

## **INQUIRY INTO TOURISM IN LOCAL COMMUNITIES**

**Organisation:** Cessnock City Council

**Date received:** 10/07/2013

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9 July 2013



The Director  
General Purpose Standing Committee No. 3  
Legislative Council  
Parliament House  
Macquarie Street  
SYDNEY NSW 2000

By email: [gpsc3@parliament.nsw.gov.au](mailto:gpsc3@parliament.nsw.gov.au)

Dear Sir

**Re: Inquiry into Tourism in Local Communities**

Cessnock City Council (Council) welcomes the opportunity to provide the following feedback in relation to the *'Inquiry into Tourism in Local Communities'* for your consideration and action.

Cessnock LGA (LGA) is located in the Hunter Valley, New South Wales, about 120 kilometres north of Sydney and 40 kilometres west of Newcastle. The LGA is bound by Maitland City in the north, Newcastle and Lake Macquarie Cities in the east, Wyong Shire and Gosford and Hawkesbury Cities in the south and the Singleton Council area in the west.

**1. The value of tourism to New South Wales communities and the return on investment of Government grants and funds**

**Background**

Cessnock LGA is home to Australia's premier wine region and is the third most visited destination for domestic day trippers in NSW after Sydney and the South Coast.

Tourism is integral to the LGA's economy and its operators are leaders in their field. Not only is the LGA known for gastronomy and wine experiences, there are also many niche markets emerging with synergies to traditional experiences.

Environmental, Aviation and Adventure tourism, Golf tourism, and World Heritage assets are amongst our broad range of attractions. The LGA is also a popular wedding, major event and concert destination and boasts the largest mural town mainland Australia – Kurri Kurri. This community host a significant regional event – the Nostalgia Festival which alone, attracts 40,000 visitors each March.

**Return On Investment – Government Grants And Funds**

Tourism is not only integral to the value chain of regional NSW economies, the visitor economy receives wide strategic focus from a local community planning perspective.

However, the role local government plays in achieving such strategies is not acknowledged and funding and planning does not meet the needs of regional and rural destinations. The Visitor Economy Taskforce Report views regional Australia only as a support network for Sydney.

In order to be eligible under the current State funding structure (Regional Visitor Economy Fund delivered by Destination NSW), regions need a Destination Management Plan, or risk exclusion. As a result, Cessnock and Singleton Councils are currently working with the Hunter Valley Destination's Local Tourism Association to develop a Destination Management Plan as a priority. The Council has also comprehensively reviewed and planned for the future of the LGA's economic development, including tourism with the preparation of the *Cessnock Economic Development Strategy* (EDS) due to go on exhibition in August 2013.

Despite this, it is concerning that governments fail to acknowledge the role tourism plays in changing the liveability of regions and how liveability attributes can be enhanced to promote visitation. The presence of visitors can affect how locals interact with services as well as enhance the range of opportunities that are available to a community – recreational, employment and infrastructure.

Council has invested heavily in setting a strategic vision for the tourism industry in the LGA which has, and continues to contribute significantly to achieving State and Federal tourism objectives. It is thus considered imperative that local communities be provided the level of support that is required to meet these strategic objectives.

Grant funding is usually provided for new, innovative or exciting product development, or marketing. The appropriateness of this is questionable when:

- the existing industry products and services are achieving real and measurable outcomes without new or innovative enhancements, and if provided with further support, could increase market share, unfortunately they are not eligible;
- existing product is not well supported by critical, essential or social infrastructure, ie. Hunter Valley Wine Country is well established to meet visitation goals yet local roads are strained;
- the majority of funding is still quarantined for Regional Tourism Organisations to control, who do not necessarily understand local destinations or critical strategies or actions that would meet local needs;
- autonomous Local Tourism Associations can set up, gain Visitor Information Accreditation, access funding, without the requirement to meet clear goals or objectives which provides very little control for local governments over their LGA's best interests; and
- the role communities play in supporting the attractiveness of successful destinations is not acknowledged and funding for ancillary projects that indirectly support tourism are not provided.

Another critical issue with current tourism funding is that tourism grants from Destination NSW and the Department of Resources, Energy and Tourism are outside the budgetary range of the majority of regional Australian local governments, LTA's, not for profit entities and the private sector.

For instance, minimum matched funding under regional Visitor Economy Fund (Destination NSW), and the Tourism Industry Regional Development Fund (Department Resources, Energy and Tourism) is \$50,000. This determines that minimum project size is a \$100,000 project. Are these projects promoting good value for public spend?

Smaller scaled projects can contribute very effectively to doubling overnight visitation with minimal risk. Current programs encourage high budget, high risk expenditure that may or may not realise measurable outcomes.

Supporting destinations that already achieve measurable outcomes, (not necessarily LTAs) should be a higher priority of Destination NSW than the funding of Regional Tourism Organisations.

## **2. The value of tourism to regional, rural and coastal communities.**

### **Value of Tourism – Broader Hunter Region**

In 2012 the Hunter Region attracted 2.172 million domestic overnight visitors, 5,278 million domestic day trippers and 113,400 international overnight visitors.<sup>1</sup>

Domestic overnight visitors spent 6.237 million nights in the region. In 2012 the Hunter was the fourth most visited region in NSW for domestic and international overnight visitors, ranking behind Sydney, the North Coast (3.2million visitors) and the South Coast (3.059m) for domestic overnight visitors, and behind Sydney, the Northern Rivers (190,600) and North Coast Regions (129,200) for International Visitors. In terms of domestic day trips, the Hunter ranked third in NSW behind Sydney and the South Coast.

In the Year End March 2012, the Hunter Tourism Region ranked 12<sup>th</sup> in Australia and 4<sup>th</sup> in NSW (behind Sydney, the North Coast and South Coast) in terms of visitor expenditure.

### **Value of Tourism – Cessnock Local Government Area**

In 2011, the Tourism Research Council estimated that the total value of direct visitor expenditure in Cessnock LGA was \$157 million, with a further \$79 million spent across the border in Singleton LGA.

Tourism Research Council estimated that in Year End September 2011, Cessnock LGA attracted 286,000 domestic overnight visitors, 458,000 domestic day trippers and 11,000 international overnight visitors. Domestic overnight visitors spent an estimated 690,000 nights in the LGA.

In 2010-11 the 'Accommodation and Food' services section of the tourism industry in Cessnock LGA was estimated to have a gross value of product of \$148m, accounting for 7.6% of GVP in Cessnock LGA. The LGA has 241 accommodation and food businesses accounting for 9.1% of businesses within the LGA. At the 2011 Census 2,013 people worked within the accommodation and food services sector with this sector accounting for 9.6% of employment.

### **Value of Tourism – Hunter Valley Destination**

The Hunter Wine Industry is a focal point for tourism in the Hunter Valley. The District is marketed as 'Hunter Wine Country', with Wine Country attracting an estimated 2.8 million visitors a year. These visitors have been spending an estimated \$560 million while in the area. The tourism value of the wine sector is equivalent to or greater than the production and sales value.

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<sup>1</sup> Information on international day trippers is not published



In 2011, the Hunter Valley Research Foundation estimated that wine tourists in Wine Country (parts of both Cessnock and Singleton LGAs) had a direct expenditure of \$285.71 million with a flow on impact (indirect expenditure) of a further \$222.1million (total contribution of \$520.6million) and that the wine tourism sector has direct employment of 1,862 people and supported a further indirect 949 jobs, a total of 2,811 jobs.

Golf is big business in the Hunter Valley and many of the golf courses are complemented with quality accommodation, function venues and restaurants providing a variety of things to do during a stay.

### **3. The impacts of tourism in Local Government areas.**

#### **a. Infrastructure services provision and asset management.**

##### **Roads**

The City has a total road network of some 1,010 kms of which 100kms (10%) are State roads. The cost of maintaining and repairing these roads has increased significantly, with the budget allocation in the 2013/14 year exceeding \$10 million.

The Wine Country area has a road network of 150km, of which Council is responsible for 140kms (127kms – local roads, 13kms - regional road), with the remaining 10kms State Road under the care of the Roads and Maritime Services. Approximately 50kms of Wine Country road network remains unsealed.

Recently Council received a \$20 million grant towards the upgrade of 13kms of 'core roads' within Wine Country being, Broke Road, McDonalds Road and the upgrade of a key intersection.

In the most recent community survey undertaken in July 2012, road maintenance was rated by the community as the highest priority issue across the LGA with a score of 4.78 out of 5. This was supported by the satisfaction rating for developing and maintaining the road network as the lowest rating with 1.62 out of 5.

Council's road network is not only of critical importance to the local population, but is also a significant asset to the economic sustainability of the region.

Use of Council's road network has significantly increased with the recorded highest population growth (10% from 2006 to 2011) in the Hunter Region and one of the highest in NSW. Coupled with the population growth there has been a significant increase in the growth and development of wine production and tourist visitation to Wine Country and the LGA as a whole.

Unfortunately, the Council does not have the financial capacity to maintain and upgrade these roads to a standard capable of withstanding current and future traffic flows. Further, to a standard that could meet the "Hunter Valley Wine Country" brand and reputation, as the oldest commercial wine growing area in Australia with prominence in both international and national markets.

The community has been burdened with increasing infrastructure costs with Council having four special rate variations approved since 2001. The first increase of 2.31% was approved in 2001 for a five year period. All of the funds from that increase were targeted towards road infrastructure improvements.

The second increase was 6.05% per year for a five-year period commencing in 2006/07 and expiring in 2010/11. The money raised from this special rate variation was spent in three major areas:

- Resealing an additional 67 roads across the local government area;
- Major road rehabilitation across the local government area; and
- Replacement or major refurbishment of recreation buildings.

The third special rate increase of 6.05% was for a two year period granted under Section 508 (2) of the Local Government Act commencing in 2011/12 and expiring in 2012/13. The money raised was spent on resealing, heavy patching and rehabilitation of regional roads, urban collector roads, and rural collector roads in the LGA. Most recently IPART approved a one-year extension of the 6.05% special rate variation under Section 508 (2) for resealing, heavy patching and for rehabilitation of regional and collector roads across the LGA for 2013/14.

The data provided at the time of Council's previous special rate variation application indicated that in the year 2009/10, 3.88% of the road network was rated as failed with a further 3.98% being rated as poor or very poor. However, more recent analysis indicates that the regional roads within the road network are in much worse condition: 16.85% of the regional roads were rated as failed while a further 7.99% were rated as poor or very poor. Council's local collector roads as a subset of all local roads were in a similar condition and rate of decline as the regional road network.

The impact on the road infrastructure by the growing local population of 53,000 and the accommodation of 2.8 million visitors, as previously stated in the report, is considerable. Council and its communities continue to bear the rising costs of maintenance and repair of the local road network, with this burden becoming more onerous and unsustainable each year.

***Recommendation:***

Council was most appreciative of the \$20million grant received to support 13kms of critical road in Wine Country. However, Council estimates that in order to support the visitor economy and the community appropriately with road infrastructure that is safe, and at an appropriate standard to cater for existing and future traffic, funding of \$105 million would be required.<sup>2</sup>

**National Broadband Network**

Communities, business, industry and individuals are becoming increasingly engaged in the global network of economic and social activities that are enabled by information and communication technologies (ICT), such as the internet, mobile and sensor networks. This is increasingly becoming the method of choice of visitor markets for communicating, interacting and responding with key tourism businesses. Further, these visitors have an expectation that ICT infrastructure be available at their chosen destination in order that they can stay connected globally.

It is therefore, disappointing that the Cessnock City is to be by-passed by the NBN roll-out considering the major contribution by the LGA to the State and Federal economies.

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<sup>2</sup> As reported in Council's Special Schedule 7 of 30 June 2012

**Recommendation:**

In order to support current and future visitor/tourism growth, Cessnock LGA must be recognised as a key 'Digital Region'. ICT infrastructure must be made available and accessible by visitors, residents and tourism and business operators in the LGA. Council recommends that the Federal government amend the NBN roll-out to include the Cessnock CBD and surrounds.

**Transport**

One of the key issues recognised in the EDS was the lack of available public transport across the LGA for both residents and visitors. The issue of available public transport is further exacerbating the problem of providing the means for appropriately skilled workers to take positions within the Wine Country area.

**Recommendation:**

That both State and Federal governments work collaboratively with Council to investigate transport alternatives to support the City. Particularly the option of a Sustainable Transport System within the LGA and opportunities for appropriate transport linkages and connectivity inter-regionally and nationally.

**b. Social impacts**

The City's labour force is 22,338, with 13,000 working locally, 9,000 leaving the City to work and 5,000 arriving daily to work. However, the unemployment rate is currently 6.6% compared with NSW at 5.5%. Under the four SEIFA indices of Advantage and Disadvantage, the LGA rated disadvantaged in three.<sup>3</sup>

Higher costs associated with the visitor economy, continues to create a social divide between residents within the Cessnock CBD and other local towns and the Wine Country. Conversely, there is a shortage of workers in Wine Country with appropriate hospitality and soft skills, essential for a world class visitor destination.

What is needed in the LGA is an all of government approach to reducing the disadvantage gap. Enhancing the capacity of individuals to take advantage of career opportunities in the destination, the Council could ultimately support the success and growth of this visitor economy.

**Recommendation:**

That the State and Federal government work collaboratively with Council and key stakeholders to develop and implement a workforce strategy for the City. The objectives of the strategy to provide key employment outcomes, raise skills levels and an appropriately trained and skilled labour force to take advantage of the many opportunities of growth in the visitor economy in existing tourism and new tourism product development. Funding and resources for the development and implementation of the strategy and to support appropriate and tailored, education and training requirements to meet both resident and business needs would be provided by State government and key stakeholders.

**c. Unregulated tourism**

Council's draft Economic Development Strategy has recognised a major opportunity to use the natural and cultural assets in the City to develop a strong, second tier of visitation that would sit below food and wine tourism. The natural and heritage

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<sup>3</sup> Cessnock Economic Development Strategy 2013



attractions and assets in the City are not effectively capitalised upon, although can offer excellent opportunities to build the adventure-based and nature-based markets.

Currently, access to these sites has not been maintained to a standard conducive to visitation and as a destination and tourism product in their own right.

***Recommendation:***

That integration takes place of the National Parks, State Conservation Areas (SCA's) and State Forests into the recreation and tourism base of the LGA.

That National Parks and Wildlife Service (NPWS) and the Forestry Corporation of NSW develop and implement a strategy that will educate LGA residents and visitors about the significant biodiversity and habitat value of the bushland and wetland areas within the City.

Further, the NPWS and Forestry Corporation of NSW be encouraged to improve and increase access and presentation, establish walking trails, visitor facilities, infrastructure and provide quality interpretation and information.

These steps will ensure tourism opportunities of the National Parks, SCA's and State Forests are optimised and capitalised upon, supporting, employment and the value of our natural environment. Funding to be provided by Federal and State governments.

**d. Employment Opportunities.**

The visitor economy offers many employment opportunities. These can be realised if appropriate levels of funding and a collaborative and cooperative strategic approach by all three levels of government is implemented. Each of the above recommendations will provide positive employment outcomes.

**4. The Marketing and Regulation of Tourism.**

Governments not only influence the price and availability of all inputs into the private sector's production of products and services but also determine the supply of public tourism services and infrastructure. Immigration policies regulate labour supply; industrial laws affect labour costs; taxes and charges impact on the cost of capital; planning provisions determine availability of land; consumer protection laws set quality standards and business regulations set parameters for entrepreneurship.

In order to remain competitive in a global market, the visitor/tourism industry relies heavily on government policies and business laws and regulation to provide conditions that encourage product renewal, fosters innovation and new investment and allows for profitable and viable operations of existing and future businesses.

It is therefore critical that the NSW State government provides optimal policies and business conditions for the visitor/tourism sector. Increasingly complex and costly regulatory environments threaten the viability of existing operations, deter further investment, and impact on employment and local economies reliant on this key industry.

Whilst attempts have been made to cut red tape, it is important that any new, more onerous and costly business hurdles are not created elsewhere. For example: The NSW Cellar Door Subsidy Scheme which ceased on 30 June 2012, provided a state rebate of 15 per cent on cellar door sales. The Subsidy ensured that under the Federal government's wine equalisation tax (WET = 29%) and the GST, no producer



would financially be worse off. It was also seen to be a protector of regional employment, a support to primary industry and encouragement to keep wine prices lower within the wine destinations, thus reinforcing tourism.

Twenty-two of the state's largest vineyards, including 19 from the Hunter Valley, shared in the annual \$3.5million subsidy to offset the Federal government's wine equalisation tax (WET). Other States such as Victoria still offer the subsidy. Bruce Tyrell (a local vigneron) informed the Newcastle Herald in March 2013 that *"the loss of the subsidy would cost Tyrrells between \$500,000 and \$600,000 in net profit"*<sup>4</sup>

The immediate response from the wineries for cost recovery of the WET was to assess the need to charge for all wine tastings. An overhaul of NSW liquor laws since 2007 has allowed for cellar doors to charge patrons for wine tastings. Unfortunately, this action could prove risky for tourism within the destination as traditional markets are not acquainted with paying for an experience which has traditionally been free.

#### **5. The utilisation of special rate variations to support local tourism initiative.**

The Council is opposed to inflicting further special rate variations on both businesses and the community. Especially, if the variation is to provide funding that could be perceived as cost shifting from the State government to the Local government, already under pressure to meet rising community expectations and increasing costs of core services.

Appropriate levels of funding, resources and support are needed urgently from both State and Federal governments to the LGA for the provision of necessary and adequate infrastructure, workforce development and resolution of other identified issues.

#### **6. Other related matters.**

##### **Paucity of Information**

Council is increasingly frustrated by the paucity of key tourism and visitor information relating to the LGA. Whilst information is available from a regional perspective, lack of relevant and up-to-date information at the LGA level is non-existent, poor or out of date at best.

##### **Recommendation:**

That funding for the research of key visitor/tourism statistics at an LGA level be immediately provided to support critical Local government and business decisions. This would also assist both the Federal and State governments to clearly understand the contributions to the state and national economies from each LGA as well as identifying key result areas for continuing funding.

##### **Conclusion**

Council is most supportive of the *'Final report and Action Plan of the Visitor Economy Taskforce'* (Plan) to double overnight visitor expenditure by 2020, as well as the strategic imperatives identified in the Plan that align with the *'NSW 2021'* and the Commonwealth's *'National Long Term Tourism Strategy'*, being:

- Increase visitation.

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<sup>4</sup> ("Vineyard jobs in jeopardy" By AMY EDWARDS March 10, 2013).

## Conclusion

Council is most supportive of the '*Final report and Action Plan of the Visitor Economy Taskforce*' (Plan) to double overnight visitor expenditure by 2020, as well as the strategic imperatives identified in the Plan that align with the 'NSW 2021' and the Commonwealth's '*National Long Term Tourism Strategy*', being:

- Increase visitation.
- Growth physical capacity.
- Renew and revitalise destinations.
- Improve the visitor experience.
- Increase the visitor spend.
- Make NSW more competitive.
- Change the mindset.

Council further supports the Recommendations in the Plan, which include:

- A whole of government approach to implement the actions within the Plan.
- Support new revenue sources for local visitor economies.
- Removal of constraints.
- Target growth markets.
- Employ indicators to measure success.
- Improve infrastructure and promote investment.

However, it is clear that adequate and appropriate funding and support must be provided to regional Councils to ensure that they can assist the State government to achieve its goal of doubling overnight visitor expenditure. Cessnock Council believes it is well placed to do so. In addition, outcomes of increasing the skill levels and employment within the LGA and boosting the whole economic base will also be realised.

The Cessnock City Council again thanks you for the opportunity of providing this submission and look forward to the final report of the outcomes of the Inquiry.

Should you require any further information, please contact Jane Holdsworth, Economic Development Manager by phone (08) 9392 3111

Yours faithfully

Stephen Glen  
General Manager