

Regional variations in tourist consumption patterns: a model of demand for domestic tourism in Australia

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This article analyses the demand for Australian tourism goods and services by Australian households distinguished by the state/region of origin. The necessary data for the exercise is obtained from the Australian National Visitor Surveys (NVS). These surveys collect/provide detailed consumption data of the domestic tourists travel both within and between the eight Australian geo-political regions. Analysis of the associated tourist consumption patterns was carried out using a theoretically consistent demand system and namely the Almost Ideal Demand System that incorporates seasonality. The 21 items of consumption expenditure data from the NVS were aggregated into five broad commodity groups representing the major consumables of tourists, viz. Accommodation, Food, Transportation, Shopping, and Entertainment. A total of nine demand systems were estimated, 8 regional models and one aggregate (national) model based on a pooled sample.

The estimated models are statistically significant and the derived elasticities are theoretically consistent and empirically plausible in values. Overall, the demand for the five commodity aggregates was found to be relatively price inelastic while the degree of price sensitivity varied across the commodity aggregates and different regions. Further significant variations in the elasticities of demand between the national and regional models were also found. The expenditure/income elasticities associated with the regional demands reveal expenditure-elastic demand for most commodity aggregates. The cross-price elasticities derived from all of the models reveal gross complementarity of demands, implying that tourists' overall utility depends on the joint consumption of a bundle of goods and services. The relatively price inelastic demand coupled with the apparent complementarity of demands may be reflective of the possibility that a latent price sensitivity is associated with tourist demand.

In summary, the study has generated substantial new economic parameters- expenditure, own and cross-price elasticities of demand- that enhance our understanding about the consumption behaviour of domestic tourists from different regions in Australia. These economic parameters can be used to develop appropriate policy measures aimed at both promoting and maximising gains from domestic tourism for individual regions. Moreover, they can also be used as inputs for economic modelling, in particular in regional general equilibrium models widely used in Australia for evaluating economic impacts of tourism and policy simulation. Finally the methodology adopted and developed in this study should provide a useful source for future studies and the results as a bench mark for national and international comparisons. In conclusion our finding of substantial variations in the magnitudes of demand elasticities between national and regional models as well as

across the regions would suggest that policy analysts need to be cautious when using aggregate economic parameters for policy formulation.