EXECUTIVE SUMMARY

HOW THE YARRA VALLEY AND DANDENONG RANGES REGION'S VISITOR ECONOMY IS EXPECTED TO RECOVER POST CORONAVIRUS

REPORT FOR

Yarra Ranges Tourism, the Regional Tourism Organisation (RTO) for the Yarra Valley and Dandenong Ranges

By Karl Flowers of Decisive Consulting Pty Ltd.

11 June 2020

YARRA RANGES TOURISM

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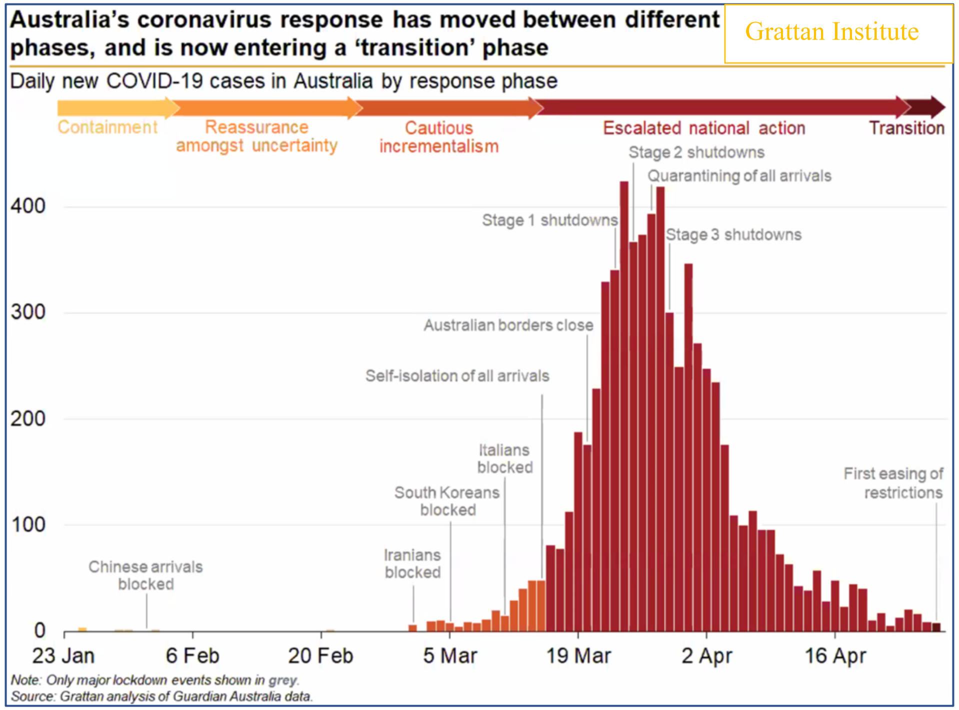

This report describes:

1. The economic impact pre virus of the visitor economy in the Yarra Valley and Dandenong Ranges region and its Cardinia, Murrindindi, Nillumbik and Yarra Valley and Dandenong Ranges local government areas.

2. How this region's visitor economy is expected to recover under two very different economic recovery scenarios. The first scenario is comparatively cheerful, but not when compared to the before virus situation. The second scenario describes a much slower and weaker recovery.

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Executive Summary

This report challenges the notion that there will be a fast return to business as usual from virus impacts for the Yarra Valley and Dandenong Ranges region visitor economy. This is despite the expectation that of 13 regions in Victoria it will recover fastest.

Bill Gates wrote on 24 April 2020 for The Economist:

> *"In most of Europe, East Asia and North America the peak of the pandemic will probably have passed by the end of this month. In a few weeks' time, many hope, things will return to the way they were in December. Unfortunately, that won't happen."*
> *"I believe that humanity will beat this pandemic, but only when most of the population is vaccinated. Until then, life will not return to normal."*
> *"Even if governments lift shelter-in-place orders and businesses reopen their doors, humans have a natural aversion to exposing themselves to disease. Airports won't have large crowds. Sports will be played in basically empty stadiums. And the world economy will be depressed because demand will stay low and people will spend more conservatively."*
> *"My hope is that, by the second half of 2021, facilities around the world will be manufacturing a vaccine." To conclude his article, Gates quotes Churchill from 1942, "This is not the end. It is not even the beginning of the end. But it is, perhaps, the end of the beginning."*

This report sets out two alternative scenarios for recovery of the global and Australian economy. Both involve a deep economic recession for Australia that extends at least into 2021 and magnified impacts for the Yarra Valley and Dandenong Ranges region's visitor economy. The key predictions for the visitor economy in the region are shown in Figure 1.

Figure 1. Predictions compared to 2019 for visitor economy direct spending and total jobs due to this spending for Yarra Valley and Dandenong Ranges region

Prediction Year	**2020/21**		**2022/23**	
Alternative scenario for recovery	**Fast**	**Slow**	**Fast**	**Slow**
Yarra Valley and Dandenong Ranges visitor economy direct tourism spending (after inflation) and visitor economy total jobs	-25%	-37%	+6%	-7%

Source: Karl Flowers, Decisive Tourism Consulting Pty Ltd

Under the two scenarios in the Yarra Valley and Dandenong Ranges region 2,327 (25%) or 3,358 (37%) total jobs are predicted to be lost due to falls in visitor economy spending in 2020/21 compared to 2019. Even a further two years later in 2022/23 total jobs due to visitor economy spending in the region is expected to be only 512 (+6%) more jobs or a loss of 624 (-7%) jobs compared to 2019 under

the two scenarios. Highlighting the changing fortunes of the regional visitor economy, in the five years from 2012/13 to 2017/18 total jobs from visitor spending increased in the Yarra Valley and Dandenong Ranges region by 29 per cent or 1,635 jobs.

The difference between the faster/stronger and slower/weaker recovery scenarios relates to:

- the predicted depth of the Australian and global economic downturn;
- fears of infection discouraging travel, and increased infection rates as the economy re-opens;
- the timing of availability of a vaccine; and
- re-opening of international borders, except perhaps with New Zealand, which is unlikely until vaccinations are widely available and this is expected in April 2021 or January 2022 under the two scenarios.

The expectations in late May 2020, are that the first scenario of a faster recovery is a 65 per cent probability and the second scenario of an even deeper recession and slower recovery a 35 per cent probability.

Predictions in this report, assume that there is a return to service of a second domestic airline that provides effective price competition to the Qantas group on major domestic airline routes. If this is not to happen, the Yarra Valley and Dandenong Ranges region's visitor economy would bounce back more quickly, as drive tourism picks up.

These predictions imply that Yarra Valley and Dandenong Ranges is set to have a faster return to previous levels of the visitor economy compared to all other areas of regional Victoria. This reflects that this area is more reliant on domestic day trips and domestic non-holiday visitor nights which are expected to recover most quickly. This region is also advantaged by a high share of holiday visitors on short breaks and a younger visitor profile. In contrast, international and longer duration domestic holiday travel is expected to be slowest to recover. Melbourne and other capital cities are expected to show a deeper fall in 2020/21 in their visitor economies than the Yarra Valley and Dandenong Ranges region, but also have less economic reliance on the visitor economy.

More affordable visitor products are expected to recover better than up market tourism, as consumers economise. Destinations dependent on older visitors and activities such as golfing are expected to be slower to recover due to continuing nervousness about travel and much lower disposable incomes among older Australians. Compounding the impact of a falling visitor economy will be lower immigration to Australia and associated reductions in construction activity in the region.

In considering visitor economy forecasts it is also important to look at the domestic economy more generally. This will help frame prospects for discretionary spending on travel, business travel recovery and asset valuations including for housing. This report includes findings from Grattan Institute on the expected path of short-term job losses in the second quarter of 2020 and analysis of how the last economic recession in Australia in 1990/91 affected major industries. While the visitor economy is expected to be the worst affected in the currently underway recession, other sectors and most obviously the construction industry can expect to also be hard hit and face an enduring loss of jobs. This report also includes analysis of how the JobKeeper program imperfectly protects regional economies from the short-term falls in the visitor economy.

Looking longer term, Australia should have an enhanced reputation for safety from our strong relative performance in combating the virus. With a potentially lower A$/US$, this should boost inbound tourism/domestic tourism (due to weaker outbound tourism) and international education in the period to 2030.

Given the extent of the downturn expected the priority for regional tourism organisations (RTOs) has switched from marketing to helping good businesses survive and recover as quickly as possible by getting ready for the markets first to revive. This could, for example, involve coaching businesses through the labyrinth of Federal and State Government business survival programs.

Such an unprecedented downturn begs the question of whether there are reforms in service delivery that might bring the regional visitor economy back stronger than before. For the Yarra Valley and Dandenong Ranges region, the markets fastest to recover will accentuate the problems with busy weekends and empty midweeks – suggesting a marketing and product delivery focus on lifting mid-week visitation. This would also allow Yarra Valley and Dandenong Ranges to gain market share in hotter months as there is reduced focus on nature-based tourism post the 2020 bushfires.

How to use this report:
This report will prove most worthwhile if it stimulates discussions that change attitudes and behaviours by the Regional Tourism Organisation, local and State Governments beneficially. It should be judged on this basis not the final accuracy of its predictions:

- One of the nation's top disease modellers, Professor Jodie McVernon of the Doherty Institute, found herself challenged on ABC TV's Q+A on 20 April about whether early and much more pessimistic modelling of the disease's progression in Australia had been wrong. "No", she shot back. "The models had not been wrong. They had helped avert the horrors of makeshift morgues in the back of refrigerated trucks because our government listened to these predictions at a time when many others didn't, and that is why Australia has not had go to through that".

1. Significance pre-virus of the Yarra Valley and Dandenong Ranges visitor economy

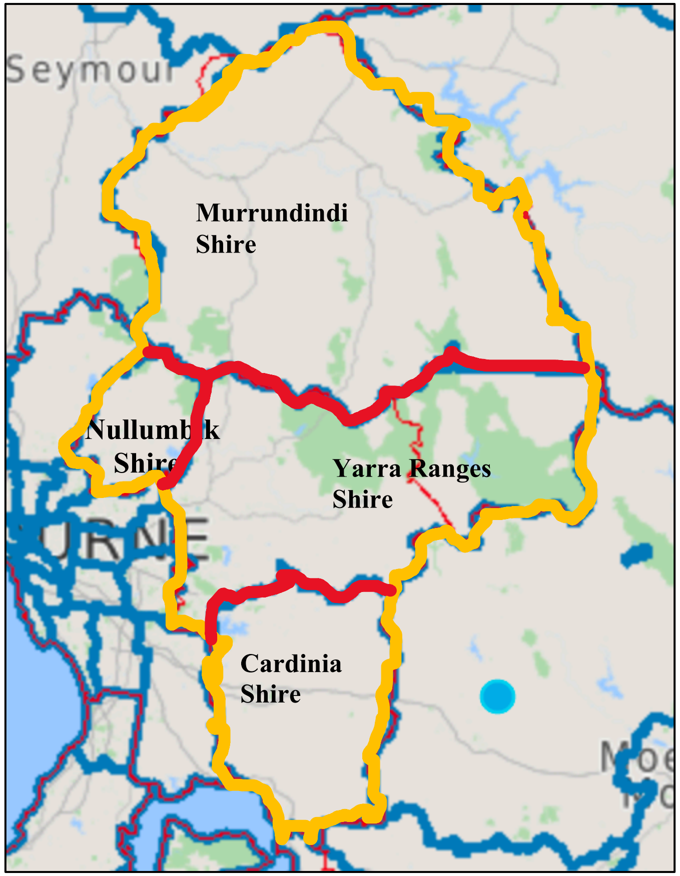
The Yarra Valley and Dandenong Ranges region is defined for this report using the regional boundaries applied by Visit Victoria and Tourism Research Australia. The map of the area of the region is shown in Figure 2.

Figure 2. The location of the Yarra Valley and Dandenong Ranges tourism region

The four local government areas of Cardinia, Murrindindi, Nillumbik and Yarra Ranges are mapped in Figure 3.

This region includes a total of 28 Australian Bureau of Statistics statistical level 2 areas. There are five ABS Statistical Area 2s (SA2s) in Cardinia Shire, three SA2s in Murrindindi Shire, six SA2s in Nillumbik Shire and 14 SA2s in the Yarra Ranges Shire.

Figure 3. The location of the local government areas in the Yarra Valley and Dandenong Ranges region



Source: ABS maps.

Economic importance of the Yarra Valley and Dandenong Ranges visitor economy pre-virus

Using Regional Tourism Satellite Accounts to create Yarra Valley and Dandenong Ranges and local government tourism satellite account estimates

A key resource for estimating the pre-virus visitor economy in the Yarra Valley and Dandenong Ranges region and its LGAs is the regional tourism satellite account information from Tourism Research Australia (TRA). The most recent of this data is 2017/18 as published in 2019.

The regional Tourism Satellite Account provides information on both the direct and indirect (second round or multiplier) economic impacts of tourist spending on gross regional product and in creating jobs. In normal times, it is best to compare the direct economic impacts of tourist spending when comparing the economic contribution of tourism with that provided by other traditional industries which are only measured in direct impact terms. However, total impacts (direct + indirect impacts) of the visitor economy are the more relevant measure than just direct economic impacts when tourism comes to a near full stop, as it has in the current economic crisis.

Appendix 1 to this report provides a more technical description of how local government area estimates were derived – that might be skipped by readers less interested in this background

Regional economic significance pre-virus of the visitor economy for the Yarra Valley and Dandenong Ranges region and its local government areas

In 2017/18 visitors spent $844 million directly on goods and services in the Yarra Valley and Dandenong Ranges region. This created a total direct and indirect contribution to gross regional product of nearly $610 million, as shown in Figure 4. Comparing the share of total (direct + indirect) jobs due to tourism spending with total employment for the Yarra Valley and Dandenong Ranges region with other tourism regions provides the chart in Figure 5.

In 2017/18, there were 7,200 jobs reliant on the direct + indirect impacts of tourism spending in the Yarra Valley and Dandenong Ranges region. This represented 7.3 per cent or one in 14 of the total jobs in the region. Nearly 80 per cent of this impact was due to the direct or first round impact of the visitor spending. In the current shutdown of a very high share of the visitor economy both direct and indirect effects are relevant.

If tourism completely stopped to the populous Yarra Valley and Dandenong Ranges region it is expected that unemployment would increase just for this reason from the February 2020 level of 3.1 per cent (Melbourne Outer East, labour force region) to 5.5 per cent.

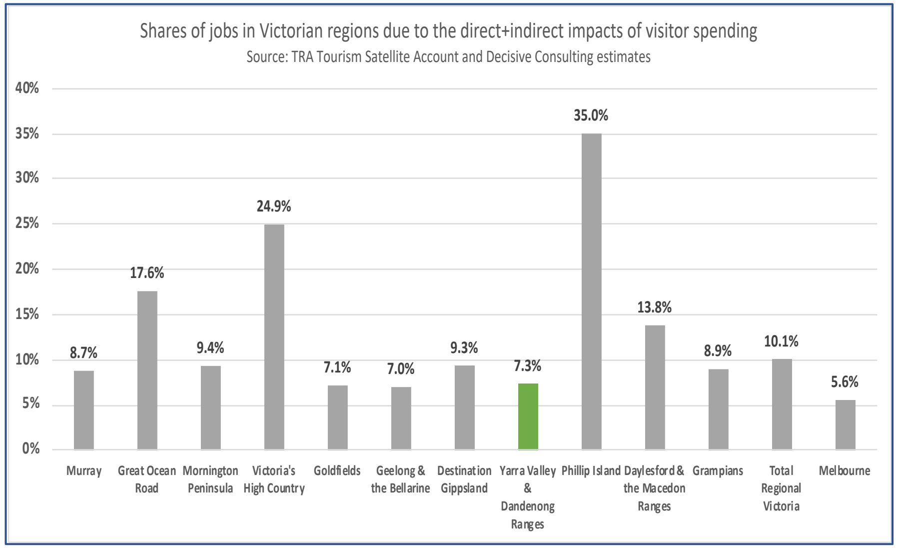
Figure 4. Yarra Valley and Dandenong Ranges region visitor economy in comparison to other Victorian tourism regions in 2017/18

	Direct visitor consumption spending on goods and services ($m)	Total (direct + indirect) contribution to regional GRP of tourism spending $m	Total (direct + indirect) jobs due to tourism spending
Murray	$ 1,779	$ 1,090	13,000
Great Ocean Road	$ 1,813	$ 1,059	11,800
Destination Gippsland	$ 1,486	$ 966	10,875
Mornington Peninsula	$ 1,545	$ 1,011	10,700
Victoria's High Country	$ 1,523	$ 905	10,400
Geelong & the Bellarine	$ 1,164	$ 819	8,500
Yarra Valley & Dandenong Ranges	**$ 844**	**$ 610**	**7,200**
Bendigo	$ 777	$ 500	5,293
Phillip Island	$ 670	$ 395	4,300
Daylesford & the Macedon Ranges	$ 576	$ 283	4,200
Grampians	$ 533	$ 267	3,700
Total Regional Victoria	$ 12,710	$ 7,905	89,968
Melbourne	$ 20,068	$ 16,729	130,000

Source: TRA (2019) Regional Tourism Satellite Account

Economic importance of the Yarra Valley and Dandenong Ranges visitor economy pre-virus

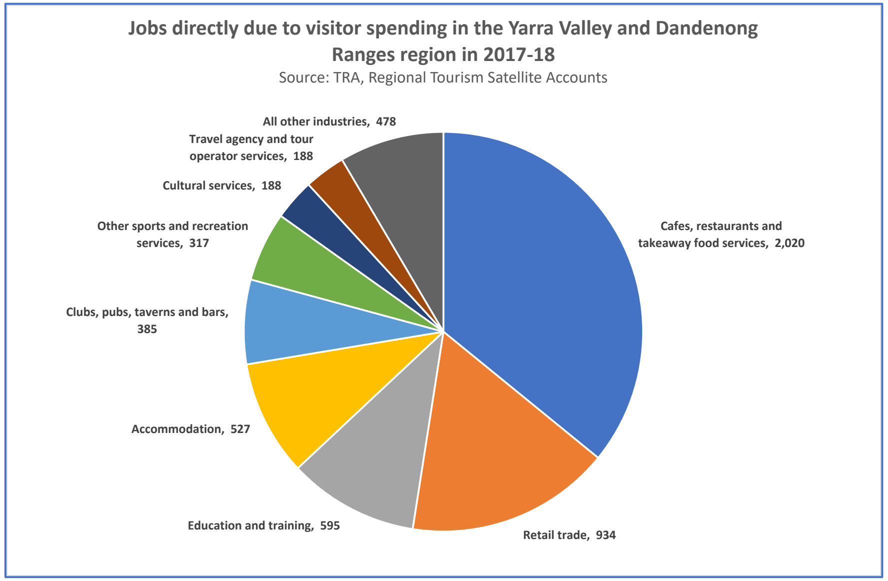
Figure 5. Share of regional employment due to the total jobs due to visitor spending



Source: TRA Regional Satellite Account

The largest visitor economy sub-sectors by jobs directly due to tourism spending in the Yarra Valley and Dandenong Ranges region in 2017-18 were in: cafés/restaurants/take-away food; retail trade; education and training; and accommodation and, as shown in the Figure 6.

Figure 6. Most of the jobs in the Yarra Valley and Dandenong Ranges region visitor economy in 2017-18 were in sub-sectors that are hit hard by social distancing



Compared to other areas of regional Victoria, the Yarra Valley and Dandenong Ranges region has a heavy commuter population that travels outside the region to work. Census data from 2016 shows the local government areas in this region with much greater employment on a usual place of residency basis than on a place of work basis. While the Census was collected in an off-peak/mid-week Tuesday evening in August 2016 and therefore does not capture the peak period in the visitor economy, it nevertheless is often the best source for detailed local areas statistics. Tourism Satellite Account data effectively takes a place of work focus, or where the visitor spending occurs. If we look at the region's shires in terms of how many jobs are in the shire compared to the number of jobs held by residents in the Shires we get the data in Figure 7.

Economic importance of the Yarra Valley and Dandenong Ranges visitor economy pre-virus

Figure 7. Jobs held by residents who live and work in the region versus total jobs in the Yarra Valley and Dandenong Ranges region by local government areas in the 2016 Census

	Jobs by place of work	Jobs by usual residence	Ratio of jobs held in the Shire to jobs in the Shire
Nillumbik Shire	23,143	44359	1.9
Murrindindi Shire	4,117	5,859	1.4
Cardinia Shire	13,315	32,313	2.4
Yarra Ranges Shire	39,546	73,451	1.9
Yarra Valley and Dandenong Ranges Region	80,116	155,989	1.9

Corresponding to the employment in the region (by place of work), there were an estimated 3,165 tourism dependent businesses across the local government areas in the Yarra Valley and Dandenong Ranges region on average over the four years from 2015-18. Of these businesses, 1,623 were employing businesses. This information is shown in Figure 8. As is normally the case the number of tourism businesses is a function of both the relative strength of visitor economy spending but also the size of the local government area population, as many tourism businesses such as takeaway food and retail trade also serve residents.

Figure 8. Tourism businesses in the Yarra Valley and Dandenong Ranges region and its local government areas (2015-18 average)

	Total employing tourism businesses	Total tourism business including non-employing businesses
Nillumbik Shire	337	655
Yarra Ranges Shire	762	1,494
Cardinia Shire	409	815
Murrindindi Shire	115	201
Yarra Valley and Dandenong Ranges Region	1,623	3,165
Source: TRA Local Government Tourism Profiles 2018		

Estimates of the contribution to the Gross Regional Product of the Yarra Valley and Dandenong Ranges LGAs and the number of jobs directly and indirectly reliant on tourism spending are outlined in Figure 9. Also included is the share of total employment in the LGAs due to the total impacts of tourism spending.

Murrundindi Shire is more tourism job dependent than the populous and urban composition other three shires in the Yarra Valley and Dandenong Ranges region. Nearly one job in four in the Murrundindi Shire is due to the total impact of visitor spending (direct+indirect impacts), ahead of Yarra Ranges Shire where around one job in twelve is reliant on tourist spending.

As is common around the state, the more city based LGAs like Cardinia and Nillumbik Shire, have a lower share of reliance on the visitor economy for total jobs.

Figure 9. Estimated shares of total LGA jobs due to tourism spending in the Yarra Valley and Dandenong Ranges region in 2017-18

	Visitor Spending $m	Gross Regional Product ($m)		Jobs due to visitor spending		Total jobs due visitor economy as share of LGA total jobs
		Direct impact	Total impact	Direct impact	Total impact	
Nillumbik Shire	$ 75	$ 29	$ 54	503	642	3.7%
Yarra Ranges Shire	$ 483	$ 188	$ 349	3,225	4,117	8.1%
Cardinia Shire	$ 151	$ 59	$ 109	1,009	1,288	4.3%
Murrindindi Shire	$ 134	$ 52	$ 97	894	1,141	22.4%
Yarra Valley and Dandenong Ranges Region	$ 844	$ 329	$ 610	5,631	7,188	7.3%

Source: Decisive Consulting Pty Ltd estimates using TRA Regional Satellite Account and TRA Online NVS and IVS data

Notes: Yarra Valley and Dandenong Ranges Region from TRA, Regional tourism satellite account for 2017/18

LGA estimates built up from 2016-19 calendar year average visitor economy activity levels.

Economic importance of the Yarra Valley and Dandenong Ranges visitor economy pre-virus

This first section of the report has summarised the pre-virus valuation of the visitor economy in the Yarra Valley and Dandenong Ranges region and its local government areas.

The remaining sections of this report describe the:

- Generally expected serious implications for the global and Australian economy;
- JobKeeper program as a cushion for regional economies from short term falls in the visitor economy;
- Assumptions for health and economic outcomes under two alternative possible paths for next financial year and two financial years later;
- Expected impacts and recovery paths for the visitor economy in the Yarra Valley and Dandenong Ranges for next financial year and two financial years later.

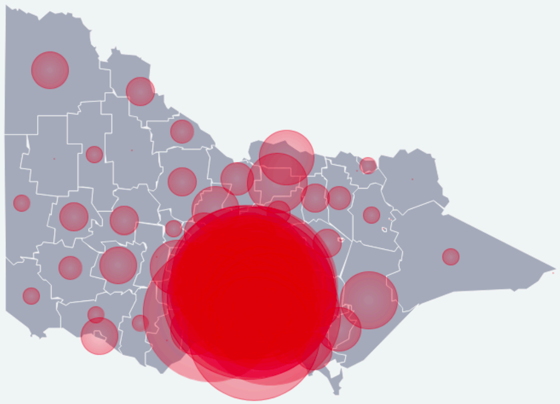
Spread of the virus in Victoria

2. The spread of the virus so far in Victoria (as at 10 June 2020)

1699 Confirmed (64 active) **19** Deaths (1.12%)

Metro | Regional

A wide spread of cases in Victoria by 10 June



Nillumbik Shire 25 Cases
Yarra Ranges Shire 25 Cases
Murrundindi Shire 2 Cases
Cardinia Shire 16 Cases
Regional total = 68 Cases

AREA	CONFIRMED	DEATHS	RECOVERED
Melbourne	109	NA	NA
Stonnington	94	NA	NA
Banyule	92	NA	NA
Boroondara	73	NA	NA
Brimbank	73	NA	NA
Casey	70	NA	NA
Hume	70	NA	NA
Greater Geelong	66	NA	NA

Recovered	**1616**
Tests conducted (% positive)	**557,844** (0.3%)
Current cases admitted to hospital	**9**
Current cases in ICU / ICU capacity	**2** / 476

Age breakdown

0-29	30-60	60+
29.1%	46.2%	24.7%

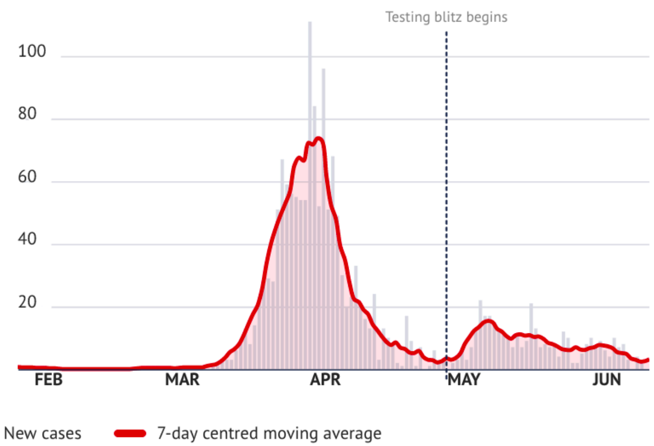
Source of infection

52.7% | 10.5% | 36.6%

Overseas acquired; Locally acquired (contact unknown); Locally acquired (contact of confirmed case); Under investigation

NEW CASES PER DAY IN VIC

New cases: 4 (+0%) | New cases in past seven days: 21 (-60.4%)



Source: As updated daily by The Age: https://www.theage.com.au/national/covid-19-data-centre-coronavirus-by-the-numbers-20200401-p54g4w.html?permanent_redirect=true

3. Why "this time is different" for an economic recession

Some people think of the arrival of Covid19 as similar in impact to a SARS or the terrorism of 9/11 in 2001. But the latter events did not lead to global economic recession even if tourism stalled in particular regions.

In addition, the last global economic recession in 2008 due to the Global Financial Crisis (GFC) and the dot com crash of 2000 are different in being focussed on equity markets and being slower to arrive compared to the current emergency stop.

In Australia there has not been an economic recession for 30 years, despite these more recent global crises – so we don't have data on how a local recession impacts tourism. In addition, Australia's economic growth has been strongly supported by high levels of net immigration and construction activity which are now expected to slow for a number of years, except for major government infrastructure projects.

Not just a recession, but big changes in behaviour

Covid 19's arrival is a unique event. In economic and financial markets analysis it is usually an error to conclude that "this time is different" as economic history tends to rhyme, but with the virus this conclusion is blatantly obvious.

The global economy has shuttered in an unprecedented manner and in a very short period, affecting other sectors well beyond tourism, even as the visitor economy was most affected. Global supply chains have been shredded leaving production of many goods facing component unavailability. Global travel and immigration have ended in a remarkably short few weeks from early February.

But the impacts on domestic life with social distancing and home quarantining have been an even greater challenge to normality than brought by any previous economic recession. There will be behavioural changes with reduced confidence to travel and a shift to teleconferencing that will extend well beyond the economic recovery. Similarly, the extreme impacts on the supply side of the visitor economy will ensure long recovery periods for airlines and sectors like restaurants with fewer businesses and hence reduced competition and expected higher prices.

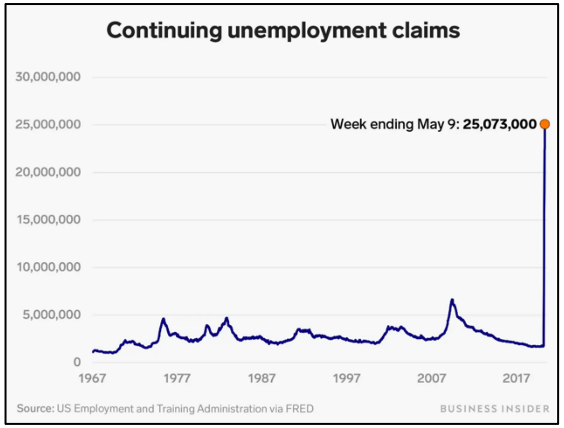
Biotechnology giant CSL Limited's chief scientific officer, Professor Andrew Cuthbertson, said on 9 April that social distancing is the best weapon Australia has to combat the virus, with a vaccine 12-18 months from being ready for the public.

As Dorothy said to Toto, "We are not in Kansas anymore!".

A big, bad global recession

When it comes to economic news, the world is a gloomy place, becoming gloomier by the day. The shock is yet to fully register in economic data or financial markets. It is as if an avalanche has started high on the mountain and we are watching it begin to rush towards us as we wait for the inevitable looking up from far down the slope.

"*The global economy will take much longer to recover fully from the shock caused by coronavirus than initially expected*", the head of the International Monetary Fund said on 18 May. "*The Fund was likely to revise downward its forecast for a 3 per cent contraction in GDP in 2020, with only a partial recovery expected next year instead of the 5.8 per cent rebound initially expected.*"



Whereas initial USA unemployment claims took 27 weeks to reach 10 million in the GFC and the average of seven previous recessions since WWII, this level was achieved in two weeks due to the virus. Seven weeks later on 21 May and initial unemployment benefit claims in seven weeks had reached 38 million, "literally off the chart" of the previous 50 years and representing 21% of the US workforce. The previous record for a six-week stretch was just under 4 million in 1982. As shown in the adjacent chart continuing unemployment claims in the USA exceeded 25 million on 9 May.

The USA economy shrank at a 4.8 per cent annual rate in the March quarter. The Congressional Budget Office estimated on 29 April that economic activity will plunge in the June quarter at a 40 per cent annual rate. In contrast, the sharpest quarterly drop in the 2008 Global Financial crisis was 8.4%.

Recognising the uniqueness of the threat fiscal and monetary authorities have responded with unprecedented vigour to inject stimulus to support economies and credit markets – hoping to reduce the damage.

Why economic recession for Australia and how JobKeeper works

The Economist Intelligence Unit (EIU) updated global economic forecasts for 2020 on 6 April. The EIU now sees a deeper global recession than occurred with the GFC and is not expecting a rapid bounce back in the second half of 2020. *"The impact on confidence and demand will be long lasting. A rise in uncertainty will lead to increased precautionary savings among households and delayed business investment. Some consumers may also continue to self-quarantine after governments lift lockdowns for fear of contracting the coronavirus, which will constrict the recovery in private consumption. A potential debt crisis could also quickly spread, sending the global economy into another—possibly much deeper—downturn*." (EIU Global Forecasts, 6 April)

Similarly, former US Treasury Secretary Larry Summers noted on 9 April: *"I think it will take a year to a year and a half after we're basically pretty free and clear of disease issues for the unemployment rate to get back into a normal kind of range of 5 per cent."* This comment echoes those of Kenneth S. Rogoff, a Harvard economist and co-author of a history of financial crises of 9 April:

"I feel like the 2008 financial crisis was just a dry run for this. This is already shaping up as the deepest dive on record for the global economy for over 100 years. Everything depends on how long it lasts, but if this goes on for a long time, it's certainly going to be the mother of all financial crises."

Source: FactSet. as of March 31, 2020. **Past performance is not a guarantee of future results.**

The shock is yet to fully hit financial markets. More muted and mundane previous global economic recessions have seen a halving in global equity prices. That the last six weeks has seen far faster falls of only around 15 per cent (as shown in the diagram) is surprisingly small given the at least short-term economic carnage we now expect.

"It is almost impossible to reconcile the disconnect between the devastation the coronavirus is wreaking in real economies and the renewed bullishness in sharemarkets." Stephen Bartholomeusz, The Age 12 May.

A big recession in Australia

Looking locally, ABS business survey data released on 8 April showed on an industry basis, tourism businesses were the most severely affected along with arts and recreation services and accommodation and food *services* – all of which are discretionary spend and highly labour intensive. Discretionary spending will take longer to recover than more essential spending with an economic slowdown.

"*The profit the NAB bank announced on Monday was about 20 per cent lower than consensus forecasts, the equity raising (although prudent) is highly dilutive and the economy's prospects outlined by NAB are frightening*," wrote Elizabeth Knight financial commentator in the Age on April 28. "*NAB has become the first bank to rip-off the dividend bandaid - slashing payments by 64 per cent*." Ms Knight wrote. A day later and the ANZ deferred its half yearly dividend as did Westpac a week later. The big four Australian banks last year paid out $24 billion in dividends.

Dividend payments in Australia totalled $80 billion last financial year, research from UBS recently found. Dividends and franking credits accounted for 87 per cent of returns from the ASX 200 index over the past decade. The typical balanced super fund was down 7 per cent in the nine months to March.

The NAB and Commonwealth Bank have given two very similar prediction scenarios for house prices. The NAB's "base case", or V-shaped scenario, assumed house prices would fall 10 per cent this year along with a sharp increase in unemployment, before recovering slightly with a 3 per cent increase in 2021. Under a slower U-shaped recovery scenario, the NAB assumed house prices would plunge 21 per cent this year and a further 12 per cent in 2021, before a 2 per cent increase in 2022. The Commonwealth on 14 May predicted house price falls of between 11 and 32 per cent by the end of 2022.

Westpac on 11 May introduced a loan to valuation cap of 70 per cent for new loans in postcodes in tourism-heavy areas, previously the bank had allowed owner-occupiers who are self-employed to borrow up to 95 per cent of a property's value, or 90 per cent for property investors.

Federal Treasury has forecast a 10 per cent Australian unemployment rate by mid-2020 while noting it would have been much higher without the Job Keeper package (The Age 14 April). The Victorian Government, more recently, predicted a State unemployment rate peaking at 11 per cent in the September quarter this year, more than double the pre-crisis rate. This modelling shows that Victorian Gross State Product is predicted to decline by an unprecedented 14 per cent in the June quarter. Victoria is especially vulnerable to economic damage from the pandemic because it is geared to construction and international education, which have boomed from high immigration and population growth. "Victoria will inevitably be hit the hardest by this crisis," said Abul Rizvi, who was immigration department deputy secretary in the Howard government. "Negative net immigration all of a sudden pulls the rug out from under Victoria," he said.

A special business survey by the Australian Bureau of Statistics released on 4 May revealed 69 per cent of firms expect demand for goods and services to fall over the next two months. Seventy-two per cent expect reduced cashflow over the same period. The worst-hit sectors include accommodation and food services (an 84 per cent drop in demand), arts and recreation (83 per cent) and manufacturing (82 per cent). Almost 40 per cent of restaurants, hotels and cafes are reporting trouble accessing credit while 70 per cent said they were having difficulty paying ordinary bills.

Two of Australia's leading economists Bob Gregory and Saul Eslake see little chance of a V-shaped recovery. Both noted in an Age article on 8 April that they expect higher unemployment to persist and key industries like international tourism and education — accounting for 5 per cent of GDP — taking time to return to previous levels, if they ever do.

Prime Minister Scott Morrison on 1 May revealed the government expects net overseas migration to fall by 30 per cent in the current financial year before crashing by 85 per cent in 2020-21. Last May's budget had assumed a net 270,000 increase in migration for 2019-20 and just a small drop off the following year. "This will make the Australian economy look more like a European economy," Chris Richardson of Deloitte Access Economics noted in response. "One of the reasons Australia had avoided recession for almost 30 years was large immigration over the past three decades." (The Age 2 May)

"*This recession will be so big and bad that not even the official always-look-on-the-bright-side brigade is trying to gild the lily. Reserve Bank governor Dr Philip Lowe said last week the recession would be a "once in a lifetime event. "Over the first*

A short comparative history of recessions ...

half of 2020, we are likely to experience the biggest contraction in national output and income we have witnessed since [the Great Depression of] the 1930s," he warned" - argued Ross Gittins and the following cartoon in The Age of 2 May. Ross Gittins also observed that "*There is, however, one important respect in which this recession will resemble all others: unemployment shoots up a lot faster than it comes back down. I'd be sceptical of any happy talk about the economy bouncing back. Crawling back, more likely."*

Half of Australia's consumers expect to keep reduce spending over the next year according to survey results from Boston Consulting Group. More specifically, about 70% of respondents expect to reduce their travel expenditure when the coronavirus restrictions are eased and 45% expect to spend less on luxury brands. A separate survey by Ernst & Young also found that 58% of respondents expect a second COVID-19 outbreak in the next six months. (Source: Macrobusiness, 7 May)

Implications for the visitor economy of the planned three phase re-opening of the economy from 8 May 2020

With the three stage opening proposed, Australia has shifted to a strategy that puts a greater weighting on reducing economic costs recognising more infections will result but that the health system is now better placed to respond.

While this strategy makes better sense for the economy as a whole it also carries both benefits and greater risk for the regional visitor economy. Many tourism business owners will be delighted with the re-opening strategy. However, some regions so far virus free will get infections form visitors or locals return from infected areas. There is a much greater risk of regional close downs, while competing regions stay open. The odds of Scenario 2 is significantly increased. If Australia had stayed closed for another month or two with an elimination strategy, the odds of scenario 1 were in my view around 85 per cent and scenario 2 around 15%. However, with staged re-opening the odds have shifted to more like 65:35.

Grattan Institute had previously noted that they favoured the, now rejected, elimination strategy as the best available outcome (as published April 13)

> *Six weeks into the COVID-19 crisis, Australian governments are still hedging about which endgame they're playing for. That's understandable – uncertainties abound, and the stakes couldn't be higher. The least-bad endgame is to eliminate the virus from Australia, continue to control our borders until there is a*

> *vaccine, and restore domestic economic and social activity to "normal", albeit keeping a close watch for new cases. The outcomes of this endgame would be much better than the alternatives. Obviously, fewer Australians would be infected. And the economic costs would be much lower because much more economic and social activity could go back to normal within a few months, whereas under the alternatives many activities would remain curtailed until there is a vaccine or a cure – or we lose patience and accept a lot more deaths.*
>
> *The current level of restrictions might well be sufficient – they are probably resulting in fewer new cases each day – but they would have to remain in place a month or two longer – because getting from 10 new cases a day to 0 is vital to the strategy. But we could then look forward to a lengthy period of relatively normal social life, business activity, domestic education, retail activity, domestic tourism, sport, and entertainment. One doesn't need a complex model of Australia's economy to see that an extra month or two of tighter restrictions would be worth the wait. (This) elimination strategy implies very tight controls over international passenger traffic until there is a cure or a vaccine. Best case: we can shake hands on a job well-done in four months' time.*

Writing in late May 2020, the strength of bounce-back and timing of the economic recovery from the virus is highly uncertain. For this reason, this report outlines two scenarios for economic recovery of a fast and slow road to recovery for the global and Australian economy and the Yarra Valley and Dandenong Ranges region's visitor economy.

What is more predictable, is that whenever the economic recovery comes it will produce a similar pattern of some sub-sectors within these regions' visitor economies being harder hit and slower to recover than others which respond more quickly and strongly.

More detail on the expected economic impacts of the virus in the next quarter and for other industries than the visitor economy, but with relevance for the visitor economy, is provided in the following Appendices to this report:

- Appendix 1 - ABS data up to 4 April on impacts of the virus on the Australian labour market
- Appendix 2 - Using Grattan Institute Research to understand expected job losses by industry for Australia in the second quarter of 2020
- Appendix 3 – Recalling the 1990/91 Australian recession
- Appendix 4 – Outlook for recovery from the virus for Sovereign Hill

4. Analysis of Job Keeper – a critical program for the visitor economy

In evaluating how much of the fall in the regional visitor economy impacts the regional economy it is also necessary to consider the effectiveness of short-term Government economic support packages.

For most regions the key Government support measure is the JobKeeper Program from the Commonwealth Government. This is designed to provide continuing funding for many households over the close down period. However, this program's effectiveness relies on employers complying with its requirements. The evidence on the final level of take up of the program is not yet available – but there are obvious compliance challenges for businesses.

The JobKeeper program is particularly critical to the survival of regional visitor economy businesses.

The following box provides one critics evaluation of this program and is included to help RTO and local government area stakeholders understand the challenges their businesses face in accessing the program.

These challenges may suggest a larger role for RTOs or local governments in providing assistance to SME's (Small to Medium Enterprises) in the visitor economy which is the sector of the economy expected to dominate applications for JobKeeper.

Beyond the challenges identified in the box, a further challenge for employers is that some employees are refusing to work or refusing hours because in many cases it won't impact how much they are paid under the JobKeeper program. In some cases, this refusal to work is justified by the employee as essential to cutting their risks of catching the virus. As ATO rules ensure that all qualifying employees must be included in the employer's JobKeeper application and forwarded the required payments this can put employers in a frustrating position.

Only on 5 May, the Victorian Treasurer, Tim Pallas MP, announced the State Government will provide a further $491 million in tax relief with an exemption from payroll tax and WorkCover premiums on the $1500 fortnightly JobKeeper payments – meaning businesses are not paying more State Government taxes as a result of keeping staff on under the scheme.

For many qualifying visitor economy employers a large share of their workforce is ineligible for JobKeeper. A Grattan Institute report suggested perhaps 40 per cent of their workers are casuals including working holiday makers and international students (who are also more generally ineligible) with less than 12 months' time in the job. Perversely, this would seem to make JobKeeper more attractive to visitor economy employers, as less money needs to be borrowed.

On the other hand, one issue not identified by the critic is that accountants are seeing unprecedented demand for their services. Accountants charging SMEs for the required monthly data compilation and reporting to the ATO – further increases compliance costs for SMEs accessing this program that much more directly benefits their employees than themselves (though one director or partner in each business is also eligible for the JobKeeper payment).

Advice from Westpac on 23 April invited their customers who are registered for JobKeeper to apply for an overdraft up to three times the value of their weekly wages bill at 7.99 per cent per annum interest rate.

The Australian Small Business and Family Enterprise Ombudsman, Kate Carnell, addressed reports that many small businesses are not applying for the JobKeeper payment because they can't afford to pay staff by 30 April.

"There have been reports that some small businesses, particularly in the tourism and hospitality sectors, have not applied for JobKeeper because they cannot pay $1,500 for each eligible staff member per fortnight. "The big four banks have established JobKeeper helplines that are dedicated to this issue alone".

She advised businesses to explore lines of credit being offered to JobKeeper applicants in the lead-up to the initial payment from the ATO. "The banks are promising to fast-track these applications, so you can get the necessary funds you need to pay your staff."

Ms Carnell explained that it's especially critical that small businesses that are struggling to pay their rent apply for the JobKeeper payment because they are only covered by the Mandatory Commercial Tenancy Code of Conduct if they are eligible for JobKeeper.

"This may be essential to your business' survival," she said.

"Government comments indicate there are so far around ~3mn people on JobKeeper (which is additional to JobSeeker); albeit far less than the ~6.6mn people initially projected." UBS 6 May 2020

A critic of the Job Keeper program – suggests a problem for tourism stakeholders including RTOs to watch out for

Daniel Anstay on MichaelWest.com.au concluded on 26 April that the Morrison Government's JobKeeper scheme is in trouble. He argues that by privatising the administration to businesses and privatising its funding to the banks, millions of workers will be left out.

JobKeeper targets reducing formal unemployment numbers, while saving business owners from having to pay redundancy entitlements, long service leave, sick leave and so on. However, it is unclear how many of the potentially eligible workers will be funded through the program given compliance burdens on employers.

This critic argues the scheme is based on a weird logic. In order to qualify for the scheme, an employer must have lost at least 30 per cent of their revenue, but still somehow still pay $3,000 a month to each eligible employee out of their own pocket before the backdated JobKeeper payments are made sometime in May.

For a small business with no revenue and 20 employees, finding $60,000 a month on top of rent and all other costs is a big ask, an ask which could leave many thousands of Australian employees' ineligible for JobKeeper through no fault of their own. This is where the banks were meant to come in. The Government has "privatised" the administration of its JobKeeper scheme to business. Businesses fill out the forms, ask for the money, are supposedly given the money, and they give it to their employees. On top, they are required to go to the banks to get their bridging finance. The Government has effectively privatised the funding of the scheme to the banks via its small business lending package.

The Coalition's advice to struggling businesses is to borrow the funds to make the required payments before the entitlement to be reimbursed arises. Bear in mind that jobs were shed when the pandemic hit in March but payments are not due until sometime in May, a roughly six-week hiatus. Ongoing loans may be needed to cover the next month's payments to employees, meaning interest accruing for crippled businesses. Many business owners may be forced to give extra security over their homes and other assets to satisfy banks' risk requirements.

Even so, JobKeeper seems to be less of a boon for the banks than a white elephant. So far, 400,000 businesses have submitted formal applications for Jobseeker and close to 1 million have expressed interest. To expect the banking system to process potentially hundreds of thousands of new business loans within two weeks defies logic. Prime Minister Scott Morrison's public rebuke of the banks for failing to lend to businesses would appear to be blame-shifting. They did not invent JobKeeper; and even Commonwealth Bank chief Matt Comyn has expressed public reservations about it.

Treasurer Josh Frydenberg, without admitting the flaws, foreshadowed changes to the scheme.

Source: https://www.michaelwest.com.au/jobreaper-flaws-in-jobkeeper-scheme-leave-businesses-and-workers-high-and-dry/

5. Scenario 1 - A faster/stronger road to economic recovery

Why a faster economic recovery is likely!

In combating the health impacts of the virus Australia has done well, most obviously in comparison to the countries we normally follow of the USA and UK. Our standing as a safe destination and for having effective government is on track to be enhanced.

"*Walk down our hospital wards and walk down the hospital wards of other countries and see the difference*," said the president of the Australian Medical Association and GP Tony Bartone on 11 April. "*We have enormous idle capacity, overcapacity of ICU beds, ventilator beds, waiting and ready for a potential tide of COVID patients. That's a sign that we are ready. We aren't out of the woods yet, but we are ready, and compare that to the unfortunate situation elsewhere in the world.*"

At the outset of the crisis, Australia had 2200 ventilator ICU beds. By 9 April that had doubled, according to Health Minister Greg Hunt, and the Morrison government announced a $31 million contract for the local manufacture of another 2000 ventilators by July.

Has the Australian outbreak peaked? "*It could be that it has*," says the Nobel prize-winning immunologist Professor Peter Doherty on 11 April. "*At the moment we are right in the front rank, with New Zealand. It's pretty impressive. In some ways, that makes it even more difficult – how the hell do we ever get out of it? That's the bigger question. This is a problem, but it is a problem of success. It could be worse. Look around the world.*"

The Age reported on 18 April, "*in deaths-per-infection, the US (5 per cent) is slightly higher than China (4 per cent). Italy and the UK show a whopping 13 per cent while in Australia and NZ it's below 1 per cent.*"

By early April, a total of 332 Covid-19 clinical trials into treatments and vaccines had been launched in China, South Korea, Europe and North America, according to the medical journal The Lancet. The Economist on 17 April reported that "*86 vaccines are reportedly being developed around the world, taking a wide array of approaches. Three have already started "phase I" (early safety) trials. One, made by a Chinese biotechnology company, has been approved for phase II trials, which are designed to find out if it provokes an immune response that might fight off the virus. It seems quite likely that one or more of these efforts will lead to a working vaccine. Making it available around the world will be just as taxing.*"

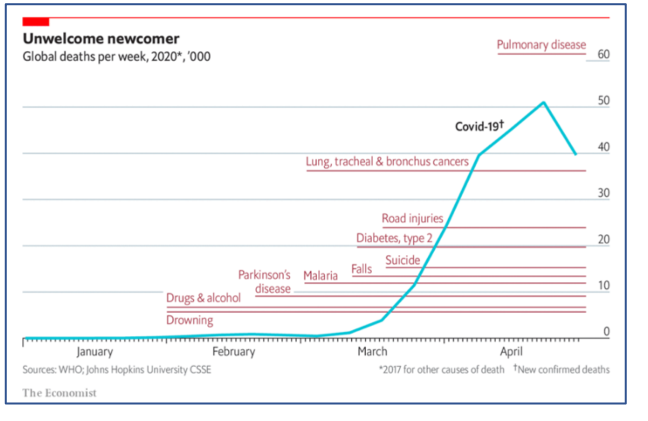
Key assumptions of this scenario are:

Health and return to work and travel under scenario 1

1. This scenario is aligned to a successful phased re-opening of the economy as announced by the Prime Minister on 8 May. The Prime Minister indicated a three-step, two-month timetable to reopen the country, with three-week intervals to track any potential second waves. Progression through stages will be based on implications of each step with success measured by three health foundation criteria; population-based testing, enhanced ability to detect contact with confirmed cases, and local health system response. All going well according to the Commonwealth Government guidelines:
   a) Intrastate travel for recreation opens from 11 May
   b) Interstate travel opens from early June, depending on State restrictions
   c) Cafes/restaurants can open for up to 10 people from 11 May, for 20 people from early June and 100 people end June but with $4m^2$ space per person – reducing viability of reopening for many
   d) Hotels and hostels open in stage 1, camping/caravan parks open stage 2
   e) Pubs and bars not to open till at least Stage 3 at end June.

2. Over time we can expect that the news flow on virus infections and deaths will be increasingly benchmarked against other sources of premature death as done in Figure 10 below from The Economist of 5 May. This has not been a concern so far of policy makers more concerned to encourage social distancing – but can be expected to become more common as we move into a focus on reducing the economic impacts of the virus.

Figure 10. Global deaths per week from Covid-19 against other major reasons



Scenario 1 – a faster/stronger economic and visitor economy recovery

3. Australia's current curve flattening under this scenario continues and our hospital system is not overrun, leaving far lower death rates than nearly all other countries. This enhances Australia's reputation as a safe destination, even as reputations of key competitors in America and Western Europe are undermined – setting up longer term faster export growth for inbound tourism and education later in the coming decade.

4. While winter hits Australia and the combination of seasonal flu and the virus put more pressure on infection control, a return to working normally is implemented from mid-May to June, even as wearing face masks when in public and community virus testing become commonplace. From mid-May, testing alongside contact monitoring through phone apps allows a shift to more localised restrictions being imposed as outbreaks occur.

5. Once you have the virus, it does not recur as you have immunity. Also assumed is that that there are few long-term health effects.

6. By the beginning of winter in the Northern Hemisphere (November) fears of the expected seasonal return of the virus have been reduced by treatments that reduce severity of symptoms in many people (potentially Gilead's Remdesivir from May), even as the wait for vaccination continues.

7. Even after September, with infection rates low many more vulnerable Australians remain in self-imposed near isolation, being slow to return to normal life. In contrast, the lifting of restrictions sees younger Australians seeking to catch up on lost fun and travelling widely from May.

8. A vaccine is first available in January 2021, after a speeding up and public funding of required testing. This vaccine only becomes widely available in April 2021, and many countries insist on vaccination or documented immunity from previous infections before they allow entry to their country.

9. Without the same spread of infection as in most countries and lower herd immunity, Australia remains more highly exposed to a second wave of imported infection. For this reason, the Government delays opening borders till later than many other countries – with borders only beginning to reopen in January 2021 for vaccinated visitors.

Economic, financial and political impacts under scenario 1

10. This more upbeat scenario takes a slightly more positive view of prospects for Australian economic recovery than did Westpac on 2 April. Westpac expected:
    The intensity of the policies to address the virus will peak near the end of the June quarter, most policies will be maintained through the September quarter and the Australian economic recovery will be delayed until the December quarter. Conditions in the global economy will remain very weak until well into the December quarter. (Westpac, chief economist 2 April 2020)

11. Australian and global companies commonly announce large drops in current year earnings, dividend cuts become the norm, globally share prices fall 20 per cent from February 2020 peaks but a major credit crisis does not arise.

12. Much lower dividend, interest and rent payments mean that self-funded retirees often face a 60 per cent fall in weekly incomes as well as a 20 per cent fall in asset values compared to pre-virus.

13. Australian unemployment without the Job Keeper payment would have been 17 per cent in the June quarter (this section draws on Westpac forecasts of 2 April). However, with the Job Keeper payment, unemployment only peaks at 11 per cent. Westpac predicts that 80 per cent of businesses in three sectors – accommodation and food services; retail and wholesale trade; and arts and recreation Services – will be eligible for the payment. For other sectors that will be adversely affected by the shut down and social distancing policies, Westpac assess that 40 per cent of businesses will qualify for the payments. https://www.macrobusiness.com.au/2020/04/westpac-17-unemployment-hidden-by-job-keeper/

14. Virgin Airlines is restructured with existing equity and debt holders suffering but a return to service as a smaller carrier.

15. Many Australian employees are forced to reduce their leave entitlements to only two weeks before accessing Job Keeper payments passed on by their employers. Grattan Institute suggests about two-thirds of hospitality workers could be off work and nearly 40 per cent of workers in this industry are short-term casual workers or overseas visa holders who will be ineligible for the JobKeeper program.

16. Few Australian companies take advantage of increased depreciation concessions – reducing stimulus cost and economic benefits.

17. Australian SMEs rely on Job Keeper payments, subsidies tied to personal income tax withheld for their employees, extended borrowings from the banks with deferred repayments and rental concessions to mostly survive. But a 10 per cent share of SMEs walk away from their businesses with around 20 per cent of smaller tourism dependent businesses doing so.

18. According to Danielle Wood of Grattan Institute (The Age 10 April), Government concessions announced so far for commercial leases means that many retailers, cafes and restaurants won't survive to see the recovery phase.
    a. In this cashflow winter, rent is the biggest barrier to survival. The government's wage subsidy scheme allows business to continue to provide an income for workers during the shutdown. Other costs such as stock/purchasing can be stopped quite quickly. But unavoidable costs – of which rent is the largest – can't be turned off. She estimates that the average retailer pays almost $12,000 in rent a month; Cafes are losing $3000 to $4000 each month in rent. For most exposed businesses, rent is less than 20 per cent of their operating costs under normal conditions. But while they hibernate through coronavirus, that will reach between 80 and 95 per cent. The government has rightly recognised that rent was the missing piece of its "hibernation package".
    b. Ms Wood notes that the commercial rental code announced on 7 April sets out mandatory principles for landlords and tenants to negotiate an adjusted lease. It requires landlords to negotiate rent waivers and deferrals proportionate to the reduction in turnover for eligible businesses. The mandatory code will be overseen by a binding mediation process in each state and territory for the duration of the JobKeeper program (currently six months). But Ms Wood concludes the code ultimately falls short on scale, scope, and speed. The first big limitation is that relief is negotiated as a combination of waivers and deferrals. Up to half the relief can be via rent deferral. So, if a business's turnover falls by 50 per cent, only 25 per cent of rent needs to be waived – the other 25 per cent can be deferred, with a minimum 24-month payback period. Deferrals can help ease the short-term cashflow crunch. But most retail and food service businesses run on low margins, so many will not be able to absorb the deferred cost of the rent while trying to rebuild their business. Another big hole in the package is the exclusion of tenants with a turnover above $50 million.

19. Westpac on 16 April reported survey results showing confidence in Australian housing suffered its biggest monthly fall in 47 years. The housing market faces a flood of sales and much lower prices as people battle unemployment, reduced incomes and seek to avoid bankruptcy. Banks are expected to reduce debt funding multiples of income and increase deposit requirements.

20. This report expects house price falls averaging 10 per cent for Victoria by mid 2021 and closer to 15 per cent for areas which have many holiday homes as many of these owners have lost faith in Airbnb income reliability. Holiday homes as second or third homes are more likely to be put on the market than principal places of residence when people are under financial stress.

21. With the ending in September of repayment moratoriums and increased borrowing in the previous months many Australians will realise they have negative equity in their homes – further depressing consumption.

22. Australia's economic recovery is quite slow with unemployment jumping further to 13 per cent with the end of Job Keeper subsidies at the end of September. At this point the falls in the housing market also impact consumption and construction spending, so 2021 features an economy still in the sick ward with GDP growth of only around 1 per cent assumed after a fall of around 4 per cent in 2020.

23. Falling commodity prices due to global economic recession result in an Australian dollar valued at 60 cents by the end of 2020 – setting up Australian inbound tourism for a faster return when borders reopen. The lower A$ and upgraded fears of international travel, reduce outbound travel helping to support domestic travel through the recession.

24. The United States' death toll from the novel coronavirus exceeded the 58,220 American lives lost during the Vietnam War on 28 April. By May 7 and the US death toll had reached 75,000 and represented more US deaths than during the first 10 years of the AIDS epidemic, from 1981 to 1991.The US has six times as many cases as the next hardest-hit countries of Italy, UK and Spain. By 21 May the US death toll had reached 96,000.

25. The underwhelming performance of the USA in combating the virus compared even to Western Europe shifts a range of policy debates towards increased public sector provision as does a drubbing for Trump and the Republicans at the November 2020 election – leaving the Democrats with both houses. US Stock markets fall again at the end of 2020 with the prospect of increased corporate taxes and regulation with the US Legislature and Executive under full Democratic Party control.

6. Scenario 1 - A faster road to recovery in the Yarra Valley and Dandenong Ranges visitor economy

Introducing key terms used

This report uses definitions applied by Tourism Research Australia as well as its own classification of short and long break holiday travellers when analysing the key visitor markets affected by virus impacts.

Tourism definitions are based on those provided by the United Nations World Tourism Organization (UNWTO). Interviews are conducted with people who have travelled for purposes including holiday, visiting friends and relatives (VFR), business, education and employment. To be included, travellers must not have been away from home continuously for more than 364 days, or 365 days in a leap year.

Overnight trips must include at least one night away from home and be a minimum of 40 kilometres from the respondent's usual place of residence. Day trips must have a round trip distance of at least 50 kilometres from the respondent's usual place of residence and a minimum duration of four hours. Day trips taken as part of an overnight trip, or those that are routine (for example, from home to work/school, or an intrinsic part of a person's job), are not collected.

This report also separately analyses travel by holiday overnight visitors who spend two nights or less away from home on their trip, and classes these as short break travellers.

Introducing the forecasts

In brief, this comparatively good news scenario predicts a:

- 25 per cent fall in 2020/21 compared to 2019 estimates for regional visitor spending, gross regional product and jobs due to visitor spending; and
- 6 per cent lift in 2022/23 compared to 2019 estimates for regional visitor spending, gross regional product and jobs due to visitor spending.

This scenario is estimated to have around a 65 per cent probability of occurring with the more pessimistic scenario 2 an estimated 35 per cent probability. More detail on the forecasts for the two financial years under the two scenarios are outlined in the final section of this report.

In forecasting that jobs and gross regional product will grow at the same rate as visitor spending, analysis was undertaken of twelve years of annual regional tourism satellite account data across 20 regions of Victoria. Appendix 5 provides the evidence supporting this approach.

In order to lessen the impacts of sampling errors for local government areas this section features analysis of visitation to these areas averaged over the four calendar years from 2016 to 2019. This average was chosen to provide a fair reflection of the timing of results from the latest published regional tourism satellite account data from the 2017/18 financial year.

For forecasting region wide activity, a different approach was necessary. This was because of strong growth in visitation to the Yarra Valley and Dandenong Ranges region in the 18 months from 2017/18 to the onset of the virus just after the conclusion of the 2019 calendar year. In this 18-month period, visitor spending to the Yarra Valley and Dandenong Ranges region is estimated from TRA visitor activity data to have grown by a very healthy 23 per cent (see Appendix 6). This growth from the 2017/18 financial year to 2019 calendar year was seven percentage points above the still healthy average growth across regional Victoria of 17 per cent.

More explanation of the key factors that drive the variation in forecast changes in the 13 analysed regions' visitor economies spending for 2020/21 and 2022/23 is outlined in Appendix 7.

Scenario 1 – a faster/stronger economic and visitor economy recovery

Different virus impacts on different visitor economy sub-sectors

When nearly all tourism stopped during March 2020 businesses like visitor accommodation, pubs/bars/taverns, travel agencies and tour operations came to a near full stop.

Other businesses like retail trade and restaurants (for take away) were often less affected. The businesses in these sectors that relied on a combination of resident and visitor demand endured larger falls in business on average in regions that previously had lower ratios of residents to visitors and hence were most reliant on visitors.

The Yarra Valley and Dandenong Ranges has a higher ratio of residents to visitors (domestic day trip, domestic overnight intrastate and intrastate and international visitors) compared to tourism regions such as Great Ocean Rd and Phillip Island.

On the average day in 2017/18 the Yarra Valley and Dandenong Ranges region had around 16.4 residents for every visitor. For purposes of comparison, the Great Ocean Road region had 4.9 residents for every visitor. The number of residents per visitor for Victoria's regions on an average day in 2017/18 is shown in Figure 11.

Splitting up the Yarra Valley and Dandenong Ranges region into the two tourism sub-regions of Upper Yarra and Melbourne East (see Figure 2 for the map) highlight a very big difference between the more urbanised areas of the Melbourne East sub-region with 19 residents per visitor and rural Upper Yarra sub-region with 3.9 residents per visitor.

In the last few weeks of regulated social distancing it has become apparent that local residents are more resistant to welcoming visitors to their communities, including even regular holiday home-owner visitors. This is expected to continue for the balance of 2020 even under the fast recovery scenario.

However, the appetite of visitors to experience key natural attractions in the early stages of the lockdown being eased has seen some areas overrun with people. In the Yarra Valley and Dandenong Ranges this has led to the temporary closure due to over tourism of the Redwood Forest, 1000 Steps and Alfred Nicholas Gardens. See https://upperyarra.mailcommunity.com.au/news/2020-06-01/disgust-at-tourists/
Source: TRA Online for 2017/18 and ABS Census 2016.

The importance of how regions vary in their mix of visitors

Two factors influence the extent of economic significance of the visitor economy. The first is the number of tourists and the second is the mix by type of tourists.

The varying reliance on different types of visitors by region and local government area is an important determinant of how quickly the various regions will recover from virus impacts. This reflects that different types of tourism are expected to have quite different timing of their recovery and have different sensitivity to economic recession.

Figure 11. Estimated number of residents per visit [1] in Yarra Valley and Dandenong Ranges compared to other tourism regions in Victoria

	Visitors per day	Resident population	Residents per visitor
Phillip Island	11,103	35,200	3.2
Spa Country	5,018	17,300	3.4
Upper Yarra	3,733	14,700	3.9
High Country	19,946	88,200	4.4
Great Ocean Road	28,533	140,800	4.9
Lakes	8,895	46,900	5.3
Central Highlands	4,283	23,100	5.4
Central Murray	11,095	67,600	6.1
Wimmera	2,478	19,600	7.9
Western Grampians	4,630	38,900	8.4
Mallee	9,887	86,800	8.8
Peninsula	32,170	307,700	9.6
Bendigo Loddon	15,674	156,300	10.0
Ballarat	11,294	122,000	10.8
Goulburn	10,759	120,800	11.2
Gippsland	17,216	200,900	11.7
Macedon	7,054	83,600	11.9
Geelong and the Bellarine	22,439	269,900	12.0
Melbourne	294,837	4,200,000	14.2
Melbourne East	17,321	329,600	19.0
Murray East	1,910	41,400	21.7

Source: TRA Online for 2017/18 and ABS Census 2016.

[1] This calculation is made by summing domestic and international day trips and visitor nights in 2017/18 and dividing by resident population from the 2016 Census. As overnight visitors have one more day in the region than visitor nights this calculation slightly overstates the ratio of residents to visitors on the average day.

Scenario 1 – a faster/stronger economic and visitor economy recovery

Domestic intrastate overnight visitors typically provide the largest economic impact in most Australian regional destinations while international overnight visitors provide a much smaller economic impact.

The Yarra Valley and Dandenong Ranges region has on average an advantageous mix of tourists in the recovery for the visitor economy from the virus. The regional visitor economies looking at the fastest recovery from the virus have a high share of domestic day trips. Yarra Valley and Dandenong Ranges, as shown in Figure 12, has the highest share of total visitor spending from day trip visitors among all the regions of Victoria at 45 per cent. This finding was not surprising given the Yarra Valley and Dandenong Ranges region proximity to Melbourne. The green and red colour coding in Figure 12. is aimed at helping identify the areas with well above or below Victorian regional tourism average reliance on the four forms of visitation.

The regional visitor economies looking at the fastest recovery from the virus impacts have a high share of domestic day trips and to a lesser extent domestic overnight spending particularly from non-holiday travel.

Those areas most reliant on international overnight visitors or long duration as against short break domestic overnight visitors are likely to be slower to recover than destinations reliant on domestic day trips or the short break domestic overnight market. This reflects that international borders are expected to be slow to re-open and that domestic recession, erosion of leave balances and a desire to re-establish work patterns will favour short break domestic overnight travel over longer haul extended domestic trips.

Figure 12. Yarra Valley and Dandenong Ranges regional visitor economy has above average reliance on domestic day trip visitors

	International Visitor Nights	Interstate Visitor Nights	Intrastate Visitor Nights	Domestic Day trips
Yarra Ranges LGAs -Contribution to visitor spending over four years from 2016-2019				
Nillumbik Shire	12%	31%	25%	32%
Yarra Ranges Shire	5%	16%	29%	50%
Cardinia Shire	20%	13%	28%	40%
Murrindindi Shire	1%	7%	52%	40%
Victorian regions (2017/18 estimate)				
Yarra Valley and Dandenong Ranges	**8%**	**15%**	**32%**	**45%**
Murray	4%	21%	51%	24%
Great Ocean Road	8%	11%	61%	20%
Peninsula	11%	10%	43%	35%
Victoria's High Country	2%	20%	63%	15%
Ballarat	6%	13%	42%	39%
Bendigo	4%	12%	45%	39%
Geelong	14%	10%	42%	33%
Gippsland	4%	15%	58%	23%
Phillip Island	3%	9%	68%	19%
Daylesford & Macedon Ranges	2%	12%	54%	42%
Grampians	3%	17%	56%	24%
Regional Victoria average	**5%**	**14%**	**53%**	**27%**
Melbourne	46%	32%	10%	12%
Victoria	30%	25%	27%	18%

Source: TRA website

Note: %ages of direct tourism consumption which only includes first round tourist goods & services spending & no multiplier effects

First recovery in domestic day trips and non-holiday domestic overnight travel

First green shoots of recovery in the visitor economy to the Yarra Valley and Dandenong Ranges are expected under this recovery scenario from mid-May with domestic day trips, led particularly by younger people. With a return to normal low season rates from this sub-market quite quickly.

Scenario 1 – a faster/stronger economic and visitor economy recovery

A second lift in Yarra Valley and Dandenong Ranges tourism is expected from June, with visiting friends and relatives (VFR) travelling on overnight trips to catch up after months of separation. Associated with the rebound of VFR travel there will also be a comparative rush of deferred larger events people such as weddings, anniversaries and birthday parties. Similarly, there will be a rush of less programmed gatherings as the number of people allowed to meet is progressively increased. As well there will be a progressive return of business travel and travel for other reasons such as non-virus-related medical appointments.

The strongly varying shares of non-holiday travel and short break versus long break holiday trips in total domestic visitor nights to Victorian regions in 2019 is shown in Figure 13.

That Yarra Valley and Dandenong Ranges region has a comparatively high share of non-holiday (or VFR/Business/Other) travel in its domestic visitor nights and a low share of holiday long breaks in total domestic visitor nights. This positions this region very well for a faster than Victorian regional average recovery from virus impacts on travel worries and a recessed economy.

The contrast between the Yarra Valley and Dandenong Ranges region and regions like Phillip Island or High Country on the reliance on long break holidays as shown in Figure 13 is stark.

Figure 13. Shares of domestic visitor nights due to VFR/Business/Other travel and short or long break holiday trips in 2019

	2019		
	VFR/Business/other	Holiday 1 or 2 night trips	Holiday Long Breaks
Melbourne	73%	7%	19%
Ballarat	64%	15%	20%
Bendigo Loddon	68%	14%	17%
Grampians	53%	14%	33%
Murray	62%	7%	30%
Geelong and the Bellarine	55%	13%	32%
Great Ocean Road	39%	18%	43%
Gippsland	44%	13%	43%
High Country	30%	19%	51%
Peninsula	38%	21%	41%
Phillip Island	25%	21%	54%
Daylesford & Macedon Ranges	45%	32%	23%
Yarra Ranges	65%	17%	18%
Murray MRT	56%	8%	36%
Regional Victoria	47%	16%	37%
Victoria	57%	13%	30%

Source: TRA, NVS extracted using TRA Online

The recovery of intrastate VFR travel is expected to cause slightly above average seasonal domestic VFR travel from July for the balance of 2020 – though accommodation providers miss out on most of this benefit as friends and relatives reconnect. Surviving restaurants see a return to normal business levels (helped by reduced competition due to business closures and locals wanting to dine out) quite quickly from their expected reopening from June.

Across the LGAs in the Yarra Valley and Dandenong Ranges region (see Figure 14.) there is a large variation in the shares of domestic visitor nights that are represented by non-holiday visitor nights. The more urbanised Shires of Nillumbik and Cardinia, not surprisingly, are far less reliant on holiday visitor nights.

Only slow recovery in holiday travel

Many workers by July will have much reduced recreation leave balances and with a return to normal working arrangements and much higher unemployment can be expected to often be keen to restore their profile with their employer.

This is one factor that reduces family travel and encourages more short-break than extended holiday stays than usual to the Yarra Valley and Dandenong Ranges over the following 18 months.

After months in isolation with their kids, many parents may also be very reluctant to undertake traditional extended family summer holidays and a much quieter January and Easter is expected than usual in 2021 for destinations like Phillip Island that are reliant on holiday travel by families.

In addition, the catastrophic 2019/20 bushfire season is expected to see more families hesitant about undertaking travel to more remote nature-based destinations, with growth to regional cities and close to home destinations expected to pick up market share.

The combination of more resilience in domestic day trips and in short break rather than extended day holiday trips reinforce the existing bias to busy weekends and slow midweeks. This is a major problem for visitor economy businesses that face higher labour costs on weekends and long periods each week when it is not worth opening.

The expected ban on outbound overseas travel until January 2021 and continued heightened fears about overseas travel will boost what would otherwise have been much worse domestic travel from the last three months of 2020 and through the first few months of 2021. However, from around April 2021 strong outbound travel is expected to significantly reduce time and budgets available for domestic travel.

Expected faster recovery in short break domestic overnight travel

The Yarra Valley and Dandenong Ranges region has more reliance on the short break overnight domestic holiday travel compared to most other regions in Victoria. This reflects in part its proximity to Melbourne. Only the Daylesford and Macedon Ranges region has a more favourable ratio of short break to long break holiday visitor nights, as shown in Figure 13.

Figure 14. Shares of domestic visitor nights due to non-holiday travel and short or long break holiday trips as well as senior travel in the four years 2016-19 for LGAs in the Yarra Valley and Dandenong Ranges region

	Shares of Domestic Visitor Nights			Share of Domestic Holiday Visitor Nights	
	Non-holiday	Holiday	Senior +55 years old	Holiday Short break of 2 nights away from home or less	Holiday longer break of 3 or more nights away from home
Nillumbik Shire	83%	17%	55%	19%	81%
Yarra Ranges Shire	63%	37%	41%	47%	53%
Cardinia Shire	92%	8%	34%	64%	36%
Murrindindi Shire	35%	65%	34%	47%	53%
Yarra Valley and Dandenong Ranges Region	62%	38%	39%	46%	54%

Source: TRA, NVS extracted using TRA Online

Big falls in and delayed recovery in seniors travel

Travel by seniors is expected to more significantly reduced than for other age groups, due to continued infection fears and because self-funded retirees have reduced weekly incomes and have seen their asset balances eroded by around 10 per cent. This particularly impacts golf dependent businesses and tourism businesses reliant on grey nomads such as caravan parks in more remote areas. However, a resurgence in family caravanning is expected to counter this.

As shown in Figure 15. many regions are heavily reliant on the 55+ age group. The Yarra Valley and Dandenong Ranges region as shown in Figure 15. has comparatively low reliance on over 55-year-old travellers and can expect a more robust recovery compared to other regions more reliant on seniors for overnight travel.

Upmarket and larger venues/events along with visitor accommodation to be slower into the recovery phase

A domestic economic recession and falling incomes for self-funded retirees is expected to lead to a slower recovery in upmarket than budget targeted visitor economy businesses. This is expected to be true of restaurants, shops targeting tourists, tours and visitor accommodation.

Scenario 1 – a faster/stronger economic and visitor economy recovery

Figure 15 Yarra Valley and Dandenong Ranges region is below average in its reliance on over 55 domestic visitor nights in total visitor nights (2019 data)

	Share of over 55+ visitor nights in total domestic visitor nights
Regional Victoria	39%
Victoria	38%
Melbourne	35%
Ballarat	34%
Bendigo Loddon	42%
Grampians	39%
Murray	39%
Geelong and the Bellarine	44%
Great Ocean Road	38%
Gippsland	37%
High Country	34%
Peninsula	43%
Phillip Island	39%
Yarra Valley and Dandenong Ranges Region	35%
Murray MRT	41%

Source: TRA Online

Under this scenario it will be interesting to see how the Puffing Billy Railway and Healesville Sanctuary perform in the next six months. Now allowed to open as of 1 June. Healesville Sanctuary is limited to 1500 visitors per day and have to be ticketed meanwhile PBR remains closed as they cannot run a viable service at 1 person for every 4 sqm. In addition, travellers may prefer to avoid larger venues to avoid larger groups of people. On this basis, surviving smaller businesses might do better in the early recovery phase than larger businesses.

The heavier reliance suggested by official TRA data for on visitation by internationals to Puffing Billy Railway and Healesville Sanctuary is expected to slow the recovery of these attractions. For more analysis see Appendix 4.

After getting familiar with virtual conferences and meetings it can be expected that even when these events are allowed, they will attract far fewer attendees. Over the 2020/21 year this is expected to be a larger negative influence than the positive influence of a rush of these events which had been postponed from the social isolation period. Similarly, attendance at major events is expected to fall for a few years as people are more nervous about attending large gatherings such as the Australian Open or Grand Prix.

Accommodation operators are expected to find that Airbnb operators have cut rates to restore cash flow and that they need to also reduce rates. Sales of holiday homes are expected to accelerate over summer 2020/21 as house prices continue to dip. With many reverting to offering their properties to the long term rental market for security.

Even with high unemployment challenges in getting staff in 2020/21

There is expected to be increased attention to getting young local unemployed people trained for a recovering visitor economy, especially as traditional sources of labour of working holiday makers and international students are slower to return. In the Yarra Valley and Dandenong Ranges region with an expected increased concentration of hours on weekend work this may be a more significant issue.

Increased profitability in the later stages of the recovery period and more community support for visitor economy investment

With much less competition in some sectors of the visitor economy such as restaurants and cafes there is expected to be higher prices and profitability in the later phases of the recovery period from mid 2021.

The impacts of the virus are expected to positively shift community valuation of the visitor economy. This should lead to increased community support for investment in new attractions that promise visitor economy employment generation.

Scenario 1 – a faster/stronger economic and visitor economy recovery

The benefits to the region of a non-return of Virgin Australia

The Yarra Valley and Dandenong Ranges visitor economy, and some of its local government areas would be minor economic beneficiaries if Virgin Australia was to remain grounded and no second major domestic airline emerged.

This would allow the Qantas group to practice much closer to monopoly pricing on the key routes that take Victorians interstate and away from the region. While Decisive Consulting does not expect regular $400 one-way airfares from Melbourne to Gold Coast, we do see a step jump in average domestic airfares paid of around 30 per cent with fewer heavily discounted tickets which will encourage many more Australians, and particularly families, to return to drive tourism.

If Virgin Australia stays grounded, the Yarra Valley and Dandenong Ranges region and its industry stakeholders should actively promote their destinations as logical alternatives to interstate domestic travel. This would assist the recovery of the visitor accommodation sector in this region.

The bottom line under this scenario for recovery in the Yarra Valley and Dandenong Ranges region and its local government area visitor economies

It is expected that Yarra Valley and Dandenong Ranges will only return to 2019 visitor economy activity levels in 2022, though average business profitability in 2022 is higher, reflecting that many previously competitor businesses did not survive the virus and recession impacts. Particular sectors including accommodation are expected to continue to trade at below 2019 levels in 2022 and until 2023.

Fortunately, of the four key drivers of an early return to strength of the visitor economy, the Yarra Valley and Dandenong Ranges region has the most favourable possible market mix of:

- Well above regional average reliance on domestic day trip spending;
- Above regional average levels of non-holiday travel in domestic visitor nights;
- Holiday travel being more biased to short break domestic trips than the average of Victorian regions; even though
- Comparatively lower levels of over 55-year-old travel in domestic visitor nights.

There is a marked contrast between the Yarra Valley and Dandenong Ranges and particularly Murrundindi Shire visitor economies with the visitor economies in the more urban shires of Cardinia and Nillumbik.

- On the positive side for Cardinia and Nillumbik Shires, they have much lower reliance on holiday in total domestic visitor nights than the other three shires. But on the downside they have higher reliance on international visitor spending which is expected to be the most heavily reduced form of tourist spending in 2020/21;
- Cardinia Shire is advantaged over Nillumbik Shire by having lower reliance on senior visitors and less reliance on longer break domestic overnight visitors within holiday visitor nights;
- Murrundindi Shire as the most reliant shire on the visitor economy and faces the largest expected downturn in visitor spending. It is disadvantaged relative to the other three shires by having more reliance on holiday visitors within domestic visitor nights.
- Yarra Ranges Shire as a more heavily visitor economy reliant shire than Cardinia or Nillumbik, is better protected than Murrindindi Shire by a higher reliance on domestic day trips and by a higher share of non-holiday in total domestic visitor nights.

Looking longer term, there are strong reasons for much greater optimism for the Yarra Valley and Dandenong Ranges visitor economy.

Australia stands to have an enhanced reputation as a safe destination and a lower A$ than pre-crisis of US$.68. This should foster both higher growth in inbound and domestic overnight tourism and help long term growth by 2030 be closer to pre-virus expectations despite the lost growth due to the recovery from the virus.

7. Scenario 2 - A slower/weaker road to economic recovery

Why a slower recovery is also likely!

Evidence is mounting that there will be a second round spread of the disease in many countries. During the 1918 influenza pandemic, it was the second wave that was the largest and most deadly. During 10 previous flu pandemics, regardless of what season they started, a leading science body in the USA noted all had a peak second wave about six months after the virus first emerged,

The Economist wrote on 24 April when describing recently falling infection rates:

> *"Developments testify to the success of social distancing. Abandoning it now risks being like throwing away an umbrella in a rainstorm because it has stopped its bearer from getting soaked."*

So far restricted testing of the population, rather than just focussed testing of the sick, has disguised how exposed the world is to a second wave of infections once social distancing regulations are removed. In New York a survey of 3,000 people well enough to be intercepted at grocery stores found that 21 per cent of New York City residents and 14 per cent of State residents had been infected. The Economist also wrote on 24 April:

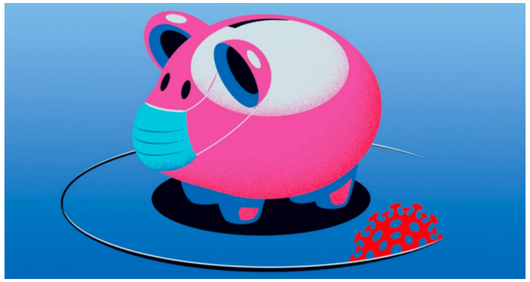
> *"America may have 15 to 20 times more actual infected people than confirmed cases."* (suggesting 15 million infected people, given near 1 million cases then)

Between its first case on Jan. 23 and March 23, Singapore reported fewer than 510 known cases of COVID-19. On May 22, it had more than 31,000 cases. Singapore avoided mass closures at first, but in response to rising infections a partial lockdown is now in place that has shuttered most workplaces and staggered the days individuals can go to supermarkets, until at least June 1. Japan is facing a second wave of infections with a doubling from around 5000 in the 10 days to 19 April and on 3 May extended a national state of emergency until at least 31 May. Hong Kong had to adopt more stringent social distancing at the end of March, including strengthening travel rules and closing bars.

China continues to have major restrictions in place. As of late April, production is only running at 80 per cent of normal levels according to analysis of a range of indicators. A recent modelling study indicated a second peak of infection might arrive in Wuhan by mid-year if interventions were lifted too quickly. A serious COVID-19 outbreak in China's north-east was reported on 24 April with new daily infections suddenly soaring close to the 1000 mark, jolting the country's government into action. The new COVID-19 hotspot is around the city of Harbin, capital of Heilongjiang province, which is home to 38 million people. The rise in cases has been attributed to locals returning across the border from Russia. According to a new study published in The Lancet by academics at Hong Kong University's School of Public Health, China has undercooked its COVID numbers by 75 per cent with the new estimate of more than 232,000 people infected.

This scenario also follows from the Irish party theory of economic recessions – the longer the party (in Australia's case 30 years without a recession) the worse the hangover. Australia having a much longer party than the USA and Europe (8-10 years without a recession) faces the unwinding of more deeply entrenched structural problems in the economy. These structural problems include entrenched youth underemployment, the over-reliance on rapid immigration and excessive house prices against incomes, high cost utilities and inadequate infrastructure.

A new strain of the coronavirus responsible for the pandemic has been discovered, spreading faster and wider than the original one. This new strain could not only undermine immunity developed from recovering from the original virus but also impact vaccine development efforts. (Source: ABC News, 7 May)



On 24 April, Macrobusiness.com reported the following commentary from leading international banks:

J.P. Morgan:

- "The global economy is collapsing at a pace not seen since World War Two"
- "Staggered re-openings of economies until a vaccine is widely available imply more of a U- rather than V-shaped recovery for the global economy."

HSBC:

- "What is already clear is that this is not just a short-term issue: the medium to long-term implications for global growth, debt levels, public policy and globalization are going to be vast."

Scenario 2 – a slower/weaker economic and visitor economy recovery

Key assumptions of this less positive scenario are:

Health and return to work and travel under scenario 2

1. Australia's current curve flattening continues in May, but when winter hits in June the combination of seasonal flu and the virus put more pressure on infection control.

2. Widespread returns to work begin outside tourism sectors from May. After this period wearing face masks in public becomes more common and community and workplace virus testing become commonplace. Wearing face masks and increasing virus testing both continue through 2021, until vaccination becomes common in January 2022.
   a. This scenario may also involve a second month of tightened isolation through July or August as infection rates increase toward late March levels in a second wave related to winter and Australia having a low level of infection and herd immunity.

3. The Australian Rapid Research Information Forum warned on 29 April that the virus that causes COVID-19 is likely to spread faster in cold weather and says Australia and the world could face annual winter coronavirus seasons. Viruses spread in tiny droplets released when an infected person coughs or sneezes. Cold, dry weather makes those droplets smaller so when another person breathes them in they go deeper into the lungs where they are more likely to cause an infection. If this warning is correct it promises a greater risk from the virus in Australia and a slower global economic recovery.

4. In a report on 21 May, Chinese doctors are seeing the coronavirus manifest differently among patients in its new cluster of cases in the north-east region compared to the original outbreak in Wuhan, suggesting that the pathogen may be changing in unknown ways. Patients found in the northern provinces of Jilin and Heilongjiang appear to carry the virus for a longer period of time and take longer to recover. These cases also appear to be taking longer than the one to two weeks observed in Wuhan to develop symptoms after infection, and this delayed onset is making it harder for authorities to catch cases before they spread. About 108 million people are under renewed lockdowns in China's three north-eastern provinces.

5. By the beginning of the colder months in the Northern Hemisphere (November) the fears of the expected seasonal return of the virus have increased with failures of new treatments to reduce the severity of symptoms in many people, even as the wait for a vaccine continues.

6. There is a shift to more localised restrictions being imposed as outbreaks occur post the end of comprehensive social isolation policies in June 2020. Social distancing continues to be recommended until January 2022.

7. Once you have the virus, it can recur in a small share of cases reducing protection from herd immunity. The coronavirus may be "reactivating" in people who have been cured, according to Korea's Centre for Disease Control and Prevention. About 51 patients classed as having been cured in South Korea have tested positive again, the CDC said in a briefing on 6 April.

8. Even after September, with new infection rates low a large proportion of more vulnerable Australians remain in self-imposed isolation until they receive vaccination at the end of 2021.

9. A vaccine becomes first available in November 2021, but not widely available until January 2022 and many countries insist on vaccination before they allow entry to their country.

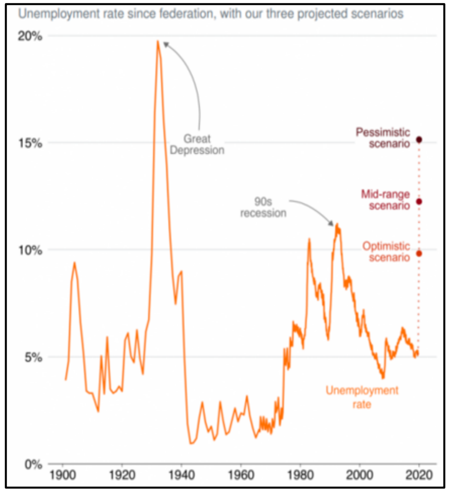
10. Without the same spread of infection as in most countries, Australia remains more highly exposed to a second wave of imported infection. Given much lower herd immunity, the Government delays opening borders till later than many other countries – with borders only beginning to reopen to vaccinated leisure travellers after January 2022.

11. The Washington Post on 13 May concluded: "Doctors keep discovering new ways the coronavirus attacks the body. It attacks the heart, weakening its muscles and disrupting its critical rhythm. It savages kidneys so badly some hospitals have run short of dialysis equipment. It crawls along the nervous system, destroying taste and smell and occasionally reaching the brain. It creates blood clots that can kill with sudden efficiency and inflames blood vessels throughout the body." "No one was expecting a disease that would not fit the pattern of pneumonia and respiratory illness," said Dr David Reich, president of Mount Sinai Hospital in New York City.

Scenario 2 – a slower/weaker economic and visitor economy recovery

Economic and financial impacts under scenario 2

11. As reported on 20 April, the Grattan Institute (see adjacent chart) is less optimistic than the federal Treasury forecast of unemployment to peak at 10 per cent in the June quarter or 1.4 million people, an increase of 700,000 in the next three months. Grattan has warned social distancing and closures are having much broader impacts on the economy. In hospitality, as the most affected industry by social distancing rules, up to two-thirds of jobs could be lost. But even in construction and manufacturing, they estimate almost 20 per cent of jobs could disappear so that the unemployment rate is a chance of reaching 15 per cent.



11. Australian and global companies announce much greater drops in current year and forward earnings, and dividend removal rather than just reduction becomes the norm. Globally share prices fall a further 30 per cent as a major credit crisis arises in junk bonds and US oil companies and spreads to other markets.

12. Australian unemployment without the Job Keeper payment would have been 19 per cent in the June quarter and does not fall much in the September quarter. However, with the Job Keeper payment, unemployment only peaks in this period at 15 per cent (the Grattan pessimistic scenario). Many Australian employees are forced to reduce their leave entitlements to two weeks before accessing Job Keeper passed on by their employers.

13. Collapsing dividend, interest and rent incomes mean self-funded retirees often face an 80 per cent fall in weekly income over 2020/21, as well as a near 40 per cent fall in asset values compared to pre-virus levels.

14. A smaller Virgin or other second carrier does replace it, avoiding an otherwise expected average increase in domestic airfares paid on interstate flights of around 30 per cent (in part due to far fewer discount seats being available on Qantas group flights).

15. As predicted by Danielle Wood of Grattan Institute (The Age 9 April), Government concessions announced so far for commercial leases fail to stop wholesale bankruptcies among SMEs as they return the keys to landlords declaring Force Majeure. Bankruptcies and business closures are most concentrated in low margin tourism dependent service businesses. Landlords face a high vacancy rate, and commercial rents fall dramatically for new leases and renewals from October 2020.

16. Many Australian SMEs rely on JobKeeper payments, subsidies tied to personal income tax paid for their employees, extended borrowings from the banks with deferred repayments and rental concessions to mostly survive. But a 15 per cent share of SMEs walk away from their businesses with around 25 per cent of smaller tourism dependent businesses doing so.

17. The Australian housing market faces a flood of sales and lower prices as people battle unemployment and reduced incomes. Price falls averaging 25 per cent are expected across Victoria with much lower immigration by end 2021 and closer to 35 per cent falls for areas which have many holiday homes and after a loss of faith in Airbnb income reliability.

18. With the ending in September of repayment moratoriums and increased borrowing in the previous months many Australians realise they have negative equity in their homes – further depressing consumption and leading to widespread mortgagee in possession sales.

19. Australia's economic recovery is very slow with unemployment jumping further to 20 per cent with the end of JobKeeper subsidies at the end of September. At this point the falls in the housing market further negatively impact consumption and construction growth, so 2021 features an economy still in the emergency ward with national GDP growth of negative 2 per cent after a fall of 6 per cent in 2020.

20. Falling commodity prices due to global economic recession and comparatively weak economic growth in Australia result in an Australian dollar valued at closer to 55 cents by the end of 2021 – setting up Australian inbound tourism for a faster return after borders reopen. The lower A$ and upgraded fears of international travel, reduce outbound travel helping to support domestic travel during the recession until after borders reopen in early 2022.

21. The quality of global leadership continues to erode faith in corrective policies pursued by Governments. As satirically noted by the Nine News Political Editor:

“Anyone who muses about injecting disinfectant should not be leading a boy band let alone a superpower.” (Chris Uhlmann, The Age, 29 April)

22. Despite the disastrous performance of the USA in combating the virus, President Trump is returned for a second term and the Republicans retain control of the US Senate at the November election. A contested election result due in part to extended voter suppression policies in swing states (such as closing most polling booths in inner city areas with higher infection rates that favour Democrats), leads to America increasingly fracturing on party lines, resulting in US stock markets having a third wave of selling at the end of 2020.

23. Goldman Sachs, a bank, estimated the relationship between the severity of lockdowns and their effect on output. It finds that an Italian-style lockdown is associated with a GDP decline of 25%. Measures to control the virus while either keeping the economy running reasonably smoothly, as in South Korea, or reopening it, as now in China, are associated with a GDP reduction in the region of 10%. Discretionary spending by Chinese consumers—the sort that goes on things economists do not see as essentials — is 40% off its level a year ago. (Source: The Economist 1 May)

24. Two-thirds of Americans say they plan to stay close to home for at least the next one to six months. Not only are they not planning to travel, the latest Harris Poll shows 42% of people say it will take about six months before they want to get on a plane. The outlook is even bleaker for the hospitality industry, as 52% want to see a flat infection curve for six months before they think of staying in a hotel. From economy rooms to luxury suites, some 80% of America’s hotel rooms are standing vacant these days. With no demand for lodging, hotel share prices are down 50% this year.

25. The Economist on 21 May concluded by looking at US data: “The chances of survival for small, independent eateries are looking increasingly dicey.” Now that restrictions have eased, restaurant bookings are still far below normal. This is true even in states with low infection rates. In Georgia, where restaurants have been open for three weeks, bookings are still down by 84%. In Florida reservations are down by 80%, in Texas by 75%, and in South Carolina by 67%, even two weeks after stay-at-home orders were lifted. American restaurateurs might have hoped that customers would immediately return to their pre-pandemic habits once government restrictions were lifted. But, as these data make painfully clear, the pandemic’s effect on people’s behaviour may be more damaging and longer lasting than many had thought.

8. Scenario 2 - A slower road to recovery in the Yarra Valley and Dandenong Ranges Visitor Economy

Introducing the forecasts

In brief, this comparatively less optimistic scenario predicts a:

- 42 per cent fall in 2020/21 compared to 2019 estimates for regional visitor spending, gross regional product and jobs due to visitor spending; and
- 12 per cent fall in 2022/23 compared to 2019 estimates for regional visitor spending, gross regional product and jobs due to visitor spending.

This scenario is estimated to have around a 35 per cent probability of occurring with the more optimistic scenario 1 an estimated 65 per cent probability.

The same factors influence the forecasts as for Scenario 1

The factors important in understanding which regions will face the deepest visitor economy recession and slowest recovery in visitation identified for the first scenario are also true under this scenario. Those regions with the deepest visitor economy recession and slowest recovery will be those with:

1. A high share of international or longer break domestic overnight tourism rather than domestic day trips and domestic short break overnight tourism as contributors to visitor spending;
2. A low share of non-holiday travel in domestic intrastate and interstate visitor nights;
3. A high reliance in domestic visitor nights on over 55-year-old travel.

In this scenario it is likely that a second domestic airline re-emerges but with less seat capacity than the pre-virus Virgin Australia. This would favour regions which are on major interstate routes from Melbourne or which otherwise compete in the family holiday market.

First green shoots of recovery in the visitor economy to the Yarra Valley and Dandenong Ranges are expected from May 2020 with domestic day trips from younger people returning to normal shoulder season rates quite quickly.

Scenario 2 – a slower/weaker economic and visitor economy recovery

The more obvious lift in Yarra Valley and Dandenong Ranges tourism is expected from May with visiting friends and relatives travel to catch up after months of separation. This briefly causes a short-term boost to average seasonal domestic travel levels – though accommodation providers miss out on much of the benefit from the increased visitation as friends and relatives reconnect. Surviving restaurants see a return to sub-normal business levels due to more spacing between tables (though helped by reduced competition and locals wanting to resume dining out).

However, as the depth and duration of the Australian economic recession extends, the early positive rebound of domestic overnight tourism led by VFR travel to the region falls away as holiday tourism is particularly weak. Many workers by May have much reduced recreation leave balances and with a return to normal working arrangements in May and with much higher unemployment they are keen to restore their profile with their employer and rebuild their available leave balances. This reduces family travel and encourages a better recovery in short break than extended stays than usual to the Yarra Valley and Dandenong Ranges over the following three years.

Travel by seniors is dramatically reduced, due to continued infection fears and because self-funded retirees have seen their incomes collapse and asset balances eroded by around 50 per cent. Many become eligible for part pensions. This particularly impacts golf dependent businesses due to the age profile of their visitors.

The widespread ban on overseas travel until January 2022 and continued heightened fears about overseas travel boosts what would otherwise have been even worse domestic travel from the last two months of 2020 and through 2021 and the first half of 2022.

The reopening of outbound travel in January 2022 sees lower domestic tourism in 2022/2023. After nearly two years with outbound travel not allowed, 2022/23 is expected to see a notable slow-down in the recovery of domestic overnight tourism to the Yarra Valley and Dandenong Ranges region.

Upmarket tourism products commonly do far worse than budget tourism product under this scenario but also in comparison to expectations under the first scenario. This outcome is due to the deeper economic recession encouraging substitution of cheaper options and greater loss of disposable incomes by higher income seniors not reliant on the pension.

Yarra Valley and Dandenong Ranges region returns to 2019 visitor economy activity levels only in 2024, though business profitability from 2023 is higher, reflecting that many businesses did not survive the virus and there is less competition. Particular sectors like golf and accommodation continue to trade at below 2019 activity levels until 2025.

Looking longer term under this scenario there is a greater benefit for Australia's reputation as a safe destination. Also, the deeper and more extended economic recession in Australia is expected to produce a much lower A$ value than the pre-crisis value of US$0.68. This should foster both higher growth in inbound and domestic overnight tourism (lower outbound tourism) and help long term visitor economy growth by 2030 be closer to pre-virus expectations despite the very significant lost growth due to the extended recovery period from the virus.

With such an extended recession having reduced revenues to Governments and blow outs in debts owed by Governments it can be expected that once recovery is underway, there will be range of new or extended Government taxes which may include limits on negative gearing, increased income and land taxes etc. This austerity in the medium term at both the Federal and State Government level is likely to slow longer term domestic economic growth rates. Further eroding household discretionary spending over the coming decade as wage growth is predicted to remain flat.

9. Summary of what we might expect for the Yarra Valley and Dandenong Ranges visitor economies under the two scenarios

As noted previously, the most likely scenario is scenario 1 of a less deep but still severe visitor economy recession.

Any significant increase in infections or potential second wave of infections in 2020/21 would push us toward a deeper visitor economy recession and the second, deeper downturn and slower recovery, scenario.

The other key drivers of one scenario rather than the other is the date of widespread vaccinations and associated return of international travel along with the depth and duration of the Australian and global economic recession.

Under the first scenario widespread vaccinations become available in April 2021 while under the second scenario widespread vaccinations are delayed a further nine months to January 2022.

A number of assumptions drove the preparation of forecasts under the two scenarios for 2020/21 and 2022/23. The assumptions shown in Figure 16. were applied consistently across all 13 tourism regions in Victoria and the Murray MRT region to develop a consistent base for all Victorian (and Murray) regional visitor economy forecasts.

For some regions with unusually high or low levels of visitation by over-55-year-old visitors there was a further small adjustment applied to domestic visitor nights. The Yarra Valley and Dandenong Ranges region with unusually low levels of visitation by over 55-year-old visitors in 2019, received a small boost in forecast visitor spending in 2020/21.

Figure 16. Key assumptions driving regional forecasts for visitation and hence visitor spending in 2020/21 and 2022/23

	2020/21 Vs 2019		2021/22 Vs 2019 *		2022/23 Vs 2019	
	Scenario 1	Scenario 2	Scenario 1	Scenario 2	Scenario 1	Scenario 2
Domestic Day trips	-15%	-25%	5%	-15%	10%	0%
Domestic VFR/Business/Other Visitor Nights	-25%	-40%	0%	-25%	5%	-10%
Domestic holiday short break Visitor Nights	-35%	-45%	-15%	-30%	0%	-20%
Domestic holiday long break Visitor Nights	-45%	-55%	-25%	-40%	-10%	-25%
International Visitor Nights	-60%	-70%	-10%	-35%	5%	0%

Source: Decisive Consulting Pty Ltd

Notes: * Detailed forecasts were developed for 2020/21 and 2022/23 for all regions of Victoria, suggested growth rates in this table for 2021/22 compared to 2019 were not developed with the same rigour and should be used as indicative only. The estimates for 2021/22 are very sensitive to any variations in the assumed date of the opening of the borders in April 2021 for Scenario 1 and January 2022 for Scenario 2 for growth in 2021/22 compared to 2019 for domestic holiday travel (due to outbound tourism) as well as international visitors.

Predictions using these assumptions were then developed for key Yarra Valley and Dandenong Ranges region visitor economy activity measures under the two alternative scenarios, as shown in Figure.17.

Summary of predictions for the visitor economy under the two scenarios

Figure 17. Predictions for visitation and total visitor spending in the Yarra Valley and Dandenong Ranges region by type of tourism in the forecast years under the two scenarios

		Scenario 1	Scenario 2
2019	International VNs	1,371	1,371
	Domestic VNs	2,719	2,719
	Domestic Day Trips	5,767	5,767
	Visitor Spending - estimate	$ 1,079	$ 1,079
2020/21	International VNs	548	411
	Domestic VNs	1,922	1,580
	Domestic Day Trips	4,902	4,325
	Visitor Spending - estimate	$ 806	$ 685
	Change over 2019 Visitor Spending	**-25%**	**-37%**
2022/23	International VNs	1,440	1,371
	Domestic VNs	2,758	2,326
	Domestic Day Trips	6,343	5,767
	Visitor Spending - estimate	$ 1,139	$ 1,006
	Change over 2019 Visitor Spending	**6%**	**-7%**

Source: TRA Online for base year estimates of visitation with Decisive Consulting predictions for 2019 visitor spending and visitation and spending for 2020/21 and 2022/23

These visitation estimates were then applied to estimates for 2019 derived from the 2017/18 regional tourism satellite account estimates for the Yarra Valley and Dandenong Ranges region to develop predictions for the two scenarios in the two forecast years for visitor economy total contribution to gross regional product and jobs. This led to the predictions shown in Figure 18.

Figure 18. Predictions under a slower road to recovery in the Yarra Valley and Dandenong Ranges Region Visitor Economy

	Year	Scenario 1	Scenario 2
Visitor Spending	2017/18	$ 844	$ 844
	2019 (e)	$ 1,079	$ 1,079
	2020/21 (f)	$ 806	$ 685
	2022/23 (f)	$ 1,139	$ 1,006
Gross Regional Product (direct + indirect)	2017/18	$ 610	$ 610
	2019 (e)	$ 780	$ 780
	2020/21 (f)	$ 583	$ 495
	2022/23 (f)	$ 823	$ 727
Total jobs (direct + indirect) due to visitor economy spend	2017/18	7,188	7,188
	2019 (e)	9,192	9,192
	2020/21 (f)	6,864	5,833
	2022/23 (f)	9,703	8,568

Source: TRA Online and TRA TSA data for 2017/18 estimates and Decisive Consulting for predictions for 2019 visitor spending, 2020/21 and 2022/23 gross regional product and jobs due to the visitor economy

Notes: (e) Estimate - derived as explained in Appendix 6.
(f) Forecast – as explained in Appendices 5, 6 and 7.

In 2020/21 Yarra Valley and Dandenong Ranges region jobs and gross regional product due to the visitor economy are predicted to fall by 25 or 37 per cent respectively under the two scenarios compared to 2019. In 2022/23 jobs and gross regional product are predicted to either rise by 6 or fall by 7 per cent respectively under the two scenarios compared to 2019.

In closing, it is important to recall that these predictions are based on a large number of assumptions, that users should critically evaluate.

For example, if contrary to the assumptions in this report, a second domestic airline does not arise, the predictions for the Yarra Valley and Dandenong Ranges region in especially the 2022/23 year will be stronger than shown in Figures 16 and 17. This will reflect a return to the environment around 30 years ago when a much higher share of interstate long distance domestic leisure travel was by private vehicle rather than aircraft. In this event, strategies by Yarra Valley and Dandenong Ranges region stakeholders to target drive travellers to stopover in the region should be a priority – including with a focus on developing evening and early morning attractions of interest to families.

Summary of predictions for the visitor economy under the two scenarios

As noted in closing the Executive Summary, this report will be most useful if it is debated by key stakeholders who discuss issues and identify challenges and opportunities that end up positively influencing their decisions.

Appendix 1–How LGA estimates of visitation and economic impact pre-virus of the visitor economy were calculated

The regional tourism satellite accounts rely on TRA National Visitor Survey and International Visitor Survey data on visitation and visitor spending. These are then modelled using an input-output model to derive regional estimates of gross regional product and jobs due to the direct and indirect impacts of visitor spending. This methodology provides consistently derived estimates across all regions in Australia and can show estimates different to other economic modelling approaches that are typically only applied in single regions. The estimates derived are also often quite different to REMPLAN derived estimates which are commonly used in local governments but tend to understate the importance of the visitor economy compared to other industries due to greater reliance on the timing of Census collection of job data from the low tourism season midweek in early August.

Regional tourism satellite account results are used in this report to generate estimates of tourism satellite account results for local government areas within the Yarra Valley and Dandenong Ranges region. This requires a tedious process of allocating the shares of tourist spending on goods and services (visitor consumption) at a regional level by the four types of tourist of domestic day trips/domestic overnight inter and intrastate and international overnight tourism across all the statistical area 2s within the region. To reduce the impact of sampling errors for LGA level data the SA2 data is averaged over four calendar years of 2016 to 2019 to compare to regional averages for shares of these types of tourism in overall regional visitor spending from the most recent TSA year of 2017/18. This data from SA2s is then compiled into the local government areas according to which SA2s fall in (or share of SA2s in) their boundaries.

While the resulting satellite account estimates for local government areas should not be regarded as highly precise, they represent the best available guide to the contribution of the visitor economy to annual gross regional product and jobs on a year average basis.

These estimates also allow analysis of which forms of tourism spending are the largest contributors to local government area visitor economies and this is critical to understanding which local government visitor economies are expected to recover most quickly or with the longest lags from virus impacts.

Unfortunately, this data slightly underestimates the true value of the visitor economy in the Yarra Valley and Dandenong Ranges region. The value to the Yarra Valley and Dandenong Ranges region of international day trips and domestic day trips by domestic overnight visitors staying outside the regions, most obviously to the Puffing Billy Railway and Healesville Sanctuary attractions is not included in the regional tourism satellite account. In other areas of Victoria such as the Great Ocean Road region it is common that even large numbers of international day trip visitors provide very limited local region economic benefits as they spend little in the region on their visit. But the Yarra Valley and Dandenong Ranges region visitor economy is different because it has the high value attractions providing a major local economic benefit from international day trip visitors.

On average over the four years from 2016 to 2019 there were around 540,000 international day trip visitors (all visitation data is restricted to visitors 15 years or older), as compared to 52,000 international overnight visitors who provided 950,000 international visitor nights in the Yarra Valley and Dandenong Ranges region. If we assume each of the 540,000 international day trip visitors to the region spent an average of $50 in the region, this would boost total visitor spending in the region by $27 million or around 3 per cent.

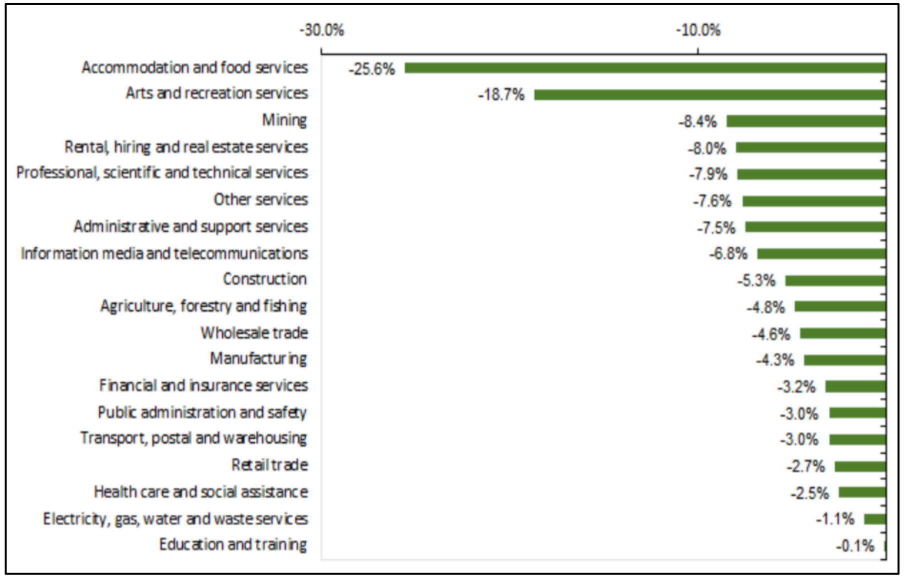
Appendix 2-ABS data up to 4 April on impacts of the virus on the Australian labour market

The ABS on 21 April released special survey data on the impacts of the COVID-19 shutdown on the Australian labour market, specifically jobs and wages based on Single Touch Payroll data from the Australian Taxation Office.

As many of the smaller enterprises who are presumed most likely to have laid off staff are not on the Single Touch Payroll, this data presumably underestimates job losses. In addition, these figures may understate the proportion of businesses facing difficulty, as businesses that have closed down may have been less likely to respond to the survey.

The new data, shown in Figure A2.1, showed that between 14 March and 4 April (the three weeks after Australia recorded its 100th confirmed COVID-19 case) jobs decreased by 6 per cent", Head of Labour Statistics at the ABS, Bjorn Jarvis, said.

Figure A2.1 Australian jobs lost by industry 14 March to 4 April



"Tasmania and Victoria had the largest decreases in jobs, down by 7.3 per cent and 6.8 per cent.

The Accommodation and food services industry saw the largest reduction in jobs (decreasing by 26 per cent), followed by the Arts and recreation services industry (decreasing by 19 per cent). Total wages paid by businesses decreased by 6.7 per cent over the period.

"Looking at the week-to-week changes, the decrease in jobs in the week ending 4 April 2020 was 5.5 per cent, significantly larger than the 0.5 per cent decrease in the week ending 28 March 2020," Mr Jarvis said.

As shown in Figure A2.2. "The largest impact of net job losses, in percentage terms, was for people aged under 20, for whom jobs decreased by 10 per cent," Mr Jarvis said.

Figure A2.2 Australian jobs lost by employee age 14 March to 4 April

	Change in employee jobs between 14 March and 4 April
Aged under 20	-9.9%
20-29 years olds	-8.8%
30-39 years olds	-5.5%
40-49 years olds	-4.3%
50-59 years olds	-3.8%
60-69 years olds	-4.0%
70 years and over	-9.7%
All persons	**-6.0%**

Basically, the younger you are, the worse you are impacted. This is the direct opposite of the health impacts of the virus.

Related data came from Westpac. Westpac's consumer sentiment survey released on 15 April asked people about their employment prospects. They found that 7 per cent of those surveyed lost their jobs in the last month, while an additional 14 per cent were stood down without pay.

Appendix 3-Using Grattan Institute Research to understand expected job losses by industry for Australia in the second quarter of 2020

On 20 April Grattan Institute issued a detailed report looking at industry by industry impacts in “Shutdown: estimating the COVID-19 employment shock”. This report looked closely at employment effects of social/spatial distancing. In considering the following analysis, it is common to forget just how recently the shutdown happened. The restrictions on pubs, cafes, restaurants, gyms, and other businesses did not take effect until midday on 23 March.

The Grattan Institute Report as a key resource for this report

This working paper estimates the potential hit to employment from the COVID-19 crisis. They estimate between 14 and 26 per cent of Australian workers – 1.9-to-3.4 million people – could be out of work in the coming weeks and months as a result of the spatial distancing measures now in place, if they aren’t already.

Although the full effect on unemployment will be obscured by the new JobKeeper wage subsidy, it’s clear that the initial hit to employment is as large, if not larger, than any recorded in Australia’s history, including during the Great Depression.

The second round impacts of COVID-19 on employment and economic activity will also be significant. Firms and households not initially affected by public health measures will scale back their spending to preserve cash flow in the face of an extended downturn. Meanwhile Australia faces a synchronised slowdown among our major trading partners, which will add to the economic hit from COVID-19.

***The prospects for a rapid ‘V-shaped’ economic recovery are remote.** The duration of the COVID-19 crisis is uncertain, but the direct economic effects on employment are likely to persist for some time. Even if we manage to eradicate the virus in Australia, most other countries won’t be so lucky. And the weakening of the balance sheet so many firms and households as they take on debt to ride out the COVID-19 crisis could constrain business investment and consume spending on the public health crisis passes.*

History tells us that recovery from periods of high unemployment is rarely fast. This time may be different: the recession has been deliberately engineered as a matter of public health, and substantial economic support is in place. But the longer and more severe the downturn, the less likely the labour market can spring back.

https://grattan.edu.au/wp-content/uploads/2020/04/Shutdown-estimating-the-COVID-19-employment-shock-Grattan-Institute.pdf

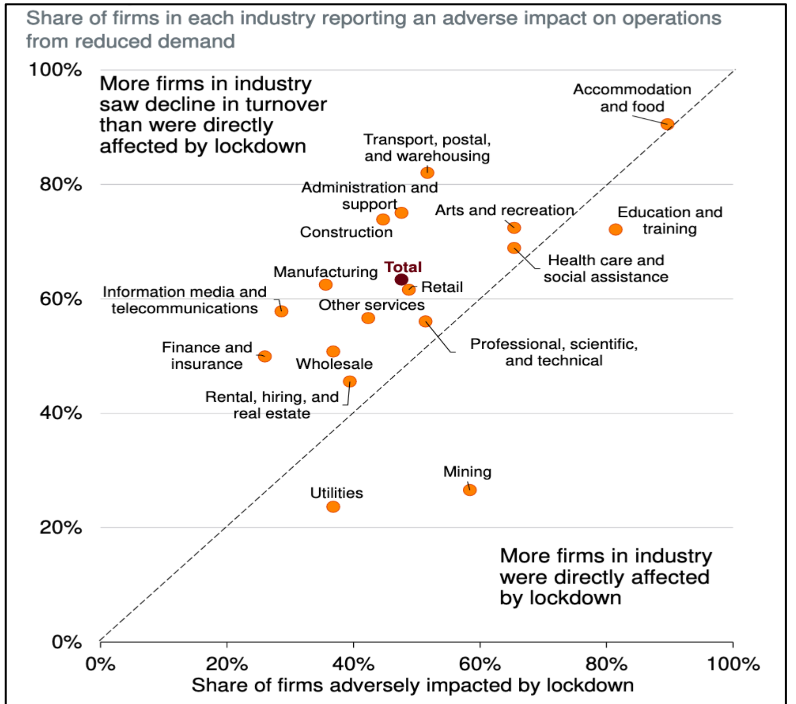
The Grattan Institute is less optimistic than the federal Treasury forecast of unemployment to peak at 10 per cent in the June quarter or 1.4 million people, an increase of 700,000 in the next two months. The optimistic scenario in Figure A2.1. equates to the Treasury forecast, with the mid-range and pessimistic Grattan Institute scenarios significantly worse.

Figure A2.1 Three scenarios for June quarter 2020 national unemployment

Grattan’s analysis included detailed industry by industry estimates. This process began by looking at ABS data on the share of businesses affected by the virus in terms of both lost turnover and by the lockdown in response to the virus in the rather clever chart shown at Figure A2.2.

Grattan assume that the level of restrictions in place in early April remain in place through the second quarter of 2020. The Grattan preferred method uses both the occupation-level proximity scores to understand how social distancing effects employment and Grattan researchers' manually estimated probabilities of job loss in each of 88 industries that are aggregated into the 19 ABS industries.

Figure A2.2. Data on share of firms by industry with a decline in turnover and were directly affected by lockdown



Notes: Firms could select more than one option. There may be selection bias, because the ABS only surveyed firms still trading.

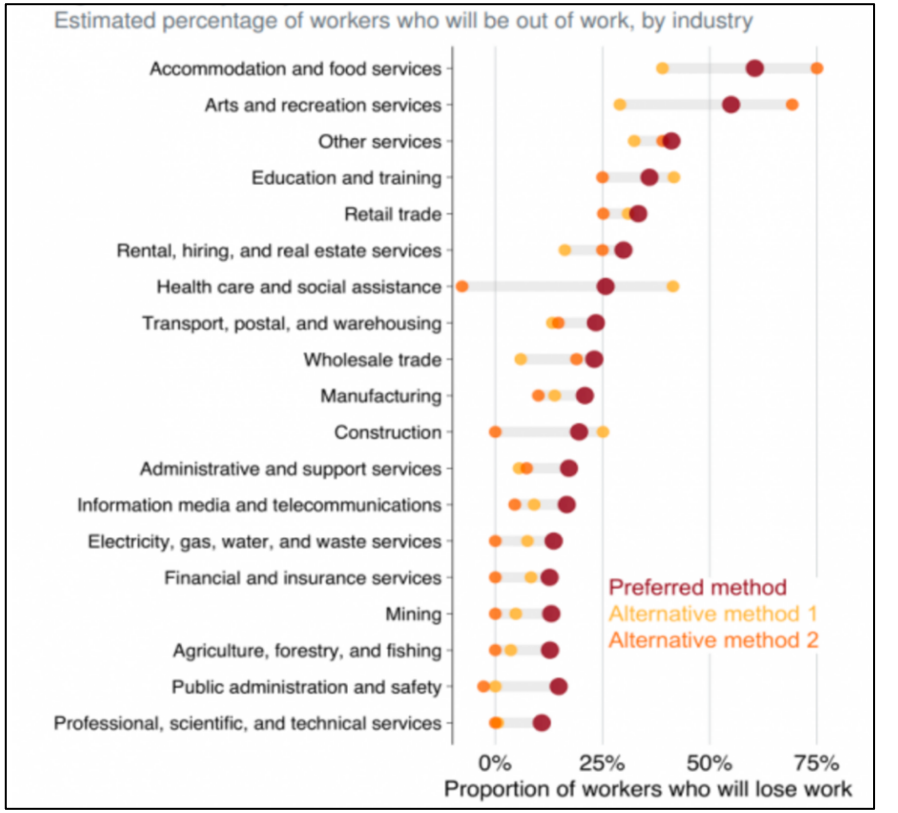
Source: ABS (2020b).

Grattan also notes that shutting down large parts of the Australian economy is putting enormous strain on the livelihoods of many Australians. Many Australians are poorly placed to support themselves through a substantial period of little or no income. Half of working households had less than $7,000 in the bank before this crisis. And a quarter of all working households have less than one weeks' income in the bank.

Grattan's analysis included comparison of three alternative methods for forecasting share of former employees not working by industry as shown in Figure A2.3. This is different to the share of workers by industry becoming unemployed for a number of reasons.

Grattan also estimates jobs likely to be lost as a result of shutdowns and spatial distancing – not incorporating any further negative effects from lower aggregate demand, nor any offsetting boost to employment from fiscal or monetary stimulus.

Figure A2.3. Forecast jobs loss share by industry for June quarter 2020



Using the Grattan preferred method of estimating the job shock, they estimate that about 3.43 million Australians could be out of work as a result of the response to

COVID-19. If all of these people were classified as ‘unemployed’, the national unemployment rate would rise to 30.2 per cent.

But not all the people who lose work as a result of COVID-19 will be classed as unemployed. Some who lose work will continue to be regarded as ‘employed’, because they will carry on receiving pay from their employer via the JobKeeper program even if they’re not at work. JobKeeper will mean that the impact of COVID-19 on the labour market is not as apparent in the unemployment rate. The JobKeeper wage subsidy, is expected go to about six million Australians, though many of these people will continue to be working but have their wages subsidised by the Government.

A sizeable, but unknown, number of Australians who lose their jobs are likely to drop out of the labour force. In the US, about half of the ‘extra’ people who lost their job in March dropped out of the labour force, with half being classified as unemployed. Grattan expect the figure in Australia will be similar.

There are also restrictions on the ABS definition of being unemployed that will reduce the official unemployment numbers. If a person is away from work – for example, if they’ve been ‘stood down’ – then they’re considered to be employed if they’ve been away from work for less than four weeks. If they’ve been away for work for more than four weeks, but they have received some pay from their employer for the past four weeks, they will also be considered ‘employed’ in the ABS unemployment statistics.

Accommodation and food services and arts and recreation services industries are expected by Grattan Institute to be the industries with the largest share of employment losses in the next three months across Australia’s 19 industries. Grattan’s pessimistic scenario suggests around three quarters of jobs in hospitality and the arts and recreation services will be lost despite the job keeper scheme. Industries with a higher proportion of more recently employed casual workers find the Job Keeper less useful in hiding short term unemployment. For example, around 40 per cent of workers in the hospitality industry are short-term casual workers who will be ineligible for the JobKeeper program.

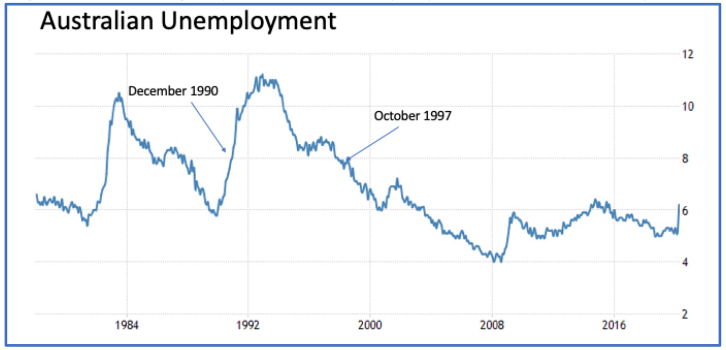
Grattan also concludes that lower-income workers are twice as likely to be no longer working as high-income earners. Younger Australians and women are likely to be hit hardest, because they are more likely to be employed in occupations and industries most affected by the response to COVID-19.

Appendix 4-Recalling the 1990-91 recession

"The dead outnumber the living fourteen to one, and we ignore the accumulated experience of such a huge majority of mankind at our peril."
-- Niall Ferguson on the lessons of history.

Most Australians were not alive or have forgotten just how harsh our most recent recession in 1990-91 recession was. The last recession in Australia began in September quarter 1990 and finished in the September quarter 1991. However, reduced Australian total employment levels extended from May 1990 to August 1994. It also took three years for the unemployment rate to peak, but nearly eight years to return to its pre-recession level (Figure A4.1).

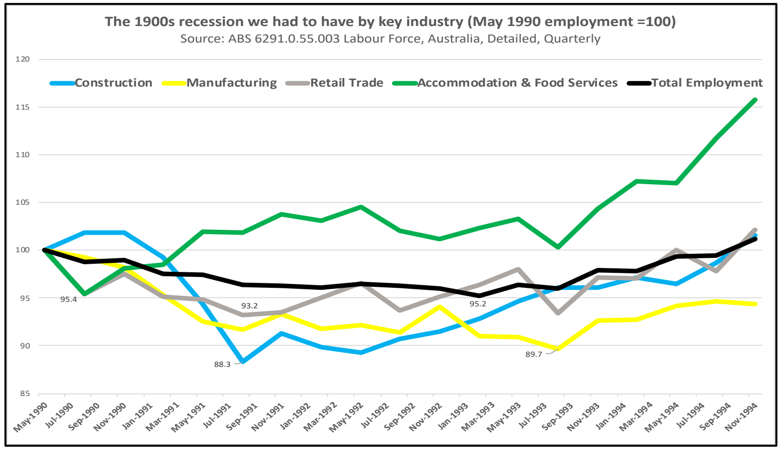
Figure A3.1. Eight years for unemployment to return to pre-recession level



In this recession, industries which are traditionally sensitive to the business cycle had a much larger decline in national employment than the fall in total employment which peaked at 4.8 per cent in February 1993.

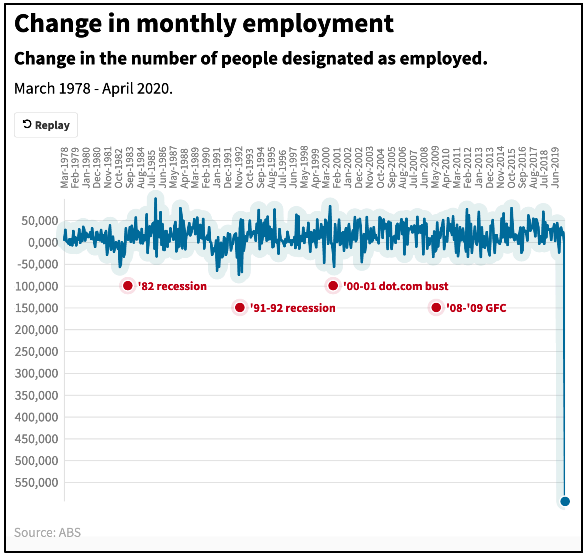
Construction industry employment fell by nearly 12 per cent reaching its lowest level in August 1991. Retail trade also reached its trough level in August 1991 but with a smaller 6.8 per cent fall. Manufacturing industry employment fell by just over 10 per cent reaching its lowest level significantly later in August 1993. Unlike the current recession, the Accommodation and Food Services industry did better at maintaining employment. Employment in this industry after falling early in the recession by 4.6 per cent by August 1990 recovered strongly to be over 15 per cent above its recession level by August 1994 when overall employment had at last started to grow above pre-recession levels (see Figure A4.2).

Figure A3.2. The 1990 recession as a possible template for this recession



However, ABS data released on 14 May highlights the unprecedented fall in employment with the virus recession, as shown in Figure A4.3.

Figure A3.3. Even with JobKeeper loss of employment far worse now



Appendix 5-Expectations for the recovery from virus impacts for Puffing Billy Railway and Healesville Sanctuary

The major visitor attractions of Puffing Billy Railway and Healesville Sanctuary are fortunate to be located in the region of Victoria which Decisive Consulting expects to have the shallowest and least enduring falls in its visitor economy in the crisis initiated by Covid-19.

On 24 May it was announced by the Victorian Premier that zoos will be allowed to re-open in June. Puffing Billy Railway faces longer delays as running a viable service and enforcing social distancing will be more challenging. The 4 sq m spacing means only 4 passengers per carriage and it's not viable to run. We are seeking clarity on how some attractions are relaxing distancing rules for families or groups that booked together.

Healesville Sanctuary's lower reliance on international visitors also suggests that this attraction might have a better 2020/21 than will the Puffing Billy Railway attraction.

Nevertheless, impacts of lost international visitors are also a concern to Healesville Sanctuary. Their advice is that international visitors comprise at least 18-20% of total visitors. This is the proportion that they measure. They note it's most certainly higher than this as many internationals are "visiting friends and relatives", and the host (Melbourne residents), generally pay for the tickets and the transaction is recorded as a local visit. Of key concern to them is that internationals are invariably paid admissions. The loss of international visitors will have a disproportional impact on their admissions revenue.

Data on visitation from the attractions

A press release from December 2019 indicated that more than 487,000 people rode on Puffing Billy Railway in 2018/19, with 64 per cent of patrons coming from overseas.

The 2018/19 Zoos Victoria Annual Report, Healesville Sanctuary had 471,000 visitors in 2018/19 after having 448,000 visitors in 2017/18. The Sanctuary also noted that they have had a significant and growing number of cruise ship tours in recent years. They are all day visitors and the tours generally combine one other Yarra Valley destination (a winery or the Chocolaterie). The cruise ship sector is expected to take far longer to recover than the general international tourism trade.

It is expected that perhaps 20-25 per cent of the visitors to these attractions were by children under 15, leaving around 350,000 visits to both attractions by adults if 2020 was a normal year.

Survival funding from the State Government for Healesville Sanctuary

On 3 May the Premier announced:

Zoos Victoria's three sites – Melbourne Zoo, Werribee Open Range Zoo and Healesville Sanctuary will share in $5.5 million to ensure they can continue to operate and retain permanent staff until it's safe to open their doors again.

Official TRA data on visitation to these attractions

As the official data does not include children under 15 years of age this is one reason the official TRA data will show lower visitation than the attraction's own data. The attraction's own data not being based on national sampling should be far more accurate, but rarely provides the depth of information on the nature of the guests who do come as the national statistics.

A second major reason official tourism data shows lower visitation than the attractions own data is that it excludes locals living within 25 kilometres, which is a bigger part of Australian's visitation to Puffing Billy than it is to Healesville Sanctuary due to the former being far closer to Melbourne.

International visitors

Decisive Consulting expects that both of these attractions have a higher reliance on international tourists than does Yarra Valley and Dandenong Ranges region. Unfortunately, national tourism statistics do not collect information on the activities of international visitors on a stopover basis but only for the whole trip – so we can't precisely estimate the share of international overnight visitors to the Yarra Valley and Dandenong Ranges region who visited these attractions or had the activity of visiting these types of activities. But we do get some useful guidance.

For the Yarra Valley and Dandenong Ranges region in 2017/18 the tourism satellite account indicates that only 8 per cent of all visitor spending was due to international visitors. However, this data source does not value day trips from international visitors staying outside the Yarra Valley and Dandenong Ranges region.

Just over 50,000 international visitors stayed overnight in the Yarra Valley and Dandenong Ranges region on average in the four years to 2019. Surprisingly, only around half this number in total either visited a zoo or aquarium (19,000) or went on a tourist train (6,000) on their whole trip to Australia.

However, a much larger number of total international visitors (including those who stayed overnight in the region) came to the following places of interest on their international trip on average over the four years to 2019:

- 82,000 went to Healesville Sanctuary per year; and
- 278,000 went to Puffing Billy Railway and or the Dandenong Ranges per year.

This does not tell us how many international adult visitors went on Puffing Billy Railway but does suggest that this is a larger attractor of international visitors than is Healesville Sanctuary.

The Puffing Billy Railway media release indicates that around 200,000 of the 300,000 annual adult visitors are internationals. Subsequent advice from Puffing Billy Railway is that in 2018/19 70 per cent of their visitors were international visitors.

Interestingly the mix of visitors by country of residence was quite different for these two places of interest, as shown in Figure A5.1:

Figure A5.1 International visitors to Yarra Valley and Dandenong Ranges places of interest by nationality for 2016-19

	NZ	China	Other Asia	USA/Canada	UK	Other Europe	Other Countries
Healesville Sanctuary	5%	6%	34%	18%	13%	18%	6%
Puffing Billy and Dandenong Ranges	4%	31%	46%	5%	7%	5%	3%

Source: TRA Online, IVS

If, for example, selected Asian markets are allowed to visit Australia prior to North Americans or Europeans due to much lower infection rates, this would appear more valuable to Puffing Billy Railway (77 per cent) than to Healesville Sanctuary (40 per cent).

Domestic overnight visitors

Data from official statistics for domestic overnight visitor travel is more useful for analysing visitation to these attractions than it is for international visitors or domestic day trip visitors.

There were nearly 1 million domestic overnight visitors on average from 2016 to 2019 staying in the Yarra Valley and Dandenong Ranges region. Of this number, only a small percentage undertook a tourist train ride (8,000) or visited a wildlife park/zoo/aquarium (32,000) on their stopover. However, many more overnight domestic visitors who are staying outside the Yarra Valley and Dandenong Ranges Region also visit these attractions.

A more numerous 99,000 domestic overnight visitors identified a place of interest of Healesville Sanctuary on average over the four years on their trip (including those who stay in Yarra Valley and Dandenong Ranges region and those staying outside the region). Feedback from Healesville Sanctuary is that interstate domestic visitors have been a disappointingly small proportion of our visitation at about 4%. They note that this is a difficult market for them to market to, and are looking for assistance in the immediate future to raise awareness in this market. They recognise that interstate travellers and the NZ market are going to be vitally important to our survival and recovery over the next 12 to 18 months

Of the 300,000 domestic overnight visitors who had visited as a place of interest Puffing Billy Railway and or the Dandenong Ranges on average over the four years on their trip only an average of 22,000 had an activity of a tourist train on their whole domestic trip. (Note: this is greater than the 8,000 who stayed overnight within the region as it includes domestic overnight travellers staying outside the region who visited this place of interest).

Domestic day trip visitors

This large market of travellers who travel from their home base is important to both the Yarra Valley and Dandenong Ranges region and these attractions.

In the latest data, the Yarra Valley and Dandenong Ranges region received an estimated 45 per cent of its visitor spending from domestic day trips from home.

In 2016-19, there were an estimated 4,900,000 domestic day trips to the Yarra Valley and Dandenong Ranges region.

Of these domestic day trips, activity data on these day trips shows on average over the four years there were:

- 36,000 tourist train riders per annum;
- 186,000 visitors to wildlife parks/zoos/aquariums.

School group visitors

Unfortunately, there is no tourism data from the National or International Visitor Survey for visitors under 15 years of age.

Healesville Sanctuary estimate that schools had been a growing area for them, and they had 30,000 school group visitors last financial year.

Decisive Consulting expects school groups are a more important share of visitor spending for these attractions than for the region as a whole. The school group market to these attractions was expected to bounce back fairly quickly where it involves day trips and a bit more slowly if these trips involve overnight stays away from home. This is because it can be expected schools might be more reluctant for a while to undertake overnight excursions. However, recently received feedback from Puffing Billy Railway and Healesville Sanctuary is that schools will not be conducting any excursions or camps for the remaining of the 2020 calendar year. Healesville Sanctuary is now concentrating their school programs on curriculum based online learning.

Implications for the expected recovery of these attraction from my rough estimates of the share of spending at from partial national tourism data

Putting together these estimates of visitation by visitor group provides the data in table A5.2 which should be considered as best estimates using the available national tourism statistical data rather than highly precise estimates.

It is understood that the two attractions have more detailed data based on booking information, that for good commercial reasons is based on different definitions to the national tourism classification of visitor types that separates domestic visitors into day trippers from home, domestic overnight visitors staying in the local region and domestic overnight visitors staying outside the local region.

Figure A5.2 Estimated visitation by class of visitor to the two attractions and tourists to the Yarra Valley and Dandenong Ranges region

	Puffing Billy	Healesville Sanctuary	Yarra Valley and Dandenong Ranges Region
International overnight visitors staying in the region	6,000	10,000	50,000
International day trippers	210,000	70,000	250,000
Domestic day trippers from home	36,000	186,000	4,900,000
Domestic overnight visitors staying in the region	8,000	32,000	1,000,000
Domestic overnight visitors staying outside the region on day trips to the region	14,000	67,000	250,000
Total adult tourists from more than 25kms away from home	274,000	365,000	6,450,000
Estimated adults from within 25kms	60,000	5,000	N/A
Total adult visitors	334,000	370,000	N/A
School groups or children	153,000	101,000	N/A
Total visitors	487,000	471,000	N/A

Source: Decisive Consulting estimates

This table also allows estimates of how much of the attractions' revenue is due to the categories of visitors. These estimates in Figure A5.3 should be considered quite rough, but nevertheless provide some indication of the key markets for the attractions. Discussions with staff of Puffing Billy Railway indicate that in 2018/19 70 per cent of their passengers were international visitors and of the balance of Australian visitors more than 70 per cent were Victorians, presumed to be travelling from their homes on a day trip rather than overnight visitors on a longer overnight journey. Puffing Billy Railway are in a good position compared to many attractions of having detailed data by postcode of their Australian visitors, though this does not identify if they were on an overnight domestic journey or a day trip.

Figure A5.3 Estimated shares of adult visitor spending by tourists to the Yarra Valley and Dandenong Ranges region and by type of visitor to the two attractions

Split of adult visitors by type of visitor	Puffing Billy	Healesville Sanctuary	Yarra Valley and Dandenong Ranges Region
Internationals (either day trip or staying in the region)	70%	22%	8%
Domestic day trippers from home	11%	50%	45%
Domestic overnight visitors (either day trip or staying in the region)	7%	27%	47%
Locals within 25 kms	12%	1%	N/A

Source: Decisive Consulting estimates

These estimates suggest these attractions and particularly Puffing Billy Railway Railway is significantly more reliant on international visitors than the Yarra Valley and Dandenong Ranges region.

This greater reliance on international visitors is expected to result in a deeper loss of spending for these attractions than the region until after borders re-open.

On the other hand, this bias to international visitors, is likely to see faster growth for visitation to these attractions than to the Yarra Valley and Dandenong Ranges region as a whole in the longer term, assuming they can finance the close-down period and the period thereafter when visitation takes time to resume previous levels.

Appendix 6–Understanding the long-term relationship between changes in regional visitor spending and direct and total regional visitor economy jobs

From 2006/07 to 2017/18 a total of 12 annual estimates are available of total regional visitor spending and direct and total (direct+indirect) regional jobs due to this spending (source: regional tourism satellite account data from Tourism Research Australia).

Using this data source, statistics were applied to test the relationship between regional visitor spending and the two measures of regional visitor economy jobs.

The tested relationships were in the form of two simple linear equations of:

1. Direct Visitor Economy Jobs = constant + b*(visitor spending)
2. Total Visitor Economy Jobs = constant + b*(visitor spending)

- where the “constant” and “b” the slope coefficient is to be estimated from the data.

A very close positive relationship was found with a high correlation coefficient across the 20 TRA Victorian regions that averaged 0.93 for the first equation and 0.92 for the second equation.

As background, a correlation coefficient of 0 would have indicated no relationship between changes in visitor spending and jobs – while a correlation coefficient of 1.0 would indicate changes in consumption multiplied by the coefficient “b” fully or perfectly explained the movement in jobs.

Beyond having strong correlation (explanatory power) a second set of equations were estimated to determine how much a percentage change in jobs would lead to a percentage change in visitor spending. For mathematical reasons, this involved a second set of estimations which involved taking natural logarithms of both regional visitor spending and the number of jobs and again putting them in a simple linear equation like 1. and 2. above.

It was found that a 10 per cent increase in visitor spending after inflation causes between 8 and 12 per cent increases in direct jobs due to the visitor economy in 17 of the 20 regions in regional Victoria. The average across the twenty regions was that a 10 per cent increase in visitor spending after inflation increased direct visitor economy jobs by 10.1 per cent.

Similarly, it was found that a 10 per cent increase in visitor spending after inflation causes between 8 and 12 per cent increase in total (direct + indirect) jobs due to the visitor economy in 14 of the 20 regions in regional Victoria. The average across the twenty regions was that a 10 per cent increase in visitor spending after inflation increased total jobs by 10.7 per cent.

Therefore, it is reasonable on the basis of the historical data to use the simplifying assumption that a near one to one relationship exists for expected percentage changes in regional visitor spending and regional jobs (direct or total) due to this spending.

Of course, measures like JobKeeper are designed to get businesses with large falls in revenue to keep more staff on. However, as I am forecasting for the whole of 2020/21 the JobKeeper measure is only expected to affect the relationship of revenues and jobs for the first three months of this year. As well, most tourism businesses have a high share of casual staff of less than a year, working holiday makers or international students among their staff. These staff would be let go first, as under the JobKeeper rules they are ineligible for support. So, there would be a closer link between falling revenues and employment in the visitor economy sector than in most others where a higher proportion of staff are eligible for JobKeeper for a quarter of the 2020/21 year.

Over 2020/21 as a whole I expect to see many mostly smaller visitor economy businesses fail. The typically very thin profit margins of smaller visitor economy businesses mean that many will fail as the economic recession continues. As smaller businesses commonly are more labour intensive this would tend to mean that a 10 per cent point fall in regional visitor spending would lead to a larger than 10 per cent fall in regional visitor economy employment.

On the basis of this appendix this report assumes a one-to-one relationship between falls or rises in visitor spending and visitor economy direct and total jobs.

Appendix 7–How much growth was expected in visitor spending from 2017/18 to 2019

In many regions of Victoria there was strong measured growth in tourism activity from 2017/18 financial year to 2019 calendar year data, increasing the regional economic importance of the visitor economy prior to the virus.

Where this growth occurred, it implies that the pre-virus economy was larger than it was in 2017/18, as measured by the Tourism Satellite Account (TSA).

I used 2017/18 estimates of the contribution to direct visitor spending from the four types of tourism (international, interstate, intrastate visitor nights and domestic day trips) in each of the 21 TRA regions, along with TRA NVS and IVS estimates of these four visitor activity levels in each region to generate TRA activity-based estimates for visitor spending for the 2006/07 to 2016/17 period. These were then compared to the TSA published data to estimate correlation coefficients by region, as shown in Figure A6.1.

In 9 of the 13 Visit Victoria regions there was an above 70% correlation. This is not a surprising result, given that over 11 years it was likely that the share of visitor activity by type of tourism will have changed from the fixed ratios from 2017/18 I assumed applied to the whole period excluding the 2017/18 year.

Figure A6.1 Correlation between TRA based estimate of visitor spending and Tourism Satellite Account published estimate

Melbourne	99%
Grampians	96%
Geelong	91%
Daylesford/Macedon Ranges	81%
Yarra Valley	80%
Peninsula	79%
Bendigo-Loddon	77%
Phillip Island	77%
High Country	74%
Ballarat	58%
Gippsland	57%
GOR	52%
Murray	29%

Source: Decisive Consulting Pty Ltd estimates, using TRA data

In reviewing these correlation statistics, it is important to recall that correlation of 100% is a perfect alignment and 0% no alignment. All regions, barring the Murray MRT region (perhaps due to periodic drought impacts) have a strong alignment of TRA based estimates of visitor spending using visitation data and the published regional tourism satellite account estimates of visitor spending.

The estimates for 2019 on this basis are for changes in visitor spending over 2017/18 TSA estimates as shown in Figure A6.2.

There are good reasons for expecting estimates of 2019 visitor spending based on 2017/18 shares by the four types of tourism to be more accurate than estimates using these 2017/18 shares for much earlier in the 2006/07 to 2016/17 period. This is because earlier years would be expected to show a bigger shift in the share of total visitor spending compared to the 2017/18 calculation.

For example, the regions of Geelong and Yarra Valley showed strong growth in visitor activity between 2017/18 and 2019 calendar year data.

Figure A6.2 Estimated growth in regional visitor spending over 18 months from 2017/18 to 2019

	Growth in estimated after inflation visitor spending 2017/18 to 2019 (or over 18 months)
Melbourne	10%
Grampians	6%
Geelong	28%
Daylesford/Macedon Ranges	22%
Yarra Valley	29%
Peninsula	12%
Bendigo-Loddon	14%
Phillip Island	15%
High Country	14%
Ballarat	23%
Gippsland	16%
GOR	20%
Murray	17%

Source: Decisive Consulting Pty Ltd estimates, using TRA data
Notes: Growth over this period was affected by the extended drought, most obviously to the Grampians

Appendix 8–What drives the variation in forecast changes for regions' visitor economies spending for 2020/21 and 2022/23

The major drivers of the forecasts are:

- increased rejection of travel due to continued perceived health risks and economic uncertainty in 2020/21; and
- impacts of extended Australian and global economic recession in 2022/23.

These general factors explain most of the falls in visitor spending predicted across all regions.

Why regional forecasts show different growth rates

However, there are also factors that vary at a regional level that either reduce or increase impacts. As explained in the main body of the report there are six factors used to predict varying depth of the downturn and speed of recovery for different regions in forecasting visitor spending under the two scenarios for the two years:

1. Share of domestic day trips (a positive influence improving recovery)
2. Share of non-holiday travel (particularly VFR) in overnight domestic visitor nights (a positive influence improving recovery)
3. Share of 55+ age group in overnight visitor nights (a negative influence on recovery in 2020/21)
4. Share of short breaks (2 night or less trips from home) in domestic holiday visitor nights (a positive influence on recovery)
5. Share of international visitor spending in total visitor spending (a key influence on declines in 2020/21)
6. Share of interstate overnight domestic visitor spending in total visitor spending (a negative influence on recovery)

Factor 5 has a much larger influence on forecasts for 2020/21 than on 2022/23, as borders are assumed to re-open well before 2022/23.

Key Assumptions driving the regional forecasts

The key assumptions driving the calculation of regional forecasts are shown in Figure A7.1. While the assumptions have varying impacts on regional visitation growth, the Victorian regions have more in common in terms of the depth and timing of recovery from virus implications than they have differences.

Figure A7.1 Key assumptions driving regional forecasts for visitation and hence visitor spending in 2020/21 and 2022/23

	2020/21 Vs 2019		2022/23 Vs 2019	
	Scenario 1	Scenario 2	Scenario 1	Scenario 2
Domestic Day trips	-15%	-25%	10%	0%
Domestic VFR/Business/Other Visitor Nights	-25%	-40%	5%	-10%
Domestic holiday short break Visitor Nights	-35%	-45%	0%	-20%
Domestic holiday long break Visitor Nights	-45%	-55%	-10%	-25%
International Visitor Nights	-60%	-70%	5%	0%

Source: Karl Flowers, Decisive Consulting Pty Ltd

The distinction often drawn between intrastate and interstate overnight domestic tourism is less helpful, because at a regional level it is frequently a reflection of the proximity to a State border and does not indicate an extended duration trip. Two more powerful distinctions were drawn in Figure A7.1 to reflect what is expected to be the varying impacts of the virus on forms of the primary source of visitor spending of domestic overnight visitation.

The first is between holiday and non-holiday overnight tourism. Holiday tourism is forecast to be more affected. Non-holiday visitor nights as dominated by VFR travel (alongside travel for business and other reasons such as for medical treatment) is forecast to be less affected.

The second distinction is between holiday visitor nights on trips of two nights (short breaks) or less and holiday trips of three nights or more (long breaks).

Some readers might be surprised to see that international visitor nights in 2020/21 are not shown to be a near 100% fall. This reflects that many visitors arrived before March, including many continuing international students especially from outside China, who will stay for much of 2020/21.

A smaller adjustment to forecasts for 2020/21

There are good reasons to believe that many older Australians will be more reluctant to travel in 2020/21 than the average Australian.

Appendices

There is a further variation for the 2020/21 year forecasts for four regions of the twelve regions with well above and four regions with well below regional averages for their reliance on over 55 year old domestic visitor nights.

A review of the share of domestic visitor nights in 2019 by visitors over 55 years old showed that four regions of Melbourne, Ballarat, High Country (North East) and Yarra Valley and Dandenong Ranges had a lower reliance on this market (around 34 per cent of total domestic visitor nights. In contrast, four regions of Bendigo, Geelong and the Bellarine, Peninsula, and Daylesford and Macedon Ranges had higher reliance on the over 55 market, at around 44 per cent of all visitor nights. Other regions had very close to the regional average of reliance on older visitors

The adjustment made was to increase domestic visitor nights in 2020/21 by only 1.5 per cent for the regions with younger average visitation and with a balancing 4.5% downwards adjustment for the regions with significantly older domestic overnight visitors.