JOURNAL OF H&T
www.johat.com

CHRISTINE LIM

The Travel Balance Approach and Contributing Factors to Tourism Rejuvenation in Australia and New Zealand

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 and New Zealand to identify the critical factors that propel these countries from the Decline stage to a fifth stage of Rejuvenation. The factors include, but are not restricted to, concerted government action with support from the tourism industry to promote these countries 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.

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 and New Zealand's annual travel export and import statistics from 1975 to 2000, to examine whether the postulates of the TBA model conform to Australia's and New Zealand's experiences. These data are obtained from various statistical publications by the Australian and New Zealand Bureaux of Statistics.

Travel Balance Approach Revisited

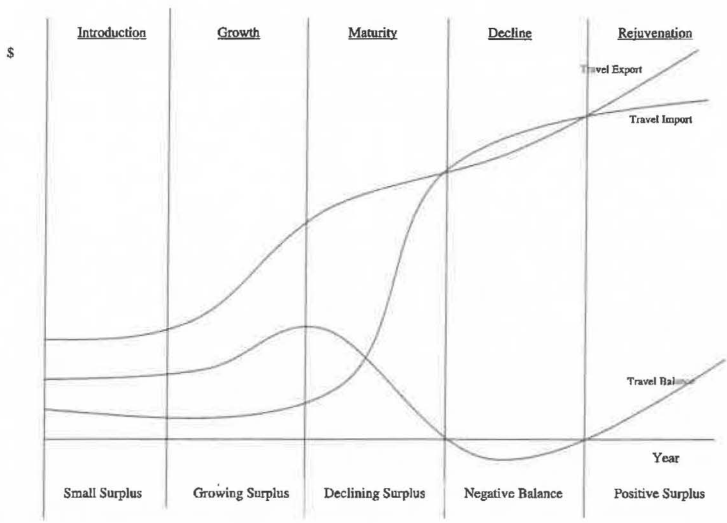
The TBA model is premised on the notion that the economic development of a country, in general, and tourism development, in particular, will stimulate four sequential stages of a country's travel balance, defined as the net of travel exports over travel imports. It is postulated that in the Introductory 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.

Figure 1. Five Stages of the Travel Balance Approach



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

Figure 1. Five Stages of the Travel Balance Approach

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.

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.

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

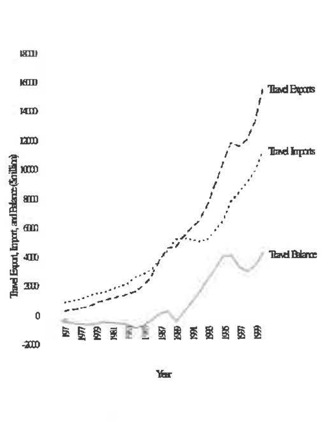


Figure 2. Australia's Travel Exports, Imports and Balance ($million), 1975-2000

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 itself 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.

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

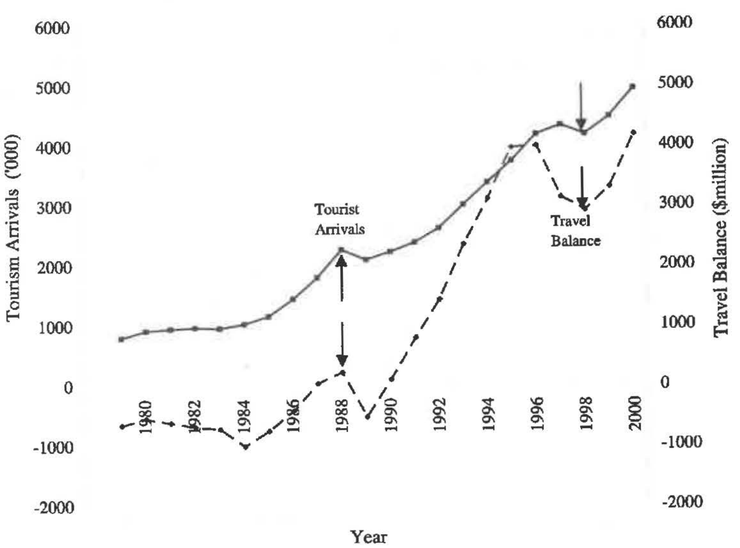


Figure 3. Australia's Travel Balance ($ million) and International Tourist Arrivla ('000). 1979-2000

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.

Tourism Rejuvenation In New Zealand

For New Zealand the story is very much the same. The average annual tourism export growth of 18.6% exceeded the average tourism import growth of 9.6% from 1979 to 1997. Between 1979 and 1985, New Zealand was in the Decline Stage, with a negative average annual travel balance of NZ $235 million (see Figure 4). But travel exports grew at an impressive annual rate of 30.7%, which far exceeded the average tourism import growth of 12.1% during the same period. Export growth took off after 1985 (the last year in the Decline Stage) and continued to exceed the travel import growth more or less in a sustained manner. The travel balance turned positive in 1986, ushering in the Rejuvenation Stage. From 1986 to 1997, the average annual export growth was 12.5%, exceeding the average import growth of 8.3%, and resulting in an average annual positive travel balance of NZ $549 million.

Figure 4. New Zealand's Travel Exports, Imports and Balance ($million), 1979-1997

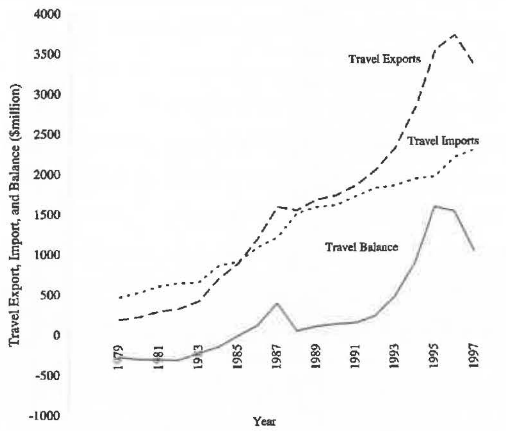


Figure 4. New Zealand's Travel Exports, Imports and Balance ($million), 1979-1997

New Zealand is a small country with a population of less than four million. In 1997, the country was ranked 59th in the world in terms of tourist arrivals with about 1.5 million visitors, accounting for one-fourth of one percent of arrivals worldwide (WTO 1999). In 1997, New Zealand was ranked 44th in tourism receipts, with revenues of US $2 billion, which represented a sizeable 50% of its service exports of US $4 billion. Major tourist source markets include Australia, United Kingdom, United States, Japan, South Korea, and Taiwan, in that order. For New Zealand, the second upward inflection point in travel exports occurred in 1985, propelling the country into the Rejuvenation Stage the very next year in 1986. Note from Table 1 and Figure 5 that the highest annual growth in visitor arrivals occurred in 1986, the first year of the rejuvenation period.

Table 1. Visitor Arrivals in New Zealand, 1979-1997

Year	Arrivals (000's)	Annual % Change
1979	419	
1980	445	6.2
1981	463	4.4
1982	473	2.1
1983	488	3.2
1984	518	6.1
1985	597	15.3
1986	689	15.4
1987	763	10.7
1988	855	12.1
1989	868	1.5
1990	933	7.5
1991	967	3.6
1992	1000	3.4
1993	1087	8.7
1994	1213	11.6
1995	1343	10.7
1996	1442	7.4
1997	1551	7.6

Figure 5. New Zealand's Travel Balance ($million) and International Tourist Arrivals ('000), 1979-1997

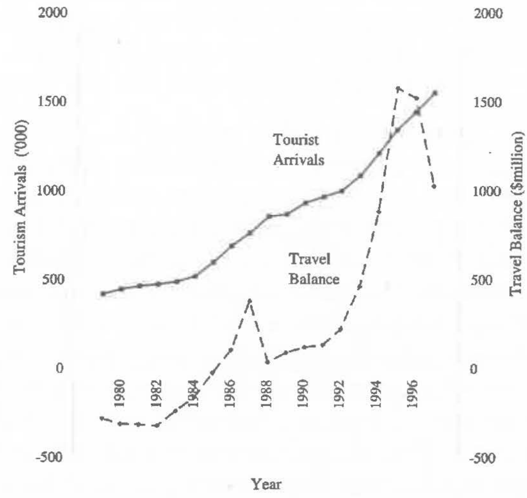


Figure 5 New Zealand's Travel Balance ($million) and International Tourist Arrivals ('000). 1979-1997

There are three possible ways to increase tourism revenues in a particular destination country, namely increase visitor arrivals, encourage visitors to stay longer, and/or to spend more per day. Three agencies which can bring this about include government bodies such as tourism promotion boards, direct providers of tourism services such as airlines, hotels, and resorts, and indirect providers of tourism services such as travel agents and tour operators.

Tourism promotion had always been under the management of the New Zealand Tourist and Publicity Department (NZTPD). In 1983, the Tourism Advisory Council was replaced by the New Zealand Tourism Council to assess major tourism trends and developments, to advise on tourism policy, and to ensure industry coordination. The Tourism Overseas Marketing Support Scheme was established in 1987 to provide assistance to the private sector in approved overseas marketing activities. In 1990, the NZTPD was replaced by the New Zealand Tourism Department, involving a three-way partnership among the government, the tourism industry, and the community to globally market "Destination New Zealand". The Tourism Strategic Marketing Group was separately set up to facilitate collective strategic planning and funding of promotional activities overseas. In 1991, the New Zealand Tourism Board was established to ensure that New Zealand was globally marketed as a competitive tourist destination. Approximately 80% of its funding was devoted to international marketing with 50% of its staff located overseas. Promotional activities were concentrated in the major source markets in Australia, United Kingdom, North America, Japan, and South Korea, Asia, Continental Europe, and the Nordic Countries, and involved trade shows, information dissemination, and invitations to visiting journalists, film crews, and tour agents.

The government agencies were also involved in developing tourism infrastructure as major as airports, harbours, roads, parks, and information centers, wildlife preserves, historical restorations, and as mundane as adequate road signage. They were also engaged in educating and training the major players in the tourism industry, and were active in the certification and grading of properties through the Qualmark program. A national tourism database was developed and maintained to provide users with accurate, timely, and readily understood information, with one targeted toward the special needs of Japanese tourists, and a Visitor Information Network was set up to link public information and information services. These government agencies also published tourist guidebooks such as The New Zealand Motoring Book, Where to Stay Guide, Outdoor Holidays, and Tourism News. Much was also done to develop eco-tourism, particularly to promote the unique Maori culture as a cultural attraction by way of a Maori Tourism Commission. Like Australia, the Event Tourism Unit endeavoured to promote New Zealand through international events such as the America's Cup (Gnoth and Anwar 2000). The Ultimate Challenge Event in 1990 took advantage of the pristine nature of the country, and promoted New Zealand as the ultimate destination for endurance events and adventure experiences. New Zealand had enhanced its rugged reputation by constantly bidding to host world championships in rowing, gliding, harriers, and the world scout moot.

As in Australia, the floating and subsequent devaluation of the New Zealand dollar was also instrumental in increasing the number of budget-minded visitors. Between 1968 and mid-1975, the New Zealand dollar was approximately at par with the Australian dollar, after which it started to depreciate against the Australian dollar. In 1984, it plunged to a value of NZ $1.41 to A $1, contributing greatly to the second upward inflection point in tourism revenues in the same year. As late as 2002, the New Zealand dollar was trading at a 20% discount with respect to the Australian dollar and a 60% discount with respect to the US dollar. In particular, with the appreciation of the yen, New Zealand has become a bargain destination for Japanese tourists. The depreciation of the New Zealand dollar has also made it relatively more expensive for New Zealanders to travel abroad.

The International Air Transportation Competition Act of 1979 (as discussed earlier) had effectively liberalized international air transportation and deregulated international airfares. In 1985, Air New Zealand extended its services into Vancouver, Canada, Dallas/Fort Worth, and Frankfurt, Germany, and in 1995 it inaugurated the Seoul-Auckland service, all of which was to stimulate visitor flows from these countries to emulate the success of the Tokyo route. Airfares to New Zealand, which had previously been prohibitively expensive, also began to fall as a result of increased international competition resulting from reciprocal routes. To secure more Australian traffic, in 1985 Air New Zealand purchased Jetaffair Holidays, Australia's largest outbound travel organization. In 1995, Air New Zealand purchased a 50% share of Ansett Australia to gain greater access to its Asian routes. The deregulation of the domestic airline industry, which began in 1983 and was completed in 1990, increased frequencies and competition and brought about reductions in domestic fares, making the north and south islands of New Zealand more mutually accessible by air. The Single Aviation Market arrangement with Australia completed in 1998 further enhanced competition.

The hospitality industry had also made significant contributions to stimulating visitor numbers, longer stays, and increased spending. In 1983, the Sheraton and Hyatt hotel chains ventured into New Zealand, bringing with them vital marketing and reservation links. The Tourism Facilities Development Program which was launched in 1988, had significantly increase the number of tourist facilities to attract overseas tourists. During the same year, the Ministers of Tourism Conservation approved a multi-million upgrade of tourism facilities at Milford Sound, the Fullers Captain Cook Cruises catamaran fleet was launched, the New Rainbow Skifield opened, and new chairlifts were installed at the Mt. Hutt, Mt. Cook, and Cardrona ski resorts. These were soon followed by developments on Wairakei Tourist Park. In the same year, the hospitality industry also facilitated international (and domestic) bookings by agreeing to a comprehensive classification system for all properties.

Indirect providers of tourism services such as travel agents and tour operators benefited from government efforts in the areas of certification and training. These agents were also given assistance when operating overseas, and were encouraged to organize internal package tours, especially for Japanese tourists who tend to travel in groups.

Conclusion

Ve have seen how Australia and New Zealand have been propelled from the ecline Stage to the Rejuvenation Stage. It is clear that this came about m
a result of concerted government intervention, simult

d nurturing of the local tourism industry, and promotions abroad. Theme :ars were effectively used as focal points for overseas promotions, especially ı the case of Australia. Given the geographical isolation of these destinations, ncreased international air links and fare reductions also played major roles in ıncreasing the number of visitors to these countries. Correspondingly, the hospitality industry cooperated by increasing the quantity and quality of accommodation to attract more visitors and increase their 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 and New Zealand dollars were quickly followed by substantial increases in tourism revenues.

Undoubtedly, big events such as the hosting of the 2000 Sydney Olympics in the case of Australia, the filming of the *Lord of the Rings* and the hosting of the America's Cup in the case of New Zealand, and the perception of New Zealand as a safe destination, have raised their tourism profiles internationally. 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 and New Zealand's experiences, and their escape from the Decline Stage by adopting proactive strategies to propel themselves into the Rejuvenation Stage should serve as a roadmap for other countries.

Acknowledgements

The authors are grateful to Michael McAleer for helpful comments and suggestions. The first author wishes to acknowledge the financial support of the Department of Economics, University of Western Australia.

REFERENCES

Australian Bureau of Statistics (1980-2001). Overseas Arrivals and Departures. Canberra: Australian Bureau of Statistics.

Australian Bureau of Statistics (1976-2001). Balance of Payments and Investment Position. Canberra: Australian Bureau of Statistics.

Browne, W.G., Toh, R.S., and Hu, M.Y. (1995). Frequent-Flier Programs, Transportation Journal, 35(2), 35-44.

Butler, R.W. (1980). The Concept of the Tourist Area Life Cycle of Evolution: Implications for the Management of Resources. Canadian Geographer, 14, 5-12.

Cooper, C. and Jackson, S. (1989). Destination Life Cycle: The Isle of Man Case Study, Annals of Tourism Research, 16, 377-398.

Day G.S. (1981). The Product Life Cycle: Analysis and Application Issues. Journal of Marketing, Gnoth, J. and Anwar, S.A. (2000). New Zealand Bets on Event Tourism. Cornell Hotel and Restaurant Quarterly, 41(4), 72-83.

Haywood, K.M. (1986). Can the Tourist Life Cycle be Made Operational? Tourism Management, 7, 154-167.

Statistics New Zealand (1980-1998). Balance of Payments. Wellington: Statistics New Zealand.

Statistics New Zealand (1980-1998). Overseas Arrivals and Departures. Wellington: Statistics New Zealand.

Toh, R.S., Khan, H., and Koh, A. (2001). A Travel Balance Approach for Examining Tourism Area Life Cycles: The Case of Singapore. Journal of Travel Research, 39,426-432.

Toh, R.S., Khan, H., and Yap, I. S. (2002). An Empirical Validation of the Travel Balance Approach as an Alternative to the Tourism Area Life Cycle. Tourism Analysis, 7(3/4), 207-215.

Toh, R.S. and Shubat, N. (1985). The Impact and Effectiveness of the International Air Transportation Competition Act of 1979. Transportation Journal, 25(2), 46-54.

World Tourism Organization (1999). Annual Yearbook, Vol. 1. Madrid: World Tourism Organization.

World Tourism Organization (2001). World Overview and Tourism Topics. Madrid: World Tourism Organization.

About the author

Christine Lim is a Senior Lecturer at Griffith University, Australia.
Email <christine.lim@griffith.edu.au>.
Juergen Gnoth is a Senior Lecturer at Otago University, New Zealand.
Email <Jgnoth@business.otago.ac.nz>.
Rex S. Toh is a Professor at Seattle University, USA.
Email <rextoh@seattleu.edu>.