

**Submission
No 51**

INQUIRY INTO TOURISM IN LOCAL COMMUNITIES

Organisation: YHA Ltd

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YHA LTD

To provide opportunity for all, but especially young people, for education by personal development, fostering friendship and bringing about a better understanding of others and the world around them.

Hon Natasha MacLaren-Jones MLC
Committee Chair
Inquiry into Tourism in Local Communities
Legislative Council
Parliament House
Macquarie Street
Sydney, NSW 200

27 June 2013

Dear Natasha

I am pleased to enclose a submission from this Association to the Inquiry into Tourism in Local Communities.

We wish the Committee well in its investigations and will be pleased to elaborate on any points that we have raised.

Yours Sincerely

Julian Ledger
CEO



**Submission to the General Purpose Standing Committee No.3 of the
Legislative Council – Enquiry into Tourism in Local Communities**

YHA LTD – June 2013

The YHA is a not-for-profit company limited by guarantee established to develop education through travel. It is a member of YHA Australia and through that body a member of the Hostelling International network with some 4000 youth hostels in 80 countries.

In Australia there are almost 100 YHA properties and of these 40 are in NSW. YHA youth hostels are used by international visitors and Australians and by individuals, families and organised groups. The YHA network in NSW extends from Sydney along the Pacific and Princes Highways and inland to locations such as the Blue Mountains, Southern Highlands, Albury, Thredbo and the New England Highway. YHA's origins revolve around in particular encouraging young people to travel out of cities and to visit, explore and appreciate the natural environment. To this end YHA works closely with regional tourism organisations, highway promotional bodies and national parks.

YHA has been an active member of the tourism industry in NSW for many years as a founding member of the Tourism Industry Council, a founding member of the Backpacker Operators Association and has worked closely with Tourism NSW and more recently Destination NSW. The YHA CEO is a former Director of Tourism NSW.

YHA believes that regional tourism is an important part of the NSW economy and beyond simply bringing revenue into regional communities also adds value to them through the contribution made by visitors. Thus for example festivals and events that are designed to attract tourists also become important in enriching the lives of local residents.

However all is not well with regional NSW tourism as on the one hand the number of Australians travelling overseas each year has in recent years grown from 2 million to over 8 million and on the other hand the strength of the Australian dollar has proven a substantial deterrent to international visitors and in particular has inhibited regional dispersal as they have found Australia expensive. The development of tourism to many regional destinations is inhibited by a mixture of distance, transport costs, aging infrastructure, uneven customer service and a general feeling that these places can be visited sometime in the future when one is older.

Tourism is by its nature a sustainable industry. When extractive industries have depleted resources and jobs have moved on, tourism activity and employment can continue indefinitely. However this is contingent on tourism being managed in such a way that it is and is seen as being a net benefit by local residents. There is a regulatory and management role for government in ensuring that this is the case.

The international market and in particular the international youth market has proven to be valuable because it is less seasonally orientated and is not necessarily tied to weekends or school holiday periods. The biggest challenge for regional tourism operators is not to be just full on Saturday night but to try to achieve reasonable occupancy and activity during other periods. Australia and New South Wales exist in a highly competitive environment both against other tourist destinations and other alternatives for people's time and expenditure.

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

New South Wales is a large and complex tourism product. Whereas other Australian States are simpler to identify and brand whether it be as sunshine and beaches, or outback and

national parks or wide open spaces or culture and gardens or city and lifestyle or scenic island, the challenge for NSW is that it is all of the above. And in particular marketing campaigns to attract interstate and international visitors struggle to create a clear brand identity. Added to this there has been the trend for people to increasingly travel to Cities rather than States or Provinces. That is the destination is San Francisco not California, Florence not Tuscany, Paris not France, Barcelona not Catalonia etc. Thus Sydney has global pulling power but the difficult brand of New South Wales does not and is not likely to. The name itself is a substantial tourism inhibitor. In particular, the acronym NSW is unintelligible. In this respect as far as international tourism is concerned the best option is to market Sydney and then “beyond Sydney” into the State of New South Wales focusing on relatively few iconic destinations – the Blue Mountains, The Pacific Highway, the Princes Highway.

Government funding is made available to contribute to tourism marketing but historically NSW has seriously underfunded tourism whether measured by per capita population, per region or as a % of Government expenditure. The consequence has been the available funding has been spread very thinly but has struggled to make a difference. Successive teams of marketing specialists have done their best with these limited resources but there is an argument for an increase in Government funding to help NSW pull its weight and capitalise on its great competitive advantage of Sydney as the major gateway, the globally recognised city and the biggest drawcard.

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

Other submissions to the Committee will no doubt be able to clearly illustrate the dollars into each region differentiated by intrastate, interstate and international based on International Visitors Survey and Domestic Tourism Monitor Statistics. Besides the top line financial contribution there are more subtle benefits that tourism brings. The Visitor Information Centre acts as a hub of local information and helps ensure that information is collated and published either in brochure or electronic form both for the benefit of tourists and locals. The Visitors Information Centre, if well located with food and fuel and parkland nearby, becomes the hub for the self drive market to slow down and stop and stay awhile. The publications of the local tourism body which illustrate what there is to see and do in the area help define to the community the benefits of the region and enhance community wellbeing and satisfaction e.g. the knowledge that others would spend money and time to come and visit.

In this regard generally coastal communities do not have a problem but west of the Divide there is a challenge. Many destinations west of the Divide have lost numbers in recent years. Examples being the Western Plains Zoo or the Warrumbungle National Park (which even before the 2013 bushfires had lost substantial visitation). Besides the massive growth in outbound travel which has created a serious imbalance of tourism terms of trade where Australia is a net loser of tourism dollars whereas previously was a net beneficiary, regional tourism has also been impacted by three other particular factors. Firstly, the increased price of fuel and slow improvement to regional roads. Secondly, the poor condition of Countrylink and lack of investment in rail and thirdly the introduction of low cost carriers and extremely competitive airfares to those destinations that can handle larger jets and where there is competition. These are in particular the interstate capitals, Gold Coast, Sunshine Coast, Whitsundays, Cairns, Avalon and New Zealand. Within NSW only Coffs Harbour, Port Macquarie and Ballina have benefited from low cost airfares.

In YHA's business, and the youth and backpacker market, there has been a decline in coach travel with its benefits of slowing down the visitor and encouraging them to stay awhile and an increase in over flying. As a consequence some regional destinations have missed out. As far as Countrylink is concerned it is recommended the government consider its privatisation as a passenger operation and reinvestment in its infrastructure.

3. The impacts of tourism on Local Government areas

a. Infrastructure services provision and asset management

Tourism brings money to communities and through this supports not just the hotel and charter boat operator but also numerous support services down to the butcher and the baker. During the pilot's strike in Australia in 1989 a clear understanding was gained of what happens to a wide range of businesses through the multiplier effect when the tap is turned off. Tourism also helps support commercial and residential real estate investment. Tourism supports property values which in turn provide the basis for local government rates.

Tourists do sit on park benches and use public toilets but these are largely facilities that Councils provide or should provide anyway. Councils gain their funding from rates (based on the valuation of property) and it is right and proper for infrastructure to be funded through the mix of residential and business rates together with Section 94 development contributions. Secondly, there is a role for Councils to support tourism businesses both by being proactive in helping bring businesses together and secondly by providing base and seed funding for tourism marketing.

b. Social impacts

Tourism in 99% of New South Wales has only had a positive social impact. The very large proportion of regional towns have excess capacity, are under visited and would love to see more tourists.

At the same time there is a small minority of locations where in most cases for a few weeks of the year that tourism can have social impacts through traffic congestion, overcrowding, noise and the like. However, compared with other tourist destinations in for example Europe and Asia, Australia's problems are still minor. However they do exist and require active management and community involvement. Part of this is the management of expectations. Thus a person who purchases a home block one back from say Bondi Beach – a globally known tourist icon – cannot and should not expect the residential amenity of say Sydney's Upper North Shore. On the other hand if a person purchases a home in a residential area in a beachside town it is reasonable to expect that the next door house will not be occupied without any approval process by tourists every weekend who are here for a good time not long time.

c. Unregulated tourism

In this section the submission will focus on areas in which YHA has been involved.

Illegal hostels – YHA has been very active for more than 20 years in working with local government to ensure that illegal hostels do not operate. They undermine the viability of approved hostels by undercutting them as they have not had to comply with onerous development approval processes and conditions on development. Crowded places without approval constitute a fire and health safety risk and can also affect residential amenity. Whilst in the early years of the development of youth tourism, illegal hostels persisted particularly in Sydney the problem is now under control except in some residential apartment buildings in Sydney and councils usually do act promptly when notified. There is a need for continuing proactive response and monitoring to ensure existing regulations are adequate.

Rental houses

There is a problem in certain locations with holiday lets being taken by numbers of short term visitors and causing residential amenity problems. These situations create great unhappiness for residents who were under the belief that they had bought a

house in a residential neighbourhood and they give tourism a bad name. There is a need for development approval to be a requirement to operate a holiday let with the maximum number of lodgers to be specified. There may be a case for exempting properties that are only let for say less than eight weeks per year but in the case of properties which are let year round then DA approval should be a requirement. These businesses can affect YHA and other approved backpacker accommodation through giving all young people a bad reputation. It should also be noted that the problem is more commonly arising from so called "weekend warriors" emanating from cities than international visitors or backpackers and that with improved roads the range for weekend visitation has extended.

Campervans

There has been a steady growth in the number of self drive campervans both purchased and leased in recent years. The appeal of a self drive holiday in Australia with relatively open roads and the flexibility of one's own vehicle is strong and the popularity of this form of transport can be expected to grow. At the bottom end of the industry where competition is on price not quality, standards are low and many vehicles have been taken off the road for being unroadworthy.

The primary problem arises from those purchasing or leasing campervans without facilities being given an expectation that they need not pay for further accommodation. This may arise from marketing which says "hire/buy me and never pay for accommodation again" whereas in fact these vans should overnight in caravan parks or other places with ablution facilities infrastructure - for example national park campgrounds. Campervans should not be allowed to overnight in rest stops, Council or other parking areas or residential streets just as they are not allowed to in other countries around the world

YHA, and operators like it, are affected because persons in vans can try to access ablution facilities without paying for them and YHA has had to increase the security in hostels to deal with this problem.

The major van operators have held a series of meetings in Sydney 2010-12 and an industry code of practice has been proposed however little concrete progress has been made.

It is recommended that Council powers to wheel clamp and fine van drivers be reviewed, including fines being payable by the leasing company where they are persistent offenders. Secondly that Government give the sector a time frame to establish a code of practice or face a legislative solution. Note that that YHA is aware of problems with campervans in most other States and Territories and so the problem is national not just state based. There exists relatively new legislation in New Zealand which could be used as a model.

d. Employment opportunities

Regional tourism creates entry level positions in the workforce for young people in local communities and makes it less necessary for them to re locate to major centres. These jobs are often suitable for school age students and other young people entering the work force.

Regionally in Australia there are however in certain areas hospitality positions that are difficult to fill and the reciprocal working holiday visa program that Australia operates helps fill this need. That is young international travellers who come and work in regional areas whilst in turn young Australians work in overseas countries. This kind of youth international exchange is very valuable and should be encouraged. Working holiday makers do fill positions but they also bring money into communities and various studies over the years have shown that Australia's working holiday visa program is a net creator of employment.

Currently the working holiday visa program allows young people who complete three months regional harvest or construction work to apply for a second year visa. Through the Australian Tourism Export Council, YHA and others in the backpacker sector have argued that this criteria should be extended to regional hospitality jobs as well. The affect of this would be more pertinent in for example Queensland islands or Northern Territory outback resorts than in NSW.

4. The marketing and regulation of tourism

As previously stated there is an opportunity for greater investment in marketing regional New South Wales. The state is too big and the present funds are being spread too thinly to be effective. Generally a relatively small investment from Government can through cooperative industry funding generate a good return on investment.

In the future many more young tourists will be coming to Australia with the growth coming especially from the newer Asian source countries. There exist major opportunities to encourage more of these visitors to venture beyond the cities as they are interested in unique flora and fauna and Australia's scenery and culture

Distribution of tourism product is now mostly online driven by consumer demand and efficiency of online channels.

Destination New South Wales needs to build its capability and expertise in youth tourism and digital distribution and provide training and support to regional tourism in these areas.

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

YHA does not support narrowly targeted rate variations to support local tourism initiatives. Better that councils use the existing rate base coupled with State Government support to provide tourism infrastructure and local marketing and other initiatives and also to support Regional Tourism Organisations that are as far as possible industry lead. The difficulty with targeted rate variations is that they inevitably lead to inequities. Better that the necessary expense of local tourism initiatives is funded through the widely spread rate base and with Councils to have the freedom to increase rates to support initiatives. This then provides a clear nexus between tourism development and its funding and ensures that it is on the terms that the majority of ratepayers can support.

6. Other matters

National Parks are one of the great assets of New South Wales due to their variety, size and number across the State. In tourism marketing terms they are a sustainable competitive advantage. Their attraction is often the reason to visit an area and as parks themselves have little infrastructure those visitors consume services in local communities and contribute to the economy.

However visitation is very uneven with the famous few parks being heavily patronised and the remoter majority having great capacity for more visitors. Tourism and the conservation objectives of national parks are entirely aligned subject to the very comprehensive management plans National Parks have in place. Due to the growth in the number of National Parks funding has not kept pace with needs in many respects and promotion is severely lacking. Also, only a relative few parks collect entry fees due to the practicalities of collection. Fees are supported by most park users so long as they are reasonable and there is evidence of their being put to good use. There is an opportunity for NPWS being part of Environment and Heritage to invest in the feasibility of using GPS technology and develop a new user pays funding model which if applied across all parks could generate substantial revenue for the purpose of managing and marketing parks and so generate more tourism for local regional communities.