

INQUIRY INTO TOURISM IN LOCAL COMMUNITIES

Organisation: Destination Port Stephens

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Partially Confidential

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26th June 2013

General Purpose Standing Committee No. 3
Parliament House
Macquarie Street
Sydney NSW 2000

To whom it may concern

This submission to the "Inquiry into Tourism and Local Communities" is made on behalf of Destination Port Stephens, an organisation that represents 212 local members and has the responsibility for marketing Port Stephens as a destination since 1965. The organisation:

- enjoys the strong support of Port Stephens Council
- is widely accepted as the local authority on tourism
- has since 1965, actively represented the interests of regional and local tourism on boards, committees, organisations at local, regional and state level
- has overseen and led the development of a mature tourism destination in NSW

The submission has been prepared by the Marketing Manager, Mr Tars Bylhouwer and endorsed by the board of Destination Port Stephens and all queries can be directed to either the Mr Tars Bylhouwer or the Chairman, Mr Michael Aylmer

Yours sincerely,

Michael Aylmer
Chair
Destination Port Stephens

www.portstephens.org.au


P.S. I love you xx

Submission to the Legislative Council inquiry into tourism in local communities.

This submission is made on behalf of Destination Port Stephens. Some of the specific examples given in this submission are provided by the Marketing Manager, Mr Tars Bylhouwer who has been in that role since 1996 and are provided only to illustrate some of the points raised.

1. Value of Tourism to NSW communities and the return on investment of Government grants and funds.

The return on investment of government grants and funds is extremely difficult to quantify at a local level. The value of tourism generally to the Port Stephens community is immense in many ways as is the financial support and expertise provided by the various state and federal bodies. It is however relevant to acknowledge the fact that state funding and grants have enabled Destination Port Stephens to undertake and participate in a range of campaigns and activities that we otherwise would not have been able to do. As a destination, we at times question "how" the funds are administered but the necessity for financial support and provision of expertise that grants and funding is not questioned. It is seen as beneficial and necessary. See also comments under next point.

The whole question of ROI we believe also needs to be looked at carefully. Most funding in the past and under the current structure have mandated measures such as sales, bookings, inquiries etc etc. This is seen as absolutely relevant for tactical campaigns or tactical components of campaigns however strategic campaigns generally have goals such as building brand awareness, destination

knowledge, intent to travel and so on. It follows then that the measures for strategic activities need more appropriate measures. Other than the ongoing Brand Health Tracking and overall long term visitation, there is little direct feedback on campaigns; other than the tactical measures. This is not necessarily a criticism but an observation that highlights the difficulty and care that needs to be taken with ROI approaches.

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

The value of tourism to our local community is enormous but difficult to quantify. Using the National and International Visitor Survey data, tourism is estimated to directly contribute over \$400million to our local community last year however this is only part of the picture.

The essence of the difficulty in measuring value starts at the National Accounts where tourism is not recognised as an industry. When attempts are made to quantify the economic benefit in the Port Stephens LGA, there are numerous sources that help paint a picture (including the NVS, IVS, ABS etc) however all these measures are limited by constraints such as sample size, narrow focus and incomplete and inconsistent analysis as is the case with ABS accommodation measurements. Whilst as an organisation we are comfortable to state that tourism is arguably the largest local industry, the economic data tells us that manufacturing is the largest segment and tourism effectively does not rank: clearly the data does not match the reality.

Other measures of value to our community include the social and cultural benefits, especially with regards to international tourism.

Whilst increased tourism does indeed have impacts on our physical environment (see below) it is also an important catalyst in preserving our environment. The prime example in our case is the value of dolphin and whale watching. The direct commercial benefit of these two activities alone have been independently measured at contributing in excess of \$20 million annually to the local economy and has also ensured that there is a vested interest in protecting the species. The ability for visitors from around the world to reliably witness these much loved animals in their natural surrounding has helped lift the public perception of the responsibility we all share in caretaking our natural environment.

Tourism also brings recreational and facility benefits to our community. For example, increased shopping diversity, supply of attractions and activities, public amenities, increased service provision such as ambulance, police and supply of utilities such as water and electricity, all of which are enhanced by the need to service the visitors to the area. Residents benefit from this with a definite improvement in lifestyle.

3. The impacts of tourism on Local Government areas

The impacts of tourism on Port Stephens as an LGA are real but probably not much different to other local communities. Issues such as crime, traffic congestion, increased prices, parking, vandalism are all prevalent to various degrees at various times within the community however their collective impact are not major; especially when compared to the benefits that tourism brings.

4. The marketing and regulation of tourism

Tourism in NSW has traditionally been administered and co-ordinated under a regional model and the implementation of that model from the Port Stephens

perspective, we believe, was fundamentally flawed. The system, as it was, caused confusion, lack of consistency in branding, duplication of efforts and was divisive from a destinational point of view. Examples include:

- a) **Confusion of branding:** In the case of Port Stephens, we are (until 30th June 2013) part of the North Coast Destination Network. Prior to the regional amalgamation with Northern Rivers, Destination Port Stephens was a member of the Mid North Coast: we were in the North Coast campaign zone: we worked collaboratively with other LGA's, LTA's and RTO's as part of a loosely defined Sydney Surrounds group: and, we had operators who believed they were in the Hunter Region and indeed dual branded their product (the system actually encouraged and fostered this).
- b) **Confusion at Tourism Awards:** A number of Port Stephens based operators won regional tourism awards in same category in both the Hunter and Mid North Coast regions in the same year. Additionally, a number of regional winners variously went on to state level as Hunter or as part of the Mid North Coast, in essence, we had a situation whereby 2 regions proudly promoted winners as being part of their own region.
- c) **Confusion from a product perspective:** when an adjoining region needed more product (e.g Worimi Conservation Lands) as a key experience, it is simply "borrowed" and branded accordingly. Consumers were faced with one marketing message proudly proclaiming Worimi Conservation Lands as being in the Hunter, another claiming them to be in Port Stephens and another claiming them to be on the Mid North Coast and yet another claiming them to be part of Newcastle.

d) **Questionable value of grants** : Previous Tourism NSW campaigns either required or offered media buy in components that were sourced from media buyers who contracted at a government rate. Typically under this model the state purchased the media and underwrote 50% of the cost with the local destination paying the other 50%. This arrangement looked enticing from our perspective however the irony was that in many situations, we as a destination were able to source the same media for a much lower price. There have been numerous instances where our purchase price was less than half of the government contract rate. In some instances we still partnered with TNSW on the basis of a “team effort”, and in recognition of additional research and advice that the media buyers had provided however financially we were better off purchasing directly.

e) **Cost of administration**: Under the regional model, administration of Demand Building funds was a significant cost to the local destinations. In the case of Port Stephens, we were levied 10% of the total cost of a campaign funded dollar for dollar by state funds. This equates to 20% of the marketing grant funding diverted to completing the forms, evaluating the campaigns and keeping the regional office operational. In addition, we paid \$10,000 per years (\$5k from Destination Port Stephens and \$5k from Port Stephens Council) in membership fees plus commitment of time for staff to sit on boards etc. Like the previous point, RTO sourced initiatives with direct buy in were also commonly costed higher than if we purchased directly. It is acknowledged that the RTO provided other functions over and above the dissemination of state marketing funds however the point

is that there is a significant cost associated with administering the grants and one would question whether the state and local communities have received the best possible benefits from those funds.

It is our understanding that regions were initially administrative structures; a form of decentralisation. Whilst this may have been the intent to start with, the regions fast became marketing organisations selling their own regional brand. Each region was different in their approach however in the case of Port Stephens, we were forced to market under the Hunter umbrella despite empirical evidence indicating disparity of consumer perceptions between "Hunter and Port Stephens". The Tourism NSW regional model did not cater for this and as a result, Port Stephens changed regions in the year 2000. The move to the North Coast was not because of a "better branding fit" but based on more accommodating branding requirements of this region and significantly reduced administration costs. Despite the move, Tourism NSW still allowed operator participation in the Hunter Region and indeed overlaid a somewhat informal "Sydney Surrounds" region. It seemed that the system needed to be flexible when it suited the state but inflexible in addressing the problems faced by areas such as Port Stephens.

Another practical implication of the regional model was the restrictive (from our perspective) regulations from TNSW perspective. Two quick examples include:

- Communications from TNSW regarding marketing activities had to go via the region to Port Stephens. There are many instances where "unofficially", TNSW staff had to bypass the directive to accomplish

the task at hand whilst maintaining the illusion that communication protocols were being followed.

- Under the Hunter regime, Port Stephens Tourism was prevented from attending the Australian Tourism Exchange (ATE) one year. Advice from Tourism Australia, was that it was a state decision. Contrary to this, TNSW advised that rejection of our application was at the behest of Tourism Australia.

The implementation of "Campaign Zones" overlaying the regions added another layer of confusion from the consumers' perspective. Based on consumer research, the Hunter, Mid North Coast and Northern Rivers were all grouped under "North Coast". TNSW staged campaigns based on the zones while the regions concurrently staged their own branded campaigns.

To sum up the confusion at the time, Port Stephens was marketed under its own brand, as well as under Hunter, Mid North Coast, North Coast and Sydney Surrounds! To put this into perspective, the Brand Health Tracking shows "Port Stephens" as the number three considered destination in the state for short breaks, after the Hunter Valley and Blue Mountains.

Added to this situation, an inordinate level of energy has been spent over many years by regions, LTA's, LGA's, politicians, TNSW staff and indeed operators fighting regional alliances / branding in the face of sound consumer research supporting the notion of destinations. Independently all these organisations were no doubt simply trying to do the best for their own stakeholders and interest but the effectiveness of the approach would have

to be questioned, especially in light of the overall performance of tourism in the state.

From a Port Stephens perspective, the VET report was extremely well received as it espoused and supported a focus on destinations. The adoption of well researched Destination Management Plans (DMP's) was also well received as it appeared that the approach to marketing was moving towards recognition of the consumer which, from our perspective, should always have been the case. Our understanding of the new model was that destinations would not necessarily have a regional administrative regime imposed on them but rather they would have flexibility to work with partners as appropriate and as justified in a DMP. Destinations could use a regional model voluntarily if it achieved their goals in the most effective way. The board of Destination Port Stephens supported this approach and commenced development of a DMP early in 2012.

The implementation of the VET report does however seem to differ in a few areas from the original intent in that regions are once again supported and indeed deemed necessary. Destination Port Stephens elected not to renew membership with the North Coast Destination Network or any other regional body but instead collaborate and partner with various organisations and destinations to achieve the goals in our DMP. To date these partnerships are looking promising however, not being part of a region precludes us from accessing quarantined funds.

Port Stephens is a mature tourism destination and the sentiment of the current board of directors of Destination Port Stephens is that more direct

communication with Destination NSW will only improve our effectiveness in marketing as will be the ability to market our destination without regional branding or administration constraints.

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

Port Stephens LGA currently has a business levy in place and Port Stephens Council allocates a portion of this levy to Destination Port Stephens for the purpose of marketing the destination. This funding does not cover the cost of effectively marketing the destination and hence Destination Port Stephens also relies on other significant support from Port Stephens Council, direct membership funds (which also bring additional administration costs and issues) and significant co-operative buy in from the industry. The anomaly here is that the member sourced funding produces benefits for all local businesses and residents; i.e. part of the burden of destination marketing falls to a group of members. It goes without saying that Councils contributions effectively come from the whole community and the business levy from all local businesses.

From an equity and efficiency perspective, it could well be argued that a general rate levy (residents and businesses) at an adequate level to support the needed destination marketing efforts is a model worth consideration.

6. Any other related matter

Destination Port Stephens strongly supports the findings and direction of the Visitor Economy Taskforce report. We strongly believe in and welcome notions of

accountability and transparency and in the need for government support to establish much needed projects. The notion of spending state tourism dollars where they will produce the best result is also supported and it is recognised that state should play a lead role in issues such as infrastructure provision and market development (especially international and interstate markets). The necessity to be a part of a Regional Tourism Organisation is questioned and seen as a retrograde step. We strongly believe in collaboration and partnerships at all levels and as an organisation, will continue to forge these as and where appropriate. The model needs to be flexible to allow for the best individual and state outcomes.