3: Tourism Indicators

Northern Territory	2004-05	2005-06	Year on Year	5 yr Average Growth	Comment
Visitor numbers (000)	2426	2303	-5.1	-0.6	Total visitors were down in 2005-06, due to interstate and intra-Territory visitors decreasing, despite solid growth in international visitors.
Domestic day	1017	923	-9.2	3.5	
Domestic overnight	1 075	1 017	-5.4	-3.0	
International	334	363	8.5	-2.8	
Visitor nights (000)	9 226	9 225	0.0	-4.9	Nights remained unchanged despite a large fall in intrastate nights, due to strong growth in interstate and international nights.
Territory	1 325	1 063	-19.8	-7.5	
Interstate	5 196	5 322	2.4	-3.2	
International	2 705	2 840	5.0	-6.7	
Average nights per visitor	6.5	6.7	2.1	-2.0	Growth in average nights per visitor was up for intra-Territory visitors, but down for interstate and international visitors in 2005-06.
Territory	2.8	2.9	3.3	-1.4	
Interstate	8.5	8.1	-4.8	-2.3	
International	8.1	7.8	-3.2	-4.1	
Total expenditure within (\$M)	1 637	1 647	0.6	-2.1	Suggesting a strong interstate tourist market, total expenditure and average expenditure of domestic visitors were up in the Territory in 2005-06. Total expenditure of international visitors decreased in 2005-06 in the Territory indicating shorter visits to the Territory, as well as reflecting the high cost of living in the Territory. Total average expenditure per visitor and per night both recorded strong growth over the past five years.
Domestic	1 242	1 264	1.8	-1.1	
International	395	383	-3.0	-5.2	
Average expenditure per visitor	675	715	6.0	-1.5	
Domestic	594	652	9.7	-0.9	
International	1 181	1 055	-10.7	-2.5	
Average expenditure per night	177	179	0.6	2.9	
Domestic	190	198	3.9	3.0	
International	121	113	-6.6	4.4	
United Kingdom	na	147	na	na	
Germany	na	107	na	na	
Other Europe	na	138	na	na	
North America	na	166	na	na	
Japan	na	248	na	na	
Other countries	na	94	na	na	
International backpacker numbers (000)	108.5	120.8	11.3	na	
International backpacker nights (000)	1 125.0	1 237.6	10.0	na	
Self-drive visitors entering NT (000)	169	241	42.2	-0.5	Visitors entering the Territory by self-drive transport increased by 42.2% in 2005-06. Reflecting the fall in intra-Territory visitors and high fuel prices, self-drive visitors within the Territory fell by 9.6% in 2005-06.
Domestic	134	194	44.6	-0.1	
International	35	47	33.3	-2.0	
Self-drive visitors within NT (000)	564	510	-9.6	-4.3	
Domestic	490	439	-10.4	-3.2	
International	74	71	-4.1	-9.9	
Cruise ship visits¹	33	44	33.3	14.9	Cruise and defence ship visits were both up in 2005-06, although visit days for defence ships decreased.
Defence ship visits¹	77	93	20.8	-7.2	
Defence ship days¹	267	213	-20.2	-33.1	
National park visitor numbers (000)	1 270	1 232	-3.0	-2.0	National Park visitor numbers continue to fall, decreasing by 3% in 2005-06. The only park to record an increase in visitor numbers was Kakadu National Park, which has also started a new methodology to calculate visitors.
Kakadu	165	196	19.0	0.5	
Uluru-Kata Tjuta	357	352	-1.4	-2.4	
Nitmiluk	232	234	1.0	-1.1	
Watarrka	258	219	-15.1	-4.1	
Litchfield	258	231	-10.6	-2.3	

¹ Calendar year data.