Tourism Rejuvenation in Australia

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Abstract: The Travel Balance Approach (TBA) model is premised on the notion that the economic development of a country, in general, and tourism development, in particular, will stimulate four sequential stages (namely, Introductory, Growth, Maturity and Decline stages) of a country's travel balance. This paper uses an extension of the TBA and longitudinal tourism statistics from Australia to identify the critical factors that propel a country from the Decline stage to a fifth stage of Rejuvenation. These factors include, but are not restricted to, concerted government action with support from the tourism industry to promote the country overseas (particularly with theme years), collaborative efforts from the direct providers and indirect providers of tourism services, competitive airfares, deregulation, and significant, unexpected currency devaluations.

Keywords: Travel balance approach; Rejuvenation; Government action; Tourism promotion; Deregulation; Currency devaluation.

1. INTRODUCTION

The Product Life Cycle Theory (Day, 1981) has been widely used as a theoretical concept to help managers identify their customers, make strategic decisions, anticipate sales growth and profits, and plan ahead. Butler (1980) modified this concept to apply to tourism destinations by way of the Tourist Area Life Cycle (TALC). The TALC model describes the development of a destination in terms of a series of life stages defined by visitor numbers and infrastructure availability.

Toh *et al.* (2001) examined the underlying reasons and patterns for travel, and revisited the Product Life Cycle (PLC) concept in marketing. They discussed its extension to Butler's Tourist Area Life Cycle for tourism destinations, examined Haywood's (1986) statistical operationalization of the TALC model for various countries and noted its limitations, and then proposed a Travel Balance Approach (TBA) as an alternative. They calibrated the TALC and the TBA models with tourism statistics from Singapore, and showed that the TBA is a better predictor of the various stages of tourism development for Singapore.

The purpose of this paper is to follow up on Toh *et al.*'s (2001, 2002) studies using Australia's annual travel export and import statistics from 1975 to 1998 to examine whether the postulates of the TBA model conform to Australia's experience. These data are obtained from various statistical publications by the Australian Bureau of Statistics.

2. TRAVEL BALANCE APPROACH REVISITED

The TBA model is premised on the notion that the economic development of a country, in general, and tourism development, in particular, will stimulate four sequential stages of a country's travel balance, defined as the net of travel exports over travel imports. It is postulated that in the Introductory Stage, the primitive destination country earns a limited amount of tourism receipts from adventurous tourists from developed countries. Countries such as Vietnam, Cambodia, and Myanmar have many cultural and archeological monuments and pristine environmental resources known as Heckscher-Ohlin goods, which are attractive to adventurers from developed western countries. At the same time, an abundance of cheap labor, which is a type of Ricardian good, provides the developing countries with a comparative advantage in the traditionally labor-intensive tourist industry. Concurrently, because these countries are underdeveloped and foreign exchange reserves are low, very few of their residents are able or allowed to travel abroad, so tourism imports are negligible, resulting in a relatively small surplus in the travel balance.

Subsequently, local initiatives are taken to develop infrastructure, and a full-blown tourist industry generates even larger revenues, which grow at relatively high rates, ushering in the Growth Stage. At this stage, a few residents from these developing countries start to travel abroad. But the rate of growth of travel exports far exceeds that of travel imports, resulting in a positive and growing travel balance. The Maturity Stage sets in when the rate of growth of travel exports slows down, partly because over-development, commercialization, and environmental pollution destroy the pristine nature of the destination's tourist attractions, for example the unrestrained growth of tourism superstructures in Bali, Indonesia and Phuket Island, Thailand. For some densely populated and/or geographically limited destinations, carrying capacities might be strained. At the same time, given rapid economic development and higher income levels in newly industrialized countries such as Singapore and Hong Kong, local residents go abroad, resulting in relatively rapid growth in tourism imports. This ushers in the Maturity Stage, where the rate of growth of tourism imports is higher than that of tourism exports, thus eventually reducing the positive travel balance.

In the Decline Stage, the country's focus shifts to high-tech and value-added industries and services with less emphasis on tourism development. The wealthy travel abroad in large numbers, so now the *absolute* amount of tourism imports exceeds that of tourism exports, resulting in a *negative* travel balance for the country. An example of a country in the Decline Stage would be highly developed and affluent Japan, which is a net importer of tourism.

The addition of the Rejuvenation Stage to the Travel Balance Approach should not be surprising, because Butler (1980), Cooper and Jackson (1989), and Haywood (1986), have all alluded to the possibility of encouraging greater and more varied or new uses of existing tourist facilities, creating new attractions, or simply aggressively promoting the destination. The model is illustrated in Figure 1. Note that there are now five and not four sequential stages in a country's tourism life cycle. Toh *et al.* (2002)'s study, which analyses the travel balances of eighteen countries during the period 1979 to 1997, found that after some time during the Decline Stage, tourism export growth rapidly picked up, resulting in an average annual export growth that was actually higher than the average annual import growth. When this happens, these countries will eventually enter yet another stage which they called the Rejuvenation Stage, where the travel balance turns positive once again.

Also note that decline sets in primarily because increased wealth endogenously stimulates travel abroad, while rejuvenation is exogenously driven by external responses to sustained and successful promotions and improvements in tourist attractions and infrastructure. Countries in the Decline Stage with negative travel balances can be expected to enter the Rejuvenation Stage when the reverse is true for the annual rates of growth of travel exports and imports.

3. TOURISM REJUVENATION IN AUSTRALIA

Figure 2 shows that between 1975 and 1989, Australia was in the Decline Stage, with a negative average annual travel balance of $548 million. But in 1988, the annual travel export growth of 21.2% exceeded the travel import growth of 16.4%, suggesting that at some time during the Decline Stage, the rate of export growth took off and overtook the rate of import growth, but not in a sustained manner. The travel balance eventually turned positive in 1990, ushering in the Rejuvenation Stage. From 1990 to 2000, the average export growth was 11.7%, far exceeding the average import growth of 7.5%, resulting in a positive average annual travel balance of $2656 million.

Australia is a large country with a sparse population of 19 million. Although Australia's share of world international tourism receipts is small, accounting for 1.8% in 2000, its share has increased steadily and has thereby positioned the country in the world's top 20 tourism earners (Australia was ranked eleventh in 2000). As a tourism destination in East Asia and the Pacific region, Australia moved from ninth to eighth position from 1990 to 2000. The emergence of travel and tourism as a significant force on the credit side of the Balance of Payments has not only reduced Australia's reliance on exports of primary (rural and mining) products, but has also contributed to Australia's export earnings. During 1999-2000, international tourism generated export earnings of $17.8 billion, which represented approximately 16% of Australia's aggregate export earnings and a sizable 63% of international trade in services, and created more than 550,000 jobs, comprising 6% of total employment in the country (Australian Bureau of Statistics, 2001).

The established tourist-source markets for Australia include New Zealand, Japan, USA, UK and Singapore, and the emerging tourist-source markets are Hong Kong, Korea and Malaysia. In 1999-2000, the established and emerging tourist-source markets accounted for approximately 72% of total short-term tourist flows to Australia. The largest category of visitors is pleasure travelers, followed by those who come to visit friends and family, and those who come for business. Figure 3 shows total international tourist arrivals to Australia from 1979 to 2000. Note that in the 1980s, tourist arrivals coincided with travel balance to peak in 1988. Another turning point occurs in 1998, before Australia recovered from the downturn in tourist arrivals due to the financial and economic crises in Asia, which also coincided with the turning point for the travel balance in the same year. There were three possible factors that helped Australia to propel herself from the Decline Stage to the Rejuvenation Stage: namely government intervention, the depreciation of the Australian dollar, and lower airfares resulting from international and domestic airline deregulation.

The Australian Tourist Commission (ATC) was established in 1967 but underwent major reconstruction in 1987 to promote Australia as a friendly and safe tourist destination noted for its flora, fauna, and exciting topography. In 1994, the ATC formed Partnership Australia to collaborate promotional efforts overseas with the individual territories and States by way of maintaining a centralized information service and database in major tourist-source markets, and by coordinating promotional campaigns. To help overcome the "tyranny of distance," the ATC has actively promoted and supported theme years, beginning with the Bicentennial Celebration of European Settlement and the Brisbane World Exposition in 1988, Discover the Year of Sport in 1993, Discovering the Great Australian Outdoors in 1994, Celebrate Australian Art and Culture in 1995, Experience the Festivals of Oz in 1996, Enjoying Good Living Down Under in 1997, and the Sydney Olympics in 2000. But the biggest ATC-induced promotional impetus that projected Australia into the Rejuvenation Stage is possibly the Paul Hogan (Crocodile Dundee) campaign launched in the United States between 1984 and 1987, inviting Americans to "Come Down Under," promising to "put an extra shrimp on the barbie." This very successful campaign was extended to the United Kingdom in 1988-1989. Between 1986 and 1989, the "Land of Dreams" campaign was launched in Asia.

The Regional and Environmental Tourism Branch of ATC launched the Regional Tourism Development Program to help the regional areas develop vital tourism infrastructure and diversify the range of tourism products such as wine trails in Victoria and Western Australia. It also gave accreditation for tour operators, tourist attractions and hotels, and provided training services for rural tourism business. The Forest Ecotourism Program and Sites of National Significance Program provided funding for projects such as interpretative centers, and supported ecologically sustainable tourism in forests and other natural attractions, because 50 % of inbound tourists surveyed by the Bureau of Tourism Research reported visiting National and State Parks reserves and caves. Backpackers were courted with the launching of a devoted magazine: Australia Unplugged – Escape and Discover Down Under. An Innovative Projects Register was established, identifying 21 backpacker projects for funding.

The success of these promotional campaigns overseas and the development of tourist infrastructure and facilities in Australia were helped tremendously by the floating and subsequent devaluation of the Australian dollar. Financial deregulation of the banking system and the floating of the Australian dollar in the mid-1980 gradually saw a substantial depreciation of the currency. Up to mid-1982, the Australian dollar was trading at a premium to the US dollar, but from the third quarter of 1982 onward, it traded at a discount. The Australian dollar started to depreciate in 1985, to the point when it was worth just about one-half of a US dollar in 2001. This makes Australia a cheap destination relative to the past. The depreciation of the Australian dollar has also made overseas travel more expensive for Australians.

The airlines have also played a role in bringing about the Rejuvenation Stage in Australia. In 1980, the United States passed the International Air Transportation Competition Act of 1979, which required that future bilateral and unilateral international airline agreements "ensure the freedom of air carriers to offer fares and rates which correspond with consumer demand" (Toh and Shubat, 1985). This act effectively derailed the International Air Transport Association's decades-old hold on international fare regulation, and caused a liberalization of routes and fares which, in effect, deregulated the international airline industry. In the past, Australia had always been a very expensive destination. However, with the introduction of the Boeing 747, which made lower seat-kilometer costs and other efficiencies possible, Qantas started to offer discounted fares for the first time in 1982, making Australia a more affordable destination. Later, Australia concluded bi-lateral route agreements with several Asian neighbors, namely South Korea, Thailand, Hong Kong, China, and Indonesia, thereby further opening up the country to key tourism-source markets.

Australia deregulated the domestic airline industry in 1990, discarding the “Two Airline Policy” which had nurtured Qantas and Ansett Australia as duopolies for more than 30 years (Browne *et al.* 1995). Deregulation allowed Ansett Australia to compete with Qantas on international routes, with flights to the major tourist source markets in Japan, Hong Kong, and Indonesia, thereby decreasing international fares even further. The major effect of airline deregulation in Australia on the domestic front was the entry of Compass in 1990, a low-cost air carrier, which resulted immediately in reduced domestic airfares. In November 1996, the Australian and New Zealand governments agreed to implement a Single Aviation Market to allow airlines from both countries to fly in unrestricted fashion within and between the two countries, thereby further enhancing competition and leading to reduced fares.

4. CONCLUSION

We have seen how Australia has been propelled from the Decline Stage to the Rejuvenation Stage. It is clear that this came about mainly as a result of concerted government intervention, simultaneous development and nurturing of the local tourism industry, and promotions abroad. Theme years were effectively used as focal points for overseas promotions. Given the geographical isolation of Australia, increased international air links and fare reductions also played major roles in increasing the number of visitors to the country. Correspondingly, the hospitality industry cooperated by increasing the quantity and quality of accommodation to attract more visitors and increase the length of stay. Indirect intermediaries such as travel agents and tour operators directed their clients to improved tourist resorts and attractions to induce them to spend more. Additionally, significant devaluations of the Australian dollar were quickly followed by substantial increases in tourism revenues. But the underlying success to rejuvenation efforts is thorough, with coordinated cooperation among the major tourism agencies, such as government bodies, direct providers of tourism services, and intermediaries, to encourage more visitors, make them stay longer, and spend greater amounts. Australia’s experience and escape from the Decline Stage by adopting proactive strategies to propel itself into the Rejuvenation Stage should serve as a roadmap for other countries.

5. ACKNOWLEDGEMENTS

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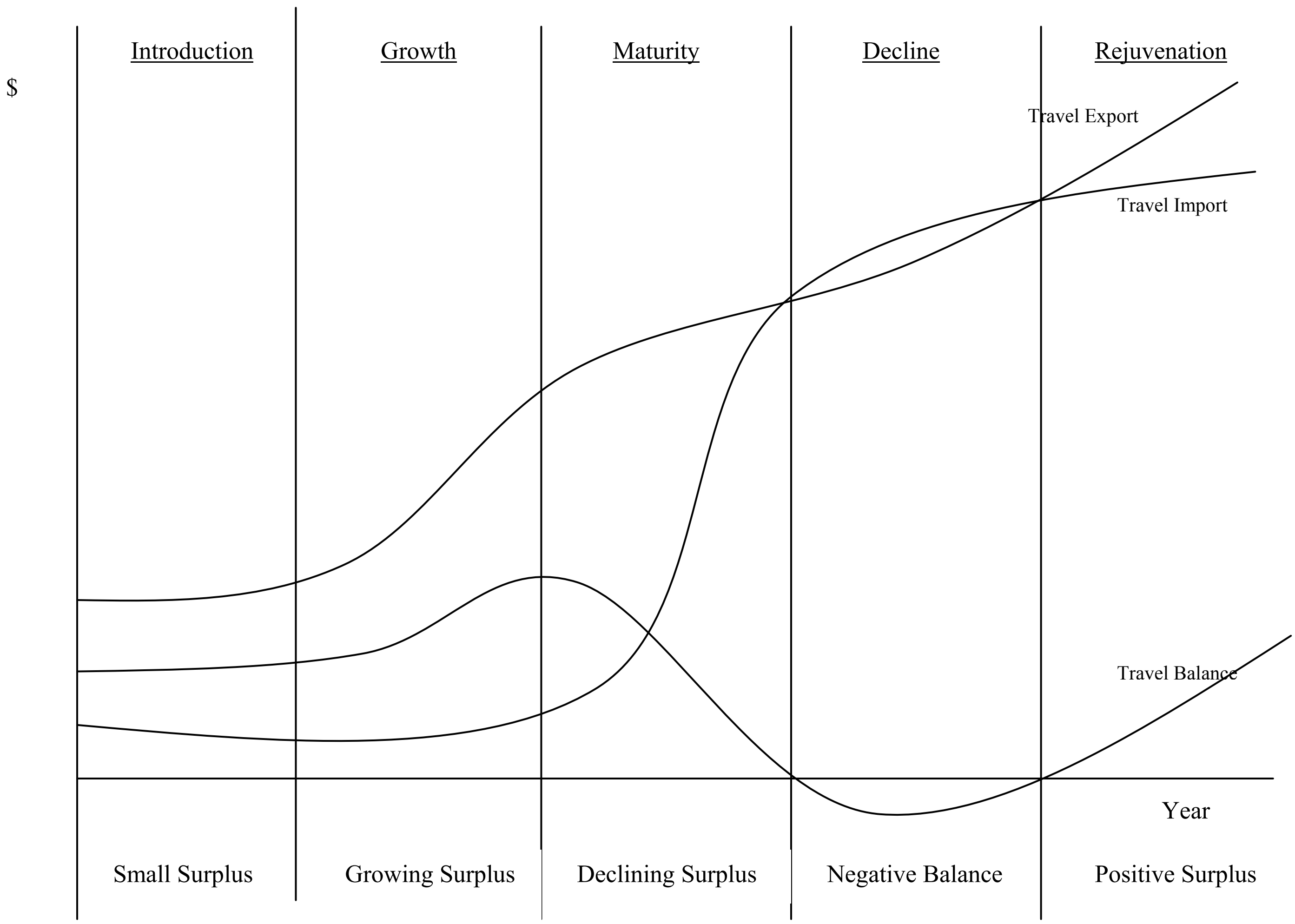
Figure 1. Five Stages of the Travel Balance Approach



Source: Toh, R.S., H. Khan, and I.S. Yap (2002)

Figure 2. Australia's Travel Exports, Imports and Balance ($million), 1975-2000

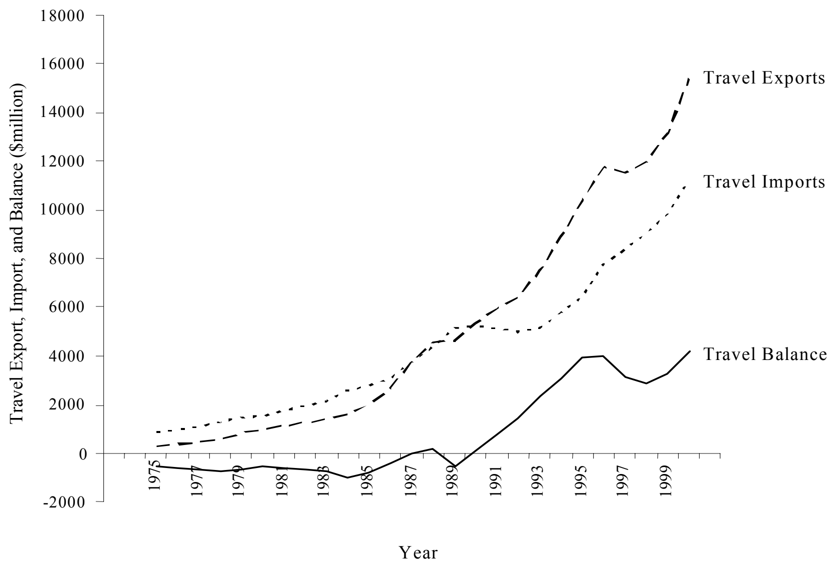


Figure 3. Australia's Travel Balance ($million) and International Tourist Arrivals ('000), 1979-2000