

ITEM NO: 15

SUBJECT: FUTURE OPTIONS FOR SUPPORTING TOURISM AND ECONOMIC DEVELOPMENT

FILE NO: F06740 - 11/112245

Management Plan Link

Principal Activity: Economic - Sustainable Economy

Service: Tourism

Project: Provide Promotion, marketing, public relations and Secretariat Services to BMTL

Recommendations:

1. *That Council supports in principle the Blue Mountains tourism industry proposal to establish a local tourism organisation as a separate entity to the regional tourism organisation, Blue Mountains, Lithgow and Oberon Tourism (BMLOT);*
 2. *That the Council writes to BMLOT and advises that in accordance with the BMLOT strategic direction, BMCC agrees that the Secretariat Agreement be terminated at the earliest mutually acceptable date, but no later than 30th June 2012, in accordance with the terms of the Agreement;*
 3. *That the Council enters into negotiations with Blue Mountains Lithgow and Oberon Tourism (BMLOT) to consider the ongoing financial support to BMLOT beyond 30th June 2012 on a proportional basis commensurate with Lithgow and Oberon Councils, having regard to the total available recurrent funds in the Council's budget for economic development and tourism;*
 4. *That as part of the above negotiations, the Council reviews and considers the governance and representational arrangements it is prepared to enter into with BMLOT after the current agreement expires;*
 5. *That the Council supports the establishment of a single local tourism and economic development entity on a partnership/joint venture basis to support, advocate and promote the Blue Mountains economy, tourism and local job creation;*
 6. *That the Council extends an invitation to BizNet for that agency to consider the potential advantages in being part of the proposed single entity representing tourism and economic development in the Blue Mountains LGA;*
 7. *That the Economic Development Working Party be re-convened, inviting interested members with additional members to cover any identified skills or representation gaps, to consider in detail the establishment of the new Economic Development and Local Tourism Entity consistent with the previously approved partnership/joint venture business and reporting model, and to make recommendations on the structure, operations, appointments process and desired levels of funding; and*
 8. *That a further report be brought back to the Council in December 2011 on the progress in finalising Recommendation 7 above.*
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Report by Director, City Services:**Reasons for report**

This report provides the Council with options for consideration to establish sustainable, efficient and cost effective support for tourism and economic development within the City, contributing towards achieving a sustainable City and organisation.

Introduction

Tourism is a significant contributor to the Blue Mountains economy, and particularly to the Upper Mountains. A recent study produced by the University of Western Sydney estimates the annual value of tourism in the Blue Mountains, Lithgow and Oberon regions to be in the vicinity of \$500m (University of Western Sydney, 2010).

Blue Mountains City Council is presently undertaking a wide ranging review of the services it provides, and tourism and economic development are part of this review. At the same time, Blue Mountains, Lithgow and Oberon Tourism (BMLOT) has embarked on a strategic direction that would see it directly employing its own staff and no longer relying on BMCC for administrative and operational support. The BMLOT board has previously resolved to negotiate an exit from the current arrangements.

The local tourism industry has indicated, at the recent Council initiated tourism industry forum, that there is a desire to have separate regional (i.e. BMLOT) and local tourism bodies with different functions and objectives. There was also a preference to be more autonomous in promoting and delivering tourism services, although the model to achieve this requires clarification.

The Council has already adopted a new direction with respect to economic development. At the Ordinary Meeting of the Council on 19 April 2011, it was resolved in part:

- “1. That the Council endorse in principle the establishment of an Economic Development Entity based on the partnership/joint venture model detailed in this report;*
- 2. That the Council’s additional resourcing contribution to the Economic Development Entity be funded from existing Council budgets for Economic Development and Tourism”*

[Minute No. 150]

It is therefore an opportune time to take a fresh look at BMCC’s engagement with both tourism and economic development and the synergies between them.

Secretariat Agreement with BMLOT

Since the late 1990’s, BMCC has had a contractual relationship with an organisation presently known as Blue Mountains, Lithgow and Oberon Tourism (BMLOT). BMLOT, which has a predominantly industry based board and includes a representative from each of the three Councils, largely undertakes lobbying, marketing, advertising, promotions and public relations with respect to the regional tourism sector.

The Secretariat Agreement that BMCC has with Blue Mountains, Lithgow and Oberon Tourism is due to expire on 30th June, 2012. The parties are required to provide notice as to whether they intend to terminate or renew the Agreement. This occurs at a time when the Council is considering, in the context of increasingly scarce resources, its future engagement with, and support of, tourism and economic development in general.

This report responds to the initial imperative to resolve the future of the Secretariat Agreement and also outlines a process to reshape the Council’s involvement with tourism in general, including the potential for the establishment of a Local Tourism Organisation, which

was one of the key recommendations from the Tourism Consultation Workshop held in March 2011.

In the original form of the Secretariat Agreement, up until the 2007/08 financial year, BMCC paid BMLOT a fixed annual membership fee in the vicinity of \$100k. This amount is slightly more than that required under the BMLOT constitution, which for Council members is set at \$1.25 per head of population (note that Lithgow and Oberon Councils presently contribute at this constitutional rate). Historically the annual subscription had also been adjusted for inflation. However, the overall financial commitment by BMCC to BMLOT was actually around \$430,000 p.a., including the membership fee, once the provision of staff time and facilities was taken into account. This contribution was not formally recognised in the earlier arrangements. During the last four-year agreement, the annual payment was increased to around \$430,000. This increase ensured that there was transparency in the amount that BMCC was contributing through the staff and facilities that were supporting BMLOT's activities. The Secretariat Agreement effectively places a number of BMCC employees (currently including the Manager Tourism; Public Relations Manager; Administration Assistant; Membership Officer, and Finance Officer) under the control and direction of BMLOT.

To place the overall base membership funding in context, BMLOT receives approximately \$480k annually in support from its three Council members, \$125k from tourism industry members in general with an additional sponsorship of \$40k from one flagship member. Significant other funding is sourced from Destination NSW (formerly Tourism NSW) under a number of programs, and individual industry members also contribute additional funds to specific marketing campaigns.

Essentially, the Council is legislatively regulated body acting in the community interest and BMLOT is an independent public company. At times this can create situations where the objectives and protocols of the organisations do not necessarily align. The organisations operate under, and are guided by, different legislative requirements and charters and can have differing obligations. The BMLOT board has previously resolved to move away from the Secretariat Agreement arrangement and this is demonstrated by their desire for the key personnel currently employed by BMCC to transition to direct BMLOT employment control.

The perception of the majority of the board, as indicated through their resolutions, is that constraints imposed by Council employment can be an impediment to the achievement of their goals and Council processes often compromise timelines. BMLOT has been investigating possible arrangements with other tourism regions, and also operates as a lobby group whose actions can cross into the political sphere. This can potentially present a conflict of interest for Council officers.

The issue of the relationship between local government and the board is also common to Lithgow City Council and Oberon Council. Any joint venture model will have some areas of non-alignment. Council, as a significant supporter contributing ratepayer funds, needs to ensure that its constituents are getting value for money and the service contributes to the delivery of the relevant outcomes of Sustainable Blue Mountains 2025. In addition the Council needs to ensure good governance processes are in place. These are issues that will need to be addressed in any new arrangements with BMLOT.

The Council is currently engaged in a detailed review of all of its services. Tourism, including support for BMLOT, forms part of this review. Funding for tourism has in recent years been indexed in accordance with CPI movements, unlike most other Council services that at best align with rate pegging, due to the terms of the Secretariat Agreement.

Outcomes of Industry Workshop

The Council initiated Tourism Industry Workshop, a public forum designed to ensure that the local industry had an input into Council's future plans, was conducted on Tuesday 29th March 2011. It was attended by approximately 50 people, 40 of whom were industry operators. All comments made were taken at face value and recorded. A copy of the recorded outcomes from the forum is attached.

One of the key recommendations from the workshop was the desire to establish a Local Tourism Organisation (LTO) within the Blue Mountains Government Area to provide industry leadership in terms of on the ground visitor experiences and advice to Council on local matters. The central role of providing and advocating for local needs and services for the local tourism industry has largely been displaced by the evolution of BMLOT and the industry has now identified the need for this to be re-established.

In advocating for the creation of an LTO, the general desire of the industry participants was that it should be an incorporated body with support funding from Council but operating independently of the Council. Representatives from BMLOT and the Blue Mountains Accommodation Association (BMAA) had jointly agreed prior to the workshop to lobby for a model where BMAA assumed the role of the LTO, with Council funding being evenly split between BMLOT and BMAA, and this proposal was also advocated by some of the representatives in attendance.

The other major recommendations, including a review of Council's Visitor Information Centre operations and promotion of indigenous tourism, were seen as being matters that would be addressed after the newly created local tourism organisation was established.

Observations from Review of Economic Development and Tourism Industry Forum

The following is a brief outline of observations from the most recent reviews and workshops.

- Tourism related industries make up a significant proportion of economic development in the City;
- There are a significant number of main players from tourism, economic development and BizNet that overlap;
- Blue Mountains local tourism organisation function was subsumed into BMLOT in the past and could be described as vulnerable at present;
- BMLOT want independence (except for funding) and with their purpose to have a regional strategic focus no longer wish to identify and perform the task of an LTO;
- BMCC contribute disproportionately to BMLOT compared with the other stakeholder Councils (hangover from BMLOT doing both LTO and regional functions);
- Need to critically analyse the benefits of running and supporting three different organizations;
- Need to analyse the resource requirements and cost benefits of rationalizing, sharing and combining the management of similar functions with similar outcomes;
- Need to eliminate duplication and confusion;
- Need for unified voice and identity to maximize support and outcomes for the City; and
- Blue Mountains has its own brand and destination.

Roles of Regional Tourism Organisations, Local Tourism Organisations, and Economic Development

The Regional Tourism Organisation (BMLOT) has a clear focus that is primarily concerned with marketing and promotion with the objective of attracting visitors to the region (both domestic and international) and managing the regional brand. This includes being the key point of contact for Destination NSW (which incorporates the former Tourism NSW) and Tourism Australia.

A Local Tourism Organisation (LTO), as exists in many other LGA's, is principally concerned with the development and delivery of tourism services on the ground, with providing advice to local government on local tourism matters and supporting the visitor experience. In some LGA's they operate the Visitor Information Centres, with Council support. They also encourage the implementation of programs that enhance the service standards, professionalism, profitability and sustainability of tourism businesses. There is a large amount of common ground between the functions of an LTO and the broader area of Economic Development.

Economic Development is concerned with the development, support and promotion of the broader local economy, including tourism. Key objectives are to attract and support new business initiatives while assisting with the sustainable development of the existing business sector. Economic Development is also concerned with quality of service and local branding and marketing.

The Council has recently resolved to pursue, in principle, the establishment of an Economic Development Entity for the Blue Mountains as a joint venture/partnership model, with required funding to be sourced from a review of Council's tourism budget.

Tourism is a very important component of the Blue Mountains economy and falls within the broad scope of economic development. Tourism is also a very mature industry, with economic activity tightly linked to visitation and factors largely beyond the control of the Council such as the strength of the Australian dollar, global financial conditions, and the weather.

It is considered that there are clear overlaps between the objectives and outcomes for tourism and economic development in the City that create opportunities for the establishment of an integrated Local Tourism and Economic Development Entity.

Where to from here

While there may be a desire by some to establish three separate entities it is clear that the resources required to effectively do so is beyond the Council and the community's capacity at present unless a decision is made to reduce or remove some other Council service.

The industry does have the ability to fund itself through grants from other levels of government and membership contributions. However, realistically history indicates that to achieve sustainable resourcing there needs to be a consistent and reliable base funding from Council with other funding being used to support initiatives and gain higher levels of services.

Given the synergies between local economic development and tourism, and being realistic about the resourcing, it makes good business sense to consider the development of one entity in a partnership/joint venture model that supports both. This model would require more discussion with stakeholders to fully develop and gain buy-in.

This approach would be consistent with the objectives of Council's service level review and continuous improvement model to be more efficient and live within our means. Council is looking at ways to reduce its recurrent operational expenditure as a consequence of annual income being insufficient to match expenditure as costs rise faster than rate pegged income and grants.

As part of the current review of Council services a target to reduce the net recurrent Council expenditure in tourism of 10% is considered reasonable. Given that target, the approach and model for tourism and economic development needs to be innovative and creative to achieve a win-win.

As part of this exercise the Council will re-determine its roles and responsibilities and the level to which it wants to support economic development and tourism within the wider strategic framework. Consideration also needs to be given to the responsibility of other levels of government to providing funding given the economic benefits to the State and National economy of Blue Mountains tourism.

The model being suggested in the following section is an approach that is deemed to be worth considering and pursuing in order to meet all stakeholders' goals.

Proposed Local Economic Development and Tourism Entity – Partnership/Joint Venture Model

As previously mentioned in this report one possible approach is to create a single industry-led incorporated entity to work in key areas across the City of the Blue Mountains to foster and promote economic growth and tourism and to increase the strength of the region. This could be incorporated as a not for profit organisation under the Associations Incorporation Act 2009 and be a membership-based organisation. Associations are formed by groups of people who come together for a variety of reasons, including:

- Run professional and industry groups; and
- Provide a community benefit.

The Constitution will reflect a partnership or joint venture approach that allows for both public and private sector funding. The incorporated entity could operate under a committee governance structure, with strong private sector leadership and a mix of sector representative and skills-based members appointed by the Council.

Statement of objectives, to be further developed, might include:

I. Economic Development

- Encouraging economic diversification;
- Encouraging employment generation;
- Influencing planning and policy;
- Contributing to the development of a sustainable economy;
- Conducting marketing and business development to promote the area as a business destination;
- Facilitating the growth of existing businesses;
- Attracting investment consistent with the local environment;
- Stimulating economic activity;
- Identifying and reducing the barriers to development;
- Motivating local businesses to innovate; and
- Contributing to long term planning.

II. Tourism

- Provide an effective Local Tourism Organisation delivering the principal functions of Capacity Building, Coordination and Facilitation of Tourism at a Local Level;
- Coordinate strategies related to the development, delivery and promotion of tourism services within the Local Government Area (LGA);
- Provide policy and issues advice to Council on all tourism matters;
- Support and complement the strategic direction and objectives of the RTO and regional tourism brand;
- Coordinate and promote local events that will benefit tourism in the local and regional areas;
- Encourage and facilitate collaboration between tourism sectors and stakeholders;
- Within the RTO strategic business plan and brand strategy, develop and effectively deliver on the positioning of the LGA;
- Ensure the presentation of the LGA matches the strategic positioning and promoted image of the area;

- Encourage the implementation of programs that enhance the service standards, professionalism, profitability and sustainability of tourism;
 - Cooperate with other community and business groups to develop and enhance local tourism prospects and programs;
 - Provide local representation on the Board of the RTO; and
 - Encourage community support for tourism within the LGA.
- III. Visitor Information Centres
- Operate local Visitor Information Centres as a part of a wider regional network;
 - Conduct commercial retail activities to provide for VIC maintenance and re-investment back into VIC infrastructure; and
 - Provide a net surplus from the retail operations to support the objects of the Incorporated entity.

Committee of the Incorporated Association

The constitution sets out the composition and function of the Committee. It also makes provisions regarding:

- The election or appointment of committee members;
- The qualifications for membership of the committee;
- The terms of office of the committee members;
- The ability of committee members to hold more than one position;
- The grounds on which, or reasons for which, the office of a committee member is to become vacant;
- The filling of casual vacancies occurring on the committee;
- Any restrictions on employees becoming committee members; and
- The minimum number of committee members required (the quorum) and procedures at meetings of the committee.

The members of the Committee of the incorporated association will be appointed by the Council following a process calling for public expressions of interest. The Committee could comprise up to 12 members:

- Councillor representative;
- General Manager or nominee;
- Tourism sector representative;
- Commerce sector representative;
- Professional sector representative (possibly legal);
- Financial representative;
- Industry/manufacturing representative;
- Health sector representative;
- Education sector representative; and
- Chambers of Commerce – up to 2 representatives.

Typically, the committee would have four office-bearers with the balance being ordinary committee members. The office-bearers, appointed from the committee members, would include the President, Vice-president, Treasurer and Secretary (administration officer).

Membership

The Association's constitution may provide for categories of membership: Individual; Corporate, i.e. other incorporated bodies (such as incorporated associations, co-operatives or companies); and Affiliated members. Membership is subject to the person or corporation being nominated and approved for membership in accordance with the procedure set out in the constitution.

BizNet

BizNet serves as the Regional Chamber of Commerce for the Greater Blue Mountains. The BizNet Mission Statement is "*To encourage, support and promote business in the region. To be the 'voice of business' to represent regional interests to government and industry at all*

levels” and “To represent the diverse business interests and activities of our region by building and maintaining an active network of business connections through support, encouragement, training, mentoring and referral”. In addition to providing a business networking forum, it runs economic development programs that include the formation and facilitation of business clusters, business incubation services, business training and the annual business awards.

In order to avoid the risk of duplication of services between like-minded agencies and to gain the maximum value from the limited resources available to support economic development, it is appropriate to consider a merger of the BizNet organisation into the proposed new local economic development and tourism incorporated entity. Advantages in a merged entity include providing for economies of scale; the broader support for the delivery of programs and services; access to Council overhead support; and avoiding the pitfall of “spreading too thin” the limited pool of skilled and motivated people able to commit to participating and leading an organisation based on altruistic principles such as this.

To this end an initial approach has been made to the Board of BizNet outlining the strategy to form a single economic development and local tourism incorporated entity. While no formal proposal has been made to the Board the concept of a merged organisation was left with them to consider further, along with the advice that it would be mentioned in this exploratory paper. It is recommended that, if the Council is to proceed with the establishment of a single economic development and local tourism incorporated entity, a formal approach is made to BizNet for merger discussions.

Funding BMLOT and the suggested new model

A net total of \$519k is presently committed annually to the existing BMLOT and Economic Development functions. Due to overall funding constraints it is proposed that any new arrangement would seek to produce a productivity saving of 10% from this amount, in line with the pressures on other Council service areas with the view of living within our means.

There are a number of potential options in terms of the funding and structural support that BMCC can provide to any new economic development and tourism model.

The total current funding potentially available for reallocation within the Council’s Tourism and Economic Development portfolios is presented below.

Table 1 – Proposed Available Funding

Item	Amount (p.a.)
Tourism – net committed to BMLOT	\$396k
Economic Development	\$123k
Proposed Productivity Saving (10%)	-\$52k
Total Available	\$467k

The potential available funding within the tourism portfolio is around \$396k p.a. This figure is inclusive of employment expenses related to staff working under the direction of BMLOT. With the ultimate cessation of the Secretariat Agreement, and the completion of employment contracts related to this function, these funds and resources may be considered for reallocation to other services, including the proposed support for the new economic development model and for supporting local tourism.

BMLOT, in a move to be more autonomous, has previously resolved to move staff resources away from Council employment and into their own arrangements if and when possible. With this knowledge Council has, over the past 18 months, consciously reduced permanent Council staff engaged in Secretariat functions and has progressively replaced them with staff on short term contracts or temporary employment arrangements as opportunities have arisen in order to provide the flexibility required to consider and implement any new arrangements.

Any early transfer of functions to BMLOT may result in the release of funds as savings or for reallocation prior to the formal termination of the Secretariat Agreement.

Council's economic development budget presently includes annual funding of \$123k. The resolution concerning the creation of an economic development entity indicated that an additional \$158k in base funding is desirable (for a total annual investment of \$281k), with funds being obtained from a review of tourism funding.

The BMLOT constitution requires a baseline membership contribution from BMCC of \$1.25 per head of population, which would provide around \$95k per annum. Both Oberon (annual membership ~\$6k) and Lithgow (annual membership ~\$32k) Councils contribute to BMLOT at this constitutional rate, with some historic adjustment for CPI movements. BMLOT have indicated in writing that they require at least \$200k total per annum in cash support from BMCC on an ongoing basis to be effective. Such a contribution is not required under the BMLOT constitution and if the Council decided it was going to exceed the base line contribution then a funding agreement would be entered into.

Currently the Council representation on the BMLOT board is one director. Depending on the extent of ratepayer funds that the Council decides to allocate to BMLOT it is considered that this representation should be reviewed. In any event it is considered that the current arrangement including performance measures, reporting and governance procedures should be subject to review in any new agreement.

BMLOT along with the Blue Mountains Accommodation Association have also provided advice, via the industry consultation process, that a new Local Tourism Organisation (LTO) would require around \$200k per annum to be fully effective. Whilst this figure has not been fully evaluated at this stage it appears to be a reasonable estimate to provide a level of staffing and sufficient cash to undertake relevant programs as an independent organisation.

Considering the indicative requirements of BMLOT, the economic development entity and a potential Local Tourism Organisation, it is clear that the available funding within both the existing tourism and economic development portfolios is insufficient to fully fund three independent arrangements (see Table 2). The requested funding (\$681k p.a.) is well in excess of the proposed available funding (\$467k p.a.).

Table 2 – Indicative Funding Requests

Item	Indicative / Requested Funding (p.a.)
BMLOT	\$200k
Economic Development	\$281k
Local Tourism Organisation	\$200k
Total	\$681k

A degree of compromise and resource/function sharing between the entities is clearly necessary. It is proposed that negotiations proceed on the basis that funding will be provided separately to BMLOT and the new Economic Development and Local Tourism Entity, based on the available funds outlined in Table 1.

At present, both BizNet and BMLOT have a membership base that contribute fees. It is proposed that the new Economic Development and Local Tourism Entity, possibly incorporating BizNet, may also consider the matter of membership which could provide a level of top up funding.

It should be noted that full implementation of any final funding option would not be possible until the cessation of the Secretariat Agreement and conclusion of residual employment arrangements, which at the latest will occur by October 2012.

The Council is also in a position to offer in-kind support through the provision of office accommodation (the current Tourism Cottage), valued at around \$20k p.a., which could be extended to BMLOT and/or the Economic Development / LTO function, and also ongoing IT, finance and telecommunications support if required.

Proposed Interim Actions

As Tourism is such an important factor in the local economy, and the best overall model will require firm industry support and buy-in, it is recommended that the Council enter into discussions with key local stakeholders, including BMLOT, local tourism representatives, and BizNet on the way forward, using the proposal outlined above as a reference.

It is proposed that the Council authorise the equivalent of an “establishment board” to move this process forward and oversee the establishment, implementation and appointments process for the proposed new Economic Development and Local Tourism entity. In order to expedite this process it is recommended that the Economic Development Working Party (EDWP) be re-convened. The EDWP will invite interested members, supplemented if necessary with additional members to cover any identified skills or representation gaps, to consider in detail the establishment of the new Economic Development and Local Tourism Entity and to make recommendations on the structure, operations, appointments process and desired levels of funding. A progress report to be presented to the Council in December 2011.

This approach is broadly consistent with the desire of industry, as expressed at the Tourism Industry Workshop, and also seeks to address the Council’s resolution on Economic Development.

It is also proposed that there be discussions between the three Councils currently participating as members with BMLOT to agree;

- On a common funding and representational model;
- Ensure that governance arrangements are appropriate; and
- That there is sufficient transparency and safeguards concerning the use of public funds in any arrangement that replaces the current Secretariat Agreement.

Sustainability Assessment

Effects	Positive	Negative
Environmental	Nil	Nil
Social	Nil	Nil
Economic	Economic development will be given a higher profile and level of resources to assist in broadening the economic base of the LGA. Some funds may be returned as savings or redirected to other high priority services.	A renegotiation of Council financial support to BMLOT may result in a reduction in destination marketing activity, dependent on the availability of other sources of funds (i.e. state, federal and industry).
Governance	The renegotiation of funding arrangements with BMLOT provides the opportunity to improve transparency and accountability	Nil

Financial implications for the Council

The Council already allocates an annual budget to both the Tourism and Economic Development functions. This report addresses a potential reallocation of existing funds only and as such, there are no adverse financial implications for the Council. Potentially, depending on the funding arrangements adopted, there is some opportunity for savings to be returned from the overall tourism and economic development budgets.

Legal and risk management issues for the Council

There are limited legal constraints concerning the winding up of the existing Secretariat Agreement with BMLOT, should this be an outcome that is pursued. It is not anticipated that the terms of the Agreement will present any risks should the Council seek a termination under the relevant clauses. There will be opportunities for the participating Councils to revisit the current arrangements in any new agreement.

External consultation

A Council initiated public Tourism Industry Consultation Workshop was conducted in March 2011, seeking broad input on the desired future shape of the industry and the role that BMCC could play. Representatives of the major bodies (BMLOT, BMAA) and the industry in general were in attendance. The key recommendations from the workshop have been discussed in this report. There has also been an ongoing dialogue with BMLOT concerning their projected minimum funding requirements and desire for independence from BMCC in terms of staffing. The BMLOT board has been advised of the broad strategy presented in this business paper. Separate discussions have also taken place with BizNet and BMAA.

Conclusion

Considering the available funding and associated constraints, industry requirements and Council direction on Economic Development, the following key conclusions are presented for consideration:

1. One entity for Blue Mountains economic development/local tourism;
2. Productivity savings in the order of 10% on current funding should be achieved;
3. Council monetary support for BMLOT should be proportional with other member Councils;
4. Need to negotiate any new model for local tourism/economic development; and
5. Need for a review of representation, governance arrangements and transparency of decision making in any new arrangement with BMLOT if Council funded

It is recommended that BMCC endorse BMLOT's strategic direction and agree to terminate the Secretariat Agreement at the earliest mutually acceptable date. Going forward, a new funding agreement is to be negotiated with BMLOT with strict performance conditions.

It is further recommended that the majority of the funds released from this change, in accordance with a previous resolution of the Council, are to be invested in the creation of a joint venture/partnership model Economic Development and Local Tourism entity. The initial structure is to be further developed along the lines as outlined in this report and a further report will be brought back to council in December 2011.

It is also recommended that discussions be entered into with BizNet to determine if there are benefits in bringing this organisation into the future model.

ATTACHMENTS/ENCLOSURES

1	REPORT*Tourism Industry Workshop 29 March 2011	11/113495	Attachment
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Attachment 1 - REPORT*Tourism Industry Workshop 29 March 2011**Report to Blue Mountains City Council Following a
Council/Tourism Industry Workshop Held at the Fairmont
Hotel, Tuesday 29th March 2011**

**By John King OAM
Global Tourism & Leisure P/L
Workshop Facilitator**

The Workshop, previously scheduled for the 19th February, but postponed due to the illness of the facilitator, was organised by Blue Mountains City Council and attended by approximately 50 people representing broadly council and tourism industry interests.

The purpose of the workshop was to attempt to achieve a consensus on issues between the council and the tourism industry and to provide a direction for a mutually agreed way forward in the promotion, facilitation and resourcing of tourism development and promotion in the future.

In part, the need for the resolution of an agreed way forward has been confirmed by the fact that the current secretariat agreement between Blue Mountains Tourism Limited (BMTL) and Blue Mountains City Council (BMCC), which has been in place for 8 years, is due to conclude in 2012, therefore requiring decisions to be made regarding the future direction toward the middle of the current year (2011).

The format of the Workshop Program was as follows:

1. Welcome and Introduction by the Mayor, Cr Daniel Myles
2. Details of the current arrangements between Council and BMTL, the need to make changes, and the identification of issues, by Damien Drew, Group Manager City Services
3. Update on the state of tourism in the City of Blue Mountains, the BM industry's relative performance, trends in tourism, and some of the issues and opportunities the workshop needed to consider, by John King OAM, Managing Director GT&L.
4. Activities and performance of BMTL, by Randall Walker, Chairman BMTL
5. Breakout Sessions – three groups, each to consider and report on:
 - What is working well?
 - What is not working?
 - Where do we want to be – what needs to change?
6. Report back from Breakout Groups by each facilitator
7. Discussion and resolution of major points raised by the groups relating to Where do we want to be? – what needs to change? – What action do we need to take?
8. Summary and concluding comments by John King and Damien Drew.

Blue Mountains Performance and Relevant Trends and Issues (Presentation by John King)

- Total estimated tourism spend in Blue Mountains per annum between \$450 and \$500 million dollars, comprising domestic overnight visitors @ \$195 million, domestic day visitors @ \$194 million and International overnight (at \$68 per head per night) @ \$50 million. This does not include the significant international day visit expenditure.
(Spend figures from Tourism Research Australia to end of September 2010)
- Domestic overnight visitors (607,000) declined 1.9% over the past 5 years, but rose 6.0% in the past year. Domestic day visitors (2.066m) rose 24% over the past 5 years and by 5.4% in the past year. International overnight visitors (73,000) rose by 19.7% over the past 5 years and by 1% over the past year.
- Even with these figures, Blue Mountains visitor figures represent only 3.7% of domestic overnight visitors, 12% of international overnight visitors and 6.5% of domestic day visitors of all non Sydney regions in NSW.
- Over the past five years Blue Mountains arrival figures have out performed NSW and National arrivals in domestic day and overnight and international overnight visits and that recorded for the average of all non Sydney regions in NSW
- There is only one non Sydney region (Capital Country) that has done better over the past five years than Blue Mountains in growth in domestic and international overnight visits and none better in day visit growth.
- Very little growth is expected in Australian domestic overnight visits over the next 10 years (Av growth @ +0.3%), whilst inbound growth is expected to grow by an average of 3.9% over the same period.
(Source: Tourism Forecasting Committee December 2010)
- There will be a significant shift in the source of International tourism to Australia, with an expected 8 – 12% swing in share from the Western to Eastern Hemisphere in the next 10 years with China, Singapore, India, and Middle East increasing in importance.
- As the world becomes more urban, stressful, contrived and homogenised, characteristics such as authentic, rejuvenating, real, natural and unique will become more compelling – this is where Blue Mountains needs to be.
- Other broad trends affecting tourism to Blue Mountains in the future include:
 - Increased travel closer to major gateways and centres of population
 - Increase in short-break travel
 - Increase in nature-based experience travel
 - Word-of-mouth/social networking/exchanging experiences will become stronger drivers of travel.
 - Increase in last minute bookings
 - Increase in web-based bookings
- Opportunities and Challenges for Blue Mountains include
 - Enrich the experiences (including shopping, eating and accommodation)
 - Created more and better nature based and National Landscapes experiences

- Make more of the World Heritage status (X 2) – Blue Mountains is the closest Natural World Heritage Area to a major gateway city in the world)
- The proximity to Sydney is a 2 edged sword
- The need to stand out from the rest in quality and uniqueness of experience and positioning

A comprehensive presentation on the role, strategies and results achieved by BMLOT was presented by Chairman Randall Walker as further background and information to the following discussions.

Workshop Feed Back

In the Workshop Sessions, input was provided by participants on 'what's working well' and 'what's not working'. These inputs were recorded and provided as information to BMCC, BMTL and to the subsequent bodies established to develop and promote tourism in and to the Blue Mountains. The groups also considered the questions "Where do we want to be?/What needs to change?" to identify key issues for subsequent discussion.

What's Working Well?

Group 1. (Orange)

- Brand consistency
- BMCC contribution and support for tourism
- Effective marketing
- Tourist volume
- The quality of nature based tourism offerings
- Aboriginal advisory input
- Improved commercial /retail occupancy
- Good networking within the industry

Group 2. (Blue)

- Goals well stated and communicated
- Brand, understood, recognised and consistent
- World Heritage – accessibility and choices/links
- involvement of traditional owners
- Improvement in walking trails, variety of walks for all, availability of walks
- Strong local spending by tourists
- Improved and diversified marketing/Marketing indispensable
- Community involvement, including events planning
- Infrastructure - transport/accommodation/hotels all linked
- New and unique items and attractions
- Relationships and cooperation at a regional level
- Tourism culture – Good leadership by Board

Group 3. (Grey)

- Natural landscape/weather
- Artistic atmosphere/Spiritual
- Traditional Australia – B&Bs unique
- Katoomba, Echo Point, Jamison Valley working well
- Great natural product
- Strong proactive industry
- Supportive stakeholders
- Managing to keep the multinationals out

- Figures show BMs is going OK, holding its own and doing better than most other areas.
- Katoomba has improved significantly compared to the past
- Strong BMTL Board
- Christmas in July
- Tourism generating one third of jobs
- Dollar for dollar (marketing) funding working well
- (Tourism in BM has) Talented people, unique products and choices
- (Many) Places to visit and infrastructure is in place
- Council support for tourism
- Tourism industry in BMs pulls together – good natural and man-made attractions
- Keeping BMs authentic
- Brand Blue Mountains is working well – testament to industry led tourism
- BMLOT (BMTL)/BMAA great organizations with good communications.
- BMAA and BM Attractions Group provide good advocacy
- The amount of funding BMLOT (BMTL) has achieved (from NSW Govt)

What's Not Working?

Group 1. (Orange)

- Localised traffic issues/trains
- Slow progress of highway/traffic jams
- Untapped (totally) Aboriginal/Dreamtime
- Aboriginal (development) funding untapped
- Lack of local BM tourist organization
- Networking (with) BMCC, Chambers of Commerce and other businesses
- Poor consultation between BMLOT (BMTL) and BMCC on issues
- BMCC staff lack of knowledge/understanding on tourism issues and value
- Not enough funding from all levels of Government
- Villages – uniqueness and appearance
- Long train trips
- Lack of promotion by government
- Poorly defined tourism experience
- Arts not well integrated
- BMCC does not promote tourism enough (to local residents)
- How do we get the day trippers to stay overnight

Group 2. (Blue)

- Tourism NSW – State coordination
- Roads – including Tourist Drive 5
- Visitor Information Centres – positioning (need to be more accessible, and provide better offer)
- Ethics/lack of professionalism of some operators (OH&S, cash in hand etc)
- (Operators) not always 'walking the talk' in environmental protection and customer service.
- Indigenous matters – knowledge and engagement
- No coordinated support from or links to the community
- (Condition of) tourism related facilities variable, including lack of investment, maintenance and new toilets.
- Town image (Katoomba) time warp – infrastructure/cafes/hotels
- Marketing to the domestic market – the product is old
- Parking charges and availability
- Branding – disparate and short term

- Tension – tourism vs environment – on lookouts/views blocked/weeds
- Community and council not valuing tourism

Group 3. (Grey)

- Highway not being fixed
- Council favouring Woolworths
- Council rules and regulations – too hard on small business
- Product becoming old and tired - not helped by DA/Rules/Requirements one has to get over
- Nor local tourism organization – de facto local organizations such as BMAA underfunded
- Below standard signage and lack of signage
- Katoomba main street needs a complete overhaul
- Not sure regional tourism is able to manage relationship with council – e.g. managing expectations
- Lack of coordination with SRA when track work is undertaken
- Need (better) LTO to provide way to communicate priority needs for action by council and find solutions
- Real cultural attractions are few and far between and underdeveloped
- Visitor Information Centres not working with no profit
- Lack of maintenance of infrastructure – e.g. Echo Point
- Not getting value for dollar from Secretariat – lack of control – not getting marketing value
- Current model needs revisiting to make it work better for all – local and regional
- Local reps on BMLOT Board may not be communicating back to local councils
- Not all elected councillors understand value of tourism – or attend briefings
- Entrance to town at the top of Katoomba Street depressing with limited pedestrian access across the road
- Aldi building – not fitting with art deco

What Needs to Change/Where Do We Want to Be

Group 1. (Orange)

- Relationship between BMCC and industry not good
- Aboriginal Dreamtime input to BMLOT
- BMCC limits accommodation developments
- RFS restrictions a deterrent to development
- Local Tourism Organisation needed (and dollars to support)
- Introduction of general rates and business contributions – need both quantum and method
- Education (and information) of residents
- PR image of BMCC
- Improve retail offer and spend
- Measure consumer satisfaction as a basis of improving the offer
- Reconsider paid parking at Echo Point
- Develop Indigenous experience and jobs
- Improved communication between government agencies and Indigenous groups
- Lack of Visitor Information Centres
- Mt Victoria precinct

Group 2. (Blue)

- Commercial licensing role – promotion
- Whole of Blue Mountains approach – coordination

- Public transport needs to the fore
- Indigenous participation is valued and sought
- Quality of Service (needs to be) promoted
- Community as hosts – a role for all
- Truck freight impact an issue
- Focus on Local Tourism Organisation issues – know product and context
- Develop RTO/LTO relationships/structures and differentiated roles
- Clean public toilets
- Extended shop operating times
- Negotiate NSW Government infrastructure plan
- Better understand market needs, visitation and spend patterns and needs
- Increasing overnight and mid-week visitor target marketing
- Need for ongoing maintenance
- (better) clarity in structures and communications – buy in from all, not just member focus, tourism bigger than just those here.
- Role of VICs to promote and support all industry
- Be cost effective, understand the market and be prepared to change
- Events calendar – shared by all – promote uniformly
- Council responsiveness – clarity in feedback
- Supporting the sector to improve performance
- Employee T&Cs valued
- Educate our visitors about this place and to respect it
- Use of emerging media – adaptability
- Facilitate collaborative opportunities, with a particular focus on small operators

Group 3. (Grey)

- Need an LTO
- Council needs to improve Katoomba town centre appearance and maintenance
- Better communication between industry and Council
- Need certainty of funding for LTO
- Council to improve attitude to business – dictator – culture needs to change – rules and regulations – often state government rules
- RTO needs to directly contract its staff
- RTO and Council need to enable tourism industry to be innovative and to respond to market needs
- RTO needs to renegotiate new funding agreements with its stakeholders
- Funding of ongoing LTO and RTO contingent on above negotiations
- The RTO supports a reduction in funding from council to accommodate an LTO, but RTO still requires ongoing funding
- Need clear definition of roles of RTO/LTO
- (Improved) VIC services

Discussion of Key Issues

From the points raised by the workshop groups, it was agreed to concentrate on those issues that received most mention and where there was a high degree of commonality between groups.

These issues were:

- The establishment of a Local Tourism Organisation – including relationship with RTO, funding, role, membership etc.
- Visitor Information Centres (VICs)
- Engagement and development of Aboriginal tourism

- Relationship between Blue Mountains City Council and the tourism industry – including involvement and communication

The following was agreed in the resultant discussions

The Establishment and Operation of a Local Tourism Organisation (LTO)

There was unanimous agreement that a Local Tourism Organisation be established within the Blue Mountains local government area.

Characteristics

- That it involve a broader representation of the business community than current tourism related bodies
- That it be membership based
- That it employ its own staff/operates its own office
- That industry takes the lead with Council support
- That it seek Council participation and financial support
- That it provide a better link between Council and the tourism sector
- That it has close relationships with other relevant community organisations
- That it work closely with Chambers of Commerce in the area
- That it have strong interaction with Council on tourism related issues

Roles of LTO vs RTO

- Broadly the role of the respective roles of the two organizations are for the LTO to develop and enhance the visitor experience (internal focus based on customer needs), whereas the RTO's role (external focus) is particularly to attract visitors to the area. (See appendix for suggested complementary roles of LTO and RTO)

LTO Role (as discussed)

- LTO to coordinate local tourism strategies with RTO
- Facilitation of tourism, enhancing the experiences and attraction of the BM City area and encouraging community involvement
- Take care of 'grass root' tourism issues
- Advise Council on tourism matters
- Coordinate and promote local events
- (Possibly) run VICs

RTO Role (as discussed)

Included in the discussion was consideration of the possibility that the RTO may extend beyond the current BMLOT boundary.

- To attract State Government and industry marketing support
- RTO is conduit between State Govt (Tourism NSW) and Local Govt on tourism matters
- RTO to liaise with BMCC re higher level tourism directions, marketing strategies and brand issues.
- RTO to work closely with Tourism NSW, including agreed and complementary strategies

Establishment of LTO

- A transitional body (sunset provision for possibly 12 months duration) be established by July 1 2011 to establish a LTO and develop structure, specific role and funding/membership arrangements. Also to clearly define respective roles between LTO and RTO.

- The transitional body to include 10 broadly representative industry members and 2 council representatives
- It was noted that Blue Mountains Accommodation Association (BMAA) has offered and has made initial provisions to expand its role to undertake the LTO role. Discussions noted the need to provide a wide representation across the commercial sector benefiting from tourism, not to narrow the representation.

Membership

Whilst additional funding would be necessary for both organizations, it was agreed that both organizations would be membership based.

- Membership funds paid to belong to the RTO – an agreed percentage would be paid to the LTO so upon joining the RTO, the member would automatically become a member of the LTO as well
- Industry representatives could only become members of the LTO, but would be excluded from any marketing activities undertaken by the RTO
- Recommended to seek input from other LTOs

Funding

It was noted that BMCC advised that Council currently provides \$450,000 to the operation of BMLOT (BMTL) and due to budgetary constraints this amount will not be able to be increased.

BMLOT Chairman Randall Walker also indicated that BMLOT had agreed to forego/share the funding with a LTO, if one was formed.

- It was agreed that BMCC funding was both needed and desirable for both organizations
- That the current level of funding be reallocated to each of the two organizations
- That the transitional body to make a recommendation to BMCC re the initial funding levels to both organizations
- That in return for the funding, BMCC to be represented on the Boards of both organizations and both organizations to report as agreed on the operations and outcomes achieved as result of the funding.
- In addition it was noted that to fund its marketing activities, the RTO would seek funding from the State Government/TNSW and industry/strategic partners to add to its marketing efforts on behalf of the region.

Operation

- It was agreed that both organizations operate independently of Council (own premises, directly employing personnel, etc).
- Suggestion that there may be a sharing of premises and some 'back of house' aspects.
- Need to establish a base level of funding to operate both organizations, with sufficient funding to allow each organization to undertake its allocated responsibilities and activities.
- Each organization would need to become incorporated entities as they would no longer operate as an arm of Council.

It was agreed that the development of a LTO and other associated arrangements as discussed is a priority 1 issue to be undertaken.

The Operation of Visitor Information Centres (VICs)

Mr Damien Drew, on behalf of Council explained that council operated both VICs and whilst the Centre at Echo Point made a small profit and is the most visited VIC in the country, the one at Glenbrook made a considerable loss. In response to questioning

about the possibility of adding additional revenue generating activity, he indicated that planning restrictions limited the activities that could be undertaken on that site.

One option to be considered is that the LTO might take over the running of the VICs as a source of revenue for the LTO operation.

During the discussion the following suggestions/issues were raised:

- NPWS also operates its own VICs and collaboration between Council and NPWS in coordinating the effective roles of the VICs was important.
- There was a need for close cooperation with other VICs outside the BM area (Kerry Fryer BMLOT indicated that such cooperation already existed)
- It would be negligent of the industry not to consider running the VICs. Mudgee Tourism, for example is contracted by Council to run the VIC. It should explore commercial ways to provide a self funding opportunity for the LTO.
- VICs have an important role for the visitor and the community
- Need to look at statistics and survey to find out what visitors are doing. Domestic visitors tend not to stop at Glenbrook, only overseas visitors.
- Need to engage with council to revitalise the role of VICs
- Need also to have discussions between LTO and RTO on the VICs meeting the strategic objectives of the RTO

It was resolved that the issue of the VIC operation was a priority 2 issue, to be addressed after the establishment of an LTO and for it to enter into discussions with BMCC to investigate various options for their operation and the role they may play as a funding source for the LTO.

Increase the Involvement of Aboriginal Participation Within the Tourism Industry and the Blue Mountains Tourism Experience

Randall Walker provided an outline of the work already undertaken by BMLOT in consulting with and involving Aboriginal participation. This has included consultation with the six language groups in the area, the involvement of TAFE and the employment of a graduate to introduce Aboriginal tourism, the securing of a \$60,000 grant to develop the sector, the identification of 10 Indigenous activities for further development and the production of a cultural manual to assist in guiding the tourism industry in its relationship with Aboriginal people and their culture.

During discussion, the following points were made:

- Aboriginal tour operators had difficulty in being promoted as major attractions to the area.
- Aboriginal tourism operators not linked in with tourism channels and the Aboriginal experience is not promoted
- Aboriginal tourism is important in establishing Australia's uniqueness.
- Now that we have a good Aboriginal officer working for Council, we need to have that officer attend future tourism workshops
- International visitors to Australia expect to experience Aboriginal tourism
- The involvement of Aboriginal participation is a very important part of the tourism development of the Blue Mountains.

It was therefore resolved that through the LTO there would be increased effort to engage Aboriginal participants and involvement with the tourism industry.

Relationship Between BMCC and the Tourism Industry

In response to a question as to whether BMCC sees tourism as an asset or a liability, the Mayor emphasised the Council's serious commitment to commitment to tourism reflected in the \$450,000 plus allocation to its promotion, excluding the considerable funding of amenities, maintenance of parks and gardens etc., that all tourism policy issues have been passed to the Board of BMTL, and the involvement of councillors in tourism activities (such as this workshop).

In discussion the following key points were made:

- The commitment by council is acknowledged
- Key stakeholders in the region work well together; most issues raised relate to communication issues
- There need better communication to match and promote Council's commitment to tourism
- Council could work closely with the industry to better promote the value and importance of tourism to the wider community and commercial sector

It was agreed that the conduit between Council and the tourism industry will be enhanced with the establishment of the LTO.

Conclusion

The facilitator indicated that time allowed only the more important issues as indicted by the prominence of the discussion to be considered and resolved by the full workshop group. Other points from the break out groups, however, would be recorded and provide an agenda of issues that may be attended to by the RTO, the LTO (upon establishment) or the Council

In conclusion, Damien Drew on behalf of Council, thanked everyone for their attendance and participation and advised that a draft report summarising the discussions and resolutions of the workshops would be circulated to all attendees prior to its presentation to council. He also reminded workshop attendees they were welcome to attend council meetings and to register to make comment at a meeting during the period the report and the tourism issues arising from it were being considered

Appendix

Definition of Roles of LTOs and RTOs

To address a number of the issues identified, as well as providing a basis upon which to develop appropriate recommendations, a definition of the appropriate roles of Regional Tourism Organisations (RTOs) and Local Tourism Organisations (LTOs) has been offered for consideration. These definitions have been based on the recommended roles of RTOs by Tourism NSW (under its regional funding arrangements), as well as drawing from best practice and experience of situations where both regional and local tourism bodies work in concert.

Recommended Role of RTO:

Principal Function: Strategic Marketing and Regional Development of Tourism

- Represent the best interests of the tourism industry and stakeholders in the region.

- Develop and implement a strategic business plan (marketing, development and strategic targets)
- Develop and manage the regional tourism brand.
- Coordinate and strengthen the development of regional experiences in accord with the strategic business plan and in association with LTOs.
- Establish opportunities for destinations and industry to work collaboratively (including adjacent regions) to undertake cost effective marketing and tourism development activities.
- Develop effective strategic collaboration with Tourism NSW and Tourism Australia.
- Act as a catalyst in the establishment and support of strategic initiatives that will materially advance tourism in the region (e.g. GBMD, Tablelands Way, National Landscapes).
- Identify demand and supply side issues and opportunities and respond strategically.
- Act as a spokes body for tourism on a region wide basis – for publicity/media issues, TNSW, FORTO, TA.
- Support the strategic objectives of TNSW in maximising tourism yield and visitor nights in the State.

Role of Local Tourism (LGA) Organisations:

Principal Function: Capacity Building, Experience Enhancement, Coordination and Facilitation of Tourism at a Local Level.

- Coordinate local tourism strategies related to the development, facilitation, delivery and promotion of tourism services within the LGA.
- Provide policy and issues advice to Council on all tourism matters related to the LGA.
- Support and complement the strategic direction and objectives of the RTO and regional tourism brand.
- Coordinate and promote local events that will benefit tourism in the local and regional areas.
- Operate local Visitor Information Centres as a part of a wider regional network.
- Encourage and facilitate collaboration between tourism sectors and stakeholders to provide a cooperative approach to the effective use of resources and for the development and promotion of tourism for the LGA and region.
- Within the regional strategic business plan and brand strategy, develop and effectively deliver on the positioning of the LGA.

- Ensure the presentation of the LGA matches the strategic positioning and promoted image of the area.
- Encourage the implementation of programs that enhance the service standards, professionalism, profitability and sustainability of tourism within the LGA.
- Cooperate with other community and business groups to develop and enhance local tourism prospects and programs
- Provide local representation on the Board of the RTO.
- Encourage community support for tourism within the LGA.