

TOURISM FORECASTING COMMITTEE Minutes

Meeting #14

Thursday 14th October 2010
Tourism Australia
Darling Park Tower 2
Level 18, 201 Sussex Street
Sydney.

Present:

Mr Bernard Salt (Chair)	KPMG
Mr Daniel Gschwind	Queensland Tourism Industry Council
Mr Ivan Colhoun	ANZ Bank
Mr Stephanie Buckland	ASCOT (by teleconference)
Ms Nell Anderson (for Mr Andrew McEvoy)	Tourism Australia
Mr Wayne Calder (for Ms Jane Madden)	Department of Resources Energy and Tourism
Mr Dominic Regan	Commonwealth Treasury

Secretariat

Mr Geoff Bailey	Tourism Research Australia
Mr Justin Marshall	Tourism Research Australia (by teleconference)

Apologies:

Mr Matt Hingerty	Australian Tourism Export Council
Dr Tony Webber	Qantas Airways Limited
Mr Euan Robertson	Tourism and Transport Forum
Ms Jane Madden	Department of Resources Energy and Tourism

Opening of Meeting

The Chair opened the meeting at 10:15am (15 minutes late).

1. Welcome and housekeeping

The Chair welcomed TFC members, and noted the apologies for the meeting.

Mr Calder provided an update on progress of the National Long-Term Tourism Strategy, and the upcoming Tourism Directions Conference on 15 November 2010 in Canberra. He noted that this TFC Forecasting round was brought forward so the new forecasts could be released at the Conference.

He added that this forecasting round now included forecasts to 2020 (the previous TFC forecasts released in July 2011 were published to 2019).

2. Adoption of Agenda

The agenda was accepted with out change

3. Approval of minutes from the May 2010 meeting and August 2010 teleconference

The minutes of the previous meetings were approved.

4. Macroeconomic assumptions

Members discussed and accepted the macroeconomic assumptions derived from the September 2010 edition of Consensus Economics. It noted that the global outlook remained two-paced in the post GFC-environment. Most Asian economies, particularly China had by that point rebounded strongly. On the other hand, although looking a little more positive compared to six months earlier, a soft outlook remained for parts of Europe, while sovereign debt issues remained an ongoing issue for some economies in the region.

The Committee also noted that for 2011, economic growth in the Asian economies is likely to remain solid (although slightly weaker than assumed in the previous TFC forecasts), while the outlook in Europe still remains weak for growth.

Associated with the incomes supporting near record Terms of Trade, (fuelled by increased demand from China and India), the Australian economy was performing more strongly than expected earlier in the year. With sustained employment growth underpinning consumer demand, the Committee noted the return to mining boom like conditions suggested a likely return to the two-speed Australian economy, with Queensland and Western Australia to benefit more from the stronger demand for resources.

The recent strong appreciation in the value of the Australian dollar (\$A, particularly to near parity against the US dollar) was also noted. The stronger demand for the \$A also reflected both the demand for our commodities, and Australia having higher interest rates (relative to other major economies), These factors resulted in assuming higher Australian bilateral exchange rates against most of our tourism trading partners for the last quarter of 2010 and for 2011.

ACTION ITEMS

1. The TFC Secretariat to note the slightly more positive outlook underpinning growth in global tourism in the last part of 2010 and in 2011.
2. The TFC Secretariat to develop indicator tools such as a tourism-weighted exchange rates and if possible, a tourism terms of trade indicator to assist its discussion at its next meeting.

5. Forecasts for International visitor arrivals and Total Inbound Economic Value

The Committee noted the small changes to the revised forecasts for 2010 (to 5.3%) with stronger growth forecast for 2011 (now 5.6%, compared to the previous forecast of 4.9%).

It also noted that the methodological changes to ABS's Tourism Satellite Accounts led to major revisions to the historic value of domestic tourism (in Tourism Inbound Economic Value or TIEV terms), which is now much lower compared to previous estimates.

This means that the forecasts for TIEV are now much lower. Correspondingly, average real trip expenditure have now slightly declined (previous pattern was a slight increase) for inbound travel to Australia.

The Committee also noted that the main driver for the stronger forecast growth in 2011 is sourced from China, with direct aviation capacity assumed to increase by at least 40% in 2011, with all major Chinese carriers increasing services to Australia.

Overall, the Committee agreed that the 5.3% increase forecast for 2010, could be revised slightly higher (to around 5.6%) in 2010, in light of stronger indicator data from the Department of Immigration and Citizenship.

The Committee noted that the main messages from the forecasts is that China will be the leading inbound market by value in 2011 (previous forecast had China becoming Australia's leading tourism export market by 2014).

The Committee noted the strong recovery in the Japanese market in 2010 (it was up 18% in the January-August 2010 period, compared to the same period in 2009). It also noted that this recovery is in part a result of pent-up demand after the GFC-avian flu shock to travel confidence.

The Committee also briefly discussed the moderate change in the structure of the Japanese market, with stronger growth more likely in the non-package segment. This, combined with the potential of Jetstar increasing its services on the Japanese-Australia route, could underpin higher than previously longer term forecast for Japanese travel to Australia. However, the Committee decided not to change the long-term profile (that of moderate decline), reflecting little change to its longer term drivers, that of modest economic growth and an increasing aging population.

It also noted that the positive effects of the strong increases in international aviation capacity on the US-Australia routes has not resulted in much growth in US travel to Australia, but has led to very strong growth in the number of Australians travelling to the United States. While noting the sharp GFC shock, high unemployment and a strong Australian dollar as key factors driving this result, the Committee noted the potential of the upcoming Oprah Winfrey campaign and the potential in boosting US travel to Australia. As a result, a more detailed assessment of this market/campaign should be included in future forecasting rounds.

Recent media reports noted that the number of international education visa applications (particularly from India) have fallen sharply over 2010, and this is likely to be translated to falls in international education tourists in 2011. This decrease primarily reflected changes in education visa requirements. The Committee noted that this important segment of the inbound market would decline, noting that there would be a larger negative impact on international visitor expenditure (compared to arrivals), as the average student tourist spends around three times more compared to the average international visitor arrival.

The Committee also agreed to the draft forecasts of a moderate upward revision to long-term growth for international visitor arrivals.

ACTION ITEMS

3. The TFC Secretariat to monitor developments of the US market, in light of the Oprah visit in December 2010.

6. Forecasts for domestic visitor nights, trips and Total Domestic Economic Value and

7. Forecasts for short-term Australian resident departures

The TFC considered the domestic and outbound sectors as a combined entity. The TFC Secretariat began discussions by noting that the Technical Committee had considered Australian travel patterns at length, and agreed to lower the growth profile for domestic visitor nights so as to indicate very little growth in the period to 2020, while raising moderately growth in Australian outbound travel.

Much of the discussion was directed towards the broader trends rather than the individual forecasts. In particular, the Committee noted that total tourism nights (that is inbound and domestic visitor nights combined) by Australians is only slightly lower since 2000. This result suggests that the very strong growth in the much smaller outbound tourism nights has nearly offset the fall in domestic visitor nights (Charts to be presented at the next meeting).

Also the Committee noted the historic decline in domestic tourism's share of household consumption. With the high value of the Australian dollar likely to result in significant price-competitive pressure from outbound travel and the proliferation of alternative goods and services, a turnaround of domestic tourism's share of wallet is unlikely.

The Committee also noted that the price lowering effects of the high Australian dollar for outbound travel, which is already benefiting from low international airfares and increases in international aviation. As a result, Australians are travelling overseas at record levels, while domestic travel remains at near record lows (despite the modest recovery to growth in 2010 (of around 1-2%).

There was agreement to most new forecasts for both domestic (which is lower) and outbound (which is higher) travel segments. The exception was to modestly increase the forecasts for business domestic travel in 2011 and beyond (the Committee thought they were too low, in light of a likely increase/recovery in domestic aviation capacity, following the significant investment in new more efficient aircraft servicing domestic routes).

The Committee also noted that the methodological changes to ABS's Tourism Satellite Accounts now means the historic value of domestic tourism (in Tourism Domestic Economic Value terms) is now much higher compared with previous estimates. This means that the forecasts for TDEV are now much higher, with a corresponding stronger increase in average trip expenditure.

8. Other Business

Review the scope, timing and frequency of the TFC publication

It agreed that in the next TFC Forecast publication:

- to provide a shorter document than previous TFC publications, which includes only a short assessment of the inbound, outbound and domestic sectors
- as part of a proposed document review, include the draft questionnaire, seeking feedback on options for future publications

The TFC Secretariat is to report on the outcomes of the Survey (and other feedback related to the release of a shorter TFC document) at its next meeting.

The Committee noted that the survey sample should contain a representative sample and range of different stakeholders. If an inadequate sample was obtained, the TFC Secretariat will need to develop an alternate supplementary strategy for the document review.

ACTION ITEMS

4. TFC Secretariat to provide a summary of findings of the stakeholder consultation at the next TFC meeting.
5. TFC Secretariat insufficient sample is obtained

Document release

The TFC noted that the 2010 #2 publication will be released at the inaugural Tourism Outlook conference on 15 November 2010.

As part of its main messages, it agreed to feature Chinas' position as being the top inbound market by value.

9. Next Meeting

The Committee is planned to next convene in around May 2011, with a release planned for July 2011 at the next Tourism Directions Conference.

The Chair closed the meeting at 1.00pm.

