



Australian Government

Australian Trade and Investment Commission

Opportunities for the Visitor Economy

A modern, diversified and collaborative path to 2030

Summary Report

June 2021



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Glossary of Visitor Economy terms

| Term | Meaning |
|---|---|
| Visitor | Anyone who either consumes or desires travel-related services for stays of less than a year |
| Segments | Types of visitors (for international visitors, as declared on passenger arrival cards) |
| Holiday | Travel for the primary purpose of rest and recreation (including participating in sport, attending sporting, cultural events or festivals, shopping, or accompanying a conference attendee) |
| Visiting friends and relatives (VFR) | Travel for the primary purpose of visiting friends and relatives, including weddings |
| Business | Travel for purposes relating to employment (including fly-in-fly-out work, meetings, conferences, conventions and training) |
| Work | (International travellers only) Travel for the primary purpose of ongoing employment and work in Australia for less than a year |
| Education | (International travellers only) Travel for the primary purpose of study/upskilling in Australia for less than a year |
| Destinations | Where visitors go |
| Cities | The tourism regions of state and territory capitals: Adelaide, Brisbane, Canberra, Darwin, Hobart, Melbourne, Perth and Sydney |
| Clusters | Geographic areas of coordinated visitor activity, often with a recognised attraction as a hub |
| Regions | Any geographic part of Australia outside the cities |
| Source markets | Major groups of countries from which international visitors come to Australia |
| Developed Asia | Japan, Korea, Singapore, Taiwan |
| Developed English | Canada, New Zealand, UK, USA |
| Emerging Asia | Indonesia, Malaysia, Philippines, Thailand, Vietnam |
| Other Western | European countries such as France, Germany, Italy, Netherlands, Scandinavia and Switzerland |
| Providers | Those providing or promoting services to a visitor |
| Accommodation | Places visitors stay, including hotels, resorts, motels, serviced apartments, caravan parks, B&Bs, and sharing economy providers (Airbnb) |
| Aviation | All airlines and airport services |
| Culture, arts and recreation | Cultural services, heritage sites, museums, nature reserves, casinos, other gambling services and sports and recreation services; including function and event centres |
| Education and training | Tertiary education and adult, community and other education services (attributable to the Visitor Economy) |

| Term | Meaning |
|---|---|
| Food services | Places that serve food and drinks, including cafes, restaurants and takeaway food services (including catering) and pubs, bars, taverns and clubs |
| Ground transport | Water, rail, road transport (incl. taxis), passenger car rental/hiring and transport equipment rental and scenic and sightseeing transport, including cruising |
| Travel agency and information services | All businesses and individuals acting as agents in selling travel, tour and accommodation services, and providing travel arrangement and reservation services for airlines, cars, hotels and restaurants |
| Retail | All retail trade, including motor-vehicle, fuel, food and other store-based sales |
| Economics | |
| Visitor Economy | All those who either consume or desire travel-related services, and those who provide or promote those services |
| CAGR | Compound annual growth rate |
| GVA | Gross Value Add, being the tax-adjusted value for the amount of goods and services that have been produced in a sub-segment of the economy, minus the costs that are directly attributable to that production |
| Supply side | All businesses who provide or promote services to visitors |
| Demand side | All individuals who consume or desire travel-related services |
| Infrastructure | Physical and digital assets needed to provide services to visitors, including transport, accommodation, communication, health and human services |

Introduction

Australia's \$138 billion Visitor Economy is both a critical part of the national economy and an extremely complex ecosystem. The Visitor Economy is broader than that which people normally regard as 'tourism': it spans those traveling for holidays, education or business and those visiting friends and relatives – both domestic and international – as well as the businesses and destinations that serve them.

This report comes at a critical time for the Visitor Economy. As we know, Covid-19 has had a devastating effect, with total spend in Australia falling 49 percent from \$138 billion in calendar year 2019 to \$71 billion in 2020. The short-term focus must be on survival and recovery.

However, that recovery must also position the Visitor Economy to thrive through the decade to come. Even before the pandemic shock waves hit, the sector was grappling with imbalances in its key markets and in its workforce. It is also facing shifts in visitor demographics and preferences, the accelerating disruptions of digitisation and automation, and the need to consolidate its social licence to operate. Negotiating those challenges is a sector with myriad participants pursuing multiple ends, which are not always aligned.

What then could the Visitor Economy do to build long-term resilient growth through to at least 2030? One that sustains its natural assets, stimulates economic value and jobs, and contributes to the broader life and identity of the nation?

To answer those questions, Austrade has engaged extensively with all elements of the Visitor Economy, and commissioned invaluable data and insights from McKinsey and Company to support the findings of this report. Its conclusion is as follows:

The Visitor Economy must now build its future by diversifying its source markets; modernising its offer, assets and workforce; and collaborating at all levels to do so.

Of these three themes – diversify, modernise and collaborate – the lynchpin is modernisation: putting to good use the innovations of the digital age, and helping people develop the social, cognitive and technology skills they need to serve our visitors well.

The payoff from that work is imagined in the 2030 vision suggested in this report. There will be opportunities to draw visitors from more global diverse markets, and for more Australian destinations, if the Visitor Economy draws on its collaborative as well as its competitive instincts.

The report is intended to serve two purposes. First, to suggest opportunities to act on and to stimulate the industry's own conversations, decisions and actions. Second, as a resource for the 'Reimagining the Visitor Economy' Expert Panel to draw on to help the government shape a policy framework to guide the sector to long-term, sustainable and resilient prosperity.

It is delivered in 6 chapters:

- 1. The Visitor Economy:** The visitors and providers that comprise it, and their value to Australia.
- 2. This decade's journey:** From its enviable position in 2019 to how hard it was hit by the pandemic in 2020, to a realistic vision for 2030.

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- 3. Understanding the markets:** The dominant domestic and various international markets from which our visitors come, and their potential for further diversification.
 - 4. Giving powerful reasons to come:** Our expanding cities, regions, culture, events and universities can each make distinctive, compelling cases for visitors to add more value to our economy and national life.
 - 5. Making their stay:** Our visitors will depend on efficient and inspiring digital experiences, aviation, accommodation and workforces.
 - 6. A national project:** Our different sectors, industries and governments need to collaborate to target demand, innovate products and processes, attract investment and prepare their workforce.

Austrade would like to thank all those involved in the report's completion, and to encourage all parts of the Visitor Economy to consider its findings, and engage with the Expert Panel.

Executive summary

Visitors have different purposes, seek very different things, and are willing to spend vastly different amounts. A visitor is anyone who travels within Australia for less than a year: not just for holidays, but also to visit friends and relatives, or on business, for work, or for education.

Fulfilling all their desires takes an extremely diverse set of businesses, spanning several industry sectors and operating across cities and regional destinations. The Visitor Economy takes in anyone who provides or promotes services to visitors, and goes well beyond 'tourism'.

The Visitor Economy is essential to Australia's wellbeing

The Visitor Economy makes an enormous contribution to Australia, financially and strategically. In 2019, it added over \$61.2 billion to the economy, provided 686,000 jobs, and was growing 45 percent faster than the rest of the economy. Every dollar earned generates 82 cents in other parts of the economy, a higher multiplier than any of those of mining, agriculture or financial services. Beyond that, it is critical to Australia's international soft power, and to enhancing our sense of national identity.

The Visitor Economy depends on both domestic and international visitors. Domestic travellers dominate the sector, accounting for 77 percent of its \$138 billion revenues. However, international visitors account for 30 percent of the value added by the Visitor Economy, with much of it from young people who are here for study or working holidays.

Covid-19 brought a very good run to a shuddering halt

Back in 2011, the long-term *Tourism 2020* strategy set the very ambitious target of \$115 billion to \$140 billion in overnight visitor spend by 2020 – and reached it. Revenues grew at an average 9 percent per year in the four years leading up to the pandemic. All segments contributed from December 2011 to December 2019, with 2 percent growth in international business, 9 percent growth in domestic business, and 11 percent growth in international education. There were underlying fragilities – such as an overreliance on a few key markets in the international holiday and education segments, and difficulties in attracting workers with the right skills – but efforts had begun to address these and other issues.

The pandemic put a halt to this momentum, though the fallout has been very uneven. Total spend fell 43 percent between the fourth quarters of 2019 and 2020, driven by a (continuing) 98 percent reduction in international tourism. Interstate travel bounced back to 31 percent of 2019 levels as of December 2020, while intrastate tourism actually reached 95 percent of 2019 levels over this time. Business, event and education travel has been drastically affected. Cities have had the twofold blow of losing both international travellers and business travellers: Melbourne visitation was down 58 percent for the year, Sydney's down by 42 percent.

The hard brakes on demand came from border closures and social restrictions. However, people also stopped travelling for lack of confidence: in continued border closures, in job and income security, and in the rollout of vaccines.

Demand will return

For Australian destinations, the short-term focus must be on survival and recovery. However, that recovery needs to set the Visitor Economy up for a return to long-term sustainable growth in the decade to come, and to conquer the market, technology, geopolitical and other challenges it brings.

The likelihood is that domestic and international travel will return to strong growth through the 2020s. Forecasts suggest that domestic spend could rebound to pre-Covid levels by 2023. International travel might not reach its pre-Covid levels until as late as 2025, and may even grow strongly as pent-up demand is unleashed, but may have permanently lost two years' growth from its pre-Covid trendlines. People will want to travel again after lockdowns, they want to spend money on study and experiences rather than products, there are fast-growing populations of very wealthy people in our traditional markets, and fast-growing middle classes in emerging markets.

As visitors return, the immediate need is to boost labour supply, as labour shortages are now reducing the ability of the sector to meet demand and quality expectations. To alleviate this, wage levels, reskilling opportunities and visa restrictions could be reviewed.

Time to launch a new vision

This report's overall message is as follows:

The Visitor Economy must build its future through diversifying its source markets, modernising its offer, assets and workforce, and collaborating at all levels to do so.

If the Visitor Economy takes up this challenge, this is what observers may see as the decade progresses to 2030.

- **By 2030, the Covid-19 shock is a distant memory, but its lessons are not.** Providers are enjoying the largest boom in domestic travel since records began, with a welcome cash splash from high-end holiday makers, as Australians appreciate even more what they can do at home. Investors have responded to strong demand forecasts and low interest rates by restoring the pre-Covid investment pipeline. Workforce vacancies and critical skill shortages have been sensibly addressed as visa restrictions were relaxed, wages rose, people reskilled, and workers moved from businesses that closed through the pandemic to those that remained. A well-executed strategy for opening international borders has seen the welcome return of education, holiday and business travellers.
- **A more prosperous, diverse and resilient Visitor Economy emerges.** By mid-decade, our visitors are more diverse and, on average, spending more. The initial surge of domestic travel has been maintained; Australian domestic visitors are spending 75 percent of their travel budget at home, up from 70 percent, investing in great experiences and activities as they do overseas, in addition to having a break from it all. International holidaymakers are more diversified, coming as frequently from India and the Emerging Asian markets as they are from our traditional English-speaking and Developed Asian markets. More of these domestic and international holidays are luxury ones, investing over \$1,000 per night on Australia's great offers of sun, adventure and food.

- **More 'bucket-list' destinations and events.** More people are travelling to and within Australia because they have more reasons to do so. Our cities are known globally as 'visited and loved', as well as 'liveable'. Each has its own personality, and a fierce public-private coalition making sure its city has the vision, infrastructure, drawcards, events and promotion to break through in a competitive market. Australians have bucket-list destinations in each State and Territory, drawn by anchor attractions, efficient access, great hosts and the journey itself. Destinations are investing those revenues into their assets, making them ready for international visitors who have heard that there is more to Australia than the Bridge, the Rock and the Reef. Australia's cities and regions each have a calendar of events spanning business, sport and culture.
- **Distinctive variety and quality of experience.** Australia is known as one of those rare places that offer a variety of valued experiences, at a high quality. In our distinctive destinations, our diverse population is offering the diverse experiences they themselves enjoy. Visitors are impressed by the high-quality personal service, and the range of authentic, immersive experiences. There is a strong digital complement to our physical attractions, and new venues showcase total digital immersion. Indigenous businesses are an integral part of the visitor economy offering a range of authentic experiences, and sharing their knowledge of land, nature, culture and cuisine. Business, event attendees and students will add these experiences to their trips. They notice just how safe and welcoming Australia is to travel, with local communities that support both visitors and the businesses who cater for them. Visitors notice Australia's strides towards sustainability, including the steps taken to protect fragile destinations. They will want to come back.
- **A high-quality, welcoming student experience.** The international student market is well balanced and highly valued by the broader community beyond its economic benefits. Although Australia is still a relatively expensive place to study, it is recognised as a worthwhile investment given our globally recognised quality of education. Australia continues to be a top destination for international students due to flexible working options, our diverse and welcoming communities, as well as exciting travel options in urban and natural environments. Students are as likely to come from India and Emerging Asia as they are from Developed Asia. They rank 6 of our cities in the world's top 25 for study, up from 4 in 2019.
- **Streamlined access to and around Australia.** Those travelling to and within Australia are able to research, review, book and pay for the adventure through their smartphones. Open-skies policies ensure that sustainable competition is benefiting passengers on both international and domestic routes. Visitors from our emerging source markets can find point-to-point flights, and land at the world's most modern airport at Western Sydney, or others taking its lead. They find modern, available, affordable accommodation where they need it most, through both conventional and share-economy channels, with more luxury rooms available for that faster-growing market. They can get to attractions and around their destinations quickly and easily. Even in remote locations, they enjoy high-speed internet and modern facilities, as regional infrastructure catches up to that in cities.
- **A resilient and diverse, collaborative industry making all this happen.** All participants in the Visitor Economy are excelling in their contributing roles. Businesses are more resilient and innovative, increasing their technology resources, attracting the personal service and technology staff they need, and have contingency plans for natural, economic, health and market shocks. Businesses are benefiting from a diverse, skilled workforce, with an increasing share of Indigenous people directly engaged in the Visitor

Economy, greater staff retention and falling staff-vacancy rates. That workforce is sharpening its digital and people skills through mentoring and industry-driven tertiary programs, increasing its wages and the sector’s customer-experience ratings.

Destination businesses are in healthy ‘co-opetition’, collaborating on marketing, community support and investment, and drawing more on locally shared resources, including skilled people. Investors have developed the accommodation, assets and infrastructure to meet the tourism boom, having avoided the trap of underinvestment when times were tough.

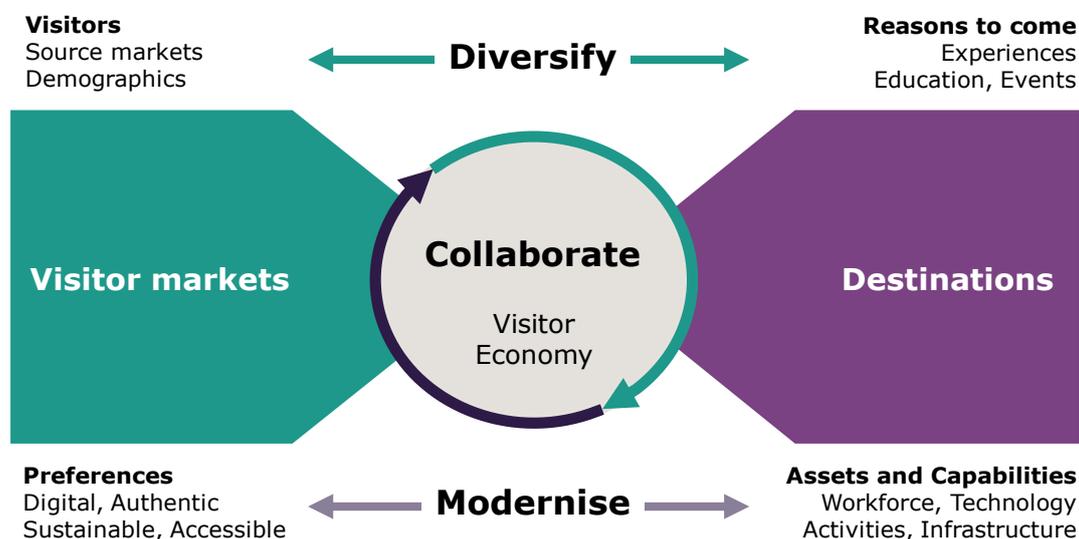
Well-connected Commonwealth, state and local governments are enabling that collaboration right through the customer journey by supporting an industry-led skills council with a remit to ensure that actions in education, training and visas match demand with supply. Their investment in rigorous data and research has paid off, with better targeted policies and robust evaluation, and a striking lift in marketing and investment success rates.

That is the vision that the Visitor Economy can create: not at all easy, but very achievable. This report considers how it can be done.

Achieving the vision

This report details 30 major findings and suggests opportunities to act on them. They boil down to just three themes: diversify markets and destinations, modernise the supply side, and collaborate to do both: see Figure 1.

Figure 1: Diversify, modernise and collaborate



Leaders of the Visitor Economy may collaborate to diversify its markets and the destinations available to them, and to modernise their workforce, technology, assets and infrastructure. While source markets are diversifying, modern visitors are also looking for authentic, sustainable and accessible experiences. Destination businesses, sector industry bodies and

governments at all levels may collaborate more to meet visitor needs, and to build resilience into the Visitor Economy.

- **Diversify.** Australia is fortunate to have strong core markets in domestic, traditional English-speaking countries and China. It has the opportunity to ride the growth momentum of both high-end and Emerging Asia and India segments.

As the Visitor Economy grows and its markets diversify, destinations and providers can diversify as well, able to focus on larger segments that align with their offering. Being all things to all people is open to only the largest of destinations.

- **Modernise.** Taking full advantage of the digital revolution is just one aspect of modernisation. It speaks as much to the millennial traveller, curious about the world and wanting authentic experiences, as it does to all segments looking for a range of Indigenous, eco-tourism and luxury experiences. It addresses investment in infrastructure and assets to make them sustainable and accessible. And only a modern workforce with prized soft and hard skills can deliver those outcomes.
- **Collaborate.** Strong national governance would focus on the data, strategies, promotion and advocacy needed to diversify our markets and destinations, and modernise our Visitor Economy's supply side. Providers and destinations may make their own choices, but co-opetition may be more productive than pure competition. Destinations may contribute to and leverage national or regional strategies, share and use data, and invest in infrastructure and shared assets. Providers may share people, resources and assets, particularly in the regions.

Most of these opportunities are already being considered by governments, industry bodies, destinations and providers. However, this report may have insights that can add to the confidence in acting on them, or present new data and ideas to discuss and pursue.

Key Findings and Opportunities

This section captures each of the major findings in the report in brief, and suggests the opportunities that they may imply.

The Visitor Economy

- 1. The Visitor Economy is essential to Australia's wellbeing.** The Visitor Economy's contribution to Australia is enormous, financially and strategically, one that Australian consumers, industry and government must rally behind post-Covid. If considered as a single sector in 2018-19, the Visitor Economy:¹

- earned \$39.6 billion in exports, the fourth-biggest sector,
- provided 686,000 jobs², the eighth-biggest employer, and
- was growing 45 percent faster than the rest of the economy.

It also continues to underpin strong, long-term international relationships, enhancing 'Brand Australia' and our own sense of national identity. **Section 1.2**

- 2. Domestic visitors dominate spend in the Visitor Economy.** Domestic visitors account for 77 percent of total visitor spend, 70 percent of GVA, 72 percent of employment in the Visitor Economy and 91 percent of visitor spend in regional Australia. **Section 1.4**
- 3. International visitors make an outsized contribution to Australia's wealth.** International visitors contribute 30 percent of the Visitor Economy's GVA. On average, each international holidaymaker spent 8 times more than a domestic holidaymaker, and each international student and each working holidaymaker contributed significantly more. **Section 1.4**
- 4. The Visitor Economy achieved the ambitious goals set out in *Tourism 2020*.** The sector grew an average 9 percent per year in the 4 years to 2019. All segments contributed, from 4 percent growth in international business up to 12 percent for domestic business and 13 percent for international education. Mainland China contributed over 50 percent of the growth in international revenue. **Section 1.5**

The pandemic and recovery

The sector is now at an inflection point. **Section 2.1**

- 5. Covid-19 hit jobs in the Visitor Economy disproportionately hard.** Over 11 percent of Visitor Economy jobs were lost in the year to December 2020, compared to 2 percent of jobs economy wide. The lack of workers, including international workers, has limited operations in some regions and sectors.
- 6. Domestic holiday and VFR segments could recover before 2023, if industry can refocus.** Modelling predicts that these segments could recover well while Australians are prevented from travelling overseas or are reticent to do so.

¹ Australian Bureau of Statistics (ABS), *Australian System of National Accounts*; Tourism Research Australia (TRA), *National and International Visitor Survey results*.

² ABS, Detailed Labour Force, December 2019 quarter

- 7. The domestic business-travel segment can recover but has been disrupted.** Spend fell by 53 percent in 2020 and has been structurally disrupted with the rapid acceleration of remote-working technologies. It may never recover to its pre-Covid rate of growth of 12 percent per year between 2015 and 2019.
- 8. International travel can recover, with timing depending on vaccine success and the reopening of the international border.** International spend dropped 75 percent in the year to December 2020. Assuming a successful global vaccine rollout, modelling suggests that pent-up demand will return international holiday and VFR to their pre-Covid levels sometime before 2025.
- 9. International education will recover, but speed and timing of recovery is uncertain.** The pipeline of international students to Australia has been severely disrupted by the closure of international borders. Timing for recovery of the market is uncertain, with some analysis predicting it may take several years once borders reopen.

Understand our markets

- 10. Global visitor trends will affect market segments.** Over the next decade, there will be accelerating trends in an expanding travel-ready middle class throughout Asia, the rise of millennials as the biggest age-based category, the ageing populations of Australia, Europe and Asia, and the rising propensity for travel by people with a disability or with accessibility issues. These and other visitors are also likely to be seeking more in the way of immersive, nature, active, authentic and experiential travel, digital innovation, both in travelling to and while at the drawing attractions, and safe, sustainable, environmentally friendly travel. *Section 3.1*

Opportunity: Consider how to cater for accelerating demographic trends and shifting visitor preferences in all destinations and businesses, with more opportunities to specialise as sub-segments grow larger.

- 11. The Visitor Economy has a generational opportunity to increase its share of Australians' travel spend.** Australia spends more per capita on travel than any other nation. However, Australians spend a larger share of this expenditure on international travel (30 percent) than the global average of 25 percent – meaning that there is room to shift more spend towards domestic travel. In the wake of the pandemic, more people will travel domestically and explore new destinations. *Section 3.2*

Opportunity: Consider how to capitalise on the longer-term opportunity to build relationships with new domestic visitors during this period of unprecedented disruption (e.g. promote and incentivise return visits from new visitors).

12. Business travel has been permanently disrupted by the widespread acceptance of virtual meetings.

Prior to Covid-19, business travel was Australia's fastest-growing domestic segment. The pandemic vividly demonstrated the capacity of digital channels to handle most day-to-day business meetings. *Section 3.3*

Opportunity: In a world of slower growth in business travel, those heavily reliant on the business segment may consider building closer relationships through immersive experiences, and finding ways to diversify into other visitor segments.

13. The international holiday market has growth potential in Asia to balance the existing core English-speaking and Mainland China markets. *Section 3.4*

- a) **Developed English markets remain a large, core market.** They were our largest market in 2019, their \$2.7 billion spend accounting for 26 percent of the total, although growth had slowed to just 5 percent.
- b) **China has dominated recent growth, to our benefit.** China rose from 14 percent of international spend in 2010 to reach 20 percent in 2019, or \$2.1 billion. This boosted our global market share of spend by a healthy 2.4 percent per year (rather than 0.4 percent without China). However, it also concentrated our source markets: the proportion of spend from our top 5 markets rose to 54 percent, up from 48 percent 6 years ago.
- c) **Developed Asia and Emerging Asia are growing strongly.** Spending by holidaymakers from Japan, South Korea, Taiwan, Hong Kong and Singapore reached \$2.44 billion in 2019, after growing at an average of 10 percent per year from 2015. The emerging nations of Southeast Asia were outpacing them with, for example, Indonesia's and Thailand's spend growing at 19 percent from 2015 to 2019.
- d) **Working holiday makers (WHMs) contribute economically and culturally.** WHMs made 308,000 trips to Australia in 2019, spending about \$2.6 billion, a third of it in the regions.³ That spend would rank fourth among markets if WHMs were considered a market in their own right, equal to the holiday and VFR segments of South Korean visitors.⁴ They also perform critical, largely seasonal, jobs in regional areas, particularly in hospitality and agriculture, and make strong cross-cultural connections and international relationships that underpin Australia's 'soft power' overseas.⁵

Opportunities: Once travel opens up, consider accelerating efforts to promote Australia to the growing middle class in our fastest-growing markets of Emerging Asia, India and Developed Asia, with tailored strategies to provide compelling experiences for visitors from these markets.

³ TRA, *International Visitor Survey results*; Tourism Accommodation Australia, 2019, *Report into second year visas*.

⁴ TRA, *International Visitor Survey results*.

⁵ Law Institute Victoria, *Inquiry into Working Holiday Maker Program*, 5 August 2020.

14. **The high-end market, both international and domestic, is attractive for Australia.** *Section 3.5*

- a) **It is a high-growth market, in which Australia is underperforming.** Globally the high-end market is growing at 6 percent per year (50 percent faster than the total market), while in Australia it is growing at only 1.8 percent per year.
- b) **International travellers are looking for what Australia has.** The three biggest global sub-markets are demand for (i) sun and beach, (ii) adventure, and (iii) culture and food.
- c) **Domestic travellers may be ready now.** Australian travellers who are willing to spend \$1,000 per night were ten times more likely to do so overseas than at home – but the borders are now closed.

Opportunities: Consider promoting destinations with the greatest opportunity to build or upgrade luxury offerings, looking to international and Australian examples and experience for inspiration.

Give compelling reasons to come

Education

15. **The valuable international education market has growth markets to develop, particularly but not only in Emerging Asia.** *Section 3.6*

- a) **International education is valuable.** After growing at 13 percent per year for the 4 years to 2019, international education now accounts for more Visitor Economy spend than international holiday travel. When combined with international students staying over one year on their trip (who are not counted in current measurements of the Visitor Economy), total education spend reaches \$40 billion and total economic contribution reaches over \$20 billion: double that of all other international visitors combined. International education also helps develop strong relationships with other nations, and visitor markets from them.
- b) **There is an opportunity to diversify into emerging markets.** Chinese students accounted for 55 percent of market spend in 2019, too high to be sustainable. However, Australia also enjoyed strong growth from India (22 percent) and Emerging Asia (9 percent) from 2015 to 2019, while the large US, Taiwan and Japan markets also grew at 3, 8 and 7 percent respectively over the same period.

Opportunities: See next two findings.

16. **The education sector is at immediate risk of international students switching to other provider markets through the Covid-19 disruption.** The international student pipeline to Australia has been severely disrupted. International student enrolments fell 17 per cent in the first quarter of 2021 compared to the same period in 2020. A November 2020 survey found that 53 percent were considering switching to another destination if they could start face-to-face tuition there sooner. *Section 4.4*

Opportunities:

- **Consider all potential avenues to encourage international students to return as quickly and as safely as possible to start or resume their studies.**
- **Consider further innovation in online and remote technologies.**

17. The education sector is vulnerable in the longer term, with some challenging perceptions and a more competitive international education market.

Some international students consider Australia an expensive place to study, and some have voiced a concern of not feeling welcome in Australia. For example, international students are currently four times more likely to report feeling 'unwelcome' in Australia than they are in the United Kingdom. Market competition is also increasing, as traditional source markets increasingly invest in the quality of their educational institutions. Finally, the widespread adoption of remote learning may not only create opportunities for Australia's international student market, but may also reduce the time and money students spend in Australia. *Section 4.4*

Opportunities:

- **Consider how best to target students from growth markets, including promotion of the working options for international students.**
- **Consider how best to maintain Australia's premium price positioning, including engaging our unique and welcoming multicultural communities, while continuing to enhance the quality of educational experience for international (and domestic) students.**

Destinations

18. Cities have the capacity to sustainably raise visitation levels to match their 'liveability' rankings. *Section 4.1*

Australian cities sit disproportionately high in *The Economist's* rankings of the world's most liveable cities (5 in the top 20 in 2019; Sydney and Melbourne in the top 3), and the QS rankings of best cities for students (5 in the top 50). However, Sydney and Melbourne are the only ones to make *Euromonitor's* 100 most-visited cities – and only just – and they make up 30 percent of Australia's total Visitor Economy revenues.

Opportunities: Consider extending:

- **coalitions to ensure that city strategies have a strong Visitor Economy vision with one or more city drawcards (icons, events, nightlife, culture or education) and clear target markets**
- **collaborative efforts to improve digital and physical infrastructure, and investments in drawcard experiences and their promotion**

19. Regions have the capacity to offer more integrated 'ecosystems' of compelling experiences and infrastructure. *Section 4.2*

- a) **More regional destinations in more states could attract more visitors.** There are no destinations in Tasmania or South Australia in Australia's top 10 locations for either domestic and international visits, and Western Australia and the Northern Territory have only the Margaret River (domestic) and Uluru (international). Five of the top 6 international destinations are on the 'Byron to Reef' northeast coastline.
- b) **Domestic visitors are the priority near-term market.** Regions outside capital cities account for 48 percent of Visitor Economy revenues. Over 90 percent of that spend comes from domestic visitors to a wider range of destinations. Other destinations that rely more on international travellers will have to compete for domestic business in the near term.
- c) **Increasing awareness of Indigenous experiences and improving business capability are keys to successfully embedding the Indigenous experience into the overall visitor economy and visitor experience.** Research shows that the demand for Indigenous experiences should grow significantly with better awareness of the experiences available. Meeting the demand must be done in a way that balances respect for traditional ways, while implementing best business and customer experience practices.
- d) **For sustainable growth, destinations will need a collaborative 7-point plan.** To benefit from global trends and manage emerging risks, regional destinations would have to confirm that they have a collaborative 7-point plan that comprises a compelling anchor attraction, a supporting ecosystem of activities, seamless physical and digital access, options for high-end accommodation, strong promotion, a strong social licence to operate and dedicated management of resilience and sustainability risks. Activities may be selected from the growing trends for authentic, adventure, cultural, indigenous, luxury, digital and eco-tourism experiences.

Opportunities:

- **Consider how to improve business capability and awareness of Indigenous experiences in a way that balances respect for traditional ways and implements best customer and business practices.**
- **Consider how best to prioritise destinations with high potential, and to accelerate their growth through a collaborative 7-point plan.**

20. Business and consumer events will play a critical part in long-term and post-pandemic strategies for national, city and regional visitor economies. *Section 4.3*

Section 4.3

- a) **Events have multiple, critical roles for the Visitor Economy.** Events drove over 10 million visitor trips in 2019, with international business eventgoers spending 80 percent more per night than international holiday makers. Their broader benefits include adding \$5 billion to the Australian economy, stimulating and underwriting infrastructure investment, and building our national profile and international relationships.

- b) **Coordinated event strategies at national, city and regional levels pay dividends.** Successful event destinations organise and promote an annual calendar of 10 to 15 anchor events, with aligned satellite events and highly skilled delivery teams. Funding pools can be a wise investment: for example, the Business Events Bid Fund has generated \$31 value for every dollar invested since July 2018.

Opportunities: Consider how best to:

- **leverage events to kick-start travel post-Covid,**
- **stimulate and promote a calendar of events in destination strategies, and**
- **explore financial enablers such as funding pools to mitigate upfront costs.**

Make their stay

Workforce

21. To add to the immediate labour supply, the sector might consider rapid reskilling programs, higher wages, and the relaxation of work restrictions.

Industry interviews reveal that labour shortages are reducing the availability of hospitality services. Accommodation and food services had lost 83,000 jobs through the pandemic to February 2021, the most of any sector. However, businesses in the Visitor Economy may consider the impact of these subsectors having the lowest hourly wages of any sector (\$26 per hour), 33 percent below the average of \$39 per hour. Visa rules may be unnecessarily constraining in-country international visitors from contributing to the workforce. *Section 5.1*

Opportunities:

- **Consider the potential for enhancing wage levels and reskilling efforts.**
- **Consider reviewing restrictions and processing times for visas, particularly for work and holiday and temporary skill shortage visas.**
- **Consider early re-entry of working holiday makers and international students.**

22. While the Visitor Economy should be providing skilled personal service and immersive experiences, much of the workforce it relies on is relatively low-skilled, lowly paid and vulnerable.

Almost half of the workers in the Visitor Economy are part-time, they are 6 times more likely to be seasonal than in the rest of the economy, and two-thirds are on wages 33 percent lower than the average wage. Modelling predicts that the Visitor Economy will need 120 percent more people with cognitive, social and technological skills over the next 10 years, but Australia will have a shortage of about 750,000 people with such skills (and a surplus of 1.1 million people with lower skills or qualifications). *Section 5.1*

Opportunities:

- **Consider how best to nurture the workforce as a competitive advantage.**

- **Consider the best formal and informal means to develop the necessary mix of cognitive, social and technology skills.**
- **Consider enhancing national mechanisms to assess the state of the labour market and suggest actions to match demand with supply.**
- **Consider drawing on more diverse and underemployed labour sources, including people with a disability and older Australians.**

Digital

Digital is transforming the end-to-end visitor experience, raising expectations for adoption and innovation.

23. Visitor preferences and expectations have already shifted towards digital.

Many visitor segments are already heavy digital users in reviewing, booking and paying for their travel: mobile travel booking had reached at least 36 percent in 2019. Covid-19 has accelerated that trend: in just a few months of 2020, consumer adoption of digital tools in everyday life had vaulted forward over 5 years. *Section 3.1*

24. The extent to which providers are being disrupted by digital technologies, and their intent and capacity to respond, is highly variable.

Travel agents and distribution channels are being heavily disrupted by digital intermediaries and may find greater returns by servicing more complex travel needs. Small and medium-size enterprises (SMEs) comprise approximately 95 percent of businesses in the Visitor Economy, yet 56 percent of surveyed SMEs remain tentative. Leaders are starting to reimagine the end-to-end visitor experience through digital lenses. *Section 5.2*

Opportunities:

- **Consider how best to mobilise efforts to connect visitors, destinations and providers through digital platforms.**
- **Consider enhancing links between Visitor Economy leaders and the start-up and innovation ecosystems.**
- **Consider additional ways in which SMEs can adopt digital platforms and skills.**
- **Consider policies to stimulate innovation and ensure that the gains of digital adoption are not concentrated in global tech giants.**

Aviation

The aviation industry may support growth in international markets with more point-to-point long-haul flights, investing in digital solutions to enhance airport capacity, and leveraging emerging technology on domestic and international routes. *Section 5.3*

25. Aviation to and within Australia is competitively priced, given distance handicaps.

Prices on most inbound routes have been falling since Chinese airlines commenced inbound flights in 2015. Average fares within Australia in 2019 lay midway between European and US fares for all trip distances. However, that average is due to low fares on high-traffic routes, and there are no apparent market-based solutions to the relatively high fares on many regional routes.

26. When borders open, there may be capacity constraints on inbound routes from target growth markets.

Most international flights rely on Middle East or Asia

hubs, leaving gaps on point-to-point connectivity with key growth markets (e.g. just two direct flight routes per week between Australia and India in 2019). This may worsen as foreign airlines rationalise and consolidate their routes post-Covid, despite Australia's range of 'open sky' agreements.

Opportunities:

- **Consider how best to implement the review of Kingsford-Smith international bottlenecks until WSA provides a long-term solution.**
- **Consider further investment in and policies to support long-haul technology that enables more direct flight options, as an alternative to hub transits.**

27. Technology improvements to long- and short-haul aircraft, biofuels and airports may work in Australia's favour. Longer-range, lower-emission aircraft are addressing sustainability issues as well as international connectivity. Airlines are pursuing sustainable aviation fuels to reduce costs and address emissions. Western Sydney Airport (WSA) will demonstrate the benefits of a digitally enabled airport, in addition to alleviating Sydney's capacity constraint. Longer-term, VTOL (vertical take-off and landing) technology may introduce competition and allow more point-to-point travel on domestic routes.

Opportunities:

- **Consider further investment in technology that addresses sustainability concerns and enables more long-haul, point-to-point options.**
- **Consider making carbon-offset programs 'opt-out' rather than 'opt-in'.**
- **Consider how to leverage WSA as a model for future airport upgrades.**
- **Consider infrastructure that enables new VTOL technology, not only in capital cities but also in regional hubs.**
- **Consider further policies that encourage new business models and technologies.**

Accommodation

The sector may need to hold its nerve and invest selectively now to meet the forecast growth ahead, particularly in high-end and peak-season accommodation, in addition to better all-year utilisation of existing stock. *Section 5.4*

28. Pre-Covid, accommodation was facing capacity constraints. In 2019, annual average occupancy rates exceeded 80 percent in many cities, well above the global average of approximately 60 percent. After low investment from 2000 to 2015, an upswing was halted by the pandemic before all needs could be met. If the international market bounces back as forecast in 2025–26, travellers may not be able to find rooms even outside peak times.

29. There is a shortage of high-end accommodation, particularly in regions. In many attractive areas, travellers are paying less than they are prepared to. For example, about 30 percent of travellers to Alice Springs, Adelaide, Tasmania, Barossa, Canberra, Brisbane and the Kimberley are high-end – three times more than the proportion of high-end rooms available.

30. Traditional supply may not meet peak-season demand. Investments in traditional supply may either fail the full-year business case or lead to destination overinvestment. The sharing economy (e.g. Airbnb) supports some demand, but may induce community resistance and raise social licence concerns. Destinations may diversify asset use and promote off-peak stays to offset seasonality.

Opportunities: Consider how best to achieve the right mix of traditional and non-traditional supply to meet the needs of visitors, including how to secure and hold community support, and consider how best to provide certainty for investment on border re-openings and approval processes.

Competitive visas and border experiences

31. Visa availability may not meet the needs of target growth markets. Readily available visas are essential to fill short-term gaps in the Visitor Economy workforce, for business visitors to be able to travel at relatively short notice, and for the decisions of education and holiday visitors. However, visitors from priority Emerging Asia markets must apply for a visa which is advertised to cost \$365 and take 5 months to process (for 75 percent of applications). *Section 5.5*

Opportunities: Consider whether and how to ensure that visa costs, processing time and conditions, and border experiences are competitive with peer markets.

Collaboration across the Visitor Economy

The Australian Visitor Economy is seeking to recover from the impact of Covid-19, modernise its supply side, modernise and diversify its destinations and diversify its longer-term markets.

Achieving these objectives is more than possible, just as it was through collaboration between the industry and Australian, state and territory governments on the *Tourism 2020 Strategy*. There is an opportunity to expand and enhance this collaboration to meet and manage the challenges of the next decade. *Chapter 6*

Opportunities: Consider what might be needed to:

- **Clearly define roles, increase coordination and reduce duplication in Visitor Economy collaboration at all levels,**
- **Foster a collaborative, cross-regional approach to marketing and developing our destinations, attractions, and supporting infrastructure,**
- **Maximise certainty around trading conditions and forecasts,**
- **Review differences in conditions for city and regional investment to ensure that drivers and barriers are fully addressed,**
- **Increase transparency and efficiency of approval timelines, and remove unnecessary obstacles to investment, and**
- **Explore opportunities to aggregate data (from providers, governments and third parties) and to share analyses to better inform strategies and initiatives.**

