INQUIRY INTO TOURISM IN LOCAL COMMUNITIES

Organisation: INLAND NSW TOURISM

Date received: 26/06/2013

The Director General
General Purpose Standing Committee NO.3.
Legislative Council
Parliament House   June 2013
Macquarie Street
Sydney NSW 2000

RE: Inquiry into tourism in local communities

Dear Sir,

Tourism is a major economic driver for regional communities, with 46 cents in every dollar of tourism expenditure spent in regional Australia. The tourism and hospitality industry employ over 1.074 million Australians with tourism related employment in regional areas generating over 220,000 jobs in 2011.

The NSW government has identified that "Visitor expenditure in NSW alone contributes over $20 billion to the State's economy, supports more than 159,000 jobs and over 96,200 businesses."[1] While DNSW shares Tourism Australia's goal of doubling visitor economy by 2020[2], the plan to achieve this goal in regional communities is still to be developed and implemented.

The value and impact of tourism on regional communities is profound and must be measured in more than economic terms and more than tourism. Visitation drives the visitor economy, impacts and adds value to the social and environmental as well as the economic fabric of regional communities. The visitor economy lies at the centre of a regional community's ability to be self-sustaining and must be developed with the values and aspirations of the host community in mind.

Many other businesses and industry sectors play as important a role as tourism within the visitor economy, in presenting the visitor experience and driving growth in visitor expenditure, e.g. retailers, supermarkets, food and wine, agriculture, petroleum etc. although many do not recognise the crucial role they play in delivering the visitor experience.

A consumer led approach is needed to change this mindset, to unify stakeholders and to identify and then attract those visitor segments (domestic and international) with the greatest propensity to visit regional communities whilst ensuring that the visitors to their region act in harmony with the values of the local community. This approach is being very successfully pioneered by Inland NSW Tourism and is helping remove barriers and silos between adjacent local government areas and industry sectors at the destination – who previously saw themselves as competitors.

Inland NSW comprises 27.5% of all tourism operators and 35 (34%) of the Local Government Areas in NSW and covers a geographical area with a population of more than 440,000 people. For the year ending March 2013 the region achieved expenditure – including airfares and long distance transport costs - of $1.75B. Inland has invested significantly in Consumer Research and Destination Management (DM) Plans at a cost of more than $600,000. These are strategic investments that could not have been afforded by individual LGA's or a smaller Regional Tourism Organisation (RTO).

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[1] Media Release – NSW VET Report, George Souris MP Minister for Tourism, Major Events, Hospitality, 10 Aug 2012
[2] Tourism 2020 – Commonwealth Government 2011
[3] Media Release – ARTN, 18 June, 2013.

The NSW government has made Destination Management plans a prerequisite for funding applications and this represents a significant trigger for change. Based on the Destination Management process to date, Inland NSW believes that for the investment made to deliver the greatest potential returns, that the stakeholders involved in the implementation of the Destination Management plans will need greater skills, better understanding of the importance of the process, the importance of consumer research and the need for careful planning and ongoing implementation of DM outcomes. Many of the current DM plans may potentially end up only be used as reference documents to gain funding rather than acting as a road map to drive visitor growth unless further skills are developed.

If the visitor economy is to grow the way tourism has been managed in the past must change. The current system is broken and has not kept pace with the realities of sustainable regional tourism development. Regional communities do not have the resources or capacity to keep on top of the level of investment required to ensure our regional destinations remain viable and competitive.

The Visitor Economy Taskforce (VET) report and Industry Action Plan identified a range of issues and opportunities and now further action is required to meet the major challenges and opportunities identified. The VET lays a strong foundation for policy in this area which challenges both the Government and industry to work together to put detailed plans in place. For example, the report identifies a need to establish five Visitor Economy Zones (VEZ) comprising of Sydney, Sydney Surrounds, North Coast, South Coast and Inland NSW – now further work is required to flesh out their roles and structure to ensure success.

To move forward successfully it is proposed that the five Visitor Economy Zones be well resourced as independent destination management organisations (DMO) to lead the process in NSW. A destination management approach is required that:

- Takes a consumer perspective based on insights from consumer research
- Facilitates collaboration between state government, local government and business from all industries servicing the visitor economy
- Identifies a clear and differentiated brand position for each destination
- Incentivises participation and financial contribution by all relevant stakeholders
- Provides a framework for collaboration and implementation of the recommendations of the Destination Management Plans.

This submission will illustrate how Inland NSW is well placed to become the recognised Visitor Economy Zone for Inland NSW – and be used as a pilot for other visitor economy zones.

Yours sincerely

Graham Perry
Chief Executive Officer

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Terms of reference

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

   This question is answered two parts:

   - Part 1: The Value of tourism to New South Wales communities
   - Part 2: The return on investment of Government grants and funds

   Tourism is a major economic driver for regional communities, with 46 cents in every dollar of tourism expenditure spent in regional Australia. The tourism and hospitality industry employ over 1,074 million Australians with tourism related employment in regional areas generating over 220,000 jobs in 2011.

   The NSW government has identified that "Visitor expenditure in NSW alone contributes over $20 billion to the State's economy, supports more than 159,000 jobs and over 96,200 businesses."[3] DNSW shares Tourism Australia's goal of doubling visitor economy by 2020[4], the plan to achieve this goal in regional communities is still to be developed and implemented.

   A major focus of Commonwealth and State governments is on international markets while for regional communities approximately 98% of visitation is domestic. Consumers are struggling to identify the value proposition that regional destinations, have to offer.

   Part 1: The Value of tourism to New South Wales communities

   The value of the visitor economy should not be measured only in economic terms. Social pride and community values are also important. Tourism must not be viewed in isolation. Other business and industries in the broader visitor economy make a significant contribution to the social environmental and economic health of NSW communities. Visitation provides important employment opportunities for regional communities and visitor expenditure is used to help pay for amenity e.g. parks and gardens to be enjoyed by residents and visitors alike

   Regional communities that struggle to invest in visitation services are where the need for such services is the greatest. Small and remote communities rely on visitation to support community cultural, educational, natural heritage and lifestyle activities. Visitation ensures community meeting places like local cafes and shops remain economically viable.

   Visitor Information Centres in towns like Brewarrina, Tibourburra, Milparinka, Silverton, Broken Hill, Bourke, Lightning Ridge, Bingara, provide a central place to house and display the 150 years of settlement and tens of thousands of years of aboriginal history and creativity.

   Visitation helps encourage the establishment of new skills in the Aboriginal community to run interpretative tours to the ancient fish traps and ochre pits. Places like Macquarie Marshes and the Warrumbungle's provide opportunity to leverage visitation to generate income and awareness that will in turn support protection of these environmental assets for future generations. .

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[3] Media Release – NSW VET Report, George Souris MP Minister for Tourism, Major Events, Hospitality, 10 Aug 2012
[4] Tourism 2020 – Commonwealth Government 2011
[3] Media Release – ARTN, 18 June, 2013.

Part 2: The return on investment of Government grants and funds

All future investment and funding to grow the visitor economy should be strategic and include a whole of Government –*inclusive Commonwealth and State governments* – and whole of community approach - *including local government and all business and industries servicing the visitor economy* – requiring collaboration between stakeholders, based on the outcomes of a best practice destination management process that is informed by consumers *(visitors)* through consumer research as a prerequisite.

The various agencies responsible for National and State Government grants and funds need to better coordinate and link programs affecting the visitor economy. All applications should reference Destination Management Plans to identify the need for product development, infrastructure, events, experiences, customer service and/or marketing etc.

The current ROI on government funds varies depending upon the nature of the investment and is invariably not tangibly measured.

The Commonwealth and State governments focus on international marketing whilst 95% + of visitation to regional communities is by Australians. The funding provided (i.e. for product development, infrastructure, events and regional marketing) is fragmented and facilitated through different funding programs that often leave it up to the applicant (Local government and/or industry) to consider the need and the project. This fuels parochialism and creates a disconnection between stakeholders involved in delivering and growing tourism at every level (National, State and Local) and all types (Government and industry). Important policy and operational decisions are often tactical rather than strategic and focused on "tourism" in isolation rather than the broader visitor economy. This causes applicants for funding to act tactically and independently with little linkage between projects.

When government investment is strategic, it enables industry to leverage and add value. By way of illustration, since inception in August 2011, Inland NSW Tourism has gained approvals from DNSW and managed 5.2M of marketing and product development programs involving 41 programs. Inland is producing excellent results against KPI's however, this can be further improved by applying Destination Management Planning disciplines.

In 2012, Outback National Parks received 36,100 visits during the Inland NSW Tourism campaign resulting in a 300% increase on the prior year. The Taronga Western Plains Zoo, Dubbo campaign saw an increase in unique visits to their website of 54%. Tourism spend in Broken Hill because of the "Discover a lost World" campaign Increased by 23%. The $100,000 product development investment in Taronga Western Plains Zoo by DNSW was leveraged nine fold and enabled the Zoo to bring forward additional investment of $900,000 in new accommodation facilities.

It is imperative Inland NSW Tourism provide members an appropriate Return on Investment (ROI) on their membership fees. From analysis of Inland NSW Tourism's activities during FY 2011/12 and FY 2012/13, the Inland NSW ROI has been at least 10 fold i.e. a return of $10 for every $1 in membership and in some cases even higher. This is a conservative estimation because this includes a modest assessment of cost to members of $15,000 for consumer research and $15,000 for destination management programs – where the actual cost is far higher. Indeed members were not required to commit additional costs for these projects. The costs were covered from their annual membership fees.

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

A broad perspective should be taken when considering the value of tourism to communities in NSW. The issues and opportunities are complex and stem from having sufficient population to make communities and services viable. The states with the largest proportion of total businesses in June 2011 (as defined as the main state of operation) were those with the highest populations. The same is true for small businesses, with the largest number of small businesses in the two most populated states being New South Wales (33.2 per cent) and Victoria (25.6 per cent).

The differences of NSW from other States are more complex in regional areas and depend upon three factors – Location, Population and Access. Communities that struggle to afford investment in visitor services have the greatest need for these services. Small and remote communities rely on visitation to support the local economy and the provision of other community cultural, natural heritage and lifestyle activities.
In these communities visitation is a catalyst for building and displaying community pride.

Expenditure from visitors helps to ensure community amenity and meeting places such as parks and gardens, local cafes and shops remain viable. Visitor Information Centres (VIC) are more than places to "share brochures with tourists" they are art galleries and heritage centres where community can share and display its creativity, their history and their stories.

Visitation can help provide the impetus to drive a community and government agencies to restore, rehabilitate and protect environmental and heritage assets.

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

Tourism and visitation can have either a positive or a negative impact on regional communities.

Management and understanding of the visitor economy in regional communities can provide the impetus or catalyst for increased employment and a range of community renewal, infrastructure and social activities. If managed properly visitation can positively affect the social, environmental and economic well-being of a regional community. It can build community and social pride and help regions be self-sustaining and afford amenity to be enjoyed by residents and visitors alike.

If managed badly, the visitor segments that arrive may not be complementary to the culture, goals and the vision set by the community. Marketing must be recognised as just one of the components needed to grow visitation in regional communities and "tourism" must be recognised as just one of the stakeholders of the visitor economy.

a) Infrastructure services provision and asset management.

Regional communities need to collaborate and use consumer research to identify the extent to which infrastructure meets the needs of both residents and visitors alike. If the respective needs are balanced, community support for visitation can grow. This approach can also ensure greater involvement of the private sector to help fund and ensure infrastructure development is strategic. This approach was taken by Bathurst City Council in 2005 and the insights from research caused stakeholders to change a development approval for a motel at Mount Panorama to an apartment style hotel to better cater to their core market segments.

In the past 20 years some of the burden of providing and funding essential services and infrastructure (e.g. Visitor Information Centres (VIC), roads, parks, dump points and airports; product development and events) has shifted from State agencies to local government. Once established these assets and services become an integral part of the ongoing expectation of the local community and visitors alike. Local government also has to maintain delivery, upkeep and access to these investments and the management of related operations.

Local government has much of the cost of development and/or maintenance of infrastructure and services even when the ongoing viability and operations are questionable.

There is a need and opportunity to use the destination management process to engage broader stakeholders and industry and to motivate them to participate, share in the investment which can realise the required returns

b) Social impacts

If visitation is not managed properly, the visitor segments that arrive may not necessarily complement the culture, goals and the vision of the community. When managed properly visitation can contribute to the social wellbeing of a regional community including funding for shared amenity and creating harmony between residents and visitors. This can drive real value for the community.

To manage the social impacts of visitation, regional communities must attract those visitor segments which best empathise with the community. The Corso in Manly faced challenges for residents in the late 1900's and the ongoing experiences in Byron Bay illustrate the challenges and the friction between visitors and the community if visitation is not carefully managed.

Communities need to consider the size and scale of visitation and the destinations ability to sustainably manage the impacts during peak visitation. Using Byron Bay as an example, regional communities cannot prevent visitors from arriving but with careful planning they can influence the nature, extent and type of visitation to their region. "Consumer destinations" must present the right promise to its target visitor segment(s).

c) Unregulated tourism.

There is a need to work within a regulatory framework at a local, state and national government level and regulate both physical and human assets but, importantly, government must not over

regulate – or business growth can be stifled. There should be a greater and increasing emphasis on social media to monitor consumer behaviour and guide industry development.

The local government environment is surrounded by 'red tape' for the fear of legal cases and to reduce risk. This is often not tourism or visitor friendly and has a significant negative impact on services offered to attract visitors such as events. There should be less regulation wherever possible and what regulation there needs to be should be user friendly and ensure safety. Policies and procedures need to be realistic,

There is a need to implement an overarching regulatory environment that encourages and clarifies personal; self-accountability, public private partnerships and proper land use.

d) Employment opportunities

There are significant staff and skill shortages across regional communities and the broader visitor economy. Wages, especially penalty rates are a major issue in small regional areas resulting in less opening hours. Busy times naturally fall over weekends where the cost of staffing is highest. The challenges relate not only to employing the right number of staff but those with the right skills and attitudes to provide the appropriate customer (visitor) experience.

Staff retention, performance management and career progression offer additional challenges with many employees seeing the service industry as jobs during career transition. There is a need for better coordination between businesses in the destination to stagger opening hours to cater for visitors. Busy times naturally fall over weekends where the cost of staffing is highest. Conversely, in quieter period's business do not have the turnover to offset the high wage period that operators in metropolitan areas enjoy. This has resulted in many small businesses closing on weekends at a time when visitation is at its highest.

Better collaboration within the "consumer destination" and a more equitable pay environment would enable small business to viably extend opening hours and therefore generate greater employment in regional communities.

Greater training in customer service is required for business operators right across the visitor economy. This is particularly important in view of the increased number of Australians travelling within Australia and overseas over the last decade. This has increased overall service expectations significantly.

A review of employment in regional communities to encourage greater flexibility in opening hours and to better align with visitor expectations may help SME's who service the visitor economy to increase profitability.

e) The marketing and regulation of tourism

A consumer led approach to marketing is needed to ensure that consumers understand what the different destinations represent and have to offer. These consumer destinations must be identified by consumer research not geopolitical boundaries of RTO's or Local and State

Governments. Since 2005, this approach has been used by Orange City Council who identified that food and wine in the area represented great appeal to their core market segments. This has resulted in the successful "Taste Orange" positioning and events.

Tourism marketing is often fragmented, confused or incomplete, with many destinations struggling to communicate the clear, unified and compelling differentiated offering to visitors, required to stand out in a highly competitive tourism market. The standard practice over the last two decades of concentrating on brand and logos have lost their effectiveness with the perceptive modern traveller. If a destination does not live up to the promise of the marketing then its reputation can suffer that may take decades to undo. The move towards destination development led marketing by Tourism Australia and Destination NSW offers a positive change.

Fragmented marketing overcomplicates the brand messages and confuses potential visitors. It distorts and/or misrepresents the destinations' marketing message thereby eroding the destinations ability to compete or offer a compelling value proposition in comparison to other destinations. In extreme cases, this results in sectoral interests, for example accommodation operators, or individuals, dominating the messages of a destination. Changing the core promise or message too frequently is counterproductive and NSW has fallen behind other states in this regard for example, Victoria.

Local government contributes funding for marketing activity such as brochures and events. The great majority of businesses comprising the traditional tourism industry (e.g. tourism operators, caravan parks, accommodation operators etc.), that are predominantly SME's; focus internally on their own business performance seeing it as governments' responsibility to grow visitation and for marketing. Other businesses and industries contributing services to the visitor economy (retailers, supermarkets, food and wine, agriculture), at the destination see visitation and marketing as the responsibility of others - tourism and government.

If the reliance on LGA's and the tourism sector to fund marketing and development continues, there will be insufficient funds and capacity to do the job properly. The broader range of industries and businesses comprising the visitor economy need to be incentivised to participate and contribute funds. At a regional level, LGA's and economic development agencies must work with industry stakeholders to ensure consistent messaging in their respective communication materials and efforts.

More strategy and innovation based on the outcomes of consumer insight and destination management is required not more regulation.

f) The utilisation of special rate variations to support local tourism initiatives

It is proposed that the five Visitor economy zones identified by the VET should be well resourced and given responsibility for establishing funding mechanisms. Importantly such mechanisms must be fair and equitable and be outside the influence of politics. Special rate variations are not the solution.

Local government and the tourism sector traditionally take responsibility for funding investment in promoting, developing and maintaining a destinations visitor experience and its support

infrastructures. This is despite many more sectors of the visitor economy benefiting from visitation and visitor expenditure.

Increased costs and declining income and the proliferation of SME's in tourism means that new mechanisms must be implemented to increase participation and funding across the visitor economy. This will ensure greater participation and investment. New and non-prescriptive funding mechanisms need to be established and managed by independent skill based boards – not by government. These mechanisms should be agreed by stakeholders in the regional destinations.

The Sugar growers have a government legislated mechanism outside of government involving a compulsory tiered levy. The sugar industry manages the expenditure of the funds raised to grow the industry. A similar approach could be taken with the Visitor Economy.

g) **Any other related matter**

A consumer led approach to Destination Management can drive the change required to improve the impact and value of visitation across regional NSW. This approach can unify stakeholders to identify and then attract those visitor segments (domestic and international) with the greatest propensity to visit regional communities – whilst ensuring that the visitors to their region act in harmony with the values of the local community.

This approach is being pioneered by Inland NSW Tourism to great effect and is helping remove barriers and silos between adjacent local government areas and industry sectors at the destination – which previously saw themselves as competitors.

The NSW government has made Destination Management plans a prerequisite for funding and this represents a significant and important trigger for change. The Visitor Economy Taskforce (VET) report and Industry Action Plan identified a range of issues and opportunities,

However, the action plan can go further in meeting the major challenges and opportunities identified. It lays a strong foundation for policy in this area which challenges both the Government and industry organisations to work together to put detailed plans in place.

The report identifies a need to establish five visitor economy zones comprising of Sydney, Sydney Surrounds, North Coast, South Coast and Inland NSW – and requires further work to be done to enshrine their roles and structure. Inland NSW Tourism believes that destination management is the key to achieve this, as illustrated by the success of this approach to date.

It is proposed that the five Visitor Economy Zones be well resourced to facilitate the greater adoption of destination management principles across regional NSW. The five VEZ should be established as independent destination management organisations (DMO) to lead the process in collaboration with DNSW. A destination management approach is needed that:
- Takes a consumer perspective and delivers insight from consumer research
- Facilitates collaboration between state and local government and business from all industries servicing the visitor economy
- Identifies a clear and differentiated brand position for each destination
- Incentivises participation and financial contribution by all relevant stakeholders
- A framework for ongoing collaboration and implementation of the recommendations of DM

Inland NSW Tourism is well placed to be the recognised Visitor Economy Zone for Inland NSW – and be used as a pilot for other visitor economy zones.

APPENDIX:

Destination management – the process

As outlined in the "The Guide to Best Practice Destination Management" - The process of destination management does not happen in isolation. It involves a range of sectors, stakeholder groups and delivery partners — such as state and local government agencies, communities, business groups and individual businesses — working collaboratively to deliver their part of the picture.

This Guide to Best Practice Destination Management is a Tourism 2020 project, funded by the Australian Standing Committee on Tourism (ASCOT) and coordinated through the Destination Management Planning Working Group. The guide was developed by the Australian Regional Tourism Network (ARTN) in association with the Department of Resources, Energy and Tourism.

Such an approach can unify communities and see multiple industries and local government striving together behind a combined purpose of increasing visitor expenditure, whilst managing the impact and growth to ensure the amenity, way of life and critical assets of communities are protected. This can only be achieved via a holistic approach to managing the destination.

Best practice guide to DM http://www.ret.gov.au/tourism/documents/nltts/working-grps/dmp/dm_guide.pdf

Inland NSW

Inland's consumer research has identified that there exist seven hubs and clusters within the Inland footprint that consumers recognise. Each of its 35 local government areas comprise one or more of these seven "consumer destinations". Local government areas beyond the Inland NSW boundary also comprise some of these.

Destination	Hub
Far Western Inland	Broken Hill
Central Inland	Dubbo
Northern Inland	Tamworth
Southern Highlands	Southern Highlands
Southern Inland	Goulburn, Yass, Young
New England	New England
Far Northern Inland	Bourke
	Lightning Ridge, Moree

The Inland NSW (Inland) strategy is to double overnight visitation expenditure to Inland NSW by 2020. Results to date demonstrated in the table below.

% Change YE Dec 12 V.s YE Dec 11

	Spend	Total Visitor
Capital Country	-1%	4.2%
NENW	0.7%	4.2%
Outback	8.9%	4.2%
Central NSW	12.3%	4.2%

Statistics on the Inland NSW region:

INLAND NSW VISITATION AND VISITOR EXPENDITURE, YE MARCH 2013

	Visitors ('000)	Visitor Nights ('000)	Expenditure - including airfares and long distance transport costs ($million)
Outback NSW	289	992	187
New England North West	1,394	4,258	490
Capital Country	1,139	2,872	360
Central NSW	1,849	5,719	712
Total (excluding Central NSW) *	2,740	8,123	1,038
Total (including Central NSW) *	4,332	13,842	1,750

* sum of regions does not equal total due to some visitors staying overnight in more than one region