Tourism Tasmania

Our Environment

A paper for Tourism Tasmania's Strategic Planning Forum

28 November 2008

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INTRODUCTION

The purpose of this paper is to provide an overview of the current environment in which Tasmanian tourism is situated, and not to propose solutions or to provide an exhaustive dissertation on all which is evolving in Tasmania's tourism landscape. Rather, the intent is to provide the foundation for considering what challenges can be influenced by the actions of the Tasmanian tourism industry, as a basis for the development of new goals and the formulation of strategies to build on the success experienced since the turn of the century.

Following a brief outline of the growth our island State has experienced in visitation since the new millennium, the paper will take a look at the forces that are currently shaping tourism. Amongst these factors are the current financial crisis, planning constraints, capacity constraints, access and transport, and changes in the traveller and the products and experiences they are seeking.

TASMANIAN VISITATION SINCE THE NEW MILLENNIUM

Since 2000-01, Tasmanian tourism has grown substantially with the number of people visiting the State increasing by 68% to 932,700[1] and the amount of money they contribute to the economy almost doubling to $1.40 billion.

People visiting Tasmania via scheduled air or sea services make up the majority of visitors to the State, with their number increasing by 60% to 849,700 and the amount of money they contribute to the economy growing from $705 million in 2000-01 to $1.39 billion in 2007-08 (Table 1). Moreover, despite a decline in the average length of stay, total visitor nights increased by 50% during this period. Together, the growth in visitor nights and the increase in the average spend per night underpinned the increases experienced in the average per person spend and total visitor expenditure.

Table 1. Visitation to Tasmania via scheduled air and seas services: 2000-01 to 2007-08

	2000-01	2007-08	Change
Visitors	531,000	849,700	+60%
Nights	4.77 million	7.17 million	+50%
Average Length of Stay	9.3 nights	8.1 nights	-13%
Spend	$705 million	$1.39 billion	+97%
Average per person spend	$1,328	$1,635	+23%
Average spend per night	$148	$194	+31%

Source: Tasmanian Visitor Survey

Key contributors to the increases highlighted in Table 1 were:

- the introduction of the low cost carriers and the associated increased accessibility of Tasmania as a travel destination in terms of both seat capacity and price
- the introduction of the new fast Spirits of Tasmania with increased sailings and capacity

[1] This figure comprises people visiting Tasmania via scheduled air and seas services plus cruise ship visitors.

- strength in the Australian economy – high levels of consumer confidence, wages growth, low interest rates and decreasing unemployment.

While the numbers of people travelling to Tasmania for different purposes have all increased, the greatest increases in terms of the number of travellers has been in people visiting their friends and relatives (VFR) and those coming to Tasmania for a holiday (Figure 1). Together, these two groups[2] make up 84% of the State's visitation. Despite the increases in the numbers of people travelling for VFR, Holiday, Business/Employment or Convention/Conference/Seminar, the mix of visitors in terms of the proportion who are travelling for different purposes has remained largely stable (Figure 2).

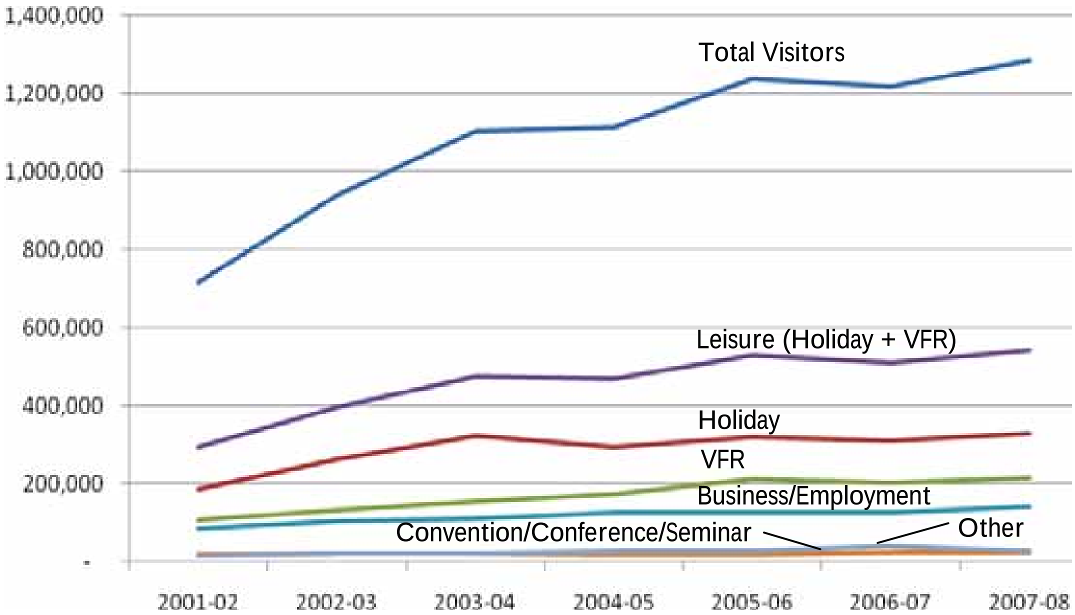

Figure 1. The number and purpose of travel of visitors to Tasmania: 2001-02 to 2007-08 (TVS)

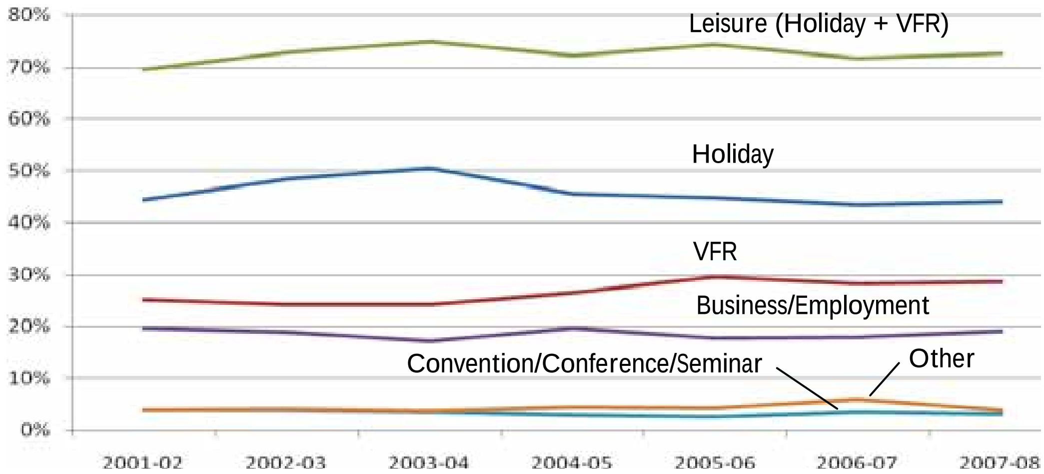

Figure 2. The percentage of visitors and their purpose of travel to Tasmania: 2001-02 to 2007-08 (TVS)

[2] VFR + Holiday = Leisure

Domestically, Victoria, New South Wales and Queensland remain our major markets contributing 79% of all interstate visitation during 2007-08 (TVS); while during the same time, Tasmania's major international markets were the UK (17%), the USA (13% and New Zealand (9%). Japan, Germany and Canada also contributed significantly (6% each) to the State's international visitation (IVS).

Interstate residents' preference for travelling to Tasmania for a holiday has averaged 18.7% since 2000-01 according to the Holiday Tracking Survey (Roy Morgan Research). While reaching a peak[3] following the increased access and decreased airfares by the low cost carriers, travel preferences settled at 17.2% during the past two years (2006-07 and 2007-08). Travel intentions of interstate residents also peaked over the same period rising to a high of 5.1% during 2004-05. Following this time, intentions declined to 4.5% for a couple of years before lifting slightly to 4.7% during the 2007-08. It is clear, however, that recent turmoil in global financial markets is likely to have an influence on people's travel intentions in the coming months and years.

THE FORCES THAT ARE SHAPING TOURISM

FINANCIAL CRISIS

When Bob Dylan wrote '*the times they are a changin*', I don't think he pictured the pace at which global economic conditions have changed in the past months. Just 3 months ago, Tourism Tasmania's International Strategy – Issues Paper[4] stated:

> The combination of a sluggish global economy, increasing global oil prices (resulting in higher airfares and reduced flights to Australia), and a strong Australian dollar is being described by tourism industry pundits as the 'perfect storm' which is threatening inbound tourism growth to Australia.

Since then, the dollar has devalued markedly, oil prices have fallen, and the global economy is anything but sluggish. Aftershocks of the credit crisis have continued to be felt well beyond the epicentre of the United States (US). Despite coordinated and market specific interventions across the globe, volatility rules.

In Australia, household wealth and superannuation has fallen due to low equity prices. Moreover, results from Roy Morgan Research shows consumer confidence fell to its lowest level in almost 17 years[5] during the second week of October, prior to lifting slightly following the Rudd Government announcing its $10.4 billion stimulus package and deposit guarantee. Despite these measures, the association between consumer confidence and consumption is likely to mean spending on discretionary items, such as holidays, will decline if the situation prevails.

[3] During 2002-03 and 2003-04, 20.5% of interstate residents had a preference for visiting Tasmania when asked where they would like to go on holidays in the next two years (Holiday Tracking Survey, Roy Morgan Research).

[4] Tourism Tasmania 2008. *International Strategy – Issues Paper*. August 2008. http://www.budget.gov.au/2008-09/content/myefo/html/part_1.htm Accessed 27 November 2008.

[5] Roy Morgan Research 2008. *Roy Morgan Weekly Consumer Confidence Rating down 4.6pts to 91.2*. http://www.roymorgan.com/news/polls/2008/816/ Accessed 20 Oct 2008.

The federal government's mid-year economic and fiscal outlook[6], released in the week ending November 7, highlights the economic outlook for the major world economies is deteriorating rapidly and that Australia is not sheltered from the effects. Little growth is expected in those economies and growth in emerging market economies is forecast to slow prior to a gradual recovery in the global economy in late 2009. In that context, the International Monetary Fund (IMF) has now reduced its global growth forecast to 3.7% in 2008 and 2.2% in 2009[7]. The Australian government maintains the view that the country is better situated than most to ride out the storm. The IMF do see growth occurring in the Australian economy in 2009 (1.8%) albeit at a lesser rate than the Federal Government's 2% forecast. Moreover the Australian government expects growth to improve marginally to 2.25% in 2009-10.

Business conditions, however, are considered to be at their worst in almost 15 years according to the Australian Chamber of Commerce and Industry (ACCI)[8]. The Commonwealth Bank – ACCI Business Expectations Survey has shown expected economic performance of business for the next 12 months to be at their lowest level since 1994. Job losses have been forecast in key industries with links to overseas corporations with the motor vehicle and finance industries expecting to be severely impacted.

Despite these challenges, Tasmania's economy remains strong with low unemployment (3.9% Sept 2008, ABS) and continuing high overseas export levels contributing to real income growth[9]. While Treasury has not updated its Tasmanian forecast at this time, the loss of GST earnings will provide a lower rate of grants to the States and that aspect alone is likely to cause concerns for the 2009-10 budget. When combined with a lower rate of property sales locally and consequential reduction in stamp duty, budget pressure appears inevitable.

While the full impact of the credit crisis on the Tasmanian tourism industry is yet to unfold, the tightening of credit conditions due to higher funding costs and more cautious lending[10] may lead to a scarcity of capital for private sector infrastructure investment despite strong growth in the level of private sector investment during 2007-08. That issue will flow through to relatively high risk investments such as tourism; and Tasmania, as a regional economy, is likely to be more affected than the major cities interstate.

Although the fall in the value of the Australian dollar against key global currencies has a positive effect by increasing the AU$ export prices and making our exports cheaper in foreign currency terms, it will also increase the cost of imports which will act to cushion any downturn in the economy. While some tourism pundits are forecasting a good result for visitation with the attractive exchange rates, this may not necessarily be the case.

While one would normally expect the currency effects on tourism to be positive, this is not necessarily the case, particularly in the current climate. While the decrease in the value of the AU$

[6] Commonwealth Government of Australia 2008. *Mid-Year Economic and Fiscal Outlook.* http://www.budget.gov.au/2008-09/content/myefo/html/part_1.htm Accessed 27 November 2008.

[7] Blanchard, O. 2008. *Transcript of Press Briefing on the World Economic Outlook Update by Olivier Blanchard, Economic Counselor and Director of Research, and Jorg Decressin, Chief of the World Economic Outlook Studies Division, IMF.* Washigton D.C. 6 November 2008. http://www.imf.org/external/np/tr/2008/tr081106.htm Accessed 23 November 2008.

[8] Rodgers, E. 2008. 'Business confidence at 15-year low: ACCI'. In *ABC News 2008*. http://www.abc.net.au/news/stories/11/04/2409690.htm?section=justin Accessed 4 Nov 2008.

[9] Department of Treasury and Finance 2008. *Monthly Snapshot of the Tasmanian Economy.* 10 October 2008.

[10] Commonwealth Government of Australia 2008. *Mid-Year Economic and Fiscal Outlook.* http://www.budget.gov.au/2008-09/content/myefo/html/part_1.htm Accessed 27 November 2008.

would normally make our country a more desirable and affordable destination, the spread of recession[11] in countries such as Japan, the US, and the European Union is likely to place downward pressure on outbound long-haul travel to destinations such as Australia[12]. It is also worth remembering that even when the AU$ was worth little more than 50 cents US there was no flood of inbound visitors to our shores, with distance and a lack of competitive pricing on the limited air seats available being key inhibitors. Those issues have not materially changed at this time.

In terms of Australians' travel behaviour, though the fall in the value of the AU$ will make international travel more costly, and thus make holidaying at home more attractive, the cost of Asia-Pacific holidays will always be competitive with the local product due to fundamental labour market differences keeping infrastructure and operational costs, and thus prices, at levels well below those found in Australia[13]. As such, while it is likely that there will be some positive flow on effect for domestic travel (tempered by consumer confidence and overall willingness to spend on discretionary travel), travel to destinations within the Asia-Pacific region is likely to remain attractive, though not quite the bargain it has been in recent times and potentially handicapped with the Bali '3' sentence being delivered and the subsequent terrorism alert.

CAPACITY CONSTRAINTS

LABOUR AND SKILLS SHORTAGES

While skill shortages in key roles such as chefs remain an issue, training programs have and continue to address this issue. More concerning however, is that Tasmania has enjoyed near full employment[14] in recent times and is currently at 4.9% in seasonally adjusted terms[15]. As a consequence, the capacity of tourism and hospitality businesses to recruit staff is extremely limited, particularly in regional areas outside of Hobart and Launceston. This is further exacerbated by housing shortages in regional areas and the seasonality of the industry that makes it difficult to attract workers. Furthermore, the high proportion (85%) of the industry that is made up of small and micro businesses means there is limited opportunity for career progression.

ACCOMMODATION CAPACITY IN GREATER HOBART

While it is true visitors are not motivated to come to Tasmania to sleep in beds, the availability of accommodation is fundamental to the future growth of tourism across the State. A recent supply and demand audit of accommodation in the Greater Hobart area[16] found the area to be approaching capacity, averaging approximately 80% occupancy and airline load factors. In reality, accommodation in and around Hobart is essentially full during peak periods, which is limiting further growth and

[11] Commonwealth Government of Australia 2008. *Mid-Year Economic and Fiscal Outlook.* http://www.budget.gov.au/2008-09/content/myefo/html/part_1.htm Accessed 27 November 2008.

[12] TravelMole 2008. *Credit crunch to influence 2009 holiday choices.* 23 October 2008. http://www.travelmole.com/stories/1132371.php?mpnlog=1&m_id=_rY!~AbT_d#comm_sec Accessed 23 October 2008.

[13] Charters, T. 2008. 'Currency Shifts not the Silver Bullet.' In *Tourforce: Tourism is Your Business.* Edition 14 – October 2008.

[14] 20th century British economist William Beverage stated that an unemployment rate of 3% was full employment. Other economists have provided estimates between 2% and 7%, depending on the country, time period, and the various economists' political biases.

[15] ABC News 2008. *Unemployment hits new 33-year low.* 11 Oct 2008. http://www.abc.net.au/news/stories/2007/10/11/2056693.htm Accessed 10 Nov 2008.

[16] BDA Marketing Planning 2008. *Greater Hobart Supply and Demand Audit: Assessment of supply requirements for T21*. Tourism Tasmania, Aug 2008.

displacing visitors during peak times when they are unable to find accommodation. While the development of additional accommodation is planned, the delivery time frame will not be quick and any growth may be limited by the availability of seats on flights in and out of Hobart.

Significantly, modelling of T21 growth targets[17] shows 1000 more rooms and 200,000 air seats are required in order to achieve the 2010 targets. By 2017, approximately 2,750 and 600,000 extra air seat capacity will be needed to accommodate the growth required. Moreover, based on the current occupancy rates[18], the modelling indicates the majority of the demand is likely to be for 4-5 star accommodation with about 750 rooms required by 2010 and some 1900 rooms by 2017.

Broadband infrastructure

With the increased use of the internet by consumers for travel research and bookings, improving broadband infrastructure is vital to allow tourism businesses to connect with potential travellers. Unless businesses have an online presence they will be increasingly passed over as growing numbers of travellers are using the internet to book hire cars, flights, and accommodation[19].

Access to natural and cultural heritage tourism investment opportunities

Tasmania is yet to fully realise its potential as 'the' State for 'clean and green' and 'wilderness' experiences. While government initiatives have provided some limited opportunities for product investment and development in national parks, planning issues and stakeholder groups render access to more significant locations difficult and even prohibitive.

Similarly, adaptive reuse of the State's built heritage has been limited due to restrictions, planning timeframes, and the lack of financial incentive to assist with conservation and restoration works aimed at preserving and enhancing heritage values.

If these impediments can be overcome, successful tourism ventures in situations such as these could further foster advocacy for the preservation of the Tasmania's natural and cultural heritage as well as provide valuable means to undertake restoration and preservation works.

Potable water supply

As the climate has been drying, the shortage of rainfall has lead to many areas of the State, perhaps most notably the east coast, suffering a water shortage which has meant that water has been trucked in to premier tourism destinations across the state. The issues here are underpinned by low rainfall and the now inadequate storage capacity as populations (demand) have increased and infrastructure investment has not keep pace. Meanwhile in other locations, the lack of adequate water treatment has seen 'boil water' alerts become the norm in many communities.

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17 Modelling has assumed maintenance of current average occupancy and load factor rates of 80%.

18 ABS 2008. *Survey of Tourist Accommodation, Small Area Data, Australia*, 8635055002DO001_200803 - Electronic Delivery, Mar 2008.

19 Smith, P. & Woodhead, B. 2008. 'Net closes on agents as travellers get away'. In *The Australian Financial Review*, Tuesday 3 June, 2008.

PLANNING CONSTRAINTS

Unnecessarily complex and unpredictable planning processes have been identified as being a major constraint on tourism growth and investment in Australia[20]. A number of key planning barriers to investing in Tasmania have been identified;[21] exacerbated, many claim, by the large number of local government areas (29 councils) and planning schemes (44); this position is compromised further by the shortage in supply of qualified planners. Not surprisingly, there is a lack of transparency for communities, and lack of certainty for developers arising from the inconsistencies and lack of integration of planning processes across the State.

ACCESS & TRANSPORT

FUEL COSTS

While there has been some, albeit substantial, reductions in the cost of oil, this is likely to be a short term phenomenon as the financial crisis plays out and the markets settle to a new norm. As a result fuel prices are likely to resume their climb and associated impact on the operating costs of transport be it air, sea or land based.

AIR TRAVEL

THE INDUSTRY

In September the International Air Transport Association (IATA) forecast industry net losses to total $5.2 billion this year and that a further $4.1 billion will be lost during 2009[22]. After a strong first half year, industry traffic data released by IATA for July showed continued slowing of demand, with the year-on-year demand growth falling to its lowest level in five years (1.9%). This highlights the impact of the increasingly widespread reach of the economic crisis. Meanwhile, the collapse in profitability has resulted in the parking of 38 aircraft per month during the year to July. However, the delivery of new, more fuel efficient aircraft (105 per month) has been welcomed by the industry. According to QANTAS, these new aircraft are 20% more fuel efficient than those being retired.

From a global perspective, the impact of the industry crisis is universal, with the North American carriers being the worst hit, with losses for 2008 expected to reach US$5.0 billion. That said, none of the markets have been spared with Asia Pacific, Europe, and the Middle East all recording substantial cuts in profits[23]; while Latin America and African carriers are forecast to experience increasing losses.

The latest view to 2009 from IATA[24] is for the difficult business environment to continue with even weaker economic growth in most economies set to negatively impact air travel and freight. Despite

[20] Tourism and Transport Forum 2008.*Tourism Infrastructure Policy and Priorities. Submission to Infrastructure Australia – October 2008*. http://www.ttf.org.au/Content/tourisminfrastructure1008.aspx Accessed November 7..

[21] Wadsley, J. 2008. *Assessment of Tourism Development Planning Frameworks*. April 2008.

[22] IATA. *Airlines to lose US$5.2 billion in 2008 – Slowing Demand and High Oil to Blame*. 3 Sept 2008. http://www.iata.org/pressroom/pr/2008-09-03-01.htm Accessed 18 Sept 2008.

[23] Reuters 2008. 'Singapore Air Q2 profit drops 36%'. In *Business Spectator*, 6 Nov 2008.
Reuters 2008. 'Cathay Pacific sinks 13% on hedging losses'. In *Business Spectator*, 6 Nov 2008.
Reuters 2008. 'British Airways H1 profit plunges 90%'. In *Business Spectator*, 7 Nov 2008.

[24] ATA. *Airlines to lose US$5.2 billion in 2008 – Slowing Demand and High Oil to Blame.* 3 Sept 2008. http://www.iata.org/pressroom/pr/2008-09-03-01.htm Accessed 18 Sept 2008.

the substantial fall in crude oil prices and its flow-on effect to the aviation industry[25], continued losses are expected, with continued weak growth in passenger numbers throughout the year.

Meanwhile, IATA has just announced an accelerating decline in both premium and economy passengers[26]. British Airways has experienced falling passenger numbers across all classes, but most critically in its profitable business travel market[27]. Qantas too has reported a lessening in passenger demand in all travel classes[28] albeit Virgin has advised anecdotally of growth in their premium cabin utilisation with corporate travellers moving from Qantas to their services as a means of saving costs. A welcome consequence of the financial upheaval has been the reduction in the price of oil that, while it lasts, will bring some relief in terms of the cost of jet fuel.

CARRIERS INTO TASMANIA

Confidence in the Tasmanian travel market by the aviation industry continues with introduction of a range of new services to the State by Tiger Airways, Virgin and Jetstar[29]. Following the delivery of its new A319 Airbuses, Tiger Airways will commence flying between Hobart and Adelaide four times per week from 1 March 2009. More recently, Jetstar announced they will begin to fly the Hobart - Sydney route twice daily from 26 October[30]. At the other end of the State, Launceston will welcome the start of Virgin's new seasonal service direct to Brisbane. This service will commence the daily flight from 15 December with one of its new EMBRAER E-Jets.

Meanwhile, the decline in consumer confidence has lead to declining demand through to March 2009. Forward bookings are likely to follow the ebb and flow of consumer confidence and their reactions to economic developments both locally and abroad. As would be expected, carriers' adjustments to shifting demand are best described as a watching brief.

REGIONAL INFRASTRUCTURE

Though small in number at present, there are an unknown but increasing number of visitors making their way to Tasmania via small charter aircraft. These visitors are travelling direct or close to their destination, landing for example at Bridport to play golf at Barnbougle. Similar demand also exists at Strahan and potentially at the planned Musselroe resort and airstrip. Such regional airstrips have limited capacity to cater for larger propeller (or jet) aircraft used by some high-yield travellers. There may be opportunity given the location of such airstrips to develop tactical links between owners and destinations/experiences operators to invigorate growth.

ON ISLAND TRANSPORT

There are limited transport options for visitors to travel to regional and remote destinations within Tasmania. Without access to private or hired vehicles, travel through regional areas is difficult and

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25 Tiesse, E. 'Cheaper Fuel, no cure-all'. In *Business Spectator*, 6 Nov 2008.

26 Stephen Bartholomeusz, *Joyce's long haul*. http://www.businessspectator.com.au/bs.nsf/Article/Taxiing-to-a-standstill-KL5CR?OpenDocument&src=is Accessed 21 Oct 2008.

27 Reuters 2008. 'British Airways H1 profit plunges 90%'. In *Business Spectator*, 7 Nov 2008.

28 Reuters, *Qantas flags decline in passenger demand.* http://www.businessspectator.com.au/bs.nsf/Article/Qantas-flags-decline-in-passenger-demand-KKVW2?OpenDocument&src=is Accessed 21 Oct 2008.

29 AAP. 'Jetstar to increase domestic services'. *Business Spectator*. http://www.businessspectator.com.au/bs.nsf/Article/Jetstar-to-increase-domestic-services-JPRTN?OpenDocument&src=is Accessed 23 September 2008.

30 AAP. 'Jetstar to increase domestic services'. *Business Spectator*. http://www.businessspectator.com.au/bs.nsf/Article/Jetstar-to-increase-domestic-services-JPRTN?OpenDocument&src=is Accessed 23 September 2008.

limited to the few commercially viable services targeting locals. Many services are further restricted during the off-peak tourist season making intrastate transport even more challenging. The impact is a limiting of visitor dispersal around the state which, during peak times, results in the concentration of visitors to locations where accommodation occupancy rates are already often at capacity limits, albeit there is likely to be capacity in locations further afield[31]. This restriction will become a major impediment to long term regional growth as demand for car-less holidays grow. Tourism in Tasmania thus requires a broader range of transport options with the capacity to expand the territory visitors can readily explore with or without their private or hired vehicle.

Carbon trading and its impact on the cost of access

The Garnaut Climate Change Review has recommended the introduction of a carbon pollution reduction scheme (CPRS) as a means to achieve reductions in Australia's greenhouse gas emissions. The impact of the introduction of such a scheme on a destination with a dependence on sea and air transport for access could be significant. Transitional arrangements to offset costs to consumers resulting from a range of emission intensive industries have been discussed, but increasing consumer costs emanating from an aviation CPRS has not been recognised as requiring such assistance.

The impact on the State's tourism industry could be significant should the industry have to go it alone. While the impact of transitional subsidies for the users of private vehicles is likely to soften the blow for those taking holidays with the family car, this lack of exclusion of air travel from similar subsidies can only devastate those destinations totally reliant on air and seas access.

The traveller

Demographics

The profile of the world's population aged over 65 years will change dramatically over the next 25 years with one in four Japanese; one in five Germans, French and British citizens; and one in six Americans, Canadians, Australians and New Zealanders being aged over 65 years[32].

More specifically, growth in the Australian population over the coming years will see a dramatic aging of the population with the median age increasing from 36.8 years in 2007[33] to between 41.9 years and 45.2 years in 2056[34]. The age composition of Australia's population is projected to change markedly. According to population projections by the ABS[35], "by 2056 there will be a greater proportion of people aged 65 years and over than at 30 June 2007, and a lower proportion of people aged under 15 years. In 2007 people aged 65 years and over made up 13% of Australia's population. This proportion is projected to increase to between 23% and 25% in 2056". In contrast, the proportion of people aged less than 15 years is projected to decrease from 19% in 2007 to between 15% and 18% in 2056.

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31 Tourism Industry Council of Tasmania & Tourism Tasmania 2008. *National Long Term Tourism Strategy. Presentation to Steering Committee*, Oct 2008.

32 United Nations Demographic Indicators 1950-2050 (1998 Revision).

33 ABS 2008. Population by Age and Sex, Regions of Australia. ABS 3235.0. http://www.abs.gov.au/ausstats/abs@.nsf/Products/3235.0~2007~Main+Features~Main+Features?OpenDocument Accessed 10 Nov 2008.

34 ABS 2008. *Population projections, Australia, 2006 to 2101.* ABS 3222.0. http://www.abs.gov.au/Ausstats/abs@.nsf/mf/3222.0 Accessed 10 Nov 2008.

35 ABS 2008. *Population projections, Australia, 2006 to 2101.* ABS 3222.0. http://www.abs.gov.au/Ausstats/abs@.nsf/mf/3222.0 Accessed 10 Nov 2008.

Leaving the impacts of the financial crisis aside for a moment, there are a range of potential flow-on effects from the demographic shifts Australia will experience in the coming years based on travel patterns evident today[36]. These include:

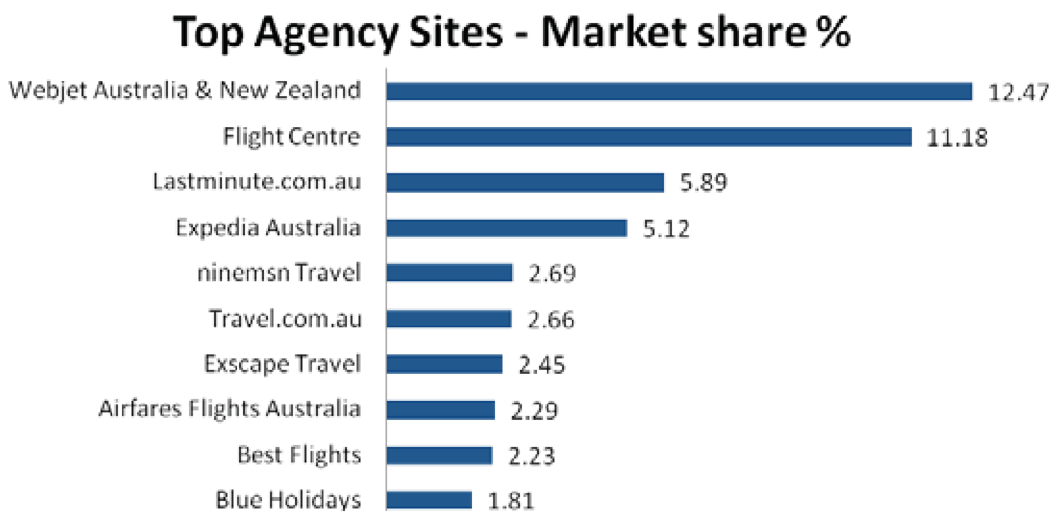
- potential for increased interstate visitation to the State as the majority of visitors to Tasmania are aged 25 years or more
- An increase in visitor spend as visitors in the 25-59 year age bracket are the key income earners, and have a higher capacity to spend more than those younger than them.
- Increased demand for visiting antique shops, museums, galleries, craft shops, gardens, buy Tasmanian arts and crafts, and undertake river and coastal cruises. These activities are passive and commonly found in our population centres.

TAKE UP OF TECHNOLOGY – BUYERS & SELLERS

In the world of airline bookings 'the movement to online from bricks and mortar in domestic is probably all over … the next shift is on international … and over the next year or so we can expect the rate of growth in online sales of international travel to double'[37]. By implication, the challenge for Tasmania is to build online capacity and to promote sales growth in both domestic and international markets.

Tourism Tasmania is not the only player that has felt the impact from the competition brought about by consumers' shift to e-commerce for their travel and accommodation needs. Stella Group, the owners of Harvey World Travel, Travelscene, Gullivers and Peppers, has also been forced to rethink how they sell airfares and accommodation to consumers[38].

Currently, the top travel agency sites are[39]:



[36] Poll, M. 2008. *Who visits Tasmania: A generational perspective.* Tourism Tasmania. Internal Research Report.

[37] Clarke, D. in Smith, P. & Woodhead, B. 2008. 'Net closes on agents as travellers get away'. In *The Australian Financial Review*, Tuesday 3 June, 2008: 1, 39.

[38] Smith, P. & Woodhead, B. 2008. 'Net closes on agents as travellers get away'. In *The Australian Financial Review*, Tuesday 3 June, 2008.

[39] Adapted from Smith, P. & Woodhead, B. 2008. 'Net closes on agents as travellers get away'. In *The Australian Financial Review*, Tuesday 3 June, 2008.

Research for the 2007 calendar year shows more than $10 billion worth of accommodation was sold in Australia, of that total, only an estimated $1.3 billion (13.2%) was transacted online[40]. In terms of on-line distribution of accommodation, Wotif.com is the largest operator in the Australian market with a 41% share of all Australian online accommodation sales. The Wotif.com Group's takeover of travel.com.au Limited and Asia Web Direct has diversified the Group's presence in the digital market with those companies' capacity to sell flights, car rental, travel insurance and tours, as well as corporate booking and offline sales capabilities.

It is important to recognise that Tourism Tasmania is not alone in facing the challenge of transforming the way it sells in an increasingly sophisticated digital world. Nationally, travel agents are under pressure to come up with more sophisticated holiday packaging as the surge in the number of people booking airfares and accommodation online shakes up the country's $2.7 billion travel services industry[41].

The joint venture between the Australian Tourism Data Warehouse (ATDW) company owned by the State Tourism Organisations (and Tourism Australia) and VCubed Pty Ltd in releasing the first on-line Open Booking Exchange (OBX) to the market place will change forever the relationship between suppliers and customers. With its capability to find 'product, price and availability' online regardless of which supplier may be trading on-line, substantially more consumers will embrace on-line booking of a range of tourism services as they have done with low cost carrier air services bookings. This will all be undertaken in an environment where tourism operators will take more control of their own business decisions about which suppliers / distributors are best suited to take their product to market (and at substantially reduced distribution costs).

Perceptions Study and the Zone Marketing Strategy

In 2007, Tourism Tasmania commissioned the most extensive consumer insight study undertaken in Tasmania for many years, involving 2038 interstate Australians and 525 Tasmanians. This Perceptions Study found Tasmania was perceived to offer a range of man-made and natural attractions, and confirmed the State's clear association with nature, history and heritage, and food and wine. A key finding was the dominance of the nature theme with a perception that the main activities for visitors are outdoor oriented, such as short walks, bushwalking and camping. Areas in which we know Tasmania excels[42]. However, little could be articulated on what else Tasmania had to offer beyond wilderness/outdoor activities with scant knowledge and understanding of destinations beyond key iconic areas such as Hobart, Cradle Mountain and Port Arthur.

As an outcome from the Perceptions Study, it was apparent that while Tasmania needed to maintain its nature positioning that must become the backdrop to other activities and experiences on offer rather than the focus itself. Therefore, in our communications we need to include stories of the great food and wine available across the Island, our history and heritage, our dramatic coastal experiences, the unique designs of our local artists and our individual Island-culture. In doing so, we will broaden our appeal by opening the eyes of our existing customers and introducing potential visitors to the richness of activities and experiences available.

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40 Wotif.com Holdings Limited 2008. *ASX Release – Wotif.com Holdings Limited. Market Release – Chairman's Address.* 20 October. http://images.wotif.com/data/asx_announcement/asx_announcement_1825.pdf Accessed 18 November 2008.

41 Smith, P. & Woodhead, B. 2008. 'Net closes on agents as travellers get away'. In *The Australian Financial Review*, Tuesday 3 June, 2008: 1, 39.

42 Tasmania's 60 Great Short Walks, the Overland Track, Cradle Mountain Huts, Bay of Fires, and the Maria Island Walk to name just a few attractions and products.

By showing how our destination offers multi-themed experiences, we will also improve the perception that we are accessible and aspirational. While we need to differentiate our regional brands across the multiple experiences they offer, we must simultaneously align those brands into the complete picture of Tasmania as a holiday destination.

The Zone Marketing Strategy has been developed and initiated to provide greater opportunity to leverage brand and promotional material to build dispersion and length of stay. The fundamental objectives of the strategy are to build an appreciation of the unique experiences in each zone, to tell people how they can be involved, and the rewards to be gained from visiting each zone.

Product and Experiences

Several trends in travel product were recently identified by travel writer Susan Kurosawa[43]. The importance of these is that they tap into a number of consumer trends including increasing aspirations for luxury, the desire for personalisation, and the growing environmental consciousness[44].

Competitive Locations

While the impact of the global financial crisis has dampened international travel intentions, the lure of new overseas locations such as China, India, and Zambia for locals seeking overseas experiences will remain. To those from outside such destinations, these locations provide contrast to the traveller's home culture that builds their exotic appeal. China's presence in the travel market has been enhanced as a consequence of the recent Beijing Olympic Games which pushed that destination to the forefront of the global travel stage. China is set to further build their market recognition with Shanghai's hosting of the 2010 World Expo.

India is broadening its appeal and expanding the range of experiences available to travellers. Now offering a range of comfort levels to cater for a cross section of travellers, India is now considered a five-star destination. Additionally, new product is also building appeal for repeat visitors. Moving on from the forts and palaces of Rajasthan and shops of Mumbai, visitors can now travel further afield to cruise on converted riceboats along the waterways of Kerala, or to India's national parks and tiger reserves.

Such locations tap into the increasing value being placed in experiences for enjoyment and for identity[45]. Travel to such 'exotic' destinations holds great kudos and is accompanied by 'bragging rights'. It is within this context that Tasmania must be competitive if a) we are to attract international visitors to our shores; and b) we are to present an attractive alternative to Australians seeking an overseas experience. What are our competitive advantages? What are Tasmania's unique selling offers? What are/will be Tasmania's unique experiences?

43 Kurosawa, S. 2008. 'The A to Z of travel: Do your have the knowledge?' In *The Weekend Australian Magazine.* 11-12 October 2008: 32-37.

44 Henley Centre Headlight Vision & Amadeus 2008. *Future Traveller Tribes 2020.* Report for the Air Travel industry. http://www.amadeus.com/amadeus/x47371 Accessed 15 November 2008.

45 Henley Centre Headlight Vision & Amadeus 2008. *Future Traveller Tribes 2020.* Report for the Air Travel industry. http://www.amadeus.com/amadeus/x47371 Accessed 15 November 2008.

ACCOMMODATION: SERVICE & DESIGN

There is a strong view that the quality, style and size of accommodation varies widely. There are various trends and styles that can be seen locally and internationally[46]. In terms of scale, China provides an example of where bigger is not necessarily better. Despite substantial investment by the major hotel groups in China, there are countless small heritage and boutique properties in Beijing and Shanghai that are growing in popularity. These properties are frequently privately owned and uniquely designed and styled.

Meanwhile, minimalism is out and maximalism is all the rage with hotel designers. Gramercy Park Hotel in New York exemplifies the new style full of art crammed salons, plush fabrics, lush looks, over the top bedrooms and bathrooms, and forests of fresh flowers working together to provide an escape from the world outside. Designers and fashion houses are also getting in on the act with their own brands such as Palazzo Versace on Queensland's Gold Coast providing a local example. Other designers/labels getting in on the act include Karl Lagerfeld (Berlin), Ferragamo (Florence and Rome), Philip Treacy (Galway), Giorgio Amani (Dubai), and Christian Lacroix (Paris).

Not too far removed from the designer hotel concept is the art hotel where design and visual interest merge with establishments often providing informal exhibition space where many of the works are for sale. A number of establishments throughout North America and now Singapore have picked up on the trend[47]. Hobart's own Henry Jones Art Hotel in Sullivans Cove has been way out in front with this trend. Voted by readers of Conde Nast Traveller magazine as the best hotel in the Australia/Pacific Region, the Henry Jones Art Hotel provides an award winning mix of heritage, design and art. Sydney and Melbourne are also getting in on the act with The Storrier (Kings Cross) and The Olsen (South Yarra) being the first of a series of proposed inner city establishments.

Service is always at the forefront in travellers' minds and those who stay at the world's most glamorous hotels will be familiar with their butlers. Some establishments are now offering extended services such as shopping butlers to do your shopping or indulge you in some retail therapy[48]; bath butlers to run your bath, scatter flowers, light candles[49]; pillow butlers to fluff and arrange your bedding; and the latest known as the 'technology butler' to help their technologically challenged guests connect to the web or assist with software problems[50].

These types of services tap into the growing consumer demand for personalised products and services. It is increasingly evident that a one size fits all approach will not cut it; the challenge is to provide customised solutions to meet the demand for personalised products and services rather than appealing to the mass market[51].

Then there is the water, not the drinking variety but the kind for swimming in. Whether plunging or swimming laps is your thing, you can now check into villa and resort accommodation with its own private pool. This is now available at retreats such as Four Seasons Jimbaran Bay in Bali, the Six

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46 Kurosawa, S. 2008. 'The A to Z of travel: Do your have the knowledge?' In *The Weekend Australian Magazine*. 11-12 October 2008: 32-37.
47 Gramercy Park in New York, The Max in Seattle, The Gladstone in Toronto, The James in Chicago, Hotel des Arts in San Francisco and the New Majestic Hotel in Singapore.
48 Four Seasons Shanghai
49 Four Seasons, Ritz-Carlton, Mandarin Oriental and Rocco Forte Hotels
50 Technology butlers are now provided by a range of establishments from those operated by the Marriott and Ritz-Carlton.
51 Henley Centre Headlight Vision & Amadeus 2008. *Future Traveller Tribes 2020.* Report for the Air Travel industry. http://www.amadeus.com/amadeus/x47371 Accessed 15 November 2008.

Senses Hideaway Yao Noi in Thailand, and Peppers Bale in Port Douglas. Or, if real ocean is more your style you can stay perched above idyllic lagoons in French Polynesia[52], the Maldives[53], New Caledonia[54], and Fiji[55]. Alternatively, if you are looking for something really different, you can go underwater at The Jules Undersea Lodge in Florida or the proposed Hydropolis in Dubai. Continuing the theme will be the Poseidon Undersea Resort to open in 2010 in Fiji. Here lodgers will be able to stay in suites 12 metres below the surface of the lagoon, with acrylic window-walls to watch the fish through.

While some of these resorts are not new, their continued and growing presence highlight the ongoing and increasing demand for locations and experiences where travellers can immerse themselves in the environment, be it water or wilderness, in comfort and luxury.

Meanwhile on the resort scene, the latest in Australia is Qualia on Hamilton Island. Setting a new standard for tropical island resort accommodation in Australia, this resort has 60 contemporary Australian style beach-house pavilions of timber and glass set on cliff terraces. A reception and common dining building has been inspired by the classic Australian shearing shed. Building on the resorts appeal, the owners are also venturing into small but upmarket event tourism with a recent performance by the Australian Ballet as part of a collaboration that included Paspaley Pearls and Sarah Murdoch as MC.

At the other end of the spectrum, the number of bargain-hunting travellers searching out no frills accommodation is growing[56]. These are willing to forego many of the ancillaries and sophistication for a cheaper price, when at the core all they are seeking is a place to sleep. Significantly, there are a growing number of purpose designed and built establishments commonly furnished with flat-screen TVs, iPod docks and free wireless internet. In Japan there are the tiny capsule hotels, New York has the Pod Hotel, and Britain's has the easyHotel franchise and Yotels located at Heathrow and Gatwick airports. Similar hotels are also located in continental Europe (Qbic Hotels) and Malaysia (Tune Hotels). In Australia, the closest we have come thus far are the Formule 1 hotels that are located close to major airports.

FOOD AND DINING

There is a growing trend towards experiential food and wine tourism[57]. Highlighting its growing significance was the thrice mentioned food experience in Kurosawa's A to Z of travel[58]. Restaurants, restaurateurs and celebrity chefs, foodies, producers, and the leading food writers/presenters are all playing a role in building its prominence. Casinos and their precincts are becoming associated with the increasing presence of top-chefs. The Crown Casino in Melbourne has Neil Perry, Nobu Matsuhisa, Guillaume Brahimi, Philippe Mouchel and even rumours of Gordon Ramsey. While in Sydney, Sean Connolly is ensconced at Sydney's Star City. Significantly, this is not purely an Australian phenomenon with casinos in Las Vegas[59] and Macau[60] also featuring high profile chefs.

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52 InterContinental Bora Bora Resort & Thalasso Spa and St Regis Bora Bora in Tahiti.
53 Huvafen Fushi and The Beach House
54 Coral Palms Island Resort
55 Likuliku Lagoon Resort
56 Henley Centre Headlight Vision & Amadeus 2008. *Future Traveller Tribes 2020.* Report for the Air Travel industry. http://www.amadeus.com/amadeus/x47371 Accessed 15 November 2008.
57 Sustainable Tourism Cooperative Research Centre 2008. *Food and Wine Tourism in Australia.* Queensland, Griffith University.
58 Kurosawa, S. 2008. 'The A to Z of travel: Do your have the knowledge?' In *The Weekend Australian Magazine*. 11-12 October 2008: 32-37.
59 Alain Ducasse, Joel Robuchon and Thomas Keller

Meanwhile, celebrity chefs such as Gordon Ramsey, Rick Stein and Jamie Oliver are associated with multiple establishments the world over.

Such affiliations are also evident in the travel industry with Australians such as Neil Perry associated with Qantas, Matt Moran with Singapore Airlines, and Luke Mangan with Virgin Atlantic. There are the increasingly popular food and wine tours such as those provided by Australians Maeve O'Meara and Christine Mansfield.

Tasmania has not been left out though, with its "food ambassador", the world renowned Tetsuya, featured on Maggie Beer's television program *The Cook and the Chef,* and publications such as Tony Walker's recently released work *Providore Island: Tasmanian Fine Produce* that present Tasmania and its produce to readers, viewers and wannabe gastronomes locally and beyond the State.

Meanwhile groups such as Slow Food continue to grow locally and internationally. In Italy, festivals such as the Slow Food Bra Cheese Festival[61], Solone Del Gusto[62] and Terra Madre[63] in Italy are massive foodie events celebrating produce, provenance, culture, community and sustainability. Hobart's Taste of Tasmania, Launceston's Festivale, and the Taste of the Huon are local examples of such events at varying scales.

GROWTH OF GREEN – SUSTAINABLE TRAVEL & PRODUCT

Climate change concerns are now evident in the US, UK, Germany, China, Japan, South Korea, New Zealand, Ireland, Canada, India, Singapore, Malaysia, Hong Kong, Taiwan and France[64]. The rising environmental awareness of business, governments and consumers is building demand for tourism product with green credentials and strong connections with their community[65]. The latest large scale example of such environmental commitment is the 6 Star environmental rated Melbourne Convention and Exhibition Centre (MCEC). It is the only convention centre in the world to have achieved this status[66].

In essence, there are now three factors driving the growth of 'green'. Firstly, there are consumers who bring demand via choice and increasingly expectation that tourism operations in some way support the sustainable development of local cultures and communities and the protection of the environment. Secondly, operators with an environmental bent or passion making their business's more sustainable from a personal ethics perspective and/or to build a marketable 'green' product. Finally, more and more 'going green' is making good business sense; firstly from the perspective of engaging with a growing market, and secondly to reduce the cost of business in the medium to long-term. As the cost of energy and water is increasing, governments are offering grants and subsidies for water and energy conservation measures, alternative energy generation, solar hot water and the

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60 Joel Robuchon

61 http://www.cheese.slowfood.com/welcome_eng.lasso

62 http://www.salonedelgusto.com/

63 http://www.terramadre.org/

64 Tourism Australia 2008, *Tourism Australia's Brand Health and Communications Monitor: Attitudes to Climate change.* Data to 30 June 2008.

65 Henley Centre Headlight Vision & Amadeus 2008. *Future Traveller Tribes 2020.* Report for the Air Travel industry. http://www.amadeus.com/amadeus/x47371 Accessed 15 November 2008; and Hughes, C. 2008. *Tourism in Australia: Future Directions 2009-14.* National Tourism Alliance. 24 September 2008.

66 The Mole 2008. *Melbourne Convention and Exhibition Centre Goes Green*. http://www.travelmole.com/stories/1132309.php Accessed 23 Oct 08

like[67]. Such assistance in transitioning to more sustainable and reduced carbon business practices are particularly important in an industry such as Tasmania's, where 95% of tourism operations are considered micro-businesses[68].

CONSEQUENCES OF ECONOMIC SLOW DOWN AND OTHER FORCES[69]

There is now little doubt that, after 15 years of a sustained economic growth cycle in Australia, this growth trend has come to an end. Throughout this period, not only has Australia experienced around a 30% increase in GDP, moving from a 700 billion economy to breaking the one trillion mark in the past couple of years, but this period has also seen incredible growth in individuals net worth through massive growth in Australia's property markets, a close to doubling of value of the Australian share market and a sustained period of prosperity through real wage growth, low unemployment and low inflation.

As Australia moves into a new stage of its economic cycle, experiencing a contraction of GDP across recent months, many economists, bankers, business leaders and politicians are espousing varying perspectives on whether Australia is heading into a 'recession' or not and if so, how long the economic downturn will last. These widely varying views (not withstanding it now appears certain that the downturn has begun) and the impacts of such cannot be denied. The key is to accept, plan and adapt to the new and changing economic environment and its consequences.

As a level of anxiety and fear settled across the broader marketplace in recent months, many individuals began to take on a pessimistic view of their future financial and wealth position. Driven heavily by the media, but to some extent supported by reality, recent events such as a rapid depreciation in the value of the Australian and international share markets, well-publicised decreases in property values across the country, fears around future job security and other factors such as inflationary pressure on general cost of living have all worked in unison to create a perception (and seemingly justifiable fear) of a significant erosion of their net wealth position for individuals and their families.

However, in the current economic climate the general perception of the value of these assets reducing (and generally going backwards) will have a seriously negative impact on the psyche of individuals and their propensity to spend or save. The common reaction when such perceptions prevail is to cut down discretionary spend and immediately move to save wherever possible, based upon expectations of lower future returns. Tightening credit markets and restrictive lending by banking institutions also have a negative spending impact as individuals' borrowing opportunities diminish.

The Australian dollar has reduced in value from a high of $.98 US to current value of around $.67 US with economic forecasters suggesting an average moving forward in the $.60 to $.65 US range in 2009, and possibly moving to around the $.70 US in 2010. Although in the longer term a comparatively low Australian dollar value will have positive impacts on trade exports and inbound tourism based upon on the perceived value of Australia as a destination, it is difficult to see any real benefits in terms of increased visitation in the short term given the prevailing turmoil in our key

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67 Energy Matters 2008. *Government rebates and grants for renewable energy.* http://www.energymatters.com.au/government-rebates/ Accessed 14 Nov 2008.

68 Crawford, R. 2008. *International Strategy – Issues Paper*. Tourism Tasmania, August 2008.

69 Schleibs, R. 2008. Tourism Tasmania – Tourism Related Economic Issues and the Implications for Marketing and Distribution Activity. Iimagine Pty Ltd.

source markets. An immediate and real impact of the dollars' depreciation is a substantial increase in the cost of any international marketing, promotions and related travel (unless already paid in full). This includes an increase in the cost of any offshore operations, agency agreements and/or foreign currency denominated contractual commitments.

Indicators for the September quarter nationally indicated a significant slowing in retail spending. Many of the larger retailers such as Harvey Norman and Myer are already noting significant stress around spending on big ticket items such as TVs, computers and white goods. Their expectations are that this spending will continue to slow and they have reduced forecasts for consumer spending across the peak Christmas trading period.

This retail spending downturn does have direct ramifications on the demand for leisure tourism and holiday travel in that customer's reluctance to purchase big ticket retail items may well translate to a similar reluctance to spend equivalent amounts on leisure travel. Typically, these items are seen as economic substitutes for leisure travel, the fact that spending is reducing or not being made does not imply that money will now be available to be spent on leisure travel.

Tourism and hospitality businesses typically run on very tight margins, with their operations generally lean but not necessarily efficient. This leaves these types of businesses particularly vulnerable to prolonged economic downturns as a slight decrease in sales revenue can see businesses pushed toward very tight trading positions, particularly if operating outgoings have been quickly curtailed as demand declines.

However, any environment of dwindling demand and increased competition provides opportunities as well as barriers. The businesses that succeed through these economic times and even become stronger are businesses that move quickly to understand and adapt to the new environment. By focusing upon internal and external innovation, working to become relevant to the new market conditions and the new requirements of customer demand, new opportunities in new markets may be created even in difficult times. Businesses that fail to do this may survive but are likely to be highly marginal and unable to continue to survive a prolonged economic downturn.

Slowing demand out of inbound leisure markets has been obvious for some time. Japan has seen significant drops across the last few years and United States demand has been under pressure since the beginning of the sub-prime market meltdown midway through 2007 as its economy began to slow. Certain market segments such as the backpacker and budget markets have been under pressure for the last year or more, as the high relative value of the Australian dollar has driven up destinational cost.

With the building international credit crisis and the resultant impact on banks and stock markets worldwide all major Western economies are reeling. Although the crisis appeared to begin in the United States, the reality is that the exposures and levels of debt default are extremely high throughout all the developed economies. Based upon this it is likely that inbound visitor numbers from the United States, Canada, United Kingdom and Japan will decrease significantly in 2009 into 2010 as each of these economies moves into a recessionary period.

All of the developing economies including that of China, India, Eastern Europe and Russia are heavily reliant on Western capital and finance, or strong Western consumer markets (or both) for their economic prosperity. Given that both of these factors are in difficult times it is not easy to see how these developing countries can continue to be highly prosperous as most of the developed markets move into recessionary slow-downs.

For those individuals who are still working but are within 5 to 10 years of retirement, the current economic environment may lead to a wealth reduction effect that could have a significant impact on their saving and spending behaviour in the period leading up to retirement. For people that have actually retired, who in many cases will be the 65 plus demographic, the perceived reduction in wealth in the current economic climate may well be a very real wealth reduction both now and in the future. Domestic wholesalers and suppliers dealing heavily in this market have seen a very significant decline in sales and enquiries across the past month.

Although the 25 year-old to 55 year-old group makes up the majority of the Australian workforce and on the whole are far enough away from retirement to be able to recoup any losses incurred through the reduction in value of the stock market, superannuation, and property values, they are still likely to come under stress through a perceived wealth reduction effect. The younger end of this age range (up to around 35) has never experienced an economic downturn or recession during their working life. The effect on behaviours in this group in reaction remain to be seen, but surveys carried out over the past couple of weeks has seen a significant movement in what they consider to be their current key concerns and priorities, with their focus moving toward the current economic circumstances and away from environmental issues.

The following direct and indirect impacts are likely for Tourism:

- A slump in domestic air travel both from a leisure and corporate or business perspective.
    - Holidays and leisure tourism are generally seen by consumers as a first line luxury item and as such are the first items slashed from individuals and families budgets or in some cases substituted for more economical, value related substitutes and alternatives.
    - Companies see travel, travel related expenses, and MICE expenses as an easy cost cutting measure.
- Tourism and leisure related business and infrastructure projects are likely to be seriously disrupted with many being postponed or abandon.
- There is highly likely to be a significant reduction in outbound leisure travel, in sharp contrast to the last five years where outbound travel has been the prime driver of revenues and profits for the retail travel trade.
    - With an Australian dollar losing 30 to 40% of its value against the US dollar over recent months the real purchasing power and the 'value based' cost of long haul overseas holidays and travel has been lost.
- With the United States, United Kingdom, and Western and Eastern Europe, Japan and Russia already in recession the forecast for inbound tourism for 2009 and 2010 can only be soft as a consequence.
- With significant economic slowdown in China, East Asia and Southeast Asia it is also difficult to see these markets providing inbound growth in the near term.
- From a domestic leisure travel perspective it is highly likely that based upon economic drivers and consumer sentiment that the domestic travel market will be soft. In saying that, as is the case in any period of economic slowdown, and/or market turmoil, there are always opportunities in particular sectors and target markets.

- As individuals begin to focus increasingly on holidays, getaways and leisure travel opportunities that provide a particular value to the consumer, cost and financial impact will become an increasingly significant decision factor.
    - With cost and value as key decision drivers, it stands to reason that holidays and getaways of the shorter duration and close to home become increasingly popular.
    - We may see an increasing popularity of the experiential short break product offerings provided they are seen to offer a high level of value for the money.
- To those who wish to travel further afield, say to Tasmania, it is likely that length of stay will decrease from the current seven-day average to shorter single destination selections such as hub and spoke touring of Hobart and Launceston and surrounds.
- There is also evidence to suggest that contrary to popular belief, in this economic downturn the higher more affluent end of the market may not prove as resilient as in the past. Due to this market segments high levels of exposure to debt financing and the stock market, they may be restricted financially in the short to medium term. If this proves to be the case some of Tasmania is more unique and high-end product may experience a downturn in demand.
- From a family perspective it stands to reason that any increase in holidays within a relatively short driving distance from home so the three to five hours and or value 'fly and flop' destinations such as the Gold Coast may be competitively strong.
- In judging the competitive set of destinations available to domestic travellers perceived as good value, it must also be noted that Tasmania does not only compete with the other States of Australia but also with popular regional offshore destinations such as Bali, Thailand, Fiji and New Zealand.
- From a domestic business travel perspective there are already signs of corporate Australia significantly reducing corporate travel budgets. As is the case in any period of market retraction travel, expenses, meetings and conferences budgets tend to be the first and easiest to reduce. Hoteliers and airlines rely heavily on business and corporate travel and are likely to be affected by reduction in demand in the short to medium-term.
- The potential winners out of the tightening in demand the travel in both the leisure and corporate sectors are likely to be the online travel aggregators and online travel agents, as consumers spend an increasing amount of time browsing and searching for the best available value.
- The nature of online business models allows them to be highly market reactive to changes in demand, and to be proactive with travel specials and higher value holiday and travel deals - directly into consumers' homes and workplaces.
    - Although the reality may not necessarily match the hype there is a general perception by consumers that online travel agents are better value, cheaper and provide real-time deals that are not available through traditional trade distribution such as shop front travel agencies.
    - Consumers will increasingly go first to the net and online travel agencies to search for cheaper and better value travel and holiday opportunities, due primarily to convenience and ease of access.

- From a supply perspective there is no doubt that the tourism industry will come under significant stress from reducing revenues based on reducing demands. In an industry already infamous for operating on the incredibly small margins even a relatively small reduction in demand could have dire consequences for many tourism suppliers and travel distribution businesses.
    - Many Tasmanian suppliers may be particularly vulnerable given the high concentration of market power (owning and/or controlling the vast majority of inventory) in a small number of players in the Tasmanian industry. It should be noted that it will be imperative to ensure that the strength and vitality of the larger Tasmanian supplier groups such as Federal and Innkeepers be supported and maintained given that they are major independent drivers of business to Tasmania. If any of these larger suppliers were to contract on marketing spend or become financially stressed, it would have a seriously negative impact on the supply of Tasmanian product to market.
    - Any drop in demand for travel to Tasmania could have dire consequences for smaller businesses due to their inability to provide the level of value to the consumer that the larger industry players are able to offer.

As is the case with any economic slowdown, there are both challenges and opportunities for businesses and governments. Typically those who prosper and come through the period well are those who are willing to review and adapt effectively to the changed environment. Often this requires a total realignment of thinking within organisations and individuals as what has worked and been successful in the past may not be what are going to work and be successful in the future.

There is no doubt that there are real opportunities for Tourism Tasmania moving forward, with the challenge being of course adapting quickly to changes in customer perception and demand in the short term – both internally and in leading the industry.

Our Corporate Plan

Tourism Tasmania's Corporate Plan currently covers the period 2006 to 2009. The objectives of this Plan define our three-year Business Strategy and our Annual Operating Plan (which provide detail about our activities and goals, strategies and programs for the coming 12 months).

Our Island

Tourism is of vital importance to the Tasmanian economy:

- It directly contributes $950 million or about 6.4% to Gross State Product[70] (GSP).
- It comprises approximately 2,400 separate businesses[71].

In a period of growing concern over climate change, the diminishing strength of various world economies and the radical growth in the cost of fuel, Tourism Tasmania will remain focussed on helping to grow the Tasmanian economy through targeting new markets and segments that represent the greatest potential for growth, whilst maintaining existing markets and segments that continue to be of value to us.

By acknowledging the gaps in knowledge of Tasmania with potential visitors to our island and developing new marketing approaches such as the Zone Marketing Strategy, the adoption of digital distribution as an effective route for conversion and supporting industry by providing the capability to understand the opportunities for growth and investment, Tourism Tasmania can effectively aid industry in gaining an increase in our overall share of domestic and international tourism.

We also recognise the need to balance these economic goals with care for our community and our staff, protection of the environment, and preservation of our heritage assets. Our approach is to support the development of an industry that is truly sustainable into the future and which is supported by the people of Tasmania.

Our Role

Tourism Tasmania is a Statutory Authority operating under the *Tourism Tasmania Act 1996*, and is part of the Department of Economic Development and Tourism. The Department works to enhance Tasmania's economic, environmental and social well-being, both now and in the future, through the best use of Tasmania's natural and cultural assets and activities[72].

The role of Tourism Tasmania in the coming years is to:

> *Lead the industry to jointly deliver marketing and development programs that drive benefits for Tasmania from domestic and international tourism*.

To fulfil that role we will actively intervene in the tourism market to:

1. Create new knowledge and understanding for industry and stakeholders about tourism through research, analysis and insights.

[70] Tourism Satellite Account - Tasmania, 2003-04, Sustainable Tourism Cooperative research Centre, October 2007.
[71] TigerTour, Tourism Tasmania July 2007
[72] Department of Tourism Arts and the Environment Corporate Plan Overview 2006-2009

2. Address the barriers to conversion and travel to Tasmania by identifying and taking effective, consistent action with those who can make a difference.
3. Establish, articulate and maintain the Brand and Brand Values, particularly through creative and innovative marketing.
4. Achieve alignment of Tasmania's tourism product, experiences and infrastructure to match market expectations of the Brand.

Tourism Tasmania and the tourism industry must have a clear understanding of what our island can offer a potential visitor (and our own residents) that makes it both different and appealing. We collectively must confirm our competitive advantage and position ourselves as a desirable 'must go' destination in the hearts and minds of potential visitors. We will also focus strongly on convincing Tasmanians to consider their own island for holidays first, and converting that consideration into choice.

We will work with industry to further define our clear and motivating brand positioning – one based on the unique experiences on offer and targeted to those potential visitors who offer the best prospects for visiting. We will enter into true partnerships with the regions of Tasmania to add both depth and breadth to our brand promise.

OUR GOALS

Tourism Tasmania has set ambitious, but achievable, goals for the next three years which will need the continued full support of industry for success.

Our seven key goals focus on:

1. Growing our domestic tourism market share.
2. Growing our international tourism market share.
3. Growing the number of Tasmanians holidaying on the island.
4. Attracting high yield visitors.
5. Strengthening our relationship between our Brand and consumers.
6. Increasing stakeholder satisfaction with our performance.
7. Increasing customer satisfaction with their Tasmanian experience.

We will set measures and milestones for these goals for the next three years and provide regular updates on our progress.

We will set our sights high and will work to bring the individual efforts of the tourism industry together with a new emphasis on partnerships and creating joint business and promotional opportunities including:

- Working together to create a shared vision for the future.
- Developing new products and services to meet untapped market needs.
- Joint advertising and promotional programs which provide a shared platform for building our brand and converting awareness, preference and intention to visitation.

- Sharing information about our markets, how we are performing as a tourism destination and what is happening in our industry.

Contribution to the Tourism Industry

A tourism destination is supported by a system of organisations, businesses, governments, people, activities, information and resources involved in moving tourism information, products or services in physical or virtual manner from the supplier/operator to the consumer. This is often referred to as a 'supply chain'. The primary objective of supply chain management is to fulfil customer demands through the most efficient use of resources, including distribution capacity, inventory and labour. Each of the participants in the supply chain contributes the best value-adding activities for their organisation. Outlined below is where we contribute to the overall tourism supply chain for Tasmania.

Our Corporate Objectives and Related Programs[73]

Tourism Tasmania carries out its integrated activities through business units that are targeted to Marketing and Commercial Operations, Organisational Development and Strategy, Infrastructure and Industry Development, Office of the CEO, and the allied business unit, Events Tasmania.

Each Unit actively participates in the priorities of the Corporate Plan and undertakes a number of identified projects that are aligned to deliver each program.

Full details of the Program activities of Tourism Tasmania can be found in the 2007-08 Annual Report found at http://www.tourismtasmania.com.au/pdf/ann_report_2007-08.pdf .

[73] These priorities and key strategies have been developed to deliver on Tourism Tasmania's seven strategic goals and to meet the Authority's responsibilities as part of the Tasmania Together framework. Tasmania Together is an integral part of the State Government's strategic policy framework, providing a basis for Government policy priorities and for allocating resources. The Department has accountability for coordinating the Government's contribution to these benchmarks through the work of the divisions. Under this framework, Tourism Tasmania will develop and market compelling and unforgettable island experiences that: maximise economic, community and environmental benefits for Tasmanians; enhance the experience of visitors by fulfilling their physical and emotional needs; and, create a profitable environment for the tourism industry.

TOURISM 21

The Tasmanian tourism industry is well integrated with the activities of the State Government through the Joint Government / Tourism Industry Strategic Plan – Tourism 21, and a Protocol Agreement on how both parties will operate and communicate with each other.

Tourism 21 provides the strategic direction and blueprint for action to improve the performance, competitiveness and structural efficiency of the tourism industry in Tasmania. Under the agreement, both parties have committed to facilitate the sustainable growth of Tasmanian tourism and related employment and investment, and undertake joint delivery of the leadership and strategic direction necessary to achieve goals outlined in Tourism 21.

The first three year Tourism 21 Plan was launched in 1997 and subsequent three year Plans have followed.

In December 2007, the current three year Strategic Business Plan, Tourism 21; 2007 – 2010 was launched.

The Plan deals with significant issues such as air and sea access to the State, the growth of the internet in providing tourism information and conversion opportunities, growing concerns for the environment resulting from climate change and impacts of increasing visitor numbers, and the changing expectations of customers.

The agreed goals and targets of Tourism 21 are underpinned by a rigorous framework (using forecasts based on long term trends) to guide our planning.

These forecasts are reviewed quarterly as the many global drivers that impact our business unfold and as our efforts to build a stronger tourism industry for Tasmania take effect.

The current global financial crisis may impact on our industry in a number of ways including capital funds shortfall for new development and depending whether recession strikes key international market economies, a slowing of international demand despite the attractive Aus dollar exchange rate. Loss of consumer confidence generally within our domestic markets may have the same slowing effect. It is too soon however to articulate with clarity these views to industry and stakeholders.

The current plan sets out 10 year projections and three-year targets in a detailed and structured way across three key market segments:

- International visitors,
- Interstate visitors, and for the first time
- Intrastate tourism

For interstate visitors we seek to grow our market share from 4.2 per cent to 5 per cent by 2010.

For international visitors we seek to grow our market share from 3 per cent to 4 per cent.

For Tasmanians holidaying at home we seek to grow overnight trips by 10 per cent and grow day trips by 15 per cent.

These targets are anticipated to deliver a total spend of some $2.687 billion annually by 2010, up from $2.009 billion in 2007.

As at 30 June 2008, total spend in our industry was as follows:

International Visitor Spend	$0.245 billion
Interstate Visitor Spend	$1.226 billion
Intrastate Overnight Trips Spend	$0.318 billion
Intrastate Day Trips Spend	$0.369 billion
Total Spend	**$2.158 billion**

NATIONAL LONG TERM TOURISM STRATEGY

On 8 May 2008, the Hon Martin Ferguson AM MP, Minister for Tourism, announced the development of a National Long-Term Tourism Strategy[74] (the Strategy).

The Strategy will assist the Government in achieving its overarching policy goal, which is to maximise the net economic benefit of the tourism industry to the Australian economy. The Strategy will provide a long-term vision for the tourism industry and establish the basis for consistent long-term policy engagement with the tourism industry by successive governments. The Government has signalled that the development of the Strategy will be based on the application of a rigorous economic and industry policy framework.

The primary focus of the Strategy will be on the development of the productive capacity or supply side of the tourism industry. Issues to be considered will include tourism investment, labour and skills, climate change, and infrastructure. Consideration of tourism marketing will broaden the focus beyond leisure tourism to include other high yielding segments such as education and business tourism. It will also consider the impact of changing tastes and preferences across our key and emerging markets.

The Strategy, to be completed by mid 2009, will be developed in close consultation with the tourism industry and all levels of government.

Tourism Tasmania and the Tourism Industry Council of Tasmania recently made a joint presentation to the National Long-Term Tourism Strategy Steering Committee in Sydney on 27 October 2008.

NATIONAL AVIATION POLICY STATEMENT

Whether moving tourists, families, freight or business people, the aviation industry has been critical to the economic growth and development of Australia. Governments play a vital role ensuring appropriate policy and regulatory frameworks are in place, with settings that support the development of the sector consistent with the broad objectives of efficiency, safety, security and environmental responsibility.

The Australian Government is working toward the development of a comprehensive National Aviation Policy Statement (White Paper)[75]. This will provide greater planning and investment certainty for the industry, and provide clear commitments for users of aviation services and communities affected by aviation activity.

The *Towards a National Aviation Policy Statement: Issues Paper* was released in April 2008 as a basis for consultation and engagement, and to encourage industry and community input to assist the Australian Government's development of a National Aviation Policy Statement. The initial round of consultation has been completed and the *National Aviation Policy Green Paper* is proposed to be released in late November 2008, with further opportunity for stakeholder input prior to finalisation of a detailed National Aviation Policy Statement in mid-2009.

[74] http://www.ret.gov.au/tourism/policy/national_long_term_tourism_strategy/Pages/NationalLongTermTourismStrategy.aspx

[75] http://www.infrastructure.gov.au/aviation/nap/submissions.aspx