

INQUIRY INTO TOURISM IN LOCAL COMMUNITIES

Organisation: Port Macquarie-Hastings Council

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Submission by Port Macquarie-Hastings Council

Inquiry into Tourism in Local Communities

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That General Purpose Standing Committee No 3 inquire into and report on the value and impacts of tourism on local communities. Port Macquarie-Hastings Council wishes to respond as follows:

1. The value of tourism to New South Wales communities and the return on investment of Government Grants and Funds

The tourism industry is an important contributor to the Port Macquarie - Hastings economy. Determining the value of tourism is difficult because the System of National Accounts (SNA) does not capture tourism as a single industry due to the diversity of products and services. Consequently, Tourism Satellite Accounts (TSA's) are used to supplement the SNA by measuring the economic contribution of tourism. The TSA estimates the worth of the tourism sector by combining the contributions of various goods and services across the economy. This then makes it possible to compare the economic contribution of the tourism industry, and its individual sectors, to conventional industries. (Source: State Tourism Satellite Accounts 2010/11, TRA).

Therefore the estimated output generated by tourism in Greater Port Macquarie for each industry sector has been deducted and consolidated into a separate tourism sector. Tourism contributes \$302.552 million to the total output for the Port Macquarie-Hastings region which is estimated to be \$6,199.008 million.

Further, for each dollar spent by a tourist in the Port Macquarie-Hastings region, it is estimated that typically \$0.56 is spent on 'Accommodation & Food Services', \$0.10 on 'Transport, Postal & Warehousing' and \$0.09 on 'Retail Trade'. These figures place tourism as the 7th largest industry sector in the LGA and the 4th largest employer.

Port Macquarie - Hastings (otherwise known as Greater Port Macquarie) attracts over 1.4 million visitors per annum who spend on average 2.8 million nights in the Port Macquarie - Hastings LGA. These visitors also invest over \$430 million annually into the local economy during their stay.

Port Macquarie Hastings Council has over the past 6-7 years leveraged yearly Government Grants and funding to achieve significant return on investment. Working closely with the local industry, utilising a special rate variation designated for destination promotion and augmenting this with Destination NSW Demand Building funding following are some examples of return on investment that has been achieved:

- Demand building campaign - Winter 2012 – participating operators provided a hot deal that secured year on year growth with Wotif of 19.2%. Compared to growth of all other operators on Wotif for the same period of 10.3% growth. This also represented a growth year on year for room night's of 21.3% for participating operators.

- Demand building campaign - 2011 Easter campaign – first year that we partnered with Wotif – year on year growth of **59%** of operator bookings. Over \$256,000 worth of direct bookings for \$50,000 campaign (the KPI was to increase brand awareness and convert sales).
- Demand building campaign in 2010 received \$239,000 direct bookings to operators; increased Facebook likes by 20% each month for three months.

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

Tourism also generates benefits to other industries that are not in direct contact with visitors, eg. industries that provide goods and services to the Tourism industry. While the direct economic impact of tourism to our economy is immediately obvious to most of us (for example, an increase in the number of visitors staying overnight in hotels which directly affects sales in the hotel sector), the indirect economic contribution of tourism is less known but equally important to understand. For example, a visitor may purchase a meal from a hotel; the hotel purchases vegetables and meat from a food supplier; the food supplier purchases these from a farming company; the farming company purchases labour and transport to deliver produce to market and so on. The chain of businesses that supply goods and services to the hotel industry represents successive rounds of indirect effects, eventually linking tourism to other producing sectors of the economy.

Around 45% of tourism expenditure occurs in areas outside of Australia's capital cities. The economic importance of tourism is not determined by the size of a region's tourism industry, rather by the region's reliance on tourism as part of its economic base (Tourism Research Australia (TRA) Sept 2012).

The 'holiday' market accounted for 52.7% of total visitors to the region, and 63.5% of visitor nights. The business market accounted for 11.7% of visitors, but a comparatively lower proportion of visitor nights (6.6%).

The main visitor source market for the region was visitors from 'Regional NSW' accounting for 48.3% of visitors and 43.7% of visitor nights. Sydney visitors accounted for 35.9% of visitors and 38.1% of visitor nights.

Visitors to the region had a comparatively higher proportion of visitor nights staying in rental accommodation (15.5% compared to 9.9% for NSW) and serviced apartments (5.9% compared to 2.6%). There was a higher proportion of visitors aged over 55 years (38.8%), compared to NSW (31%). The predominant lifecycle group visiting the region was 'Parent, youngest child aged 14 or less'. There were a total of 1,437,000 visitors to the region, with 703,000 being 'domestic daytrip travel', accounting for 48.9% of total regional visitation.

Of the 1,437,000 visitors to the region, 60,000 were international visitors, spending 263,000 nights in the region, accounting for 9.4% of total visitor nights.

For information relating to the economic value of tourism to the Greater Port Macquarie region, please refer to the response to Questions 2 above.

3. The impacts of tourism on Local Government Areas, including:

A. Infrastructure services provision and asset management

It is clear that tourism provides economic impact and contributes significantly to the Port Macquarie - Hastings economy. It follows that tourist visitation generates additional use of public facilities such as parks, gardens, pools, galleries and museums. It also generates demand on physical infrastructure such as roads, water supply, waste water systems, public toilets, signage, car parks and other public utilities such as broadband. More broadly tourist visitation can also increase demand for public services such as health facilities.

Local communities no doubt benefit from enhanced and improved infrastructure when it is supplied in response to this demand. But what is the capital cost associated with this? Who is responsible for this cost? What are the ongoing costs in terms of the maintenance of these facilities? What can the local community sustain?

The State government has set ambitious targets for growing tourism in NSW. This has been tied to contestable marketing and product development funds. It requires measurement and reporting by recipients to ensure all projects are working to meet these key performance indicators and targets. Port Macquarie-Hastings, together with many destinations up and down the East Coast, is a 'tourist town' as the statistics above clearly illustrate, with tourism providing key economic input to our communities. However with this comes additional demand on related infrastructure without any financial contribution from the tourists. It follows that increasing visitation will put additional pressure on local infrastructure which is already facing serious and significant challenges. For the Port Macquarie-Hastings region our infrastructure backlog is currently sitting at around \$187 million and that is the value to bring our infrastructure back to a satisfactory standard only.

It should also be noted that the recent NSW Treasury Corporation financial sustainability assessment for all NSW Councils found that North Coast Councils on average have a weak financial position with a negative outlook. Whilst the value of additional visitation is acknowledged, the reality is that without State Government financial assistance to address outstanding infrastructure backlogs the real impact will be to further burden community infrastructure, with the cost being carried by the local community. Local Councils are simply not in any position to fund the infrastructure required for the projected increase in visitor numbers.

A holistic approach to setting targets such as those included in NSW 2020, would be to commit to an associated funding model related to the specific infrastructure requirements of regions like Port Macquarie-Hastings.

B. Social impacts

It is well reported and documented that coastal communities around Australia are currently experiencing rapid population growth from 'sea and tree changers'. This is changing the face and structure of our community. Combine this with transient peaks of tourism and there are significant social impacts including unemployment, reduced household incomes, socio-economic disadvantage and in regards to the Port Macquarie Hastings region a large and growing aged population.

This presents challenges for Council to provide a wide array of services and facilities that attend to the needs of this growing and diverse range of stakeholders, including 'affluent' tourists with delivery expectations. Sustaining the delivery of services and facilities to secure ongoing visitation and the associated economic impact feeds into the existing pressures on Council budgets. It is clear from the figures detailed in section 1 and 2 that tourism is an important cog in our economic wheel and will continue to be so for many years to come. Working together with State government to find solutions to these funding shortfalls and developing other industry sectors is essential to address long term regional sustainability.

C. Unregulated tourism

Tourists bring many great community, conservation and economic benefits. As tourism delivers a great economic benefit to our local community it must also be noted that tourism in itself also has the potential to cause significant environmental harm if not managed sensibly. Port Macquarie-Hastings has long been a preferred holiday destination. This history together with a proactive Council and local tourism industry has resulted in guiding the development of a sustainable tourism industry that values the local environment.

However with the significant push to increase overnight visitation and the corresponding access to funding opportunities tied to this, there is a need to address any increase in the environmental impact on the region. Poor planning around visitor sites, beaches, waterways, parks and walking trails could lead to erosion, pollution and other management problems. Therefore with large targets to increase numbers of visitors coming to see the region, it is critically important that the NSW government address funding for adequate core services, facilities and maintenance of our natural resources.

D. Employment opportunities

The employment generated to service demand from visitors for each industry sector has been estimated through applying industry profiles from the Australian Bureau of Statistics TSA and consolidated into a separate tourism sector. Tourism is estimated to account for 1,858 jobs (8.0%) of the total 23,206 jobs in Port Macquarie-Hastings. The seasonal demand impacts overall employment and provides a challenge for retaining youth in the area.

4. Marketing and regulation of tourism

Fostering good working relationships between industry, Local Government, State and Federal Government puts in place a framework and structure that monitors, reports and regulates the marketing of Tourism.

Tourism businesses face a raft of regulations that they need to navigate their way through on a daily basis. Currently there are some local issues around planning and building regulations that are being discussed and will need to be addressed to assist in further development and enhancement of local accommodation. These relate most specifically to zoning issues for rural boutique and eco accommodation. Historically tourism offerings did not fit naturally into existing Planning schemes and therefore the process is unnecessarily complicated and expensive which is a disincentive for many.

From a Council perspective these applications can require specialised scrutiny and resourcing that may not be readily available.

5. Utilisation of special rate variations to support local tourism initiatives

Port Macquarie Hastings Council has had a special rate variation that has been applied to destination marketing since the late 1980's. These funds were specifically for the purpose of marketing and promoting the destination with the aim of increasing overnight visitation. This approach recognised that building awareness of the destination would have flow on effects on general investment and growth in the area.

The special rate variation has yielded great results for the Greater Port Macquarie region. Following are some examples of the outcomes over the past eight years:

- Can do attitude within Council planning that brought about new tourism 4- 4.5 star hotel developments. This in turn attracted new attraction development;
- New tourism operators have come to town, complementing the existing group of passionate tourism operators with a willingness to join together to market for the betterment of all;
- A Business Chamber that believes in the importance of tourism and supports the tourism association;
- A Council tourism team that really does work with industry as partners, listening to advice and allowing operators and Council to make the collective decisions;
- A Tourism Marketing Sub-Committee prepared to think strategically, react to change (i.e. our highest source market is now regional NSW rather than Sydney, with SE Queensland now a more important market than Victoria) and embrace the new digital world;
- A team i.e. Council, operators, businesses that embrace events and their flow on economic impact as well as ongoing development of the Port Macquarie Airport

Utilisation of special rate variations for destination marketing, coupled with a true partnership between Council and industry, has led Greater Port Macquarie to greatly increase overnight visitation, achieve double digit growth in a flat lined domestic tourism market and has also increased yearly visitor spend by 11% more than our nearest mid north coast competitor, being a difference of \$31 million.

6. Any other related matter:

In discussions with any local tourism operator or retail business, one common theme emerges as a barrier to business and that is wages. The current wages and penalty rates limit the ability of local businesses in regional areas to adopt an 'open-for-business' approach. This has a direct impact on our tourism offering and tarnishes the visitor experience when they find shops closed at times they would expect or require them to be open. This in turn affects our local employment and continues to have knock-on effects throughout the community.

As the contestable funding application date approaches it has also become apparent that the new funding criterion excludes many of our local operators. This relates specifically to two issues the first is the expectation that a business must have a minimum of \$50,000 in matching funds to be eligible. This is a large amount of money for small business and operators to source particularly in a regional area. It is also our

experience that smaller amounts of money spent on product development in a regional environment can have a significant impact on the product and the overall experience. Further many of our local operators are small businesses often family operated, recent changes to applicant eligibility criteria now require applicants to be a corporation which immediately renders a large component of our local operators ineligible. This seems to be in direct conflict with the VET strategic imperative to renew and revitalise destinations and enhance the visitor experience. It also seems to indicate a startling disconnect between the State government and the existing network of operators in regional areas.

Tony Hayward
General Manager