

**Submission  
No 30**

## **INQUIRY INTO REGIONAL DEVELOPMENT AND A GLOBAL SYDNEY**

**Organisation:** NSW Business Chamber

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Standing Committee on State Development  
Parliament House  
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## **Inquiry into Regional Development and a Global Sydney**

Dear Sir / Madam,

The NSW Business Chamber (the Chamber) welcomes the opportunity to make a submission to the Standing Committee on State Development's Inquiry into Regional Development and a Global Sydney.

As you may be aware, the Chamber is one of Australia's largest business support groups, with a direct membership of more than 20,000 businesses, providing services to over 30,000 businesses each year and supported by a dedicated Tourism Industry Division.

Tracing its heritage back to the Sydney Chamber of Commerce established in 1826, 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.

### **A Global Sydney, Regional NSW and Chinese Tourism**

Regional NSW is home to 2.9 million people, representing 41% of NSW's population and making it the largest and most diverse regional economy in Australia.

In 2013, Gross Regional Product (GRP) for Regional NSW was \$138 billion, 29% of NSW's total output, having grown by an average 4.8% each year since 2006<sup>i</sup>.

However, over the last decade regional NSW has seen a significant decline in a number of its key economic sectors. Manufacturing production in regional NSW has declined by more than 20% over this period<sup>ii</sup>. It is critical therefore that if regional communities are going to not only survive but to thrive,

identifying and growing new opportunities needs to be a key focus. Leveraging the immense opportunity from the boom in Chinese tourism is one key way in which this can be achieved.

## Chinese Tourism in NSW

China's growing middle class presents a tremendous opportunity with clear economic benefits. China is already NSW's largest tourism and trade partner. China is a crucial contributor to the success and growth of Australia's tourism industry. It represents the second largest source of visitor arrivals and is Australia's most valuable tourist market<sup>iii</sup>.

Arrivals increased to one million in January 2016 and are expected to continue to grow exponentially over the next decade.

The latest data indicates Chinese tourism brings the following economic benefits:

- Chinese tourism contributes more than \$7.7 billion to GDP annually: an increase of more than 400% over the past decade
- Chinese visitors spent a record \$8.9 billion over the year to March 2016, an increase of 40% from the year to March 2015
- The overall contribution of Chinese visitors to GDP is forecast to reach \$13 billion by 2020
- Chinese tourists spent an average of approx. \$8,000 a visit in 2015/16, with \$2,500 of this on retail
- Average expenditure per visit by Chinese tourists outstrips tourists from both the UK and the US

Despite this, there is a marked disparity between the market share achieved by the Sydney Metropolitan area and Regional NSW:

- Less than 1 in 20 international visitors to regional NSW were Chinese, compared with almost 1 in 5 international visitors to Sydney.
- Only 5% of Chinese visitors to New South Wales disperse beyond the Sydney Metropolitan Area.
- Only 7% of all nights that Chinese stay in NSW are spent in regional locations.
- From January 2016 to December 2016 tourists from China spent \$2.6 billion in Sydney compared to \$131 million in regional NSW<sup>iv</sup>.

These statistics demonstrate that businesses in regional NSW have so far missed the opportunity to fully capture overnight visitation potential from the inbound Chinese market, particularly off the back of a growing Visiting Friends & Relatives (VFR) / Education segment. Building up the tourism potential of the regions will create a strong platform for regional development as Sydney's reputation as a global city continues to grow.

### **Building the tourism potential of the regions**

Regional NSW is already home to natural resources, high quality products, unique nature and soft adventure experiences and cultural offerings which are high in demand from Chinese tourists. Enabling our regions to acquire a larger market share of Chinese visitors will require a multi-faceted approach with both the private and public sector working together.

Some strategies that could be utilised to improve visitor dispersal from Sydney to regional NSW include:

1. Fast tracking Government investment in new regional infrastructure including supporting the development of new tourism products and attractions
2. Re-assess potential market driven strategies to build product development pipelines (e.g. Digital connectivity and China Ready initiatives at a regional destination level) to support targeted in-country promotions currently being undertaken by Destination NSW & Tourism Australia. Further tourism export opportunities can be leveraged for regional NSW in China through initiatives such as the NSW Business Chamber's, Export Growth China<sup>v</sup> program.
3. Align regional marketing strategies to better capture visitation from the Chinese visiting friends and relatives (VFR) market<sup>vi</sup>
4. Finalise and deliver the Regional Business Events Strategy to help co-ordinate and raise awareness of Chinese business event / incentive opportunities in regional NSW

Any approach however needs co-ordination and engagement across governments, destination networks and local businesses. Local stakeholders need to be actively engaged in shaping local strategy and provided access to information and services, to support and encourage greater tourist visitation.

The Chamber would be pleased to meet with the Committee to discuss further both these and other strategies that assist regional NSW better leverage economic opportunity from Global Sydney.

Please feel free to contact Mr Laurence Redaelli, Policy Analyst, NSW Business Chambers on 9458 7913 or via email at [laurence.redaelli@nswbc.com.au](mailto:laurence.redaelli@nswbc.com.au) if you would like to discuss any aspect of this submission further.

Yours sincerely,

Paul Orton  
**Director, Policy & Advocacy**  
**NSW Business Chamber**

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<sup>i</sup> [https://www.industry.nsw.gov.au/\\_data/assets/pdf\\_file/0007/67705/5.-Illawarra\\_Regional-Economic-Profile\\_Feb2015.pdf](https://www.industry.nsw.gov.au/_data/assets/pdf_file/0007/67705/5.-Illawarra_Regional-Economic-Profile_Feb2015.pdf)

<sup>ii</sup> [https://www.sgsep.com.au/application/files/9914/8106/1313/GDP\\_by\\_major\\_capital\\_city\\_201516\\_-\\_high\\_res.pdf](https://www.sgsep.com.au/application/files/9914/8106/1313/GDP_by_major_capital_city_201516_-_high_res.pdf)

<sup>iii</sup> <http://www.abs.gov.au/ausstats/abs@.nsf/featurearticlesbytitle/4C69C2C8EFA8C5BCA256D1A0005C435?OpenDocument>.

<sup>iv</sup> [http://www.tourism.australia.com/documents/Markets/Chinese\\_Visitor\\_Dispersal\\_in\\_Australia\\_\(Final\\_for\\_release\\_18\\_March\\_2015\).pdf](http://www.tourism.australia.com/documents/Markets/Chinese_Visitor_Dispersal_in_Australia_(Final_for_release_18_March_2015).pdf)

<sup>v</sup> Export Growth China offers targeted support for small to medium businesses looking to export into China. Our purpose-built showroom in ShanghaiMart, the largest permanent trade centre in China, showcases Australia's best goods and services to Chinese wholesale buyers and distributors, while our international trade experts in Shanghai proactively match them with potential Australian business partners. Program participants have their products or services displayed in our showroom for a minimum of six months during which real-time feedback is provided – it might be that their labelling or packaging needs to be redesigned to better appeal to the local market, or the size or ingredients of their products might need to be better tailored for Chinese consumers. <http://exportgrowth.com.au>

<sup>vi</sup> See <http://www.destinationnsw.com.au/wp-content/uploads/2015/06/China-Market-Toolkit.pdf>