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Committee Secretary
Standing Committee on Infrastructure, Transport,
Regional Development and Local Government
PO Box 6021
House of Representatives
Parliament House
CANBERRA ACT 2600

Dear Sir/Madam

INQUIRY INTO A NEW REGIONAL DEVELOPMENT FUNDING PROGRAM

In response to your letter of 26 May 2008 to Dr Peter Boxall, I am pleased to provide you with the Department of Resources, Energy and Tourism's submission to the House of Representatives Standing Committee on Infrastructure, Transport, Regional Development and Local Government's Inquiry into a New Regional Development Funding Program.

In recognition of the importance of tourism to regional areas, the Department's submission focuses on tourism related issues.

The contact person for the Department's submission is Dr Peter Tucker, General Manager, Industry Sustainability Group. Peter may be contacted by telephone on: 6213 6958 or by email at: peter.tucker@ret.gov.au.

I trust the information contained in our submission, will be of assistance to your Inquiry.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Jane Madden'.

Jane Madden
Head of Division
Tourism Division

// July 2008



Australian Government

**Department of Resources,
Energy and Tourism**

**House of Representatives Standing Committee on
Infrastructure, Transport, Regional Development and
Local Government**

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**Inquiry into a New Regional Development Funding
Program**

**Submission by the Department of Resources, Energy and
Tourism**

July 2008

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1 INTRODUCTION

1.2 Role of the Department of Resources, Energy and Tourism

The Department of Resources, Energy and Tourism's (RET) role is to assist the Government to achieve its objectives by providing high quality advice and services to achieve improved competitiveness and sustainability of the resources, energy and tourism industries. Departmental priorities are based on enhancing Australia's economic prosperity, ensuring that Australia maintains its international competitiveness, and responds to increasing globalisation and technological development in the resources, energy and tourism industries. The Department liaises closely with the private sector, including small and medium enterprises, major corporations and business associations.

The Department's Tourism Division advises on, and implements, Australian Government tourism policy. Its primary objective is to foster the development of a sustainable, internationally competitive tourism industry by focussing on addressing supply side policy issues that impede the tourism sector capitalising on its potential. Much of this work requires the Division to work in partnership with industry, and other government agencies.

1.3 Policy Settings Relating to Regional Development

1.3.1 National Tourism Strategy

The development of a National Long-Term Tourism Strategy was announced on 8 May 2008. The Government's overarching policy goal is to maximise the net economic benefit of the tourism industry to the Australian economy. The Strategy will be a key element in achieving this goal.

The Strategy will be developed by mid 2009 and will provide a long-term vision for the tourism industry and a platform for consistent policy engagement with successive governments. To achieve this it will be formulated on the basis of a rigorous economic framework.

The Strategy will shift the focus from tourism marketing to 'supply side' issues. It is the supply side of the tourism industry which will require substantial attention to ensure that the industry is competitive. That is, the industry must build its productive capacity to meet the needs of the market. This will be achieved through consideration of issues such as tourism investment, infrastructure, labour, productivity, climate change, potential impediments to the sustained growth and domestic tourism.

1.3.2 Tourism Collaboration - Intergovernmental Arrangement

The Intergovernmental Arrangement (IGA)¹ provides a framework for cooperation and collaboration between Australian governments. The Australian Government is keen to ensure that all levels of government in Australia work collaboratively to position Australia as the destination of choice, both for international visitors and domestically. The roles and functions of Australian governments regarding regional and rural tourism are outlined in the IGA. Specifically:

- State and Territory governments will be primarily responsible for regional tourism, and will work cooperatively to improve marketing, market development and supply in regional Australia that facilitates industry growth, including promotions and market research where tourist regions and experiences cross State and Territory borders; and
- The Australian Government will continue to support regional development and regional dispersion of tourism through programs such as the Australian Tourism Development Program.

1.3.3 Tourism Programs

1.3.3.1 Australian Tourism Development Program (ATDP):

The ATDP is a highly competitive merit-based grant program that supports the development of a continuous quality tourism experience across Australia, and builds the capacity of the tourism industry as a valuable contributor to Australia's economic prosperity. In recognition of the importance of tourism to regional areas, the last four rounds of ATDP have given a preference to projects in regional areas.

Since its inception in 2004 the ATDP has supported over 180 tourism projects in regional Australia through grants with a total value of \$32 million.

To remain internationally competitive, Australia must continually refresh and enliven its tourism product. In support of this, the ATDP is currently being redesigned to have increased focus on tourism projects and services that are innovative and exciting, and to incorporate initiatives that have relevance to the industry as a whole. In addition, the program parameters will be expanded to include tourism projects in metropolitan areas. The timeframe for the next round of ATDP funding has not yet been determined, but is expected to be announced in early 2009.

Program delivery arrangements

Since the creation of RET discussions have been underway about the possibility of AusIndustry in the Department of Innovation, Industry, Science and Research (DIISR) continuing delivery of the ATDP on behalf of RET. AusIndustry also delivered the precursor program, the Regional Tourism Program (RTP), which ran from 1998 to 2003.

Assessment of grant applications has been managed through a decentralised process which utilises region specific knowledge held by AusIndustry's state offices. Similarly, the knowledge and expertise of State and Territory Tourism Organisations (STO) is utilised as appropriate in the assessment process.

¹ Australian Government, 2005, 'Achievement by Partnerships: Tourism Collaboration Intergovernmental Arrangement':

The delegation to approve grants resides with AusIndustry. The AusIndustry delegate is nominated by the Minister. Neither the Minister nor Tourism Division have a role in the decision making process.

1.3.3.2 Business Ready Program for Indigenous Tourism (BRPIT)

The BRPIT was initially a \$3.8 million four year pilot program from 2004-05, which has assisted existing and start-up Indigenous tourism businesses through mentoring support. The main goal of the program is to develop Indigenous tourism operators' business skills and the knowledge required to establish and run a commercially viable tourism operation. The program was due to finish on 30 June 2008, with the actual mentoring period finalising on 31 March 2008. At that time, there were six mentors working with 24 Indigenous tourism businesses across the country. Mentors were working in Queensland, New South Wales, South Australia, Northern Territory, Central Australia and Western Australia.

On 13 May 2008, the Budget included an additional \$1.8 million for the development of Indigenous Tourism during the 2008-09 financial year. A key component of the budget announcement was funding for a 1 year extension of BRPIT. The extension of BRPIT will continue to provide an opportunity to assist in the development of a stronger Indigenous tourism sector through the provision of mentoring support.

Program Delivery Arrangements

Since the creation of RET discussions have been underway about the possibility of AusIndustry in the Department of Innovation, Industry, Science and Research (DIISR), continuing delivery of BRPIT on behalf of RET. The guidelines used to govern this relationship are currently being updated in consultation with AusIndustry to encompass the BRPIT extension. The updated guidelines will maintain operational decision making responsibility relating to BRPIT with the AusIndustry delegate. The updated guidelines, including the confirmation of the AusIndustry delegate are subject to approval by Minister Ferguson.

2 COMMENTS ON TERMS OF REFERENCE

Terms of Reference:

1. Provide advice on future funding of regional programs in order to invest in genuine and accountable community infrastructure projects;
2. Examine ways to minimise administrative costs and duplication for taxpayers;
3. Examine the former government's practices and grants outlined in the Australian National Audit Office report on Regional Partnerships with the aim of providing advice on future funding of regional programs; and
4. Examine the former government's practices and grants in the Regional Partnerships Program after the audit period of 2003-2006 with the aim of providing advice on future funding of regional programs.

The aim of this submission is to provide the House of Representatives Standing Committee on Infrastructure, Transport, Regional Development and Local Government with information relating to its inquiry into a new regional development funding program. This submission covers the activities, policies, programs and initiatives undertaken by the Tourism Division within RET, in relation to Terms of Reference 1 and 2. The Department is not responding to Terms of Reference 3 and 4.

2.1 Provide advice on future funding of regional programs in order to invest in genuine and accountable community infrastructure projects

2.1.1 Inclusion of tourism related projects:

Tourism contributes significantly to the economic development and wellbeing of regional Australia. It provides local communities with a sustainable economic base that is capable of complementing and supplementing the traditional industries of agriculture and mining. As such, there is a growing reliance on tourism for generating business activity and employment opportunities in many regional areas.

It is also important to note the dependent relationship that regional tourism growth has with broad infrastructure investment. The facilitation of tourism flows and regional dispersal requires appropriate levels of investment in roads, rail, airports and other transport infrastructure. While tourism interests are not the main driver of this sort of activity, a direct relationship exists between this and the ability for regional destinations to maximise tourism opportunities.

In consideration of the increasing importance of tourism to the economic health of regional areas, the integration of tourism related objectives in future regional funding program objectives will directly contribute to sustainable long-term outcomes from government investment and provide both economic and social benefit.

While the ATDP directly supports tourism projects, and is a crucial factor in stimulating supply side capacity building within the tourism sector, the program scope and funding is comparatively modest and is governed by tightly defined objectives. Consequently ATDP is not able to accommodate the broader community benefits which are vital to building dynamic and well-balanced social structures in regional areas.

Comparative Example: Export Market Development Grants Scheme

A prime example of the benefits of incorporating tourism outcomes into complementary funding schemes is the Export Market Development Grants (EMDG) Scheme, run by Austrade. The EMDG is a key financial assistance program that tourism businesses can access to develop and expand tourism export markets. Since being granted full access to the Scheme in 1996, tourism businesses have benefited considerably from the Scheme. *Table 1* (below) provides further detail on tourism access to the EMDG Scheme.

Financial Year	No of Recipients	Grants Paid (millions)	Tourism grants (% of total)	Exports Generated (millions)
1999-00	518	\$23	17	\$840
2000-01	461	\$24	18	\$789
2001-02	469	\$19.8	14	\$782
2002-03	526	\$17.5	12	\$802
2003-04	519	\$16.5	14	\$656
2004-05	407	\$11.0	9.2	\$451
2005-06	455	\$12.6	13.3	\$423
2006-07	446	\$13.3	12.7	\$428

Table 1: Tourism Access to the EMDG scheme

The expansion of the EMDG has allowed approved national, state/territory or regional not-for profit economic development bodies that promote Australian exporters to access the scheme. These tourism bodies will be able to access funding under the Scheme from 1 July 2009.

The EMDG is of critical importance to many tourism businesses. In Australia, the majority of tourism businesses are small to medium sized enterprises with limited resources to engage in overseas marketing promotion, a high risk activity.

Increased promotional activities by tourism businesses will also have flow-on benefits to the Australian tourism industry, more generally, in terms of economic growth, employment opportunities and export earnings. There are also likely to be flow on benefits to key industries that rely on the tourism industry for income generation including the retail, transport, accommodation and hospitality sectors.

In addition, the marketing efforts of Tourism Australia and State/Territory Tourism Organisations complement programs such as EMDG.

2.1.2 Encouraging private sector investment:

As an industry which is dominated by small to medium enterprises (SME), the tourism sector provides an interesting and relevant case study on the difficulties of encouraging private sector investment in regional communities. With a contribution to GDP of 3.7 per cent, employing more than 482,000 Australians, and representing 10.4 per cent of Australia's \$216 billion export sector, the tourism industry makes a significant contribution to the Australian economy. However there is a substantial body of evidence to suggest that investment in tourism and tourism related product and infrastructure is insufficient to meet future demand.

Current research suggests that Australian tourism businesses and destinations are not typically 'investor-ready'. The fragmented nature of the sector and the dominance of SMEs mean that many businesses do not actively seek to improve their competitiveness, or their appeal to investors except in response to crises. They do not innovate, employ cost management techniques, or welcome foreign investment. Prospective investors are often faced with community and institutional barriers to tourism development. This is often matched with a lack of awareness at Australian local government and community level of the value of tourism as an economic driver. Tourism businesses typically do not engage in tourism destination supply/value chains or in global value chains.

Investing in tourism infrastructure has a broad economic impact on the host region. Major impacts include generation of income, employment and tax revenue, balance of payments effects, improvement to the economic structure of a region, and encouragement of entrepreneurial activity. All services produced by a region for tourism are exports for that region.

The provision of government sponsored support mechanisms which facilitate increased 'investment ready' capacity for businesses and/or destinations could encourage sustainable growth within regional economies. Supporting investors in navigating local government regulation and helping garner broad community support play a key role in encouraging investment in regional areas. The Australian Government could also encourage self-sustaining regional communities by providing support tools which enable them to leverage the Government's financial investment by actively encouraging private sector investment into funded projects.

2.2 Examine ways to minimise administrative costs and duplication for taxpayers

2.2.1 Seeking synergies across Government:

A holistic approach to regional funding which considers multiple Australian Government interests can maximise the benefit to tax payers. Recognition of overlapping benefits across portfolios may provide opportunity for complementary programs to build upon outcomes and enhance development momentum within regional communities.

In order for a consolidated approach to succeed, policy agencies with an interest in regional development need to work collaboratively with departments with overlapping concerns. Program policy must collectively recognise a whole-of-government perspective and information on funded projects must be available to relevant agencies within the Australian Government. Systems which encourage consideration of broad community benefits, while not diluting primary program objectives, can enable agencies to capitalise on current or previous government investment and gain the greatest return on expenditure of public funds.

A central register of funding programs could provide multiple benefits for the Australian Government in minimising both administrative costs and duplication of services. The ability to search a central database could provide program managers and grant assessors with an easy means by which to confirm historical and current information relevant to provision of government funding. Similarly, a centralised register of program guidelines could enable policy agencies to identify potential overlaps or inconsistencies in program objectives and government policy.

The staging of regular forums between government agencies with an interest in regional development could encourage open communication, sharing of ideas and a reduction in program duplication. The establishment of a cross-Government network could be extended to include State and Territory agencies to further reduce duplication within program agendas.

2.2.2 Encouraging collaboration within regional communities:

The incorporation of holistic regional planning methodologies into policy guidelines for funding programs can encourage flow-on benefits for the region as a whole, well beyond those associated directly with the project being funded.

Destination Management Planning

Destination Management Planning (DMP) is a management system that provides a holistic and integrated approach to understanding the tourism potential of a particular destination and identifying the best methods of maximising that potential. Plans are developed after a comprehensive process of research, consultation, feedback, planning, and review within the relevant destination. Grass roots level participation from community, industry and government is essential and plans should also be linked upward to State/Territory level strategic tourism plans.

Considerable benefits can be gained through the development of a collective vision which engages community segments with traditionally divergent views. Consideration and incorporation of differing community and business needs into a single and coherent plan can significantly improve destination competitiveness and the economic, social and environmental sustainability of a region.

Prominent examples of successful DMP implementation in tourism regions include Byron Shire on the NSW Far North Coast, Townsville in North Queensland and Australia's Golden Outback in Western Australia.

Encouraging a broad focus for regional development

The Government's recently announced initiative to help drive economic prosperity in regional Australia through the development of Regional Development Australia committees (replacing the former Area Consultative Committees), provides an opportunity to promote a holistic approach to community infrastructure development. The expanded focus of these committees to provide strategic input into improving the coordination of regional development initiatives and ensuring engagement with local communities, can offer a powerful platform for encouraging the use of collaborative frameworks like DMP.