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Mr David Hawker MP  
Chair  
House of Representatives  
Standing Committee on Economics, Finance and Public Administration  
Parliament House  
CANBERRA ACT 2600

Dear Mr Hawker

## **INQUIRY INTO LOCAL GOVERNMENT AND COST SHIFTING**

Thank you for your invitation of 12 June 2002 to the Minister for Small Business and Tourism, The Hon Joe Hockey MP, to make a submission to the House of Representatives inquiry into local government and cost shifting. The Minister has asked that the Department of Industry, Tourism and Resources make a submission relating to:

1. the encouragement of local government collaboration by the Business Entry Point, and
2. local governments' capacity to finance investment in tourism infrastructure.

In relation to the terms of reference for the inquiry, these issues could be examined in the context of: 1. local government's current roles and responsibilities; and 3. the capacity of local government to meet existing obligations and to take on an enhanced role in developing opportunities at a regional level including opportunities for councils to work with other councils and pool funding to achieve regional outcomes.

Please find attached a copy of the Department's submission on these issues.

Yours sincerely

Patricia Kelly  
Head of Tourism Division

26 August 2002

DEPARTMENT OF INDUSTRY, TOURISM AND RESOURCES

SUBMISSION TO

INQUIRY INTO LOCAL GOVERNMENT AND COST SHIFTING

BY THE HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON  
ECONOMICS, FINANCE AND PUBLIC ADMINISTRATION

26 AUGUST 2002

## **1. Business Entry Point (BEP) Encouragement of Local Government Innovation and Collaboration**

Since its establishment in 1998, the Business Entry Point (BEP) Initiative has worked collaboratively with a number of local government agencies to demonstrate how innovative online solutions can provide advantages for local business communities and for local government agencies. BEP maintains a keen interest in the local government sector due to the high level of contact that councils have with small business and the potential these agencies have to ease the government compliance burden. BEP's work in this area is relevant to the inquiry's third term of reference, which relates to building local governments capacity to meet existing obligations, and developing opportunities at a regional level to work with other councils to achieve regional outcomes.

### **The BEP Demonstration Program**

The primary way that BEP has worked to achieve outcomes in this area is through the BEP Demonstration Program. The Demonstration Program has assisted agencies at all levels of government to develop innovative online services and technologies that make it easier for business to interact and transact with government. By supporting these activities and fostering the development and uptake of government online service delivery, the BEP aims to help business comply with government requirements more simply and conveniently.

The Demonstration Program encourages partnerships and collaboration and the development of solutions that can be easily replicated in other jurisdictions to avoid duplication of effort and reinventing the wheel. Through the uptake of new and innovative online service delivery solutions, participating agencies have realised time and cost savings and have built their capacity to meet existing obligations. Two examples of such projects are:

#### **Penrith City Council – Online Building and Development Applications**

Penrith City Council developed an Internet-based lodgement system for building and development applications, with assistance from the BEP Demonstration Program.

The system saves builders time and money by enabling them to complete and lodge building and development applications online. In addition to helping business more easily comply with government requirements, the facility produces substantial savings for council in the time and cost of processing applications. Penrith developed the facility in consultation with a number of other agencies and it has been built with the capacity to be replicated in other jurisdictions. Cootamundra Shire Council in the NSW Riverina is the first agency to adopt the facility and others have shown an interest in doing so, demonstrating the value in working collaboratively and sharing outcomes for maximum benefit.

#### **City of Whittlesea – Food Safety Program**

A second project building local governments' capacity to deliver services is the City of Whittlesea's FoodSmart project. The City of Whittlesea in Victoria developed an online food safety system in conjunction with Food Safety Victoria and with assistance from the BEP Demonstration Program.

Changes to Victorian legislation required food businesses such as restaurants and green grocers to lodge a food safety program with their local government agency. The system developed by Whittlesea simplifies the processes and reduces the costs for business associated with completing a Food Safety Program, by allowing businesses to develop and lodge their program online. Assessment and administration of programs also becomes easier and more consistent, resulting

in benefits for local government agencies. Food Safety Victoria has now multiplied these benefits by making the facility available to all councils and food businesses in Victoria.

### **Content Syndication**

Another way in which the BEP is building the capacity of local government is through the BEP Content Syndication project. The BEP is syndicating government compliance content to third party web sites, which include a number of local government agencies. This strategy recognises that many businesses will visit their local council's site to access such information in the first instance. The content is based on fifteen high level business themes such as starting a business, paying tax and obtaining licenses and permits for running a business. By providing this data to local government agencies BEP helps to ensure they can meet the expectations of local business communities.

In addition to a number of local government agencies, other syndication partners include; financial institutions, industry associations and business advisers. Business Entry Point does not charge partners for syndicated content.

### **Transaction Manager**

The BEP Transaction Manager facility also produces benefits for local government agencies. Transaction Manager aims to ease the compliance burden on small business by providing an integrated and sophisticated approach to the delivery of government transactions. The site assists business to find, manage and complete online transactions with a range of federal, state and local government agencies. BEP is working with a number of councils to ensure their transactions are discoverable through Transaction Manager, with an estimated 500 transactions from the local level already accessible via the facility.

## 2. Growing Role of Tourism for Local Councils

### Introduction

Australia's tourism industry generates 4.5% of gross domestic product, 6% of the nation's jobs and 11% of our exports. International visitors to Australia are forecast to double over the next decade. As a result tourism will create new business opportunities that will benefit more regions of Australia and incrementally increase pressure upon tourist destinations.

Most councils actively welcome tourism, recognising its potential to generate economic growth and employment at a local level. Overall growth in tourism will help increase land values, lead to higher rate revenue and possibly greater revenue from user charges. Some councils also acknowledge that tourism may have some adverse impacts for their local communities, the environment or their budgets and are beginning to experiment with a range of measures to ensure tourism is sustainable in the long run.

The Commonwealth Government is currently developing a 10 year plan for Australia's tourism industry. Over a quarter of the 250 submissions received on the plan raise issues of the role of councils in tourism. A list of the relevant submissions is at [Attachment 1](#). Submissions are now available at [http://www.industry.gov.au/library/content\\_library/ttypsubmissions.html](http://www.industry.gov.au/library/content_library/ttypsubmissions.html)

As well as being beneficiaries, councils play a major role in the provision of services which help support the growth of tourism in Australia. However tourism demand is uneven and in some cases highly concentrated. In some areas the demands of a growing tourism industry is stretching the resources of councils and industry. In extreme cases, pressure on local councils is seen by the councils themselves to be so significant that they have contemplated measures that may reduce tourism demand. This issue needs to be addressed as it is in the interest of both Australia's tourism industry and the local government authorities themselves, to develop a profitable partnership.

Little research has been done into how local councils deal with tourism infrastructure requirements. Councils appear to have inadequate data to determine how tourism impacts on their revenue and costs. Data constraints may be affecting their ability to determine the broader economic benefits of tourism, win community support and make informed decisions about tourism investment proposals.

In this context, the Department of Industry, Tourism and Resources would like to draw the attention of the House of Representatives inquiry to the possible implications of tourism for local government. In relation to the terms of reference there may be issues of relevance to: local government's current roles and responsibilities; and the capacity of local government to meet existing obligations and to take on an enhanced role in developing opportunities at a regional level including opportunities for councils to work with other councils and pool funding to achieve regional outcomes.

### Tourism is a significant and growing industry

Tourism consumption in 2000-01 was \$71 billion, of which \$17 billion came from international visitors. These export earnings are 11% of Australia's total, making tourism the fourth largest exporter – after mining, manufacturing and agriculture – and the largest export earner within the services sector. With international visitors forecast to double within ten years, tourism will be generating annually an extra \$17 billion in export revenue for the nation. Tourism provides employment for 551,000 people directly and another 341,000 indirectly.

Australians spend 330 million nights a year travelling in Australia, and international tourists spend about 112 million nights a year here. State and Federal Governments are marketing Australia as a tourist destination, with the explicit aim of increasing the number of visitors from both local and overseas markets. State tourism marketing expenditure is approximately \$235m a year, while the Commonwealth spends around \$100m a year. While domestic tourism is forecast to grow relatively slowly (2% a year), international visitation has continued its consistently strong growth and is forecast to grow at 7% per year for the next ten years.

Tourism is recognised for its capacity to generate economic growth in regional Australia. The Bureau of Tourism Research (BTR) found that in 1998 58% of the domestic tourism dollar was spent in regional Australia compared to 29% of international visitor expenditure. Development of regional economies through tourism can help reduce the social and economic problems being experienced in country towns. Furthermore, tourists can raise the volumes and profitability of airlines and transport systems, reducing the isolation of outback Australia, thus improving the viability of other local industries. Local regions stand to benefit from tourism, but also face the challenge of coping with additional demand for services and infrastructure.

The Australian Bureau of Agricultural and Resource Economics confirms the growing importance of tourism in remote regions of Australia. For example ABARE found that over the period 1986–96 remote employment grew by 40% in accommodation, cafes and restaurants and by 56% in cultural and recreational services. These industries are core sectors of tourism.

### **Councils' Involvement in the Tourism Industry**

Local councils play an important role in support of the tourism industry. They provide services that significantly enhance the tourism experience for international and domestic visitors. On average across Australia, local governments spend 27% of their budgets on transport, 19% on community amenities and 19% on recreation and culture.<sup>1</sup>

The Australian Local Government Association in its submission to the 10 Year Plan for Tourism, listed some examples of Council infrastructure and services in tourism:

- ◆ General amenity of the area:
  - Streetscaping
  - Disposal of refuse and street sweeping
  - Maintenance of barbecue areas, park benches, and playground equipment
  - Maintenance of public toilets
- ◆ Roadworks
- ◆ Sewerage systems
- ◆ Car parking
- ◆ Parks and gardens
- ◆ Funding tourist information centres and Tourism Associations
- ◆ Discounted and/or peppercorn rentals and hires
- ◆ Sponsorship of major events and festivals
- ◆ Tourism promotion and marketing
- ◆ Airport infrastructure
- ◆ Economic development

Other roles noted in other submissions included:

- ◆ Traffic flows
- ◆ Recreation facilities
- ◆ Zoning
- ◆ Protecting sensitive tourist sites
- ◆ Signage

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<sup>1</sup> Commonwealth Grants Commission *Review of the Operation of the Local Government (Financial Assistance) Act 1995*

- ◆ Street lighting
- ◆ Partnering with industry
- ◆ Leasing of assets to industry
- ◆ Facilitating tourism industry planning
- ◆ Seating
- ◆ Late night transport
- ◆ Beach patrol
- ◆ Public health
- ◆ Public liability insurance

Tourism is a relatively feasible industry for councils to develop. There are relatively low barriers to the local population entering the industry, and generally it does not require large set up costs, state of the art technology or a highly skilled workforce. Indeed, since tourism is about experiencing 'place', the local community has a competitive advantage in knowing more about the locality, history and people.

From the tourism industry perspective councils are vital partners in development and success of the industry. Tourism is highly 'place' specific, and councils are the guardians and managers of those 'places'. Councils control most of the zoning and planning, the services, the heritage, the safety, the infrastructure, and the projected imagery of their locality. Councils are also often the largest organisation in their area with a role in tourism. The industry itself is composed mostly of small businesses that look to councils for coordination and guidance.

Tourism can also play a key role in preserving and validating the natural and cultural resources of local regions. Tourists want to experience local history, environment, and people. Rather than being a drain on the public purse to preserve, the tourism industry can make these things generate wealth. Tourism can and does interact with most other industries, frequently boosting their profitability (eg *FarmStays*).

The majority of councils recognise the contribution that tourism can make to the local economy and welcome and actively encourage tourism. However, few councils have attempted the difficult task of separately identifying exactly how much they spend on tourism, nor indeed how much revenue they derive from tourism.

### **The Costs and Benefits of Tourism for Councils**

The Commonwealth Grants Commission pointed out that there are large differences in the capacity of local governments to raise revenue in capital cities, metropolitan areas, regional centres, rural communities and remote areas.<sup>2</sup> The size of councils is highly variable in both population and geographic spread which affects the ability of any particular council to finance services and infrastructure to meet growing tourist demand. The scale of the tourism role of councils also varies across the nation. Tourist numbers are not uniformly distributed. Over 52% of visitor nights occur in just 10 of the 96 Australian regions, and half the regions capture 89% of visitor nights (regional data is at [Attachment 2](#)).

For those councils with high tourist numbers and low numbers of ratepayers, a very significant proportion of the use of their services may be by tourists. A few councils will experience numbers close to or exceeding their own ratepayer base. An example is Manly Council which estimates that services for tourists costs \$4m a year (70% of its maintenance budget) or \$245 from each ratepayer. However its submission did not quantify revenue arising either directly or indirectly from tourists.

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<sup>2</sup> Commonwealth Grants Commission *Review of the Operation of the Local Government (Financial Assistance) Act 1995*

Most services used by tourists are exactly the same as those used by ratepayers and it is difficult to quantify any additional cost burden that the presence of tourists may impose. One guide to the scale of services that may be used by tourists, is to look at how much time is spent in a council area by visitors and locals. Good data is not available for each council, but data from ABS and the BTR can be used to compare the number of person-nights at a national level. About 6%<sup>3</sup> of all nights spent in Australia are by either local or international tourists. These individuals, although not local ratepayers, may use facilities such as signage, information centres, refuse collection, sewerage systems, roads, carparks, parks, walkways, cycleways, seating, street lighting, recreation facilities and security. However the precise amount and nature of services used by tourists will vary with region, season and tourism segment and so this figure may not provide a good indication of demand on council services.

Some council services, such as sewerage systems, have to be designed to cope with peak loads. Most councils experience sharp peaks in tourist numbers on weekends, holidays or special occasions. In addition, for most areas tourism is seasonal. On average, 39% of the yearly tourist load for a region will be concentrated in a single season. In its submission to the 10 Year Plan for Tourism, the Australian Local Government Association (ALGA) advises that some councils have to build sewerage systems 2-3 times larger to cope with these visitor peaks.

While it is difficult for councils to isolate the costs associated with tourism, there has been little, if any, attempt to quantify the additional revenue that councils may derive either directly or indirectly from tourism.

A few councils have raised the issue that the economic benefits from tourism do not always occur in the council areas where the costs were incurred. For example, tourist accommodation tends to concentrate in tourism centres, with visitors or coaches making day trips to areas of interest. While businesses in surrounding councils can capture some economic benefits, much of the spending will be in the centres. From a tourism industry perspective, the amalgamation of (or cooperation between) councils has had the benefits of improving capacity to capture the economic benefits and deliver a greater congruence with the tourist focus, which tends to cover wider regions.

The Bureau of Tourism Research is examining the economic and employment impacts of tourism in certain regions. Its report on Perth, the South Coast of NSW, Geelong and Katherine was released last year.<sup>4</sup> Table 1 shows that the four case study regions receive varying economic returns from tourism. Tourism directly sustained 14% of total employment in the South Coast and 9.3% in Katherine, both well above the national average of 6%. Tourism is relatively less important to Perth and Geelong.

The case studies confirm that expenditure and employment in a region are not always directly proportional to the number of visitors a region receives. Expenditure per visitor varies considerably. Perth receives the highest overall expenditure per visitor, since both domestic and international overnight visitors tend to spend significant amounts of money in the region eg airfares, education and conferences. Geelong attracts the lowest expenditure per visitor because of its reliance on day visitors. For domestic overnight visitors, on average, each visitor to Perth spent four times the average visitor expenditure in Geelong. The major difference is due to lower nightly expenditure in Geelong, significant domestic air expenditure in Perth, and a shorter duration of stay in Geelong.

<sup>3</sup> Annually there are 6.5 billion local nights at home and 0.45 billion local tourist and international visitor nights

<sup>4</sup> Bureau of Tourism Research *Occasional Paper No 33 Regional Tourism Employment: A Case Study Approach*



The relationship between expenditure and employment is very similar for Perth, Geelong and Katherine. For South Coast the expenditure-employment multiplier is much higher ie it requires more visitor expenditure to generate a single tourism job in the South Coast. The composition of expenditure (eg accommodation and education and conferences contribute greater employment per dollar spent) and seasonal fluctuations in visitor numbers affect the multiplier.

This research on the regional economic effects of tourism is breaking new ground. It could provide a basis for further work to help determine the financial implications for local government of visitation numbers, market segments, per capita visitor expenditure, composition of expenditure and employment generation.

Table 1: Comparison of selected tourism related indicators for four case study regions

	<b>Perth</b>	<b>Katherine</b>	<b>South Coast</b>	<b>Geelong</b>
Number of visitors ('000)	8 603	367	4 750	4340
Day visitors as a share of total visitors to region (%)	68	34	44	74
Tourism's share of regional output (%)	3.1	5.3	11.0	3.6
Tourism employment share of total regional employment (%)	4.0	9.1	14.1	5.4
Average expenditure per domestic day visitor	\$66	\$70	\$65	\$73
Average expenditure per domestic overnight visitor	\$648	\$317	\$277	\$152
Average expenditure per international visitor	\$1 376	\$143	\$464	\$611
Average visitor expenditure required to generate a job	\$107 000	\$101 000	\$142 000	\$105 000

## **The Councils' Views and Responses**

Most submissions to the 10 Year Plan for Tourism, including those from industry and councils, regarded tourism as a highly desirable tool for economic growth with a steadily growing demand, low barriers to entry for businesses, high local employment and the capacity to preserve environmental and cultural heritage. For example, Advance Tourism notes the role of the Yarra Ranges Council, in partnership with other bodies, in building the region into a major wine tourism destination, leading to substantial private sector investment and job creation. Country Victoria Tourism Council observes that with its growth rates and clean image, tourism is seen as a solution to declining local economies, degraded local environment and break-down of community fabric.

Generally the view from all respondents to the 10 Year Plan for Tourism was that councils had a central role as a partner in the local tourism industry. For example, the Eastern Metropolitan Regional Council (WA) commented local governments have an enormous potential to facilitate, support and actively participate in the local tourism industry. They are also major owners or contributors to local infrastructure including roads, recreation facilities and visitor centres. The Tourism Council of WA observes that the successful destinations around Australia had high levels of public/private cooperation. Local government can facilitate cooperation among firms, which is particularly important given the structure of the industry. Around 90% of firms in the

tourism sector employ less than 20 people. The industry is also characterised by low profitability (15% compared to average for all industries of 22% for 1997-98).

Most submissions also felt councils had limited access to information and skills to make sensible decisions on tourism demand and services. The Australian Regional Tourism Network raised the cessation by ABS of its collection of statistics on accommodation establishments with less than 15 rooms. The Network noted that these establishments made up most of the accommodation in regional destinations, which left councils without any reliable data on which to plan or deliver tourism services. The Tourism Task Force recommended that States consider setting up their own tourism forecasting councils to provide councils with data on accommodation supply and demand. Roma Town Council noted that remote shires can't easily attract staff with tourism expertise, and recommends a mentoring program for tourism officers be established between councils. Wagga Wagga City Council observed that councils need the tools to understand the impact of tourism and communicate this to their communities. The Department of Communications, Information Technology and the Arts noted that local councils seeking grants funding often did not have the necessary expertise or experience in tourism.

Some submissions expressed concern at inadequate funding of infrastructure or services by councils. The South West (WA) Area Consultative Committee observed that funding of infrastructure such as interpretive centres has declined over recent years, and that "local government support for tourism is patchy at best, and often is at the whim of individual councillors who come and go". According to the Caravan Industry Association, some councils are not increasing facilities and services for tourism. In most cases this has not been a deliberate decision to discourage tourists, but to keep council budgets balanced. Many submissions suggested that councils lacked the expertise to determine the net benefit of spending on tourism services or the evidence to convince the beneficiaries (businesses and ratepayers) of the value of such spending.

While most councils acknowledge the benefits of tourism and accept that there are costs involved (even though they may be unclear about the full impact on their revenue base), some councils are dealing with sustainability issues generated by high tourism demand on council services or on the community. Submissions highlighted the burden on budgets and the difficulties of raising revenue. For example, ALGA advises that all councils consulted regarded tourism marketing as one of the greatest tourism costs, which were impossible for a single or even group of councils to fund through normal rates. Townsville Enterprise observes that support of the tourism industry cannot remain the responsibility of local government without an increased funds base.

Other concerns raised in submissions include:

- Many scenic, but isolated, areas including outback towns, aboriginal communities and national parks lack a significant rate base to provide tourism services (JPJC, ATSIC)
- There are significant overlaps between bodies dealing with tourism: councils, regional tourism organisations, area consultative committees, marketing regions, State development regions (Newcastle Airport)
- Tourist routes frequently cross council, regional and State borders. Greater cooperation is needed across boundaries (Albury Wodonga Tourism)
- Council and regional tourism marketing groups require equitable access to Export Market Development Grants ( Eurobodalla Coast Tourism)

Local government bodies and other organisations are responding to the challenges and opportunities presented by the growth in tourism in a range of ways:

- In Queensland, the Gold Coast Council, and more recently the councils in the Sunshine Coast, are experimenting with levies on business to pay for their tourism development

activities. Under the Queensland Grants Commission legislation, councils can impose additional levies for specific purposes provided that the program, budget and category of ratepayers are determined and publicised in advance. These councils are imposing the levies on most businesses and accommodation providers and using the funds largely for marketing, but with lesser amounts for infrastructure<sup>5</sup>.

- Those councils which actively plan for tourism, frequently work with industry and the community to even out the flows of tourists both in time and space. Both council and industry tourism assets are most cost effective if they are fully utilised. Councils are therefore active in devising (and often funding and marketing) events out of the peak tourist seasons and to customer segments that will use different assets. This sensible approach minimises the burden on ratepayers while maximising local incomes. As a result Australia enjoys many jazz festivals, car rallies and heritage weekends. As more councils work to optimise their calendar of events they will need to be more innovative in capturing new market segments, if they are not to fall into the trap of competing with each other, rather than increasing the size of the pie for all.
- Zoning controls can greatly affect the infrastructure costs to councils and the capacity of a region to capture economic benefits from tourism. For large tourism developments, it is usual for councils to impose conditions that will see the developer creating some of the infrastructure that would otherwise be provided by council. Others use zoning to create near-monopolies in certain locations but make infrastructure provision or maintenance part of the obligation on the business. Zoning of tourism facilities (eg bus terminals) close to relevant local businesses and altering controls on business opening times and specialisation are also used to capture business (and are appreciated by tourists).
- Some councils have developed partnerships with tourism businesses as a way to initiate the provision of keystone infrastructure. For example, tourism operators administer or provide the premises for information centres. Some councils provide or subsidise bus services to key tourism sites. Regional marketing is frequently a partnership between local tourism associations and councils.
- Partnerships between government and tourism enterprises can create a tourist attraction generating direct revenue for both partners. The BridgeClimb in Sydney is an example of a successful tourism venture based upon access to a government asset. Logan City Council recommends councils, in association with the local business community, conduct audits to identify potential tourist attractions. Much of tourism is about 'place' and much of the key locations, heritage, historical knowledge and expertise resides within a council's control.
- All State Grant Commissions provide variations to grants to local government based on additional burdens they face. There are instances in most States of councils being granted additional funds because of the burden created by tourism, and in NSW the rates cap has been raised for some councils with significant tourist numbers. The key tourism industry body, the Tourism Task Force in its submission to the 10 Year Plan for Tourism seems to be suggesting that this flexibility be specifically recognised in funding formulae:

Local Governments, especially in New South Wales, have tight budgets and the tourism infrastructure costs borne by local councils are either subsidised by ratepayers or businesses. Neither group is the exclusive beneficiary of the activity. State and Territory Governments receive over \$5 billion per annum in GST from tourists and should investigate ways of using a portion of this revenue windfall to help local councils maintain infrastructure. It is recommended that the State and Territory Governments consider financially assisting local Governments to maintain tourism infrastructure, by establishing special tourism disabilities within the funding methodologies of the State

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<sup>5</sup> From discussions with Gold Coast Council, documentation from Maroochy Shire Council and Sunshine Coast University

Grants Commissions. If this is not accepted the Commonwealth should consider developing a tied financial assistance grant based on local government area disabilities.

- Both State and Federal governments have industry development grants aimed at economic development, regional support and heritage protection. As a major economic sector with high job creation, capacity to support regional growth, and to ensure viability of heritage areas, tourism related ventures have been a significant beneficiary of these schemes. Frequently the beneficiary or key partner in such grants is the local council. For example the Commonwealth's Regional Tourism Program (RTP) encourages investment that will act as a drawcard for visitors to the regions outside the capital cities. Local governments and business enterprises have been recipients of RTP grants. Examination of the budget papers suggest that the Commonwealth's total annual expenditure on tourism related infrastructure is in the order of \$2 billion. While about \$1.8 billion is directed to roads, expenditure also relates to projects such as the development of the Cairns foreshore, refurbishment of interpretive centres eg the Stockmans Hall of Fame at Longreach, railway and airport infrastructure and sports facilities.

### **The Overseas Experience**

Australia ranks only twentieth in attracting numbers of international visitors. France, Italy and the UK have 75m, 40m and 25m visitors a year respectively (*World Tourism Organisation*). This suggests that a useful source of insights into responses to higher tourism loads may be found by examining the practices of European tourism hotspots. A recent Price Waterhouse Coopers (2000) study, *Local Government Grant Distribution: an International Comparative Study*, for the UK government noted the role and financing of tourism in council equivalents. A summary of the observations on tourism in various counties is at [Attachment 3](#).

The study suggests that OECD nations with similar or greater numbers of tourists relative to Australia, still generally retain within local government the basic service functions used by tourists: local planning, sewerage, road-works, refuse and local amenities. That these roles are retained at the local level, regardless of differences in governments and finances suggest that as tourism grows in Australia, local councils' responsibilities may have to grow accordingly.

### **Conclusions**

There are a number of implications emerging from the views expressed by local councils and the tourism industry about local governments' roles and capacity to resource tourism services and infrastructure. Some perceptions need to be considered in a broader light, for example:

- One perception is that state and federal spheres of government benefit from increased tax revenue due to tourism but local governments do not. In fact 19% of local government revenue is directly derived from Commonwealth and State government grants.
- While local government's revenue raising ability has been restricted by policies such as rate pegging and rate capping in some states, mechanisms do exist to allow flexibility to increase revenue to meet particular tourism demand. Moreover growth in tourism is likely to place upward pressure on land values and increase rates revenue as a result.
- In some cases there appears to be an assumption that rates are the only source of revenue for councils. Rates on average provide 47% of local government revenue however user charges provide another 25%. User charges are the fastest growing source of local government revenue, growing by 13% per year.<sup>6</sup>

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<sup>6</sup> Commonwealth Grants Commission *Review of the Operation of the Local Government (Financial Assistance) Act 1995*

While there are large differences in how local governments in various locations raise revenue and in their capacity to do so, in general there appears to be a fair degree of flexibility that councils could explore. In the absence of hard data, it is difficult to draw conclusions about the direct benefits from tourism. However there is anecdotal evidence which suggests that at least some councils derive significant direct revenue from tourism infrastructure such as the operation of caravan parks.

The composition of local government expenditure has also changed over time. In general there has been a movement away from property-based services (councils now spend relatively much less on roads) to human services (eg aged care, child care). There has also been an increase in the relative importance of outlays on recreation and culture (eg libraries, art galleries and museums.) It is not clear whether this diversification in outlays is presenting a greater challenge or better opportunities for councils to promote or support tourism.

Submissions to the 10 Year Plan for Tourism suggest that councils lack the expertise and/or the data to determine the net benefit of spending on tourism services or the evidence to convince the beneficiaries (businesses and ratepayers) of the value of such spending. While prudent budgeting is highly desirable, without well-targeted council services, the nation's capacity to maximise its income from tourism could be harmed. At this stage there is little evidence that Australia's reputation is being tarnished, it is more a question of not adequately capturing potential tourist expenditure.

Various players have implied that tourism is different to other industries from a council perspective. The differences appear to largely result from tourism needing to be consumed locally. Manufacturing plants and agricultural industries generally distribute their produce through narrow, specified transport channels. Their customers do not come by the thousands, using council facilities and placing service obligations on the council. Furthermore, many tourists are not principally there as customers of local businesses. Frequently they are there to experience the locality, the parks, the climate or the natural beauty.

A fundamental question that needs to be addressed is who should determine, pay for and deliver services for visitors to local areas. Market based mechanisms drive efficient allocation of resources and should be used wherever possible. However, most of the services delivered by councils are within government because the high relative transaction costs of charging users, or difficulty in creating exclusivity, precludes market mechanisms. For example, charging tourists for usage of park benches, signage or litter collection is not a commercially practical proposition.

However, supply of services by councils has its own problems. Elected councillors determine budget priorities. Tourists are not ratepayers and do not have a say in what services are delivered. On occasions, ratepayers may see their interests diverge from the interests of tourists and seek limits on tourism to the area. The electoral imperative of councils is to please their local communities, and some could legitimately decide, in the extreme, to discourage tourist access to areas or facilities, to the detriment of the nation's tourism development.

Fortunately, there are a number of areas where the interests of tourism, local government and local residents do converge: many local businesses benefit from tourism; ratepayer employment and income can grow significantly through tourism; councils and business can often benefit from sharing facilities; council assets can be turned into tourism business opportunities; and tourism can lead to higher land values and increases in rate revenue. These mutual areas of interest should continue to foster funding and service provision for tourism.

### Further Research Required

ITR intends to work with councils and the tourism industry to explore ways the partnership can prosper and sustainable tourism growth continue. To this end it will be investigating constraints on tourism businesses and industry.

The House of Representatives Inquiry has the more fundamental task of determining relationships between levels of government. The Inquiry might seek the views of interested parties on:

- What role should local government play in developing tourism?
- What facilities and services are really needed by tourists or the tourism industry?
- Would these facilities and services be provided anyway or are additional costs involved?
- Who benefits from the tourism these services create?
- What increases in council revenue result from these benefits?
- What options exist for councils to raise additional revenue from ratepayers?
- What skills and information resources are needed by councils to make sensible decisions on tourism matters?

Information on the roles and capacities of councils in tourism is still quite limited. Quite a few submissions to the 10 Year Plan for Tourism process gave examples of the roles of councils in tourism, and one attempted to cost those services. None have analysed the returns to councils from tourism, and hence estimated the financial capacity to support that role.

ITR argues that further research in cooperation with councils is needed to enable better planning, informed evaluation of the claims put by both the tourism industry and councils, and to provide councils with a better basis for their own decision making. It is expected that a better shared understanding of the financial drivers will do much to foster the effective working partnership between councils, the tourism industry and governments that a number of people have identified as necessary to move ahead.

## 10 Year Plan for Tourism: Submissions Raising Local Government Issues

Advance Tourism  
 Advanced Tourism  
 Albury Wodonga Regional Tourism Forum Inc.  
 Albury Wodonga Tourism  
 Alice Springs Operators (various operators)  
 ATSIC  
 Australian Local Government Association  
 Australian Rail Association  
 Australian Regional Tourism Network  
 BIG 4 Holiday Parks of Australia  
 Boating and Industry Association  
 Brisbane Tourism Regional Advisory Committee  
 BT Hotel Group  
 Caravan Industry Association  
 Central Highlands  
 Central Ranges  
 CEO Collegiate Pty Ltd  
 Colonial 1<sup>st</sup> State Property  
 Country Victoria Tourism Council  
 CRC for Sustainable Tourism  
 Department of Communications, Information Technology and the Arts (DCITA)  
 Dr Graeme Webb  
 Eastern Metropolitan Regional Council (WA)  
 Eurobodalla Coast Tourism  
 FACET (Forum Advocating Cultural and Eco Tourism Inc.)  
 Gippsland Regional ACC  
 Gold Coast City Council  
 Hunter Regional Tourism Organisation  
 JPJC  
 Katherine Region Tourist Association  
 Logan City Council  
 Manly Council  
 Mid West Development Commission  
 Moreton Bay Group Management  
 Mornington Peninsula Tourism  
 Mr John Edmunds - Millaa Millaa  
 Ms Cheryl Skene - President, Hinchinbrook Tourism Association, Inc.  
 Ms Gabrielle Daunke, Mr Peter Daunke, Ms Anne Marie Eckert, Ms Annette Gaborit - Tour Guides  
 National Trust of WA  
 Newcastle Airport

NSW Council of Tourist Associations  
Prom Coast Tourism Inc  
Puffing Billy  
Queensland Tourism Industry Council  
Queensland Resident Accommodation Managers Association Inc.  
Riverina Tourism  
SA Tourism Alliance  
See Australia  
Sholhaven Area Consultative Committee  
South Coast NSW  
South West Area Consultative Committee (WA)  
Sunshine Coast University  
Surf Life Saving Qld  
Sydney Olympic Park  
The Campervan & Motorhome Club of Australia  
Tourism Council of WA  
Tourism Mid West  
Tourism Sunshine Coast  
Townsville Enterprise Limited  
Tropical North Queensland  
Tourism Task Force  
Unit Owners Association of Qld  
WA Local Government Association  
Wagga Wagga City Council  
Wheatbelt Area Consultative Committee



## ATTACHMENT 2

## TOURISTS NIGHTS BY REGION

Region	Quarter 1 1999	Quarter 2 1999	Quarter 3 1999	Quarter 4 1999	Top season	1999 Total	% of National	Cummul ative
Sydney	15,257,430	11,851,559	13,365,409	16,196,288	28.6%	56,670,686	13.9%	13.9%
Melbourne	11,367,280	7,208,852	7,246,570	9,128,840	32.5%	34,951,542	8.6%	22.4%
Brisbane	6,501,844	6,003,973	6,534,930	4,619,938	27.6%	23,660,685	5.8%	28.2%
Gold Coast	5,736,339	4,590,643	5,428,604	5,287,561	27.3%	21,043,147	5.2%	33.4%
Perth	6,291,334	4,839,990	4,549,816	3,135,365	33.4%	18,816,505	4.6%	38.0%
Sunshine Coast	3,492,250	2,362,255	3,261,903	2,956,014	28.9%	12,072,422	3.0%	40.9%
Tropical North Qld	2,254,145	2,775,925	4,183,365	2,403,912	36.0%	11,617,347	2.8%	43.8%
South Coast NSW	4,219,077	2,485,108	1,743,743	2,194,437	39.6%	10,642,365	2.6%	46.4%
Adelaide	3,277,440	2,808,813	3,103,337	1,332,570	31.1%	10,522,160	2.6%	49.0%
Mid North NSW Coast	3,379,760	1,812,751	1,803,675	1,712,804	38.8%	8,708,990	2.1%	51.1%
Northern River NSW	2,896,800	1,692,971	1,865,926	2,175,633	33.6%	8,631,330	2.1%	53.2%
Hunter	2,466,568	1,828,676	1,302,916	2,435,110	30.7%	8,033,270	2.0%	55.2%
Darling Downs	888,004	921,474	1,134,780	3,994,428	57.6%	6,938,686	1.7%	56.9%
Canberra	2,134,805	1,756,041	1,925,123	572,807	33.4%	6,388,776	1.6%	58.4%
Central Western NSW	1,280,766	1,185,571	1,744,123	2,042,179	32.7%	6,252,639	1.5%	60.0%
Northern Qld	1,161,254	1,582,458	2,308,196	969,330	38.3%	6,021,238	1.5%	61.4%
Outback Qld	727,912	973,539	1,487,678	2,646,368	45.3%	5,835,497	1.4%	62.9%
Western Vic	2,232,881	1,272,783	728,774	993,915	42.7%	5,228,353	1.3%	64.1%
New England/ NrthWest	1,515,466	1,361,409	1,177,791	1,171,812	29.0%	5,226,478	1.3%	65.4%
Harvey Bay/Marybgh	1,594,772	863,521	1,454,803	1,137,446	31.6%	5,050,542	1.2%	66.7%
South West WA	1,804,058	1,202,053	1,029,214	331,739	41.3%	4,367,064	1.1%	67.7%
Great Barrier Reef	806,477	480,399	864,265	2,000,040	48.2%	4,151,181	1.0%	68.7%
Fitzroy	826,538	1,099,505	1,474,940	706,911	35.9%	4,107,894	1.0%	69.7%
Central NSW Coast	1,458,639	952,458	651,771	999,156	35.9%	4,062,024	1.0%	70.7%
Peninsula Vic	2,430,109	623,287	348,198	641,635	60.1%	4,043,229	1.0%	71.7%
Holiday Coast	1,449,760	605,895	1,005,070	842,981	37.1%	3,903,706	1.0%	72.7%
Illawarra	1,389,717	737,614	738,677	950,975	36.4%	3,816,983	0.9%	73.6%
Darwin	566,631	848,138	1,656,147	376,731	48.0%	3,447,647	0.8%	74.5%
Riverina	1,155,472	781,823	583,080	806,455	34.7%	3,326,830	0.8%	75.3%
Geelong	1,606,084	547,422	604,208	473,871	49.7%	3,231,585	0.8%	76.1%
High Country	782,071	834,439	854,257	725,711	26.7%	3,196,478	0.8%	76.8%
Gippsland	1,303,896	689,330	440,867	697,445	41.6%	3,131,538	0.8%	77.6%
Bundaberg	567,580	619,465	693,882	1,091,854	36.7%	2,972,781	0.7%	78.3%
Murray	917,925	670,629	555,473	824,620	30.9%	2,968,647	0.7%	79.1%
Mackay	548,495	619,382	1,152,119	638,601	38.9%	2,958,597	0.7%	79.8%
Greater Hobart	1,183,443	775,282	743,160	245,692	40.1%	2,947,577	0.7%	80.5%
Peel	414,751	232,450	249,094	2,041,632	69.5%	2,937,927	0.7%	81.2%
Snowy Mountains	549,233	444,525	1,401,348	410,639	49.9%	2,805,745	0.7%	81.9%
Whitsundays	640,086	533,579	975,877	648,660	34.9%	2,798,202	0.7%	82.6%
Kimberly	373,401	580,249	1,373,913	464,174	49.2%	2,791,737	0.7%	83.3%
Great Southern WA	789,279	311,147	290,978	1,271,361	47.7%	2,662,765	0.7%	83.9%
Barossa Valley	76,905	137,886	96,517	2,283,687	88.0%	2,594,995	0.6%	84.6%
Blue Mountains	813,248	676,278	531,424	555,524	31.6%	2,576,474	0.6%	85.2%
Midwest WA	428,091	673,356	881,303	400,914	37.0%	2,383,664	0.6%	85.8%
Mallee	549,089	700,756	616,979	472,796	30.0%	2,339,620	0.6%	86.4%
Central Murray	695,001	392,356	636,459	463,723	31.8%	2,187,539	0.5%	86.9%
Phillip Island	1,106,700	456,587	268,623	348,225	50.8%	2,180,135	0.5%	87.4%
Greater Launceston	812,178	457,800	375,181	326,685	41.2%	1,971,844	0.5%	87.9%
Vic Lakes	806,116	468,531	253,812	441,858	40.9%	1,970,317	0.5%	88.4%
Outback NSW	397,868	500,432	540,881	512,158	27.7%	1,951,339	0.5%	88.9%
WA Wheatbelt	540,040	400,012	524,859	484,847	27.7%	1,949,758	0.5%	89.4%
Southern Tasmania	751,394	264,294	270,686	621,223	39.4%	1,907,597	0.5%	89.8%
Capital Country	522,195	365,621	239,497	661,398	37.0%	1,788,711	0.4%	90.3%

Bendigo Loddon	579,709	366,063	359,658	449,162	33.0%	1,754,592	0.4%	90.7%
Fleurieu Peninsula	668,307	429,285	396,803	243,257	38.5%	1,737,652	0.4%	91.1%
Pilbara	193,231	283,129	560,249	628,730	37.8%	1,665,339	0.4%	91.5%
Alice Springs	393,143	352,049	566,983	307,514	35.0%	1,619,689	0.4%	91.9%
Gascoyne	176,939	321,357	529,302	538,101	34.4%	1,565,699	0.4%	92.3%
Transit QLD	54,189	104,000	150,000	1,253,000	80.3%	1,561,189	0.4%	92.7%
Yorke Peninsula	444,620	372,548	182,933	520,622	34.2%	1,520,723	0.4%	93.1%
North West Tas	529,114	385,316	188,778	388,334	35.5%	1,491,542	0.4%	93.4%
Eyre Peninsula	596,805	417,553	305,821	90,415	42.3%	1,410,594	0.3%	93.8%
Ballarat	321,723	321,338	410,752	301,535	30.3%	1,355,348	0.3%	94.1%
Central Highlands	410,562	323,341	206,931	251,171	34.4%	1,192,005	0.3%	94.4%
Murray East	257,492	198,463	344,017	272,400	32.1%	1,072,372	0.3%	94.6%
Goulburn Vic	329,180	262,104	240,356	207,615	31.7%	1,039,255	0.3%	94.9%
South East SA	493,714	298,634	173,595	64,608	47.9%	1,030,551	0.3%	95.2%
WA Goldfields	125,586	317,741	318,668	211,684	32.7%	973,679	0.2%	95.4%
Murraylands	266,817	313,611	114,919	271,309	32.4%	966,656	0.2%	95.6%
Katherine	101,667	275,607	419,755	165,671	43.6%	962,700	0.2%	95.9%
Western Grampians	271,090	180,097	165,881	338,192	35.4%	955,260	0.2%	96.1%
Kakadu	30,633	166,653	225,489	526,233	55.5%	949,008	0.2%	96.3%
Flinders Ranges	196,750	252,965	389,111	106,668	41.2%	945,494	0.2%	96.6%
Petermann	162,750	236,742	309,668	203,702	33.9%	912,862	0.2%	96.8%
Riverland SA	297,996	269,375	218,687	125,191	32.7%	911,249	0.2%	97.0%
Far North SA	149,856	179,689	307,426	244,789	34.9%	881,760	0.2%	97.2%
Melbourne East	87,330	186,460	273,007	318,378	36.8%	865,175	0.2%	97.4%
West Coast Tas	293,761	105,844	46,166	345,074	43.6%	790,845	0.2%	97.6%
Upper Yarra	282,846	236,642	137,115	95,809	37.6%	752,412	0.2%	97.8%
East Coast Tas	218,982	136,060	71,409	258,843	37.8%	685,294	0.2%	98.0%
Mid North SA	112,048	139,485	140,699	207,886	34.6%	600,118	0.1%	98.1%
Macdonnell	73,157	32,197	100,960	333,483	61.8%	539,797	0.1%	98.3%
NT Tablelands	51,362	147,224	69,935	208,708	43.7%	477,229	0.1%	98.4%
WA Midlands	0	0	0	477,000	100.0%	477,000	0.1%	98.5%
Spa Country	141,551	150,058	47,438	105,579	33.7%	444,626	0.1%	98.6%
Other WA	21,000	272,000	87,000	60,639	61.7%	440,639	0.1%	98.7%
Kangaroo Island	72,319	96,136	31,210	235,495	54.1%	435,160	0.1%	98.8%
Macedon	137,763	84,175	150,279	61,336	34.7%	433,553	0.1%	98.9%
External Regions	0	336	12,412	410,000	97.0%	422,748	0.1%	99.0%
Transit NSW	120,000	142,000	106,000	54,351	33.6%	422,351	0.1%	99.1%
Wimmera	85,774	89,770	91,671	64,061	27.7%	331,276	0.1%	99.2%
South East WA	141,526	91,466	77,002	20,656	42.8%	330,650	0.1%	99.3%
Don't know where in Aust	0	0	0	328,000	100.0%	328,000	0.1%	99.4%
Other QLD	55,000	20,088	60,195	114,381	45.8%	249,664	0.1%	99.4%
Other VIC	86,000	17,000	6,156	130,344	54.4%	239,500	0.1%	99.5%
Northern Tas	93,635	17,033	34,000	91,535	39.6%	236,203	0.1%	99.6%
Other NSW	12,000	25,101	48,000	147,205	63.4%	232,306	0.1%	99.6%
Arnhem	50,689	33,686	62,558	51,762	31.5%	198,695	0.0%	99.7%
Lord Howe Island	38,203	66,000	33,000	44,474	36.3%	181,677	0.0%	99.7%
Transit WA	18,000	14,000	146,000	0	82.0%	178,000	0.0%	99.7%
Transit VIC	52,000	45,000	30,000	33,000	32.5%	160,000	0.0%	99.8%
Other SA	86,000	0	43,000	28,000	54.8%	157,000	0.0%	99.8%
Daly	22,805	43,794	41,895	37,864	29.9%	146,358	0.0%	99.9%
Transit TAS	14,000	28,000	5,000	93,000	66.4%	140,000	0.0%	99.9%
Transit SA	31,000	48,000	11,000	42,000	36.4%	132,000	0.0%	99.9%
Other NT	0	451	68,000	63,000	51.7%	131,451	0.0%	100.0%
Transit NT	16,921	17,343	27,000	48,000	43.9%	109,264	0.0%	100.0%
Other TAS	35,000	0	0	13,000	72.9%	48,000	0.0%	100.0%
Other Australia	0	0	15,000	7,000	68.2%	22,000	0.0%	100.0%
TOTAL	117,241,142	88,774,301	98,433,110	104,110,444	42.7%	408,558,997	100.0%	100.0%

## Tourism and local Government in other nations

A summary of the observations on tourism in various countries in Price Waterhouse Coopers (2000) study, *Local Government Grant Distribution: an International Comparative Study*.

### Austria

Austria receives about 17 million international visitors a year, over two times its own population of 8 million. In Austria, municipalities together with States have responsibility (amongst other things) for tourism. The autonomous tax revenue of the municipalities accounts for about 15.6% of their revenues and includes taxes on payrolls, beverages, property, residency and tourism. A further 33% of municipal revenue comes from a fixed share of the income tax it generates, and a flexible share of corporate taxes.

### France

France has a population of 57 million but also receives 75 million international visitors each year. France is a unitary republic with a complex structure of sub-national government, including regions, departments and a large number (36,000) of small municipalities. The 96 Departments are responsible for a wide range of services that need to be organised over larger areas including various elements of social welfare, education, school transport, the building and maintenance of departmental roads and tourism. About 54% of Department revenue is derived from local taxes which can be set within a range established by the national government, which also collects these taxes. Municipalities can similarly determine local tax rates but also get 30% of their budget through national grants. These are mainly fixed/block grants based on population and importance but 10% is variable and includes a compensation for extra expenditures as a result of seasonal tourism.

### Germany

Germany, with a population of 82 million receives about 18 million international visitors a year. This is not dissimilar to Australia where annual international visitation is about a quarter of its population size. In Germany, both districts and municipalities have considerable self-administration powers, and consequently there is considerable flexibility, and sharing, in the allocation of functional and financial responsibility. Municipalities receive 30% of their income from a share of the national taxes raised in their area. These tax shares are fixed for several years in advance to guarantee local governments a stable source of revenue as well as the incentive to increase tax yields by encouraging tourism, investment and prosperity. A further 30% comes from grants from the state (*lander*), most of which is in the form of a general grant, but with some supplementation based on need.

### Netherlands

The Netherlands population of about 15 million is just slightly smaller than that of Australia, and the international visitor numbers each year are around 10 million, which is the number forecast for Australia within the next decade. There are 12 provinces and 538 municipalities in the Netherlands. The mayor and provincial heads are appointed by the central government, but there are statutory requirements to consult with locally elected authorities. Municipalities have a slightly larger role than Australian local councils, with a budget of 7.4% of government expenditure, however, provinces have a much smaller role than States, being only 0.6% of government. In the 1980's general and specific grants from central government made up 90% of provincial and municipal government revenue. However, over the last decade autonomous revenues have increased, with municipalities receiving 16%, mainly from property taxes.

Grants are largely distributed according to population but do take into account differential requirements in the responsibilities for each level. For municipalities these factors in social welfare, culture and recreation, housing and planning, heritage and sewerage. For provinces these factors include roads, conservation, economics and tourism, art and public order.

### Portugal

With a population half that of Australia (10 million) Portugal is visited by about 12 million interantional tourists each year. Regions are mainly involved in economic development, environmental protection, regional planning, the roads network, natural resources, arts, tourism, leisure and education. A source of revenue for the municipalities is a share (37.5%) of the VAT collected on tourist activities within its territory. Where municipal or regional authorities have

themselves invested in tourism infrastructure, their share is increased to 50% of the relevant VAT. Allocation criteria reflect the importance of tourism in the country.

**Sweden**

Sweden receives about 3 million international visitors a year compared to its population of 9 million. This tourist ratio is only slightly higher than that of Australia. Of all European countries, Sweden has probably gone furthest in the extent of functional and financial decentralisation to the third level of government - municipalities. The tasks of the second level of government, counties, are limited to health care, some specialised education, support of tourism and cultural activities and regional economic development. The 289 municipalities have extensive responsibilities including those that in Australia are delivered by States, for example education, civil defence, emergency services and social services. In addition they carry out local government functions such as waste disposal, water, sewerage, local transport and recreation programs. Revenue of the municipalities is 60% from taxes which includes a flat rate income tax.