



AUSTRALIAN TOURISM: SUSTAINING GROWTH THROUGH INVESTMENTS

Dr. Satyajeet S Deshpande

(Associate Professor, Economics, New L J Commerce College, Ahmedabad)

economicsdeshpande@gmail.com

09925831823

Abstract

The Australian tourism has not only grown rapidly in the past but is expected to grow at a higher rate in future. The current paper reviews the way Australian authorities have prepared to sustain this growth by making huge investments in tourism related infrastructure. The paper explains the consequences of investment (and lack of it) on the growth of tourism in the country using simple demand and supply diagrams. The paper also suggests some of the measures which can be used to promote Australian tourism. The first section of the paper reviews the current position of Australian Tourism. The second section gives an account of the strategy of Australian government for promoting tourism in the country. The third section diagrammatically provides the demand and supply analysis of the sector in the country where as the last section provides some suggestions for further improving the performance of tourism in Australia.

Keywords : *Australia, Tourism, Investment, Tourism- Infrastructure*

A REVIEW OF AUSTRALIAN TOURISM:

The performance of tourism sector has continued to remain excellent in Australian economy. This can be concluded on the basis of the increased demand for various tourism-related services in the last six years (2011-12 to 2016-17). The nights spent in hotels, motels and serviced apartments went up by 21%, the inbound passengers on airlines increased by 36%, passengers on domestic airlines went up by 7.8% whereas the overall tourism spend in Australia went up by 29%.

Interestingly the demand for tourism in Australia is expected to increase even further in the coming years. A strong demand from international visitors is likely to bolster the Australian tourism. Tourism Forecasts (TRA, 2017) suggests that tourism expenditure will continue to grow at a rate of 6.3% per annum to reach \$224.8 billion (nominal terms) by 2026-27. The growth in visitors is expected to create 44% more demand for seats on airlines, 45% more demand for hotels, motels and serviced apartments along with huge increase in international students in Australian universities by 2026-27.

Consequently, a strong level of investment in Australia's tourism industry will be important into the future to ensure that supply can keep pace with growth in demand, and to cater to the increased expectations of consumers.

AUSTRALIA'S TOURISM STRATEGY:

In order to satisfy this expected increase in demand for tourism in Australia, there were 204 tourism related projects in which investment valuing \$ 37.8 billion was in pipeline during 2016-17. Out of this, \$ 17 billion





worth of investment was in Arts, Recreation and Business Services, \$10.1 billion in Aviation Infrastructure projects and \$10.8 billion in Accommodation Projects.

The total investment of \$ 37.8 billion was spread across 204 projects out of which 19 projects were related to airport infrastructure, 83 were related to arts, recreation and business services and 102 were related to accommodation projects.

Maximum number of these tourism-infrastructure projects and investments were in states of New South Wales, Queensland and Victoria as these states attract more tourists in Australia compared to other states.

All the investment in tourism and related sectors is an attempt to ensure that the supply keeps pace with growing demand in the times to come. If supply of accommodation, aviation and recreation etc fails to match with the rapidly growing demand, all these facilities are likely to become very expensive. The mismatch between demand and supply and the consequent rise in price of these facilities may divert the international tourists to other destinations. Further, tourism being a highly luxurious activity would have a high price elasticity of demand. This will reduce the demand for Australian tourism considerably especially in the presence of numerous other substitutes and alternative destinations around. Failure to invest right amount of money at the right time often leads to problems like inflation and unemployment.

However, a long-term tourism policy of the Australian government with big-time investment in tourism-related infrastructure and aggressive marketing is likely to keep the Australian tourism sector buoyant in the times to come.

All this investment in tourism infrastructure is also likely to push Australia’s Production Possibility Curve (PPC) to the right making it a tourism-driven growth for the country.

Increasing investments in tourism industry is a prudent economic policy to the Australian economy.

This is because the future investment prospects for the tourism industry in Australia are also promising, driven by predicted strong demand from international visitors.

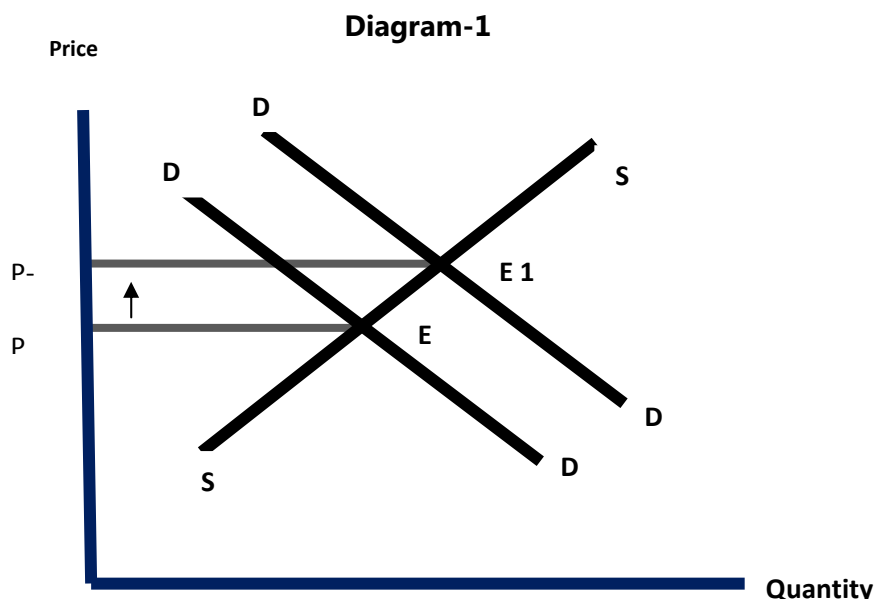
Tourism Forecasts (TRA, 2017) suggests that tourism expenditure will continue to grow at a rate of 6.3% per annum to reach \$224.8 billion by 2026-27.

The growth in visitors is expected to create demand for:

- More than 29 million inbound available seats on airlines – 44% more than in 2016-17
- More than 174 million nights in hotels, motels and serviced apartments – 45% more than in 2016-17
- More than 933,000 short-term places for international students in Australia’s educational institutions.

Consequently, a strong level of investment in Australia’s tourism industry will be important into the future to ensure supply can keep pace with growth in demand, and to cater to the increased expectations of consumers.

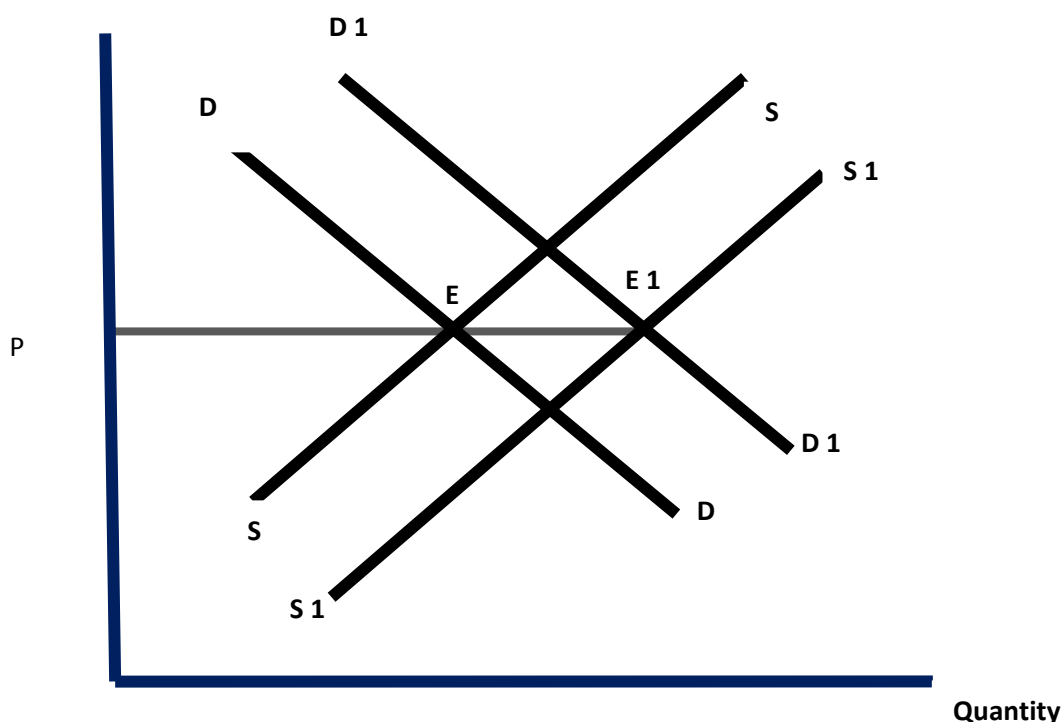
1. Analysis of Australian Tourism Industry through Demand and Supply Diagram:





In the above diagram, DD is the original demand curve for infrastructure (like accommodation, recreation, airlines and restaurants) in Australia whereas SS is the original supply curve for the same. The initial equilibrium is established at point E. Over the last few years, due to an enormous growth in Australia’s tourism, the demand for infrastructure has increased tremendously. This has shifted the demand curve to D1D1 from left to right. If Australia does-not simultaneously increase the investment in infrastructure, the supply curve will remain unchanged at SS. This will result into new equilibrium at E₁ where the new demand curve D₁ intersects the original supply curve S. This results into increase in price of infrastructure. Costly accommodation, flights and recreation may reduce the demand for Australian tourism adversely affecting the tourism industry. Hence, investment in tourism infrastructure is absolutely necessary for sustaining high growth in tourism.

Diagram-2



The diagram above helps in understanding the importance of investment in infrastructure for the transportation industry in Australia. When investment is made in developing additional tourism infrastructure, the original supply curve of infrastructure, SS, will shift rightwards to S₁S₁. The new equilibrium will be E₁ where the new demand-curve (D₁D₁) and new supply curve (S₁S₁) intersect each other. A simultaneous increase in demand and supply of infrastructure helps in keeping the price of infrastructure constant, at the same level P. This will help in attracting the tourists from across the world to Australia.

Despite having many positive short-term effects on employment and income, tourism industry in Australia might have some serious long-term negative effects. There are many examples of tourism having impacted negatively on the physical environment. Over-development along coastal strips (such as the Gold Coast in Queensland) has created ecological problems for many of Australia's beautiful beaches. Plants and shrubs have been removed from rainforests to make room for walking trails. Recreational activities such as four-wheel driving have destroyed sand dunes and vegetation, and bottom-trawling in the Great Barrier Reef has had adverse effects on biodiversity. Visitors have dumped non-biodegradable rubbish into previously unspoilt ecosystems, the construction of sea walls and marinas for the benefit of humans has disrupted natural erosion processes of marine and estuarine environments, and the growing presence of humans in





remote areas lacking infrastructure has caused significant waste management problems. These are just a few of the negative effects that increased human traffic caused by tourism has had on Australia's natural environment.

Hence the direction of investment in tourism-infrastructure should be more towards promoting eco-tourism, the tourism which entertains and satisfies the tourists along with minimum impact on ecological balance, leading to sustainable development.

2. Measures to Promote Australian Tourism

One of the best methods of promoting Australian tourism across the world is high impact, effective and well-coordinated international tourism marketing campaign. Various media like television, social platforms and sports events can be used for promoting tourism in Australia. Australian authorities can look in to the opportunities of sports-tourism. With some of the most reputed sports-events taking place down-under can provide with immense opportunities to promote tourism. Packages which allow the visitors to blend watching sports with site-seeing can generate huge revenues. Australian open tennis tournament, various cricket tournaments including Ashes series, rugby matches etc are a few such sports events. Besides mere leisure trips, the tourism sector should target business events as well. Major points of marketing Australian tourism have been nature and wildlife, aquatic life, coasts & beaches and food & vine. New attractions like organization of grand and extravagant (Brazilian-Styled) cultural festivals can help attracting more tourists. The authorities will also have to expand the tourism infrastructure by investing sufficiently in it. The aviation capacity must be increased and accommodation facilities should be expanded on continuous basis. Improvement in visa arrangements to make Australia's visitor-visas easier, quicker and competitive can also go a long way in attracting more tourists. There will also be a need to develop a skilled tourism workforce to serve the visitors satisfactorily. The fast growing economies like China and India wherein the growth of outbound tourists has increased incredibly should be targeted with greater focus.

Thus making Australia a desirable tourist destination for more people will require not just one, but numerous efforts on multiple fronts.

REFERENCES:

1. Australian Tourism Statistics, 2018
2. Tourism Forecasts (TRA 2017)
3. Tourism Research Australia, Tourism Investment Monitor-2017

