

Box B: The Tourism Industry

Tourism makes a significant contribution to economic activity in Australia and to Australia's exports. While measuring the size of the tourism industry is quite difficult, the ABS has estimated that in 1997/98, the tourism industry accounted for 4.5 per cent of GDP (Table B1). This implies that it is roughly similar in size to the education and mining industries. Over three-quarters of tourism output is consumed by domestic tourists, who mainly comprise households but also include businesses and government.¹

Many parts of the economy are involved in the provision of goods and services to tourists. Around two-thirds of tourism output, however, is contributed by the transport and storage, accommodation, cafes and restaurants, and retail and wholesale trade industries (Table B2). The transport and storage industry makes the largest contribution to tourism output, principally due to the use of air travel by both domestic and international tourists. The accommodation, cafes and restaurants industry, however, is the most tourism

Table B1: The Tourism Industry
1997/98

	Domestic ^(a)		International ^(b)	Total
	Households	Business/Government		
Tourism expenditure (\$m)	38 770	6 596	12 792	58 158
Tourism output (\$m)	17 026	2 755	5 394	25 174
– as a per cent of GDP	3.0	0.5	1.0	4.5
Tourism share of employment (%)	–	–	–	6.0

(a) Includes expenditure by outbound Australian residents before and after overseas trips.

(b) This figure is conceptually different from the comparable balance of payments statistic.

Source: *Australian National Accounts: Tourism Satellite Account, 1997/98*, ABS Cat No 5249.0

Table B2: Selected Industry Contributions to Tourism Output
1997/98, per cent

	Share of tourism value-added	Share of industry output attributable to the tourism industry
Transport and storage	25	18
Accommodation, cafes and restaurants	20	36
Retail and wholesale trade	20	7
Manufacturing	11	4
Cultural and recreational services	5	12

Source: *Australian National Accounts: Tourism Satellite Account, 1997/98*, ABS Cat No 5249.0

1. For statistical purposes, a tourist is defined as a person travelling to, and staying in, places outside their usual place of residence for up to one year. They may be travelling for leisure, business or other purposes, but must not receive remuneration from the place visited.

dependent, with around 36 per cent of its output directly attributable to the tourism industry.

The tourism industry is highly export oriented, contributing around 11 per cent of Australia's total export earnings even though it accounts for only 4.5 per cent of output (Graph B1). In part, this reflects the different characteristics of the international and domestic tourist markets. Although the high share of business tourists among domestic tourists implies that the average domestic tourist tends to spend much more per night than the average international tourist, over

the course of their stay, the average international tourist spends considerably more (Table B3). This in turn probably reflects the fact that the average short-stay international tourist is relatively high spending, while there are also a significant number of international tourists (for example, backpackers) who, although not wealthy, spend a considerable amount because of the length of their stay.

Recent developments

The collapse of Ansett and the US terrorist attacks were associated with a sharp fall in airline travel. Given that air transport makes a large direct contribution to the output of the tourism industry and facilitates tourism more generally, the recent downturn in airline travel has had a significant and immediate effect on the tourism industry.

Ansett accounted for approximately 40 per cent of the domestic aviation market (both passenger and freight) and around 3½ per cent of international passenger movements to and from Australia. There has been a sizeable decline in domestic air services in the past couple of months, although liaison suggests that it has been much less than during the pilots' strike of 1989 (Graph B2). The magnitude of the fall in international passenger movements is hard

Graph B1

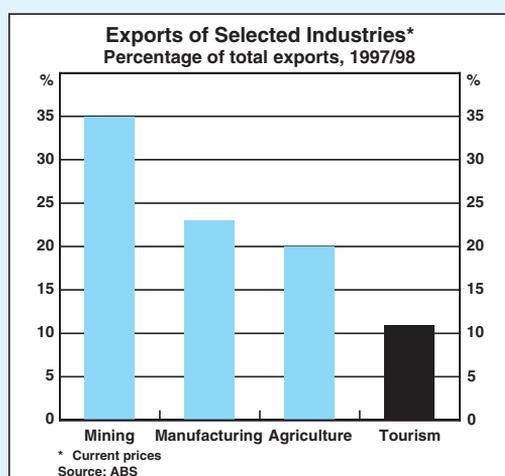


Table B3: Tourist Characteristics
2000

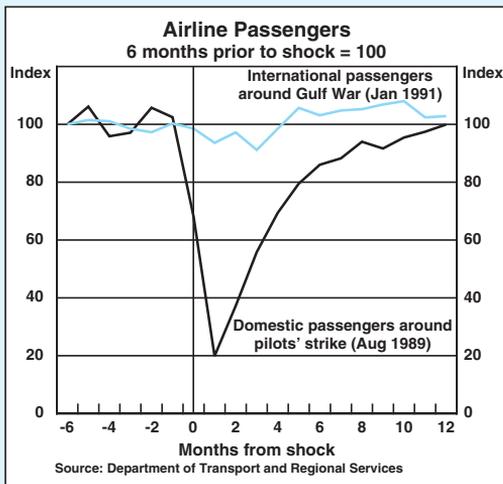
	Domestic tourists ^(a)			International tourists
	Households	Business	Total	
Tourists (million)	59	15	74	4
Tourist nights (million)	249	45	293	113
Average nights per tourist	4	3	4	26
Average expenditure per tourist ^(b) (\$)	459	647	496	2 168
Average expenditure per night ^(b) (\$)	109	212	125	83

(a) Overnight travel within Australia by Australian residents.

(b) For international tourists, excludes pre-paid package tours and pre-paid international airfares.

Sources: *National Visitor Survey* and *International Visitor Survey*, Bureau of Tourism Research

Graph B2



to establish, although the Tourism Forecasting Council has revised down its forecast for overseas arrivals in the December quarter by around 15 per cent.

The effect on aggregate output in the economy of these developments is dependent on a number of factors. Most importantly, it depends on the initial size of the contraction in the tourism industry, and the extent to which domestic consumers substitute spending on other goods or services for the spending they would otherwise have directed towards tourist activities (both domestically and internationally). Secondly, it depends on the flow-on effects of these developments to other industries. Finally, it depends on the time it takes before both the capacity of the domestic airline industry is restored to satisfy demand and international tourism recovers.

It will be difficult to predict the relative sizes of these effects with any accuracy. Around 17 per cent of domestic tourists use airline travel as their main mode of transport, although much higher figures are recorded for the Northern Territory and Tasmania (Graph B3). The variation in these figures across states reflects both the feasibility and accessibility of alternative modes of transport and differing shares of interstate tourists. Overall, however, these data illustrate that a large proportion of domestic tourists are not

reliant on air transport, and they suggest that there may be some scope for substitution as, for example, domestic tourists choose holiday destinations to which they can drive rather than fly. If Australia benefits from a safe-haven status, it could also encourage the replacement of overseas travel with domestic travel and attract international tourists from other destinations. The latter factors appear to have played a role during the Gulf War, and the former during the pilots' strike. In both cases, aggregate economic activity was little affected by the significant shocks to airline travel that occurred.

However, there are also forces that may inhibit the recovery of tourism and so generate more pervasive effects on economic activity. The weakened financial position of creditors to Ansett, particularly small businesses, may inhibit spending. Heightened concerns about flying could also imply that it takes longer before the demand for tourist-related activities recovers. More generally, given that tourist expenditures are to some extent discretionary, and given the tourism industry's reliance on exports, it may be more exposed than most industries to any further deterioration in domestic and global prospects. ✕

Graph B3

