

## Chapter 12 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, called a Tourism Satellite Account.
- » In 2006-07, tourism gross value added was estimated by Northern Territory Treasury to be \$945 million. Tourism accounted for 7.8 per cent of Territory GSP. Tourism consumption was \$2.5 billion in 2006-07, which is 25 per cent of the Territory's total final consumption expenditure.
- » Total visitor numbers and nights in the Territory, including international, domestic overnight and domestic same day visitors, increased noticeably in 2006-07. Total visitor expenditure increased by 19.1 per cent in 2006-07 supported by continued growth in interstate and international expenditure.
- » In 2007-08, a consolidation of tourism activity is expected in the Territory after strong growth in 2006-07, with the long-term outlook broadly positive.

### Introduction

Tourism plays a significant role in the Territory economy, contributing relatively 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 typically 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 tourism activity in the Territory. Visitor numbers are also influenced by regular events in the Territory such as the Darwin Cup, Arafura Games, Masters Games and defence exercises, as well as large one-off events in other jurisdictions such as the Commonwealth Games, from which there is a flow-on of visitors to the Territory.

### Concepts and Definitions of Tourism

#### Concept of Tourism

Tourism is defined differently to other standard industries, such as manufacturing or transport, as it is defined by the nature of the consumer (demand side), rather than the process by which goods and services are produced (supply side). That is, tourism activity and expenditure is defined by the status of the customer as a visitor, while non-tourism activity and expenditure is defined 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 and food outlets, cultural and recreational services, retail trade and transport. In some standard industries, a high proportion of output is directly linked to tourism, while in others, only a small proportion may be attributed to tourism.

## Definitions of Tourism Measures

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.

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 ABS produces a Tourism Satellite Account (TSA) which calculates a measure of tourism activity using the national accounting framework. The ABS does not currently provide this at a state level. 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). The STCRC has produced tourism satellite accounts for each jurisdiction. In October 2007, STCRC released a revised version of the NT TSA, providing estimates of the value of tourism activity in the Territory for 2003-04.

The TSA and the NT TSA measure the direct economic contribution of tourism to the economy, that is, where a direct physical or economic relationship exists between the visitor and producer of the good or service. The direct economic contribution primarily measures the immediate effect of expenditure made by visitors. For example, a visitor may purchase a meal from a restaurant; the direct economic contribution to the economy of the purchase is measured by the transfer of funds from the visitor to the restaurant.

The flow-on effects of expenditure made by visitors are known as the indirect economic contribution of tourism or indirect tourism demand. Indirect tourism demand accounts for other industries, not in direct contact with tourists, whose goods and services support the direct demand for tourism goods and services by the industries in direct contact with tourists. For example, where a visitor purchases a steak from a restaurant, indirect tourism demand is generated for the cattle farmer.

To complement the estimates of the direct contribution of tourism in the TSA, Tourism Research Australia (TRA) has recently undertaken a detailed analysis of the indirect effects of tourism activity using economic modelling at the national level. The combined measures of the direct and indirect economic contribution of tourism provide a more complete account of tourism activity. Currently, the ABS and TRA do not publish a measure of indirect tourism demand for the Northern Territory, but this is an avenue of future research.

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

- TGVA measures the value of tourism-related final goods and services produced in all industries, less the value of inputs used to produce these goods and services. TGVA effectively measures the value of tourism-produced goods and services at the final stage of production. In addition, TGVA excludes net taxes (taxes paid less subsidies received). TGVA provides a measure of tourism's contribution to the economy from the industry or supply side.

- Tourism consumption measures actual and imputed expenditure by a visitor, or on behalf of a visitor, for and during their stay at the destination. Tourism consumption measures the total market value of the goods and services consumed by visitors, including the value added at each stage of the production process, not just the final stage of production.

TGVA measures the value added only at the final stage of production. Tourism consumption measures the value added at each stage of production, therefore it is significantly larger than TGVA.

## Tourism Measures 2003-04 to 2006-07

Northern Territory Treasury has used the 2003-04 NT TSA estimates of TGVA and tourism consumption as a benchmark for tourism activity and has moved them forward using both TRA expenditure data and ABS data as indicators, to estimate the contribution of tourism to the economy in 2006-07. Table 12.1 presents the three measures of tourism for the Territory.

Table 12.1: Tourism Measures for the Northern Territory 2003-04 to 2006-07

	2003-04 <sup>1</sup>		2004-05 <sup>2</sup>		2005-06 <sup>2</sup>		2006-07 <sup>2</sup>	
	\$M	\$M	% change	\$M	% change	\$M	% change	
TGVA	616	742	20.5	828	11.5	945	14.2	
Tourism Consumption	1 787	2 094	17.2	2 095	0.1	2 495	19.1	

<sup>1</sup> Revised 2003-04 NT TSA October 2007. STCRC expects the 2005-06 NT TSA may be available in 2009

<sup>2</sup> Estimated by Northern Territory Treasury

Source: Northern Territory Treasury, Tourism Research Australia, Tourism NT, Sustainable Tourism Cooperative Research Centre

Since 2003-04, TGVA has reported solid growth in line with the broadly based expansion across the Territory economy. In 2006-07, TGVA was estimated at \$945 million in the Territory, up 14.2 per cent from 2005-06.

Between 2003-04 and 2004-05, tourism consumption is estimated to have grown by 17.2 per cent. This was consistent with growth in total visitor numbers, driven by strong increases in domestic overnight visitors. In 2005-06, tourism consumption growth stabilised in line with visitor numbers and nights. The Territory experienced 19.1 per cent growth in tourism consumption in 2006-07, consistent with strong growth in total visitor activity in the Territory.

## NT TSA Estimates

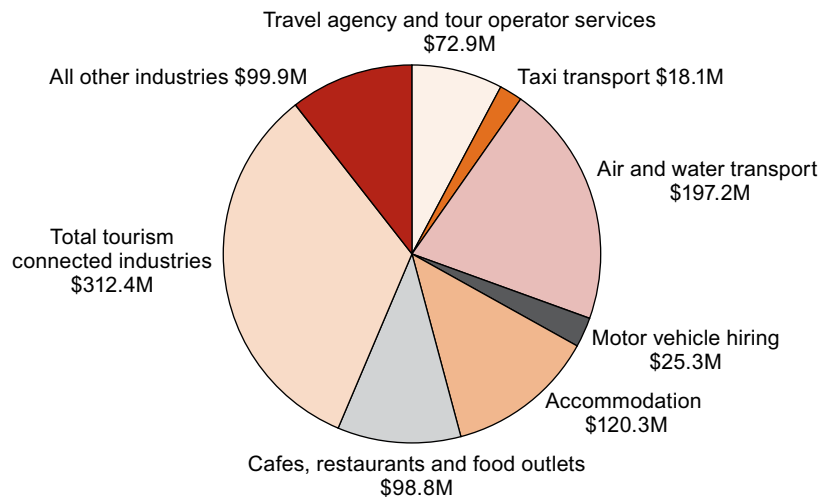
Using the TSA method, which is an internationally recognised methodology adopted by the ABS and STCRC, the values of TGVA and tourism consumption are calculated at industry level, with the collective industry totals being the overall measure of the contribution of tourism to the economy. Under international TSA standards, each industry is classified according to the proportion of its output that is consumed by visitors. There are three industry classifications in the TSA – tourism characteristic industries, tourism connected industries and all other industries.

- Where at least 25 per cent of an industry's output is consumed by visitors, an industry is known as a 'tourism characteristic industry'. An example is the accommodation industry.
- Where an industry's output is consumed by visitors in volumes which are significant for the visitor and/or the producer, this industry is known as a 'tourism connected industry'. An example is the retail trade industry.
- Industries that do not produce tourism products, although some of their products may be consumed by visitors, are classified as all other industries.

**Tourism Gross Value Added**

Using the STCRC 2003-04 figures as a base, Northern Territory Treasury estimates that in 2006-07, the first measure in Table 12.1, TGVA was \$945 million in the Territory. Among tourism characteristic industries, air and water transport is the largest single contributor to tourism gross value added, contributing \$197.2 million. (For more information on air and water transport, see the Transport and Communication Infrastructure chapter.) The accommodation and cafes, restaurants and food outlets industries are also major contributors to TGVA, contributing \$120.3 million and \$98.8 million respectively. Among the remaining tourism characteristic industries, travel agency and tour operator services contribute \$72.9 million, taxi transport contributes \$18.1 million and motor vehicle hiring contributes \$25.3 million (see Chart 12.1).

**Chart 12.1: Tourism Gross Value Added**



Source: Northern Territory Treasury, Sustainable Tourism Cooperative Research Centre

Total tourism connected industries, including manufacturing, other transport, clubs, pubs, taverns and bars, and retail trade, are estimated to have contributed \$312.4 million to TGVA in 2006-07.

The residual component of TGVA, all other industries, was valued at \$99.9 million in 2006-07 in the Territory (see Chart 12.1).

**Tourism Consumption**

The third measure reported in Table 12.1 is tourism consumption. In 2006-07, tourism consumption was estimated by Treasury to equal \$2494 million.

Tourism consumption 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.

In 2006-07, total visitor expenditure in the Territory was estimated by TRA to increase by \$314 million to \$1.96 billion, some 80 per cent of tourism consumption. Total visitor expenditure comprises international visitor expenditure, domestic overnight visitor expenditure and same day visitor expenditure. In 2006-07, international, domestic overnight and same day visitor expenditure increased by \$40 million, \$254 million and \$20 million respectively in the Territory (Table 12.2).

The Territory recorded the highest growth in total visitor expenditure of the jurisdictions in 2006-07, at 19.1 per cent. Nationally, total visitor expenditure rose by 8.1 per cent (Table 12.2).

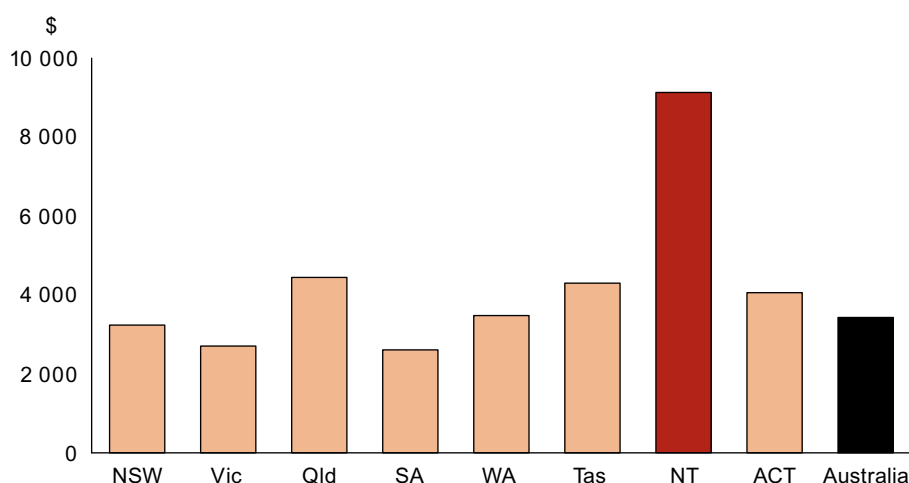
Table 12.2: Visitor Expenditure, 2005-06 to 2006-07

	International		Domestic Overnight		Same Day		Total	
	\$M	% change	\$M	% change	\$M	% change	\$M	% change
NSW	5 586	12.6	12 157	5.1	4 569	5.6	22 312	7.0
Vic	2 981	19.5	7 967	0.5	3 226	11.6	14 174	6.4
Qld	3 667	8.2	11 945	7.1	3 072	18.1	18 684	9.0
SA	454	-11.3	2 711	5.0	931	4.0	4 096	2.7
WA	1 543	18.2	4 530	13.8	1 296	6.8	7 369	13.4
Tas	242	14.7	1 456	-2.1	435	12.4	2 133	2.3
NT	423	10.4	1 419	21.8	119	20.2	1 961	19.1
ACT	203	36.2	930	13.1	249	27.7	1 382	18.5
Australia	15 098	12.7	43 122	6.0	13 897	10.2	72 117	8.1

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 head of resident population at \$9122, compared to \$3431 nationally (see Chart 12.2). The significant difference in the level of visitor expenditure per resident is largely due to the Territory's relatively small resident population compared to other jurisdictions and the relatively high number of visitors.

Chart 12.2: Tourism Expenditure Per Head of Resident Population, 2006-07



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

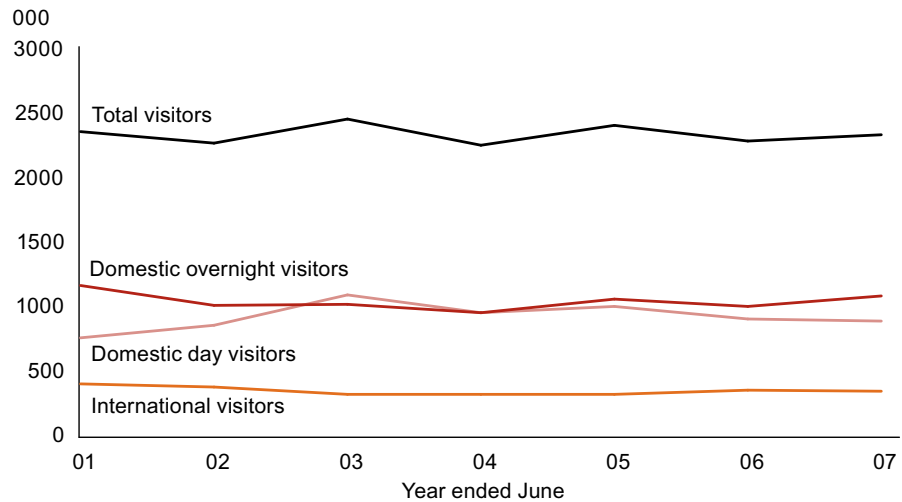
## Tourism Visitors

### International Visitors

In 2006-07, international visitor expenditure in the Territory is estimated at \$423 million, up from \$360 million in 2005-06. The growth in international visitor expenditure is largely attributed to an increase in average nights spent in the Territory per international visitor. International visitors spent an average of nine nights in the Territory in 2006-07, an increase of 1.2 nights from 2005-06.

As a share of total Territory visitor expenditure however, international visitor expenditure decreased marginally to 22 per cent in 2006-07 due to strong growth in domestic overnight and same day visitor expenditure.

Chart 12.3: Territory Visitors



Source: Tourism Research Australia

### 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 total visitors.

The domestic overnight market is typically the largest contributor to tourism visitor expenditure in the Territory. In 2006-07, domestic overnight expenditure increased by \$254 million to \$1419 million and comprised 72 per cent of total visitor expenditure in the Territory.

The increase in domestic overnight visitor expenditure in 2006-07 is largely attributed to the strong growth in domestic overnight visitor numbers and interstate and intra-Territory visitor nights in the Territory, increasing by 8.0 per cent, 18.5 per cent and 15.4 per cent respectively (Chart 12.3). Holiday visitors formed the majority of interstate visitors to the Territory in 2006-07.

The key factors affecting Territory domestic overnight tourism activity in 2006-07 appear to be:

- relatively high levels of consumer and business confidence;
- increased competition and capacity of low-cost airline carriers;
- continued growth in accommodation capacity; and
- robust labour force conditions nationally.

In addition, trends in the intra-Territory component of domestic overnight tourism activity may also be impacted by higher fuel prices in the Territory than in southern states and competition from other household goods and services.

### Same Day Visitors

Same day visitor expenditure largely represents intra-Territory visitors, although interstate same day visitors are a minor component.

In 2006-07 in the Territory, same day visitor expenditure increased by 20.2 per cent to \$119 million, despite same day visitor numbers declining by 2.3 per cent. Same day visitor expenditure made up 6.0 per cent of total visitor expenditure in the Territory.

The solid increase in same day visitor expenditure and moderation in visitor numbers may be attributable in part to prices growth in tourism products in the Territory, meaning fewer people are spending more due to higher prices.

For further insight into tourism activity indicators, see figures and comments in Table 12.3 at the end of the chapter.

## Tourism NT

Tourism NT is a Territory Government agency responsible for the development of tourism in the Territory and advising the Minister on all matters relating to tourism. Tourism NT markets and influences the development of the Northern Territory as a competitive tourism destination. Its activities are focused on leisure (that is, holiday) and meeting/conferences/incentive travel markets. These market segments can be more readily influenced through marketing activities.

## Outlook

The Northern Territory Tourism Forecasting Panel was established by Tourism NT in April 2006 to provide tourism forecasts for the Territory using a combination of industry intelligence and time series modelling provided by TRA forecasting analysis. The panel consists of members from tourism-related government and business organisations, and provides three-year forecasts for visitor numbers, nights and expenditure in the Territory.

Results from the December 2007 panel meeting include the expectation of an overall consolidation of tourism activity in the Territory in 2007-08 and 2008-09 after strong growth in tourism indicators in 2006-07. Solid growth is forecast for 2009-10, with total visitor numbers and expenditure expected to increase by 3.5 and 2.4 per cent respectively. However recent interest rate rises in Australia, combined with a strengthening of the Australian dollar, may dampen an otherwise buoyant domestic and international tourism market.

The panel expects moderate growth in international visitor numbers, nights and expenditure in the Territory in 2007-08, as the Australian dollar is expected to remain strong and international attention turns to China for the 2008 Olympic Games. Increases in airline seating capacity are expected in late 2008, which should relieve peak period seat shortages and contribute to strong growth in Territory visitor numbers in 2008-09 and 2009-10. Continued strong business links with Asia and the completion of the Darwin Convention Centre and the new cruise ship terminal are also expected to contribute to positive growth in international tourism activity and expenditure in the Territory in 2008-09 and 2009-10.

Increased domestic airline seating capacity in 2008 is expected to contribute to some positive growth in interstate tourism activity in the Territory in the medium term while having a dampening effect on intra-Territory tourism activity at the same time. The Central Australian region will be exposed to a new interstate market as Tiger Airways continues flights on a Melbourne-Alice Springs route from March 2008.

In 2008-09, the panel expects a moderation in interstate visitor nights to have a dampening effect on interstate expenditure as low-cost carriers provide the opportunity for more visitors to have shorter stays in the Territory. Intra-Territory tourism activity is expected to suffer in the short term, with visitor numbers and nights expected to fall by 1.9 per cent and 7.9 per cent in 2008-09. After five years of reporting negative growth in the Territory, intra-Territory expenditure is expected to improve over the next two years before returning to its recent downward trend. Intra-Territory expenditure is forecast to increase by 16.7 per cent in 2007-08, and by 2.7 per cent in 2008-09.

Table 12.3: Tourism Indicators

Northern Territory	2005-06	2006-07	Year on Year % change	5 yr Average Growth	Comment
<b>Total Visitor Numbers (000)<sup>1</sup></b>	<b>2 303</b>	<b>2 359</b>	<b>2.4</b>	<b>0.6</b>	In 2006-07, total visitors to the Territory increased by 2.4%, attributed to solid growth in domestic overnight visitors.
Domestic day	923	902	-2.3	0.6	
Domestic overnight	1 017	1 098	8.0	1.4	
International	363	359	-1.1	-1.5	
<b>Visitor Nights (000)</b>	<b>9 225</b>	<b>10 782</b>	<b>16.9</b>	<b>1.6</b>	Visitor nights experienced strong growth in 2006-07 after zero growth in 2005-06. An increase in interstate visitors was the key contributor to growth.
Intrastate	1 063	1 227	15.4	-5.9	
Interstate	5 322	6 309	18.5	4.4	
International	2 840	3 246	14.3	0.3	
<b>Average Nights per visitor</b>	<b>6.7</b>	<b>7.4</b>	<b>10.7</b>	<b>1.0</b>	After negative growth in 2005-06, solid growth in average nights per visitor was reported for all visitors in the Territory in 2006-07, indicating that visitors are lengthening their stays.
Intrastate	2.9	3.3	11.1	0.4	
Interstate	8.1	8.7	7.5	-2.7	
International	7.8	9.0	15.6	1.9	
<b>Total Expenditure (\$M)<sup>2</sup></b>	<b>1 624</b>	<b>1 961</b>	<b>20.8</b>	<b>n.a.</b>	After a weak performance in 2005-06, expenditure in the Territory reported strong growth in all categories, supported by an increase in total visitor numbers and total visitor nights. In 2006-07 in the Territory, expenditure per visitor and expenditure per night recorded 14.4% and 3.3% growth respectively. This also reflects higher prices for tourism products.
Domestic Overnight	1 165	1 419	21.8	n.a.	
International	360	423	17.5	n.a.	
Domestic Day	99	119	20.2	n.a.	
<b>Average Expenditure per visitor</b>	<b>1 177</b>	<b>1 346</b>	<b>14.4</b>	<b>n.a.</b>	
Domestic	1 146	1 292	12.8	n.a.	
International	992	1 178	18.8	n.a.	
<b>Average Expenditure per night</b>	<b>176</b>	<b>182</b>	<b>3.3</b>	<b>n.a.</b>	
Domestic	182	188	3.2	n.a.	
International	127	130	2.8	n.a.	
<b>International backpacker numbers (000)<sup>3</sup></b>	<b>92</b>	<b>94</b>	<b>2.6</b>	<b>-1.6</b>	In 2006-07, backpacker numbers and nights in the Territory continued to recover to long-term levels. The increasing availability and attractive profile of backpacker accommodation is expected to contribute to growth in backpackers.
Backpackers as a proportion of international visitors	25%	26%	1ppt	n.a.	
Backpackers as a proportion of total visitors	7%	6%	-1ppt	n.a.	
<b>International backpacker nights (000)</b>	<b>664</b>	<b>670</b>	<b>0.9</b>	<b>-1.9</b>	
<b>Self-drive visitors entering NT (000)<sup>4</sup></b>	<b>241</b>	<b>212</b>	<b>-12.2</b>	<b>1.9</b>	Total self-drive visitors entering the Territory and self-drive visitors within the Territory decreased in 2006-07, reflecting a fall in intra-Territory visitors, higher fuel prices and more affordable air travel.
Domestic	194	171	-11.9	3.8	
International	47	41	-13.8	-4.4	
<b>Self-drive visitors within NT (000)</b>	<b>510</b>	<b>473</b>	<b>-7.2</b>	<b>-5.0</b>	
Domestic	439	397	-9.6	-5.5	
International	71	76	7.3	-2.2	
<b>Cruise ship visits*</b>	<b>44</b>	<b>43</b>	<b>33.3</b>	<b>14.9</b>	Cruise ship visits were up in 2006-07, while defence ship visits and visit days reported negative growth, due to operational demands.
<b>Defence ship visits*</b>	<b>59</b>	<b>47</b>	<b>-10.6</b>	<b>-6.6</b>	
<b>Defence ship days*</b>	<b>214</b>	<b>149</b>	<b>-19.2</b>	<b>-11.8</b>	
<b>Selected National Park Visitors (000)</b>	<b>1 234</b>	<b>1 260</b>	<b>2.1</b>	<b>-1.6</b>	National park visitor numbers in the Territory increased by 2.1% in 2006-07. Visitation to Kakadu and Litchfield national parks experienced strong growth, while the other major parks reported a moderation in growth, reflecting increased visitor numbers to the Top End.
Kakadu <sup>5</sup>	196	216	10.0	2.6	
Uluru-Kata Tjuta <sup>6</sup>	354	338	-4.5	-2.6	
Nitmiluk	234	234	-0.1	-0.6	
Watarrka	219	214	-2.1	-5.1	
Litchfield	231	258	11.8	-0.8	

\*Calendar year data.

n.a.: not available

1 International and domestic tourism data are obtained from the TRA International Visitor Survey and National Visitor Survey and are calculated using different methodologies

2 International expenditure includes package expenditure and domestic expenditure includes airfares and long distance traffic costs

3 This data series shows the number of people who spent one or more nights in backpacker/hostel accommodation on their trip to the Territory

4 These figures are subject to high volatility and should be interpreted with caution

5 Kakadu National Park visitor numbers are generated using calibrated vehicle counters

6 Uluru-Kata Tjuta National Park visitor numbers represent ticket sales and do not include children under 16 years of age who have free entry

Source: Tourism Research Australia, Tourism NT, Darwin Port Corporation, Department of Business, Economic and Regional Development, Parks Australia, Department of Natural Resources, Environment and the Arts