

Visitor and accommodation forecast

Great Ocean Road

September 2018



Great Ocean Road drive

Image credit: Tourism Australia

Introduction

The Great Ocean Road, and the broader tourism region, is one of the world's most scenic and iconic coastal touring routes. Its sheer limestone cliffs, pockets of rainforest, shipwreck history and world class surfing breaks makes the Great Ocean Road one of Australia's most popular destinations.

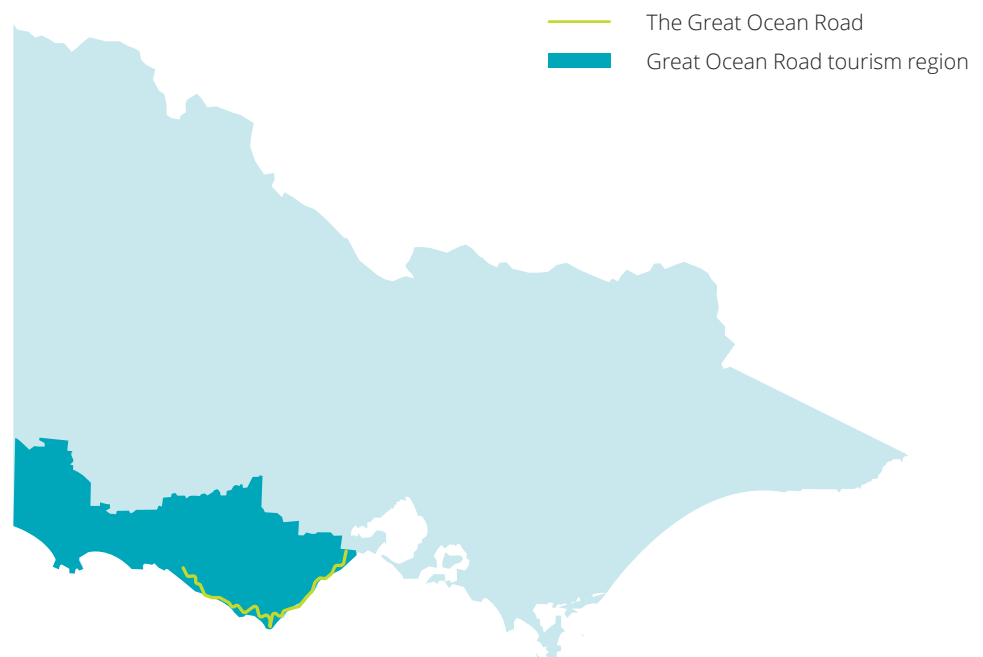
In 2016-17, approximately 12% and 34% of international visitors to Australia and Victoria respectively visited the Great Ocean Road during their trip.

Background

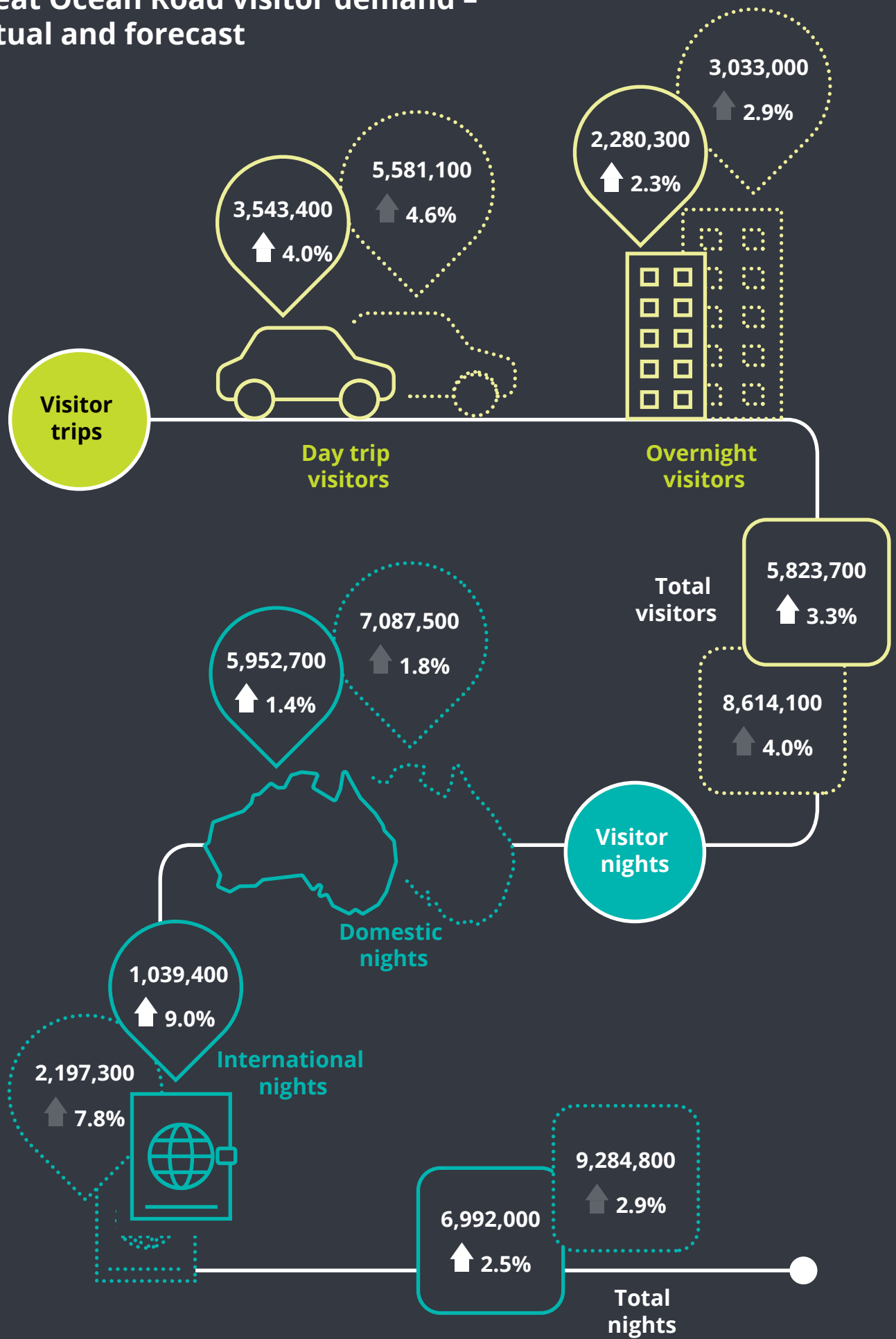
In September 2017, the Victorian Government established an independently chaired Great Ocean Road Taskforce to review the effectiveness of current governance arrangements and to make recommendations to strengthen protection of the landscape setting, improve the visitor experience, provide greater certainty in land-use planning and attract investment proposals that will benefit tourists and local communities. With this in mind, the Department of Environment, Land, Water and Planning engaged Deloitte Access Economics to undertake a visitor forecast and accommodation needs analysis for the Great Ocean Road tourism region.

Visitor demand forecasts for the Great Ocean Road region were derived by moderating Tourism Research Australia's forecasts for Victoria based on Deloitte Access Economics' analysis and assessment of historical relationships of the region's visitation patterns with national and state trends. Visitor nights forecasts were used as inputs to a tailored regional accommodation market model to produce a set of accommodation supply requirements to meet future demand.

The analysis captures visitation demand and accommodation needs in the broader Great Ocean Road tourism region.



Great Ocean Road visitor demand – Actual and forecast



In 2016-17 (actual) In 2026-27 (forecast) 10 year CAGR (historical) 10 year CAGR (forecast)

Source: Deloitte Access Economics and Tourism Research Australia, IVS and NVS

1 Historical trends and forecasts – Visitation

Historic visitation

In 2016-17, 5.8 million travellers visited the Great Ocean Road. There were 4.9 million and 930,000 domestic and international travellers respectively. This consisted of 3.5 million day trip visitors and 2.3 million overnight visitors, spending a total of 7.0 million nights in the Great Ocean Road. This represents an average length of stay of 3.1 nights per trip.

Holidaymakers are the largest segment of visitors to the Great Ocean Road, making up just under 70% of total visitation. International holidaymakers have been the fastest growing segment, with an average annual growth rate of 15.5% over the past 10 years.

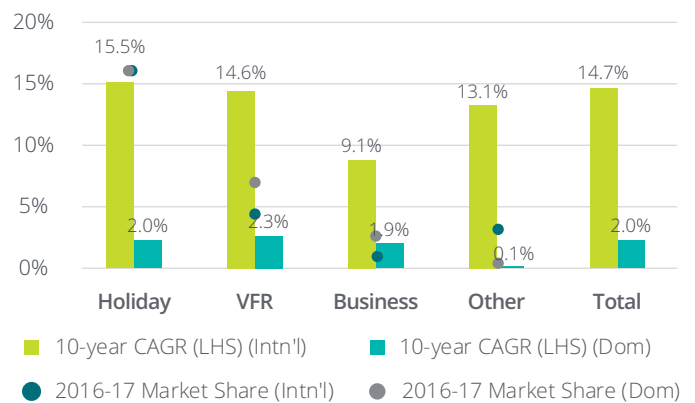
Visitation patterns along the Great Ocean Road differ between domestic and international demand segments. Victorians are the least likely to travel beyond the Surf Coast Shire, with 48% of all overnight trips and 46% of all day trips concentrated in this region. Domestic interstate and international visitors tend to travel further afield, with 69% and 76% of overnight trips taken beyond the Surf Coast Shire respectively.

Table 1.1: Great Ocean Road visitation type, 2016-17

Trip type	Number of visitors	Share of visitors
Domestic day trips	2,824,194	48%
Domestic overnight trips	2,067,161	35%
International day trips	712,102	12%
International overnight trips	220,385	4%
Total trips	5,823,842	100%

Source: Deloitte Access Economics, Tourism Research Australia IVS and NVS

Chart 1.1: Visitor trips growth by purpose of visit, 10 years to 2016-17



Source: Deloitte Access Economics, Tourism Research Australia IVS and NVS

Table 1.2 : Visitation patterns along Great Ocean Road by source, 2016-17

Source	Region	Day trips (share within source)	Overnight trips ¹ (share within source)	Total visitors (000s)	Nights per trip
Victorian	Surf Coast (S)	46%	48%	2,076	2.6
	Rest of GOR	54%	52%	2,344	3.0
Interstate	Surf Coast (S)	Insufficient data	31%	96	2.9
	Rest of GOR		69%	368	3.7
International	Surf Coast (S)	Insufficient data	24%	52	5.2
	Rest of GOR		76%	881	4.6

Source: Deloitte Access Economics and Tourism Research, Australia IVS and NVS

¹If a visitor spends nights in Surf Coast and then in another location within Rest of GoR, this will be counted as an overnight trip to both Surf Coast and the Rest of GoR.

Detailed visitation forecasts

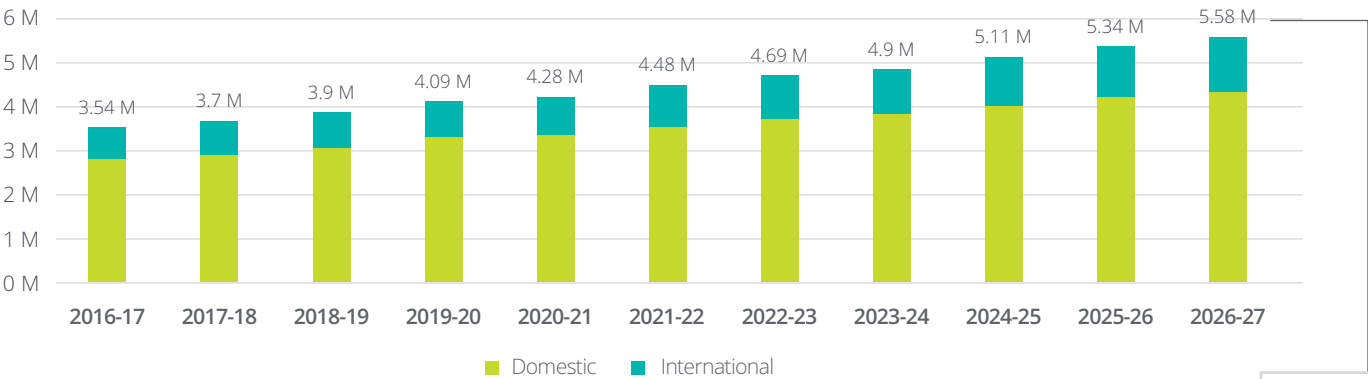
Total visitation to Great Ocean Road is forecast to grow by an average 4.0% per annum from 2016-17 to reach 8.6 million travellers by 2026-27. This includes 5.6 million day trip visitors (Chart 1.2) and 3.0 million overnight visitors (Chart 1.3).

International visitation is forecast to grow at a faster rate of 6.7% per annum versus 3.4% per annum for domestic visitation. As a result, the share of international visitors will increase from 16.0% in 2016-17 to 20.7% by 2026-27. International day trips are forecast to grow by 5.6% per annum, while international overnight trips are forecast to grow by 9.7% per annum from 2016-17 to 2026-27.



Twelve Apostles Lodge Walk, Great Ocean Road
Image credit: Tourism Australia

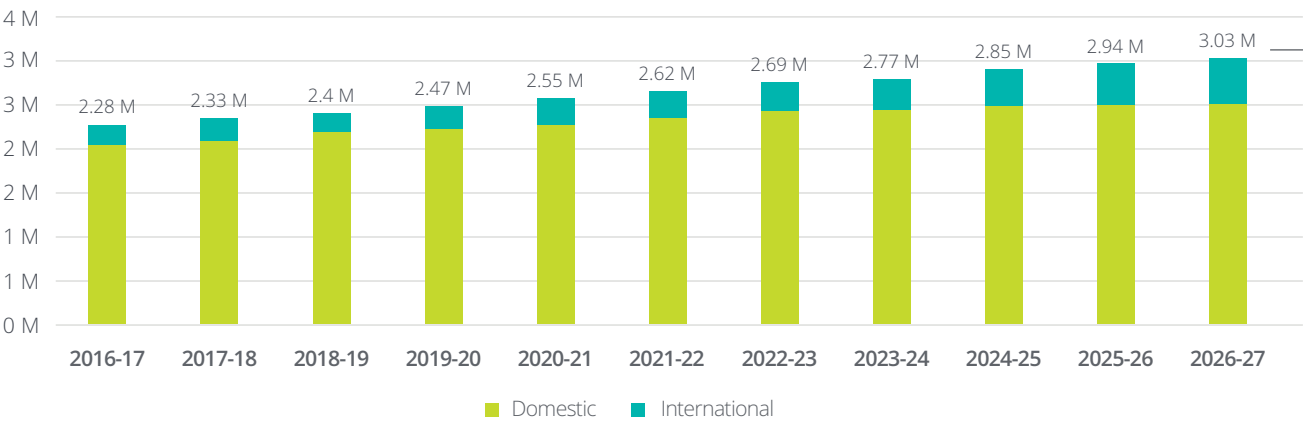
Chart 1.2: Forecast day trips to Great Ocean Road, 2016-17 to 2026-27



Source: Deloitte Access Economics and Tourism Research, Australia IVS and NVS

8.6M travellers are forecast to visit the Great Ocean Road by 2026-27.

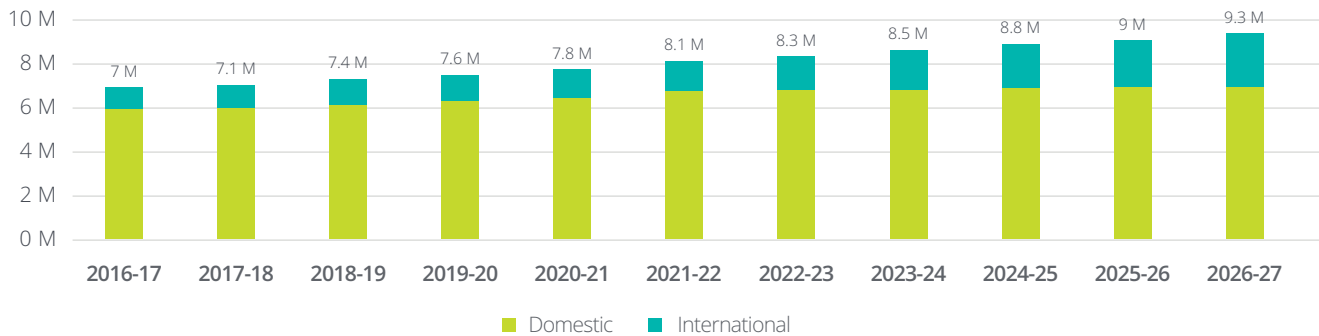
Chart 1.3: Forecast overnight trips to Great Ocean Road, 2016-17 to 2026-27



Source: Deloitte Access Economics and Tourism Research, Australia IVS and NVS

By 2026-27, Deloitte Access Economics forecasts that an annual 9.3 million visitor nights will be spent in the Great Ocean Road. This represents an overall average growth rate of 2.9%, with international visitor nights forecast to grow faster at 7.8% per annum versus 1.8% for domestic visitor nights from 2016-17 to 2026-27.

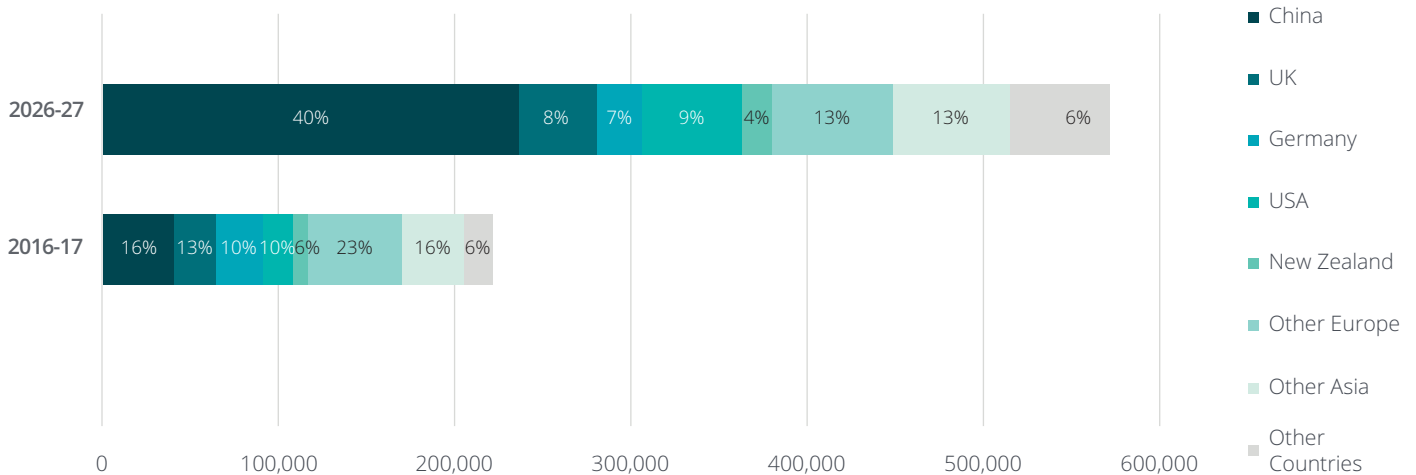
Chart 1.4: Forecast visitor nights to Great Ocean Road, 2016-17 to 2026-27



Source: Deloitte Access Economics and Tourism Research, Australia IVS and NVS

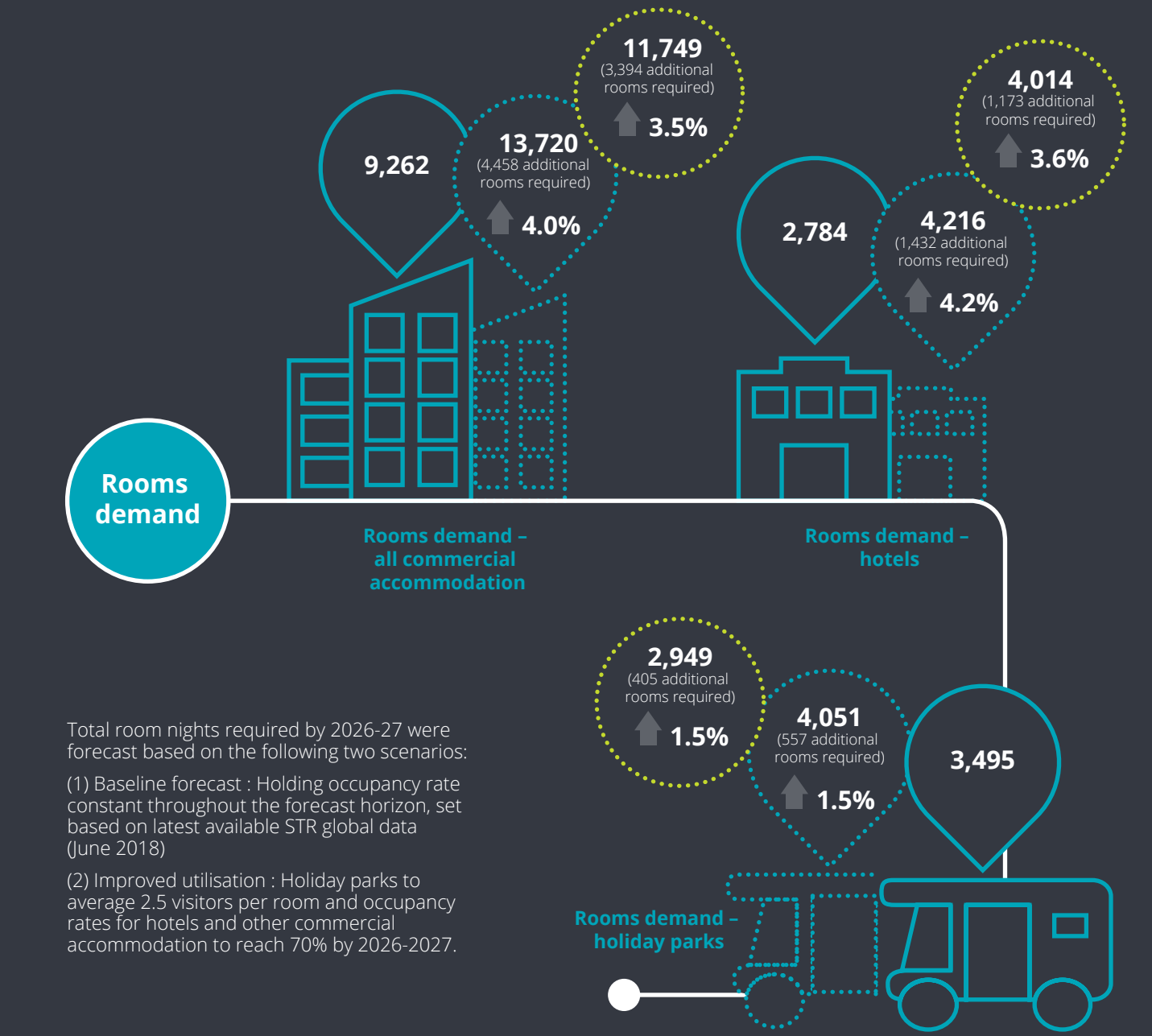
The mix of international overnight trips by source markets is expected to change over the forecast period of 2016-17 to 2026-27. Chinese overnight visitor numbers are forecast to grow at 20% per annum over the forecast period, double the growth rate of total international overnight trips. By 2026-27, Chinese visitors will make up 40% of overnight trips to the Great Ocean Road, surpassing the combined 37% market share of UK, Europe and USA.

Chart 1.5: International overnight trips by source market, 2016-17 (actual) versus 2026-27 (forecast)



Source: Deloitte Access Economics and Tourism Research Australia IVS

Great Ocean Road rooms demand – Actual and forecast



Historical room nights sold

	Hotels	Holiday parks
CAGR	2.9% (five year)	0.9% (two year) ¹
Occupancy rate	64%	57%
Room rate	\$175	\$130
Guest per room	1.8	N.A.

¹ A two-year CAGR can only be shown for holiday parks due to limited historical data.

2 Historical trends and forecasts – Accommodation

Visitor nights forecasts were used as inputs to a tailored regional accommodation market model to produce a set of accommodation supply requirements to meet future demand. Using a combination of data sources from Tourism Research Australia, STR Global and the Australian Bureau of Statistics, the model transforms visitor nights forecast to derive the number of rooms required to accommodate forecast demand.

In 2016-17, approximately 9,260 rooms were utilised across all categories of commercial accommodation in the Great Ocean Road tourism region. This included 2,784 hotel rooms and 3,495 sites in holiday parks. Demand for hotel rooms grew at a faster rate of 2.9% per annum over the past five years, compared to 0.9% per annum for holiday park sites. By 2026-27, an additional 1,432 hotel rooms and 557 holiday park sites will be required in the Great Ocean Road to meet forecast demand, assuming constant occupancy rate over the forecast period.

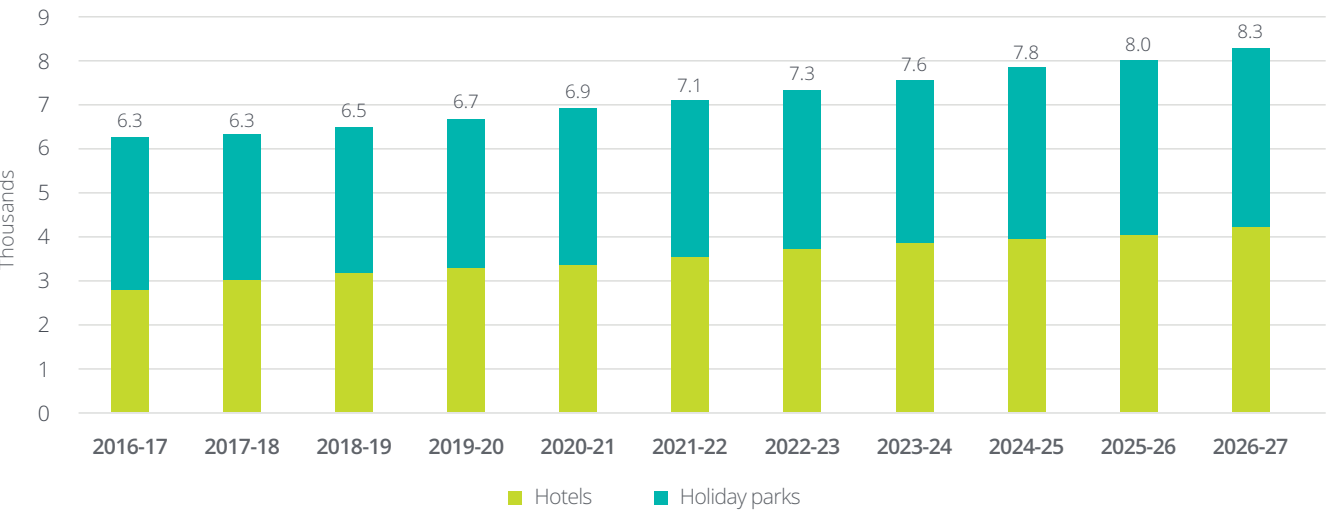
Hotel rooms will need to grow 4.2% per annum versus 1.5% per annum for holiday park sites from 2016-27 to 2026-27. Under an improved utilisation scenario where occupancy rate reach 70% by 2026-27, accommodation requirements would ease slightly with an additional 1,173 hotel rooms and 405 holiday park sites required (Chart 2.1 and 2.2).



Twelve Apostles, Great Ocean road
Image credit: Tourism Australia

Chart 2.1: Forecast room requirements to Great Ocean Road, constant occupancy

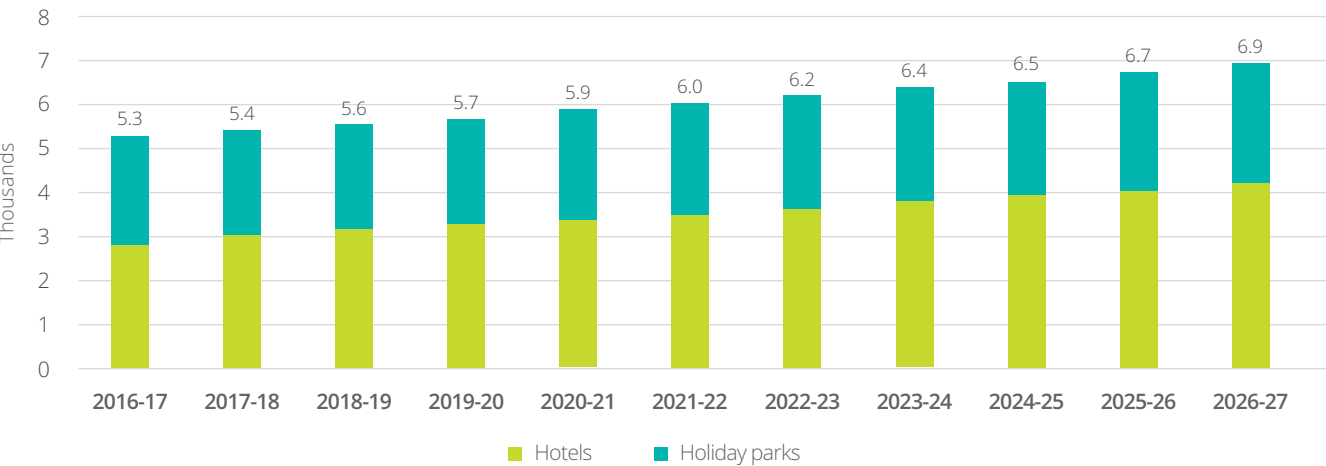
By 2026-27, an additional 1,432 hotel rooms and 557 holiday park sites will be required in the Great Ocean Road, assuming constant occupancy rates.



Source: Australian Bureau of Statistics STA, Deloitte Access Economics, STR Global and Tourism Research, Australia IVS and NVS

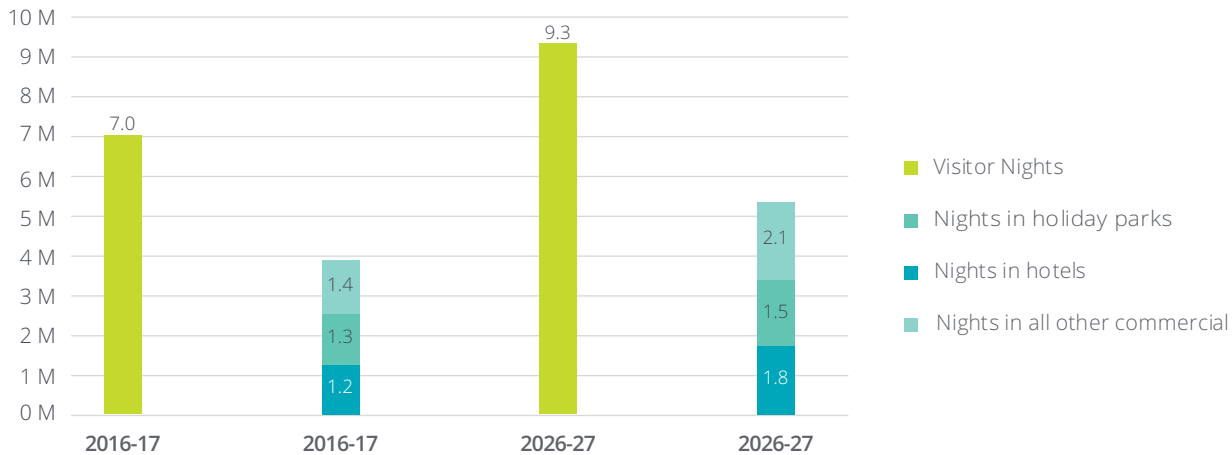
Chart 2.2: Forecast room requirements to Great Ocean Road, improved utilisation

By 2026-27, an additional 1,173 hotel rooms and 405 holiday park sites will be required in the Great Ocean Road, assuming better stock utilisation.



Source: Australian Bureau of Statistics STA, Deloitte Access Economics, STR Global and Tourism Research, Australia IVS and NVS

Chart 2.3: Visitor nights to nights in commercial accommodation, 2016-17 and 2026-27



Source: Australian Bureau of Statistics STA, Deloitte Access Economics, STR Global and Tourism Research, Australia IVS and NVS

Charts 2.4 and 2.5 present the forecast share of nights sold by international source market. The main growth market is expected to be China, particularly in hotels and similar accommodation.

Despite growth in some international source markets, domestic visitors will remain the key source of demand. That said, the share of domestic visitors staying in commercial accommodation is expected to fall from 80% in 2016-17 to 68% in 2026-27.

Chart 2.4: Share of hotel room nights sold by international source market, 2016-17 and 2026-27

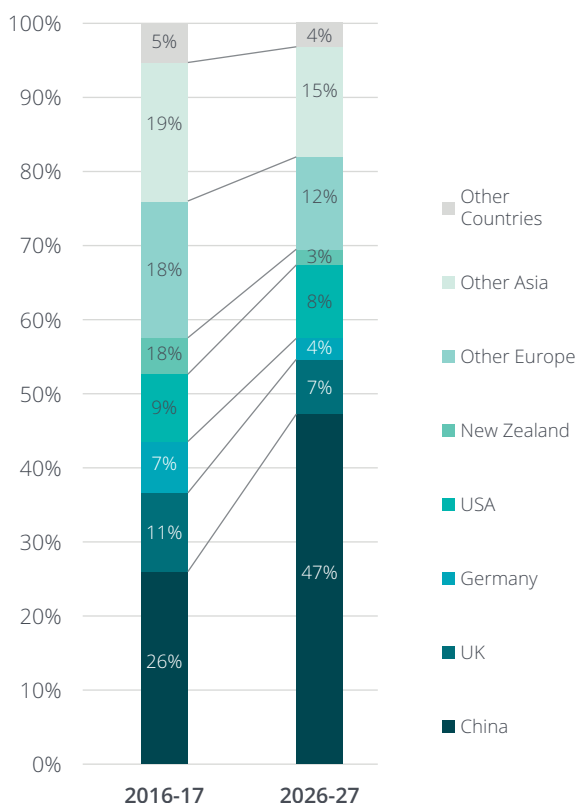
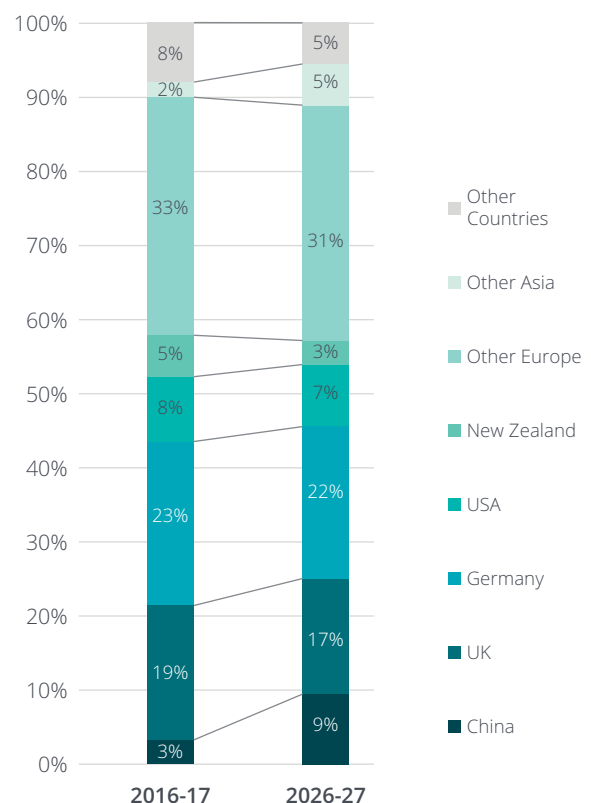


Chart 2.5: Share of holiday park room nights sold by international source market, 2016-17 and 2026-27



Source: Deloitte Access Economics and STR Global, Tourism Research Australia IVS

Table 2.1: Accommodation supply needs, constant occupancy, 2016-17 to 2026-27

Baseline	Rooms utilised 2016-17	Rooms required 2026-27	Additional rooms	CAGR
Hotel	2,784	4,216	1,432	4.2%
Holiday park	3,495	4,051	557	1.5%
All commercial accommodation	9,262	13,720	4,458	4.0%

Source: Australian Bureau of Statistics STA, Deloitte Access Economics, STR Global and Tourism Research, Australia IVS and NVS

Table 2.2 shows accommodation needs if holiday parks average 2.5 visitors per room and occupancy rates for hotels and other commercial accommodation reach 70% by 2026-27.

Table 2.2: Accommodation supply needs, improved utilisation, 2016-17 to 2026-27

Baseline	Rooms utilised 2016-17	Rooms required 2026-27	Additional rooms	CAGR
Hotel	2,784	3,957	1,173	3.6%
Holiday park	2,544	2,949	405	1.5%
All commercial accommodation	8,200	11,594	3,394	3.5%

Source: Australian Bureau of Statistics STA, Deloitte Access Economics, STR Global and Tourism Research, Australia IVS and NVS

Like many other industries, the sharing economy has disrupted the tourism sector across Australia, with a particular impact on the accommodation market. Online booking platforms – such as Airbnb and Stayz – have given tourists easier access to a broader range of accommodation options and boosted overall supply. In 2015-16, Victorian Airbnb hosts accommodated 651,600 guests for over 1.1 million nights², with Geelong and Apollo Bay ranked as the top two Airbnb Victorian destinations outside Melbourne.

The extent to which the sharing economy affects traditional accommodation providers is contingent on the degree of substitutability between their service offerings, which differs depending on the visitor demand profile (e.g. business travellers tend to opt for traditional accommodation to make use of business related hotel amenities and contract arrangements, while leisure travellers tend to be more elastic and price sensitive). That said, without further research, it is difficult to identify the specific nature of sharing economy effects along the Great Ocean Road.

² Deloitte Access Economics, Economics effects of Airbnb in Australia, Victoria (2017)

3 Methodology outline

Visitor forecasts

Deloitte Access Economics forecast visitors based on historic visitation (and growth) to the Great Ocean Road tourism region, relative to national and regional Victoria visitation performance, using Tourism Research Australia's (TRA) International and National Visitor Surveys (IVS & NVS). The IVS samples 40,000 international travellers aged 15 years and over at departure lounges of eight major international airports in Australia. The NVS is a large scale telephone survey which consist of 120,000 interviews of eligible Australian residents who is 15 years and over.

The TRA survey data, by its nature, is subject to sampling variability, particularly at the more localised geographical areas. To minimise the risk of sampling error, data is only published in cases where the sample size is above 40. Nonetheless, significant volatility in the year-on-year growth of the Great Ocean Road visitation sample was observed, some of which may be a result of sample volatility rather than actual visitation fluctuations. As such, there is some uncertainty in the outlook for the region, as demonstrated by the sensitivity analysis. Results should be viewed with this in mind.

TRA national and regional Victoria visitor and visitor night forecasts by source market and purpose were used to chart the year on year growth outlook. These were applied to the Great Ocean Road specific visitation profile (i.e. by source market and purpose) with adjustments made to reflect Great Ocean Road historical performance relative to the benchmarks.

These forecasts assumes constant historical and future relationships between visitation to the Great Ocean Road, and visitation to national and regional Victoria. As such, it is assumed that national and regional Victoria linkages to macroeconomic drivers will also hold for the Great Ocean Road visitation demand.

Accommodation forecasts

Visitor night forecasts by international and domestic source markets were used as inputs into the accommodation supply forecasts to obtain future accommodation needs.

The accommodation sector modelling was undertaken using a tailored version of Deloitte Access Economics' in-house hotel market model. The model transforms forecast visitor nights to rooms sold and rooms available in commercial accommodation categories. The following provides an overview of the modelling procedure:

- Total forecast visitor nights are apportioned to nights spent in hotels and similar accommodation, holiday parks and all commercial accommodation. Source market level assumptions are based on historical trends observed in TRA visitor survey data
- The Australian Bureau of Statistics, Survey of Tourist Accommodation (STA) (2016) provides a measure of guests per hotel room in the Great Ocean Road. This was used to convert visitor nights sold to room nights sold and is assumed to be constant across accommodation types and over the forecast period

- Applying historical STR occupancy rates for hotels and holiday parks in the Great Ocean Road to the forecast room nights sold determines the required number of rooms to accommodate demand. The occupancy rate is assumed to be constant for each accommodation type and over the forecast horizon.

Accommodation definitions

Hotels and similar accommodation:

Includes hotel/resort/motel or motor inn, luxury hotel or luxury resort (4 or 5 star), standard hotel/motor inn (below 4 star) and serviced apartments

Other commercial accommodation:

Guesthouse or Bed and Breakfast, rented house/apartment/flat or unit plus private accommodation (not a friend or relative), rented accommodation on farm, Backpacker or hostel, commercial boat/houseboat/cabin cruiser or cruise ship and other commercial accommodation

All commercial accommodation:

Sum of hotels and similar accommodation, caravan parks and commercial camping grounds and other commercial accommodation

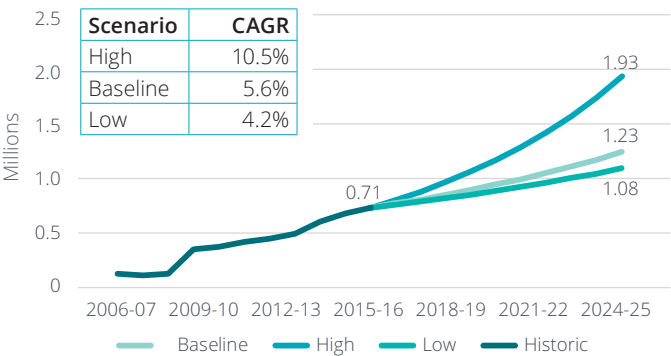
4 Visitor and accommodation forecasts sensitivity analysis

Sensitivity analysis was undertaken for the visitor forecasts to test how the number of visitor trips and nights varied with the assumptions made regarding growth rate and historical over performance of the Great Ocean Road Region relative to Australia.

Sensitivity analysis for the accommodation forecasts tested how the number of rooms required changed with the number of visitor nights to the Great Ocean Road region.

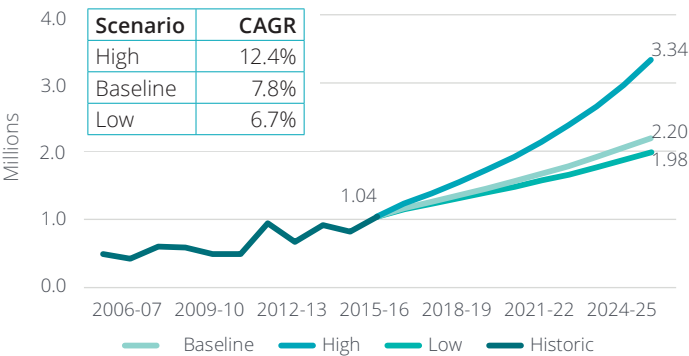
Visitor forecasts

Chart 4.1: International day trips sensitivity



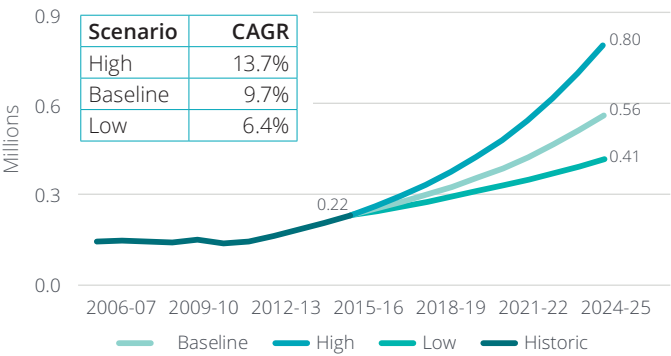
Source: Deloitte Access Economics and Tourism Research Australia IVS

Chart 4.3: International visitor nights sensitivity



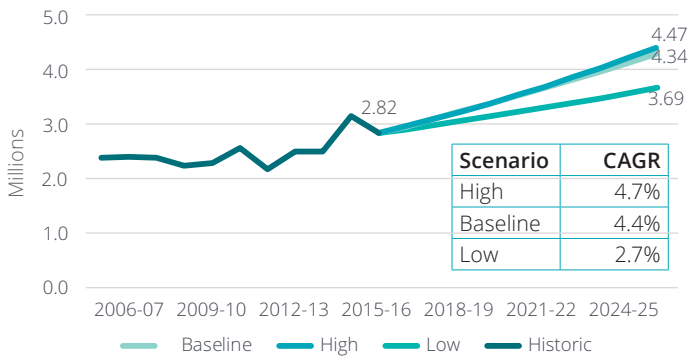
Source: Deloitte Access Economics and Tourism Research Australia IVS

Chart 4.2: International overnight trips sensitivity



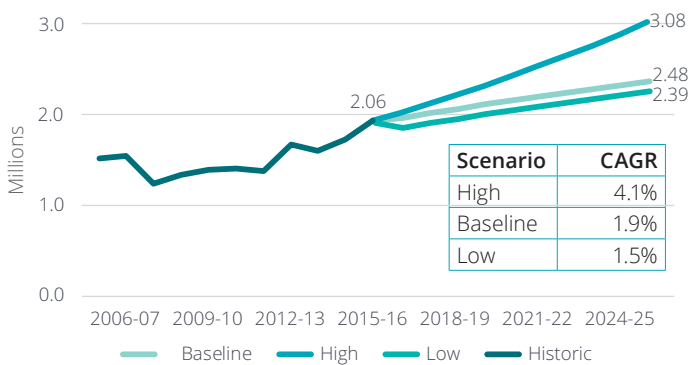
Source: Deloitte Access Economics and Tourism Research Australia IVS

Chart 4.4: Domestic day trips sensitivity



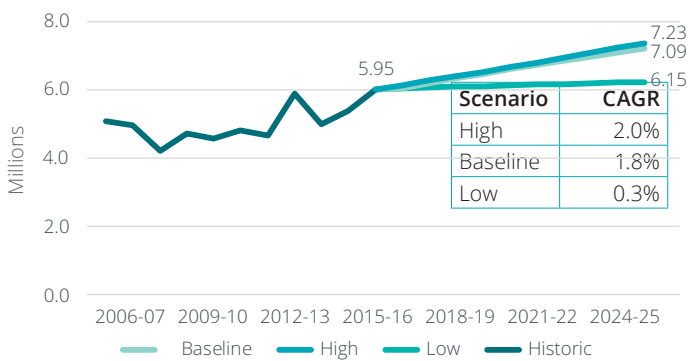
Source: Deloitte Access Economics and Tourism Research Australia NVS

Chart 4.5: Domestic overnight trips sensitivity

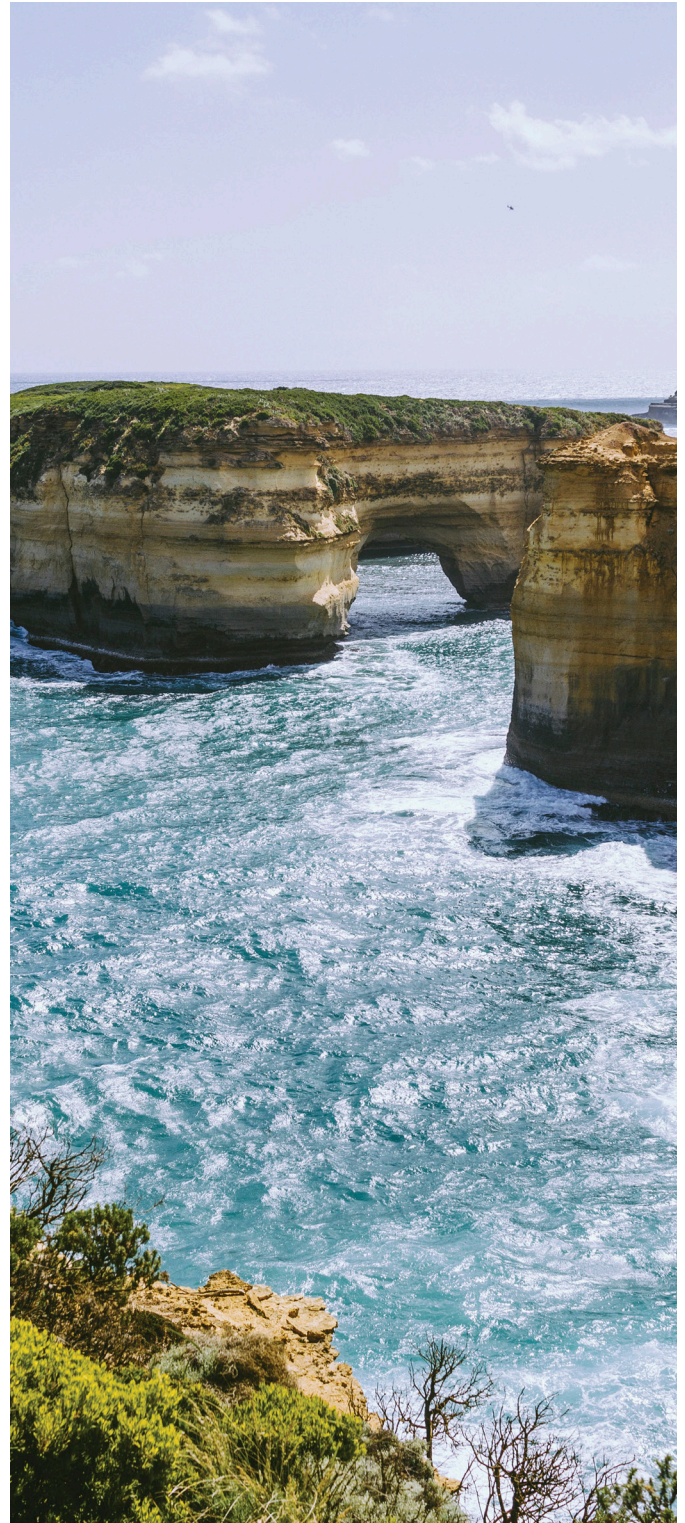


Source: Deloitte Access Economics and Tourism Research Australia NVS

Chart 4.6: Domestic visitor nights sensitivity



Source: Deloitte Access Economics and Tourism Research Australia NVS



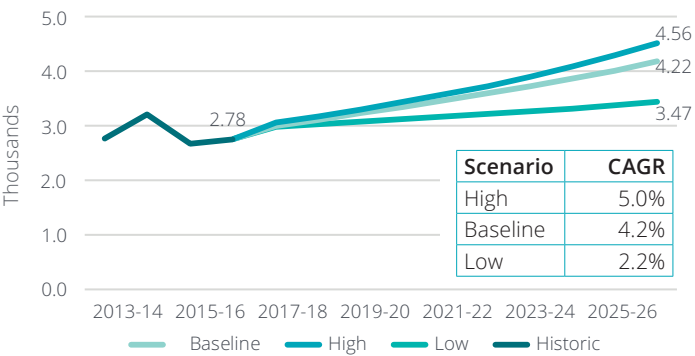
Mutton Bird Island, Great Ocean Road
Image credit: Tourism Australia/Time Out Australia



Twelve Apostles, Great Ocean Road
Image credit: Tourism Australia/Time Out Australia

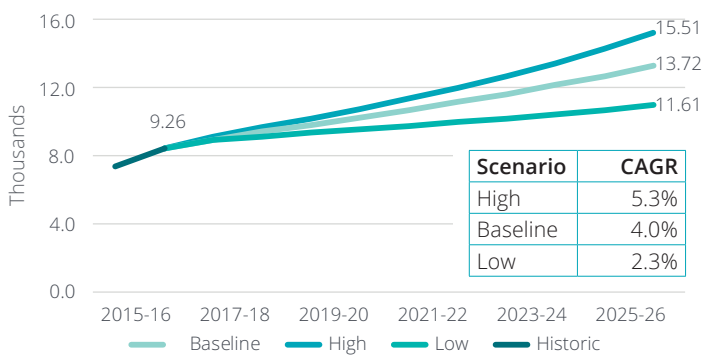
Accommodation forecasts

Chart 4.7: Room nights available in hotels



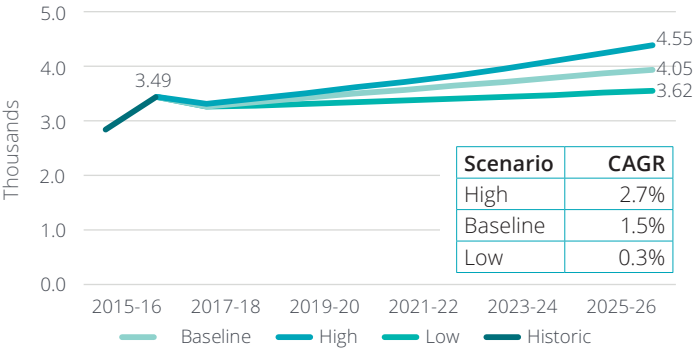
Source: Australian Bureau of Statistics STA, Deloitte Access Economics, STR Global and Tourism Research, Australia IVS and NVS

Chart 4.9: Room nights available in all commercial



Source: Australian Bureau of Statistics STA, Deloitte Access Economics, STR Global and Tourism Research, Australia IVS and NVS

Chart 4.8: Room nights available in holiday parks



Source: Australian Bureau of Statistics STA, Deloitte Access Economics, STR Global and Tourism Research, Australia IVS and NVS



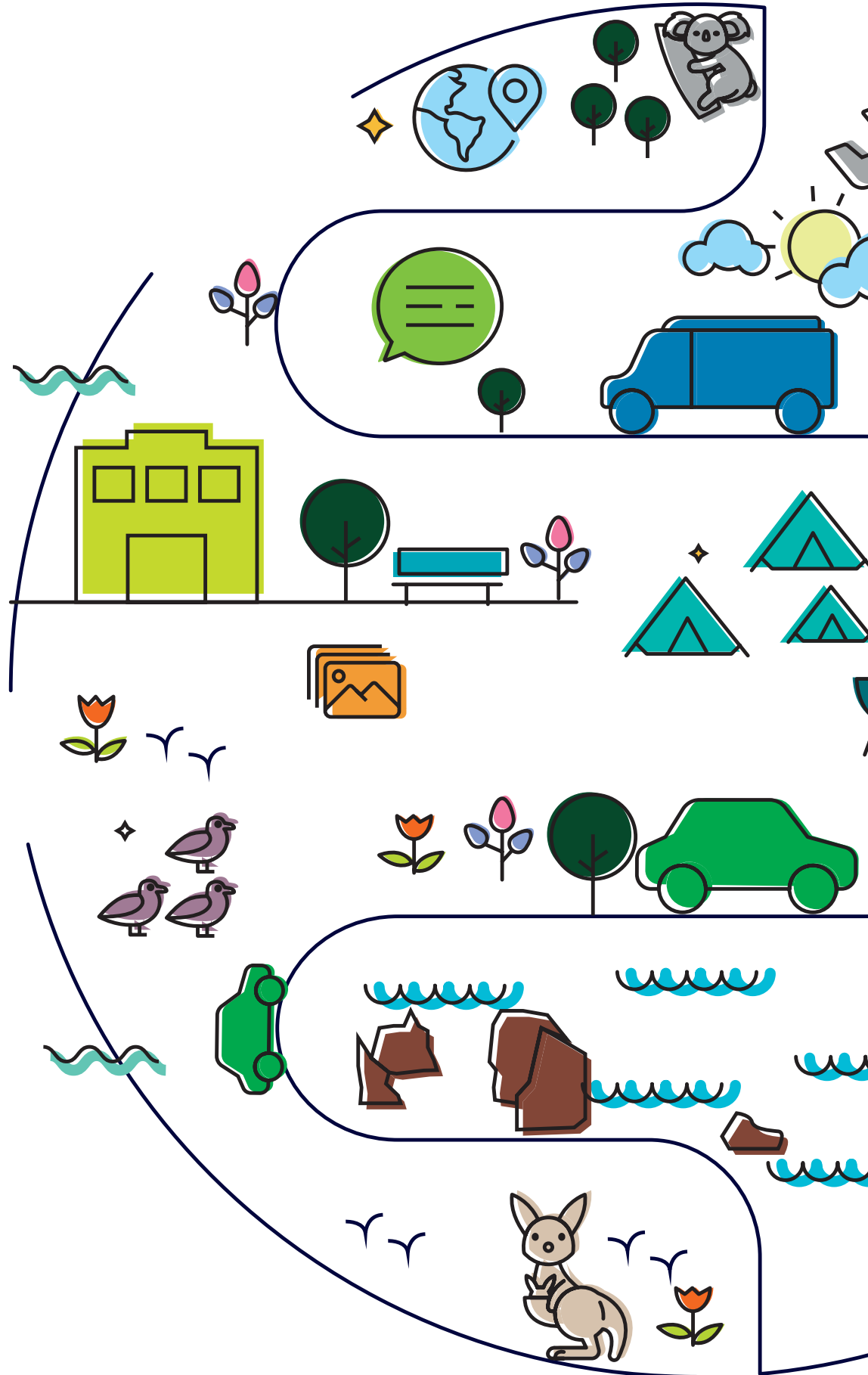
Helicopter view : Great Ocean Road
Image credit: Tourism Australia

Acronyms	Full name
ABS	Australian Bureau of Statistics
CAGR	Compounded annual growth rate
GOR	Great Ocean Road
IVS	International Visitor Survey
LGA	Local government area
LHS	Left hand side
NVS	National Visitor Survey
STA	Survey of Tourist Accommodation
TRA	Tourism Research Australia

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