

INQUIRY INTO TOURISM IN LOCAL COMMUNITIES

Organisation: Tourism Snowy Mountains

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27 June 2013

Hon Natasha Maclaren-Jones MLC
Committee Chair
General Purpose Standing Committee No. 3
Legislative Council
Parliament House
Macquarie Street
Sydney NSW 2000

RE: Inquiry into Tourism in Local Communities Submission

Dear Mrs Maclaren-Jones

We enthusiastically welcome the Legislative Council's inquiry into tourism within local communities and trust that this submission, prepared by Tourism Snowy Mountains, will assist the committee in recognising the vital role that tourism plays specifically in this region's economy and throughout New South Wales.

Regional New South Wales welcomes about half of visitors to the state, yet it is evident that there is a distinct disproportional skew of developmental and marketing focus to the Sydney area. The potential for visitor economy growth in the state's regions is significant and needs to be thoroughly assessed and appropriately addressed.

BACKGROUND

Tourism Snowy Mountains (TSM) is an independent, not-for-profit, membership-based organisation recognised by Destination NSW as the official Regional Tourism Organisation (RTO) for the Snowy Mountains region.

Major contributing stakeholders are Cooma-Monaro Shire Council, Kosciuszko Thredbo Pty Ltd, Perisher Blue Pty Ltd, Snowy Hydro Limited, Snowy River Shire Council, Tumbarumba Shire Council and Tumut Shire Council. The RTO receives no capacity (administration) funding from state or federal governments. However, TSM does coordinate local operators in accessing demand-building (marketing) partnership funding from Destination NSW (DNSW) on an industry matched dollar-for-dollar basis.

VALUE OF TOURISM TO NEW SOUTH WALES

Despite a high Australian dollar and weak economic conditions, total tourism expenditure in Australia is increasing by approximately 5% per annum. It is estimated that total visitor consumption will exceed \$102 billion in 2012-13.

Approximately 45% of tourism expenditure in Australia occurs in areas outside capital cities. However, while total visitor nights in Australia are increasing at 5.6% per annum; in NSW growth is only 1.2%.

Despite relatively limited demand-building activities in regional NSW, the dispersal of visitor nights within the state is almost equally shared between Sydney and regional NSW – 52% to 48% respectively.

The relative importance of regional NSW markets is also expressed in visitor expenditure with tourists spending \$11.1 billion in Sydney and \$9.1 billion in regional NSW.

This level of tourist expenditure underscores the importance of tourism to regional NSW. It also highlights the opportunity for growth given application of an equitable share of capacity and demand-building resources.

VALUE OF TOURISM TO THE REGION

The visitor economy is disproportionately important in the Snowy Mountains region with 17% of the region's total economic output attributed to tourist expenditure. This is one of the highest ratios in Australia and more than double anywhere else in New South Wales.

There are only three other regions in Australia where direct visitor spending has a greater proportion of local economic output than Snowy Mountains. These are Central Australia, Phillip Island and Whitsundays.

<u>RANK</u>	<u>TOURISM REGION</u>	<u>ECONOMIC IMPORTANCE OF TOURISM</u>	<u>PURCHASER'S PRICES ('000)</u>
1	Central Australia	24.8%	\$411,000
2	Phillip Island	18.7%	\$391,000
3	Whitsundays	17.7%	\$685,000
4	Snowy Mountains	17.1%	\$495,000
5	West Coast Tasmania	16.2%	\$102,000
6	East Coast Tasmania	14.6%	\$129,000
7	Spa Country	14.3%	\$163,000
8	Kangaroo Island	14.1%	\$63,000
9	Tropical North Queensland	9.7%	\$2,761,000
10	Lakes Victoria	9.2%	\$296,000

For comparison, the impact of tourism in Victoria's High Country represents 7.2% of the area's total economic output. In Queensland, Gold Coast and Sunshine Coast each score approximately 6.5% and in Sydney and Canberra it represents approximately 2.5% respectively.

Direct visitor spending in Snowy Mountains is almost half billion dollars a year. For Year Ending 30 June 2012, it was estimated to have been \$468 million.

On average, each visitor spends approximately \$340 in Snowy Mountains. This per capita spend is substantially more than any other region in NSW and more than double regions such as Blue Mountains.

In terms of our community, based on an estimated resident population of 35,600, direct visitor spending represents \$13,144 for every man, woman and child in the region. This per capita expenditure is more than double anywhere in NSW, including Sydney.

There are few employment categories in the region that are not positively impacted by tourism.

Snow Industry

The snow resorts and associated industry is a key driver to the economy of the Snowy Mountains region, and has a significant positive impact for New South Wales.

The destination's reliance on the snow industry to support the local visitor economy is best demonstrated by vehicle entries to Kosciuszko National Park where resorts are located. The four-month winter season, June to September, accounts for approximately 65% of annual entries to the park.

In research by National Institute of Economic and Industry Research, the Snowy Mountains resorts were noted as the catalyst for a \$1.2 billion injection into the gross state product of New South Wales in 2012. This represented an increase of 19% on the previous year and up over 50% on the 2005 season. It was also estimated that NSW Government's taxation revenue, including share of GST, was over \$70 million.

The research found that Snowy Mountains' 2012 winter season was estimated to have contributed almost 65% of the economic impact of the snow season in Australia – delivering 80% greater contribution than Victoria.

The study confirmed the economic importance of the snow industry to the local region and to the New South Wales economy. However, with overseas snow holidays becoming increasingly accessible and affordable, competitive share-of-voice is increasing with consumer response following.

Morgan Research tracking indicates that 49% of Australians who went skiing or snowboarding on their last holiday went to an overseas destination. This had increased from 21% in 2001. Conversely, domestic destinations had declined from 79% in 2001 to 51% ten years later.

Other recent research has also identified falling participation rates with an increasing number of lapsed users. There is a need to stem the leakage to offshore destinations and concurrently increase domestic participation rates to continue and grow the economic benefits to the region and to the state.

RISK FACTORS

The region's economic reliance on tourism has potential downsides. Like similar tourism-oriented regions around Australia, it is potentially more susceptible to tourism downturns. Additionally, the seasonal nature of tourism in the region and reliance on snow falls creates greater vulnerability to potentially impact the local economy.

A recent Tourism Research Australia (TRA) study showed that the skew of visitations to winter had major implications for the regional economy that should be addressed.

The seasonal nature of arrivals created difficulty in year-round viability and maintenance of a permanent labour force. This, of course, has an affect on the attraction of investment in tourism assets and infrastructure, including services such as the provision of transport, social and welfare support.

However, despite the inherent risks, the tourism industry can be the catalyst that spawn other more diverse and integrated economic activities. The history of Queensland's Gold Coast and Sunshine Coast are fine examples of destinations that have diversified into sophisticated economies from an initial base of tourism related activities. Visitor expenditure now represents less than 7% of the total economic output of both these regions.

MARKETING OF TOURISM

Over the next three years, DNSW's new Regional Visitor Economy Fund (RVEF) will hold total funds of \$7.2 million per annum. However, this represents only 6% of DNSW's total annual budget. This allocation for the whole of regional NSW only equates to the size of the Gold Coast region's marketing budget.

New South Wales tourism marketing has historically been the most fragmented of the main Australian states. While one of the most diversified markets, it has failed to deliver holistic umbrella marketing. In particular, despite the economic performance of regional NSW, the state's emphasis continues to be Sydney-centric.

A holistic and effective brand platform is required for the state with greater weight given to the exceptional, world-renowned tourism attributes in regional NSW.

UTILISATION OF SPECIAL RATE VARIATIONS

The importance of growing local visitor economies is being recognised by local governments all over Australia. It is a compelling reason to build the effectiveness of regional tourism organisations. In many communities, there has been a paradigm shift with RTOs being re-established more as economic development agents and increasingly funded through local government and business mechanisms.

For perspective, Gold Coast Tourism achieves revenues of approximately \$16.6 million annually. It is estimated that over 80% (\$13.7 million) is derived from Gold Coast Council's tourism business levy. This along with state and stakeholder contributions allows the RTO to mount marketing campaigns valued at approximately \$14 million annually. For perspective, this is the total potential budget of regional NSW should industry match the complete amount in DNSW's Regional Visitor Economy Fund.

Destination Sunshine Coast achieves revenues of approximately \$5 million annually largely derived from within \$6.7 million in local council business levies. This enables over \$3 million in annual marketing allocations.

Snowy Mountains' sister region in Victoria, Tourism North East, with a visitor economy of similar size, achieves annual revenues of approximately \$1.8 million. Marketing expenditure is approximately \$1.4 million annually. Its funding largely comes from a combination of six LGAs, local business levies, and resort gate fees with a minimum capacity guarantee of approximately \$400,000 per annum.

<u>RTO ENTITY</u>	<u>REVENUE F11/12</u>	<u>MARKETING</u>	<u>LEVY</u>	<u>ECONOMIC OUTPUT</u>	<u>DOMESTIC OVERNIGHT</u>	<u>INTERNATIONAL OVERNIGHT</u>	<u>VISITOR SPENDING</u>
Gold Coast Tourism	\$16,600,000	\$14,000,000	\$13,650,000	6.4%	3,400,000	747,000	\$4.6 billion
Australian Capital Tourism	\$14,000,000	\$5,000,000	Government Entity	2.6%	1,900,000	163,000	\$1.3 billion
Destination Sunshine Coast	\$5,200,000	\$3,200,000	\$6,700,000	6.7%	2,900,000	238,000	\$2.4 billion
Tourism North East	\$1,750,000	\$1,350,000	Base \$400,000 +	7.2%	1,200,000	19,800	\$470 million
Tourism Snowy Mountains	\$244,000			17.1%	711,000	15,000	\$468 million

SUMMARY

Tourism has a major positive impact on the Snowy Mountains region and its economy. In proportion to resident population, the visitor economy is larger here than in any other part of New South Wales including Sydney.

Although our local visitor economy is heavily skewed to winter, unrealised potential for growth exists through the entire year. Just a 1% increase in visitor numbers across the year will inject \$5 million in direct expenditure into the local economy per annum.

Achievement of the NSW Government's target of 8% per annum growth puts \$40 million into the local Snowy Mountains economy. This would be a significant economic and social boost to the sustainability and progression of the local community.

Tourism Snowy Mountains believes this is achievable. However, with limited local resources, it requires a combination of strategic planning and allocation of appropriate state and federal resources to stimulate the initial momentum.

Snowy Mountains and regional NSW abounds with compelling tourism product. The primary challenge is strategic packaging and marketing. This requires funding to a level that provides competitive share-of-voice in a national and international context.

With growth in international arrivals, forecast to exceed six million this year, it is estimated that spending by the international segment in Australia will exceed the value of the total domestic holiday market by 2018. In particular, southern regional NSW has potential to benefit significantly from Canberra Airport's pending international status.

Tourism Snowy Mountains believes that more equitable support for regional New South Wales in an integrated tourism framework of domestic and international packaging and marketing will have a disproportionate economic benefit for regional communities and assist in re-energising the development of tourism for New South Wales.

Thank you for the opportunity of presenting this submission.

Sincerely

Peter Sheppard
CEO

