

# The Role of Government in Economic Development: A Case Study of the Tourism Industry in Australia

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**Abstract.** This paper has examined the economic impact brought by tourism in Australia through highlighting its significant contribution to GDP and other aspects of Australian economy. In this context, the crucial role played by government support in fostering tourism development through financial assistance and long-term strategic planning can be highlighted. Then the future challenges faced by the Australian tourism sector have been explored ranging from ongoing health threat caused by global health crisis, climate change and changing consumer preferences. Through such a comprehensive review of relevant literature and data, the importance of sustainable tourism practices and adaptive strategies to ensure the sustainable growth of this industry have been discussed which can drive cultural enrichment. The reason why this research is crucial is that it is helpful for the long-term strategic development of the Australian Tourism industry. Besides, it can also offer guidance for other countries whose supporting industries are also impacted by sudden events like COVID-19.

**Keywords:** Government support; future challenges; GDP, employment.

## 1. Introduction

Economic development can be defined as a fundamental aspect for the growth and prosperity in one nation which entails the progressive transformation of an economy. Morrison claims that several indicators of economic development include improvements in infrastructure and improvements in living standards [1]. During this process, the government also plays a crucial role who can act the role of analyzing the development through various policy measures. In Australia the tourism industry plays a crucial role in economic development through improving employment rates and prompting GDP growth [2].

However, since the COVID-19, the Australian tourism has been hit particularly had resulting from international travel restrictions and health concerns. All these issues have caused severe impacts to Australian tourism with a total loss amounting to \$80 billion [3]. Despite the fact that the industry has gradually recovered in recent years, it is necessary for the government to introduce more measures to support this industry to better modifying the national identity and image to the rest of the world. As a vital industry in Australia, tourism supports 1 in 12 jobs as well as supporting over 300,000 business. Several significant contributors in Australian tourism industry include international working holiday markers and international students. During the post-pandemic period, the global tourism landscape has changed as well as becoming more competitive, necessitating robust government support [4].

In this paper different measures used by Australian government to encourage economic development in the tourism industry will be discussed through highlighting the relationship between government measures and infrastructure development.

Through comprehensive policy frameworks, significant investments in infrastructure, and effective marketing campaigns, the government has positioned Australia as a leading tourist destination [5]. Not only has this involvement boosted tourism, but also it contributed much to broader economic development.

This involvement has not only boosted tourism but also contributed to broader economic development, including job creation and regional growth. That is why there exists a correlation between the development of Tourism in Australia and local government support.

## **2. Scope and Structure of the Essay**

In the first part of this essay the economic impact of tourism in Australia will be developed, followed by the role played by the government in tourism development. In the second part of the essay the relationship between tourism development and government support will also be presented.

### **2.1. Economic impact of Tourism in Australia**

Tourism has contributed much to Australia's economic growth through offering diverse job opportunities to the local citizen. Prior to COVID-19, tourism has contributed about 3.1% of Australia's GDP surpassing sectors like agriculture and fishing. The CAGR of this industry is about 4.5%, outpacing the broader economy's growth rate of 2.5% according to the report issued by Tourism White Paper [6]. During the 2018-2019 period, the total market value of Australia's tourism amounted to about \$60.8 billion, indicating its importance in Australia's economic development. Besides, international tourism receipts have also represented over 15% of Australia's total exports which were crucial for maintaining a positive trade balance [7].

Apart from its economic development, employment generated by the economic development has also been a crucial aspect to be paid attention to which supports about one million jobs. Based on official data, about 665,000 Australians were employed in tourism-related activities ranging from travel agencies and food services. Besides, youth under 25 also accounted for a significant portion of the workforce [6]. In addition, tourism supports about 370,000 jobs indirectly through its different stages of the supply chain. For instance, over 40% expenditure incurred took place in major cities of Australia, therefore contributing significantly to regional economies.

However, impacted by the pandemic, the tourism sector has been impacted in a negative way, resulting in unprecedented revenue losses. It can be seen from such negative impact that this sector is vulnerable to global crisis. Factors like travel restrictions and other health concerns have resulted in a total loss of \$ 78 billion in 2020. It was until 2023 that signs of recovery emerged due to rising travel demand and increased consumer confidence in this industry. In order to better support the tourism industry, various measures have been introduced to support this sector's recovery such as financial assistance, marketing campaigns and infrastructure investments respectively. The main intention of these initiatives is to attract international visitors as well as promoting sustainable tourism practices in the long term [8].

### **2.2. The Role of Government in Tourism Development**

In order to support the future growth of the tourism sector, various measures have been implemented by the Australian government which are financial assistance, marketing campaigns and investments in infrastructure. All these measures are helpful for the long-term development of the local Tourism industry [9].

The first method used by the government to support the tourism sector is to offer financial assistance to companies that were severely impacted by the pandemic ranging from grants, subsidies and loans to help companies retain employees and encourage innovation to adapt to the changing landscape [10]. For instance, during the pandemic, the Job Keeper scheme has been introduced by the government offering financial support to companies so that they can retain their staff during the pandemic. It can be reflected through this scheme that financial aids are helpful for companies surviving in periods of reduced activity. In this way can they better recovered after the pandemic.

Apart from direct financial support, the government has implemented marketing campaigns in order to better stimulate domestic tourism. On one hand, the pandemic has caused significant decline in

international arrivals, making these marketing campaigns focusing on encouraging the Australians to explore their country, therefore supporting local tourism industry. For instance, Campaigns such as "Holiday Here This year" have been crucial for increasing consumer confidence as well as increasing travel within Australia. Besides, the government also collaborate with tourism operators in order to promote those lesser-know destinations and experiences, therefore enabling more people to understand economic benefits brought by tourism [11]. Not only can immediate travel increase be brought, but also these campaigns can be helpful for fostering a long-term appreciation for domestic tourism. Investments in infrastructure is also a critical area where the government has made much contribution to tourism development. Not only has the government enhanced the overall visitor experience, but also Australia has become a more attractive destination for both domestic and international tourists impacted by these investments in infrastructure. For instance, the government has invested in developing regional airports so that remote and regional destinations can be more accessible, therefore supporting local economics [12]. In addition, projects intending to preserve Australia's natural heritage have been made so that the future generations can also enjoy these attractions. This is also a helpful to way support sustainable tourism practices.

Apart from the projects mentioned above, the government has also focused on long-term strategies in order to attract high-yield international victors. On one hand, the government has collaborated with leaders in this company to cater to different market segments so that sustainable tourism practices can be promoted [13]. In this way can Australia continued to be a leader in the tourism industry. On the other hand, efforts have also been made to attract international visitors which are also complemented by policies intending to encourage them to come to the country [14]. Policies in this aspect include visa reforms and streamlined customs processes. For instance, in order to streamline the whole process, electronic visas of certain categories have been introduced so that it is easier for them to visit Australia. The government also engages in international marketing Campa gains to promote Australia as a premier travel destination.

### **3. Future challenges faced by Australian Tourism**

The Australian tourism industry will face multiple major challenges in the future, both internally and externally. Among them, the primary challenge of external factors is the continued uncertainty of the global health crisis, especially an outbreak like the COVID-19 pandemic. Because it may seriously disrupt the normal operation of the tourism industry. And according to the study by Tourism White Paper, the tourism industry is vulnerable in the face of global health emergencies, which can further lead to extended travel restrictions and a decrease in consumer confidence. At the same time, even though the government has provided significant support in various aspects, the Australian tourism industry itself has some urgent problems that need to be solved. The uneven level of relevant service agencies and unclear industry standards hinder the sustainable development of the tourism industry [15]. The industry needs to establish stronger security agreements and develop effective crisis management strategies.

In addition, climate change, as an uncontrollable force, is also one of the challenges for Australia's tourism industry. In recent years, the frequency and severity of extreme weather events such as forest fires, floods, and hurricanes have been continuously increasing, posing a direct and increasingly serious threat to the natural landscape and infrastructure of some tourist destinations in Australia. For example, rising sea levels and fundamental changes in weather patterns may alter Australia's natural landscape, or result in facility damage and service interruption [16]. These impacts will lead to a decrease in the long-term attractiveness and accessibility of tourist attractions. Taking the wildfires of 2019-2020 as an example, this natural disaster devastated several popular tourist areas in Australia, causing huge economic losses and, in the long run, entering a long recovery period, weakening tourists' long-term interest in these areas [6].

Economic factors are also an important factor in the future development of Australia's tourism industry, which will have an impact on its revenue and profitability [6]. On the one hand, the

fluctuations in the global economy directly affect the travel willingness and consumption patterns of tourists. Especially for major tourist markets in Australia such as China, the United States, and Europe, if they experience an economic recession, the number of international tourists may sharply decrease, and the consumption level of each tourist may decline. On the other hand, the exchange rate fluctuations of the Australian dollar relative to other major currencies will also affect the performance of the tourism industry [17]. For example, during a period of strong Australian dollar, it may increase the tourism costs for Australia as a tourist destination, which may reduce the overall expenditure of international tourists.

Apart from the aforementioned factors, the evolution of consumer preferences and behaviors requires changes in the Australian tourism industry [18]. With the rise of sustainable and responsible tourism concepts, tourists are increasingly inclined to pursue environmental protection and authentic experiences. Therefore, integrating sustainability into tourism operations is key to ensuring the long-term survival of the industry [19], requiring reflection and redesign of traditional business models, innovation in resource utilization, environmental protection, cultural heritage, and actively developing products and services that meet the new needs of tourists. For example, digital technology and social media can be used to provide more personalized and interactive services, and technologies such as big data and artificial intelligence can be used to more accurately grasp tourist needs and improve tourist satisfaction.

#### 4. Conclusion

To conclude, the Australian tourism industry plays a crucial role during the process of improving the country's economy. Not only can it contribute much to the nation's GDP, but also it also contributes much to increasing job opportunities and regional development. The government's support through financial assistance, marketing campaigns, infrastructure investments, and long-term strategic planning has been instrumental in sustaining and growing the sector.

However, after the pandemic, the industry is faced with future challenges including impacts brought by global health crises and evolving consumer preferences. In order to address these challenges, continued innovation and investment will be required as well as a commitment to sustainable practices. Through continued innovation, those challenges can be handled based on a full understanding of ESG principles. In this way can Australia maintain its position as a leader in the tourism industry.

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