

Regional Economies and the place of tourism

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Figure One: While large capital cities, like Sydney, often form the backdrop of Australia’s tourism industry 46% of all tourism economic activity takes place in the regions

Tourism is one of Australia’s major industries accounting for more than 2.5% of Australia’s gross domestic product in 2010 (Tourism Research Australia, 2011). In the same year tourism directly employed 4.5% of Australia’s workforce with a significant proportion more relying indirectly on tourism for their employment. While capital cities, like Sydney and Melbourne, tend to dominate the limelight, regional tourist destinations account for 46% of all tourism expenditure. Here in the regions, tourism can be crucial to local communities accounting for significant employment and economic activity.

The nature of regional tourism

Regional tourism in Australia is as variable as the geography and climate of the country itself. In New South Wales alone there are 14 designated tourists regions, ranging from the Hunter Valley, with its focus on wine and food to the Northern Rivers where beach holidays dominate and the Blue Mountains where nature based tourism is the dominate form.

Just as the nature of each tourist region varies widely so does the nature of the tourists who visit them. One common characteristic, however, is that more than likely in most regions they will be a domestic tourism. Tables 1-3 show the dominance of domestic tourism in the regions. In Victoria, for example, only 7% of international tourism expenditure takes place outside of Melbourne.



Figure Two: Melbourne accounts for 93% of all international tourism expenditure in Victoria but only 54% of domestic tourism

Table One: Value of Domestic Day Tourism 2010

Location	Value in A\$ (millions)	Percentage of State total
New South Wales		
Sydney	1682	35%
Regional NSW	3159	65%
Victoria		
Melbourne	1478	42%
Regional Vic	2046	58%
Queensland		
Brisbane	1159	31%
Gold Coast	692	19%
Regional Qld	1867	50%
Western Australia		
Perth	786	66%
Regional WA	414	34%
South Australia		
Adelaide	362	41%
Regional SA	530	59%
Tasmania		
Hobart	112	26%
Regional Tas	310	74%
Northern Territory		
Darwin	67	61%
Regional NT	42	39%

Source: Tourism Research Australia, 2010

Table Two: Value of Domestic Overnight Tourism 2010

Location	Value in A\$ (millions)	Percentage of State total
New South Wales		
Sydney	4614	37%
Regional NSW	7810	63%
Victoria		
Melbourne	4660	54%
Regional VIC	3959	46%
Queensland		
Brisbane	2518	22%
Gold Coast	2862	25%
Regional QLD	6074	53%
Western Australia		
Perth	1803	48%
Regional WA	1942	52%
South Australia		
Adelaide	1524	54%
Regional SA	1279	46%
Tasmania		
Hobart	663	41%
Regional Tas	973	59%
Northern Territory		
Darwin	574	54%
Regional NT	482	46%

Source: Tourism Research Australia, 2010

Table Three: Value of International Tourism 2010

Location	Value in A\$ (millions)	Percentage of State total
New South Wales		
Sydney	5213	88%
Regional NSW	728	12%
Victoria		
Melbourne	3584	93%
Regional VIC	285	7%
Queensland		
Brisbane	845	24%
Gold Coast	1333	38%
Regional QLD	1306	37%
Western Australia		
Perth	1649	87%
Regional WA	254	13%
South Australia		
Adelaide	626	88%
Regional SA	86	12%
Tasmania		
Hobart	159	56%
Regional Tas	112	41%
Northern Territory		
Darwin	139	47%
Regional NT	156	53%

Source: Tourism Research Australia, 2010

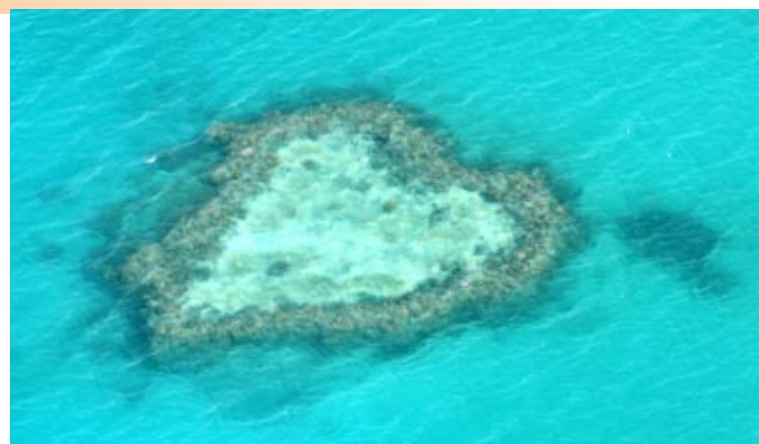
Figure Three: Historic Victor Harbour is located less than 90 minutes drive from Adelaide. Regional tourist destinations, such as this, account for nearly 60% of South Australia's domestic day trip tourist revenue.



Regional Economies and the place of tourism

The data clearly shows that international tourists to Australia tend to concentrate their visit to capital city destinations, usually at the expense of the regions. Of course this means that the economic benefit is likewise concentrated in the big cities. For example in 2010, 31% of international tourism revenue was concentrated on Sydney, (Melbourne had 21%). Tropical North Queensland was the highest ranking regional destination accounting for just 5% (Tourism Research Australia, 2010, p.36).

Figure Four: With the famous Great Barrie Reef, Tropical North Queensland was the most popular regional tourist destination for international visitors.



Economic benefits of tourism to the regions

Domestic tourists are therefore the key drivers of regional tourism. Whether it be as day trippers or for overnight and extended breaks, domestic tourists play a crucial role in the success of regional tourism.

Interesting research conducted by the Campervan and Motorhome Club of Australia into the habits of self contained recreational vehicle (RV) tourists highlights the importance of such domestic tourists to the regions. This segment of tourists is typically retirees aged between 55 and 75 and their numbers are rapidly growing as Australia vast baby boomer population retires. They spend on average a staggering 163 days a year travelling in their campervans spending around \$70 a day, most of this in regional areas. They stay longer and spend more money in regional areas than any other type of tourist.

It is this “lingering” in a location that is very important as it means that the tourist is not only economically active in the tourism sector but in the broader local economy. The typical RV tourist for example spends \$235 a week on fuel and vehicle maintenance and another \$160 a week on living expenses, such as groceries (*Campervan & Motorhome Club 2011*). Such expenditure means that the value of the tourist spend in regional economies is very significant beyond just the tourism sector.

Every year the central western New South Wales town of Parkes is inundated with jump suit wearing Elvis Presley impersonators and fans of the long dead “King of Rock”. The town hosts the annual Elvis Revival Festival annually and the economic benefit the festival brings to local economy is considerable. Research by Brennan-Horley *et al* (2007) identified the broader economic benefits to the local community. Table 4 indicates the impact of the festival on selected businesses within the town. It is noteworthy that it was not just those businesses directly related to tourism, the information centre, motel and caravan park that gained a boost from the tourism event but also non-related businesses such as bookshops and the local clubs and cafés.

Table 4: Impact of the Parkes Elvis Revival on turnover of selected businesses

Business Type	Average increase in turnover during the Festival
Tourist information and services	100%
Registered club	50 – 100%
Retail books	50 – 100%
Cafés and restaurants	20 – 50%
Caravan park	20 – 50%
Motels	20 – 50%
Newagencies	0 – 20%
Pharmacies	0 – 20%

Source: Adapted from Brennan-Horley et al (2007)

This type of expenditure is often referred to as indirect expenditure as it is not directly related to tourism activities. For example a person buying a book in Parkes is engaged in a retail rather than tourism activity. They may still have bought the book if they were not on holidays but they would have bought the book in their local area. Hence the bookshop in Parkes sold the book because of the tourism activity in the region and we can therefore say that the sale was indirectly related to tourism. In this way the broader local economy benefits from the tourist not just those businesses directly related to tourism.

This indirect economic activity extends to employment as well. A study by Essential Economics (2002, cited Jacobson *et al* 2003, p. 23) showed that along the Surf Coast in Victoria there were 3060 people directly employed through tourism but another 1850 were indirectly employed. While the study is a little dated now it none the less highlights the significant impact that tourism has on the wider community and their economic prosperity.

Another, and in many ways a more significant, economic impact of tourism is known as the multiplier effect. This relates to the way a dollar spent by a tourist flows around the economy into multiple ways. For example, a tourist pays \$120 for a night in a motel. The motel uses a portion of this to pay the person who cleans the room, say \$30. The cleaner then

uses a portion of this \$30 to buy lunch at a local sandwich shop, say \$10. The shop owner then uses a portion of this to some of his produce from a local farmer and so on. The point is that the original \$120 paid by a tourist has flowed around the local economy and generated considerable economic activity.

Importantly the original \$120 came from outside the local economy and it can therefore be seen as new money. Economists call such a money an injection because it was earned in a different economy from where it was spent, therefore they can be viewed as **export earnings** for the local economy (note that the term export used here does not refer to international exports only but rather any revenue earned outside of the local economy). Injections are important for the stimulation of local economies. The economy of large cities have the potential to generate injections from a diversity of sources, there can many different type of export orientated businesses. For many regional economies tourism is one of the few "export" related businesses and it is therefore crucial to economic stimulation.

The importance of tourism to relatively small communities can be seen in Port Arthur located in regional Tasmania. The former convict settlement is now a major tourist attraction and has seen a significant increase in tourist numbers since 2000. At the same time the Tasman Council local government area has seen considerable investment in local infrastructure which in turn has supported the growth of restaurants and conference facilities. This has further enhanced employment and economic opportunities within the region. The site itself provides direct employment for close to 300 people and generates more than \$40 million in revenue (OECD, 2009).

Infrastructure

Significant and consistent tourism often provides an impetus for local government to invest more substantially in transport and related infrastructure and this has both an economic and social benefit to the local resident population.

The Richmond Shire Council local government area in Central Queensland is home to the Marin Fossil Museum and Kronosaurus Korner Information Centre, both attract considerable numbers of tourist to the area. In response the council has recently upgraded the facilities around Lake Fred Tritton to provide more services and amenities for tourists. However, it is not just tourists who have benefited from the redevelopment but the community as a whole (Queensland Tourism, 2011).

Another example of where tourism has provided an impetus for considerable economic development is found in the New South Wales town of Temora. Located in the state's south west, Temora is home to one of the largest aviation museums in the country. Uniquely the aircraft at the museum fly and regular flying weekends attract enthusiasts in their thousands to the small town. Many of these people fly their own small aircraft and park their planes at the airfield. Apart from the direct economic benefit created from these tourists the museum has prompted a major redevelopment of the local airport. The airfield now has three runways, one large enough to land large commercial jets, which sometimes participate in the flying displays. The redevelopment known as Airpark Temora supports a considerable number of aircraft related businesses and further expansions are planned.

Figure Five: Port Arthur Historical Site generates more than \$40 million in direct revenue and creates around 300 jobs in the Tasman Council local government area in regional Tasmania





Figure Six: The Lockheed Super Constellation had many admirers at the Temora Aviation Museum Airshow, November 2011. Source: Bidgee, Wikimedia Commons

Thus tourism can play a very significant role in the growth and development of regional economies. For many regions tourism provides the most significant injection of money into the local economy and through the multiplier effect this money flows through the entire economy stimulating economic activity and employment across the broad spectrum of the economy not just the tourism sector. It also can be an impetus for the improvement of local infrastructure and services and this in turn also benefits the local community.

References

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Figure 1 photograph, J. Sillar

Figure Seven: The Temora Aviation Museum has generated considerable economic development in the south west NSW town

