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TOURISM
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AUSTRALIA

STATE TOURISM
SATELLITE
ACCOUNTS

2014–15

STATE TOURISM
SATELLITE
ACCOUNTS

ACKNOWLEDGMENTS

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Cover image: Adelaide Skyline and River Torrens. Image courtesy of Matthew Wall.

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TOURISM'S VALUE TO AUSTRALIA, 2014–15

TOURISM'S DIRECT VALUE TO AUSTRALIA'S ECONOMY



EMPLOYMENT

580,800 PEOPLE DIRECTLY EMPLOYED (5.0% OF NATIONAL EMPLOYMENT)

▲ **34,300** PEOPLE EMPLOYED (6.3%)

TOTAL CONTRIBUTION TO AUSTRALIA'S ECONOMY



INTRODUCTION

Tourism Research Australia's (TRA) *State Tourism Satellite Accounts* (State TSA) highlight the importance of tourism to each state and territory's economy.

State TSA 2014–15 presents a comprehensive set of tourism data – direct and indirect – for all states and territories in Australia over the period 2006–07 to 2014–15. The report shows the pattern of change to tourism over the period, and highlights the key changes that occurred in 2014–15. Figure 1 shows how the direct and indirect contribution of tourism to the Australian economy is determined.

With the resources boom now behind us, tourism has the potential to be Australia's fastest growing industry. Global international arrivals is forecast to grow at an average of between 3.5 per cent and 4.5 per cent in 2016, and in the longer term (towards 2030) is forecast to grow at 3.8 per cent a year.¹

Note that there has been revisions to source data across the entire TSA series; therefore, the results in this publication are not comparable to previous publications (see Explanatory notes for more information).

¹ UNWTO, *Tourism Highlights 2016 Edition*

In addition to the revisions mentioned above, TRA has used the latest available (2012–13) input-output (I-O) tables in the model² for generating output multipliers in order to measure the indirect contribution tourism consumption expenditure makes to the Australian economy.

Changes in the economic production process in an economy (e.g. changes in exchange rates, cost changes in domestically-produced goods and services etc), impact on the resulting output multiplier value because these factors in combination determine how industries lower or increase the use of domestically-produced goods and services in their production process. Evidence of this is in the current value of the tourism output multiplier value of **1.81** using the 2012–13 I-O tables, which is lower than the multiplier value (**1.87**) used in the 2013–14 State TSA publication based on 2009–10 I-O tables. Changes in the multiplier values will impact on the indirect contribution of tourism in the economy.

Box 1 provides more explanation on the causes of the differences in the tourism outcomes based on 2009–10 and 2012–13 I-O tables.

² The I-O modelling concept captures the flow-on effect generated by the tourist's consumption (visitor spending plus imputations presented in the national TSA) on other industries in the supply chain. In this report, the indirect effect analysis will remain consistent with the TSA direct concept for easy comparison between the two.



Image: Table 131 at Longitude 131, Yulara, NT
Image courtesy of Cairns Aquarium

BOX 1. TOURISM OUTPUT MULTIPLIERS BASED ON 2009–10 AND 2012–13 INPUT-OUTPUT (I-O) TABLES

In order to account for tourism's total contribution of visitor consumption expenditure, indirect tourism output is combined with tourism's direct output from the Australian Bureau of Statistics' (ABS) National Tourism Satellite Account (TSA) to calculate the flow-on effects using I-O multipliers. The flow-on or 'indirect' effects are the changes in supply that result from spending of the tourism industry's receipts on goods and services from other industries. For example, when a *visitor purchases a meal from a hotel*:

- the hotel purchases vegetables and meat from a food supplier
- the food supplier purchases these from a farming company
- the farming company 'purchases' labour and transport to deliver the produce to market.

A decline in the tourism output multiplier values from 1.87 in the 2013–14 State TSA publication in 2015 (derived using 2009–10 I-O tables) to 1.81 in this publication (derived using 2012–13 I-O tables) is largely due to the decreased use of domestically-produced intermediate inputs. These inputs are those supplied by the manufacturing industry to the industries using the products in the National I-O tables in 2012–13 when compared to 2009–10 I-O tables.

As can be seen from Table 1 below, the intermediate consumption of products declined because it was cheaper to import these products than it was to buy them domestically. This was due to the high Australian dollar (1.0271 in 2012–13 compared to 0.753 in 2009–10 against the US dollar). As a result, the imports of these products increased in 2012–13 when compared to 2009–10.

It should be noted that I-O output multipliers are generated from the supply and demand of domestically-produced products only; as a result, a reduction in the use of domestic output directly impacts the value of multipliers.

The manufacturing industry is the largest indirect contributor to tourism GVA (12 per cent in 2014–15 derived by TRA). Thus, there is a direct link between manufacturing decline and the indirect economy generated by tourism. Most manufactured products are now imported goods, so the consumption by visitors of those products does not contribute to the domestic economy. A number of reports from government and academic sources reported that, during 2011–12 and 2012–13, real investment in the manufacturing industry fell from \$13.2 billion to \$9.5 billion – the largest annual fall ever recorded.³ Manufactured goods now make up the bulk of Australia's imports, accounting for 87.2 per cent of the total value of merchandise imports in 2013–14.⁴

³ ABS, *Private new capital expenditure and expected expenditure, Australia, Cat. No. 5625.0.*

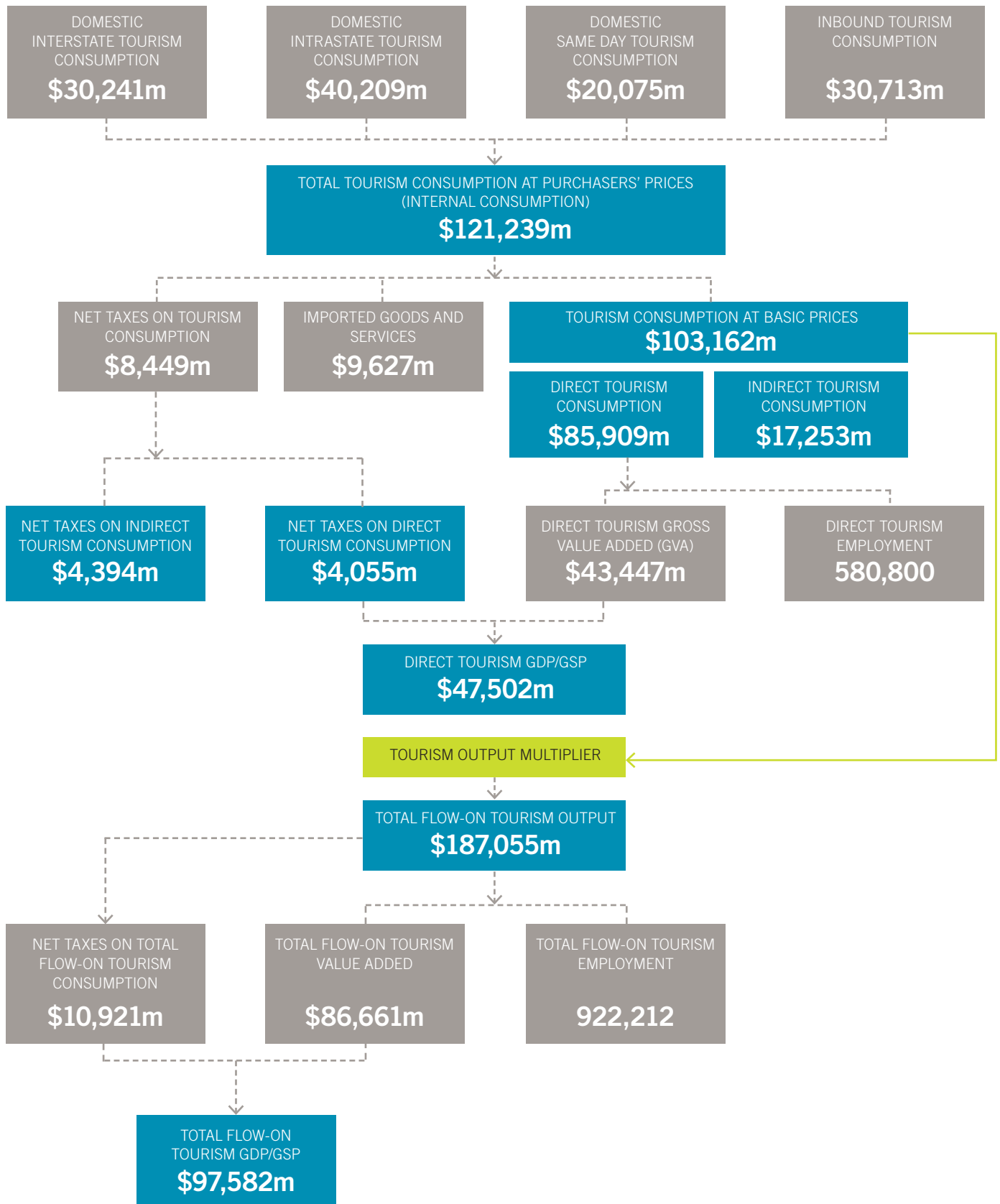
⁴ ABS, *International trade in goods and services, Australia, Cat. No. 5368.0.*

TABLE 1. PERCENTAGE CHANGE IN TOTAL INTERMEDIATE CONSUMPTION (DOMESTICALLY PRODUCED) AND IMPORTS, 2012–13 ON 2009–10

Supplying manufacturing industries	Intermediate consumption	Imports
Other food	-8%	4%
Beverages and tobacco	-50%	4%
Clothing and footwear	-63%	34%
Wood	-17%	13%
Printing and publishing	-16%	-3%
Petroleum and coal	-8%	51%
Chemicals	-3%	24%
Rubber and plastic	-13%	17%
Non-metallic mineral	5%	-3%
Basic metal	-43%	13%
Fabricated metal	-9%	34%

Source: ABS Cat. No. 5209.0.55.001

FIGURE 1: SUMMARY CHART, 2014–15



TOURISM CONSUMPTION



NATIONAL RESULTS, 2014–15

Tourism consumption totalled \$121 billion⁵, 4.3 per cent higher than 2013–14.

Tourism consumption is the total value of goods and services consumed by domestic and overseas visitors in Australia⁶. It is measured in purchasers' prices – the price the visitors pay⁷, including taxes, subsidies, and other mark-ups.

- Domestic travel accounted for \$91 billion (75 per cent) of total tourism consumption.
- Between 2006–07 and 2014–15, there was little change in the composition of how domestic travel contributed to *total tourism consumption* – intrastate travel consistently accounted for 31 per cent to 33 per cent of total tourism consumption, interstate travel 25 per cent to 28 per cent, and same-day travel 17 per cent to 18 per cent.
- International travel accounted for \$31 billion (25 per cent) of total tourism consumption.
- Between 2006–07 and 2014–15, international tourism consistently contributed from 23 per cent to 25 per cent of total tourism consumption.

⁵ This release of the State TSA continues to report data in nominal terms (i.e. not adjusted for inflation).

⁶ This also includes imputed non-market transactions such as the estimated rental value of accommodation in self-owned holiday homes; the cost to households of food and alcohol in hosting visiting friends and relatives; and non-market services provided by governments, such as entry to museums and galleries.

⁷ Please refer to flow chart on page 2 for more information on purchasers' prices and basic prices.

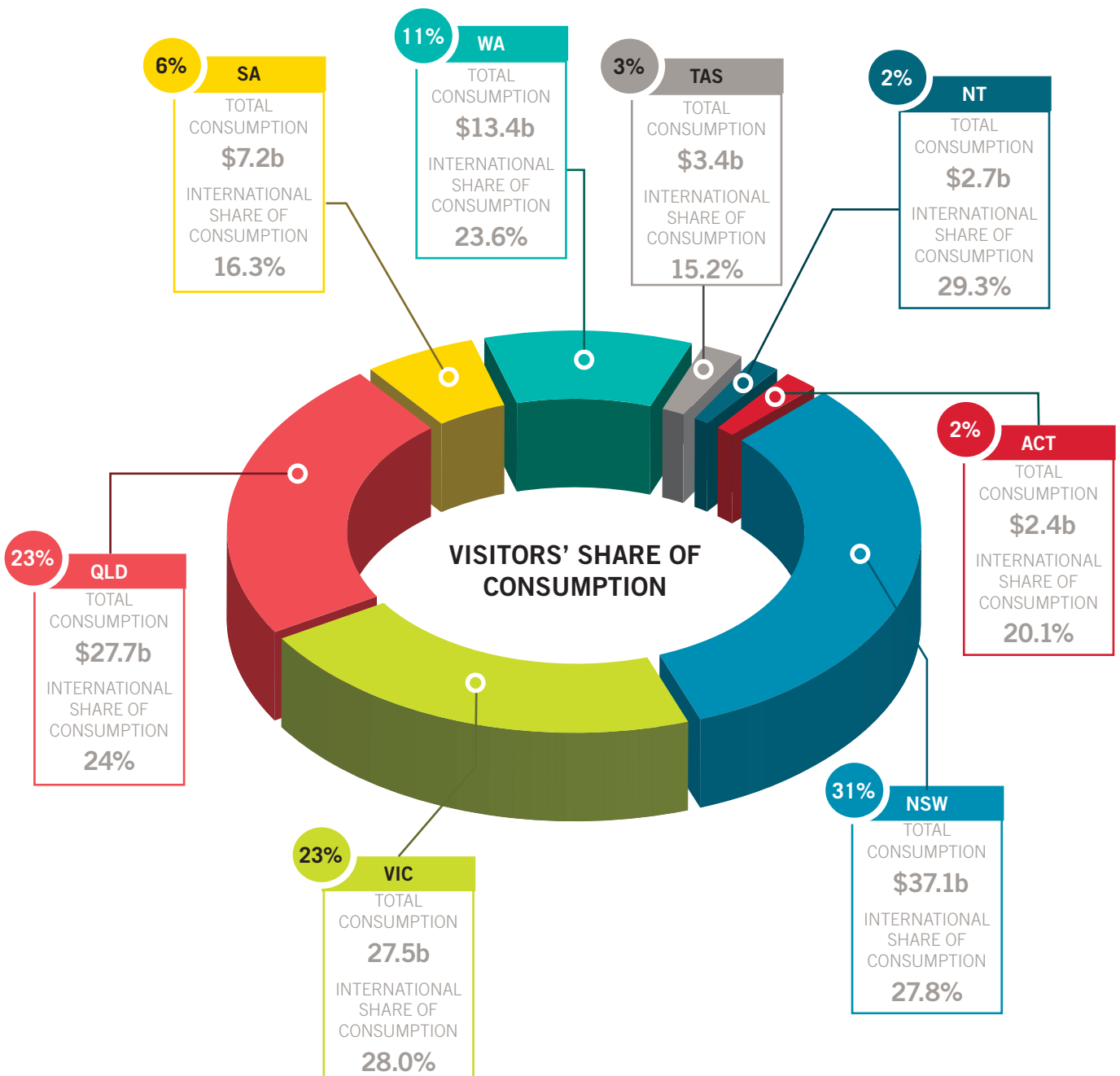
STATE RESULTS, 2014–15

New South Wales, Queensland and Victoria contributed more than three quarters (76 per cent) to total tourism consumption in 2014–15. Over the same period, the combined share of the remaining states/territories was around 24 per cent. Domestic travel's share of total tourism consumption was largest for Tasmania and South Australia and smallest for the Northern Territory (Figure 2).



Image: Provenance Hotel, Beechworth, VIC
Image courtesy of Roberto Seba and Tourism Australia / Time Out Australia

FIGURE 2: STATE/TERRITORY SHARE OF AUSTRALIA'S TOTAL TOURISM CONSUMPTION EXPENDITURE, 2014–15

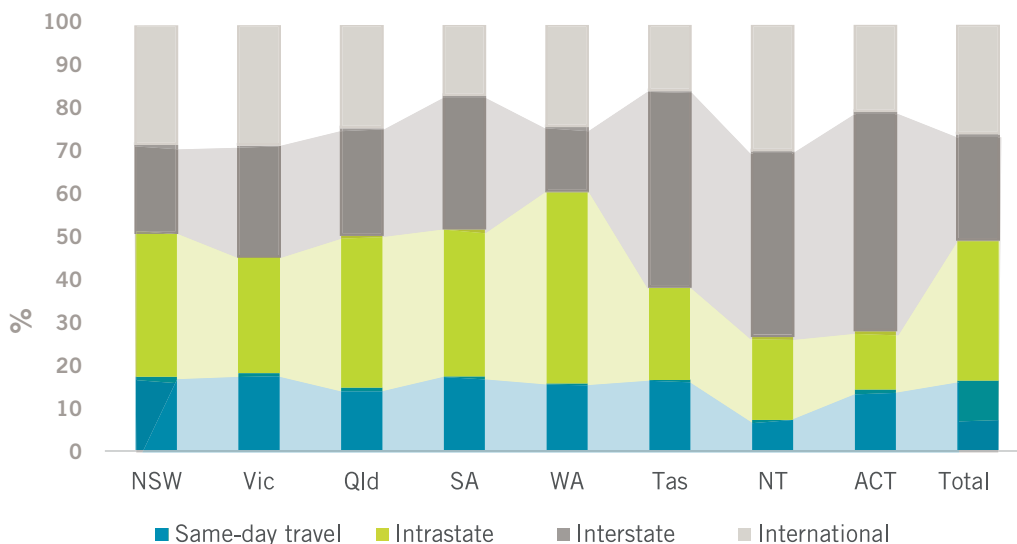


Between 2006–07 and 2014–15, the contribution – and thus relative importance – of inbound tourism to total consumption increased in the following states and territories:

- Victoria: 28 per cent (up from 23 per cent)
- New South Wales: 28 per cent (up from 27 per cent)
- South Australia: 16 per cent (up from 14 per cent)
- Western Australia: 24 per cent (up from 23 per cent)
- Australian Capital Territory: 20 per cent (up from 16 per cent).

For all other states and territories, the share of international and domestic tourism consumption in total remained more or less unchanged between 2006–07 and 2014–15. Figure 3 compares domestic and international shares in individual states for 2014–15.

FIGURE 3: STATE SHARE OF THE TOTAL TOURISM CONSUMPTION BY VISITOR TYPE



Sources: TRA's estimates (for states/territories) and ABS (2016) (for Australia)

TOURISM PRODUCTS WITH THE HIGHEST DEMAND

At the product level, the tourism-characteristic⁸ products that contributed most to tourism consumption nationally in 2014–15 were:

- long distance passenger transportation (\$19.5 billion or 16.1 per cent)
- takeaway and restaurant meals (\$18.6 billion or 15.3 per cent)
- accommodation (\$14.0 billion or 11.5 per cent).

The tourism-connected⁹ products that contributed most to tourism consumption were:

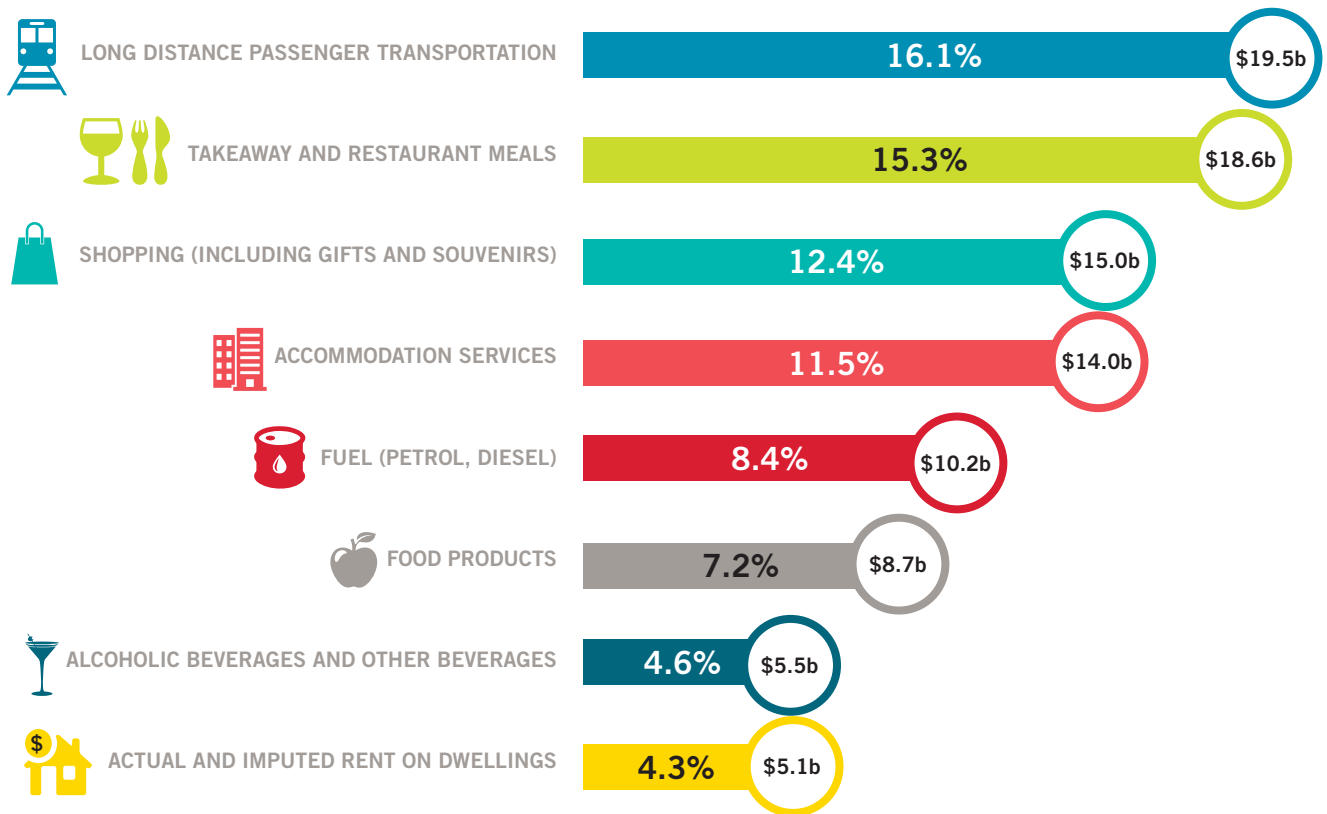
- shopping (\$15.0 billion or 12.4 per cent)
- fuel (\$10.2 billion or 8.4 per cent)
- food products (\$8.7 billion or 7.2 per cent).

At a state and territory level, these products were also the highest ranked tourism-characteristic and tourism-connected products, although the relative rankings varied from state to state. (Figure 4).

⁸ As defined by the ABS, tourism-characteristic products are those products which would cease to exist in meaningful quantity, or for which sales would be significantly reduced, in the absence of tourism.

⁹ As defined by the ABS, tourism-connected products are those that are consumed by visitors but are not considered as tourism-characteristic products.

FIGURE 4: CONTRIBUTION OF KEY TOURISM PRODUCTS TO TOTAL VISITOR CONSUMPTION EXPENDITURE, 2014–15



TOURISM'S DIRECT VALUE TO AUSTRALIA'S ECONOMY (GVA, GDP & EMPLOYMENT)

TOURISM GROSS VALUE ADDED (GVA)



Tourism GVA is the most accurate measure of tourism's contribution to the economy. It includes total labour income, the capital revenue the industry receives, and net taxes on production.

DIRECT TOURISM GVA, 2014–15

Direct tourism GVA was \$43.4 billion (up 5.2 per cent), which represented 2.9 per cent of Australia's total GVA. This share increased slightly after it had stayed at 2.8 per cent since 2010–11, and is only slightly below the 3.0 per cent share held in 2006–07. This is despite the economy favouring mining and related industries over much of this period. Tourism's share of GVA to the Australian economy (2.9 per cent) is similar to other conventional industries – *Agriculture, Forestry and Fisheries (2.5 per cent); Utilities (2.6 per cent); Information, Media and Telecommunications (2.8 per cent); and Administrative and Support services (2.9 per cent).*

Total direct tourism GVA comprised:

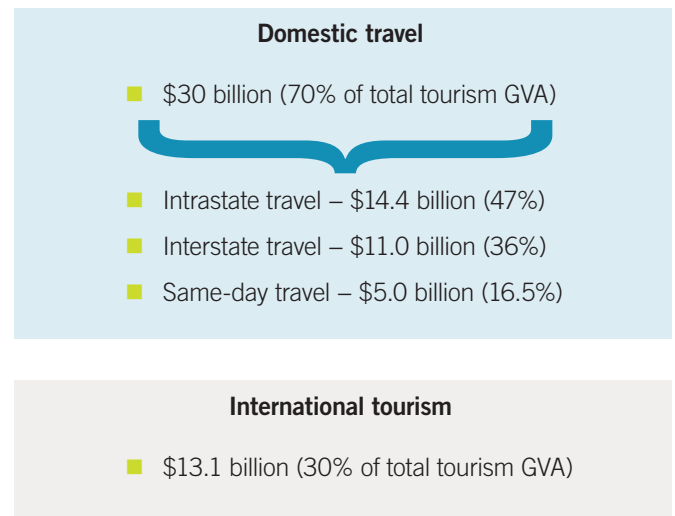


Image: Searoad Ferry Terminal, Sorrento, VIC
Image courtesy of Peninsula Searoad Transport Pty Ltd

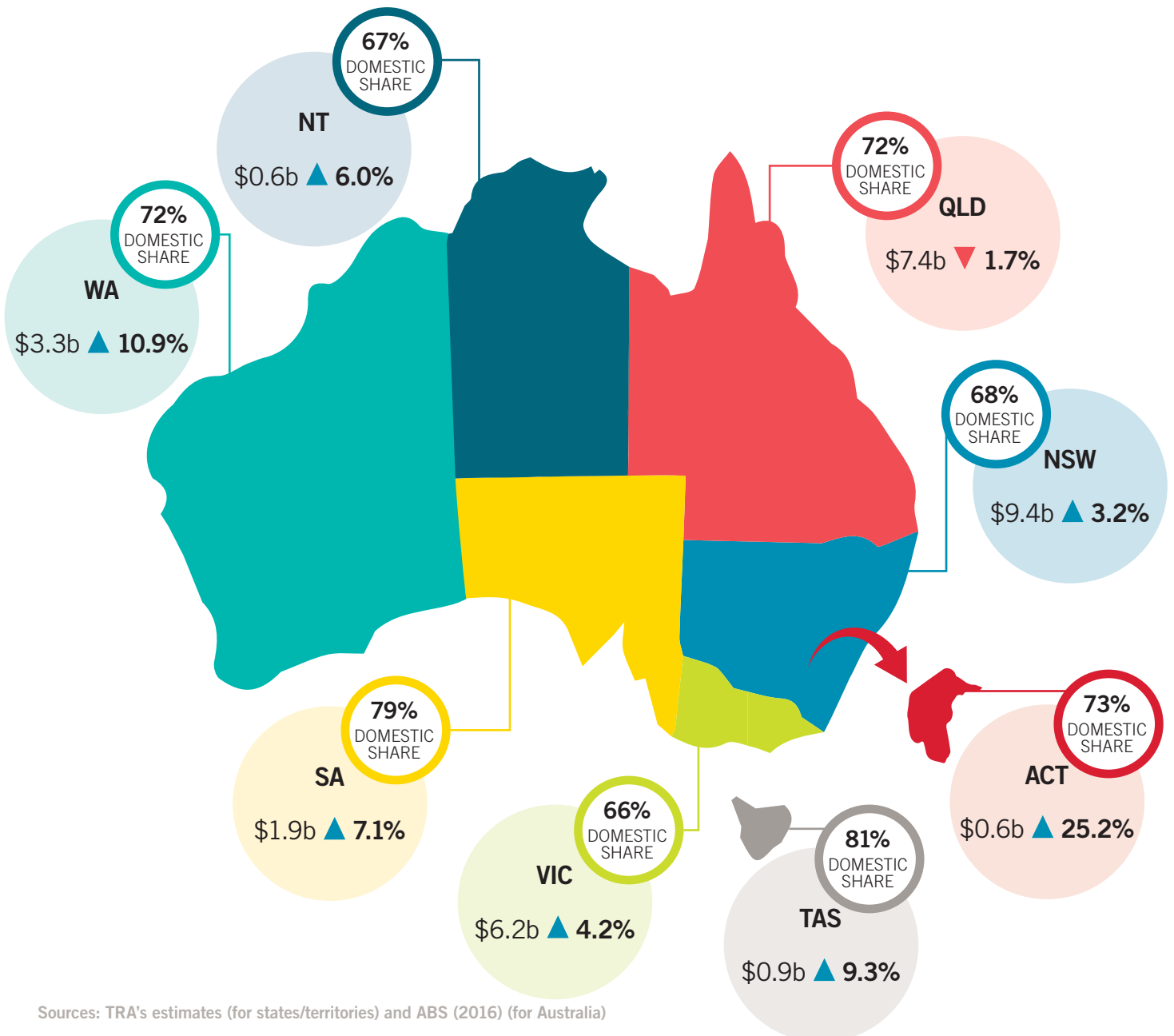
Domestic travel plays a significant role in all states. However, the proportions of GVA generated by domestic travel vary across states (Figure 5):

■ Tasmania	\$857 million (81% of state tourism GVA)
■ South Australia	\$1.9 billion (79%)
■ Australian Capital Territory	\$633 million (73%)
■ Queensland	\$7.4 billion (72%)
■ Western Australia	\$3.3 billion (72%)

■ New South Wales	\$9.4 billion (68%)
■ Northern Territory	\$589 million (67%)
■ Victoria	\$6.2 billion (66%)

In the domestic tourism segment, the share of total direct tourism GVA attributed to interstate travel was highest for the Australian Capital Territory (62 per cent), the Northern Territory (58 per cent), and Tasmania (56 per cent). The contribution of intrastate travel was highest in Western Australia (60 per cent), Queensland (49 per cent), and New South Wales (50 per cent).

FIGURE 5: TOURISM GVA BY STATE, 2014–15; DOMESTIC SHARE IN THE STATE GVA, 2014–15; ANNUAL CHANGE IN STATE GVA, 2014–15 ON 2013–14

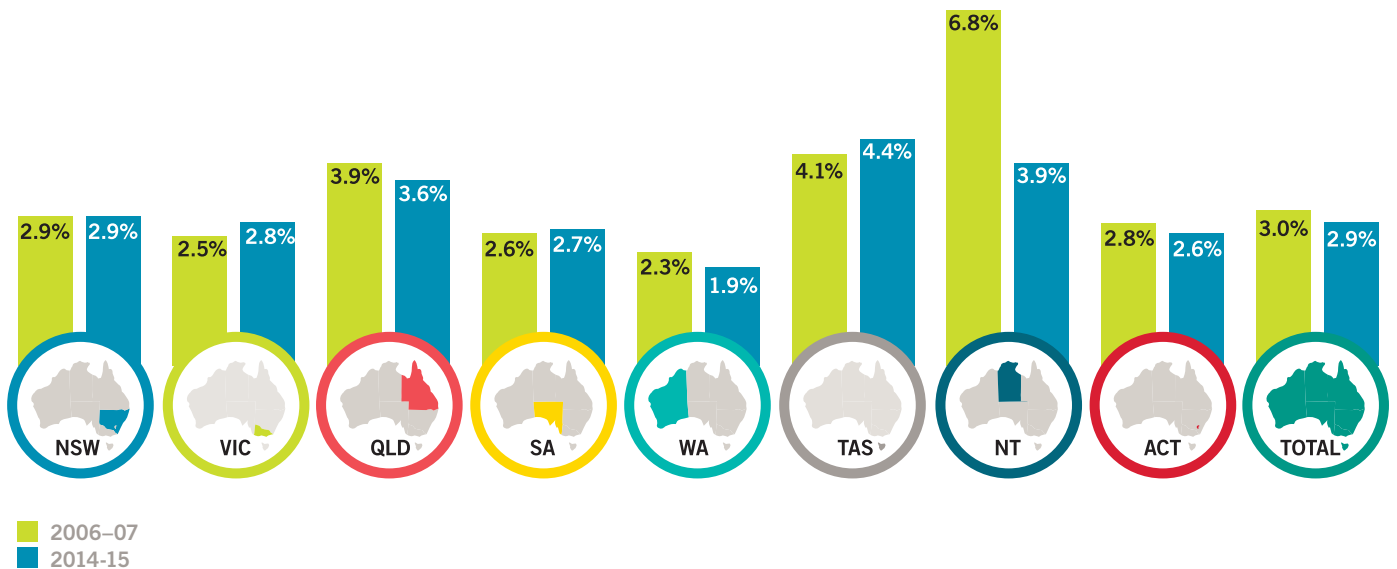


Sources: TRA's estimates (for states/territories) and ABS (2016) (for Australia)

Total direct tourism GVA contributed most to total state GVA in Tasmania (4.4 per cent), the Northern Territory (3.9 per cent), and Queensland (3.6 per cent). For most other states, the share of total state GVA ranged between 2 per cent and 3 per cent – New South Wales (2.9 per cent), Victoria (2.8 per cent), South Australia (2.7 per cent), and the Australian Capital Territory (2.6 per cent). Western Australia

had the smallest contribution (1.9 per cent) of direct tourism GVA. Between 2006–07 and 2014–15, tourism's direct share of total state GVA increased in Victoria, South Australia and Tasmania. All other states and territories experienced a decline in tourism's direct share of total state GVA, except for New South Wales, where it remained unchanged. (Figure 6).

FIGURE 6: SHARE OF GVA IN THE STATE ECONOMY



Sources: TRA's estimates (for states/territories) and ABS (2016) (for Australia)

INDIRECT TOURISM GVA, 2014–15

Indirect tourism GVA contributed a further \$43 billion to national GVA. Combined with direct tourism GVA, this represented total GVA from tourism of \$87 billion (Table 10, Appendix) or 5.8 per cent of Australia's total GVA (Table 14, Appendix). Between 2006–07 and 2014–15, the contribution of indirect tourism GVA to the total flow-on GVA has reduced from 52 to 50 per cent (comparing Table 9 with Table 10, Appendix).

The states that contributed most to indirect tourism GVA were:

■ New South Wales	\$13.6 billion (32%)
■ Queensland	\$10.1 billion (23%)
■ Victoria	\$9.7 billion (23%).



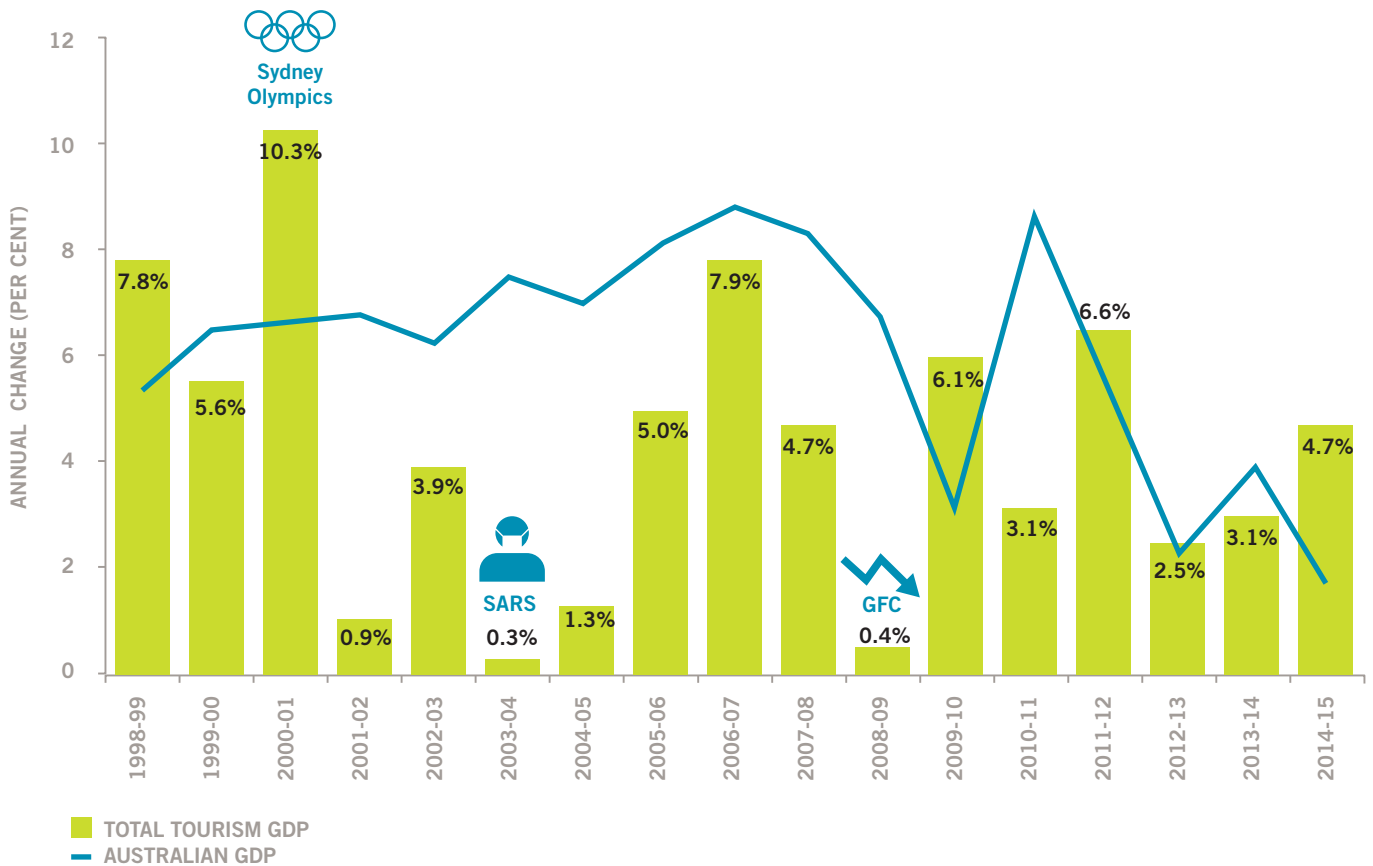
Image: Herbalife China Incentive Gold Coast, 2013
Image courtesy of SDP Media and Tourism Australia

TOURISM GROSS DOMESTIC PRODUCT (GDP), 2014–15

Direct tourism GDP measures the value added of the tourism industry at purchasers' (market) prices –it includes taxes paid, less subsidies.

Figure 7 shows the growth of direct tourism GDP against Australian GDP, with the effects of external shocks such as SARS and the GFC evident.

FIGURE 7: ANNUAL GROWTH IN DIRECT TOURISM GDP AND AUSTRALIAN GDP



Sources: TRA estimates derived from ABS Cat. No. 5204.0; direct tourism contribution estimates derived from ABS Cat. No. 5249.0, 2014–15.

Over the period 2006–07 to 2014–15, tourism GDP and GVA each increased around 2.9 per cent on average per year, respectively. While this represents significant growth, there has been a slight fall in the direct tourism share in the national totals of GVA and GDP for the four years leading up to 2014–15. A similar reduction to the total flow-on tourism share in both GVA and GDP has occurred over the same period (Table 2).

The strong growth in tourism's direct and total share of GVA and GDP in 2014–15 can be attributed to the weaker growth in some non-tourism related industries favoured during the resources boom. Those industries that previously experienced strong annual GVA growth are *Mining* (down 16.6 per cent in 2014–15), *Electricity, gas, water and waste water services* (down 8.6 per cent), and *Professional, Scientific and Technical Services* (down 1.4 per cent).

TABLE 2: TOURISM'S SHARE OF NATIONAL GVA, GDP AND EMPLOYMENT

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	Average
	%									
Direct tourism GVA share ^(a)	3.0	2.9	2.8	2.9	2.8	2.8	2.8	2.8	2.9	2.9
Direct tourism GDP share ^(a)	3.0	3.0	2.9	3.0	2.9	2.8	2.9	2.8	3.0	2.9
Direct tourism employment share ^(a)	5.2	5.1	5.0	5.0	4.9	4.9	4.9	4.8	5.0	5.0
Total flow-on tourism GVA share ^(b)	6.3	6.1	5.7	5.9	5.6	5.5	5.6	5.6	5.8	5.8
Total flow-on tourism GDP share ^(b)	6.6	6.4	6.0	6.2	5.9	5.9	5.9	5.9	6.1	6.1
Total flow-on tourism employment share ^(b)	7.8	7.8	7.6	7.6	7.6	7.6	7.7	7.6	7.9	7.7

Sources: ^(a) ABS (2016); ^(b) TRA's estimates

TOURISM EMPLOYMENT



EMPLOYMENT

▲ 34,300 EMPLOYED PEOPLE (6.3%)

580,800 PEOPLE DIRECTLY EMPLOYED (5.0% OF AUSTRALIA'S WORKFORCE)

Tourism continues to be a significant direct and indirect employer. It directly employs 5.0 per cent of total employment in the economy. In addition, the sector's total flow-on (including direct and indirect contribution) share in national employment increased from 7.6 per cent in 2013–14 to 7.9 per cent in 2014–15. This is the highest rate recorded over the past nine years and above the long-term average share (7.7 per cent).

The TSA defines tourism employment as the number of *persons employed in tourism-related industries*. There were 580,800 persons directly employed by the tourism industry nationally in 2014–15 (ABS, 2016). This was a strong 6.3 per cent increase from the previous year and the largest annual growth since 2006–07. Strong growth in direct tourism employment in 2014–15 reflects an average annual increase of 1.0 per cent since 2006–07 (Table 1, Appendix).

The states that contributed most to the total number of persons employed directly in tourism were:

■ New South Wales	172,000 (30%)
■ Victoria	137,000 (24%)
■ Queensland	135,000 (23%).

Similar to direct contribution, these three states also contributed the most to indirect employment:

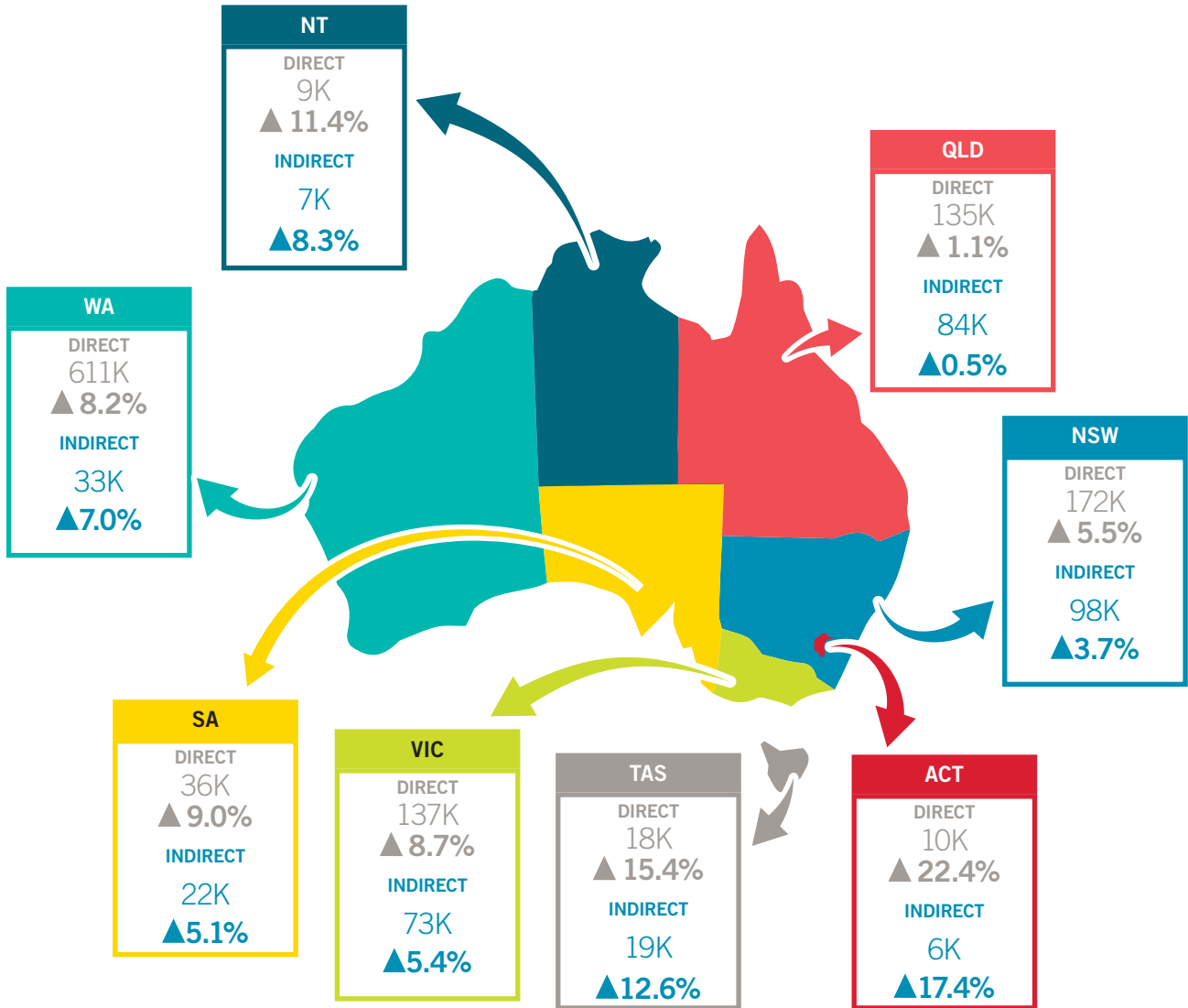
■ New South Wales	98,000 (29%)
■ Queensland	84,000 (25%)
■ Victoria	73,000 (21%).

All other states/territories together accounted for the remaining 87,000 (25 per cent) of indirect employment.



Image: Hamilton Island, Whitsunday Islands, QLD
Image courtesy of Ellenor Argyropoulos and Tourism Australia

FIGURE 8: DIRECT AND INDIRECT TOURISM EMPLOYMENT BY STATE IN 2014–15 AND CHANGE ON 2013-14



Sources: TRA's estimates (for states/territories) and ABS (2015) (for Australia) ABS Cat. No. 5249.0, 2014–15.

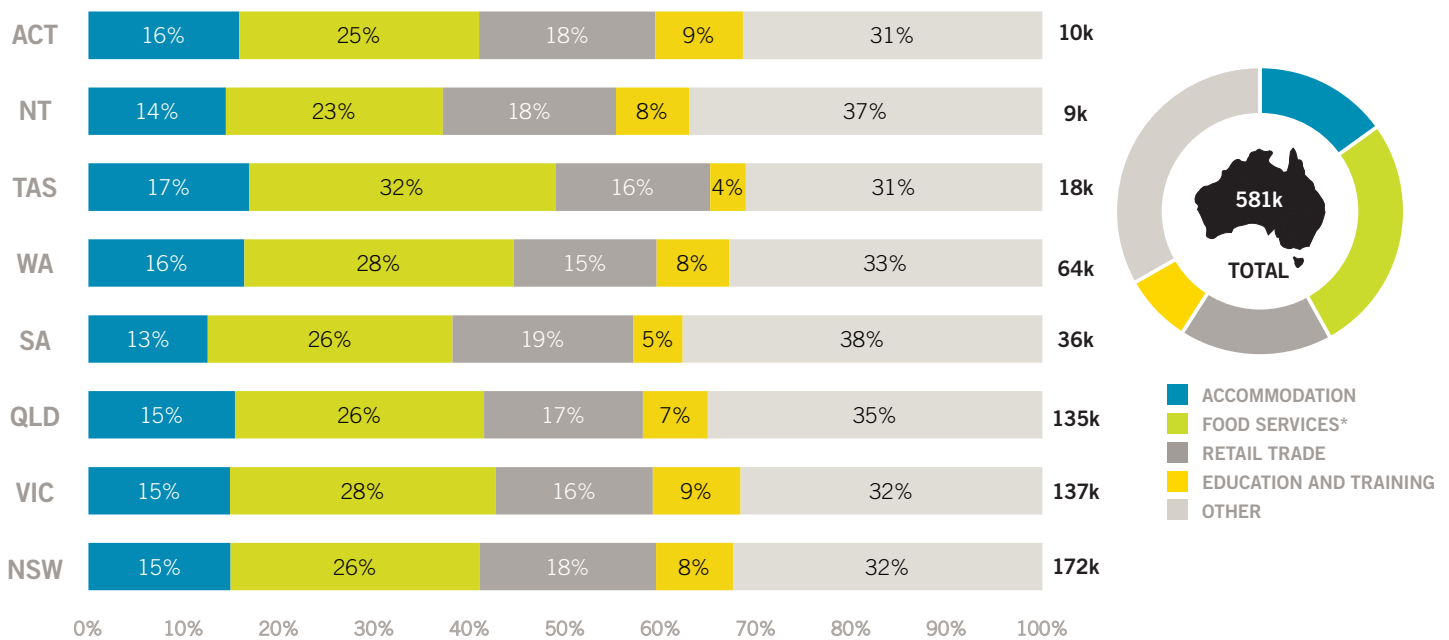
Victoria and Western Australia increased their share in the national total of direct tourism employment between 2006–07 and 2014–15 by far more than other states and territories (21 per cent to 24 per cent and 10.7 per cent to 11.1 per cent, respectively). New South Wales' share grew only marginally.

South Australia and the Australian Capital Territory's shares were unchanged, while all remaining states and territories experienced declines (derived¹⁰ from Table 1, Appendix).

By industry, the tourism-characteristic industries that contributed most to total tourism employment were:

- *Food services* sharing around 23 per cent to 32 per cent of the direct state tourism employment
- *Retail trade* industry's contribution remained between 15 per cent and 19 per cent
- *Accommodation* contributed around 13 per cent to 17 per cent of state/territories direct tourism employment
- *Education and training* industry contributed around 4 per cent to 9 per cent in different states/territories during 2014–15 (Figure 9 below and Table 7, Appendix).

FIGURE 9: INDUSTRY SHARE IN TOTAL DIRECT TOURISM EMPLOYMENT, 2014–15



* Refers to cafes, restaurants and takeaway food services

Sources: TRA's estimates (for states/territories) and ABS (2016) (for Australia)

Overall, an additional 341,000 people were employed in a wide range of industries that supported tourism demand *indirectly* in 2014–15. Combined with direct tourism employment, this totalled 922,000 employed persons or 7.9 per cent of total employment in Australia.

Around three-quarters (76 per cent) of total (direct and indirect) tourism employment in Australia was provided by three states: New South Wales (270,000 persons or 29 per cent of total employment); Queensland (219,000 persons or 24 per cent); and Victoria (210,000 persons or 23 per cent), while other states and territories held the following shares:

- Western Australia – 97,000 persons, or 11 per cent of total tourism employment
- South Australia – 57,000 persons, or 6.2 per cent
- Tasmania – 37,000 persons, or 4.0 per cent
- Northern Territory and Australian Capital Territory – 16,000 jobs each (sharing 2 per cent) (Table 10 and 11 in

10 Comparing row shares between 2006–07 and 2014–15, derived from Table 1 for all states and territories

appendix).

CONCLUSION

TOURISM CONSUMPTION¹¹

- Tourism consumption totalled \$121 billion in 2014–15, 4.3 per cent (or \$4.9 billion) higher than in 2013–14.
 - ▶ All states and territories – except for Queensland – experienced an increase in visitor consumption, with most of the \$4.9 billion increase coming from the contributions of New South Wales, Victoria and Western Australia.
 - ▶ In Queensland, total visitor consumption remained more or less unchanged from the previous year at \$28 billion.

TOURISM GROSS VALUE ADDED (GVA), TOURISM GROSS DOMESTIC PRODUCT (GDP), AND TOURISM EMPLOYMENT

- Tourism *directly* contributed **\$43 billion** of GVA and around **\$48 billion** of GDP (up by 5.2 per cent and 5.3 per cent, respectively) to Australia's economy in 2014–15.
 - ▶ While all states and territories contributed to the growth in direct tourism GVA at the national level, New South Wales, Victoria and Western Australia contributed most to the total increase in the value of national tourism GVA and GDP.

- Tourism also *indirectly* contributed **\$43 billion** of GVA and **\$50 billion** of GDP (up 4.7 per cent and 4.2 per cent, respectively).
- The tourism industry *directly* employed around **581,000 persons** and *indirectly* generated additional employment for around **341,000 persons**.

Tourism expenditure for the domestic market in 2014–15 was up **2.7 per cent**, slightly lower than growth in 2013–14 (3.4 per cent). While the intrastate tourism share of total domestic tourism expenditure remained unchanged, same-day travel and interstate travel expenditure declined slightly (1 percentage point each) to 22 per cent and 33 per cent, respectively, on the previous year.

The share of international visitor consumption expenditure in total tourism consumption expenditure increased by 1 percentage point to 25 per cent in 2014–15, compared to the previous year.

Australia has many competitive advantages as a destination, including its proximity to the growing Asian market, appealing natural assets and a safe environment. Favourable macroeconomic conditions (e.g. the depreciating AUD) and increasing connectivity also assist in making Australia an attractive destination. These factors, along with continued effort on the part of industry and government will help continue

¹¹ See the Glossary for definitions of tourism consumption, GVA, GDP and employment.



Image: Skyrail Rainforest Cableway, Barron Gorge National Park, QLD
Image courtesy of Queensland Rail

to drive tourism growth and enable the industry to meet its potential of contributing \$115 billion to \$140 billion in overnight spend by 2020.

EXPLANATORY NOTES

CHANGES TO THIS ISSUE

There are some changes to the inputs used to produce the 2014–15 *State Tourism Satellite Accounts* (State TSA). The Australian Bureau of Statistics (ABS, 2016) reported that latest industry data, supply and use tables and other input data series have been incorporated into this release and have resulted in revisions across the entire TSA series. The main impacts of this are:

- Estimates of tourism consumption have been revised following adjustments to supply-side data which is used to replace Tourism Research Australia's (TRA) survey data for some products, e.g. international airfares, purchase of motor vehicles, actual and imputed rent on holiday homes, and international education fees.
- Discrepancies between demand and supply-side data in the 2012–13 and 2009–10 benchmarks highlighted the need for adjustments to some tourism consumption and output estimates.
- Estimates of domestic tourism consumption have also been revised due to current and previous adjustments to TRA's National Visitor Survey (NVS) estimates of outbound expenditure. These adjustments related to changes to the population benchmark data used for calculating estimates of outbound expenditure.
- Estimates of international tourism consumption were also revised due to incorporating adjustments to TRA's International Visitor Survey (IVS). These adjustments are outlined in the 2013–14 TSA release. Revisions were incorporated between 2004–05 and 2009–10, and previously applied spliced growth rates post 2009–10 were removed and replaced with changes to level.
- Revisions to the annual aggregate hours worked series in the ABS' Labour Force Survey.
- Apart from the above revisions affecting tourism estimates, TRA has derived indirect contribution estimates based on 2012–13 input-output tables and, as a result, the State TSA estimates presented in this publication are not comparable to the previous State TSA publication.

NOTES ON THE TSA CONCEPTUAL FRAMEWORK

The following organisations jointly developed the framework for the TSA:

- Commission of the European Communities
- Organisation for Economic Co-operation and Development (OECD)
- United Nations World Tourism Organization (UNWTO)
- World Travel and Tourism Council (WTTC).

It was approved by the United Nations Statistical Commission (EUROSTAT et al. 2000) and has been revised in UNWTO (2008) and *Tourism Satellite Accounts: Recommended Methodological Framework* (2008). The framework has been widely applied in Australia and internationally, so the recommended methodology for TSAs is not reproduced in this report.

METHODOLOGY AND DATA SOURCES

The 2014–15 State TSA publication builds on the ABS' national TSA to present a comprehensive set of data on the direct and indirect economic contribution of tourism for all states and territories. In doing so, the report highlights changes, in nominal terms, that have occurred in 2014–15 and examines longer-term patterns in tourism's contribution to the national and state and territory economies.

Although tourism industry is a high value contributor to the Australian economy, the ABS System of National Accounts (SNA) does not capture tourism as a single industry because of the sector's diverse products and services. The TSA bridges this gap by measuring the economic contribution of tourism and effectively supplementing the SNA. By doing this, comparisons can be made between the tourism industry's economic contribution and that of conventional industries within an economy, or even between tourism sectors across different countries.

DIRECT CONTRIBUTION OF TOURISM

The approach that has been adopted to derive the direct contribution of tourism in the State TSA is similar to that developed by Pham et al. (2009). Essentially, tourism expenditure data and state/territory industry input-output (I-O) data are combined with the national TSA benchmark. This ensures both the supply of tourism and the demand for tourism at the state level are captured.

The main data sources are:

- unpublished modelled regional expenditure data from TRA's IVS and NVS
- the I-O database from The Enormous Regional Model (TERM) (Horridge, Madden & Wittwer, 2003)
- the national TSA produced by the Australian Bureau of Statistics (ABS, 2016).

Regional expenditure data are used to derive tourism

consumption, or demand, in each state. The regional I-O database provides the cost structure and all required information to derive the supply side of the tourism sector in the State TSAs.

The supply and demand elements of the State TSA data are then reconciled with the national TSA benchmark so that the summing conditions between state and national levels are satisfied. Reconciliation is required because the sum of state expenditure data is not equal to the national TSA produced by the ABS. The main reason for this difference is that the ABS makes an upward adjustment to tourism expenditure to derive the national TSA data. Unfortunately, the equivalent information necessary to apply an upward adjustment to the state tourism expenditure is not available. Importantly, the relativity of state differences captured from the regional I-O database and regional expenditure patterns is maintained when reconciling the State TSA data to the national target.

INDIRECT AND TOTAL CONTRIBUTION OF TOURISM

The indirect effects of tourism demand on businesses that provide goods and services to the tourism industry have also been measured. For example, the indirect tourism demand generated from supplying a meal to a visitor starts with the production of what the restaurant needs to make the meal, such as fresh produce and electricity for cooking.

This approach complements the direct effects presented through the TSA framework and provides a clearer picture of the total contribution of tourism to the economy. However, as the TSA framework is not designed to measure these indirect effects at state and territory level, they have been calculated using I-O analysis methods.

The I-O analysis methods provide a breakdown of the supply and demand of commodities in the Australian economy. As the tourism sector by nature does not have its own multiplier, the multipliers for other industries are used as the basis for calculating tourism's indirect effects. The multipliers measure the individual contribution of the industries associated with supplying goods and services to tourists and thus provide estimates of the flow-on effects for tourism output, tourism GVA, tourism GSP and tourism employment.

Table 10, presented earlier in this report, includes the state and territory and national multipliers used in estimating total tourism output. The national multipliers for tourism output, along with the GVA to output and employment to output ratios, have been derived from the latest available I-O data from the ABS, the 2012–13 I-O tables published in late 2015.

The equivalent state and territory output multipliers and state-specific industry level GVA to output and employment to output ratios have been derived from the TERM I-O database. This database is widely used in Australia, and is the only source available for this information at the state and territory

level. It is based on 2004–05 data. The same state output multipliers and the associated ratios have been applied to all TSA years presented in this report (2006–07, 2007–08, 2008–09, 2009–10, 2010–11, 2011–12, 2012–13, 2013–14 and 2014–15).

REGIONAL EXPENDITURE

As indicated in the previous section, State TSA data are based on TRA *modelled regional expenditure estimates*, which were derived from IVS and NVS data. The survey data are allocated to tourism regions using an iterative procedure (TRA, 2013). Essentially, the technique takes into account visitors' reported expenditure on their entire trip in Australia, relative to the nights they spend in different tourism regions in Australia.

The estimates derived from the regional expenditure model show there are considerable differences in expenditure patterns across states and territories. As a key input to the State TSA, they are therefore an important contributor in shaping the patterns evident in the estimates of each state and territory and the shares attributed to specific tourism-characteristic and tourism-connected industries in each state and territory.

Importantly, it should be recognised that as the modelled regional expenditure figures are derived from survey data, there can be some volatility in these estimates. This is particularly the case for smaller states and territories and expenditure categories with lower levels of expenditure.

TOURISM CONSUMPTION AND OUTPUT

The modelled tourism expenditure estimates which are used as an input to the State TSA are measured at purchasers' prices. This includes the following components that are not directly related to industries producing goods and services for tourism purposes:

- imports
- wholesale, retail margins, and transports (margins)
- net commodity taxes.

Consumption represents the demand side of tourism, with visitors paying a final price for goods and services. Thus consumption in this report is generally measured in purchasers' prices (Tables 4 and 8) to reflect the full price paid by tourists for goods and services. Most consumption data in the national account and State TSA are presented in the same way.

However, in order to measure flow-on effects correctly, it is

necessary to use consumption measured at basic prices. If consumption were measured at purchasers' prices, flow-on effects would be over-estimated by the inclusion of values (such as imports) which are not related directly to domestic production. For this reason, Table 10 presents tourism consumption at basic prices.

Tourism output measures how much demand is satisfied by domestic industries. Often, output is less than total consumption (at purchasers' prices) due to the amount of imports, commodity taxes and any associated margins that are required to facilitate the transfer of goods and services

from producers to tourists. Road and rail transport and the wholesale and retail sectors are good examples of this. Only at basic prices is consumption equal to output of the producing industry, as all add-on components paid by the consumers are removed (noting the amounts of margins that are re-allocated to the applicable industries to reflect their contribution to tourism consumption explicitly).

It is also important to note that within the basic prices category, not all goods and services are now defined as direct output in the new TSA framework. As indicated previously, the output of an industry is defined as direct tourism output only when the industry has physical contact with tourists (for example, cafes, restaurants and accommodation). Items like fuel are not direct tourism outputs. For example, if a tourist spends \$98 to



Image: Southern Coral Coast
Image courtesy of Australia's Coral Coast

fill up their petrol tank, and \$80 is the cost of fuel and \$18 is the cost to run the petrol station, then only \$18 is recorded as direct tourism output associated with the retail industry. The remaining \$80 is considered to be the cost to the retailer of the domestic good sold to tourists and would be captured in the flow-on effects to account for the value-adding that tourism has generated in the domestic economy.

GLOSSARY

Basic price: The amount receivable by the producer from the purchaser for a unit of a good or service prior to any additional costs such as net commodity taxes or any margins required to facilitate transfer of the goods and services from the producer to the tourists. These additional costs are paid by consumers but received by other industries (transport) and government (tax revenue).

Direct contribution of tourism: The contribution generated by transactions between the visitor and producer for a good or service that involves a direct physical or economic relationship. For example, the direct effects of an increase in the number of visitors staying in hotel accommodation are the sales and any associated changes in payments for wages and salaries, taxes and supplies and services. These direct economic impacts are measured according to the TSA framework throughout this report.

Employed person: A person aged 15 years or over who, during the reference week, worked for one hour or more for pay, profit, commission or payment in kind in a job or business or on a farm, or worked for one hour or more without pay in a family business or on a farm. Direct and indirect tourism employment are measured separately using the TSA framework and I-O modelling techniques respectively. Combined they provide an estimate of total tourism employment.

Gross domestic product (GDP): The total market value of goods and services produced in Australia within the given period after deducting the costs, but before deducting allowances for the consumption of fixed capital; ie gross national expenditure plus exports of goods and services minus imports of goods and services.

Indirect contribution of tourism: The subsequent or flow-on effects created by the requirement for inputs from those industries supplying goods and services to tourists. For example, in the case of the hotel industry this might include the fresh produce supplied to a hotel and the electricity used. These indirect economic impacts are measured using I-O modelling techniques in this report as the TSA framework is not designed to produce such estimates at the state and territory level.

International tourism: Overseas visitors to Australia for a period of less than 12 months.

Interstate travel: Domestic overnight travel where a visitor travels to a state or territory other than that in which they reside.

Intrastate travel: Domestic overnight travel where a visitor travels to a location in the state or territory in which they reside.

Net taxes on products: The combined taxes or subsidies on a product, payable per unit of a good or service. These usually become payable when the product is sold or imported but these may also become payable in other circumstances such as when a good is exported.

Purchasers' prices: The amount payable by the purchaser (excluding any deductible tax) to take delivery of a unit of a good or service at the time and place they require it. This includes any transport charges paid separately to take delivery of the good or service.

Same-day travel: Domestic travel involving a round trip distance of at least 50 kilometres and at least four hours, and no nights spent away from home. Same-day travel as part of overnight travel is excluded, as is routine travel such as commuting between work or school and home.

Total contribution of tourism: The total contribution of tourism taking into account direct and indirect effects (see direct contribution of tourism and indirect contribution of tourism).

Tourism-characteristic industries: Industries that would either cease to exist in their present form or be significantly affected if tourism were to cease. Under the international TSA standards, core lists of tourism characteristic industries, based on the significance of their link to tourism in the worldwide context, are recommended to facilitate international comparison. The core list of tourism characteristic industries is consistent with the newly revised international classification of industries, namely the International Standard Industrial Classification, Revision 4 (ISIC Rev. 4), which aligns closely with ANZSIC 2006. In the Australian TSA, for an industry to be a country-specific tourism characteristic industry, at least 25 per cent of its output must be consumed by visitors.

Tourism-characteristic products: Products that would either cease to exist in their present form or be significantly affected if tourism were to cease, or for which sales would be significantly reduced in the absence of tourism. Under the international TSA standards, core lists of tourism characteristic products, based on the significance of their link to tourism in the worldwide context, are recommended to facilitate international comparison. In the Australian TSA, for a product to be a country-specific tourism characteristic, at least 25 per cent of the output of the product must be consumed by visitors.

Tourism-connected industries: Industries, other than tourism

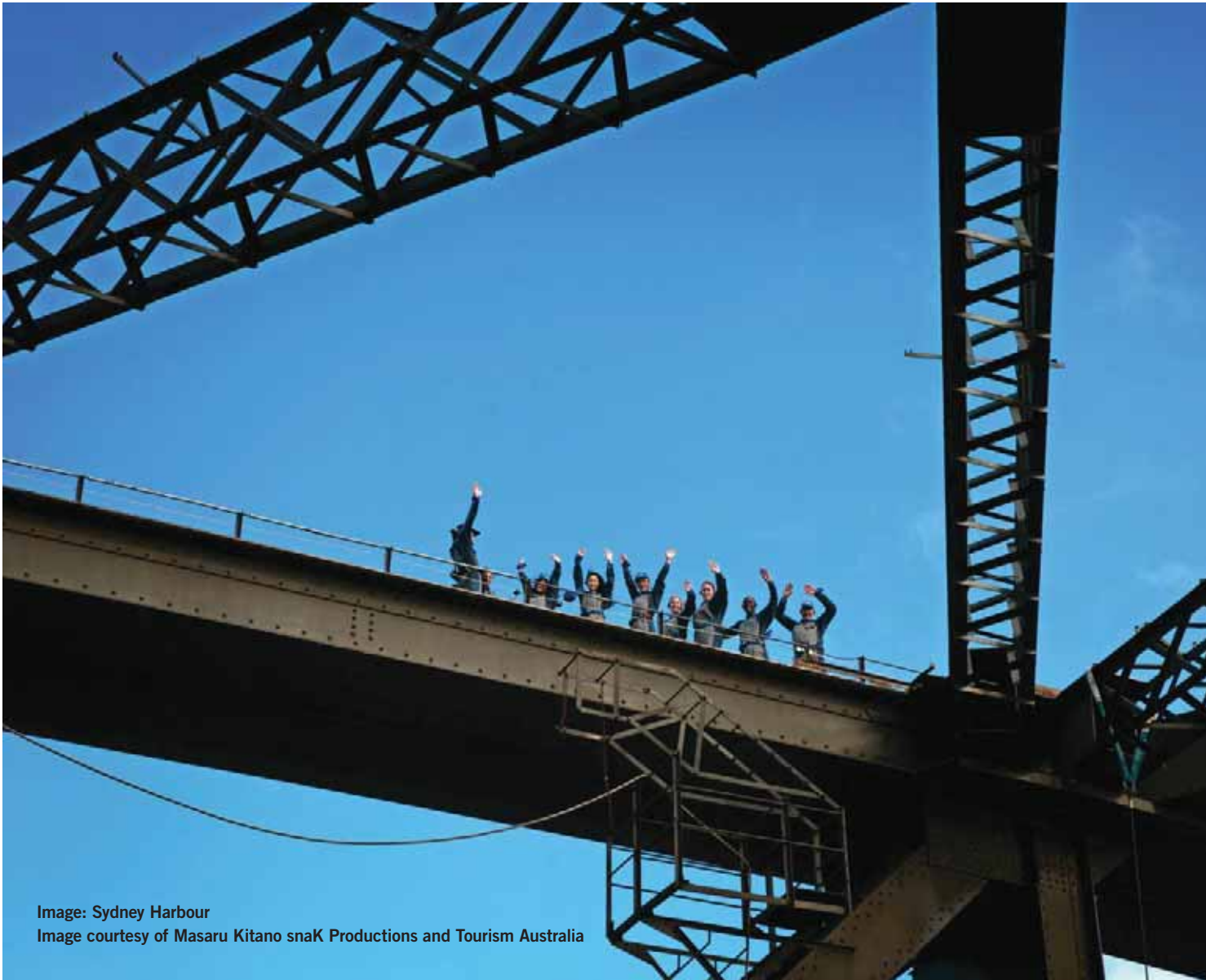


Image: Sydney Harbour
Image courtesy of Masaru Kitano snaK Productions and Tourism Australia

characteristic industries, for which a tourism-related product is directly identifiable (primary) and where the products are consumed by visitors in volumes which are significant for the visitor and/or the producer. All other industries are classified as 'all other industries', though some of their products may be consumed by visitors and are included in the calculation of direct tourism GVA and direct tourism GDP.

Tourism-connected products: Products that are consumed by visitors but are not considered as tourism characteristic products.

Tourism consumption: The total value of tourism goods and services consumed by residents and visitors from overseas in Australia. It includes household, business and government tourism consumption. It represents the price paid by the visitor (which therefore includes taxes and subsidies) and is measured in purchasers' prices.

Tourism gross state product (Tourism GSP): Tourism GVA plus net taxes on products that are attributable to the tourism industry. As such, it generally has a higher value than tourism GVA. Direct and indirect flow-on GSP are measured separately using the TSA framework and I-O modelling techniques, respectively. Combined, they provide an estimate of total tourism GSP.

Tourism gross value added (Tourism GVA): Considered the most accurate measure of the contribution of the industry to the economy. It includes the total labour income and capital revenue received by the industry and the net taxes that government receives from the production, and is measured in basic prices. Direct and indirect flow-on GVA are measured separately using the TSA framework and I-O modelling techniques, respectively. Combined, they provide an estimate of total tourism GVA.

Tourism output: The total value of goods and services produced in Australia to satisfy visitor consumption. It is measured in basic prices, so it excludes net taxes on tourism products. Direct and indirect flow-on outputs are measured separately using the TSA framework and I-O modelling techniques, respectively. Combined, they provide an estimate of total tourism output.

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