

Economic Impact Analysis

Tourism in Tasmania's South



REPORT PREPARED FOR
TOURISM TASMANIA AND
DESTINATION SOUTHERN
TASMANIA

June 2013

REMPLAN

Economic Impact Analysis

Tourism in Tasmania's South

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RESOURCES

All modelling has been undertaken using REMPLAN™ software that has been authored by Principal Research Fellow (ret.), Ian Pinge, at La Trobe University Bendigo.

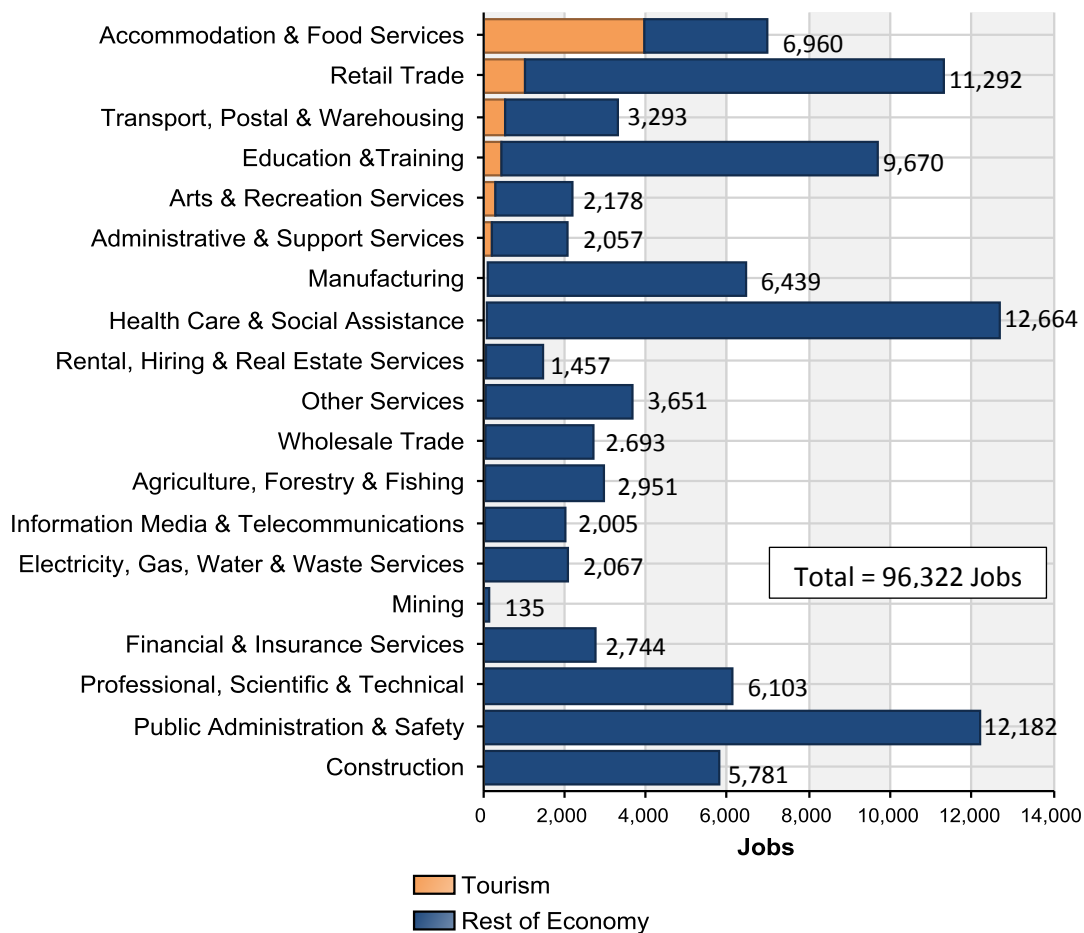
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Executive Summary

The Destination Southern Tasmania region (referred to as 'Southern Tasmania' in this report) is the main visitor destination in Tasmania, making the largest contribution to the State's tourism sector in terms of output, employment, wages and salaries, and value-added. Based on the ABS 2011 Census, Southern Tasmania's residential population is estimated at 243,270 people, with this region's economy supporting 96,322 jobs. A key objective of this study has been to estimate the proportion of these jobs that are supported by the demand for goods and services by visitors to the region, as opposed to demand by local residents.

ES -1-1 Employment Servicing Visitors and Locals

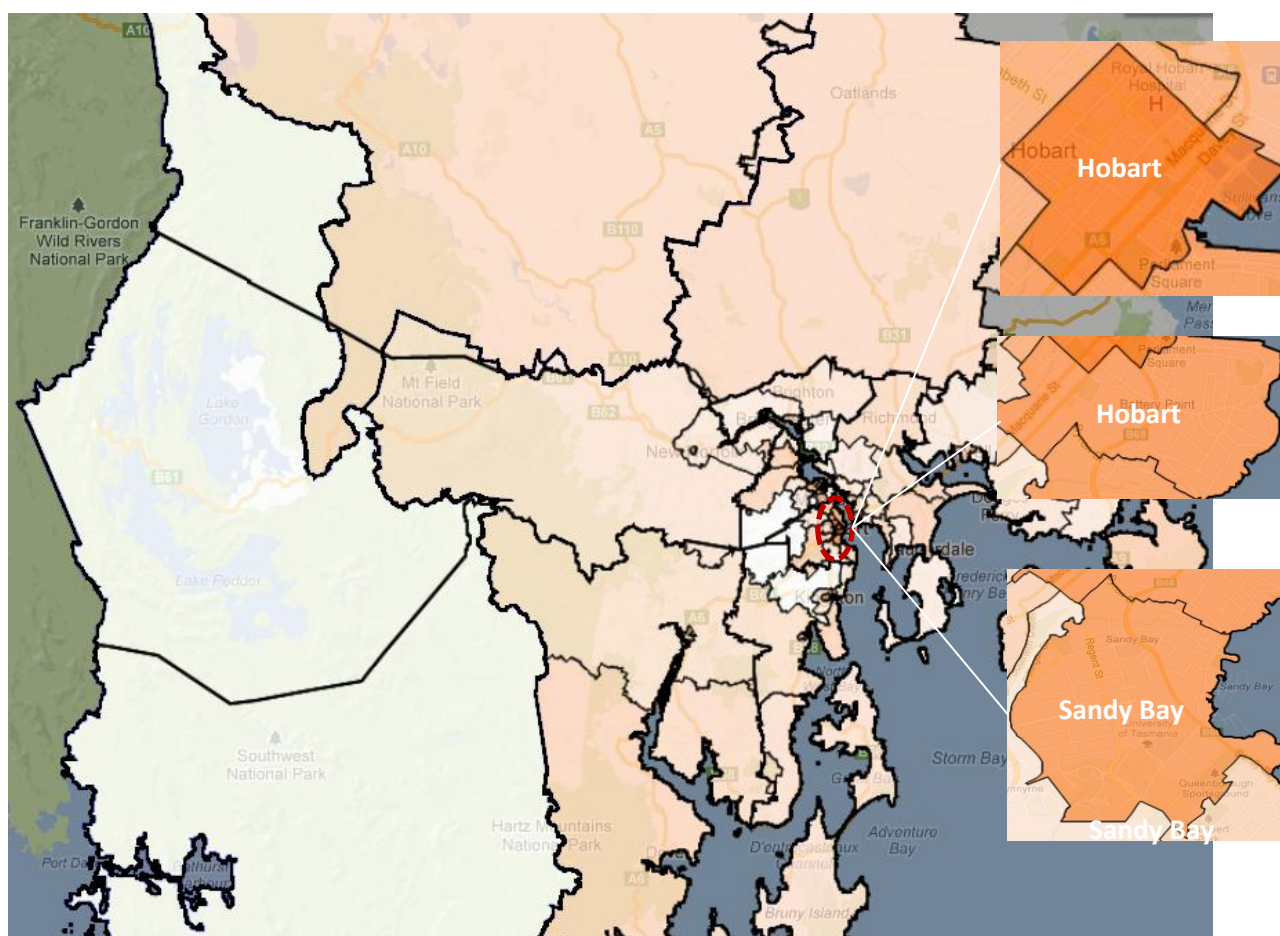


Source: ABS 2011 Census of Population and Housing; REMPLAN Tourism Analysis Module

Of the 96,322 people employed in Southern Tasmania, it is estimated that demand by visitors for goods and services supports 6,801 jobs (highlighted in orange above). That is, the Tourism sector represents 7.1% of total employment in Southern Tasmania, which is comparable to 7.2% for the State of Tasmania. The major tourism related industries in Southern Tasmania are 'Accommodation & Food Services' with 3,942 jobs.

The tourism jobs are highly concentrated in the destination zones shown in the map below.

ES -2 Tourism Employment Locations



Source: REMPLAN MapBuilder

The Tourism sector in Southern Tasmania is estimated to generate \$973.4 million in annual economic output. The industries contributing the most to the tourism sector are the greatest beneficiaries of expenditure by visitors. On average, for each dollar spent by a tourist in the Southern Tasmania region, it is estimated that typically \$0.45 is spent on 'Accommodation & Food Services', \$0.14 for 'Transport, Postal & Warehousing' and \$0.08 on 'Retail Trade'.

An important finding in the report is that industry sectors benefiting from visitor expenditure in Southern Tasmania include 'Administrative & Support Services' and 'Information Media & Telecommunication', despite these sectors not typically having a direct connection to tourist activities. This highlights that the region's economy is an interconnected system where direct benefits to one industry will ripple through the economy to impact on all sectors to varying degrees.

For every dollar of direct expenditure by visitors to Southern Tasmania, the broader local economy is estimated to benefit by a further \$0.90 once flow-on industrial and consumption effects are taken into consideration. This can also be expressed as a tourism output multiplier of 1.90.

Applying the tourism industry multiplier of 1.90 to the direct output generated by Southern Tasmania's tourism sector of \$973.4 million, the total value (direct + industrial + consumption) of tourism to the region's economy is estimated at up to \$1,849.5 million. This economic output is estimated to support 12,922 jobs in the region.

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1. Introduction

1.1 Purpose and Aim

This report has been prepared in response to a request from the Department of Development, Tourism and the Arts to assess the economic benefits of tourism in the Destination Southern Tasmania Tourism Region, referred to as "Southern Tasmania".

Tourism is an amalgam of activities such as retail, accommodation, cafes & restaurants, and cultural & recreational services, and is unique to each region. This report will detail the unique structure of tourism for Southern Tasmania in terms of employment, output, wages and salaries and value-added, and will examine tourism's contribution to the local economy relative to the other industry sectors. In addition, the supply chain linkages between tourism and the other industry sectors in the local economy will be identified. That is, for each dollar of output generated by tourism, the value of intermediate goods and services that can be supplied in the local region will be identified. These local supply chains will provide a basis for estimating the multiplying impact of tourism to local economy.

1.2 Data and Methodology

For this report REMPLAN¹ economic modelling has been applied to acquire area-specific industrial economic data. REMPLAN models are built on the latest available datasets sourced from the Australian Bureau of Statistics (ABS) and Tourism Research Australia (TRA). The main demographic and economic datasets used in this report include:

- ABS, Place of work data from the 2011 Census of Population and Housing
- ABS, 2008/2009, ABS, National Input /Output Tables
- ABS, June 2010, Tasmania's Gross State Product
- ABS, 2010, Tourism Satellite Account
- 2011/2012, Tourism Research Australia, Regional Tourism Profiles; Hobart and the South & Wilderness West Region (part of), Tasmania

These datasets have been used to build REMPLAN Tourism datasets, detailing the economic contributions of Tourism alongside estimates for other industry sectors for Southern Tasmania.

Under the methodological approach applied in this report, the economic contributions of the Tourism sector are determined by the number of local/regional tourism related jobs as a proportion of tourism related jobs at the national level. Therefore, the greater the number of local jobs in tourism intensive sectors such as accommodation, the greater the estimate of the region's tourism product output, and the greater the region's proportionate contribution to Australia's tourism product output.

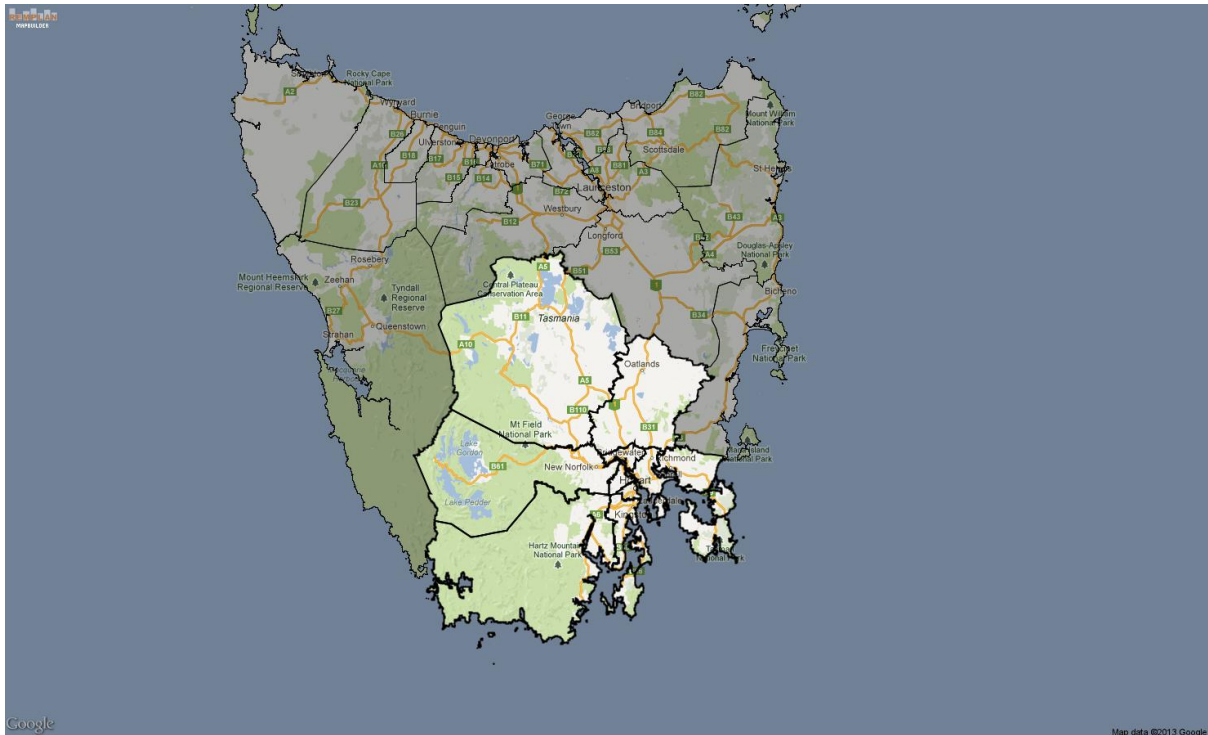
Previous research that relies on visitor expenditure from Tourism Research Australia may overestimate the value of tourism output relative to the output associated with servicing demand for goods and services by local people. The employment based approach applied in this report removes the potential for such anomalies to arise as the number of tourism jobs in an area is always a sub-component of the overall level of employment.

¹ www.remplan.com.au

1.3 Region Definition

The economic impact analysis has been undertaken in the context of the Destination Southern Tasmania Region, (referred to as 'Southern Tasmania' throughout the report) defined by the combined local government area boundaries of Brighton (M), Central Highlands (M), Clarence (C), Derwent Valley (M), Glenorchy (C), Huon Valley (M), Hobart (C), Kingborough (M), Southern Midlands (M), Sorell (M) and Tasman (M).

Map 1-1 Destination Southern Tasmania Region (Southern Tasmania)



Source: REMPLAN MapBuilder

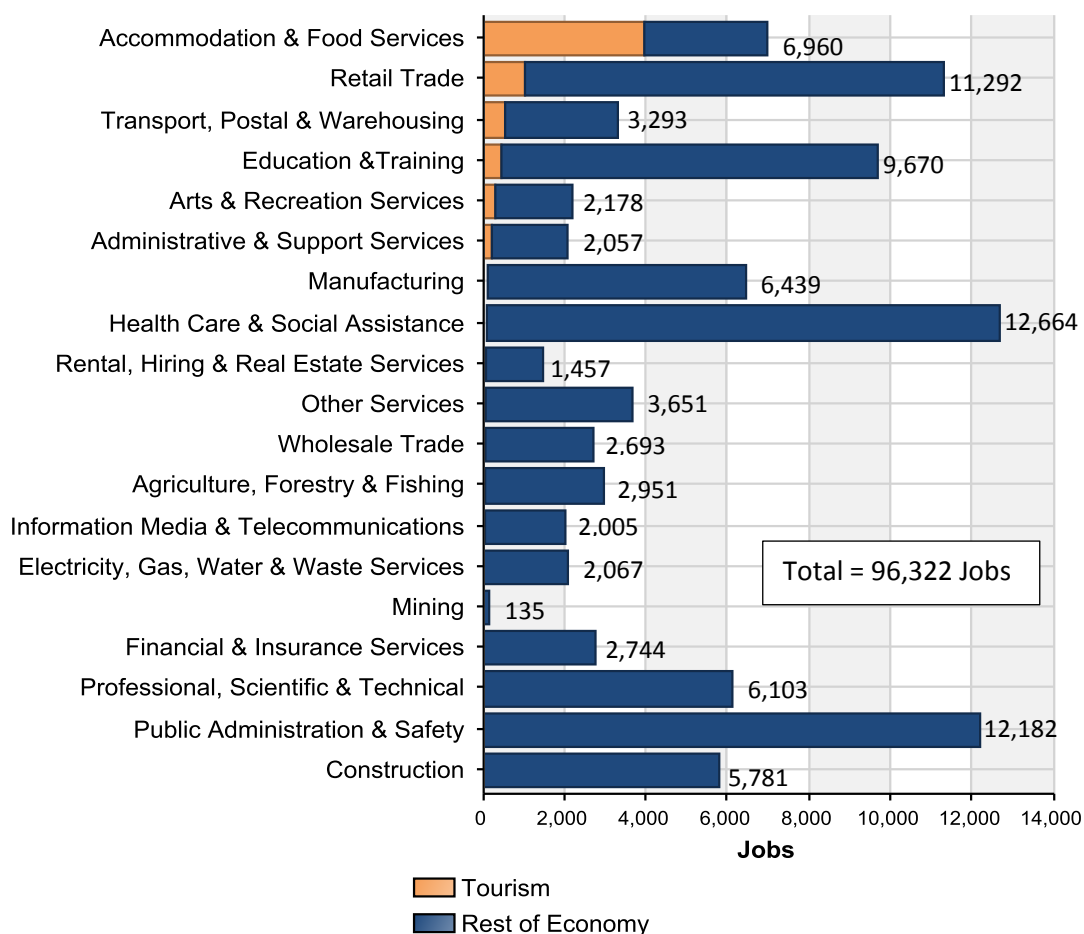
It is noted that the region is defined by Regional Tourism Organisation (RTO) boundaries, which differs from the tourism region as defined by Tourism Research Australia.

2. Tourism – Southern Tasmania

Tourism is an amalgam of activities such as retail, accommodation, cafes & restaurants, cultural & recreational services, and is unique to each region. The figure below shows the number of people employed² by industry sector that is estimated to service the demand from visitors to Southern Tasmania. The remainder is the number of jobs that are attributable to servicing the demand from local businesses and consumers.

2.1 Tourism Employment

Figure 2-1 Employment by industry with tourism proportion –Southern Tasmania



Source: ABS 2011 Census of Population and Housing; REMPLAN Tourism Analysis Module

In total, the Southern Tasmania economy supports 96,322 jobs³, of which the total tourism related employment estimate is 6,801 jobs. The 'Accommodation & Food Services' sector employs 6,960 people of which 3,942 (56.6%) of these jobs are attributable to the Tourism sector, which represents the highest proportion of employees servicing demand for goods and services from visitors.

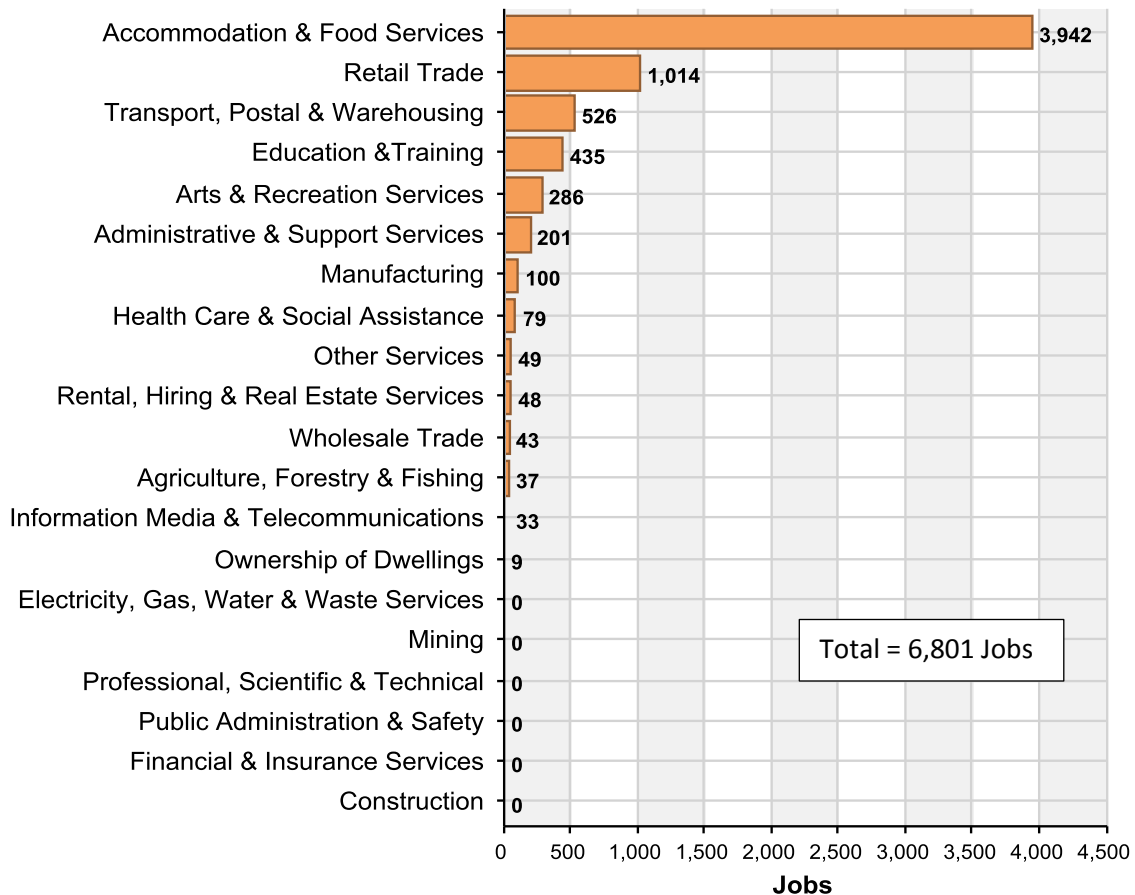
² The employment data represents the number of people employed by businesses / organisations in each of the industry sectors in the defined regions. In this report the employment data is place of work data and represents total numbers of employees without any conversions to full-time equivalence.

³ Employment figures are based on the Australian Bureau of Statistics place of work employment data from the 2011 Census.

Figure 2-2 provides a breakdown of the number of jobs servicing visitors in each industry sector in Southern Tasmania. It is estimated that the Tourism sector employs 6,801 people in total, which represents 7.1 % of total employment in the region.

By comparison, the tourism sector in Tasmania is estimated to employ 15,137 people, which represents 7.2% of total jobs across the State. As such, as a proportion of total regional jobs, the number of jobs in Southern Tasmania's Tourism sector is similar to the State average.

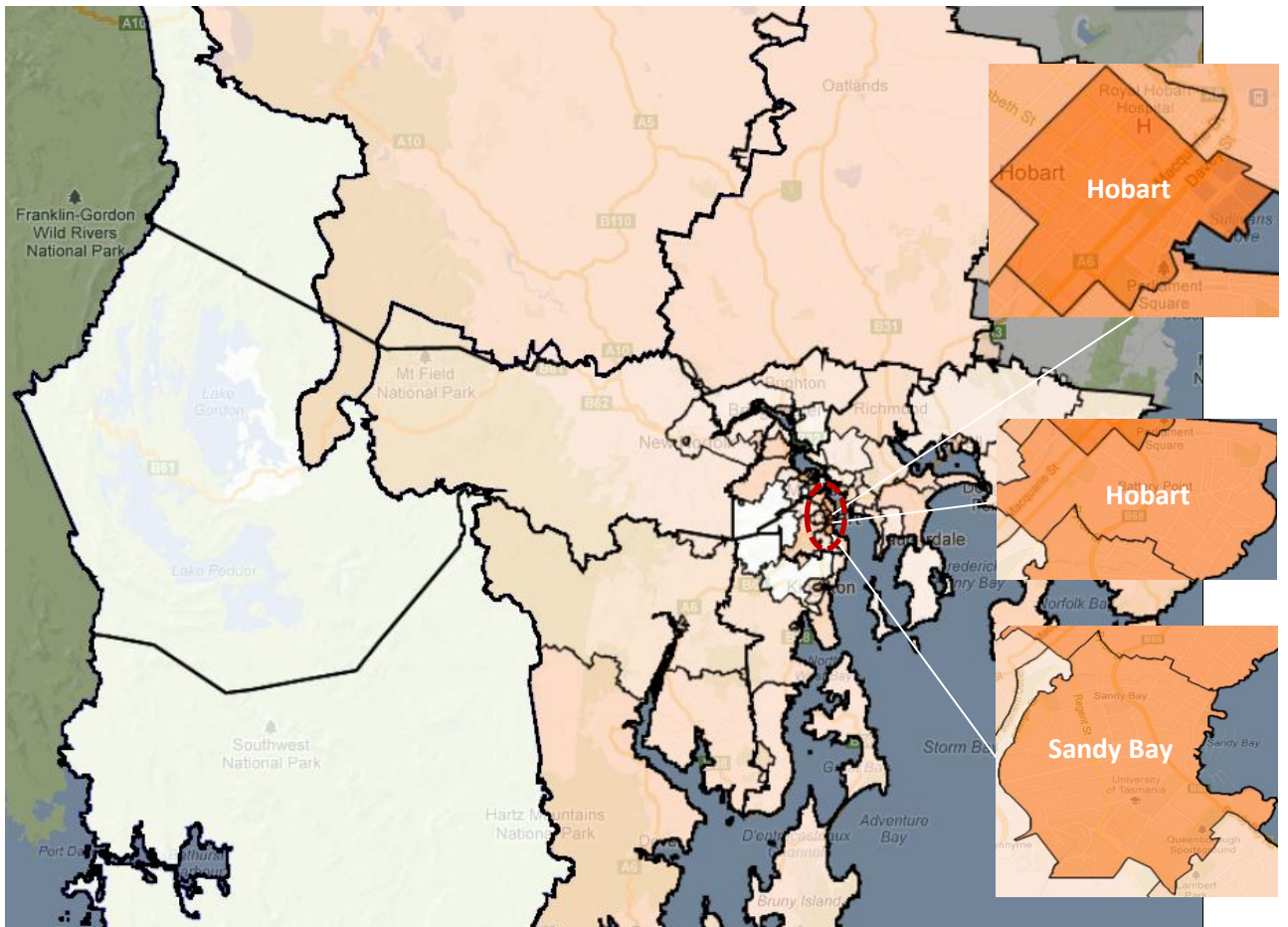
Figure 2-2 Employment attributable to Tourism –Southern Tasmania



Source: REMPLAN Tourism Analysis Module

The map below highlights the concentrations of 'Accommodation & Food Services' jobs in Southern Tasmania; this sector represents 58% of total Southern Tasmania's tourism related employment. The 'Accommodation & Food Services' jobs are mainly concentrated in the destination zones of Hobart and Sandy Bay.

Map 2-1 Tourism employment locations



Source: REMPLAN MapBuilder

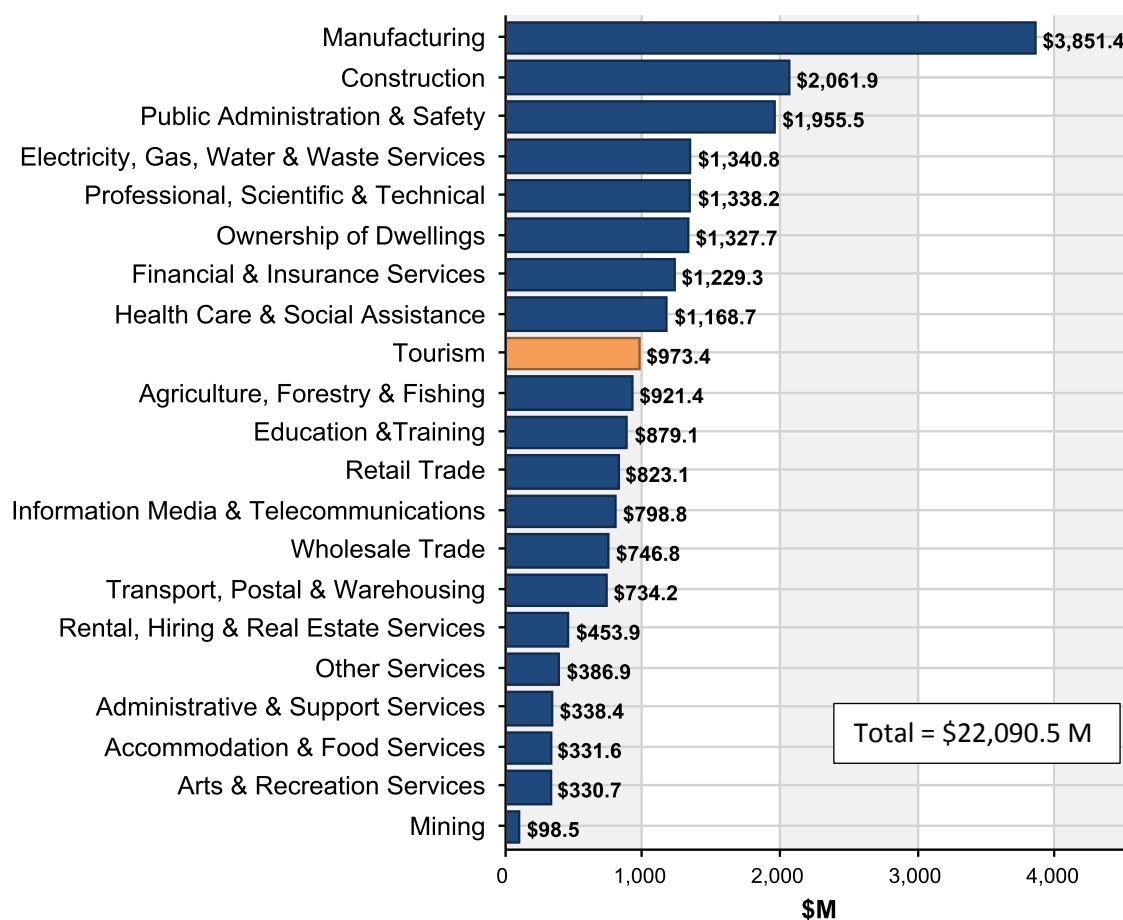
2.2 Tourism Output

The total output⁴ generated by the Southern Tasmanian economy is estimated at \$22,090.5 million. The estimated output generated by tourism for each industry sector has been deducted and consolidated into a separate tourism sector.

Southern Tasmania's Tourism related output is estimated to be \$973.4 million:

- Representing 4.4% of total region output and an estimated 6,801 jobs.
- At the state level, Tasmania's tourism sector generates \$2,178.32 million of output, which accounts for 4.2% of the total state output of \$51,621.4 million.
- Southern Tasmania's Tourism sector is estimated to contribute 44.7% of the State's tourism output in Tasmania.

Figure 2-3 Output with separate Tourism sector – Southern Tasmania

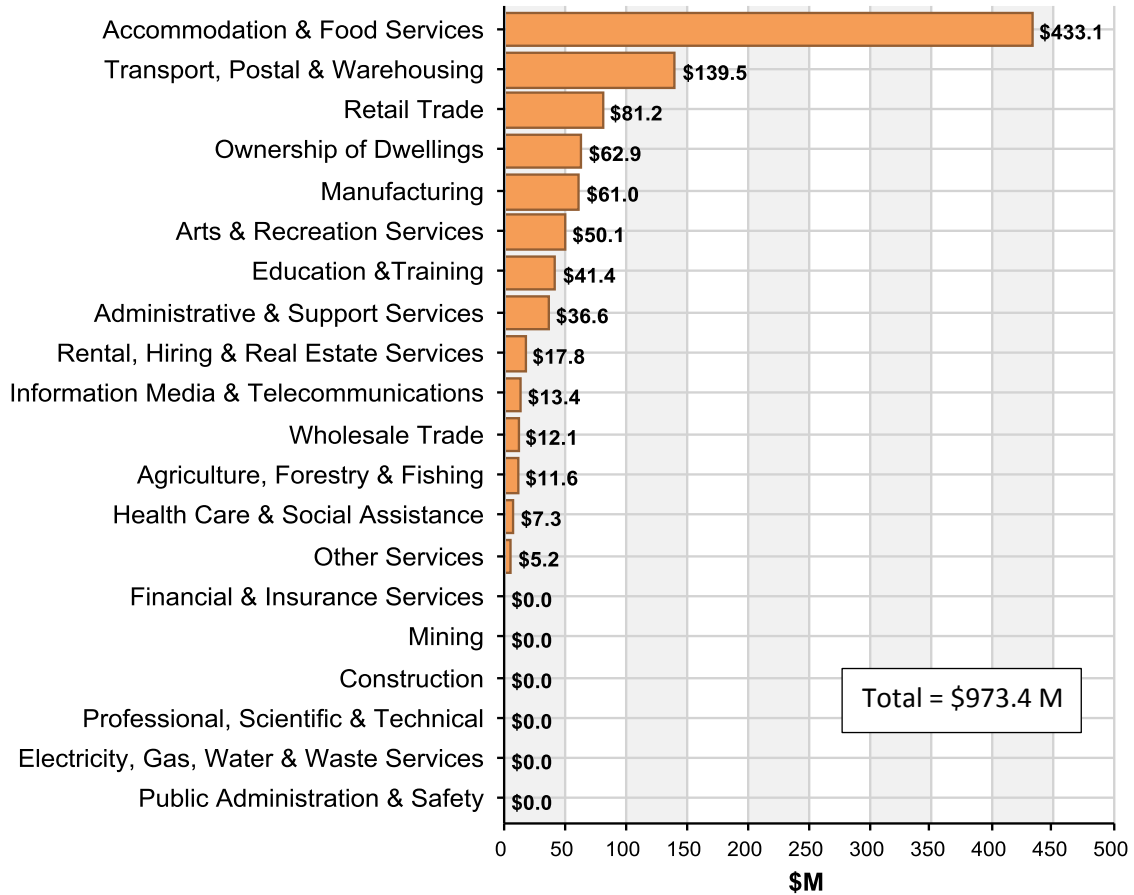


Source: REMPLAN Tourism Analysis Module

⁴ Output data represents the gross revenue generated by businesses/organisations in each of the industry sectors in a defined region. Gross revenue is also referred to as total sales or total income. The output generated to service demand from visitors for each industry sector has been estimated through applying industry profiles from the Australian Bureau of Statistics Tourism Satellite Account and consolidated into a separate Tourism sector, shown highlighted in gold in the graph.

The industries contributing to Southern Tasmania's tourism output are detailed in Figure 2-4. Total tourism output is estimated to be \$973.4 million, of which \$433.1 million (44.5%) is attributable to the 'Accommodation & Food Services' sector. Other important tourism related sectors in Southern Tasmania are 'Transport, Postal & Warehousing' and Retail Trade', representing a combined \$220.8 million, or 22.7% of total tourism output.

Figure 2-4 Output attributable to Tourism – Southern Tasmania



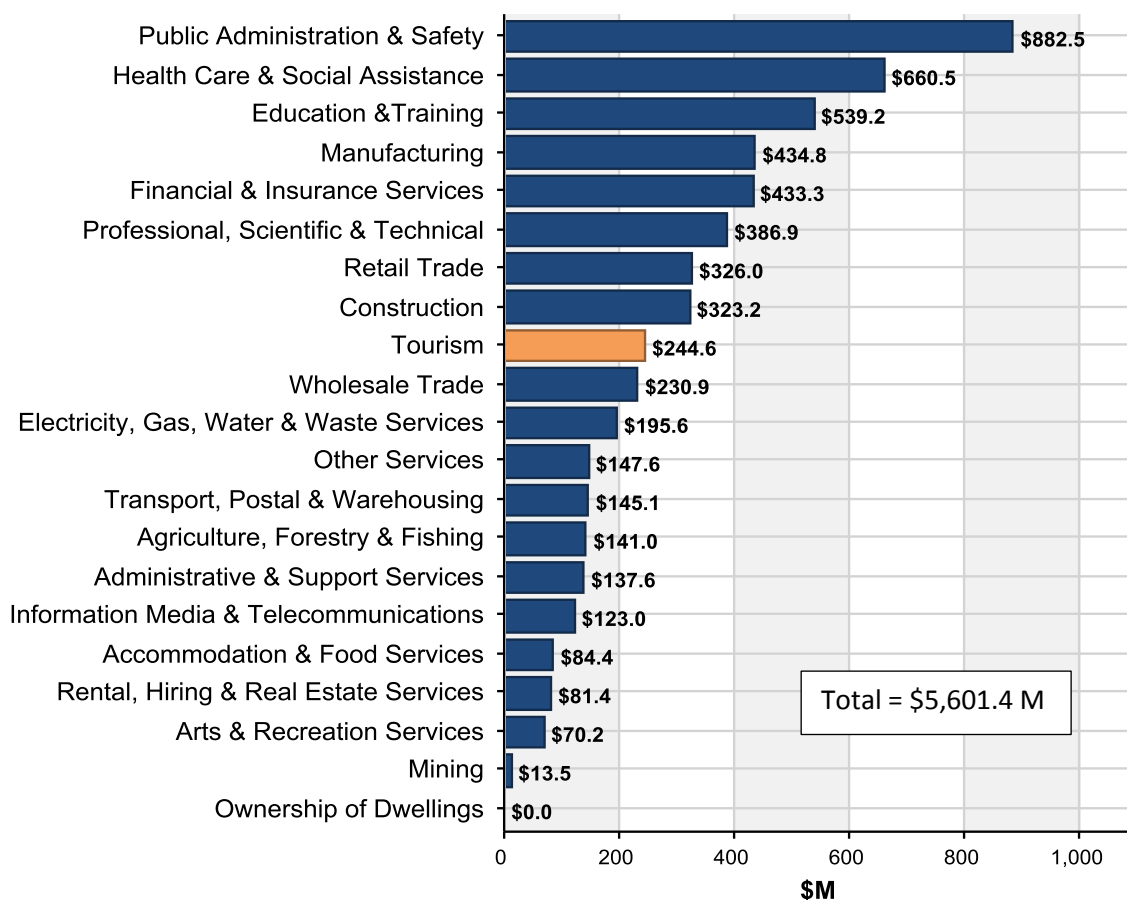
Source: REMPLAN Tourism Analysis Module

2.3 Tourism Wages and Salaries

Total wages and salaries paid to employees who work in all industry sectors in Southern Tasmania is estimated to be \$5,601.4 million. The 6,801 people employed in the tourism sector are estimated to receive \$244.6 million in wages and salaries, accounting for 4.4% of the Region's total wages and salaries.

Tasmania's tourism sector pays \$530.6 million in wages and salaries to workers, representing 4.5% of total wages and salaries in the state economy, which is comparable to that of Southern Tasmania (4.4%).

Figure 2-5 Tourism wages and salaries – Southern Tasmania



Source: REMPLAN Tourism Analysis Module

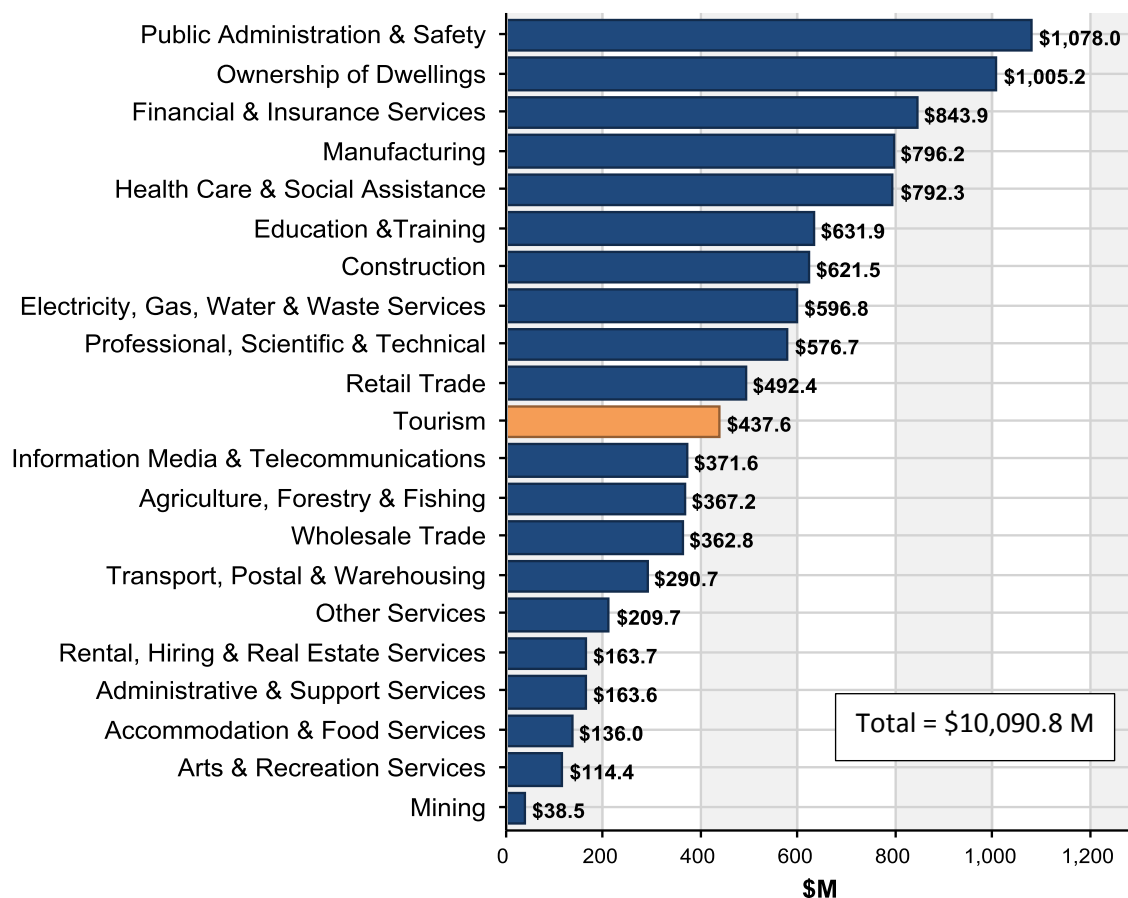
Note that a proportion of these wages and salaries are typically spent on the consumption of goods and services, and part of this consumption is expected to be captured within Southern Tasmania delivering further economic benefits (see Figure 3-2).

2.4 Tourism Value-Added

The value that is added by industry sectors in Southern Tasmania to intermediate goods and services is presented in Figure 2-6. The total value-added⁵ is in the Region across all industry sectors is estimated at \$10,090.8 million, of which the tourism sector contributes \$437.6 million or 4.3%.

The tourism sector in Tasmania generates \$979.8 million of value-added, representing 4.4% of the State's total value-added. South Tasmania's tourism sector contributes 44.7% of state tourism value-added.

Figure 2-6 Tourism value-added – Southern Tasmania



Source: REMPLAN Tourism Analysis Module

Value-added represents the contributions that industries make to Southern Tasmania's Gross Regional Product (GRP)⁶ and Tasmania's Gross State Product.

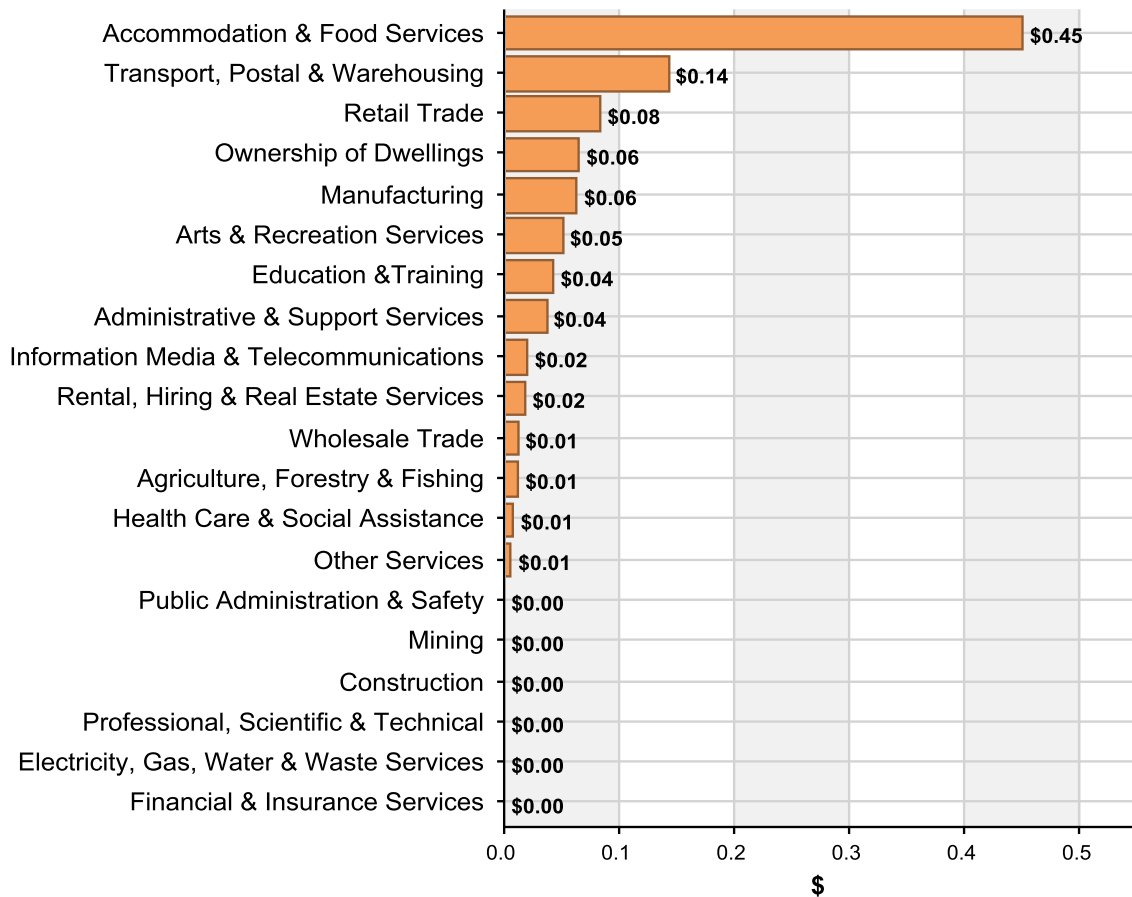
⁵ Value-added represents the marginal economic value that is added by each industry sector in a defined region. Value-added can be calculated by subtracting local expenditure and expenditure on regional imports from the output generated by an industry sector, or alternatively, by adding the Wages and Salaries paid to local employees, the gross operating surplus and taxes on products and production. Value-Added by industry sector is the major element in the calculation of Gross Regional Product.

⁶ GRP is the total value-added to final goods and services produced in the region over the period of one year; this includes exports but excludes imports. This methodology is the same as that used to calculate Gross Domestic Product (GDP) at a national level. GRP can be measured by either the expenditure approach or the incomes approach.

3. Supply Chains

The Tourism sector in Southern Tasmania is estimated to generate \$973.4 million in annual economic output. The industries contributing the most to the Tourism sector are those that are the greatest beneficiaries of expenditure by visitors. The figure below provides insights regarding how the Southern Tasmania economy benefits from each dollar spent by a tourist.

Figure 3-1 Distribution of each \$1 spent by a visitor – Southern Tasmania



Source: REMPLAN Tourism Analysis Module

For each dollar spent by a tourist in Southern Tasmania, it is estimated that typically \$0.45 is spent on 'Accommodation & Food Services', \$0.14 on 'Transport, Postal & Warehousing', and \$0.08 on 'Retail Trade'.

This data provides the basis for understanding the likely direct benefits for Southern Tasmania should visitation and the associated expenditure increase. An increase in the number of tourists would boost the revenue generated by tourism related business, which would increase their demand for intermediate goods and services, some of which are likely to be sourced locally. These flow-on benefits associated with purchases of local intermediate goods and services are referred as industrial effects.

In addition, increased demand for goods and services from tourists would typically support local jobs, and the payments of wages and salaries in local businesses would deliver further benefits related to household consumption in the Region's economy.

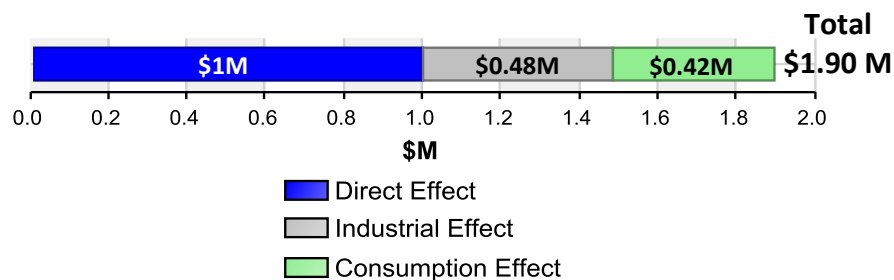
Based on the tourist expenditure distribution across industry sectors illustrated in Figure 3-1, impact modelling was undertaken to estimate the likely flow-on industrial and consumption effects for every \$1 million of direct expenditure by visitors to Southern Tasmania.

Table 3-1 Economic Impacts of Visitor Expenditure – Southern Tasmania

Output	Direct Effect (\$M)	Industrial Effect (\$M)	Consumption Effect (\$M)	Total (\$M)
Agriculture, Forestry & Fishing	\$0.01	\$0.03	\$0.01	\$0.05
Mining		\$0.00	\$0.00	\$0.00
Manufacturing	\$0.06	\$0.11	\$0.04	\$0.21
Electricity, Gas, Water & Waste Services		\$0.02	\$0.02	\$0.04
Construction		\$0.02	\$0.01	\$0.03
Wholesale Trade	\$0.01	\$0.03	\$0.02	\$0.06
Retail Trade	\$0.08	\$0.02	\$0.04	\$0.14
Accommodation & Food Services	\$0.45	\$0.01	\$0.03	\$0.49
Transport, Postal & Warehousing	\$0.14	\$0.04	\$0.02	\$0.19
Information Media & Telecommunications	\$0.02	\$0.04	\$0.02	\$0.07
Financial & Insurance Services		\$0.03	\$0.04	\$0.07
Rental, Hiring & Real Estate Services	\$0.08	\$0.03	\$0.09	\$0.20
Professional, Scientific & Technical Services		\$0.05	\$0.02	\$0.07
Administrative & Support Services	\$0.04	\$0.04	\$0.01	\$0.08
Public Administration & Safety		\$0.01	\$0.00	\$0.01
Education & Training	\$0.04	\$0.00	\$0.02	\$0.06
Health Care & Social Assistance	\$0.01	\$0.00	\$0.02	\$0.03
Arts & Recreation Services	\$0.05	\$0.00	\$0.01	\$0.06
Other Services	\$0.01	\$0.01	\$0.01	\$0.04
TOTAL	\$1.00	\$0.48	\$0.42	\$1.90
Multiplier		<u>Type 1</u> 1.48		<u>Type 2</u> 1.90

Source: REMPLAN Impact Analysis Model

Figure 3-2 \$1 Million Visitor Expenditure Impact Scenario



For \$1 million of direct expenditure by visitors to Southern Tasmania, the local economy is estimated to benefit by a further \$0.90 million once flow-on industrial and consumption effects are taken into consideration. This can also be expressed as a tourism output multiplier of 1.90.

Applying the tourism industry multiplier of 1.90 to the direct output generated by Southern Tasmania's tourism sector of \$973.4 million, the total value (direct + industrial + consumption) of tourism to the region's economy is estimated at up to \$1,849.5 million. This economic output is estimated to support 12,922 jobs in the region.

In comparison to the state level impact modelling scenario, the Tourism sector output multiplier for Tasmania is 2.10, which implies that \$1 million of visitor expenditure captured by Tasmania's economy would deliver a further \$1.1 million benefit to the state.

4. Value of Events, Festivals and Peak Seasons

Section 3 details how visitors to Southern Tasmania spend their money and how this expenditure is likely to flow through the economy to benefit other industry sectors. A key question remaining is: how much is each visitor to the area likely to spend?

This information can be captured via visitor surveys or sourced from previous studies undertaken in relation to similar events. Tourism Research Australia's Regional Tourism profiles also provide broad guidance regarding expenditure by visitor type.

Figure 4-1 Visitor Expenditure Profile

	Expenditure (\$M)	Visitors ('000)	Average stay (Nights)	Average trip expenditure (\$)	Average nightly expenditure (\$)
Domestic day ⁷	171	1,879	-	91	-
Domestic overnight ⁸	716	1,001	4	715	176
International ⁹	143	116	13	1,230	83

Source: 2011-12, Tourism Research Australia (TRA), Regional Tourism Profiles; Hobart and the South & Wilderness West Region (part of), Tasmania

Expenditure estimates per visitor combined with the supply chain analysis and impact modelling presented in section 3 provide a basis upon which to estimate the value of events, festivals and peak visitation periods to the Southern Tasmania economy.

⁷ A domestic visitor is defined by Tourism Research Australia as:

- the length of time away from the usual place of residence for travel (less than one year);
- the distance travelled from home (40 kilometre round trip from home for overnight travel, and 50 kilometre trip from home for same day travel); and
- Travel is not part of normal travel for employment (or non-commuter travel).

⁸ As per Tourism Research Australia, a domestic overnight visitor is an Australian who undertakes an overnight trip. A person is a visitor to a location if they stay one or more nights in the location while travelling and they are said to have made a visit to the location. Therefore, a traveller may be a visitor to several different locations and consequently a trip may include multiple visits. Within each geographic region, net visitor numbers are reported. That is, a traveller is reported as only one visitor to a geographic region, irrespective of the number of places visited within the area.

⁹ As per Tourism Research Australia, an International visitor is a visitor who visits another country. As for overnight travel, only international travel where the respondent is away from home for less than 12 months is included.