

FORESIGHT is a monthly commentary on significant issues within the tourism sector. Each month, "Market Focus" discusses economic, social and political factors that underlie demand for tourism now and in the future. In addition, there will be a spotlight focused on significant tourism issues. This month the markets Australia and New Zealand are examined and we consider whether or not West Nile Virus is a cause for concern in Britain.

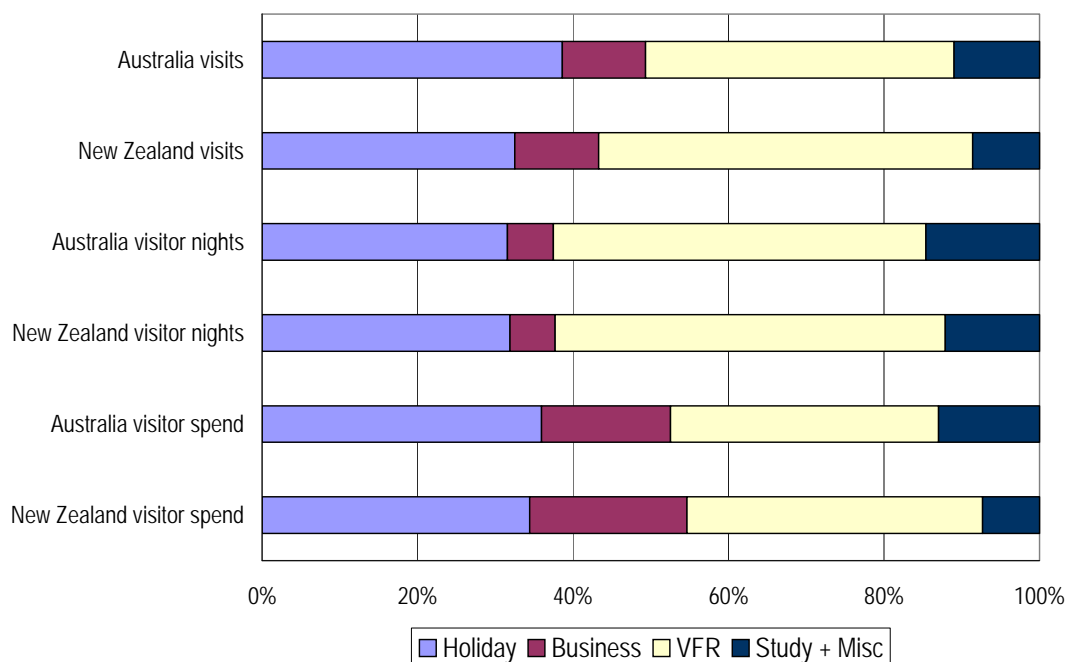
Market Focus – Australia and New Zealand

For two countries with a combined population of 24 million that are twenty-four hours flying time from Britain it is perhaps surprising that between them they generate 840,000 visits to Britain each year, contributing £622m to the British economy.

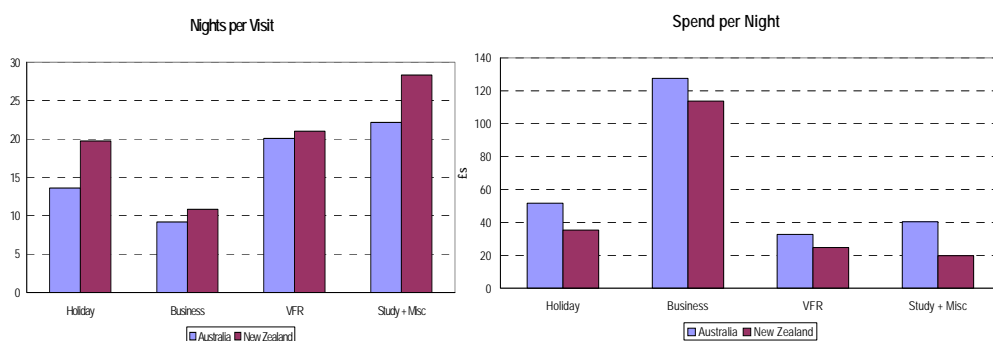
The longstanding and deep rooted ties between Britain and the two countries is pivotal in explaining the flow of visitors, and not just from Australia and New Zealand to Britain, but in the opposite direction too – some 633,000 visits were made to Australia and New Zealand from Britain in 2002.

One in five of visitors to Britain arriving from New Zealand are in fact British nationals, with the equivalent figure for visitors from Australia being one in seven. However, both Australia and New Zealand are becoming more multicultural, with increased migration from Asia.

From the following chart it is possible to see the relative importance of visits, visitor nights and visitor spend by broad purpose for each of the two markets in 2002.



The enormous importance of visiting friends and relatives as a motivator for visiting Britain from both Australia and New Zealand is clear, accounting for some 40% of visits from Australia and 50% of visits from New Zealand.



The above charts (based on data for 2002) show that across all trip purposes visitors from New Zealand stay longer than those from Australia, but that visitors from Australia spend more per night across all trip purposes than those from New Zealand. The typical business visitor spends around three times more per night than the typical holidaymaker, but stays for less than half the amount of time than someone visiting friends and relatives.

Australia

We can learn much about Australian society from the 2001 Census. This revealed that less than 72% of the resident population were Australian born. Helping to explain the high share of inbound visits to Britain from Australia that are by British nationals, the Census found that nearly 6% of the Australian population had been born in the United Kingdom. A further 5.2% of the population had been born in Asia. Latest figures show that in a typical month around 2,500 Asian born citizens settle permanently in Australia and the Australian Bureau of Statistics has recently reported that the population has topped the 20 million mark.

Despite the relatively high flow of young immigrants the Australian authorities face similar demographic worries to those of many other developed nations regarding the ageing population. The Federal Government has recently put forward plans to discourage early retirement in an effort to ensure pension costs do not spiral out of control.

Economic strength

The Australian economy looks in particularly healthy shape at present. Latest data reveals that the economy is growing at a rate not seen since the late 1990s, with a provisional annual growth rate for 2003 of around 4%. Consumer prices are under control, with an annual increase in the year to December of just 2.4%, and unemployment fell to 5.6% of the labour force in January 2004, compared with 6.1% at the start of 2003.

Favourable weather conditions in recent months have provided a boost to the agricultural sector, which is reporting year on year growth well over 10%. Export earnings from an especially good wheat harvest are forecast to be high, despite the strength of the Australian dollar.

The Reserve Bank of Australia is concerned about the pace of growth and increased base rates in both November and December 2003, and it is widely believed that further increases are likely over the coming months.

The prospect of higher base rates is one of the reasons for the strength of the Australian dollar, which is currently trading at a ten year high against the US\$. This means that Australians are finding overseas travel more affordable, for example A\$1 will buy 22% more US\$ than at this time last year. Getting to Eurozone countries has become cheaper too, with the Australian dollar worth 10% more than a year ago against the Euro. Sterling has seen a less dramatic shift in value, with the Australian dollar being worth just 6% more now than a year ago against the British pound.

The Howard Government has aligned itself both politically and economically with the USA, with negotiations on a Free Trade Agreement having recently been concluded. However it is uncertain whether the Australian Parliament will give the deal the green light as the agricultural sector is set to get far less out of the deal than it had anticipated. The Government faces further difficulties with the announcement of an inquiry into intelligence information used ahead of the Iraq War. The Australian Labour Party, under its new leader, is performing strongly in the polls and may challenge the Government at the next General Election due within a year.

Aviation matters

Australia's second major low-cost airline, JetStar (owned by Qantas) has just been launched and is set to compete against Virgin Blue on key domestic routes. This may lead to some short-haul international trips being dropped in favour of cheaper domestic destinations, but is unlikely to impact on trends in long-haul travel.

Of much more significance for travel from Australia to Britain is the deal struck between authorities in Britain and Hong Kong last November that should see Virgin Atlantic operating a daily service from Sydney to Heathrow via Hong Kong by this summer (subject to final EC agreement). Virgin Atlantic will use Airbus A340-600 equipment initially and plan to move to Airbus A380 aircraft in due course. Virgin Atlantic's sister airline, Virgin Blue, will provide low-cost connecting feeder services.

Backpackers Xpress has proclaimed itself to be the world's first long-haul low-cost airline, with plans to operate an all-economy "fun-jet" flight from Melbourne to Manchester via Bangkok and New Delhi by the end of 2004, targeted solely at the budget conscious youth traveller.

New Zealand

Census data from New Zealand show that in 2001 nearly 7% of the population were Asian (with two-thirds of these having been born in Asia), more than doubling their share since 1991. Over the course of the last year around 3,000 Asians a month have settled in New Zealand, with significant flows from China and India – it is no longer just the British who head for New Zealand to start a new life. In the longer term Britain will have to work much harder at attracting visitors from New Zealand as ancestral ties gradually lessen in importance. It is projected that by 2021 13% of the New Zealand population will be of Asian descent. By contrast, New Zealand's "European" population will remain stable in absolute terms and represent just 69% of the total by 2021 compared to 79% today.

The changing population mix is reflected in the latest figures for outbound visits from New Zealand. These show the number of New Zealanders visiting China in the year ending January 2004 reached 34,000, some 10% higher (despite the SARS epidemic) than for the year ending January 2003, and 65% higher than for the year ending January 2002.

Australia remains the single most important outbound destination for New Zealanders, attracting 720,000 visits in the year ending January 2004, more than 50% of all outbound travel. Fiji is the next most visited destination, with 71,000 visits.

Economy – not unlike Australia...

Inflation stands at a modest 1.6% in New Zealand, but the Reserve Bank of New Zealand sees inflationary dangers on the horizon and upped base rates by a ¼ point at the end of January, hinting at further rate increases to come. The key reason for tightening monetary policy is the strong economic growth experienced in recent years. Sustained GDP growth of around 4%pa has resulted in a tight labour market with an unemployment rate of 4.6%, average earnings growing by 2%pa more than consumer prices and a booming housing market. Levels of consumer expenditure are buoyant and the Bank believes headline inflation is low primarily because of the strength of the NZ\$ depressing import prices.

Just as for Australians, New Zealanders wishing to visit the USA can do so for far less than at this time last year – the NZ\$ bought 25% more US\$ in February 2004 than February 2003. Movements in the NZ\$ against both the Euro and Sterling are less dramatic, with the NZ\$ being worth 7% more against the Euro and 8% more against Sterling.

It is not only movements in the exchange rate that points towards a favourable year for outbound travel from New Zealand - long-haul airfares from New Zealand to Europe are at or below their 2003 levels, and New Zealand play England in a three match cricket Test series this summer.

Prospects for 2004

The strong economies enjoyed by both Australia and New Zealand, favourable exchange rates for outbound travel and the fact that there has been no serious recurrence of the SARS virus in Asia this year all point towards a promising year for inbound visits to Britain from Australia and New Zealand. VisitBritain is forecasting that the volume of visits to Britain from Australia and New Zealand will increase by between 4% and 6% in 2004.

Issue of the Month – West Nile Virus

What is West Nile Virus?

When present in a human West Nile Virus (WNV) is an infectious disease that can cause inflammation of the brain, resulting in the death of one in every eight people who develop serious symptoms. Typically, however, four out of five people who contract WNV notice either mild flu-like symptoms, or suffer no discomfort whatsoever before recovering from the infection. At present there is no specific treatment or vaccine to protect against WNV.

The natural host species for the disease is the bird, but it is the mosquito that transmits WNV to other species meaning that the disease is most prevalent during warmer months, especially in humid conditions. In addition to human cases, infected regions have reported a number of horse deaths, and the disease has been found to be present in dead squirrels, bats and rabbits.

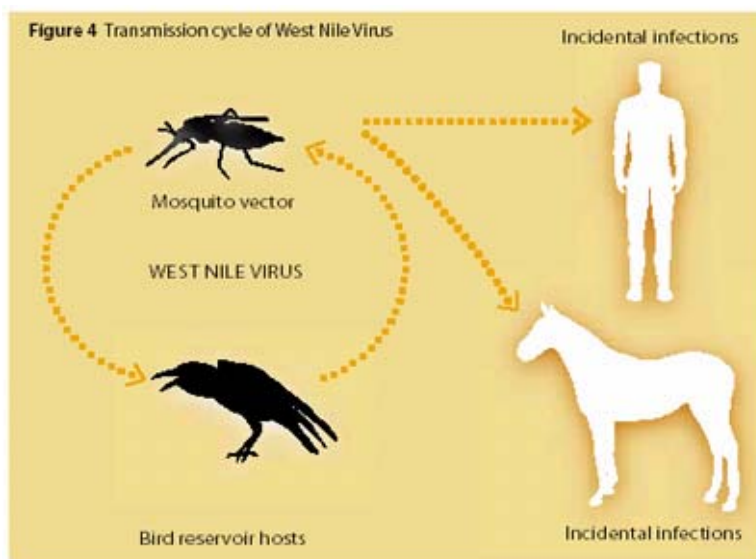
Where is West Nile Virus found?

Until the late 1990s you would probably of had to travel to Uganda in order to be at serious risk of catching WNV. But in 1999 large numbers of dead crows in New York City heralded the spread of WNV to the developed world. By the end of 1999 62 people had caught WNV and seven had died in the USA.

During the past four years WNV has spread across virtually the entire USA and parts of Canada. There have been confirmed human cases in Tunisia and most recently both a human and horse were confirmed as having WNV in the south of France.

How do humans catch West Nile Virus?

The overwhelming majority of humans who have caught WNV have done so by having been bitten by a mosquito. However, there are a small number of confirmed cases in the USA of humans contracting WNV through blood transfusions, organ transplants and breast milk from infected humans. The following diagram taken from the Chief Medical Officer's most recent Annual Report helps describe the usual transmission process.



Is West Nile Virus spreading?

Definitely. Birds are no respecters of national borders, and provided climatic conditions are suitable for mosquitoes then WNV is able to appear just about anywhere. An examination of recent trends show that since 1999 when the first cases were recorded in the USA the number of humans with WNV has increased sharply. In 2002 there were 4,156 confirmed human cases in the USA, including 284 deaths. The number contracting WNV in 2003 rose further, to around 9,300, but there was a slight decline in the number of deaths, which stood at 240. Meanwhile north of the US border Canada experienced at least 10 deaths during 2003 from WNV with more than 1,200 probable cases.

The number of human cases in North Africa has been on the increase, and by autumn 2003 there was a confirmed human case in southern France.

Is Britain free from the West Nile Virus?

In 2002 Britain's Chief Medical Officer confirmed that the risk of WNV appearing in Britain was "low", but stated that "the possibility cannot be ruled out and contingency plans need to be put in place".

One of these contingency plans is to monitor the health of the bird population in Britain and initial studies have signalled that Britain should in no way be complacent. Scientists were surprised to find that around half of the birds they tested across southern England and South Wales were found to be carrying the virus in summer 2003. The virus was found to be present in more than a score of bird species, including chickens, crows and ducks. None of the birds were unhealthy, indicating that their natural immune system had fought off the infection.

Having an infected bird population alone is not going to bring about human cases of WNV within Britain. The summer of 2003 witnessed record breaking temperatures across most of the country, and it is climate change that could open the door to WNV becoming a reality in Britain. This is because a generally warmer climate will produce the conditions in which the mosquito population can increase in number and geographical spread – at present there are relatively few mosquitoes to be found in Britain.

A "permissive environment" for the growth in the mosquito population in Britain, in particular higher night time temperatures, would coincide with an increased tendency for people to stay outdoors for longer, where they are at greater risk of being bitten.

Surveillance of the British mosquito population is now underway to establish the presence of WNV among native species and their distribution across central and southern regions of the country. There are more than thirty species of mosquito known to be present in Britain, of which at least seven are capable of transmitting WNV.

Among a series of recommendations the Chief Medical Officer in Britain announced that a full contingency plan be drawn up in readiness of an outbreak of WNV in Britain. If we are to learn anything from the devastating effects of SARS on the tourism industry of Southeast Asia, it is perhaps that the tourism industry should consider contingency planning of its own, thereby ensuring it does not have to play "catch up" to a series of media scare stories. For example the

death toll in Hong Kong from SARS was only slightly more than that from road traffic accidents in 2003, but nobody decided not to visit Hong Kong because of the risk of being knocked down.

What might an outbreak of WNV in Britain mean for tourism?

Today the only tangible sign of WNV having an impact in Britain is that blood donors who have visited North America during the summer months are unable to donate for several weeks following their return to the country.

A clue as to how authorities in Britain may react if WNV is found in Britain can be found in advice provided in the US by the "Center for Disease Control". The CDC recommends the use of insect repellent, wearing long sleeve clothes, staying away from sources of standing water and not going out around dawn and dusk when mosquitoes are most active.

If WNV does arrive in Britain managing the media may be a greater challenge than managing the infection itself. It is all too easy to imagine headlines that could frighten people away from the British countryside, even if the risks of contracting WNV remain minuscule. The outbreak of Foot and Mouth Disease in many parts of Britain early in 2001 demonstrated just how dependent hundreds of rural businesses are on tourism, from smithies to tearooms. The economic cost of FMD to the tourism industry (some £3 billion according to a joint Working Paper produced by DEFRA and DCMS) was estimated to exceed the cost to agriculture and related industries. More recently media stories about "bird flu" and the poor quality of recycled cabin air on long-haul flights leading to the risk of illnesses as serious as tuberculosis have emerged. Those marketing tourism need to provide reliable and transparent information to the travelling public so that risks are recognised and managed, rather than blown out of proportion.

Rural tourism is not just weekend breaks in the countryside, it includes day trips for walks, horse riding, mountain biking, fishing, narrow boating and alike. The Ramblers' Association recently estimated that walkers spend an annual £6 billion on trips to the countryside. It is groups like these who are at greatest risk from mosquito bites and who would need to be persuaded that taking simple precautions virtually eliminates the risk. Having a detailed and well argued riposte to media hype is essential if confidence in visiting areas where WNV has been reported is to be maintained.

Tourism related activity centred on birds, the host species for WNV, may come under threat if any outbreak in Britain were not well managed. For example, the Royal Pigeon Racing Association has in the region of 50,000 members, with events that boost tourism during the quieter winter months. West Nile Virus cannot be transmitted directly from bird to bird, only the mosquito can infect an otherwise healthy bird. Therefore events involving the bringing together of large numbers of birds would pose little or no risk, provided these did not take place in locations and at times of year with high mosquito prevalence.

Identifying those within sport, leisure and direct tourism enterprises whose activities may be undermined by an outbreak of WNV, and educating them how best to respond to the disease, and the media, offers the best chance of ensuring a public reaction that is not disproportionate to the risk. The tourism industry is highly susceptible to external "shocks", and WNV is such a shock over which it can have little control. However, it can prepare for such an eventuality, and by so doing drastically reduce the damaging impacts that an outbreak of West Nile Virus in Britain could have.

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