Shoalhaven Tourism Master Plan 2012-2017

Appendix 5
Structure and Funding of Tourism

1. Structure & Funding of the Tourism Industry in the Shoalhaven – Overview

1.1 Introduction

This Appendix provides an overview of the current structure and funding of the tourism sector in Shoalhaven City and possible alternative structures. It also provides recommendations on the structure for taking the industry forward over the next five years.

The tourism industry is extremely complex and fragmented. Tourism is a global industry with Shoalhaven City competing regionally, nationally and internationally for a share of the tourist dollar. The industry itself is complex and fragmented, with the process being quite convoluted and involved.

- At the local level, the industry is dependent on a multitude of Government Agencies, Council, operators, community groups and individuals to provide and deliver the products and infrastructure that forms the basis of the tourism industry.

- These products and services then need to coordinated, packaged and positioned to appeal to consumers (product development). Depending on the products, this is generally undertaken by operators and by the local tourism organisation / Tourism Manager.

- These products then need to be put into the sales and distribution systems – domestically and, where relevant, internationally. Again, depending on the product, this is generally undertaken by the tourism organisation / Tourism Manager and/or individual operators. It can involve direct sales, or use of other distribution networks – such as travel wholesalers, retail agents, airlines etc.

- Demand for the City's products then needs to be created. Potential consumers need to be made aware of the destination and the products, and motivated to enquire. The enquiry then needs to be converted to a 'sale'. Again, the Tourism Manager / tourism organisation has the primary role.

- Once a sale is made, the services and infrastructure need to be in place to deliver the 'product' – placing the responsibility back onto the local area and local operators.

The industry is made more challenging due to number of players involved at each stage of the process, the different scales of operation (from individuals through to multi-national organisations) and skills and resources available.

1.2 Structure of Tourism within the Shoalhaven

The tourism sector is one of the four major drivers of the Shoalhaven City economy, after defence, health and manufacturing. Many of the businesses within the City are directly or indirectly involved in the meeting the needs of visitors.

Shoalhaven Council, through the Tourism Manager and the Shoalhaven Tourism Board (STB) is the leading tourist organisation guiding tourism in the Shoalhaven. The tourism sector does not have a central industry-based organisation nor is there a substantive organisation in which Council and the industry work closely together.

The Shoalhaven Tourism Board is a Section 377 Committee of Council (as per the provision of the Local Government Act) with the Board having specific delegated powers and responsibilities. The Board's primary functions are the marketing and promotion of the Shoalhaven and the expenditure of funds within limits

approved by Council. The Board also has a general role 'to develop and implement tourism activities focussing on the promotion, coordination and review of issues affecting the development of tourism in the Shoalhaven City'. The Board has a limited role in destination management and product development, primarily relating to the allocation of funds to local groups to assist with the development of or improvements to, visitor infrastructure.

The implementation of marketing and promotional initiatives, the provision of visitor information services and all other activities related to the management and oversight of tourism within the City are undertaken by the Tourism Manager, an officer of Council, either directly, or in conjunction with other departments of Council.

At the industry level there are a few organisations – the Shoalhaven Coast Wine Industry Association, Accommodation South Coast Association (ASCA-Berry & Kangaroo Valley), Milton Accommodation Group and the local chapter of the Caravan & Camping Industry Association, that are actively involved in the tourism sector. Elsewhere business organisations, progress associations and/or local tourist associations are active in promoting their local areas and/or improving infrastructure and products.   These organisations provide a link between Council and the tourist operators.

There are very few large tourist operators in the City, and minimal representation by national or international accommodation or tourism activity groups or nationally branded businesses.

In 2010, Shoalhaven City Council established the Events Shoalhaven Board as a Section 377 Committee of Council. The Board is responsible for 'developing strategies to support, source and secure events for the Shoalhaven that will sustain and build upon the economic, cultural and environmental health of Shoalhaven City'. Council has two events related positions, an Events Manager who works with the Events Board to secure events, and an Events Liaison Officer who is the first point of contact within Council for groups and organisations looking to host events in the City. Both positions report to the Tourism Manager.

1.3   Key Players

Shoalhaven Tourism Board

The Shoalhaven Tourism Board (STB) functions as a governance board, which sets policy and recommends to Council, develops broad marketing policy and manages two small programs, the Precinct Marketing Program and the Tourism Infrastructure Development Program. These programs provide grants to assist local groups with marketing and product and infrastructure development. (Note: the Guidelines and Application Forms for these programs can be downloaded from the Council website).

The STB is an appointed Board that consists of the Mayor, six Councillors, the General Manager (or nominee) and seven industry representatives. The industry representatives are appointed for two year terms, with half appointed each year. Board members are sought through public advertisements, and candidates are interviewed by an internal committee of Council, with appointments made by Council. The Board meets at least six times annually. Under its' guidelines, the Board can form two groups, a Tourism Product and Industry Engagement Group, whose role is 'to engage with industry and encourage the development of tourism product' and a Marketing Group, to review the annual marketing budget.

The STB was originally established following a review in 1988, and has now been in place for 24 years. During this period the role of many local tourism organisations throughout Australia has changed, with greater emphasis being placed on managing the total visitor experience, rather than focussing on promotion alone. The need for the Board to have a stronger destination management approach was identified in a previous Tourism Master Plan (1996).   Changes have not however been made and the STB lacks the delegated powers to take action.

Meetings of the Board are formal, following a similar structure to a Council meeting. They do not encourage a collegiate atmosphere or informal discussion of issues and recently have involved debate rather than discussion. This formality can lead to adversarial positions by Board members or inadequate contribution by

Board members though lack of experience or unwillingness to participate unless fully informed. These issues have been identified and are being addressed by the Board.

Shoalhaven Tourism Board members represent Council and Shoalhaven Tourism Operators on a number of Shoalhaven and external committees and organisations.

STB's primary documents are the Tourism Masterplan (5 year plans) and the Annual Tourism Marketing Budget, which is in effect the marketing plan. There is no documented annual action plan or specific objectives, nor is there a formal marketing plan. In 2011, Board members undertook a strategic review and prepared a draft Communication Plan.

Shoalhaven City Council

Shoalhaven Council is the primary organisation responsible for the funding, marketing and management of tourism in the Shoalhaven. The role is undertaken through the Tourism Manager, who reports directly to the Assistant General Manager. Broadly, the Tourism Manager's role encompasses:

- Coordinating the implementation of the Tourism Masterplan recommendations and actions.
- Implementing and managing the approved marketing and promotion program as documented in the annual budget – including working with advertising and other agencies in the development of media campaigns, development of information and promotional collateral, tourism signage and participating in major trade events such as the Caravan and Camping Show.
- Managing the two local funding programs.
- Input, from a tourism perspective, into the formulation of Council's policies, plans and strategies as well as input into Council's responses to draft State and Federal plans and strategies that have the potential to impact on tourism within the Shoalhaven.
- Working with local organisations and tourism and business operators.
- Responding to issues raised by members of the industry.
- Involvement with the South Coast Regional Tourism Organisation and liaison with Destination NSW, other State Government Agencies and other local government and regional tourism organisations in relation to product, infrastructure and market development, and marketing and promotion.
- Managing visitor information services (including the operation of the VICs) and production of information and marketing collateral.
- Coordinating Council's response to and involvement with events.

The Tourism Managers position is a substantial role with multiple demands, and requiring a diverse range of skills and specialist expertise.

Reporting to the Tourism Manager are an Events Manager, a position created in 2011, Council's Events Liaison Officer, a tourism administrative assistant, a staff member assisting in electronic marketing and the Visitor Information Centre staff. The Electronic Marketing position is funded by the Shoalhaven Tourism Board out of their allocated marketing and promotional budget.

The Nowra and Ulladulla Visitor Information Centres are under-managed and do not play as effective a role in supporting local tourism as do visitor centres in some (but not all) other Local Government Areas. The Nowra Visitor Information Centre (VIC) is poorly located and, for a stranger to the area, difficult to both identify and access. The role of the VICs in providing a link with the industry is inhibited by budget restrictions which prevent staff from being able to undertake familiarisation visits. Opening hours do not provide for effective visitor service in peak periods. (These issues are discussed in more detail in Strategy 4 of the Tourism Masterplan).

The role of encouraging new investment in tourism product and infrastructure lies primarily with Council's Economic Development Unit. The Unit identifies and works with project promoters in the development of new projects across a range of industry sectors. The Economic Development Manager works with the Tourism Manager on major tourism projects.

Local Associations

In a City as geographically dispersed and with as many small local communities as the Shoalhaven, the role of local bodies in tourism development and promotion is of critical importance.

Within the Shoalhaven, there are around 20 industry / business related groups that are involved with tourism at the local level, as well as a number of event organising committees. There are also a range of resident-based precinct / progress associations, environmental protection groups and other community groups that take an interest in tourism activities (primarily in terms of potential impact on lifestyle and/or the environment). Input from both business and community groups is used to shape Council policy and directions. The Tourism Manager interacts with many of these groups.

Like all community and industry-based groups, these local organisations have differing strengths and skills among their effective members, suffer from member fatigue and have fluctuating periods of low support interspersed with phases of being energetic and highly effective. Most of the industry and business organisations have a strong belief in tourism as a driver for their area, reflecting the strength of the local experiences and the value of tourism to the local economy. The organisations are generally under-funded and under-resourced, yet still achieve, through the effort of members, to make a significant contribution to the provision of infrastructure and facilities and the marketing of the local area.

Local tourist associations, business groups and chambers form the link between Council and the industry and their importance cannot be under-estimated. To date, the organisations have been largely working independently. While the Tourism Manager does attend meetings and provides advice and input where relevant or requested, there has been no coordinated approach to developing tourism at the local level (ie shared vision between the STB, Council and local groups). Moving forward, the STB and Council, through the Tourism Unit, needs to develop strong working relationships with the local associations. This will be extremely challenging, given Council's limited staff resources, the number of organisations involved and the highly parochial perspectives in some areas. Strategy 1 of the Tourism Masterplan sets the directions for each locality and provides the basis for preparing Local Tourism Plans.

Local organisations involved in the tourism sector are listed in the following Table.

Local Organisations involved in the Tourism Sector.

Precinct	Organisations / Associations
Industry Groups	Caravan & Camping Industry Association – South Coast Chapter
	Shoalhaven Coast Wine Industry Association
North	Berry Chamber of Commerce & Tourism
	Kangaroo Valley Tourism
	Shoalhaven Heads Chamber of Commerce
	ASCA
Nowra-Bomaderry	Shoalhaven Business Chamber
Central	Greenwell Point – Get to the Point
	Callala Bay Chamber
	Culburra Beach & District Chamber
Bay & Basin	Jervis Bay Tourism
	Tourism Jervis Bay
	Huskisson Chamber
	Vincentia Chamber
	Jervis Bay Chamber of Commerce
Sussex Inlet	Sussex Inlet Chamber of Commerce
Ulladulla District	Milton Accommodation Group
	Milton Promotions
	Shoalhaven Business Chamber – Southern Chapter
Bawley Coast	Bawley Coast Tourist Association

The Tourism Sector

There are over 850 tourism businesses within Shoalhaven City. The sector is highly fragmented and dominated by small and micro businesses. The largest tourism business in Shoalhaven City is the Council-owned Holiday Haven Caravan Parks. Council operates 12 large parks. There are also several caravan parks which are associated with national chains or networks, with these organisations playing a limited role in promoting the Shoalhaven.

There are only eight motel / resort properties that have more than 30 rooms, with the largest property in the City being the Archer Resort with 50 rooms. The motel properties are independently owned, with no 'branded' national or international properties. None of the motel properties are of sufficient scale to act as a focus for the City, or even their local area. The City has a few boutique accommodation properties (eg Paperbark Camp) and attractions (eg Coolangatta Winery and Dolphin Watch Cruises) that have become higher profile players and market to and attract international visitors.

The remainder of the tourism sector in the Shoalhaven consists primarily of small owner-operated businesses and absentee owners of holiday rental accommodation properties. Few of the owner-operated businesses are export ready, many do not pay commission and most do limited marketing which is restricted to brochures, websites and occasional promotions. Many are lifestyle businesses which are not bound by the 24/7 requirements of a full service tourism operation. Most are not connected to the wider tourism scene, their scale of operations limits their marketing impact and they do not provide the necessary base to develop a significant membership group which can be active in the future development of tourism in the Shoalhaven. They do, however, participate in local tourism associations and chambers.

The most significant issue, however, is that the second largest accommodation sector, holiday rental properties, is largely absentee-owned and disconnected with what happens in the Shoalhaven. For many of these properties, marketing is limited to rental accommodation websites, such as STAYZ, rent-a-home or Take a Break, or left to one of the local Real Estate Agents. Most of the Real Estate Agents are 'passive' and do not become involved in any tourism initiatives within the area. Improving engagement and involvement with this sector will be addressed by the Shoalhaven Tourism Board over the next 5 years.

1.4   Marketing Organisations

There is a hierarchy of organisations responsible for tourism marketing and promotion tourism in Australia. Key organisations that provide opportunities to feature or showcase Shoalhaven products and experiences include:

- Tourism Australia
- Destination NSW
- South Coast Regional Tourism Organisation
- Grand Pacific Drive Marketing Committee
- Sydney Melbourne Touring

Tourism Australia

Tourism Australia is Australia's peak tourism marketing authority. It is responsible for marketing and promoting Australia internationally and encouraging Australians to holiday in their own country. Tourism Australia organises ATE (Australian Tourism Exchange), which is the major event for the international travel trade. It also provides assistance with gaining access to the international travel trade and to the international media for public relations style marketing.

Tourism Australia coordinates the Australian Tourism Data Warehouse data base which draws from the Destination NSW State Tourism Data Warehouse data base. Tourism Australia has recently launched the Tourism Exchange Australia Open Booking Exchange (TXA-OBX) which is an interface platform connecting the data base to booking systems. This will support the next generation of booking systems.

Tourism Australia 'deals' primarily with 'export ready' product. At present, the export ready products in Shoalhaven LGA is relatively limited but increasing. The two main touring routes, the Grand Pacific Drive and Sydney Melbourne Touring Route, are also international ready.

Tourism Australia has a number of promotional campaigns that include a mention of the Shoalhaven area and/or South Coast Region, with the main conduit being the 'Sydney to Melbourne Coastal Drive'. Tourism Australia has groups products under a range of heads, with the potential to feature the Shoalhaven as part of 'Nature Discovery' – building on the use of Hyams Beach / Kangaroos in the most recent series of Tourism Australia advertisements.

Tourism Australia is also encouraging and supporting the development of Aboriginal tourism products and experiences and has research materials and programs in places to assist indigenous communities and businesses. The Indigenous Tourism Web Portal provides a directory of Aboriginal product, Australia-wide and product in the City should be encouraged to list on this site.

Destination New South Wales (DNSW)

DNSW is State Government's tourism industry development and marketing authority for the State and is responsible for implementing the State Tourism Plan. Its main role is to encourage interstate and international visitors to holiday in NSW and for NSW residents to travel within their own State. DNSW focuses on developing destination awareness and sector-based market development and promotion. DNSW also maintains the State Tourism Data Warehouse (STDW), the 'visitnsw' website and 'm.visitnsw' application. The STDW is a data base for NSW tourism localities and products, and underpins the 'visitnsw' website and feeds into Tourism Australia's data base.

DNSW has recently relaunched the 'visitnsw' website, with the information organised by 'Destination' and by 'Things to Do'. The 'Things to Do' are grouped under six main themes (Food & Wine, Beach & Surf, Family, Nature & Parks, Adventure, Tours & Drives) and 5 supplementary themes (Youth, Aboriginal, Arts Culture and Heritage, Attractions and Hire).

DNSW is endeavouring to strengthen the product and market base of regional NSW and has introduced two new programs:

- The Regional Partnerships Program which provides funding for market development and marketing and promotion to the Regional Tourism Organisations.

- Regional Tourism Product Development Funding Program is to create, grow and enhance tourism products available across regional NSW which will help to attract more visitors.

Annual funding will be available under these programs for product development, marketing and promotion. Preference is being given to projects that will generate benefits at the sub-regional and regional level. Some of the product and market development opportunities identified in this Plan could potentially be funded under these programs. To date, Shoalhaven Tourism has been very successful in leveraging funds under these programs.

South Coast Regional Tourism Organisation

South Coast Regional Tourism Organisation Inc is the peak tourism body for the NSW South Coast Region. The RTO is responsible for encouraging and facilitating the development of the Region's tourism product and infrastructure and coordinating regional marketing and promotion. The Region incorporates 6 Local

Government Areas – Wollongong, Shellharbour, Kiama, Shoalhaven, Eurobodalla and Bega Valley. South Coast RTO is an incorporated association. The Board is comprised of the Tourism Manager and an industry representative from each LGA. The Shoalhaven Tourism Manager is the Secretary, Treasurer and Public Officer of the RTO.

The RTO has a 'South Coast – NSW' website (www.southcoast.net.au), with information available on the Shoalhaven and a link through to download the Shoalhaven Visitors Guide. The website features the Grand Pacific Drive, with the Shoalhaven getting additional exposure through this channel. The site also has a selection of YouTube Videos from around the region including seven from the Shoalhaven. There is opportunity for the Shoalhaven to communicate directly with viewers via the site's facebook and twitter pages.

The RTO also undertakes marketing and promotional campaigns, aimed at increasing awareness of and visitation to the South Coast Region. The marketing is focusing on the ACT, Regional NSW, Sydney and North East Victoria and Melbourne markets. The campaigns include a mix of television, print and digital media. The key themes and experiences being promoted are:

South Coast Promotional Themes and Experiences

Key Themes	Key Experiences
• Diversity of experiences (more than the coast) • Uncover treasures • Refresh/Reconnect/Rejuvenate • Journey of discovery	• Scenic drives / journeys • Food & wine • Fresh seafood • Unique secluded beaches & beautiful waterways • Amazing natural attractions (rivers, bush walks, waterways) • Quaint townships and coastal villages • Variety of accommodation • Heritage of townships

Grand Pacific Drive (GPD) Marketing Committee

The GPD Marketing Committee was established to develop and promote the Grand Pacific Drive as a touring route. The route extends from Sydney to Nowra via Sea Cliff Bridge, Wollongong, Shellharbour and Kiama LGAs. The route ends at the intersection of Bolong Road and Princes Highway at Bomaderry (with the end marked by a sign) rather than at a scenic area or quality attraction. This needs to be addressed.

The Committee is chaired by Tourism Wollongong and includes the organisations that contribute financially to the marketing of the route - Tourism Wollongong, Tourism Shellharbour, Kiama Tourism, Shoalhaven Tourism, Eurobodalla Coast Tourism and Australian Capital Tourism.

The Drive is marketed both nationally and internationally, with the marketing including exhibiting at trade and consumer shows, attendance at ATE, participation in international missions and hosting international and national media famils. Information and promotional collateral includes an A4 glossy brochure and a website, with the website integrated with social networking media. There is opportunity for the Shoalhaven to communicate directly with consumers through Twitter and Facebook and to upload videos and photographs to the site.

There are a number of tourism organisations that now include link to the GPD as part of their campaigns, with these organisations including Tourism Australia, Destination NSW, South Coast RTO and the Sydney to Melbourne Coastal Route, with the Shoalhaven receiving coverage through the promotional material and marketing undertaken by these organisations.

Sydney - Melbourne Touring

Sydney – Melbourne Touring is a cooperative marketing group that promotes touring between Sydney and Melbourne. It promotes three routes:

- Sydney-Melbourne Coastal Drive via the NSW South Coast.
- Sydney-Melbourne Heritage Drive via the Hume Highway
- The Great Alpine Road via the Snowy Mountains and Victorian High Country

The group is sponsored by Destination NSW, Tourism Victoria, two national accommodation chains and a national car rental company. It also has membership which is open to LGAs, tourism organisations and local operators. Due to issues with the management and directions of the Group, the South Coast Regional Tourism Organisation is no longer a member. A number of tourism operators within the Shoalhaven (and in other areas on the South Coast) are members, with the Shoalhaven gaining exposure through this membership. The Sydney – Melbourne Coastal route is featured in a number of the Tourism Australia and Destination NSW promotional activities.

1.5   Funding

Council Funding

Council provides the Shoalhaven Tourism Board with an annual marketing budget, with this funded from rate revenue. From this allocation, the Board funds the marketing and promotion of the City, the local Precinct Marketing Program Fund and the employment of a digital marketing officer (who reports to the Tourism Manager).

Contrary to the view held by the tourism sector, there is no Special Tourism Levy or Rate (as defined by Section 495 of the Local Government Act) in place for tourism marketing and promotion. Under the provisions of the Local Government Act 1993, Council is required (Section 493) to classify each parcel of rateable land into one of four categories:

- Farmland (dominant use must be farming)
- Residential (includes rural-residential area)
- Mining
- Business

'Business' is a default classification, with any property not classified as farmland, residential or mining being classified as business.   Under Section 513 of the Local Government Act, the four categories can be further divided on the basis of the criteria specified in the Act. For example, for rating purposes, residential land can be divided into urban and rural-residential. It cannot however be classified as 'holiday letting' and 'non holiday letting'. Council is then required to set a rate for each category of land.

Shoalhaven City Council allocates a percentage of the income it collects from Business Rates to the marketing and promotion of tourism, with this being the marketing budget for the Shoalhaven Tourism Board. Unlike a Special Rate (in which revenue is collected for a specific purpose and has to be spent for that purpose), the funds used for marketing and promotion come from Council's general revenue and could be re-directed (in whole or part) to other activities as required. While Council has been very supportive of the tourism sector for more than two decades, it is important to be aware that funding is not guaranteed, and at some stage the responsibility for marketing and promoting the City may fall back on the industry.

Council also funds the following activities from the general rate revenue:

- Salaries and operational expenses of the Tourism Unit
- Nowra and Ulladulla Visitor Information Centres and the Information Services Staff

- Production of information and promotional collateral (supported by some industry buy-in)
- Events Board and salary of the Events Manager
- Local Tourism Infrastructure Funding Program

Funds generated by the Visitor Information Centres are Council revenues and are not applied to tourism marketing.

External Funding

Through its membership of the South Coast Regional Tourism Organisation (SCRTO), the STB is also able to access marketing funds provided under the Destination NSW Regional Partnerships Program. With the size of the budget available, the STB is well placed to take advantage of Destination NSW cooperative marketing programs.

Industry Contributions

Shoalhaven Tourism provides opportunities for tourism operators and related business to 'buy-into' marketing and promotional campaigns. Operators can also buy advertising space in the Shoalhaven Visitors Guide and other Shoalhaven Tourism publications. Around $50,000 per annum is generated through cooperative promotions with local tourism operators. The level of industry contribution is low compared to other similar sized LGAs in NSW.

Unlike most areas of the State, Shoalhaven Tourism does not have a membership structure (involving membership fees), nor does it charge fees for local operators to place their brochures in the Nowra and Ulladulla Visitor Information Centres and/or list on the Shoalhaven Tourism website. Within the Shoalhaven there are many businesses and activities (including the supermarket chains, petrol stations etc) that benefit from tourism but do not see themselves as part of the tourism industry. There is also a high number of holiday letting properties that do not engage with the industry. As such, the cost of any membership system in the Shoalhaven would probably be borne by a small sector of the industry. The current system is far more equitable, with the cost of promoting the City spread across all businesses.

2. Alternative Ways of Managing Tourism

The effectiveness of the structure of the Shoalhaven Tourism Board has been questioned a number of time during the consultation for the Tourism Masterplan. Issues raised have included:

- Lack of effective engagement between the Board, Council's Tourism Unit and operators.
- Lack of effective engagement between the VIC staff and operators, in particular the lack of famils.
- High number of Councillors on the Board.
- Lack of representation of individual localities and/or sectors on the Board.
- Concerns that the Board moves too slowly, in particular in terms of embracing the internet and digital marketing.

The STB has been in operations since 1988 and has proved a successful model, with substantial marketing resources. Success is however largely dependent on the Tourism Manager who have limited resources internally.

2.1   Base Parameters

The base parameters taken into consideration in assessing the preferred management structure included:

- Tourism in the Shoalhaven will continue to be largely funded by Council from rate revenue, with Council wishing to retain some control over how the funds are allocated and spent (accountability role). The Masterplan recognises that the City needs to move towards securing higher industry contributions towards the costs of information delivery and marketing and promotion.

- The Shoalhaven tourism industry is highly fragmented. It consists of a large number of small lifestyle operators with limited funds and resources to apply to tourism and a large number of businesses that are dependent on tourism dollars but do not perceive themselves as part of the tourism industry. The City has no large players and no national or international brands other than in the caravan park sector. There is also low participation by industry in the marketing activities of the STB. Over time this needs to change.

- Shoalhaven will continue to be an important destination for Sydney and the southern half of NSW.

- The operation of Visitor Information Centres (VIC's) does not generate profit except in very high volume locations (eg Echo Point in the Blue Mountains. As such, the Nowra and Ulladulla VICs will continue to be cost centres, not profit centres.

- Some form of industry input into the management of tourism is desirable.

2.2   Management Models

There are a number of different structures that have been adopted by Councils and the tourism industry to manage tourism in other localities.   The key factors that appear to influence the structure are:

- The economic importance of tourism to the area – the more tourism contributes to the local economy, the more likely it is that it will be supported by Council. Higher levels of support will also be forthcoming where traditional industries are declining and tourism is a possible growth industry that needs to be nurtured.

- Scale and professionalism of the tourism industry and the skills, resources and funds available.

- Level of interest in tourism shown by Council, the local business community, tourism operators and, in some cases, the local community.

- Local issues, problems and constraints facing the industry and the opportunities available.

- History – most management structures have undergone change over time in response to local needs and pressures.

- Local politics and personalities.

- The level of funding provided by the different stakeholder and the level of 'accountability' required.

- The level of control required by Council and other key stakeholders.

- The willingness and ability of key stakeholders to accept responsibility.

The different 'basic' structures are discussed below, with most management structures being variations on these five basic models:

- Management solely by Council.
- Council management with input from a Tourism Committee / Association / Board.
- Management by a Tourism Association / Business Organisation
- Division of functions between Council and a Tourism Association and/or private sector body.
- Joint management between two or more Councils.

Consideration was also given to combining the Tourism and Economic Development Units within Council. The implications of each of the options considered are discussed below.

Model 1:   *Management solely by Council*

Under this model Council takes total responsibility for the management and marketing of tourism. Under this model Council is responsible for the operation of the VIC, employment of a Tourism Manager and/or VIC Manager, production of the area's Visitor Guide and marketing and promotion. Advertising space in the area brochure is generally sold to tourism operators. Some Councils also charge fees for certain services (eg a link from the tourism website to the operators website).

From a Council perspective this approach is impartial, inclusive and efficient. The model best suits areas with a small tourism sector and limited funds. There is a lack of input into decisions by the tourist industry, which may result in a consequent lack of commitment to joint marketing or activities. Marketing is left to Council and Council is blamed if businesses are not successful. It also leads to other sectors expecting Council support.

Advantages	Disadvantages	Areas of Conflict
▪ Professional management and direction. ▪ Closely linked with other Council functions. ▪ Council commitment to funding. ▪ Provision of comprehensive information services. ▪ Minimises factionalism. ▪ Efficient – resources not being spent on servicing committees. ▪ Inclusive - all products and operators represented ▪ Impartial – no favouritism.	▪ Lack of industry input and ideas. ▪ More difficult to get industry feedback and support. ▪ Operators can become apathetic – 'let Council do it'. ▪ No or limited political back-up – staff cannot lobby Councillors. ▪ May find it difficult to access Demand Building funding.	▪ Tourism operators tend to 'blame' Council if they are not attracting business. ▪ Pressure from other sectors for Council support.

Model 2: Council Management with input from a Tourism Committee or Board (current model for the Shoalhaven)

The most common management structure is where Council takes responsibility for tourism, with input provided by a Tourism Committee or Board, generally constituted under Section 355 (advisory role) or Section 377 (delegated powers) of the Local Government Act. Council employs the Tourism staff, runs the information services and undertakes the marketing and promotion. Council is the primary funder, with some industry buy-in into marketing and promotional initiatives.

The role of the Board/Committee is usually to advise Council on tourism marketing and raise issues relevant to tourism. In some areas, the role also includes destination management and the development of new tourism asset. If operating under delegated powers, Committees / Board can approve expenditures within a Council approved budget, prepare marketing plans, initiate new marketing programs and assist the Tourism Manager in their role.

The Committee/Board may be selected through Council, by an appointments committee or by external advisors, in many cases by public advertisements inviting nominations, which ensures a spread of interest. Committee / Board membership is generally on the basis of skill and experience, rather than on specific industry areas of interest. Skills based Committees / Boards generally deliver the best outcomes.

In some instances Boards are structured to represent certain interest groups within the tourist industry or specific localities. This can create problems, as members have difficulty separating their representative role from their role as a Board or committee member. It can be work successfully where the nominating bodies are well managed and directors are experienced, but where there is a lack of experience, parochialism can become an issue and reaching consensus can be difficult. Members may also hold onto positions on the Committee/Board and there is difficulty in removing those whose appointment is determined by another body if they do not contribute or are disruptive to smooth operations.

Some representation from Council, either through by Councillors or officers, allows Council to have some control and input and ensures accountability. This is necessary under the provisions of the Local Government Act.

An industry based tourism organisation may co-exist with the Tourism Committee. In these cases the organisation is primarily involved in networking and lobbying, representing the interests of tourism operators. The Tourism Unit within Council may provide assistance and services to the tourism organisation, with services sometimes undertaken on a fee for service basis.

Advantages	Disadvantages	Areas of Conflict
▪ Industry is recognised and supported by Council. ▪ On-going commitment by Council – more difficult for Council to 'pull the plug'. ▪ Allocated budget each year - resources not being spent on chasing funds. ▪ Industry input through the Committee to set directions. ▪ Skilled staff – with ongoing staff development programs. ▪ Direct access to Council resources and staff. ▪ LGA-wide approach - reduces parochialism in the allocation of funds and resources. ▪ Not dependent on volunteers and less subject to factionalism, in-fighting and 'high-jacking'. ▪ Continuity of staff and resources. ▪ Impartial – will generally not recommend one product over another.	▪ Lack of operator involvement in marketing programs – view that 'Council will do it'. ▪ Marketing and promotion may be too generic or try to cover all localities / products. ▪ Lack of flexibility – More difficult to dismiss staff or restructure Tourism Unit, with staff positions generally not strongly performance based. ▪ Operators may feel disenfranchised – this is generally due to poor communication or lack of agreement with the direction that tourism is taking. ▪ Council 'Overheads' charge included in the budget.	▪ Tourism operators tend to 'blame' Council if they are not attracting business. ▪ Pressure from other sectors for financial support from Council. ▪ Tourism operators may be contributing financially but do not have a say in how the money is spent.

Model 3: Management by a tourism association or an independent body

Management by an industry association or an incorporated business association has been implemented in some areas. There appear to be three basic arrangements:

- The association is contracted by Council to manage tourism in the area – with the organisation receiving payment from Council for services rendered (eg operation of the VIC). Contracts are sometimes performance based.

- The association is membership based with Council being a member and/or a sponsor.

- No financial support from Council.

This model is most effective where:

- The tourism industry is well developed with significant expertise, resources and access to industry funds (eg Hunter Wine Country, Gold Coast).

- Council has limited funds available to allocate to tourism and/or wishes to 'cap' its expenditure on tourism.

- It is politically difficult for Council to employ Tourism staff or be seen to be supporting tourism over other industries and businesses.

In most instances the Council makes a contribution to the operating costs and may provide use of space on concessional terms. Council may contract with the organisation to provide the services and specify how its funds are to be allocated.   Where there are no funding agreements in place, Council funding is not considered 'secure' with tourism having to compete annually against other Council priorities and programs for funding.

Most of the associations are membership based. Associations are generally dependent on membership fees and buy-in to survive. (This is often a recipe for failure). There is generally a scale of membership fees based on criteria such as turnover, number of employees or self-selected membership grades. Considerable resources may need to be allocated to maintaining and servicing the membership base.

The Board may be elected, appointed, or in some cases representative of other participating organisation such as a motel association or a restaurant organisation. Where Council provides funding, it may require Board representation (not necessarily by a Councillor) to provide assurance that the funds are properly applied.

Experience has shown that where Boards are appointed to represent sectoral interests they often have difficulty in taking a collegiate view, and conflict within such Boards is not unusual.

Associations have the advantage of providing representation and reflection of industry views, and drawing on industry expertise. When well-managed, this is a successful model. Most associations however struggle financially, and have limited funds to apply to marketing. Where associations are operating VICs, they often rely on volunteers. This tends to create a range of issues in relation to operations and professionalism. Where associations are membership based, they will generally only market and provide information on members products, which can mean that major assets (eg National Parks, or large hotels or attractions that are not members) are not included in the marketing and promotion of the area, nor is information available on these assets (ie no comprehensive coverage).

From a Council perspective, the main advantages are 'capping' its expenditure on tourism and removing the problems of operating and funding the VIC seven days per week.

Advantages	Disadvantages	Areas of Conflict
• Industry driving the process, the Tourism Organisation has total responsibility for the success or failure of the operation. • More flexible working conditions for Tourism staff. • Able to provide a higher level of service to members and be more responsive to member needs. • For Council – far more cost and resource effective.	• Emphasis is on sourcing funds to survive. Resources tend to be focused on fund raising • Can generally not afford to pay high salaries, nor offer the same employment conditions as Council • Reliance on volunteers with attendant problems • Industry has to keep Council onside – difficult to lobby or up-set Council when the Organisations is dependent on Council funds. • More susceptible to local politics and in-fighting • Difficulty in setting priorities and directions – trying to keep all members satisfied to retain membership fees. • Often more difficult to access Council resources and/or to gain assistance (eg signposting, presentation of parks etc). • Information available on the area reflects members products and is not necessarily comprehensive. • Marketing policies (members only represented) may not deliver the best outcomes for the whole community.	• This arrangement tends to work best in a small locality where there is strong industry commitment to marketing the locality. Once other localities are introduced, then factionalism and parochialism can become major issues. • VIC volunteers selling their own product to the expense of others.

Model 4:   Division of functions between Council and a tourism organisation

A variation of the above Model, is where Council contracts with an external organisation, such as a tourism association or local business, to undertake certain tasks and retain others. For example Council may retain VIC's as they would normally be a Council asset. External contracts may be limited, to for example, managing certain events, or preparing a visitor guide, or managing a marketing program.

This approach enables limited term contracts, say three years, which gives the contracting the opportunity to prove its effectiveness.

Advantages	Disadvantages	Areas of Conflict
• Limits Council's financial commitment to tourism and is politically 'safe' as Council is not seen to be spending limited funds for the benefit of one sector. • Can ensure that basic information services are available for visitors. • Industry drives the marketing.	• Often limited communication between Council and the industry. • Very limited resources and funds – the operation is generally ineffective. • Limited marketing undertaken as the Association / private body is dependent on operators to fund and undertake the marketing. • Difficulties associated with using volunteers in the VIC. • If run by a business – the ultimate cost of the service may be higher, and/or the business cuts costs (to the detriment of the service) to maximise profit.	• VIC volunteers selling their own product to the expense of others.

Model 5:   Combined Council Management

There are a number of areas in NSW where two or more Councils have pooled resources to manage and promote tourism. A particular example is Central Coast Tourism, where Gosford and Wyong Councils combine to partially fund a member-based organisation.

Under this arrangement a Tourism Board (incorporated association or company) is generally established with the Board generally comprised of representatives from the contributing Councils and the tourism industry. Each Council contributes financially, usually on a per capita or per bed basis, to the operation of the organisation. The Board is responsible for employment of staff, operation of any VICs and booking services, information delivery and tourism marketing. Marketing is usually undertaken on a co-operative basis with the industry. This model enables considerable leverage of funds, a larger organisation and more professional marketing and tourism management.

There are examples where tourism management organisations in one area have bid to operate the tourism management services, or to manage the VIC' in another area, to leverage off their business base, skills and industry contacts.

Advantages	Disadvantages	Areas of Conflict
▪ More effective use of limited funds and resources – limits duplication in the provision of services. ▪ Facilitates effective marketing of a defined locality. ▪ Subregion - more products and activities to offer visitors	▪ Parochialism can be de-stabilising. ▪ Can be difficult to get Council co-operation on infrastructure development and maintenance.	▪ Inequity in how funds and resources are allocated / bias

Tourism and Economic Development

A number of Councils have combined the tourism and economic development functions. This has had mixed results. Broadly, where the Council has adopted a structure in which the two activities report separately to a senior manager and there is clear separation of roles, responsibilities and budgets, as well as skilled Economic Development and Tourism Managers the arrangement has worked.   Where the economic development function has been integrated with tourism management significant problems generally occur, with Councils generally having to re-separate the functions as neither can deliver optimum outcomes.

The basic problem is that the two activities are fundamentally different in nature.   Economic development is project oriented, with a promotional budget directed to attracting business opportunities and working with proponents to implement new opportunities. It is involves individual projects and the skills lie in negotiating and supporting local opportunities.

Tourism management is process based. It involves a seven day week operating cycle of information, marketing promotion and requires specialist skills at a senior level, in marketing, destination management and working with independent operators and associations.

Combining the two functions leads to conflicting budget demands and difficulties in setting priorities. The skill and experience levels for each role are comparable, with no natural subordinate-superior relationship.

Where there is an external board or committee, it also has difficulty combining joint roles. Depending on the focus of the Board, there may be conflicting priorities that could lead to a downgrading of the tourism management function and a consequent decline in tourism marketing, promotion and development and a long term decline in tourism numbers and, consequently, in the contribution to the economic wealth of the community.

2.3   Implications for the Shoalhaven

When considering the alternatives to the current structure, the industry is too significant to be managed solely by Council with no industry input (Model 1).   Likewise the division of functions (Model 4) would further fragment the industry and not deliver optimum outcomes.

In relation to Model 3 (tourism managed by an Industry Association), the Shoalhaven lacks the industry base to support an industry-based tourism organisation which could take over responsibility for marketing from Council. There are insufficient professionally managed businesses in the City that have the funds, skills and resources to come together to actively drive the tourism sector. The individual marketing budgets of most of the Shoalhaven operators are not sufficient to allocate funding of the scale needed to support a City-wide association.

Given the issues already created by the disperse settlement pattern in the Shoalhaven, it is not feasible amalgamate the tourism function with adjoining LGAs (Model 5).

Ultimately the responsibility falls back on Council, through its commitment to economic development of key industry sectors, and through its ownership and/or management of key tourism assets, including the Holiday Haven Parks and the Shoalhaven Entertainment Centre and other venues.

Short to medium term, the Shoalhaven Tourism Board, needs to focus on working with the local tourism and business organisations. A long term objective of Council should be to bring these organisations together to develop a strong City-wide industry association which acts as a sounding board for the tourism industry, works in cooperative promotions and builds an independent and professional business base. In future years this may develop into an organisation which can take on the responsibility for managing tourism in the City.

Having assessed other options, it is considered that the current system of a Committee of Council is a satisfactory mechanism. The current issues within the Shoalhaven lie more in the resources available and the way the Board has been operating, rather than with the structure. The high number of Councillors on the Board will help to retain Council's commitment to the tourism sector and ensure the ongoing allocation of Council funds for the operation of the Tourism Unit, Visitor Information Centres and the marketing and promotion of the City.

3.   Recommended Structure

The tourism sector in the Shoalhaven does not provide an industry base of sufficient scale or depth to be able to create an industry-based tourism organisation, as exists in many other areas, nor could it generate funds through membership without the impact falling on only part of the business community.   While there are committed organisations and individuals, the tourism sector in the Shoalhaven is largely passive and inactive. With an unsophisticated tourism sector doing only limited local marketing, the continuation of support for the marketing and development of tourism in the Shoalhaven needs to rests with Shoalhaven Council, with input from a Committee of Council empowered to commit funds within its approved budget.

At present, the STB and Council, while supporting the industry with significant resources, does not provide strong leadership nor engage effectively with the industry. In the past the STB and Council have created many promotional opportunities for local operators, however the approach has been reactive, rather than proactive.

It is recommended that, as part of a new focus on tourism for the Shoalhaven, Council and the STB engage more closely with the industry, actively working to make changes and to introduce contemporary marketing and operational techniques.   Both the Board and Tourism Unit need to adopt a more participative role, partnering with local operators and intermediaries to achieve change. It is also recommended that the STB re-establishes its role in tourism development as permissible under the Board guidelines.

The Tourism Manager's position is under-resourced, lacking the support of a professional marketing or product development team. Contemporary tourism marketing and destination management, places heavy demands on the local tourism organisation, which will be beyond the capacity of a single individual.   In an environment in which is becoming dependent on digital marketing, Shoalhaven City is at risk of being left behind.

With the forthcoming retirement of the Tourism Manager, and the need to appoint a successor (and with no trained successor in line for the position), the work load of an incoming Tourism Manager will be exceptionally high, implementing the changes required to take the industry forward, as well as in establishing critical relationships within Shoalhaven and in the wider marketplace.

As such is it recommended that the Tourism Unit be strengthened to meet the requirements of contemporary marketing. The recommended structure for Tourism Unit within Council is:

- Tourism Manager

- Product Manager - This role is described in Strategy 6.2 of the Tourism Masterplan and entails working with operators to develop product packages for direct marketing, training less skilled operators, in developing brochures , promotional packages direct marketing campaigns and for growing the database. It will also support new entrants and bring them in to contemporary marketing.

- Digital and web management specialist

- Events Manager

- Events Liaison Officer

- Information Services / VIC Manager and VIC staff.

- Coordination and support person.

This entails one new position - Product Manager and the re-structuring of existing positions to include a wider range of duties.

Proposed structure of the Tourism Unit is:

TOURISM MANAGER

Product Manager	Events Manager	Events Liaison	On-line specialist	Admin Support	Information Services / VIC Manager

The following actions constitute Strategy 7 of the Tourism Masterplan.

Action		Key Tasks		Responsibility	Timeframe	Resourcing
7.1	Review the practices of the STB with a view to making it a more effective body contributing to the marketing and development of tourism in the City	7.1.1	Undertake a review of the current practices, procedures and outcomes achieved by the STB with a view to achieving a more effective and efficient organisation	STB & Council		
		7.1.2	Empower the STB to undertake a role in tourism development	Council		
		7.1.3	Use task forces and working groups to expand the role and effectiveness of the STB	STB		
7.2	Increase the resources committed to digital marketing and product development	7.2.1	Appoint a product manager within Council reporting to the Tourism Manager to manage direct marketing and promotion, working with industry to secure great synergy and leverage in digital and direct marketing	Council		
		7.2.2	Retain a web marketing specialist within Council's reporting to the Tourism Manager to manage the digital marketing program and database development	Council & STB		
		7.2.3	The STB to partner with Council in leading the development of new facilities, attractions and a program of contemporary marketing in close conjunction with industry members.	Council & STB		
7.3	Partner with the tourism sector and intermediaries in leading the City into the next decade as a significant regional tourism destination	7.3.1	Tourism Manager and STB to work with those industry partners with the potential to grow their business as a strategy for growth.	Council & STB		