Tourism WA
CORPORATE PLAN
2016-17
CORPORATE PLAN 2016-17

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Tourism Western Australia

Summary and highlights

In this Corporate Plan you will see Tourism Western Australia’s (Tourism WA) continuing commitment to the State Government Strategy for Tourism in Western Australia 2020 (Tourism 2020 Strategy) goal of $12 billion in visitor spend by 2020. We are just over the half-way point in the Tourism 2020 Strategy, with much of the first phase focused on ensuring tourism was recognised as a key economic driver for Western Australia, and building the supply side assets – additional hotel rooms, aviation access and major infrastructure developments. The next phase of the Tourism 2020 Strategy involves driving extra demand through an even greater emphasis on marketing and events.

At the same time, it is acknowledged that there have been fundamental shifts in the tourism market since 2010 when the Tourism 2020 Strategy was developed. These changes include macro factors such as the depreciation of the Australian dollar, desire for greater safety and security in holiday destinations and the state of the Western Australia economy, as well as a downturn of the resources sector. All offer the tourism sector both opportunities and challenges.

At the same time, there has been significant public and private investment in tourism assets across Perth and regional Western Australia, including Elizabeth Quay, the Perth Stadium and a significant number of new hotels coming into Perth.

The Tourism WA Board is undertaking a refresh of the Tourism 2020 Strategy, to ensure the goal of increasing visitor spend to $12 billion by 2020 is achievable. This work will identify if any change of focus is required for the remaining years, and whether initiatives and activities need to be modified to better deliver on the 2020 visitor spend goal. The result will be a revision (but not wholesale change) of the Tourism 2020 Strategy for government and industry, and will
be completed by the end of 2016.
In the year ending March 2016, visitor expenditure in Western Australia reached $9.3 billion, up from $8.7 billion the year prior. At a high level the tourism industry is on track to reach $12 billion in visitor spending by 2020.
However, in order to achieve this spend goal there are some headwinds around visitation and spend that need to be highlighted and addressed. The growth in visitor spend has been driven by intrastate visitation and business travel. Whilst visitation from international and interstate markets has increased, visitor expenditure from both these source markets has decreased.
Tourism WA has observed a shift in travel patterns, with a decrease in the number of people visiting from international markets on working holiday visas, travelling for business, and those people visiting for employment. In contrast, there has been an increase in the number of people travelling purely for a holiday from some of our key markets. Tourism WA will continue its focus on leisure visitors across all its priority markets.
Tourism is undoubtedly a significant industry for Western Australia. The industry generates more than 97,000 jobs, or around 7% of the State’s employment. It enables critical infrastructure like airports, road and hotels, major developments such as Elizabeth Quay and Perth Stadium, and plays an important role in the economic development of regional Western Australia.
In order to increase expenditure from visitors, Tourism WA and the tourism industry need to work in partnership to increase the number of leisure visitors and business events visitors. Aligned to this is the need to capitalise on international education, given the visitation link between international students and Visiting Family and Friends. Currently, Western Australia sits behind the rest of the nation on international enrolments, so tourism also needs to work with the education establishments to support one another and ensure all our messages are consistent.
Tourism WA has been focusing on a number of key areas to address these challenges, which will continue for the next 12 months. It is acknowledged that there may be some revision of these activities on the basis of the Tourism 2020 Strategy evaluation, but the overall focus for 2016-17 will remain.
At the heart of Tourism WA’s efforts to build tourism demand for the State is marketing, and the recent launch of a new tourism marketing campaign – Just Another Day in WA – marks a fundamental shift in the way Tourism WA promotes the State as a holiday destination.
Key to this campaign is a focus on personal story telling about the wealth of experiences that can be enjoyed on any given day in Western Australia. These experiences are shared through a greater use of digital and social media, as well as traditional advertising, to ensure we reach prospective leisure visitors through a number of different channels. This campaign will highlight Western Australia’s Indigenous experiences, signature visitor experiences, as well as food and wine, aquatic and coastal offerings. The tourism industry has embraced this activity by sharing its examples of what makes Western Australia an extraordinary place to visit.
On the supply side Tourism WA has been active in ensuring that much needed additional hotel rooms for Perth are realised, and that tourism is a consideration in major infrastructure developments, whilst also focusing on improving aviation access to and within Western Australia.

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An activation plan for Perth Stadium is well underway, with a series of announcements on international sporting events that will be hosted at the new stadium when it opens. Events such as hosting the second game of the National Rugby League State of Origin series, which is one of the most watched sporting events on Australian television with an audience of around four million viewers, lays the ground work of positioning Perth as host of major, visitation-generating, international events and establishing our credentials in this space.

Aligned with this work Tourism WA has formed the Destination Perth Marketing Partnership with StudyPerth, Experience Perth, Perth Convention Bureau, City of Perth, Department of Education Services, Metropolitan Redevelopment Authority, Tourism Council Western Australia, and Australian Hotels Association Western Australia. The aim is to develop common brand messages and imagery for Perth to be used by destination marketing organisations, educational institutions, and tourism and hospitality businesses. The group will also establish a marketing calendar with the aim of aligning marketing activity and identifying opportunities for collaborative marketing projects.

Tourism WA has also begun repositioning Perth, working with Australian Tourism Export Council and other partners to make travel distributors aware of the changes that have occurred in Perth, and letting them know what Western Australia now has to offer. This includes more than 2,500 new hotel rooms coming to market over the next three years.

Air services are an essential mode of transport for regional communities in Western Australia, and aviation is important for the resource and corporate sectors as well as the regional tourism industry. Consequently aviation plays a critical role in both the economic and social development of the State. Tourism Western Australia’s regional focus is on the development of sustainable air services to grow leisure tourism to and within the State, stimulating economic growth.

The outlook is optimistic for Western Australian tourism. However, there remains a need to ensure that both Tourism WA and the industry work in partnership to capitalise on the growth opportunities which tourism presents to the Western Australian economy.
• 9.3 million overnight visitors
• 19 million day trips
• Visitor expenditure $9.3 billion
  YE March 2016
• 97,000 jobs - 7% of the
  State’s employment
About Tourism Western Australia

The Western Australian Tourism Commission (operating as Tourism Western Australia - Tourism WA) is the Western Australian Government statutory authority, established under the Western Australian Tourism Commission Act 1983 (the Act), to facilitate the development and marketing of tourism in Western Australia.

Tourism WA’s role is primarily as an economic development agency focusing on facilitating the development and promotion of Western Australia as a holiday, event and business destination. These functions are achieved by marketing the State as a competitive destination; developing, attracting and marketing major events; and supporting the development of significant tourism infrastructure.

About this Corporate Plan

Tourism WA has statutory requirements to produce a Corporate Plan that provides an overview of its strategic direction for the coming financial year (2016-17). This Corporate Plan will summarise progress against the State Government Strategy for Tourism in Western Australia 2020 focusing on the “Gaining Momentum” phase, which began in 2015.
Our Vision

The vision for Tourism WA is:

“Through partnership between private sector and government, the State’s tourism industry will achieve its full potential by delivering against the tourism brand promise – Experience Extraordinary Western Australia.”

Our Goal

Tourism WA shares its goal with the Western Australian tourism industry, and federal, state territory and local governments to maximise tourism’s contribution to the Australian people. The national stretch target is a challenging one: to achieve $140 billion in annual overnight tourism expenditure by 2020.

To bring this vision to life, over the decade between 2010 and 2020, a stretch goal for tourism in Western Australia has been developed. This is: to double the value of tourism in Western Australia from $6 billion in 2010 to $12 billion by 2020.
The State Government Strategy for Tourism in Western Australia 2020 was released in December 2012 following comprehensive consultation with the tourism industry and government agencies. It is a whole-of-government and industry long-term strategy to build the resilience and competitiveness of Western Australia’s tourism industry and grow its economic contribution to the State’s economy.

In order to achieve the stretch goal by 2020, seven strategic pillars were identified. These pillars have been determined by linking the critical issues for tourism, along with the current strategies of Tourism WA, other government agencies (Federal, State and Local) and the broader tourism industry.

The seven pillars address both demand and supply-side issues. Each of the pillars has a different role in relation to the four major source markets for Western Australia - International, Interstate, Intrastate and Day Trippers.
### THE STRATEGIC PILLARS IN MORE DETAIL

<table>
<thead>
<tr>
<th>STRATEGIC PILLARS</th>
<th>OUTCOMES BY 2020...</th>
<th>DETAILS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brand</td>
<td>Firmly establish the Experience Extraordinary brand</td>
<td>The Experience Extraordinary brand represents a significant opportunity to stimulate awareness and demand in key markets, and at the same time provide industry with a clear and aspirational benchmark for the delivery of high quality products and services.</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>Expand hotel, aviation and workforce infrastructure to support the growth</td>
<td>Government and industry partnership is critical to address systemic shortfalls in hotels, aviation and transport, workforce development and other infrastructure areas.</td>
</tr>
<tr>
<td>Business Travel</td>
<td>Increase the contribution and leverage of business travel to Western Australia</td>
<td>With the move from the construction to the production phase, in the resources sector, the business travel segment is less buoyant. It still represents an important segment to drive growth in both international and domestic visitation – for business and leisure.</td>
</tr>
<tr>
<td>Asian Markets</td>
<td>Grow Western Australia’s share of high-yield Asian markets</td>
<td>It is critical to focus on international growth markets. To ensure that Western Australia grows its share, we balance the needs of Asian markets with high yielding, high dispersing markets like UK, Germany and USA.</td>
</tr>
<tr>
<td>Events</td>
<td>Position Western Australia as a recognised events destination for locals and visitors</td>
<td>Events are a powerful yet currently underutilised asset to help energise intrastate and interstate demand, appeal to overseas markets and physically represent the Experience Extraordinary brand proposition.</td>
</tr>
<tr>
<td>Regional Travel</td>
<td>Increase visitors to regional Western Australia</td>
<td>Many of the iconic experiences in Western Australia are located in regional areas, along with many of the leisure based tourism businesses. To support regional tourism businesses, having a clear plan for increasing visitors to regional areas is critical.</td>
</tr>
<tr>
<td>Indigenous Tourism</td>
<td>Provide every visitor with the opportunity for an Aboriginal tourism experience</td>
<td>Extending the reach and impact of Aboriginal tourism experiences is critical to differentiation in overseas markets and delivers on the Experience Extraordinary brand promise.</td>
</tr>
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Tourism 2020 Strategy

To understand the phases of progress towards the 2020 goal, detailed modelling was undertaken on the potential economic impact of identified infrastructure projects. These projects include aviation and airport development, hotels and eco-resorts throughout the State and caravan, camping and cruise ship infrastructure. It was identified that much of the impact from market development and branding strategies will only start to have an impact once the building blocks of infrastructure development are in place. Specifically, three ‘growth horizons’ were established: Setting the Foundation, Gaining Momentum and Achieving the Potential.

In the “Setting the Foundation” growth horizon, the emphasis was on generating investment in Western Australia’s tourism assets and in facilitating the development of major tourism infrastructure in the State. Example projects include working across Government agencies to develop a policy environment that increases the relative attractiveness of investment in hotels to address the significant shortfall of hotel rooms in Perth.

For the “Gaining Momentum” growth horizon this means a continued focus on activating new infrastructure e.g. Elizabeth Quay, along with forward planning for new event infrastructure such as the Perth Stadium to maximise their tourism outcomes for the State.

Alongside there will be; increasing focus on leisure visitors with all marketing activity (including a new brand marketing campaign), more efficient promotion of Perth, a regional aviation focus to develop sustainable air services to grow leisure tourism, and a review of the State Government Strategy for Tourism in Western Australia 2020.

The “Achieving the Potential” growth horizon will look to amplify initiatives once the building blocks of infrastructure development are in place, with a focus on driving yield by getting visitors to stay longer, do more and disperse further when they visit. To ensure that travel partners increase their target consumer reach, and continue to deliver optimum return on investment. In parallel have an increased focus on conversion with all marketing activity linked to a distribution partner.

Review of the Tourism 2020 Strategy

The Tourism 2020 Strategy was released by the Government in December 2012 and outlines the vision for tourism in Western Australia with the goal of increasing visitor spend to $12 billion by 2020. The Tourism 2020 Strategy outlined specific focus areas for the tourism industry in Western Australia that were relevant to driving growth and reaching the proposed stretch goal. At the time the Tourism 2020 Strategy was being developed, it was recognised that the priorities, activities and initiatives may be need to be reviewed.

Since 2012 the Western Australia economy has undergone significant change, with significant resources growth producing commodity prices just off their historic highs, and investment in the sector at record levels, to 2015 with the domestic economy recording negative growth and the unemployment rate hitting a fresh 13-year high of 6.5% in November 2015.

Despite the downturn in resources, the tourism sector still has the potential to realise the 2020 target due to depreciation of the Australian dollar, and more favourable business operating conditions. The construction of major tourism investments, including new hotel developments, upgrades to the airport and surrounding infrastructure and major infrastructure projects such as the Perth Arena, Perth City Link and Elizabeth Quay, will also help to boost tourism expenditure.

These changes at a domestic State level need to be set alongside the changing backdrop in Tourism WA’s source markets – Intrastate, Interstate and International, as well as a number of global travel trends – social, technological, environmental, economic and political.

In December 2015 the Tourism WA Board agreed to review the Tourism 2020 Strategy with a view to providing a refreshed strategy for government and industry that reflects the current tourism environment and market trends. The Tourism 2020 Strategy will also identify the key initiatives to enable the tourism industry to meet the stretch goal of $12 billion in visitor spend by 2020.
Our Partnership Approach

A partnership model that recognises the distinct roles of both government and industry is critical to the achievement of the growth aspirations for tourism in Western Australia by 2020. All parties need to understand, support and participate in the overall vision for tourism in Western Australia.

Tourism WA actively collaborates with government and industry to create demand for travel to Western Australia through partnership marketing. This approach increases the opportunity to reach target customers and increase share of voice in the highly competitive global tourism environment.

Ensuring that potential visitors have the right information and can easily access and book quality tourism products in Western Australia drives distribution activities. To achieve this Tourism WA needs to lift both consumers’ and distributors’ knowledge about Western Australia.

Government Focus

Tourism WA works with key Government partners that develop policy and manage key infrastructure projects creating a favourable environment for tourism investment. Some of the key agencies are:

- Department of Sport and Recreation and VenuesWest on the development of the new Perth Stadium
- Metropolitan Redevelopment Authority on Elizabeth Quay, Perth City Link and Scarborough
- Department of Transport for regional aviation
- Departments of Parks and Wildlife, Local Government, Main Roads and the Regional Development Commissions on regional tourism
- Department of Regional Development on regional tourism developments including events, marketing and infrastructure.
- LandCorp, Department of Planning, Department of Lands on accommodation and hotel development across Western Australia.

Tourism WA has been working with these agencies to develop a shared understanding of expectations and to ensure the most positive outcomes for tourism in the State.

Industry focus

To achieve the goal of doubling the value of tourism in the Western Australia, the State’s tourism industry must provide support and actively participate in the overall tourism vision for the State.

Peak bodies provide capacity building across the industry. In addition, Tourism WA undertakes cooperative marketing across our key markets with trade distribution partners such as airlines, wholesalers, retail travel chains and online tourism retailers that have the ability to retail a wide range of Western Australia tourism product. This improves access to quality Western Australian tourism experiences and increased customer bookings.

Key Initiatives: 2016-17

There are different Key Initiatives for each phase of the Tourism 2020 Strategy. All Key Initiatives will be linked to or support the seven strategic pillars.

1. Review of Tourism 2020 Strategy

Tourism is a key economic driver to the Western Australia economy generating more than 97,000 jobs and injecting $9.3 billion into the Western Australian economy. In addition to the economic benefits and business activity, tourism has a broader role in the visitor economy – which includes all visitors that travel outside their usual environment to engage in activities including leisure, business, events, employment, and education or to visit friends and family.

The Tourism 2020 Strategy was endorsed by Cabinet and released in December 2012, following comprehensive consultation with the tourism industry and government agencies.
Between 2010 and 2020 a stretch goal for tourism in Western Australia was developed to double the value of tourism – from $6 billion in 2010 to $12 billion in 2020.

Since development of the Tourism 2020 Strategy the tourism sector – globally and nationally, has been impacted by external factors including global natural and economic crises in key source markets, exchange rate fluctuations, rapid growth in outbound travel and the changing visitor travel behaviour aligned to the growth of digital technology in travel planning. Closer to home, the Western Australian economy has undergone a significant change since 2012, when the Government first released its Tourism 2020 Strategy.

The review of the Tourism 2020 Strategy was endorsed by the Tourism WA Board to provide a refreshed strategy for government and industry to reflect the changing tourism environment and market trends. The objective is to revise the Tourism 2020 Strategy in order to generate the optimum outcome and enable the tourism industry to meet the identified stretch goal of $12 billion in visitor spend by 2020.

Tourism WA will lead the review in consultation with the tourism industry, other government agencies and key delivery partners, to determine the strategic requirements and partnership approach required to deliver the designated 2020 growth target.

The Tourism 2020 Strategy will be finalised by the end of 2016 and communicated to Industry.

2. New Brand Marketing Campaign

A new marketing campaign entitled ‘Just Another Day in WA’ was launched in June 2016. The campaign idea is to showcase, through the eyes of real people, the wealth of extraordinary experiences you can have on any given day in Western Australia. The campaign assets include film, photography, a new website and a first person storytelling angle to engage the consumer. This will encourage them to find out more about what Western Australia has to offer, and to share their own experiences across social media.

The campaign was rolled out initially to the domestic market and then internationally and through cooperative marketing to all key markets by the end of 2016, focusing on leisure visitors. Key to the success of this campaign is adoption by the tourism industry to deliver the visitor experiences which capture Just Another Day in WA. Industry champions for the new campaign have been identified and Tourism WA will continue to work with them, and their networks on how they can work with the campaign to promote their tourism products.

Additional film content will be created by the end of 2016 to provide a total of 18 films covering all regions of the State. To support the increased focus on digital, a full review of digital marketing will be undertaken with the objective of ensuring the campaign reaches a broader and more targeted audience. A series of measures are in place to monitor the success of the campaign through different media.

3. Perth Stadium Activation

The Western Australian Government is providing significant investment in event infrastructure, including an investment of more than $1.2 billion into the construction of the new 60,000 seat Perth Stadium and precinct, to deliver the best sporting stadium in Australia. A total of $19 million was allocated, in the State Budget 2016-17, to assist with the attraction of major events for the new Perth Stadium and to position Western Australia as a globally competitive, tourism events destination.

Tourism WA will continue to work with key government and non-government stakeholders to secure major events for the Perth Stadium and maximise their tourism outcomes for the State which includes an AFL Tourism Strategy.

4. Destination Perth Marketing Partnership (DPMP)

This Tourism WA led initiative was developed out of recognition that a more collaborative and efficient promotion of Perth is critical to maximising visitation return on the many recent public and private investments in the city. This broad multi-entity working group was
formed to make the decision on the preferred model for marketing Perth as a destination. After consultation with over 50 stakeholders the DPMP has developed to the point where Experience Perth (leisure), Perth Convention Bureau (business), Study Perth (education) and Tourism WA have been identified as the key decision makers in the implementation of a shared brand for Perth.

The DPMP will lead development of a single brand for Perth tourism marketing. It will collate and commission relevant research, consult stakeholders as required, and engage and brief a creative agency to develop a Perth brand. The products of the DPMP are intended to be shared and will include: iconography, shared calendar and messages, an image library, a high level style guide and potentially a logo.

5. Regional Aviation

Tourism WA’s regional aviation focus is on the development of sustainable air services to grow leisure tourism to and within the State, stimulating economic growth. Critical factors in identifying opportunities for regional aviation include market potential and supporting tourism infrastructure, as well as location, population and other industry support.

The Tourism WA Board has endorsed the focus for regional aviation development to six key destinations over the next four years, namely Busselton, Broome, Kununurra, Exmouth, Albany and Monkey Mia. Aviation development activity for the latter five destinations relates to reviewing the performance of the routes and seeking opportunities to work with partners, including existing and new airlines, to increase tourism patronage on these routes.

The redevelopment of the Busselton Margaret River Regional Airport is a key infrastructure focus of Government, with $59.95 million in Royalties for Regions, Department of Transport and City of Busselton funding announced in 2015. The redevelopment of the airport is being managed by the City of Busselton, the airport owner. Tourism WA is part of the oversight committee for the redevelopment, that also includes the South West Development Commission (Chair) and the Departments of Treasury, Transport and Regional Development.

In partnership with the City of Busselton, Tourism WA is leading the airline engagement activities aimed at securing a carrier to operate direct flights from the Eastern States into the Margaret River Region (MRR). Current projections estimate that the development project will be complete and the airport available for direct flights from the East Coast by late 2018.

Tourism WA also continues in the promotion of the MRR to grow inbound tourism prior to the flights commencing as well as working with local stakeholders to assist the industry to be ready for interstate flights once secured.
Progress to date

The Tourism 2020 Strategy contains the goal to double the value of tourism in Western Australia – from $6 billion in 2010 to $12 billion by 2020. The visitor spend target set for 2015 was $8.71 billion. Visitor spend in the year ending December 2015 reached $9.0 billion.

While targets have been met to this stage, the high dependence on Intrastate visitors still represents a risk going forward.

PROGRESS AGAINST THE 2020 GOAL VISITOR SPEND

Note: From January 2014 the National Visitor Survey methodology was changed to include mobile phone interviewing to provide better coverage of the Australian population. As a result of this improvement, YE December 2014 estimates are not directly comparable to estimates from previous years.
Challenges and constraints

Since the launch of the Tourism 2020 Strategy in 2012, the tourism sector has been exposed to a number of shifts in the global marketplace. The tourism sector remains an extremely dynamic, rapidly changing industry which is subject to numerous external influences: global economic factors, changes in consumer behaviour, shifts in the media landscape and the composition of the travel industry.

While the Western Australia tourism industry cannot control these external forces driving global tourism demand and its impact on the local economy, it can plan for the future, to ensure that the unique challenges and trends for Western Australia are considered in the development of the strategic plan.

Market challenges

International markets will continue to be the growth engines of the tourism industry in Australia over the next few years. In the 12 months to end of March 2016, international spending has risen by 17% to a record high of $38 billion*. In contrast to the national picture, Western Australia is still extremely reliant on domestic tourism with only a 10.5%* share of Australia’s international tourism spend over the same period. In order to take advantage of the growth from international markets, Western Australia needs to increase its share of spend from international visitors to Australia, compared to other states.

Strong visitor growth from the high yield Asian markets is driving changing visitor expectations in terms of experiences and destinations. Adjusting existing tourism products and development of new product to meet the needs of Eastern visitors is essential.

Western Australia’s domestic tourism outlook is a contrasting picture of two halves. The intrastate market has seen strong performance, outpacing national trends with 26% growth in 2015 compared to 6% in Australia. These strong growth rates are not forecast to continue with the weakening economy impacting consumer confidence and travel from this market.

Whereas in the interstate market, the level of spend in Western Australia needs to grow beyond the five year average of 5.7%, as interstate spend in Australia is forecast to have greater growth potential as compared to the intrastate overnight market. There needs to be a focus on lifting interstate spend above its five year average, and preparation for moderate growth in intrastate visitation accommodated in Western Australia’s plans. Both challenges need to be overcome to achieve the expenditure potential for 2020.

Funding

Whilst Western Australia has many natural advantages that have helped grow its tourism industry, this does not provide a compelling or enduring competitive advantage over other states and countries. That enduring competitive advantage can only come from the enterprise of tourism businesses to leverage these natural assets, from government providing the infrastructure and policies to encourage tourism business growth and innovation, and effective marketing to build global awareness of Western Australia as a holiday destination.

The ability for Western Australia to achieve this will depend on a range of factors, including the funding that can be allocated to effectively market the State to the world. It is imperative that a sufficient level of funding certainty is provided to allow for long term planning and strategy implementation, and to provide confidence to the tourism industry so they too can invest for the longer term.

Budget 2016-17

Details of our Budget breakdown and KPIs are available at http://www.tourism.wa.gov.au/About%20Us/What_we_do/Pages/Annual-Report.aspx

*Source: Tourism Research Australia. – International Visitor Survey: Year end March 2016
**Digital Disruption**

Digital is the primary source of travel inspiration with 65% of leisure travellers inspired by online sources, most notably through social/video sites and search, while 42% of travellers are inspired to travel by YouTube content. Mobile is critical at all stages of planning and influencing booking decisions, with smartphones used throughout the travel process. The Western Australia tourism sector will need to better engage with visitors and meet their needs both when connecting digitally and when they prefer to be fully present in the tourism experience.

**Key constraints**

To take advantage of the significant growth in demand from source markets will require an equally substantial uplift in supply capacity across a range of areas:

- Aviation capacity and competition
- An adequately skilled workforce

Tourism WA will continue to develop international aviation capacity to Western Australia, and domestically to support and develop regional aviation to achieve growth in tourism visitation to relevant destinations.

Access to an adequately skilled workforce is critical to growth in tourism in Western Australia, with competition from other industries, and the need for consistent skills training. Since 2006-07, tourism employment (direct and indirect) has grown by 12,000 or 4.7%, compared to growth across all sectors of the economy of 220,000 or 19.7%.
Our Environment and Industry Outlook

The economic and environmental outlook has been provided by ACIL Allen Consulting and covers performance up to and including December 2015, with forecasts out to 2016-17.
The Western Australian economy has undergone significant change since 2012, when the Government first released its Tourism 2020 Strategy. In 2012, resources growth was in full swing – commodity prices were just off their historic highs, and resource sector investment was at record levels, bringing with it record levels of employment in the sector.

Fast forward to 2015, and the economic context has changed dramatically, with the domestic economy recording negative growth in 11 of the last 12 quarters to December 2015, and the unemployment rate hitting a fresh 13 year high of 6.5% in November 2015.

After recording average annual rates of growth in the domestic economy of 8.4% per annum in the years leading up to 2012, the economy has since contracted by 2.4% per annum between 2013 and 2015 Western Australia’s domestic economy is now back to the size it was in 2011.
Western Australia’s labour market continues to weaken in the face of a slowing economy. While the number of people employed has risen by 32,800 since November 2012, this is entirely due to the growth in part time employment, with the number of full time workers declining by 29,700 over this period.

The annual state accounts released by the Australian Bureau of Statistics in November show real gross state income falling by 8.9% in 2014-15, meaning the Western Australian economy was in an “income” recession last financial year. Compared to 2012, real gross state income was 5% lower in Western Australia, representing a loss of $12.8 billion in income in the economy available for spending. Across Australia, overall levels of income were up by a modest 2% or $30.5 billion between June 2012 and June 2015.

However, against this trend, the (long overdue) depreciation of the exchange rate has played an important role in supporting the transition in the economy. The Australian dollar has depreciated by over 35% against the US dollar since the 2011 peak in commodity prices, which has provided the strong incentive for Australians to switch to domestic tourism, as well as encouraging a pick-up in demand for international tourists.

More recently, the Australian dollar has appreciated by 8% from its recent low, with a number of downside risks to the value of the dollar. The Reserve Bank of Australia recently reduced the official cash rate by another 25 basis points to a fresh low of 1.75%, with the scope to reduce further if deemed appropriate. Further, the United States Federal Reserve is embarking on a period of interest rate normalisation. The two headline figures from Australia and the United States have implications for capital flows between the two nations, which has a significant bearing on the exchange rate. As a result, it expected that as the two headline figures draw closer together, the Australian dollar will depreciate.

Despite the downturn in the resources sector, the tourism sector still has the potential to realise the Tourism 2020 Strategy target because of the more favourable business operating conditions, as well as the boost to the sector’s competitiveness as a result of the depreciation of the Australian dollar. The construction of major tourism investments, including new hotel developments, upgrades to the airport and surrounding infrastructure, and major infrastructure projects such as Elizabeth Quay and the new Stadium, Scarborough foreshore and Rottnest will also help to boost tourism expenditure over the coming years.


2 Real Gross State Income measures the economic output of the state – or Gross State Product – but then is adjusted for changes in the terms of trade. It is the most appropriate measure of the change in real purchasing power of the income generated within a state.
Tourism Industry Trends

Beyond the broad 2020 target measure of tourist spending, there are a range of economic indicators which should also be used to highlight the trends in the industry, and assist in understanding the prospects for the future.

In Gross Value Added (GVA) terms\(^3\), the Western Australia tourism sector grew by 39% between 2006-07 and 2013-14. However, the broader trends across the Western Australia economy have seen total GVA rising by 95% over the same period, or 85% if Western Australia’s dominant resources sector is excluded.

This relative underperformance of the Western Australia tourism industry has meant that its overall contribution (direct and indirect impacts) to the Western Australia economy has fallen in recent years, from 4.8% in 2006-07 to 3.2% in 2013-14.

\(^3\)Gross Value Added (GVA) is considered to be one of the most accurate measures of the contribution of an industry to an 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.
Against other states, Western Australia has been able to maintain its competitive position in recent years, with its share of Australia’s direct tourism GVA holding at 10%. Key to maintaining Western Australia’s share has been the growth in Western Australia’s market share of intrastate visitor spend, which reached a high of 12.6% in 2014-15. This helped offset the reduction in Western Australia’s share of interstate and international visitors spend, which has seen:

- Western Australia’s share of interstate visitor spend decline to 5.8% in 2014-15, compared to a high of 7.6% in 2013-14; and
- Western Australia’s share of international visitor spend decline to 10.8% in 2014-15, compared to a high of 12.2% in 2012-13.

Western Australia has lost its market share of Australian interstate and international trips (holiday and leisure) over time, with its share falling from 5.9% in 2008-09 to 4.8% in 2014-15. Over the same period, NSW and Victoria increased their share of the interstate and international holiday markets (excluding trips by Western Australian residents) – with Victoria rising from 22.1% to 26.2% and NSW rising from 38% to 40.4%. Queensland’s share also declined, but from a much higher base, with its share falling to 28.1% in 2014-15 from 33.6% in 2008-09.
Western Australia’s Economic Outlook

There are both positive and negative influences that make the near term outlook for Western Australia more unpredictable than it has been for many years. While the economy is expected to grow over the coming years because of the boost to exports, the headline numbers will mask to some degree the continued weakness in the domestic economy.

The Government’s revised economic forecasts presented in its 2016-17 Budget scaled back the growth expectations for the Western Australian economy, with economic growth forecasts reduced to 1% in 2015-16 and 1.25% in 2016-17, driven largely by the further contraction in the domestic economy.

Weaker consumer spending will continue to provide little support to economic growth in offsetting large declines in business investment. Household consumption makes up the largest part of the Western Australian economy (46%), and grew by 1.1% in 2014-15. The Government has consumption growing by 1.75% in 2015-16 and 2016-17, before returning to trend levels towards the end of the forward estimates (3%).

The contraction in the domestic economy has led to an uncertain economic environment for the consumer and business sectors, and as a result weighs heavily on overall levels of confidence.
Consumer and business’ expectations of the Western Australia economy reached record lows during 2015 and have remained at these lows so far in 2016.

For the tourism sector, the labour market outlook and the broader population trends provide important insights into the financial health of domestic tourists.

The Western Australian Budget has estimated that the unemployment rate in Western Australia will average 6.25% in 2015-16 and 6.75% in 2016-17, driven largely by the slowdown in job creation across the economy.

Over the next few years, it is likely that the labour market will remain soft, as employers continue to hold back on their recruitment plans, and as thousands of construction workers seek out new employment opportunities as the Gorgon, Wheatstone and Roy Hill projects continue to phase from construction into production.

In response to the weaker labour market outlook, the number of people migrating to Western Australia has slowed significantly. As with other economic indicators, the Western Australian Government has revised down its forecasts for population growth to a below-average 1.2% in 2015-16, rising marginally to 1.3% in 2016-17.

Despite the weaker domestic outlook, domestic tourism is a growth opportunity in the Western Australian economy. A lower Australian dollar will continue to provide incentive for Australian residents to travel locally, with the most recent consumer price data showing that the cost of domestic holiday travel in Perth fell by 5.5% over the 12 months to March 2016.

Global Outlook

In relation to the global growth outlook, China remains the most important driver of the Western Australia economy, but also Western Australia’s other key trading partners. The Chinese Government this year announced a growth target of 7%, the lowest set growth target in 11 years. There are growing concerns about the ability of China to reach this target, with the International Monetary Fund forecasting 6.5% growth in 2016, easing to 6.2% growth in 2017.

Of significance to Western Australia’s tourism industry, however, is the changing nature of growth in China, as a wealthier middle class emerges. A recently released Credit Suisse report has shown that China’s middle class now exceeds 109 million people and, for the first time in history, has surpassed the US’ middle class to have the largest number of middle class residents in the world. Western Australia’s geographical location and strong existing trade ties puts service based industries like tourism in a strong position to leverage off the potential from China’s growing middle class.

The AHA Survey, completed by ACIL Allen, identified that China is not the only international market of future significance to tourism businesses in Western Australia. The majority of respondents (54%) in the survey identified the United Kingdom as the most prospective international market in the future (prior to Brexit), followed by Singapore (51%) and then China in third place (45%). Also ranking highly was Malaysia, with 31% identifying it as a key international market in the future, while New Zealand (24%) and the United States (19%) received the lowest overall percentage of votes.
Our Environment and Industry Outlook

The outlook for the world economy is more positive than it has been in recent years, as advanced economies around the world continue to recover from the lasting effects of the Global Financial Crisis. This continued recovery sees the IMF predicting advanced economies will grow at 1.9% in 2016, flat from 1.9% growth in 2015, and then stabilising at 2% growth in 2017.

As identified in the AHA Survey, the international markets of greatest potential for Western Australian tourism businesses are countries in the Asia-Pacific region. Overall, emerging and developing Asian economies are expected to grow at a similar rate to China in 2016, at an annual rate of growth of 6.4% in 2016 and 6.3% in 2017.

Both Malaysia and Singapore, which were specifically identified in the AHA Survey as key future international markets for Western Australian businesses, are expected to grow strongly over the coming years. The IMF has forecast Malaysia to grow by 4.4% in 2016, increasing to 4.8% in 2017; while Singapore is expected to grow by 1.8% in 2016 and 2.2% in 2017.

In terms of the future prospects of the Western Australian tourism industry, the AHA Survey results highlight the importance of strength not only in the Chinese economy, but also in the economies located in the broader Oceanic region.
Tourism Trends

According to the United Nations World Tourism Organization, the number of international tourist arrivals worldwide is expected to increase by an average of 3.3% a year over the period 2010 to 2030. At this projected rate of growth, international tourist arrivals worldwide are expected to reach 1.4 billion by 2020 and 1.8 billion by 2030.

By region, the strongest growth will be seen in Asia and the Pacific, where arrivals are forecast to increase by 331 million to reach 535 million in 2030 (+4.9% per year). China has by far been the fastest growing source market over recent years and has been the world’s top tourism spender since 2012.
VISITOR NUMBERS YEAR ENDING MARCH 2016

TOTAL VISITOR ESTIMATES - WESTERN AUSTRALIA
YEAR ENDING MARCH 2016
$9.3 billion spend
(+6.6%)

TOTAL OVERNIGHT VISITOR ESTIMATES – WESTERN AUSTRALIA
YEAR ENDING MARCH 2016
$7.6 billion Spend
(+9.3%)
9.8 million Visitors
(+11.9%)
71.3 million Nights
(+8.1%)

Intrastate Daytrips
$1,283 million spend
(-7.3%)

International Visitors
$2,259 million spend
(-3.9%)
874,600 visitors
(+5.0%)
28,186,000 nights
(-2.5%)

Interstate Visitors
$1,283 million spend
(-7.3%)
1,413,000 visitors
(+14.1%)
12,467,000 nights
(+12.4%)

Intrastate Visitors
$4,022 million spend
(+26.2%)
7,485,000 visitors
(+12.4%)
30,640,000 nights
(+18.1%)


March figures have been used as these fit with the reporting period of the Corporate Plan.

Caution: the interstate figures from the NVS have reliability issues due to small sample size.
In the year ending March 2016, Western Australia received an estimated 9.8 million overnight visitors, and Western Australians took an estimated 19.0 million daytrips within the State. Together, these visitors spent an estimated $9.3 billion in Western Australia.

The growth seen in international visitor numbers to Western Australia has been driven by holiday/leisure and Visiting Friends and Relatives (VFR) segments. The decline in nights and spend were primarily driven by those visiting for working holidays, those travelling for business, and those visiting for employment, which can be linked to Western Australia’s changing economy.

Intrastate overnight visitation in Western Australia is growing, increasing at a rate faster than the national average across each of the key measures; visitors, nights and spend. Intrastate daytrips also increased although the average spend per daytrip declined, possibly linked to lower consumer confidence.

While interstate visitation and nights increased, interstate visitor spend in Western Australia declined, due to a lower average daily spend per visitor.