

Submission no. 77



MAV Submission for Inquiry into Rural and Regional Tourism

June 2007

Response to request from the Rural and Regional Committee (RRC) of the Parliament of Victoria:

Introduction

The Municipal Association of Victoria (MAV) welcomes the opportunity to contribute to this Inquiry into Rural and Regional Tourism. The issues raised in the Terms of Reference for this Inquiry are of great relevance and importance to local government in Victoria.

The MAV is the statutory peak body for local government in Victoria, representing all 79 municipal councils within the state. This submission has been prepared by the MAV drawing on input from several of Victoria's 48 rural and regional municipalities. Whilst this submission aims to broadly reflect the views of local government in Victoria in relation to rural and regional tourism, it does not purport to represent the exact views of individual councils.

This submission begins by giving a definition of tourism – drawing attention to its broad and inter-sectoral nature. It points also to the potential for tourism to boost economic development in rural and regional Victoria, whilst at the same time helping to preserve something of the essence of rural lifestyles.

The diversity that exists between rural and regional LGAs and between their individual councils is then highlighted. The crucial role of local government – as a key service provider and increasingly as a key player in regional strategic planning – is described before the focus turns to several of the terms of reference of this Inquiry.

Tourism

The United Nations' World Tourism Organisation (UNWTO) defines tourism as:

'the activities of persons travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes not related to the exercise of an activity remunerated from within the place visited (UNWTO, 2002).'

The Australian Bureau of Statistics notes that tourism is not an industry in the traditional sense given that it is dependent not on the type of commodity produced but on the status of the consumer as a visitor (ABS, 2003).

Given the broad definition of tourism, relating it to all activities of a visitor, it is clear that tourism cuts across all sectors of the economy and has relevance for many organisations, both private and public. The crucial role of government and the interaction between all levels of government and the private sector in ensuring tourism is responsibly planned, managed and monitored is well-recognised and particularly important in the context of this submission.

Rural Tourism

In a presentation to the World Tourism Organisation in Belgrade, 2002, Luigi Cabrini spoke of 'rural tourism' noting the importance of the cultural component of tourism:

“The distinguishing feature of tourism products in rural tourism is the wish to give visitors a personalized contact, a taste of the physical and human environment of the countryside and, as far as possible, allow them to participate in the activities, traditions and lifestyles of local people (Cabrini, 2002)”.

Cabrini (2002) refers to job retention and creation, farm support, landscape conservation, services retention, support to rural arts and crafts, nature conservation, environmental improvements and the enhanced role of women, as just a few of the potential benefits of tourism for rural economies.

This potential for tourism to drive economic growth whilst allowing rural Victoria to maintain its distinctive culture is especially important in the context of long-term changes occurring to the social landscape of rural Victoria. The decline of agriculture’s economic importance and population drift away from rural areas are two important examples, contributing to a perceived threat to traditional rural lifestyles.

The central role played by tourism in the preservation of rural livelihood is further reflected in the following statement:

“Rural tourism allows a diversification of components of rural economies, which would otherwise be condemned to disappear, with its human and economic costs. It also allows to maintain, to protect and even to enhance our heritage and our patrimony” (*Ibid*).

Tourism is an important economic driver for rural and regional Victoria and is especially significant given its capacity to help preserve certain elements of rural culture at the same time as it stimulates growth and investment.

Context

Victoria’s rural and regional councils

Rural and regional Victoria is comprised of 48 separate municipalities or local government areas (LGAs). These 48 LGAs, spread throughout Victoria, are extremely diverse in terms of their economic performance, industry composition, geographical features and demographic trends, just to name a few. Consequently, the reliance on and approach to tourism differs dramatically between councils.

The diversity that exists between rural and regional Victorian municipalities should not be underestimated. It is important to acknowledge the distinction between those municipalities that have a large regional city as their base, for example, and those that are composed of smaller towns and cities. The Victorian Government has heralded the extraordinary growth of cities such as Bendigo, Ballarat, Shepparton and Mildura – the four fastest-growing regional cities in Australia. However, depending on the aggregation of figures, this performance can serve to either mask or highlight the much less impressive economic performance of other regional areas without a significant central metropolis.

National Economics (2005) in an analysis of 26 of the smaller rural municipalities noted the following distinctive characteristics of rural LGAs:

- Agriculture is a major industry and manufacturing is also important

- Population growth is generally lower (with many councils experiencing population decline) and population also tends to be ageing faster relative to the state average.
- Average household wealth is less than the state average
- A lower proportion of the workforce is employed in knowledge-intensive industries and there are a lower number of people of workforce age engaged in post-secondary education, relative to the state average.

Between booming regional cities and comparatively impoverished smaller rural municipalities it becomes clear that there are great difficulties in generalising about rural and regional Victoria.

From a council point of view, MAV data and modelling work has revealed that large and small rural shires are more likely to face financial viability pressures. This is due to a combination of ageing infrastructure and a growing infrastructure gap, and a small (and often diminishing) population from which to collect rates. The capacity of councils to develop the tourism potential of their municipality will clearly be lower in councils with underlying budgetary pressures. This point will be explored below as a potential impediment to the sustained growth of regional tourism.

Cost pressures for rural councils are further enhanced by increasing community expectations of the services that need to be provided at the local level. The role of local government in tourism, and the need to take a strategic approach to local economic development more generally, is one example of the extension of services beyond those traditionally managed by local government.

The role of local government

Local government was originally established to provide services to property, with the intention of raising property values. Some of these traditional services to property include; roads, drains, traffic and street management, waste management, building controls, pest plant and animal control and the provision of public facilities such as halls, sporting grounds, parks, swimming pools and other cultural and recreational facilities (National Economics, 2005). Local government is also one of the authorities responsible for developing land use planning schemes.

Recognition of the need to take a strategic approach to the goal of raising property values along with rising community expectations, have meant that the role of local government is becoming increasingly complex. A growing foray into community-building initiatives such as bottom-up community planning and the evolution of council economic development units – in most cases incorporating tourism development – demonstrate this increasing complexity and sophistication of council operations beyond the basic service provision of the past.

The role of local government in tourism

The wide range of responsibilities around land-use planning, infrastructure building and renewal and the provision of numerous essential services place local government in a position to have significant influence over the attractiveness of their region as a place to visit.

The following diagram (Figure 1) demonstrates the range of functions performed by local government that have implications for tourism either directly or indirectly.



Figure 1: Some tourism related functions of local government (Tourism Alliance Victoria, 2005ii)

Local government takes responsibility for planning for local tourism so that it can:

- Manage external factors that influence local tourism
- Balance the needs and values of residents and local businesses
- Provide for visitor demands and expectations (Tourism Alliance Victoria 2005i).

The application of local planning schemes, used as a tool for tourism planning, varies between councils but all Victorian councils will at least have a tourism policy and a council plan or corporate plan which includes tourism in some form (*Ibid*). Figure 2 below shows the way in which the tourism policy of a given council can be expressed through the land-use planning and corporate planning facilities of that council.

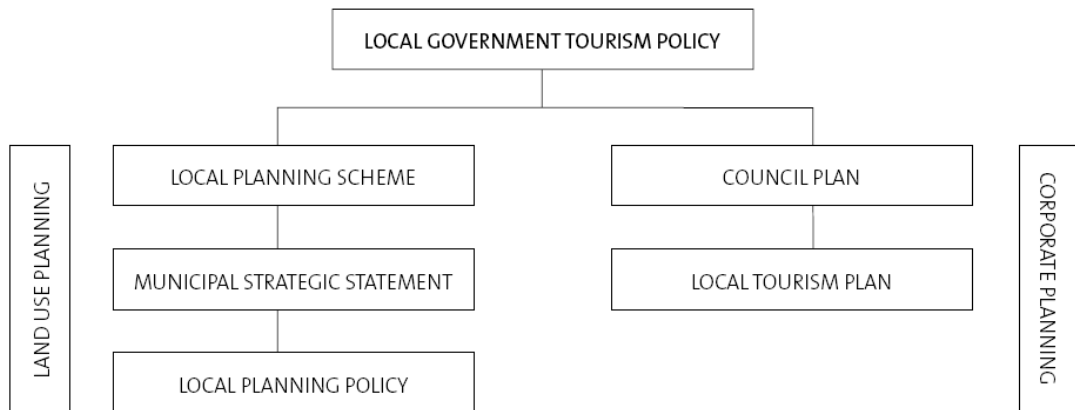


Figure 2: Local Government Structure of Planning for Tourism (Tourism Alliance Victoria, 2005i)

Given the broad range of functions of local government – the delivery of numerous services, provision and maintenance of infrastructure and assets, land-use and strategic planning and so on – it is clear that councils play an integral role in the planning and management of tourism in rural and regional Victoria.

(1) The economic benefits of tourism in regional areas, including tracking the flow-on benefits through other regional businesses and industry

Tourism undoubtedly makes a significant economic contribution to rural and regional Victoria. In 2003-2004 tourism contributed \$3.4 billion to regional Victoria's economy (a 31% increase from \$2.6 billion in 1997-1998) (Tourism Victoria, 2006). The estimated number of people from regional Victoria employed in tourism related activities in the same year was 61,000 people (a 13% increase from 54,000 in 1997-1998) (Tourism Victoria, 2004i:29).

Aside from boosting expenditure in the region and increasing employment opportunities tourism is attributed with many flow-on, or indirect, economic benefits, which help to improve the living conditions of local people.

Given instability and long-term decline in the agricultural sector and increasingly in regional manufacturing, the importance of tourism to Victoria's rural and regional economy is becoming further entrenched. A more diversified rural economy – which includes a strong tourism sector – enables rural areas to be more resilient in the face of unfavourable or uncertain economic conditions in traditional rural industries.

Cost to council of tourism development activities

In 2001-02 a Tourism Alliance Victoria survey of 48 local councils in Victoria revealed a conservative estimate of local government expenditure on tourism as \$13,133,797 (Tourism Alliance Victoria, 2005ii).

Quantifying the economic impact of tourism activities can be difficult, but it is imperative that councils have the capacity to do this, given their responsibilities for land-use planning and economic development activities which influence tourism infrastructure and services development.

Impacts of tourism on the council budget can be separated into discretionary and non-discretionary impacts (Syneca Consulting, 2004:15). Discretionary impacts come from activities undertaken to attract visitors and make their stay enjoyable including; visitor information centres, tourism marketing, special events, high quality parks, streetscapes or standards of cleanliness.

Non-discretionary impacts arise from activities undertaken by councils to maintain the quality of services and infrastructure. These services, waste collection for example, are provided for residents but are also used by tourists and the standard of the services and state of infrastructure can influence the attractiveness of the region to visitors.

Significant variation in contribution and patterns of tourism to different rural and regional LGAs

As noted above, Victoria's rural and regional councils are by no means homogenous, and the diversity that exists between LGAs is reflected in the degree to which they rely on tourism to drive the local economy.

Differences between rural and regional councils' approach to tourism and related activities can be a result of:

- Differences in the economic situation within the municipality including composition of industry and divergent performance on key economic indicators such as population, employment etc.
- Differences within the council including internal cost pressures, availability of staff and resources, skill level of staff, weight given to tourism and economic development as a council priority.
- Differences in geography, physical location and environmental features. For example, there are huge differences in the ability to attract visitors between councils located on the coast – particularly along the Great Ocean Road (a renowned tourist destination) – and those located in the Wimmera-Mallee region for example.

Given differences between councils it is difficult to generalise about the extent to which economic benefits arising from tourism flow-on to regional businesses and industry. The MAV has encouraged individual councils to make submissions – providing examples from their own experience in gauging the wider benefits of tourism industry development for residents and businesses in their region.

(2) Potential impediments to the sustained growth of regional tourism, economic activity and jobs

Attracting Investment

Predictably, a lack of finances and/or seed funding for tourism activities and development is a primary impediment to the growth of regional tourism. Without the necessary investment, tourism potential cannot be realised.

Having said that councils, or the tourism partnerships they participate in, that are seeking investment obviously need to be able to prove that there is a substantial case for that investment. As has already been noted, rural and regional shires are in particular danger of facing internal budgetary pressures and subsequently may not have the resources to identify potential tourist attractions in their municipality, nor have the discretionary capital to put together compelling proposals for funding. In many cases, raising skill levels and capacity-building within councils is necessary to ensure council economic development units can identify tourism opportunities and put together proposals that do their ideas justice.

Linked to this is a concern over the tendency for funding to be concentrated in areas with big-ticket attractions or already established tourist destinations. This is understandable in order to maintain the competitiveness of particular regions or events that have proven they can bring in international and domestic visitors. However, it makes it very difficult for regions that are looking to expand their tourism sector but cannot attract the private investment or government assistance necessary to realise the identified potential.

Ongoing Funding and Maintenance Costs

Once investment is made – whether in a particular tourism program or in a tourism infrastructure project – there is the issue of sustaining the investment for the ongoing management or maintenance costs. In many cases the initial investment provided to

lift tourism and bring potential tourism projects to life does not fully account for these ongoing operating and maintenance costs and management requirements. Frequently the burden falls on councils to continue to fund particular tourism initiatives and maintain tourist sites or alternatively to make the difficult, and often unpopular, decisions to close down unviable tourist operations. The experiences of South Gippsland Shire Council with the Coal Creek Heritage Village and Swan Hill Rural City Council's Pioneer Settlement outlined below demonstrate this point.

Coal Creek Heritage Village is a 15-hectare park in Korumburra which showcases the history of the region's coalmining industry in its glory years between the 1870s and 1920s. As was reported in *The Age* recently, South Gippsland Shire Council has had to make the difficult decision to close the park due to its not being financially viable. The financial difficulties are a result of dramatically reduced visitor numbers which have dropped from 90,000 in the early years of the park to just over 15,000 last year. The Council plans to reopen Coal Creek as a smaller museum – which will charge an entrance fee – in six months (Guerrera, 2007).

The Swan Hill Pioneer Settlement has placed Swan Hill Rural City Council in a very similar predicament. The Settlement "recreates life in the Murray-Mallee area from the period of 1830-1930" and consists of 7-acres of native bushland and farming enterprise containing over fifty restored historic buildings (Swan Hill Pioneer Settlement). As revenue from this tourist attraction declines steadily and refurbishment requirements are increasingly highlighted by the local community, the Council is in the unenviable position of assessing redevelopment options.

Coal Creek and the Swan Hill Pioneer Settlement clearly exemplify the problem of what happens when tourist attractions which were originally a drawcard for the region are not renewed or refreshed regularly and lose their appeal. There is a need to look beyond the initial investment and ensure that tourism development is conducted in a sustainable way including taking account of future maintenance costs of tourism infrastructure or focussing on other less capital-intensive and maintenance cost-intensive tourism projects.

Tourism Market Research

In both attracting investment and taking account of ongoing costs associated with tourism projects there is a need for accurate information about the tourism market and visitor segments at the regional level. Without reliable data revealing tourism patterns and predicting future trends, councils and other bodies looking to design tourism projects will be restricted in their ability to ensure viable and popular product development.

Skills Shortages

The shortage of skilled workers in rural and regional Victoria is widely acknowledged and the tourism industry is no exception. Without the ability to recruit quality tourism industry workers including hospitality and events management staff the development of tourism will certainly be limited.

Strategic Approach to Tourism Planning

Cooperation and strategic, coordinated tourism plans based around regions that cross different LGA boundaries are extremely important (see Regional Collaboration

section below). If there is a lack of intra-regional coordination this is likely to prevent the sustained growth of tourism in that area.

Council Capacity and Staff Skill Level

In the same way that well-trained and motivated council staff can promote and enhance tourism, untrained or under-resourced councils can themselves stand in the way of sustainable growth of regional tourism. The effectiveness of councils' economic development units depends on the capacity of each council to identify growth areas and industries in their areas and develop initiatives to support them. This capacity in turn depends on the skills and knowledge of the economic development officers and councillors and the processes in place to support the unit across the organisation (MAV, 2006).

Professional development for local government officers is an area that the MAV has been increasingly involved in – offering a comprehensive calendar of training events for both councillors and council officers. In particular, the need to develop officers' skills in regard to attracting investment and accessing grants – especially in smaller rural shires – has been explicitly acknowledged through the Small Towns Victoria Project being carried out under the auspices of the MAV.

(3) The effectiveness, at a National, State and local level, of current programs to promote and enhance tourism in regional Victoria

Tourism Impact Model (TIM)

The Tourism Impact Model (TIM) is an excel-based tool developed by the Tourism Division of the Commonwealth Department of Industry, Tourism and Resources (DITR) specifically to answer the question: *What would happen to the operating expenses and operating incomes of local government in the absence of the existing tourism industry?* (DITR, 2007)

Data obtained from the Model can be used by councils to:

- Identify tourist expenditure in their area, and model the impact of additional income on their budget
- Understand the value of different visitor types to the area
- Isolate the likely costs and benefits of a potential tourism development in the area
- Determine where tourism activity, and in turn costs, occur in the area, and work out how to minimise these costs and maximise revenue (*Ibid.*).

The TIM has been utilised by a number of councils in order to gain an understanding of the monetary impact of tourism in their municipality and feedback in relation to this tool has been generally positive.

Visitor Information Centres

Victoria has more than 68 accredited Visitor Information Centres which are generally owned and operated by local government or local tourism associations. Visitor information centres serve as an important point of reference for tourists wishing to learn about the attractions and services of the area.

Recent research by CRC Tourism Services and Victoria University indicates that Visitor Information Centres influence visitors' length of stay and understanding of a region and they increase their propensity to return to the region (Tourism Victoria, 2004ii:48).

Regional Collaboration

The formation of regional partnerships and local tourism alliances – facilitated by Tourism Victoria – is clearly beneficial and allows for a strategic approach across LGA boundaries. Effective inter-agency cooperation can impact positively on investment certainty.

Tourism Victoria has established ten campaign regions, namely; Yarra Valley and Dandenong Ranges, Macedon Ranges and Daylesford, Mornington Peninsula, Phillip Island, Goldfields, Grampians, Great Ocean Road, Gippsland, High Country and Murray. These regional campaigns have been developed in recognition of the key features and attractions of the distinctive regions of Victoria and allow for more holistic and powerful marketing campaigns.

Tourism regions do not coincide with LGA boundaries and there is therefore a need for cooperation between multiple councils and other government and industry agencies concerned with tourism.

Tourism Victoria's Regional Tourism Development Plans demonstrate the way in which Campaign Committees, Regional Tourism Associations, Local Tourism Associations, Tourism Alliance Victoria, Tourism Victoria, Parks Victoria, Department of Sustainability and Environment (DSE), Department of Innovation, Industry and Regional Development (DIIRD) and local government interact in the tourism realm. The Plans clearly define the roles of these key organisations with regard to tourism industry development and stress the importance of these bodies working cooperatively.

An excellent example of the success that can occur through local government involvement in cooperative alliances – both between different councils and with the support of government funding bodies – is the Murray to Mountains Rail Trail. The Murray to Mountains Rail Trail came about through the cooperation of the shires of Alpine and Indigo and the rural city of Wangaratta. In 1997 these councils together developed a proposal outlining the potential of the historic railway that traversed their municipalities to become a “nationally significant tourism product, link existing tourist attractions and preserve magnificent historical structures along the route” (Murray to the Mountains Rail Trail). The proposal to convert the abandoned rail track between the three townships of Wangaratta, Bright and Beechworth into a sealed cycling / walking track was embraced by both the State and Federal Government and funded through a \$1.9 million grant from the Victorian Government's Community Support Fund. The three councils continue to work cooperatively to maintain and further develop the trail which is growing in popularity (*Ibid.*).

Victorian Government's *Moving Forward* policy statement

The rail trail is just one example of projects encouraged and supported through the policy initiatives announced in the Victorian Government's *Moving Forward* statement, in which a \$27 million package was earmarked for investment in regional marketing, tourism signage, tourism skills and Provincial Pathways (RDV, 2005:3) Investment in the regional tourism and events industry comes from both the Regional Infrastructure Development Fund (RIDF) and the Provincial Victoria Growth Fund – the twin funds underpinning the Victorian Government's growth strategy for rural and regional Victoria.

Recognition of the need for tourism infrastructure and new investment in regional tourism, and funding injections announced in the *Moving Forward* statement are both welcome and timely.

Small Towns Victoria Project (STVP) - Capacity-building for rural councils to recognise and capitalise on opportunities to attract tourists

The Small Towns Victoria Project (STVP), funded by Regional Development Victoria as part of the Victorian Government's *Moving Forward* statement, was set up to address the specific needs of smaller rural and regional communities. The need to build the capacity of rural and regional councils in the areas of economic and community development in order to 'help them help themselves' has been central to the development of initiatives through the STVP. The focus on the 38 LGAs that comprise Rural Councils Victoria (RCV) is in recognition of the fact these councils are often under-resourced – especially in comparison with metropolitan and regional city councils.

One particular initiative of the STVP is the Small Towns Summit which is to be hosted by Birchip in late August. The idea behind the staging of the Summit is to provide a boost to a particular small town by attracting professional and community attendance, allowing the opportunity to showcase that particular region and ultimately prove that a small town can successfully manage a big event. The application process itself – requiring councils to put together comprehensive applications addressing a number of selection criteria - was designed to encourage councils to consider how they might go about hosting a significant event and realise that they do indeed have the potential to make it happen.

Major events are an excellent way to attract visitors to regional Victoria and capacity building in event management is crucial for councils to help them to realise their potential or recognise opportunities to host events.

Conclusion

The importance of tourism to the economy of rural and regional Victoria and its potential to help regional Victoria preserve some of the characteristics of a distinctive rural lifestyle whilst also stimulating growth and investment is clear. The various roles of councils with implications for tourism make local government a particularly important player in the tourism realm. Councils must provide adequate services and manage tourism infrastructure. Land use planning responsibilities and the evolving functions of councils in the area of local economic development reinforces this importance.

There is significant variation between regions throughout Victoria in terms of economic performance, industry composition and geographical features – each of which contribute to the reliance of that region on tourism as a driver of economic growth. Similarly, variation between the respective councils of rural and regional Victoria is unavoidable and has implications in terms of funding and ability to support sustainable growth of regional tourism.

Participation in regional cooperative alliances such as those facilitated through Tourism Victoria serve to enhance the ability of councils to effectively attract and manage tourism in their area. Regional collaboration certainly allows councils to achieve more than would be possible if left entirely up to individual council economic development units – which vary in terms of resources and skill level.

This submission suggests that there are a number of positive initiatives including; the Tourism Impact Model for assessing the benefits and effects of tourism for a particular local area, the policy initiatives and funding directed at tourism through the Victorian Government's *Moving Forward* statement and the promotion and support of regional tourism alliances through Tourism Victoria allowing for strategic, coordinated approaches to tourism planning and management across rural and regional Victoria.

However, there is a need to ensure investment decisions relating to tourism take account of ongoing costs and that tourism markets and visitor segments are continually researched and understood so that the 'tourism offer' is attractive and relevant. This will ensure that councils are not left with ageing, unviable and unattractive tourism infrastructure.

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