

# Chapter 17

## value of tourism

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### Description

Although the Kosciuszko National Park has been a key snow-skiing destination for generations of Australians, it is not a designated tourism destination for which data is compiled by tourism agencies such as Tourism New South Wales (NSW) and the Bureau of Tourism Research. Instead, such agencies designate the Snowy Mountains as a tourism region, coinciding with the Australian Bureau of Statistics' Snowy Mountains Statistical Division, which contains the Local Government Areas of Cooma–Monaro, Snowy River and Bombala.

Visitation data for domestic tourists to the Snowy Mountains tourism region are shown in Table 1 for the years 1998–2001. Although these figures do not relate exclusively to Kosciuszko National Park, the park is the major tourist attraction in the region. The visitation numbers do not display any discernible trend, but tend to vary from year to year in line with snowfall and the quality and length of the ski season. There may be some correlation with the general health of the economy, as domestic tourism tends to be income-elastic<sup>1</sup>.

**Table 17.1 Annual visitor numbers to Snowy Mountains region, 1998–2001**

	Overnight visitors ('000)	Day trip visitors ('000)
1998	647	195
1999	620	292
2000	689	260
2001	651	272

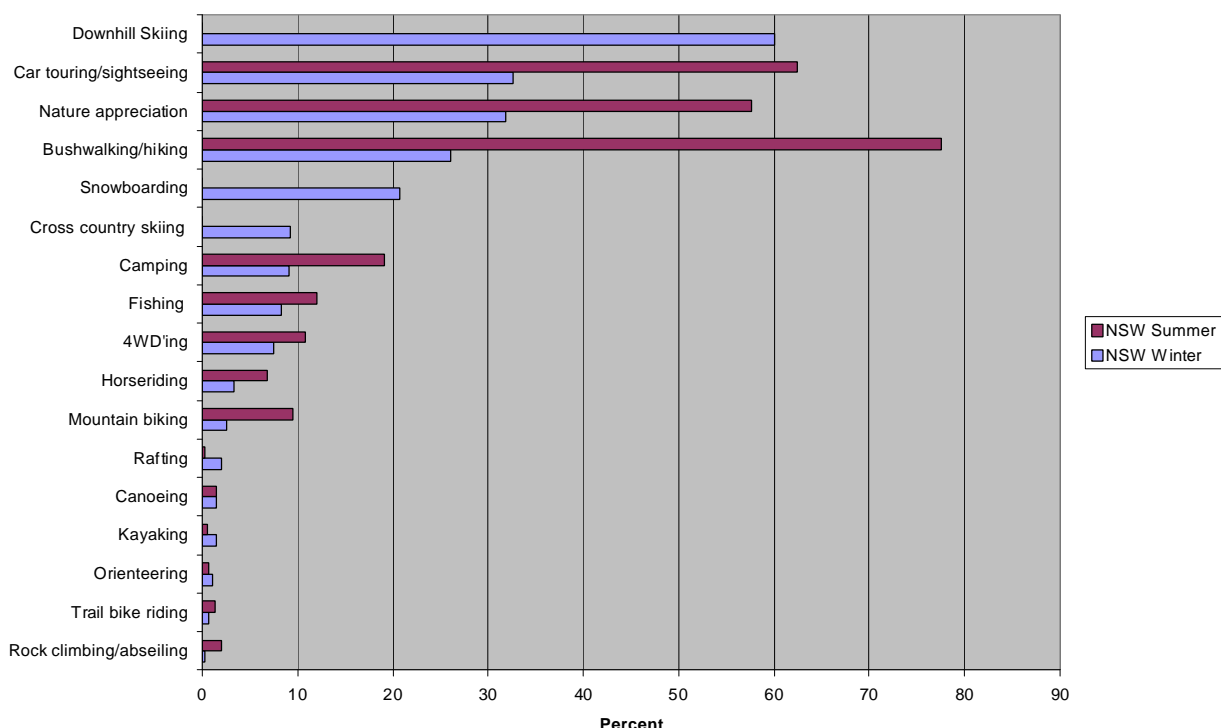
Source: Tourism NSW

While the park is closely associated with winter sports such as skiing and snowboarding, the 2001 Australian Alps visitor survey conducted by the University of Canberra's Centre for Tourism Research (Mules et al. 2002) showed that bushwalking, sightseeing and nature appreciation are undertaken by more people. Figure 1 shows the activities undertaken as reported in the survey. One possible reason for the fact that these activities outranked snow-based activities is that multiple responses were possible. This means that a winter visitor who ticked downhill skiing may also have ticked sightseeing. If a summer visitor also ticked sightseeing (but obviously not snow skiing) then overall, sightseeing would outrank skiing.

*"The recreational use value of the park is just under \$5 billion."*

<sup>1</sup>Domestic tourism to Kosciuszko National Park would also be affected by the cost of visiting substitute mountain destinations, such as New Zealand and North America, where exchange rate movements play a part. While the exchange rate against the NZ\$ has been stable, the US\$ rate has declined markedly; given some degree of price response, this should have triggered an increase in domestic ski/snow based visitors to Kosciuszko National Park.

**Figure 17.1 Activities undertaken by visitors to the NSW Alps, 2001**



Note: Numbers do not sum to 100 because of multiple responses

Source: Centre for Tourism Research, University of Canberra (Mules et al. 2002)

There is some support for the finding that non-snow based activities are popular from the National Visitor Survey ending June 2002 which showed that for all visitors, “rest and relaxation” rated 45%, snow skiing and boarding 37%, and “national parks and forests” 32%. It should also be noted that the high proportion of bushwalkers in the sample which was used for Figure 17.1 may be partly a result of the data collection methods. Experienced regular skiers who had season passes may have missed many of the survey distribution points, thereby possibly under-weighting skiing in the sample.

Included in “sightseeing” in Figure 17.1 would be people who visited the Snowy Hydro Limited’s visitor facilities either within the Park or at Cooma. Data from Snowy Hydro indicate that some 30,000 people visited power stations within the Park in 2002, and 41,200 visited the Cooma Education and Information Centre.

The 2001 survey suggested that winter tourism accounted for some 65% of the annual total, down from 89% in a 1994 survey (KPMG Consulting 1994<sup>2</sup>). Clearly, the park is now an all-year-round attraction, in contrast to the situation in 1994, and the natural and scenic aspects of tourism in the park are rivaling the importance of the snow-based aspects.

## Significance

### International

The international tourism significance can be thought of in two streams:

- How important an attraction is Kosciuszko National Park to international visitors to Australia?
- How important is Kosciuszko National Park is keeping Australian travellers at home, rather than travelling overseas?

The top 10 places visited by international visitors to Australia are shown in Table 2. The popularity of Sydney and Melbourne is partly due to their gateway status, but international visitors clearly have a preference for capital cities, or non-capital city attractions that are in some way ‘special’; for example, tropical North Queensland. Kosciuszko National Park is not in the top twenty destinations for international visitors to Australia.

<sup>2</sup> Both surveys were comprehensive random samples, and so should provide estimates of parameters of the visiting population. The differences between the two samples are also too large to be explained by sampling variation.

While some may argue that Kosciuszko National Park is 'special' in an international setting, perhaps for scientific uniqueness, this does not translate into significance for international tourism. As a mountain destination, Kosciuszko National Park competes internationally with the Himalayas, the Southern Alps of New Zealand and various European and North American alpine regions. The height and extent of the Australian Alps pale by comparison with these international destinations. As a result, only 6% of the visitors to Kosciuszko National Park in 2001 were international tourists (Mules et al. 2002). Thus it cannot be argued that Kosciuszko National Park is of international tourism significance in terms of attracting visitors to Australia. This is a reflection of its relative insignificance on the world scale of mountain destinations, rather than an issue of cost, and it is difficult to imagine any level of promotion that would alter this situation.

**Table 17.2 Top 10 destinations for international visitors to Australia, 1999**

Destination	Percentage of international visitors
Sydney	55.5
Melbourne	24.4
Gold Coast	21.4
Tropical North Queensland	18.4
Brisbane	17.2
Perth	12.7
Adelaide	7.2
Petermann, Northern Territory (including Uluru and Yulara)	6.2
Alice Springs	5.5
Sunshine Coast	4.9

Source: Bureau of Tourism Research (2001)

Similar considerations apply to retaining Australians who might otherwise travel overseas. While there are no official data on outbound Australian travel to mountain destinations, there is anecdotal evidence that Australians do travel to New Zealand and to North America for skiing and hiking, and to the Himalayas for trekking and climbing.

The general impression obtained from talking to skiers and trekkers is that Kosciuszko National Park is not world class in terms of either mountain activities or facilities. Problems that are often cited with Kosciuszko National Park include:

- high cost of accommodation and ski lift tickets;
- lack of dependable snow;
- lack of developed walking/trekking trails;
- altitude (lack of).

There may be some 'cultural cringe' in Australians' attitudes to their own mountain destinations. Further research is needed into the outbound Australian travel market to determine the extent to which Kosciuszko National Park is seen as a potential substitute for travel to foreign mountain destinations.

### **Domestic**

Kosciuszko National Park and the Victorian Alps are the only two alpine tourism destinations in Australia. While parts of Tasmania may lay claims, only Kosciuszko National Park and the Victorian Alps have well developed ski fields with on-mountain accommodation and significant tourism visitation all year.

However, as is shown in Table 3, Kosciuszko National Park does not rate in the top 10 tourist destinations for Australian domestic tourism. Part of the reason for this is that business tourism is always going to be dominated by capital city visits; also, a lot of Australian holiday tourism is beach related - 38% of Australian domestic holiday travellers list the beach as a destination/activity and 11% list visiting a national park (Bureau of Tourism Research 2002).

**Table 17.3      Top 10 Australian domestic tourism destinations, 2000**

Destination	Percentage of domestic visitors
Sydney	11
Melbourne	8
Brisbane	6
Gold Coast	5
Hunter region	4
Adelaide	3
Sunshine Coast	3
Perth	3
South Coast NSW	3
Canberra	3

Source: Bureau of Tourism Research (2002)

In a tourism sense, it could not be said that Kosciuszko National Park is a destination of major national significance, at least in terms of the number of visitors. Estimates by the Centre for Tourism Research at the University of Canberra (Mules et al. 2002) put the total number of visitors in 2001 at 1,001,500<sup>3</sup>. By comparison, the south coast of NSW attracts 4,934,000 and the Hunter region attracts 8,332,000 visitors per year (Tourism NSW data). These figures include domestic overnight visitors, international visitors and day trip visitors.

The domestic tourism significance of Kosciuszko National Park lies not in the total number of visitors who are attracted to it, but in the uniqueness of the tourism experience. It is one of the few areas of Australia where people can experience the unique climate, scenery, history and danger of an alpine destination.

## Impact

As the previous section has shown, Kosciuszko National Park is primarily a domestic tourist destination. Of the one million annual visitors, some 335,000 are from interstate, and it is the expenditure of the interstate tourists that drives the economic impact of Kosciuszko National Park tourism on the economy of NSW. Expenditure by visitors who are NSW residents is transferred from elsewhere in the state and therefore provides no gain in state economic activity.<sup>4</sup>

Mules et al. (2002) estimated that interstate visitors' expenditure generated \$150 million of gross state product in 2001, and that this was responsible for 2300 jobs, in full-time-equivalent terms. Some 65% of this economic activity was generated by the expenditure of winter visitors. Thus, although snow-based activities were outranked by scenic attractions in the park, the winter expenditure was responsible for almost two-thirds of the economic impact.

The size of the impact of tourism on the state economy depends upon three factors:

- the number of non-resident visitors
- the total expenditure of the non-resident visitors
- the pattern of this expenditure.

The pattern of expenditure is important, because if visitors tend to spend money on goods that are produced outside of the state, the economic impact will be less than if the expenditure is on goods produced within the state. Table 4 below shows the estimated expenditure pattern from the 2001 survey (Mules et al. 2002). As is the case with most studies of tourism's economic impact, the largest expenditure item is accommodation. Because this item is site specific, it cannot be imported into the state, and this illustrates why tourism is generally very efficient at generating economic impacts.

<sup>3</sup> There is a conventional wisdom that the park attracts around 3 million visitors per year. However, this figure would seem to be visitor-nights rather than visitors, since Tourism NSW figures put the annual number of domestic visitors, including day-trippers and international visitors, to the Snowy Mountains region at 956,000 in 2001, and the average length of stay is 3.3 nights.

<sup>4</sup> This is a deliberately conservative position, since if New South Wales residents were to go interstate or overseas instead of to Kosciuszko National Park, state economic activity would decline.

**Table 17.4**      **Total expenditure by visitors to Kosciuszko National Park, 2001**

Expenditure item	Total visitor expenditure (\$ million)
Accommodation	28.05
Food and drink	15.73
Transport	11.91
Park entry fees	3.96
Lift tickets, fishing licences, etc	23.26
Shopping, ski hire	14.61
Entertainment, gambling	7.16
Other	6.03
<b>Total</b>	<b>110.73</b>

### **Condition**

The condition of the park as a tourist destination is difficult to assess, depending to some extent on the views of visitors on questions such as quality of accommodation, transport, signage, attractions (including scenery), accessibility, restaurants, shopping, and entertainment. The park may have some outstanding sites for tourists, but if they are difficult to find or access, or are poorly maintained, then the tourism condition would be given a low rating.

The park attracts a wide cross section of visitor types, from downhill skiers to back country hikers, and they are likely to have different views about the importance of the attributes that comprise a tourist destination. Research on such matters has never been carried out, with the past research emphasis in Kosciuszko National Park being scientific and ecological in its orientation. Now that the park is a year-round tourist destination, it is timely for more research to be done on the tourism attributes of the park.

Such research would yield information on the condition of both the human-made and natural features of the park, as perceived by park visitors. 'Condition' in a tourism sense is a relative concept, and tourists make destination choices between different destinations based on differences in the destinations' attributes. For example, the quality, modernity and price of accommodation are all part of the way in which tourists compare accommodation at different destinations. Similar considerations apply to other features such as roads, signs and picnic and camping areas.

One measure of condition where there has been some limited research is 'consumer surplus'. Each user of the park for tourism derives pleasure/satisfaction from their visit, and in most cases the value of the satisfaction exceeds the cost of visiting the park, where 'cost' includes not only entry fees, but also cost of travel to the park and return. This excess is the consumer surplus.

Economists use a method called 'travel cost' to derive the demand/cost relationship for visitors. From this relationship it is possible to estimate the annual dollar value of the consumer surplus for all Park users. If the assumption is made that this value will continue indefinitely, then a present value of the flow of consumer surplus can be calculated using a social discount rate. This value could be regarded as a monetary measure of the condition of the park, for if the condition were to deteriorate, so too would the consumer surplus.

Mules et al. (2002) estimated the consumer surplus under a range of assumptions about travel cost per person per kilometre, and for a range of different demand functions. The study's preferred range was between \$102 million per year and \$458 million per year, with the 'middle of the road' value being \$280 million. The present value to perpetuity of this annual flow, using a 6% social discount rate is \$4943 million. In round terms this means that the recreational use value of the park is just under \$5 billion.

### **Trend in condition**

According to the two studies that have been carried out into the economic impact of tourism in Kosciuszko National Park (KPMG Consulting 1994; Mules et al. 2002), the economic impact of tourism to Kosciuszko National Park has increased from \$137.3 million in 1994 to \$150.21 million in 2001 (in nominal terms). This represents a compound growth rate of 1.3% per year, which is less than the rate of inflation (around 3%) and below the general growth rate in the economy (around 4%), but is in line with the growth in Australian domestic holiday tourism (1.1% per year according to the Tourism Forecasting Council (2002).

The other trend that is observable from the two studies is that the seasonal pattern of tourism is changing from 89% winter in 1994 to 65% winter in 2001. This trend towards the park being an all-year tourism destination is partly due to the deliberate strategy of tourism operators to develop non-winter activities such as mountain bike competitions, mountain running competitions

and jazz festivals. However, there has been a world wide increase in nature-based tourism over the past two decades, and the increase in summer tourism may be partly attributable to this trend.

The trend towards summer tourism has implications for the economic impact and commercial yield of tourism in the park. The 2001 study (Mules et al. 2002) estimated average expenditure per person by summer visitors to be \$268, and by winter visitors to be \$700. Thus, in economic terms, each winter visitor is worth almost three summer visitors. The two are not mutually exclusive of course, and it is possible for operators to even out their seasonal cash flow by developing summer tourism with no loss of winter tourism.

There are three trends in the Australian tourism industry that have implications for tourism in the park:

- International inbound tourism is the high growth area in Australian tourism, and is doubling in size every ten years. Kosciuszko National Park's low share of international tourists means that the park's tourism operators benefit very little from that growth.
- Kosciuszko National Park's current market segment is domestic tourism, which nationally is languishing. Its growth, approximately 1% per year, is slower than the rate of growth of population and the rate of growth of the economy.
- Australian outbound tourism is growing at approximately 6% per year. The mountain/nature oriented segment of this growth represents potential for Kosciuszko National Park tourism operators.

## Pressures

Pressures on a tourism destination may arise because of new competition from other destinations; from internal sources such as failure of the destination to keep pace with customer demand; or from changes in the external tourism environment. To our knowledge, there has been no research on visitors' satisfaction with aspects of their visit to Kosciuszko National Park, and so no conclusions can be drawn on the matter of customer perspectives.

There is clearly some tension between the conservation objective and the tourism use objective of the park, and decisions on park conservation may always have implications for the tourism use. However, the greatest pressure on the tourism industry in and around the park is from competition from other destinations, especially skiing and mountain destinations. There has been no competitor analysis research done, to our knowledge, for Kosciuszko National Park as a tourism destination.

Future snowfall, and how global warming will affect it, is clearly a threat to the tourism industry in the region. The response of the industry to date appears to be to invest in snow-making technology and infrastructure.

## Opportunities

The emergence in recent years of summer tourism in Kosciuszko National Park, and the plans by the operator at Perisher Valley for an all-year tourism village, indicate where the tourism opportunities lie in the near future. More research is needed on the capacity of the park to handle the various segments of the summer market (e.g. fishing, bushwalking, camping), and on the investment and infrastructure needed if that market is to develop further.

The great challenge for the tourism industry in and around the park is to develop a niche in the international visitor market in Australia. It is this market which is highest in yield and potentially highest in growth. Both Canberra and Kosciuszko National Park are similarly afflicted with their inability to attract a significant share of this market, and there may be synergies to be gained in marketing and travel logistics.

The same synergies may apply in the educational tourism market, where over 120,000 school children per year already visit Canberra on a school excursion. The park has numerous educational aspects, such as ecology, geology, history and science, which could form part of a linked educational excursion to Canberra, where the educational focus is civics and society.