

**Submission  
No 22**

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

**Organisation:** Byron Shire Council

**Date received:** 27/06/2013

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## **Submission to the Legislative Council Inquiry into tourism in local communities June 2013**

### **Background on Tourism Management in Byron Shire**

Byron Shire Council (BSC) has a commitment to a sustainable future for the Shire that involves balancing the protection and enhancement of its sensitive natural environment and improving social and economic outcomes for its residents.

The need for a Tourism Management Plan (TMP) and an accompanying action plan was identified as part of Council's commitment to ensure the sustainable development, management and marketing of tourism for Byron Shire. The Tourism Management Plan was adopted by Council in September 2009.<sup>1</sup>

### **Byron Shire visitor numbers**

Byron Shire is relatively small in size with 14,550 rateable properties and a population of fewer than 30,000 residents. It is also an iconic tourism destination attracting over 1.4 million visitors each year.

The table overleaf shows visitor numbers to Byron Shire from 2000 to 2012. The increase in the number of domestic day visitors has put increased pressure on Council's infrastructure. This is discussed in more detail under section 3(a) of this submission ('Council's infrastructure pressures and gaps').

### **Tourism fast facts**

- 74% of domestic overnight visitors arrive in the region by road with approximately 21% arriving by air, with the nearest airports Gold Coast and Ballina/Byron.
- The majority of domestic overnight visitors are from Queensland (44%) and then from Sydney (18%).
- 42% of International visitors arrive by long distance coach or bus.

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<sup>1</sup> Please refer to the attached Byron Shire Council Tourism Management Plan 2008 -18.

- The majority of International visitors are from the United Kingdom (30%) and then Germany (12%).
- In 2012, the estimated 439,000 domestic overnight visitors stayed an average of 3.6 nights while the 148,000 international overnight visitors stayed an average of 7.5 nights.
- In 2012, 767,000 day-trippers are estimated to have visited the Shire.
- The number of visitor nights in Byron Shire in 2012 was estimated at 2,712,000.

### Byron Shire Visitor Numbers 2000 to 2012

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Domestic – Overnight</b>	436,000	458,000	585,000	598,000	489,000	520,000	474,000	500,000	454,000	433,000	388,000	484,000	439,000
<b>Domestic Day – day</b>	628,000	468,000	649,000	505,000	518,000	612,000	655,000	418,000	890,000	672,000	887,000	797,000	767,000
<b>International visitor survey</b>	168,137	181,451	155,214	157,051	168,779	156,360	174,402	182,493	182,910	189,403	190,765	150,940	148,900
<b>Total</b>	<b>1,232,137</b>	<b>1,107,451</b>	<b>1,389,214</b>	<b>1,260,051</b>	<b>1,175,779</b>	<b>1,288,360</b>	<b>1,303,402</b>	<b>1,100,493</b>	<b>1,526,910</b>	<b>1,294,403</b>	<b>1,465,765</b>	<b>1,431,940</b>	<b>1,354,900</b>

*Source:* Destination NSW, via Tourism Research Australia's National and International Visitor Survey Program.

Council's marketing and brand strategy is focussed on converting domestic day visitors to domestic overnight visitors to decrease pressure on Council's infrastructure. This is discussed further in section 4 'the marketing and regulation of tourism'.

## 1. The value of tourism to New South Wales Communities and the return on investment of government grants and funds.

According to Tourism Research Australia for the year ending December 2012, the value of tourism in New South Wales is as follows:

Domestic overnight	International overnight	Domestic daytrip	<b>TOTAL value of tourism to NSW</b>
\$14 billion	\$6.3 billion	\$5.8 billion	<b>\$26.1 billion</b>

With regard to government funding for tourism, Council has secured one grant from Destination NSW to undertake a Visitor Profile and Satisfaction survey to gain a better understanding of visitors to the region, including their motivations and satisfaction with their visits to Byron Shire.<sup>2</sup>

Council also contributed \$15,000 towards this research project and has received a return on its investment as this information is valuable for planning and will also be used for future funding applications under the new Destination Visitor Economy Program funding program.

At present the level of grant funding available from the State and Federal Government is not adequate to service Councils infrastructure, given the 1.4 million visitors that arrive each year in Byron Shire.

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

According to Tourism Research Australia for the year ending December 2012 the value of tourism in regional New South Wales is as follows:

Domestic overnight	International overnight	Domestic daytrip
\$6.8 billion	\$697 million	\$3.6 million

According to Tourism Research Australia for the year ending December 2012, the value of tourism in the Northern Rivers is as follows:

Domestic overnight	International overnight	Domestic daytrip
\$1 billion	\$104 million	\$339 million

<sup>2</sup> Please see the attached Executive Summary and Full Report of the Byron Shire Visitor Profile and Satisfaction Survey.

According to Tourism Research Australia for the year ending December 2012, the value of tourism in Byron Shire is as follows:

1. Tourism is the principal driver of Byron Shire's economy. Tourism expenditure is estimated at **\$382 million in 2011**.
2. Employment arising from that expenditure is estimated to be around **2,500 FTE jobs**.
3. Tourism impacts all economic sectors in the economy, notably retail, accommodation, cafes and restaurants and construction.

Anecdotally, a thriving tourism sector in Byron Shire provides the following benefits:

1. touring acts and performers often add 'Byron' to their tour program due to reputation and knowing there is a reasonable sized audience due to the numbers of visitors.
2. For the same reason, Byron Shire has a large number of events of all sizes due to the known large audience made up of locals and visitors.
3. The Shire has become an area where many people want to live due to the thriving cultural sector and other opportunities (including business opportunities) that have arisen due to the large numbers of visitors.

3. **The impacts of tourism of Local Government Areas, including:**
  - a. **Infrastructure services provision and asset management**
  - b. **Social impacts**
  - c. **Unregulated tourism**
  - d. **Employment opportunities**

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

Council has immense pressure on its infrastructure due to the 1.4 million visitors that frequent Byron Shire annually.

Council has the responsibility to provide and maintain public infrastructure in a safe, clean and useable condition and this all comes at a significant cost, mainly to the rate payers of the Shire. The added burden of the visitation numbers to Byron Bay in particular, the following infrastructure is stretched to breaking point:

1. Roads, with not just the generation of small vehicle activity but the visitors need services that are supplied by heavy vehicles that impact on the sustainability of road pavements.
2. Public toilets are over used and the demand to keep them clean is, unsurprisingly, high.
3. risk management to ensure the safety of the high visitor numbers comes at a significant cost. This applies not only to roads but to footpaths and beach access.

4. water and sewage infrastructure is overloaded by the large numbers of visitors with high water usage and high demands on the sewage treatment plants.
5. parks and gardens are one of the most important areas of a town for their local residents and visitors. They present an image to a visitor that the town is cared for and can present an everlasting memory to the visitor. As such this places a high demand on council to not just maintain the parks but also to enhance them. There are limited funds available for Council to do either and many adverse comments are made about the beauty of our town centre and beach front.

## **b) Social Impacts**

Tourism Research Australia, in partnership with Byron Shire Council and Destination NSW, undertook the 'Byron Shire Visitor Profile and Satisfaction Survey' (VPS) in 2011 to gain a better understanding of visitors to the region, including their motivations and satisfaction with their visits to Byron Shire.<sup>3</sup>

While the majority of visitors surveyed indicated that, overall, they were satisfied or very satisfied with their visit to Byron Shire, there were a number of functional attributes of visitors' trips that scored below the VPS benchmarks in terms of satisfaction. These included: attractions; commercial accommodation; customer service; friendliness of the locals; information services; local transport; parking; personal safety and security; public toilets; roads; signage; tours; and value for money.

There were four attributes that had particularly high levels of dissatisfaction. These included:

- *Parking* – 27% dissatisfied – issues were noted around the cost of parking, lack of parking and signage about parking.
- *Level of local traffic in Byron Bay* – 25% dissatisfied – issues were mainly around traffic congestion in Byron Bay in general.
- *Public toilets* – 17% dissatisfied – issues were mainly around the cleanliness of the toilets.
- *Local roads* – 15% dissatisfied – issues were noted around the general state of the roads.

These issues have similarly been identified as areas of concern during consultation of Council's Community Strategic Plan. The management of tourism infrastructure, public amenity and tourist numbers is of major importance to the Byron Shire community.

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<sup>3</sup> Please see the attached Executive Summary and Full Report of the Byron Shire Visitor Profile and Satisfaction Survey.

Anecdotally, other social issues for local residents include:

1. noise from holidaying visitors in residential areas.
2. increased vandalism and crime, particularly alcohol-related violence which has been documented in the Byron Shire Safer Community Compact<sup>4</sup>.
3. The price of housing appears to have increased over time due to the desirability of the Shire via its close proximity to beautiful beaches and its mild climate.
4. the local 'culture' can become lost in the large numbers of tourists.
5. In Byron Bay in particular, local 'community' is declining. Anecdotally, in Byron Bay, local clubs, such as CWA, Lions and Rotary are all declining in numbers.
6. decline in business services for locals, for example the closure of Retravision, book shops, and dry cleaner.
7. Uniqueness of creative retail outlets is lost due to the high cost of rent in the Byron Bay CBD, therefore the cultural identity is becoming 'santised' and generic.

### **c) unregulated tourism**

Unregulated tourism, falls generally into two main categories within the Byron Shire Local Government, the impacts of which vary depending on the nature of the activity.

Unregulated Tourism Activities – due to the Tourist numbers that visit the Shire annually and the potential revenues that can be generated, Byron Shire is an attractive location for operators to conduct unapproved activities, on public land such as reserves and road areas, as well conduct activities that can not be directly regulated by Council.

Other unapproved or unregulated activities may also be conducted on private land. These types of activities generally come to Council's attention through complaints received about service or facility conditions.

The issues that arise in regard to the latter, is firstly the safety and the welfare of patrons that visit these facilities and secondly the potential impact on the Tourism brand of the Shire and operators that do the right thing. The potential to generate revenue is attractive but in many cases the activity being undertaken may not be permissible within a zone or area within the Shire.

The impact of these types of activities upon Council is firstly the loss of revenues from the Planning process (ie development application fees and S94 contributions) and secondly the cost to enforce compliance when the activity is identified. In such cases Council is unable to assess the impacts on infrastructure and by the time these activities are detected the impact has already occurred.

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<sup>4</sup> Byron Shire Council Safer Community Compact 2012 – 2016.



In most cases where an activity is conducted on public land, being either Council or Crown land, there is a requirement for the activity to receive approval through a licence. Commercial Activities on Council or Crown land in Byron Shire is governed by both Council and Crown Policy and requires a competitive process to determine the issue of licences.

The issuing of approvals enables Council to monitor activities and to mitigate environmental impacts on the reserves and the community. The impact is again on approved operators who contribute to the use of public land, the Tourism brand of the Shire and Council in compliance costs.

Holiday Letting – Currently the holiday letting of residential houses is an activity undertaken by operators without consent. Council holds the view that Holiday Letting is an activity that is prohibited within certain zones. This is a view that is opposed by the Industry. It is also the view of Council that in each case the circumstance for each property needs to be examined due to differing Planning Schemes in place over time and differing conditions of approval at the time the residential house was constructed.

On the basis that the activity does not explicitly require an approval the Industry is not subject to a development assessment process that could regulate the activity and provide a framework for Holiday Let activities such as location and consent conditions. Council is also unable to collect revenues generated by a development assessment process either in fees or a s64 and/or S94 contribution.

This position would appear to be inconsistent with other activities that are operated from residential dwelling such as Bed and Breakfasts.

The recent Gosford LEP case has raised a number of issues for both Councils and operators. The Judgement was critical of the Council in failing to regulate the activity through its Planning Instruments or compliance and also of the operator for the self regulation of the Holiday Letting use of a residential house by means of a voluntary code of conduct or house rules.

Both Council and the Industry agree that there is a need for the current situation to be addressed by the State Government, so to provide planning certainty to Operators and a framework for Councils to be able to regulate the activity.

The current situation also needs to be changed to provide a framework for behaviour management which in Byron Shire is one of the main sources of complaint to Council from the community. Self regulation is the system currently in place but is not meeting the needs of the Community in regard to environmental and amenity issues.

Holiday Letting in the Gosford case was recognised as an activity that could be differentiated from the normal residential use of a property and such

requires the development by the State Government of a planning and approval process that provides for the regulation of this activity.

#### **d) employment opportunities**

A key objective of Council's Tourism Management Plan (TMP) is to increase visitor expenditure by attracting higher-yield (overnight) visitors, rather than increasing day visitation to the Shire. Longer stay visitors generally bring greater benefits for the local economy by creating jobs and business diversity in the Shire.

Byron Shire has a high unemployment rate, many jobs are seasonal, part-time or casual and wages are generally low.

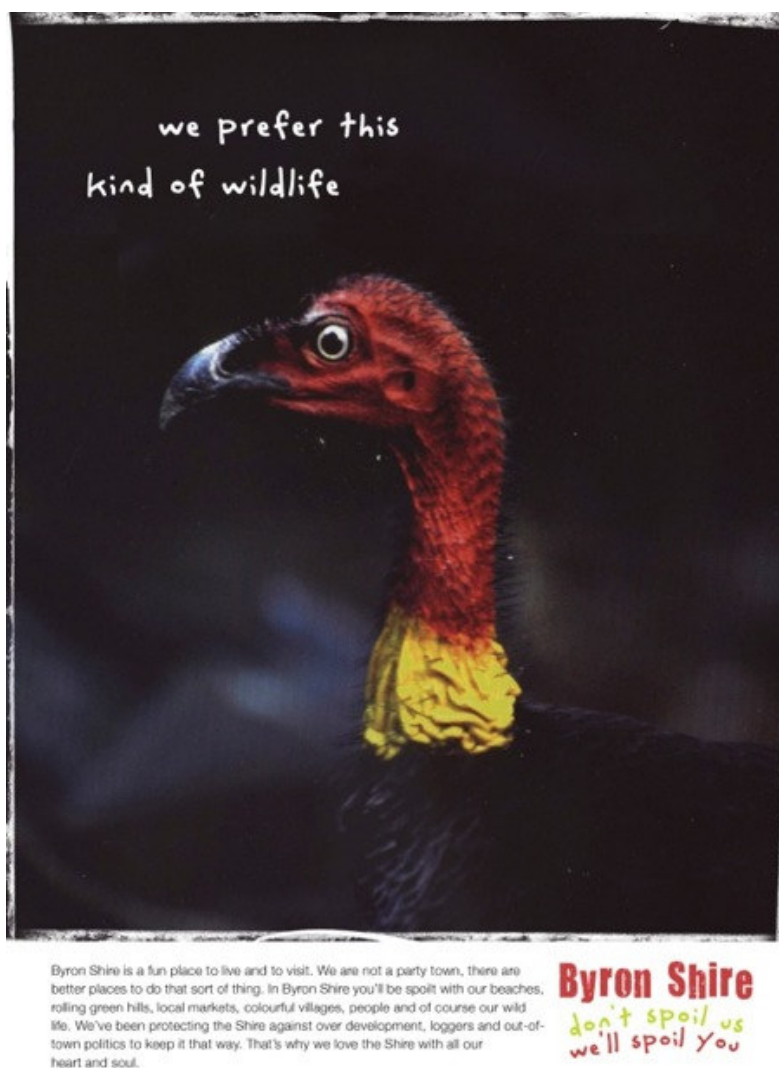
Currently, many jobs are secured by international and domestic visitors, causing angst amongst residents. A key strategy in the TMP is to improve access to employment in the tourism industry by local residents.

#### **4. The marketing and regulation of tourism**

Traditionally, the marketing of a destination is undertaken by the Local Tourist Organisation (LTO) and the State Tourism Organisation (Destination NSW). Up until 2012, Byron Shire has not had a LTO. In 2012, the Visitor Industry Association (VIA) Byron was formed with members of the Chambers of Commerce from each town and village, business operators, Councillors and Council staff. VIA Byron's charter is – 'to promote the development of the visitor industry within the Byron Shire for the economic benefit of the region'.

Until recently, there has been no coordinated approach to developing and adopting a consistent brand and image for Byron Shire. Marketing and public relations activities for Byron Bay have largely been driven by individual operators, with some coordination within the backpacker and holiday apartment sectors. As a direct result, this Byron Bay has a perceived "party-town" image. Byron Bay, however, has the advantage of being an established national and international holiday destination through consistent media appeal and coverage.

In 2012, Council endorsed a new destination brand for Byron Bay and its surrounding towns and villages. The new unified brand, Byron Shire – Don't spoil us, we'll spoil you (see the example overleaf) was established to create and maintain a positive image for the Shire that reflects unique and authentic visitor experiences related to nature, health and wellness, indigenous culture, cultural diversity, heritage and innovative enterprises within the Shire. The brand clearly demonstrates what we expect of visitors and overtime, Council is seeking to change the visitor mix to high yield, low-impact visitors who love and respect the Shire as much as the locals do.



VIA Byron have integrated the new destination brand into their current marketing campaign into the Sydney market to attract high-yield, low impact visitors. In addition, the new brand has been integrated into the upgraded Byron Visitor Centre website [www.visitbyronbay.com](http://www.visitbyronbay.com)

Council will be preparing media and communications kits to Destination NSW and Tourism Australia to ensure all messaging, images and content prepared to promote Byron Shire aligns with the new destination brand.

#### *The history of marketing Byron Shire*

In 2010, Byron United (the Byron Bay Chamber of Commerce) developed the brand, 'Byron Naturally' which was a cooperative marketing campaign with local business aimed to increase yield in Byron Shire by encouraging overnight visitation. This brand has now been superseded by Council's destination brand.

Brunswick Heads has established a marketing strategy, *Brunswick Heads. Simple Pleasures* that reflects and promotes the visitor experience in this destination that is different to the experience offered in Byron Bay.

Bangalow, through its Chamber of Commerce and A and I Hall Committee has been working to establish Bangalow as a unique daytrip and event experience within the Shire based on its heritage, interesting retail shopping and quality food and beverage experiences in the township.

The Byron Hinterland Group works cooperatively to promote visitor experiences in the hinterland of the Shire.

In previous years, Tourism New South Wales and Northern Rivers Tourism marketing campaigns have emphasised the spiritual and cultural diversity of Byron Shire to target new higher yield markets. For example, in 2009 the Rivers of Life campaign was launched. This campaign was focussed on promoting the region's food, education, wellbeing, art and culture, natural assets, beach culture, markets and events (<http://www.riversoflife.com.au/>). In addition, they offered cooperative marketing opportunities for operators over a number of years.

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

The current revenue base for Byron Shire Council is not sufficient to adequately provide for any new or upgraded infrastructure, which would be required to cater for visitor numbers, and the consequential demand placed on Council-provided services and infrastructure.

If the financial results of Council for the 2011/2012 financial year are considered, Byron Shire Council collected \$16.131 million in general rates but the depreciation or consumption of its asset base for the General Fund, where the majority of assets under Council's control are funded, amounted to \$12.457 million.

This indicates that 77% of Council's general rate revenue would be consumed by the current consumption costs of its infrastructure, before any other significant revenue funded expenditure could be sourced to renew, upgrade or construct new infrastructure let alone provide funding for the day to day operations of the Council in addition.

Before the inclusion of capital revenue (capital grants and contributions for the provision of new and renewal assets), Council incurred a loss in 2011/12 of \$10.031 million excluding any one-off items. Operating losses before capital revenue is a recurring theme for Council which in the longer term will need to assess its financial sustainability to generate sufficient recurrent revenue to fund its existing operations and to cover the cost of consuming its infrastructure assets.

An example of this is in relation to Council's road infrastructure. As at 30 June 2012, Council estimated it would cost \$207.429 million to restore its road network to a satisfactory condition with required annual maintenance of \$8.982 million. Currently Council allocates \$3.528 million to roads.

It is therefore difficult for Council, given its current financial capacity, to be able to fund current services and infrastructure.

Any increase in additional visitors, in particular day visitors would lessen the overall financial capacity of Council to be able respond to the needs of the Byron Shire community for services and facilities, if it was at the same time required to increase its financial commitment to addressing the impacts of tourism.

Council in the preparation of its Resource Strategy for the 2013-2023 period has identified that an injection of additional revenue funding would be required to enable Council to redress its current infrastructure issues, let alone provide for any increase in tourism numbers. Due to the limits on the capacity of the Byron Shire community to fund the existing services and infrastructure costs, additional external funding would be required to fund the increased costs resulting from the increased demands of any additional visitors to the Shire.

## **6. Any other related matter**

### **Rate-pegging restrictions**

The NSW State Government continues to place restrictions on local government revenue-raising; this is a particular challenge given the impacts of tourism on infrastructure. Rate pegging restrictions are issued each year by the Independent Pricing and Regulatory Tribunal (IPART). These restrictions limit the amount of the increase that Council can raise general rates by, unless a special variation is approved via application made by Council, in which case, particular criteria must be addressed and approved by IPART.

A recurrent sustainability indicator of Councils is the Rates and Annual Charges Coverage Ratio which indicates the reliance of a Council on rates and annual charges relative to other revenue to cover operational costs.

Rates and Annual Charges can be considered secured revenue where other revenue sources of Council are variable and can vary substantially from year to year.

As at 30 June 2012, Byron Shire Council's Rates and Annual Coverage Ratio was 33.42% for the General Fund, which is the Fund that contains the majority of Council's infrastructure assets. The accepted benchmark for minimum sustainability is 40-50%. Whilst Council is close to the accepted benchmark, rate-pegging still provides a limitation on the revenue-raising ability of Council to cover recurrent costs, without providing any additional general revenue to undertake the infrastructure works required to cater for any increased demands on services and infrastructure generated by tourism.

### **Impacts on waste management**

Waste collection is significantly impacted with high generation of waste from holiday rental properties and public waste bins. This has consequent impacts on Landfill capacity.

To cater for increased visitation during 'Schoolies' and New Years Eve celebrations additional waste collection points, services and staff are provided at a significant expense to Council at no return on investment.