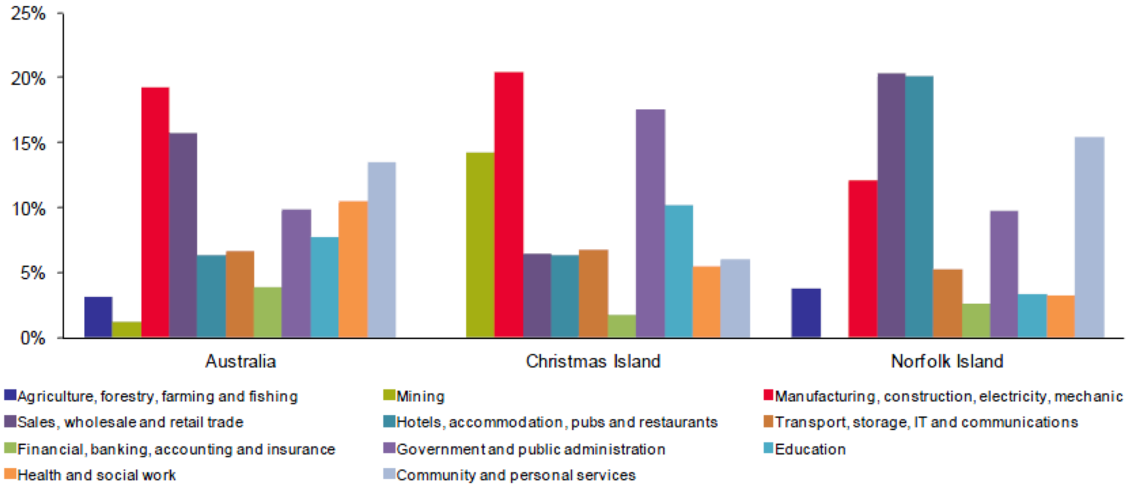
Norfolk Island tourism industry

Significance of tourism

The tourism industry is Norfolk Island's main export and is a major driver of the Island's economy. Using expected distribution and value of tourist spending, ACIL Tasman (2012) found that 41 percent of Norfolk Island Gross Island Product can be attributed to tourism. According to 2004/05 data (ABS 2006), 71 percent of all businesses and 68 percent of private sector employment on the Island were strongly associated with servicing tourists. While this data is now somewhat dated, analysis of employment share indicates that the significance of tourism-related business on the Island has remained relatively unchanged (ACIL 2012). In the 2001, 2006 and 2011 ABS Census the proportion of the workforce employed in the 'Restaurants, Hotels, Accommodation and Clubs' industry remained between 17.4 and 17.8 percent, though it must be noted that the classification title changed slightly from 'clubs' to 'pubs' in the 2011 Census (ACIL 2012).

Comparisons with Christmas Island, which has a limited tourist sector, and wider Australia, show that Norfolk Island is highly dependent on tourism-related industries for employment (see Figure 1 below). The 'Sales, Wholesale, and Retail Trade industry' group and the 'Hotels, Accommodation, Pubs and Restaurants' industry group together employ 40 percent of the workforce on Norfolk Island, but only 24 and 10 percent of the Australian and Christmas Island workforces respectively.

FIGURE 1. EMPLOYMENT BY INDUSTRY IN AUSTRALIA, CHRISTMAS ISLAND AND NORFOLK ISLAND

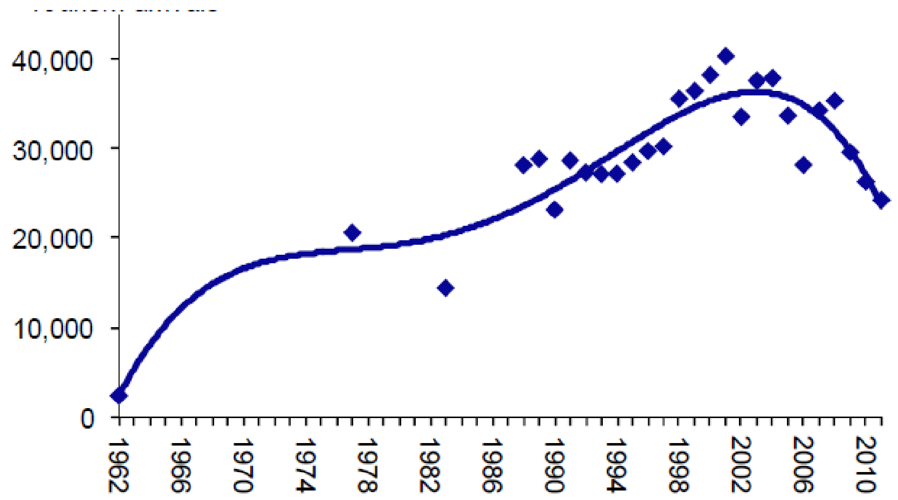


Source: ACIL Tasman 2012, p. 42
Note: Employment data for Norfolk Island differs slightly in this graph from the ABS Census data given above as data was sourced from the Norfolk Island Government's Census of Population and Housing.

Decline in tourism

- Estimates of the daily tourism spend on Norfolk Island (including accommodation spending) for 2004/05 suggest a daily tourist spend of around $215 per person, and an average visitor stay of 7.6 days (ACIL 2012, citing CIE 2006)
- Declines in tourism spending on Norfolk Island:
  2007-08 to 2008-09: $8.4M
  2008-09 to 2009-10: $5.6M
  2009-10 to 2010-11: $2.6M (ACIL 2012)
  The total fall in tourism over this period was $16.6M, which is substantial, considering the total income on Norfolk Island in 2004/05 was $94.1M (ACIL 2012, citing ABS 2006)

FIGURE 2. NORFOLK ISLAND TOURIST ARRIVALS (1962-2011)



Source: ACIL Tasman 2012

TABLE 1. NORFOLK ISLAND TOURIST ARRIVALS (2007-08 TO 2010-11)

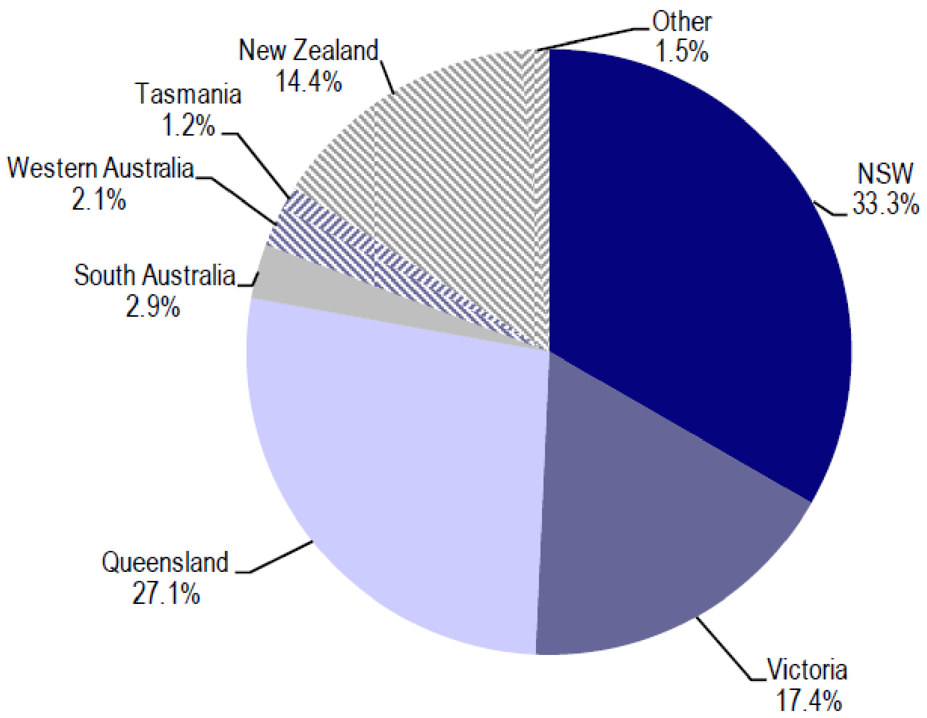
	2007/08	2008/09	2009/10	2010/11
Level	34,310	35,399	26,339	24,268
Change (%)	-	-16.3	-11.1	-7.9

Source: ACIL Tasman 2012

Key demographics

With 66 percent of tourist arrivals aged 60 and over, there is strong representation of older groups in visitors to Norfolk Island. Sporting groups are another major visitor market (ACIL Tasman 2012). Over 80 percent of tourist arrivals in Norfolk Island are Australians.

FIGURE 3. ORIGIN OF VISITORS TO NORFOLK ISLAND



Source: ACIL Tasman 2012, p. 38

Opportunities and constraints

	Opportunities	Constraints
Attractions	Norfolk Island's major attractions include the Kingston and Arthurs Vale Historic Area (KAVHA) and the National Park and Botanic Gardens (ACIL Tasman 2012). The Island is also known for its scenery and history, including its convict and Pitcairn community histories (ACIL Tasman 2012). The National Park and Botanic Gardens are also a key visitor attractor (Norfolk Island Government Tourist Bureau 2014). ACIL Tasman (2012) found that assets in KAVHA are relatively well-maintained but there is potential for the site to be further developed, particularly given its World Heritage listing. It asserts that there is need for significant improvements in the infrastructure that supports the interpretation of the site. A review of KAVHA's Conservation Management Plan is currently underway (Norfolk Island Government Tourist Bureau 2014).	
Cruise ship industry	There is significant discussion around the potential for the Island's tourism sector to expand into servicing the cruise ship industry. A major cruise operator in the region has indicated that the Island is well-	A constraint in this area has been a lack of infrastructure investment, including into shipping access facilities (ACIL Tasman 2012). Lack of appropriate passenger disembarkation services also acts as a

	situated to serve as a cruise stop (ACIL Tasman 2012).	constraint to the development of Norfolk Island as a cruise ship destination (ACIL Tasman 2012). Major works at Kingston and Cascade jetties were proposed by ACIL Tasman (2012) to allow containerised freight and support the unloading of cruise ship passengers.
Visitor access		Appropriate provision for airport works must also be addressed for the tourism industry on Norfolk Island to remain sustainable (ACIL Tasman 2012). There is a lack of integration into the global booking system for air travel. Moreover, the Tourism Bureau has limited skills in promoting the industry (ACIL Tasman 2012). Norfolk Island is also not considered a domestic destination from the Australian mainland (ACIL Tasman 2012).
Cost		The costs for tourists to travel to Norfolk Island and buy goods on the Island are quite high. There is also a lack of cheap, fresh produce available to tourists (ACIL Tasman 2012). There are also high accommodation and event costs when compared to other overseas holiday locations close to the mainland, such as South-East Asia (DIRD 2014)
Signature facilities	A signature resort facility, such as Capella Lodge on Lord Howe Island, could serve to attract high spending tourists. A suitable facility to support expansion into the Meetings, Incentives, Conventions and Exhibitions (MICE) tourism market could also be beneficial (ACIL Tasman 2012).	

Accommodation

ACIL Tasman (2012) reports that there are 66 properties offering accommodation on Norfolk Island, with a total offer of 1,649 beds. These are distributed between five hotels (2.5-3.5 star rating), 60 self-catering units, cottages or houses (2.0-5.0 star rating), and one guest lodge (3.5 star rating). The average occupancy rate for Norfolk Island in 2010-11 was 36 percent, compared to 65 percent in Australia for the same period.

Government involvement

The Norfolk Island Government plays a significant role in the tourism sector through the Norfolk Island Government Tourist Bureau. The Bureau is responsible for the promotion of tourism on Norfolk Island and runs the Visitor Information Centre.

Following a recommendation in the JSC Report on Economic Development on Norfolk Island (2014) for the appointment of officers from Commonwealth agencies to provide advice and support to define, develop and promote the Island's tourism industry, the governance of the Norfolk Island tourism industry may change. The JSC's recommendations include the following:

Austrade and the Department of Infrastructure and Regional Development will work together to identify new opportunities for tourism and to undertake targeted research to better define tourism markets, inform a tourism strategy and identify opportunities for growth.

Austrade will provide strategic advice to the Norfolk Island Government Tourist Bureau and assist in the brokering of broader relationships within the tourism industry including with Tourism Australia and key industry bodies.

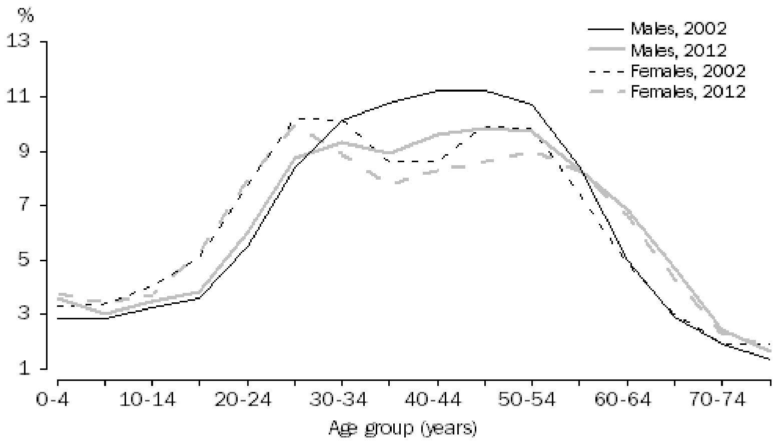
Tourism across Australia

Overseas travel

Age and sex

The peak age group for male Australian residents departing overseas for a short-term stay abroad was 45-49 years in 2012 (9.9%), while for females it was 25-29 years (10.0%).

FIGURE 4. SHORT-TERM RESIDENT DEPARTURES FROM AUSTRALIA BY AGE AND SEX (2002 AND 2012)

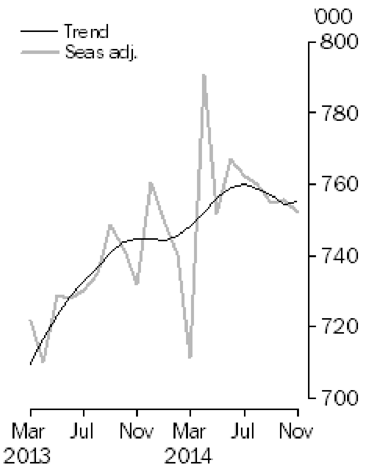


Source: ABS 2012

Peak travel seasons

The following figure shows peak seasons for Australian residents to travel abroad.

FIGURE 5. SHORT-TERM RESIDENT DEPARTURES FROM AUSTRALIA (2013-14)



Source: ABS 2014

Other trends
Over 2012, the most frequently cited main reasons for short-term resident departures from Australia were (ABS 2012):
– Holiday (57%),
– Visiting friends and relatives (23%), and
– Business (10%).

The median duration of stay for all short-term resident departures was 15 days (ABS 2012).

Demographic trends in overseas travel from Australia include (Tourism Research Australia 2011):
– People with no dependents are 34 percent more likely to take an overseas holiday than those with dependents
– Residents from NSW, Victoria and Queensland are 7.6 percent more likely to take an overseas holiday than those from other states and territories
– Households whose income is greater than the national median income are 31 percent more likely to take an overseas holiday compared to those whose income falls below the median

Domestic travel

Over the period from 1998 to 2010, the propensity of a Australian to travel domestically for leisure purposes declined by an average of 26 percent (2.9 trips per person to 2.1 trips per person). This is largely attributed to trends in ease of and capacity for overseas travel. Tourism Research Australia (2011) analysis shows that, for every one percent increase in:
– Household discretionary income, domestic leisure tourism demand is likely to decrease by 0.53 per cent
– Accommodation rates, domestic leisure tourism demand is likely to decrease by 0.33 per cent
– Household durables expenditure, domestic leisure tourism demand is likely to increase by 0.49 per cent
– Outbound air capacity, domestic leisure tourism demand is likely to decrease by 0.24 per cent
– The Trade Weighted Index, domestic leisure tourism demand increased by 0.07 per cent

The latter was contrary to what was expected, given that as the Australian dollar appreciates, outbound travel becomes more competitive. Thus, demand for domestic tourism in this final factor was expected to decline.

Tourist competitors

TABLE 2. SHORT-TERM RESIDENT DEPARTURES FROM AUSTRALIA BY MAIN DESTINATION CITED – OCEANIA AND ANTARCTICA, AND SOUTH-EAST ASIA ('000)

		Financial year	
OCEANIA AND ANTARCTICA		**2012-13**	**2013-14**
	Norfolk Island	17.7	20.3
	New Zealand	1,139.9	1,188.2
	New Caledonia	15.3	14.7
	Papua New Guinea	95.3	92.8
	Vanuatu	66.1	65.8
	Cook Islands	17.8	17.0
	Fiji	331.4	332.9
	French Poly	6.9	7.4
	Samoa	22.3	25.0
	Tonga	11.2	11.8
	Other Oceania	23.5	30.4
	Total Oceania	***1,747.4***	***1,806.3***
SOUTH-EAST ASIA			
	Cambodia	45.0	50.2
	Thailand	627.7	616.4
	Vietnam	217.3	238.4
	Indonesia	913.9	1,011.0
	Malaysia	260.4	303.3
	Philippines	172.9	189.0
	Singapore	319.5	372.4
	Timor-Leste	16.0	16.9
	Other South-East Asia	30.0	29.1
	Total South-East Asia	***2,602.8***	***2,826.7***

Source: ABS 2014

TABLE 3. DOMESTIC VISITORS (AGED 15 AND OVER) TO EAST COAST AUSTRALIA TOURISM REGIONS

		Visitors ('000)	Expenditure ($ million)	Key SA2s visited and no. of visitors
Northern Rivers Tropical NSW				Byron Bay (365,000)
	Day	2,990	348	
	Overnight	1,881	974	
North Coast NSW				Port Macquarie – East (625,000)
	Day	3,898	457	Coffs Harbour – South (610,000)
	Overnight	3,339	1,822	Nelson Bay Peninsula (381,000) Note: Lord Howe Island is also a part of this region

Source: Tourism Research Australia Regional Tourism Profiles, 2012-13

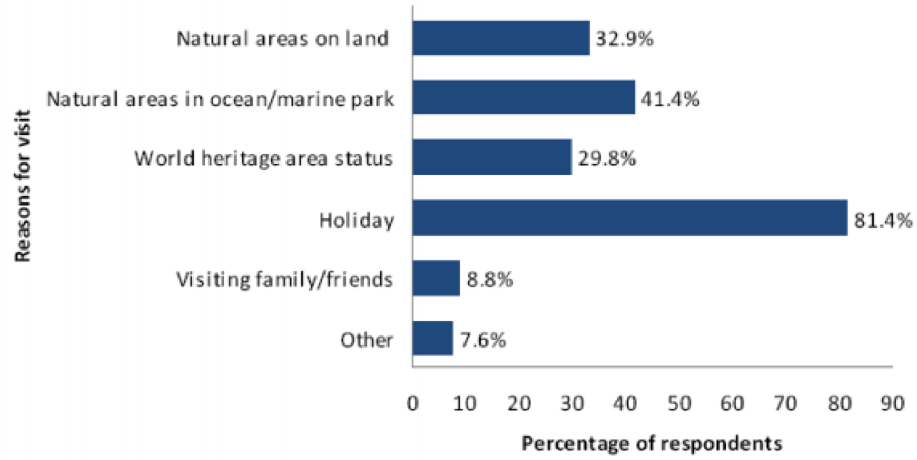
Key competitor destinations

Lord Howe Island

Visitation is limited to 400 people per night, and there are approximately 16,000 visitors each year. 59% of the Island's domestic visitors are from NSW (Arche Consulting 2010).

The figure below shows the main reasons cited by visitors for their visit to the Island. Like Norfolk Island, Lord Howe Island's main attractive factors are in its nature offer and world heritage area status and history.

FIGURE 6. MAIN REASONS FOR VISIT TO LORD HOWE ISLAND



Source: Arche Consulting 2010

In a representative sample of 266 people, it was found that 70% of visitors were 55 years or older (Tourism Research Australia 2008). 87% of visitors did not consider another location as an alternative to Lord Howe Island (Tourism Research Australia 2008).

Cost comparisons

In a basket of groceries comparison conducted by ACIL Tasman (2012) (see Table 1 below), it was found that goods purchased on Norfolk Island are not only significantly more expensive than those bought in major Australian metropolitan areas, but also in Broome, a remote Australian town with a significant tourism economy. The high costs associated with visiting Norfolk Island are considered a constraint in the development of the Island's tourism industry (ACIL Tasman 2012).

TABLE 4. BASKET OF GROCERIES IN NORFOLK ISLAND, MAJOR AUSTRALIAN METROPOLITAN AREAS AND BROOME ($)

Item	Unit	Norfolk Island	Australia	Broome
Plain flour	1kg	5.29	3.21	2.70
Rice – white, long grain	1kg	4.69	2.78	5.50
Biscuits savoury	250g	3.63	2.58	2.91
Beef mince	kg	11.00	7.96	10.00
Sausages	kg	9.75	7.13	7.00
Chicken breast	kg	17.95	13.01	14.00
Tin of salmon	210g	3.79	3.40	3.24
Canned tuna	425g	3.53	2.03	3.66
Milk full cream	1lt	2.30	1.99	1.25
Milk UHT full cream	1lt	6.60	1.90	1.44
Butter	500g	4.95	3.94	4.70
Tomatoes	1kg	7.25	6.31	4.98
Carrots	1kg	6.15	2.21	1.65
Potatoes	1kg	4.98	2.70	2.98
Frozen peas	500g	5.95	2.18	2.21
Canned pineapple	450g	2.45	2.12	2.00
Cherry Ripe	55g	1.60	1.99	1.68
Orange juice	1 litre	3.40	2.11	2.50
Eggs	dozen	7.39	5.26	5.50
Leaf tea	250g	2.30	3.54	4.00
Sugar	1kg	2.95	1.56	2.50
Dog food	700g	2.83	1.97	1.74
Panadol tablets	24	2.84	3.21	2.50
Toilet paper	6 rolls	9.95	4.61	3.15

Source: ACIL Tasman 2012, p. 22

TABLE 5. AIRFARE COST COMPARISONS BETWEEN NORFOLK ISLAND AND COMPETITOR DESTINATIONS

Origin	Destination	Red e deal	Flexible fare
		($)	($)
Sydney	Norfolk Island	311	384
Sydney	Fiji	366	498
Sydney	Vanuatu	283	373
Sydney	Lord Howe Island	560	654
Brisbane	Norfolk Island	285	491
Brisbane	Fiji	263	291
Brisbane	Townsville	189	270
Melbourne	Norfolk Island	371	493
Melbourne	Fiji	338	366
Perth	Norfolk Island	517	602
Perth	Broome	239	499

Source: ACIL Tasman 2012, p. 76
Note: Fares given are indicative, based on QANTAS airfare costs for a period two months in advance.

Additional information

Air travel

An air services contract with Air New Zealand (Air NZ) was commenced in March 2012, and the Island has since experienced a period of airline stability in schedules, service consistency and industry policy, a significant improvement from previous years (JSC 2014). The contract with Air NZ has been extended to 31 July 2016, which it is believed will give greater security to the tourism industry (JSC 2014). A new company called Norfolk Island Airlines has been formed by the part-owner of a previous Norfolk Island air service that went bankrupt, prior to the Air NZ contract (JSC 2014). The owner, Gregg Pechelt, asserts that there is a high seasonal demand for seats on the Air New Zealand service, despite Air NZ's decision to support Norfolk Island Tourism's suggestion to drop a flight in the low season (July) and shift that capacity to October. Mr Pechelt intends to cater for this overflow (JSC 2014). There are concerns, however, that given the fate of the past airline service, there may be risks in having two airlines trying to be viable at the same time (JSC 2014).

Air New Zealand flies five days a week into Norfolk Island from either Australia or New Zealand.

TABLE 6. AIR NEW ZEALAND A320 FLIGHTS TO NORFOLK ISLAND PER WEEK

Day	No. of flights	Origin	Passenger Capacity
Monday	1	Sydney	168
Tuesday	1	Brisbane	168
Friday	1	Sydney	168
Saturday	1	Brisbane	168
Sunday	1	Auckland	168
TOTAL WEEKLY CAPACITY	**5**		**840**

Source: SGS; Norfolk Island Government Tourist Bureau

Tourism Bureau budget

The 2011/12 budget allocation for the Bureau was $1.62M (ACIL Tasman 2012). Around $250,000 a year is also raised by the Bureau through activities such as commissions on the sale of tours and accommodation, events and retail sales (ACIL Tasman 2012).

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