

**Submission
No 60**

INQUIRY INTO TOURISM IN LOCAL COMMUNITIES

Organisation: NSW Business Chamber

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28 June 2013

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

Submitted electronically

Dear Ms Maclaren-Jones,

The NSW Business Chamber (“the Chamber”) welcomes the opportunity to make a submission to the General Purpose Standing Committee No. 3 Inquiry into tourism in local communities.

As you may be aware, the Chamber is one of Australia’s largest business support groups, with a direct membership of more than 12,000 businesses, providing services to over 30,000 businesses each year. Tracing its heritage back to the Sydney Chamber of Commerce established in 1825, the Chamber works with thousands of businesses ranging in size from owner operators to large corporations, and spanning all industry sectors from product-based manufacturers to service provider enterprises.

The Chamber is a leading business solutions provider and advocacy group with strengths in workplace management, occupational health and safety, industrial relations, human resources, international trade and business performance consulting.

Operating throughout a network of offices in metropolitan and regional NSW, the Chamber represents the needs of business at a local, regional, State and Federal level, advocating on behalf of its members to create a better environment for industry.

With our membership spanning across NSW, with many member businesses either operating in the tourism sector or impacted by it, this review is very much welcome.

Set out below are some of our key concerns and suggestions for reform in this vital sector:

Value of Tourism to the NSW Economy

Tourism is an important component of the NSW economy with the sector contributing \$28.7 billion to the State's economy¹, directly supporting more than 160,000 jobs and over 96,200 businesses.

The NSW tourism industry is dominated by small businesses. 51,000 of tourism businesses operating in NSW are micro, small or medium sized. Tourism policy must therefore be fundamentally focused on addressing the needs and supporting the operations of small business.

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¹ Media Release: Inquiry into Tourism in Local Communities, 9 May 2013

[http://www.parliament.nsw.gov.au/prod/parliament/committee.nsf/0/ac27770843f1f18bca257b66001714bb/\\$FILE/Media%20release.pdf](http://www.parliament.nsw.gov.au/prod/parliament/committee.nsf/0/ac27770843f1f18bca257b66001714bb/$FILE/Media%20release.pdf)

Communities with a thriving tourism industry often see growth in other sectors. As tourism increases, so too do opportunities for more businesses to develop that might not have arisen based on the resident population alone. Supporting, tourism is therefore an important way of providing economic diversification in many communities that rely heavily on one or two industries, such as in many rural communities. By providing additional income, tourism is able to support such areas through difficult financial times by creating new businesses and commercial activities.

Key Tourist Regions

Tourism is particularly valuable to regional, rural and coastal communities. With the majority of NSW residents living along the coast, the coastal tourism trade has a wider ability to harness potential tourists.

However, there are many regional and rural areas that are working exceptionally hard on drawing tourists from metropolitan areas to their regions for short stays and weekends.

According to Tourism Research Australia (TRA), New South Wales has 14 official tourism regions.² Three NSW regions were included in TRA's list of Top 20 tourism regions ranked by economic importance of tourism, which were measured against the Australian benchmark of 3% of GDP derived from tourism. The NSW regions included were the Snowy Mountains (17.1%), Mid North Coast (8.7%) and Northern Rivers (6.1%).

Return on Investment from Government Grants and Funds

With a number of new grant measures having only been recently introduced (or due to be introduced – such as those under the Regional Visitor Economy Fund) it is hard to assess how effective these approaches have been.

While, obviously, more grant funding is always welcomed, a number of our regional offices have expressed fundamental concerns in relation to the process of grant funding and that more needs to be done in order to rigorously assess grants in terms of their outcomes, operation and effectiveness.

The Chamber would therefore support a more transparent system of assessment of grants – or alternatively more targeted assistance on key areas (e.g. a local tourism infrastructure fund focused on critical amenities for the tourism sector).

Feedback from Chamber members in regional NSW has been for making promotion of regional tourism a higher priority, as opposed to Sydney-centric funding or campaigns.

The Chamber is supportive of the Recommendation 47 of the **Visitor Economy Industry Action Plan** to reform the operational structure and funding framework of regional tourism that allows funds to be allocated directly to destinations that have a Destination Management Plan, removing the requirement that it pass through the RTO

² Tourism Research Australia (2011) *The Economic Importance of Tourism in Australia's Regions*, Department of Resources, Energy and Tourism
http://www.ret.gov.au/tourism/documents/tra/the_economic_importance_of_tourism_in_australia%27s_regions_final.pdf

network. The Government's response that this will be made on a more contestable basis is great news to the tourism operators, local businesses, industry and other stakeholders, as projects will be considered on a criteria and merit basis and thus won't be distributed on an ad hoc basis. This opens up the pool of funds to a wider selection of applicants and provides greater transparency of funding arrangements.³

Infrastructure services provision and asset management

As this inquiry reflects, tourism plays an important role in the life of local communities in NSW. While the sector is a key economic driver for many local areas, the benefits from tourism do need to be appropriately balanced with the needs of local communities who live in those areas. As tourist numbers increase, demand for facilities such as adequate amenities such as parks, roads, visitor centres, hotels and other public spaces increase commensurately.

Local government as the provider of local services and infrastructure plays a vital role in balancing these needs and ensuring that both residents and visitors alike are able to enjoy the benefits of tourism.

While much has been done over the last few years in terms of improving local government capacity in terms of both managing assets and delivering services (primarily through the introduction of the Integrated Planning and Reporting framework) more needs to be done.

As has been expressed by the Chamber in its submissions to the current reviews of the local government sector, more needs to be done by councils in terms of the shared delivery of services as well as in better co-ordinating, at a regional level, its economic development and tourist promotion responsibilities. Far too often councils compete against each other rather than trying to work together in supporting their communities.

Unregulated Tourism

The Chamber has heard from a number of members concerned with recent court decisions related to the issue of holiday letting. While the Chamber appreciates that there are broader community concerns about the impact that unregulated holiday letting can have on a particular area, recent decisions by the Land and Environment Court encroach unfairly on landowners fundamental rights to utilise and gain value from their land.

The decision of the Court in *Dobrohotoff v Bennic* [2013] NSWLEC 61 has pulled into sharp relief the fundamental tension in land use planning between a landowner's right to deal with a property as they choose and a regulatory authority's right to regulate that property. In that case, Pepper J held that a dwelling-house under the Gosford Planning Scheme Ordinance in the 2 (a) zone could not be used for holiday rentals by reason that the use would not be "*for the purpose*" of a dwelling-house because it was not being occupied in the way a family or other household group would do.

Pepper J stated in that case at [44]:

³ Visitor Economy Industry Action Plan, The NSW Government Response to the Final Report of the Visitor Economy Taskforce (December 2012), http://www.business.nsw.gov.au/_data/assets/pdf_file/0006/26349/121218_VE-IAP-Full-version_FINALv2.pdf

[I]t could not be fairly said, looking at its use as a whole as short term holiday accommodation, that, as a matter of fact, the property was being occupied in the same way that a family or other household group in the ordinary way of life would occupy it. A tenancy granted to persons who are residing in a group situation for periods of a week or less for the purpose of bucks and hens nights, parties or for the use of escorts or strippers, is, in my opinion, not consistent with a use or occupation by a family or household group in the ordinary way of life, and therefore, not consistent with the use of the property as that of a “dwelling-house” (Blacktown City Council v Haddad [2012] NSWLEC 224 at [35])

While the Chamber is in no way condoning the behaviour of those occupiers who used the property, it is interesting to consider that if an owner of a property immediately adjoining the subject property used that property “for the purpose of bucks and hens nights or parties” applying the reasoning of the Land and Environment court there would be no ability for that use to be challenged (other than for the behaviour to be managed through noise complaints etc). This issue should be examined in more detail as holiday letting plays a key role in many regional economies and needs to be managed appropriately to ensure a balance is struck between community amenity and private property rights.

Employment Opportunities through Tourism

4.5% of employed persons in NSW work in the tourism industry with more than 289,600 employed in total. 160,000 people are employed directly and a further 129,000 employed indirectly. One-quarter of those are directly employed by cafés, restaurants and takeaway food services, whilst retail trade, education and training, and travel agency and tour operators make up the next highest employing sectors. Tourism and travel directly account for 1 in every 21 jobs in NSW.⁴

As tourism can operate around the clock, there are many opportunities for a diverse workforce to undertake meaningful work that provides stimulating, but flexible careers, including young people, shift workers, casual workers, tourists on working holiday visas and low-skilled people who may lack formal qualifications.

However, tourism may be considered to be a potentially more sensitive industry that is highly dependent on external factors when compared to other industries. Some forms of tourism only cater for seasonal demand for example water parks and other coastal activities are busiest in the warmer months, whilst other areas like snowy mountainous regions are heavily dependent on quality ski conditions in the winter months. The weather creates an extremely high demand for casual/holiday workers if the conditions are favourable to each location. If they are not, demand will plummet and the employment prospects are unlikely to be ideal.

⁴ Final Report of the Visitor Economy taskforce: A Plan to double overnight visitor expenditure to NSW by 2020 (June 2012) NSW Trade and Investment
https://www.business.nsw.gov.au/_data/assets/pdf_file/0003/24375/VET_finalreport_20120810.pdf

The utilisation of special rate variations to support local tourism initiatives

The Chamber believes that the current system of local government rate pegging, whereby annual increases in council income from rates is limited by a percentage set by the IPART, has assisted in driving efficiencies within councils.

The Chamber accepts however that, contingent upon the rational and substantial consolidation of councils and demonstrated improvements to their financial and asset management systems and performance, liberalisation of the current system would be appropriate. This liberalisation could include allowing special rate variations to support local tourism initiatives.

Thank you for the opportunity to participate in this consultation. If you have any further questions in relation to this submission, please feel free to contact Mr. Craig Milton, Policy Advisor,

Yours sincerely,

Paul Orton
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NSW Business Chamber