

**Submission
No 71**

INQUIRY INTO TOURISM IN LOCAL COMMUNITIES

Organisation: Tourism Industry Council NSW

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General Purpose Standing Committee No. 3 – Inquiry into tourism in local communities

Submission of the Tourism Industry Council NSW



28th June 2013

The Hon. Natasha Maclaren-Jones MLC
Chair, Inquiry into tourism in local communities
6 Macquarie Street
SYDNEY NSW 2000

Dear Natasha

On behalf of the Board and members of the Tourism Industry Council NSW, thank you for the opportunity to put forward input for the Inquiry into tourism in local communities – General Purpose Standing Committee No. 3.

The background of the Tourism Industry Council NSW dates back to 2001 after the collapse of the former Tourism Council Australia and the creation of individual, state based Tourism Councils charged with providing advocacy and support to tourism enterprises.

The Council is primarily an advocate for all companies with an interest in tourism and we work with government, industry and community stakeholders to boost investment, employment and promotional opportunities for tourism throughout the state of New South Wales. Our membership mainly consists of small and medium enterprises, of which 90% of the state's tourism industry is derived. In addition, a large element of our membership are regionally based and from within local government.

We have recently amalgamated with the New South Wales Business Chamber and the Council will become a division of the Chamber from July 1st, 2013. However, this submission is provided separately to that of the New South Wales Business Chamber, on behalf of the Council's current membership.

Our Industry

The state's tourism industry is worth \$28.7 Billion in total consumption and accounts for one in every twenty-two jobs in New South Wales. Our state's national share of tourism consumption equates to 31.9%. It contributes \$11.1 Billion to Gross State Product, ranking above agriculture, forestry and fishing and just below mining.

The tourism products that mainly contribute to our state's economy are takeaway and restaurant meals, shopping, long distance passenger transportation, accommodation, food products and fuel.

It is estimated that the industry directly employs around 160,300 people, whilst indirectly employing another 129,300. (289,600 in total). This ranks tourism above agriculture, forestry, fishing and mining. There are more than 94,000 tourism businesses in New South Wales, of which 51,000 are deemed micro, small or medium sized.

In the year ending December 2011, overnight visitor expenditure to New South Wales was \$19.3 Billion, made up of 40% of intrastate visitors, 33% from interstate and 27% from overseas.

Visitor Economy Taskforce Action Plan

Committee members should be aware of the work of the Visitor Economy Taskforce, an industry led reform body stemming from the NSW 2021 blueprint as one of six industry action plans developed to drive the growth and development of the New South Wales economy. The Taskforce was challenged to provide recommendations for industry change in order to achieve a doubling of overnight visitor expenditure by 2020, \$36.6 Billion annually.

Work upon this Taskforce commenced towards the end of 2011 when fourteen advisory groups were set up and chaired by industry representatives. These task groups involved the participation of 319 tourism industry members, 91 submissions, 191 online comments and the attendance of a further 339 people across nine, state wide consultation meetings.

This work culminated in the *Final Report of The Visitor Economy Taskforce – A Plan To Double Overnight Visitor Expenditure To NSW By 2020*, released in August 2012. The final report identified 48 actions and 171 recommendations, arguing that incremental change isn't enough to deliver improved outcomes for the industry. It recognised that a business as usual approach would fail, that a change of mindset was necessary and the very real importance of the wider visitor economy and the benefits delivered to New South Wales.

In reply, Minister Souris delivered the NSW Government's response to the Final Report of the Visitor Economy Taskforce – *the Visitor Economy Industry Action Plan*. It supported 46 actions and 167 recommendations of the Visitor Economy Taskforce Final Report and outlines targets and strategies to achieve the target goal of doubling overnight visitor expenditure by 2020.

ROI on regional tourism funding grants

Regional tourism visitor numbers have been relatively stagnant for much of the last decade and it has been argued that the model used for regional funding initiatives was broken, dysfunctional and lacked co-ordination.

This model used an operational structure where bodies known as Regional Tourism Organisations oversaw the bulk of investment and promotions into local visitor economy activities. These bodies received income through membership as well as a fixed amount from Tourism NSW/Destination NSW for marketing/promotional activities as determined by the RTO's leadership body, the Forum of Regional Tourism Organisations (FORTO). There were little to no KPI's set for the distribution of these funds with very few rules or structures outlined for the expenditure of these dollars. The total amount set side annually is \$5.1 million.

However, **recommendation 47 of the Visitor Economy Taskforce report** was accepted by the Government, within its Visitor Economy Action Plan. It states "*Reform the operational structure and funding framework of regional tourism to enable funding to be allocated directly to destinations which have developed a Destination Management Plan and remove the requirement that all funding must be provided through the RTO network.*"

A requirement for the implementation of a **Destination Management Plan**, prior to receiving funding, has now been accepted by the Government, enabling a uniform, state wide approach. Whilst the model is still in its infancy, the removal of a silo approach to funding and marketing activities across local, state and commonwealth government activities is promising, facilitates greater integration and provides a systemic basis and criteria for the approval of destination funding initiatives. This new structure in theory, should provide a fairer approach to funding arrangements by creating a system that rewards the areas and organisations with the proper structures

and plans in place to effectively market and promote tourism products and services within a region. Destination Management Plan requirements are not new and have been used for many years in other states.

The Regional Visitor Economy Fund (RVEF) program announced by Minister Souris for the 2013/14 financial year implements the changes to the regional funding model by increasing the funding amount to \$7.2 million per annum for the next three years, but allocating \$3.7 million to Regional Tourism Organisation's and \$3.5 million as part of the competitive bidding process, enabling enterprises outside of the RTO structure to apply for funding for the first time. This new fund for the first time, opens up a competitive bidding approach to non-RTO's, allowing businesses and industry associations to apply for funding which was previously restricted to RTO's.

The RVEF model is being used for the first time and applications are still being received at the date of this submission. However, the intent of the new program is to provide a more equitable and effective distribution of funding of regional tourism that will generate a greater return on investment for the next three years of the agreement.

The full value of Visitor expenditure in regional New South Wales was worth more than \$12.8 Billion in 2012

Impacts of Tourism in LGA's

The benefits of increased tourism to a local town or region are obvious, yet the potential impacts of increased numbers can also lead to some negative consequences, particularly if a local town or region is unable or unwilling to boost infrastructure levels to cater for the expected influx at peak demand periods.

In a number of our coastal towns, major events often place pressure on the existing level of infrastructure, leading to issues relating to traffic congestion, parking and related facilities and services. The social impacts can often leave a less than desirable impression of the town from a tourist standpoint and potentially lead to negative views and perceptions of tourism at the local community level. If demand increases through more effective and strategic marketing, potential issues will only get worse without a proper long term solution.

Local Government is a significant provider of local services and infrastructure and plays a crucial role to manage conflicts that may arise between visitors and residents to ensure that the benefits of the visitor economy can be enjoyed.

Another concern raised by some of our members is the holiday letting issue which has recently been raised within the Gosford LGA. A recent decision of the New South Wales Land & Environment Court (*Dobrohotoff v Bennic NSWLEC61 2013*) regarding the short term letting of a Terrigal home was ruled to be illegal under that Local Government Area's Local Environment Plan.

Whilst the basics of this case would appear to be specific to the Gosford LGA and the impacts of certain behaviour by the tenants and the resulting impacts upon the local neighbourhood and environment were clearly a factor in the ruling, the Tourism Industry Council NSW is still of the belief that if similar rulings were made in other regions, a detrimental impact would be felt that could lead to a discouragement of holiday visitation, particularly in regional, coastal and resort areas.

Clearly, holiday letting plays a pivotal role in many regional economies, particularly as tenants will make use of local community facilities and infrastructure, often whilst shopping and eating at businesses within the local town centre. The challenge in this instance is for Government to reach a balance between community amenity and the

activities of the visitor economy, however, the Council does acknowledge the potential of some negative impacts of unregulated tourism as foreseen with the Terrigal matter brought before the NSWLEC.

Utilisation of Special Rate Variations to support local tourism initiatives

It is clear from a recent Treasury Corporation analysis of the financial state of New South Wales 152 Local Government Areas that most LGA's simply lack the capacity, balance sheets and appropriate rate base to implement the necessary plans to upgrade many community assets where necessary. Councils that place importance on the economic value delivered through attracting visitors have traditionally been required to fund local tourism activities from general revenue sources which have proven not to be sufficient to fund local visitor needs.

Whilst the Tourism Council believes that reform in local government is of high priority, we understand that it is not a matter to be considered by this committee and one that is better addressed by the current Independent Review Panel for Local Government and Minister Page.

We do however, reiterate our position that we have previously spoken on the record about - supporting the need for additional sources of revenue to support the activities of the Visitor Economy. This recommendation was highlighted in the Final Report of the Visitor Economy Taskforce and given support by the response within the Visitor Economy Action Plan.

The Tourism Industry Council NSW believes that there is a lack of sustainable revenue sources to fund critical visitor economy infrastructure and new product development and that changes need to be made to address these points urgently. A special rate variation allowing Local Government Area's to seek additional rate revenue which is outside of a rate cap (annual rate peg), that is paid for by local business on a council rates base and overseen by a newly created special purpose local entity would be an appropriate measure to source. The revenue would be invested according to agreed guidelines within a council or region's Destination Management Plan and would potentially address concerns where a business could benefit from the local visitor economy but not contribute to its development or wellbeing.

The final report of the Visitor Economy Taskforce provided examples within the Gosford LGA regarding the Terrigal Tourism/Business Development Special Rate, along with other options at Port Macquarie, Kempsey and Greater Taree LGA's. These examples show where a special rate was levied and applied within the local business community, overseen by an established Special Purpose Entity (a board represented by Council, community and local business) to fund local infrastructure that would benefit the visitor economy in a self-managed way. Funds would only be expended for the purposes of meeting the overnight visitor expenditure target, be consistent with the region's Destination Management Plan be fully transparent, accountable and subject to all necessary auditing and compliance obligations that may be required.

The difficulty of implementing this kind of additional rate source has been gaining approval through the Independent Pricing and Regulatory Tribunal (IPART), the body that a council must apply to for rate variations, over and above the rate peg. This system has been in place since 1993.

Recommendation 20 of the Visitor Economy Taskforce report was given in principle support by the Minister in the response of the Visitor Economy Action Plan. This recommendation states;

That the guidelines governing the consideration by IPART for approval to a special rate variation, above the rate cap and applied to businesses, be amended to include expenditure in relation to the visitor economy. The additional rate revenue should be outside the current rate cap and would be collected and accounted for by Councils. The expenditure of these funds would be overseen and administered by special purpose entities. The funds should be spent in accordance with relevant Destination Management Plans on those critical visitor economy initiatives necessary to achieve the 2020 target.

This in principle support was followed with a recommendation by the NSW Government to develop information specifically tailored to assist councils who wish to apply for a special rate variation to support visitor economy initiatives.

Natasha, thank you again for allowing the Tourism Industry Council NSW to have input into this inquiry. Should you require any further assistance or have any additional questions, please contact me on _____ or _____

Kind regards

Andrew Jefferies

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