

## Economic Impact of Tourism

Fact Sheet 04  
June 2008

Tourism is recognised by many regional communities as an important economic driver. It has the capacity to provide additional income and jobs. However, quantifying its economic value to a region, particularly one within a local government boundary has always been difficult.

The National Visitor Survey (NVS) is Australia's primary measure of domestic tourism activity, being the major source of information on the characteristics and travel patterns of domestic tourists. Results from the NVS are published quarterly and are available for free download in PDF format from the Tourism Research Australia website, go to [www.tra.australia.com](http://www.tra.australia.com)

### ECONOMIC IMPACT OF TOURISM IN AUSTRALIA

#### Total Domestic Economic Value (TDEV)

TDEV for the year ended 31 March 2008, the total economic value of domestic tourism to Australia increased by 5% or \$3.2 billion, to reach \$64.6 billion. Average TDEV per trip (overnight and day trips combined) also increased over that period by 2% to \$297.

#### EXPENDITURE: YEAR ENDED 31 MARCH 2008

##### Total expenditure

For the year ended 31 March 2008, overnight expenditure increased by 5% to \$44.5 billion and day expenditure increased by 6% to \$14.4 billion compared with the same period in 2007.

#### States/Territories

Spending by domestic overnight visitors was highest in Queensland (\$12.4 billion), followed by New South Wales (\$12.2 billion) and Victoria (\$8.7 billion). Spending by domestic day visitors was highest in New South Wales (\$4.8 billion), followed by Victoria (\$3.4 billion) and Queensland (\$3.1 billion).

#### Regional expenditure

Over half of expenditure by both domestic overnight visitors (52%) and domestic day visitors (57%) was spent in regional areas of Australia.

#### Tourism regions

Among the capital cities and the Gold Coast, spending by domestic overnight visitors was highest in Melbourne (\$4.7 billion), followed by Sydney (\$4.6 billion). For domestic day visitors, expenditure was highest in Sydney (\$1.7 billion), followed by Melbourne (\$1.3 billion). Among regional areas, spending by domestic overnight visitors was highest in the Sunshine Coast (\$1.8 billion), followed by Mid North Coast NSW (\$1.6 billion). For domestic day visitors, expenditure was highest in South Coast NSW (\$529 million), followed by the Sunshine Coast (\$479 million).

#### Expenditure per visitor

For domestic overnight visitors, expenditure per visitor was highest in Darwin (\$1,125) and Tropical North Queensland (\$1,031). For domestic day visitors, expenditure per visitor was highest in

Canberra (\$176), followed by Central NSW (\$134), and Fitzroy QLD (\$133).

#### Expenditure per night

The highest average expenditure per night was in Melbourne (\$244), followed by Sydney (\$213), and Adelaide (\$198).

#### Intrastate and Interstate Expenditure

Of all domestic overnight intrastate visitors, those travelling within New South Wales had the highest expenditure (\$6.2 billion), followed by Queensland (\$4.8 billion). Of all domestic overnight interstate visitors, those travelling to Queensland had the highest expenditure (\$5.7 billion), followed by New South Wales (\$4.2 billion). New South Wales residents spent more on interstate travel (\$5.7 billion) than residents of the other States/Territories. Most of this was spent in Queensland (\$2.7 billion), followed by Victoria (\$1.5 billion). Victorian residents spent \$4.7 billion on interstate travel, including \$1.8 billion in Queensland and \$1.4 billion in New South Wales.

#### Purpose

Visitors who travelled for holiday or leisure purposes accounted for the highest share of expenditure in Australia: 59% of domestic overnight and 60% of domestic day expenditure. Spending by domestic overnight visitors travelling for holiday or leisure purposes was highest in Queensland (\$6.6 billion) while spending by domestic day visitors travelling for holiday or leisure purposes was highest in New South Wales (\$2.6 billion).

## ECONOMIC IMPACT OF TOURISM IN VICTORIA

According to the March 2008 National Visitor Survey (NVS) domestic visitation grew by 3.6 per cent in the last 12 months. Significantly, overnight visitor expenditure in Victoria increased by 10.3 per cent to reach \$8.7 billion. Melbourne is also outperforming Sydney as the most lucrative domestic tourism destination with domestic overnight visitors spending \$135 million more in Melbourne. Year-on-year growth in interstate overnight visitor numbers to Victoria outperformed the national average (+0.0%) and key competitor Sydney (+3.0%).

The biggest increase in overnight visitors to Victoria was from the Northern Territory, up by 30.8% and Western Australia which increased by 26.8%. Victoria experienced growth in domestic overnight visitation from the holiday/leisure market (up 8.4 per cent) and business (up 5.1 per cent) also grew strongly.

The number of interstate overnight visitors to Melbourne increased by 7.7 per cent to reach 4.1 million visitors. The good news continued with the results for the number of domestic visitors to Melbourne increased by 5.5 per cent to reach 6.7 million. Visitor nights to Melbourne also experienced 2.2 per cent growth to reach 19.3 million.

Regional Victoria also reaped benefits with the number of domestic visitors boosted by 3.3% to reach 11.6 million. Overnight visitation increased in seven of regional Victoria's ten campaign regions: Phillip Island by 17.5 per cent, Daylesford and the Macedon Ranges by 9.0 per cent, Mornington Peninsula by 6.4 per cent, Yarra Valley and the Dandenong Ranges by 5.7 per cent, Great Ocean Road by 4.6 per cent, Gippsland by 3.2 per cent and the Murray by 1.0 per cent.

Domestic daytrip visitors to and within Victoria increased by 9.4% to 35.7 million and daytrips to regional Victoria grew 12.6% year on year to reach 24.0

million daytrips.

### Local Government Supports Tourism

Through the provision of infrastructure and services, local government is a significant contributor to regional tourism. A Tourism Alliance Victoria survey of 72 local councils in Victoria, conducted in 2008, revealed that tourism budgets range from \$10,000 to \$8,000,000 with the median budget being \$325,000 and the mean budget \$528,000.

### Measuring Tourism's Economic Impact

Measuring tourism's economic impact to a Local Government Area (LGA) requires the application of a suitable model that multiplies visitor numbers x visitor spending x regional multiplier.

Generally the outcomes will only be accurate if there is a research and development culture within Local Government and accurate data at an LGA level.

The collection and collation of accurate local level data is often the most difficult aspect of measuring economic activity, yet it is the basis of an accurate measure of tourism's economic impact to an LGA.

### Measuring Visitor Numbers

Measuring visitor numbers requires a clear definition of what a tourist<sup>1</sup> is and what units tourism activity is measured in. For example: day trips or visitor nights.

### Measuring Visitor Spending

Visitor spending is usually calculated in visitor spending studies. Spending varies considerably between segments - holiday/leisure, visiting friends and relatives and business travel and a segmented approach is therefore required. (The National Visitors Survey<sup>2</sup> provides spending patterns on a state level across various segments).

### Regional Multipliers

Multipliers (and economic ratios) can be used to convert visitor spending to income and jobs as well as to capture secondary impacts of visitor spending (multiplier

effects). A sales multiplier of 2.0, for example, means that for every dollar received directly from a visitor, another dollar in sales is created within the region through indirect or induced effects.

Lengthy academic dissertations discuss the use and misuse of tourism multipliers in calculating the economic impact of tourism. Generally the concern lies in ensuring the multiplier is used only on that component of a sale that is captured within the local area.

Most models should avoid using multipliers altogether and focus on obtaining sound estimates of visitor numbers and visitor spending and their direct effects on the region's economy.

It is also important to note that tourism is a complex dynamic system and therefore measuring its activity level is a complex task that takes time, dedicated resources and usually the input of researchers, statisticians or economists. Unfortunately, there is no quick fix solution and as yet, there is no agreed industry standard on measuring tourism's economic impact to an LGA.

### Economic Analysis Models

A number of models have been used in the Australian market place to measure the economic impact of tourism to LGAs. These include CSIRO Tourism Futures Simulator Model, the Tourism Research Australia Model, and other models applied by private consultancy firms.

### Tourism Impact Model

In 2004, the Australian Government through its Department of Industry Tourism and Resources Tourism Division launched the Tourism Impact Model (TIM). Designed for use by local councils, TIM is a combination of a financial model developed into a piece of software which operates in Microsoft Excel. Allowing for the full economic impact of tourism, TIM calculates the impact on the operating expenses and income of councils' in the absence of the existing tourism industry.

1 A tourist can be defined as a person who travels to a country other than that in which they usually reside or within their country but outside their usual environment for a period not exceeding 12 months and whose main purpose of visit is classified as either holiday (recreation, leisure, sport and visit to family, friends or relatives), business, official mission, convention, or health reasons. (World Tourism Organisation)

2 The National Visitors Survey is Australia's major sources of information on the characteristics and travel patterns of domestic tourists. It is produced by Tourism Research Australia with funding from the Australian Government. (World Tourism Organisation)

## Evaluation

TIM was developed in consultation with a number of councils and was successfully applied by Wellington Shire Council in Victoria. The application of the Model did require the engagement of a dedicated resource and an understanding of accountancy is thought to be beneficial in applying the model. The Model has little applicability for Metropolitan Councils as estimates for these areas are likely to be highly inaccurate.

## Examples of Outputs

- Visitor spending in Wellington Shire per year \$81.4 million
- Number of full time equivalent jobs: 619 direct employment; 928 total employment

- [Based on the Tourism Impact Model,] "If tourism were to cease today in Wellington Shire, it would lose 2507 residents or 5.9% of the population."

## Further Information

For further information regarding Economic Impacts of Tourism in your Local Government Area, contact:

### *Tourism Alliance Victoria*

PO Box 18136,

Collins Street, East

Melbourne VIC 8003

Ph: 03 9650 8399

Fax: 03 9650 8543

Email: [info@tourismalliance.com.au](mailto:info@tourismalliance.com.au)

Web: [www.tourismalliance.com.au](http://www.tourismalliance.com.au)

## Sources

Economic Impacts of Recreation and Tourism-  
Michigan State University-  
<http://www.msu.edu/course/prr/840/econimpact/>

National Visitor Survey - Tourism Research  
Australia [www.tra.australia.com](http://www.tra.australia.com)

Tourism Impact Model for Australian Local  
Government

2004 Commonwealth of Australia

Wellington Shire Council, Victoria, Tourism Impact  
Model Results

World Tourism Organisation (2001) Guide for Local  
Authorities on Developing Sustainable Tourism