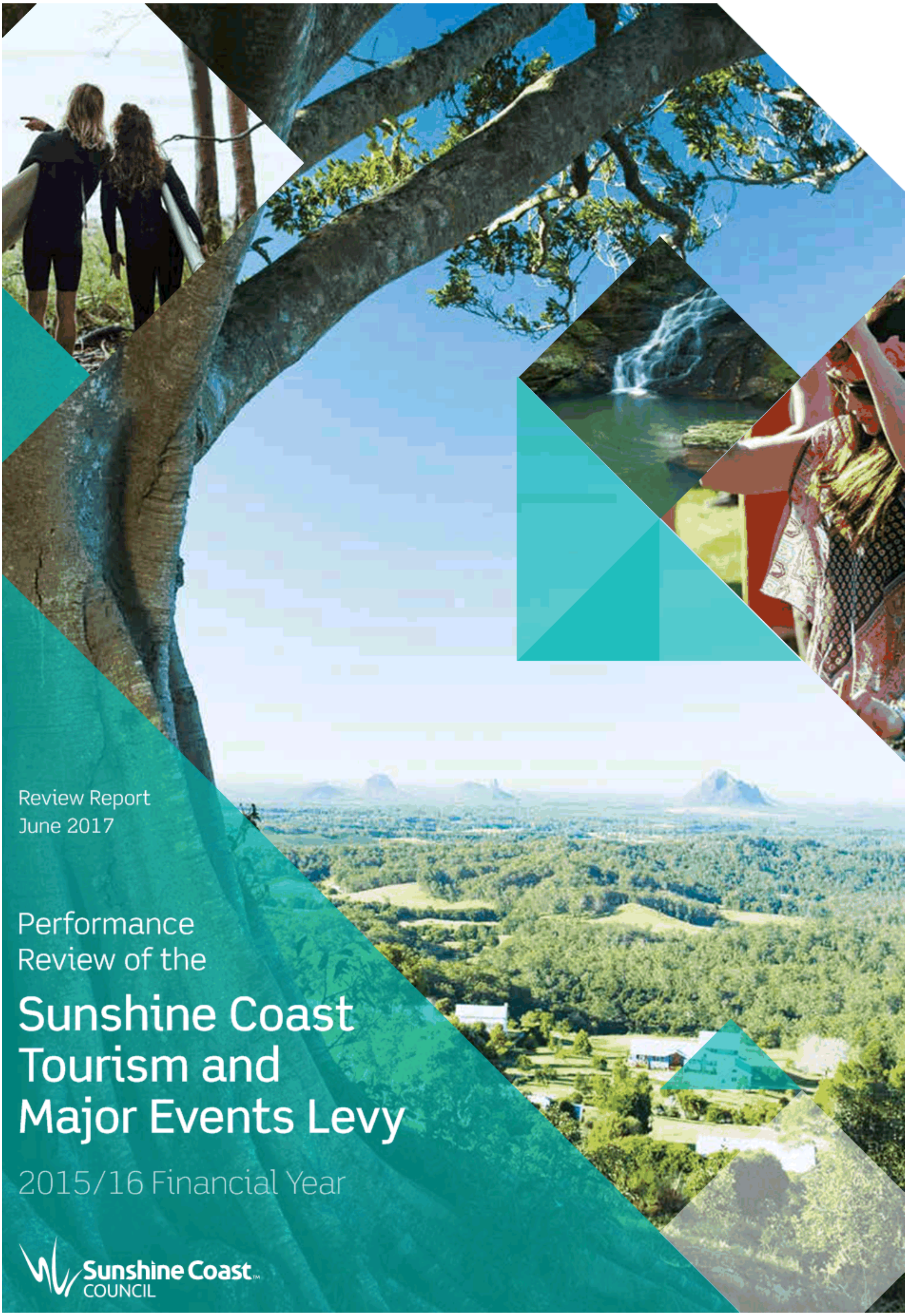

Review Report
June 2017
Performance
Review of the
Sunshine Coast
Tourism and
Major Events Levy
2015/16 Financial Year
Sunshine Coast
COUNCIL

Executive Summary

As a destination, Sunshine Coast is dependent on tourism as a key pillar of its economy. In 2015/16, the tourism sector generated $946.9 million in direct output/ sales, and supported 5,179 jobs (FTEs). For every dollar spent by visitors, 79 cents flows through to other sectors of the economy. Tourism and events play a leading role in achieving the vision for the Sunshine Coast to become Australia's most sustainable region - Healthy, Smart, Creative.

Sunshine Coast Council collects a Tourism and Major Events Levy from owners of commercial, industrial and transitory accommodation properties which is invested to help drive, support and leverage tourism and event opportunities for the region.

Following on from the review of the levy's performance for the 2013/14 financial year, council has commissioned an independent assessment into its current funding model for tourism, including the return on investment (ROI) from the levy. The ROI review of the levy has been carried out for the 2015/16 financial year, the most recent year for which a complete set of data is available.

The rationale for funding tourism via broad business buy-in is strong; however, levies and taxes (whether on customers, residents or businesses) need to be well-targeted. As such it is important that the program is well managed and delivers on its objectives.

Based on a review of national and international funding comparators, and the information provided by council and Visit Sunshine Coast (VSC), an assessment of the levy has been made in terms of the program's;

- Impact
- Equity
- Efficiency and
- Consistency[1]

A detailed summation of analysis is set out in the report – demonstrating that as a whole, the Tourism and Major Events Levy program continues to operate well, with improving ROI contributing fully to the region striving toward its visitation, economic impact and employment outcomes.

Key outcomes of the review are as follows;

[1] Evaluation Methodology based on analysis by SGS Economics and Planning Pty Ltd

✓

IMPACT: Every dollar invested in marketing and major events via the Tourism and Events Levy in 2015/16, contributed to delivery of an industry-wide return of $32[2]

- Levy investment contributes to the leveraging of $53M in annual marketing investment by the tourism sector.
- This performance represents a significant improvement on the 18:1 ROI for 2013/14 (where performance was in part based on pre de-amalgamation tourism outputs/sales data).
- Events: Based on levy investment of $2.1M and a total economic benefit (including value of goods sourced locally) of $84.7M a ROI of 40:1 is generated.
- Investment in tourism marketing and in major and regional events continues to record strong and improving performance, representing good value for the levy paying business community.

✓

EQUITY: Current management and delivery of the program as a whole is fair and equitable

- There is a strong correlation between where the levy is collected and where resulting expenditure takes place, and the program continues to capture the majority of properties who benefit from tourism expenditure in the area.
- Ensuring that the growing area of transient accommodation/ sharing economy contributes fully to investment funds for the sector is an important consideration. Council is currently progressing discussions with key stakeholders in the sharing economy to this end.
- Mechanisms such as business licensing are a potential means of capturing contributions from home-based businesses which serve the visitor economy. It is recommended that council continues to investigate opportunities in this area.

✓

EFFICIENCY: The levy disbursement arrangements as currently operated are fit for purpose and represent an efficient means of investment and delivery

- Collection of the levy through the overall business rating regime ensures that economies of scale are utilised. Similarly, disbursement of funds via established delivery and advisory mechanisms (Visit Sunshine Coast and the Major Events Board) represents an efficient means of delivery.
- No amendments to the overall collection and disbursement mechanisms are recommended.

+/-

CONSISTENCY: Fit for purpose systems are in place across council's range of charges and levies to ensure new eligible businesses are captured

- The levy as it is currently managed and delivered provides a strong level of reliability and consistency in revenue generation - variation in charge numbers in recent years is minimal.
- The commitment to raise rate levels by 10% per annum over the past three year levy program has been valuable from the perspective of raising the region's tourism and event spending power to a level more consistent with per capita investment in comparator destinations. If council considers that additional resources are required, a modest level of increase in addition to CPI could be considered.
- Implementing an annual CPI increase to maintain the spending power of marketing investment is recommended. In the longer term, when the redevelopment of Sunshine Coast Airport is complete, providing improved opportunities to attract international visitors – additional marketing resources will be needed to fully leverage these opportunities, potentially including Sunshine Coast Airport and other local and regional industry stakeholders.

[2] ROI is based on 2015/16 data and represents an assessment of impact from total estimated industry marketing investment, including levy funds

Investment of levy funds in tourism marketing and in major and regional events generates an ROI of 32:1, demonstrating a sustained and strong performance.

As a whole, the levy program is operating well and contributing fully to the region striving towards its target visitation and expenditure outcomes. Figure 2 shows a summary input-output analysis for the council area, including an overall ROI estimate.

Resources generated by the levy are significant, however when viewed in the context of per business, per capita and as a proportion of GRP, remain below the levels of revenue generated in the Gold Coast.

			Levy Funds Invested Per		
Destination	Tourism Expenditure	Annual Levy Funds	Head of Population	Gross Regional Product	Business
SUNSHINE COAST*	**$1.673B****	**$5.21M**	**$17.79**	**0.00035%**	**$157.50**
Gold Coast	$5.1B	$20.536M	$36.18	0.00081%	$341
Sapphire Coast (Bega Shire)	$553M	$235,000	$6.98	0.00015%	$81.31

Figure 1: Levy Comparator Summary

* All data 2015/16
** $1.67B expenditure estimate is sourced from Sunshine Coast Council data on the impact of Major Event Board supported events, and TRA national survey data.

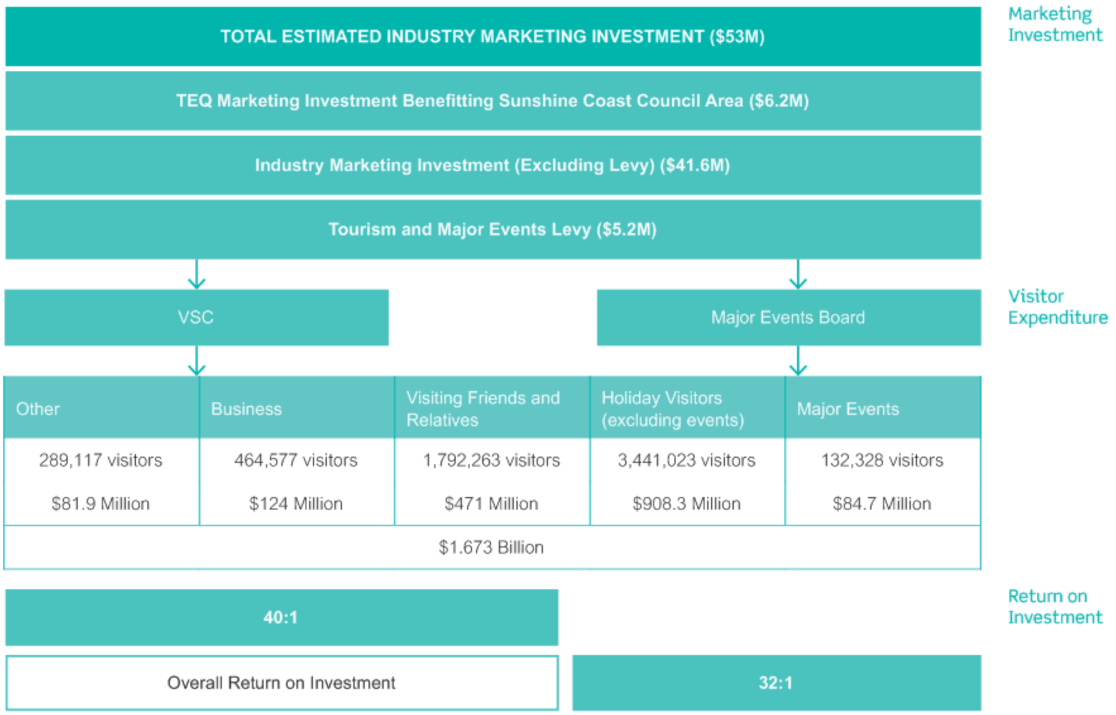


Figure 2: Levy Impact Analysis (2015/2016)

Methodology

Overall impact of levy funds has been calculated on the basis of analysing estimated total industry marketing investment (including levy funds) against visitor expenditure generated in the council area.

Data Assumptions

The impact analysis is based on a series of assumptions regarding data and visitor expenditure;

- 2015/16 has been used as the basis for analysis - the most recent year that all key data inputs are available (direct tourism output, levy expenditure, visitor expenditure).
- Assessment of marketing investment assumes VSC and overall industry marketing impact is equally effective in terms of ROI generated.
- ROI figures are based on an analysis of total industry marketing investment which includes; tourism and events levy funds, Tourism & Events Queensland marketing support which benefits the area, and an estimate of industry-wide marketing investment.
- Levy investment of $5,212,317 is largely invested by VSC, and has therefore been included within the estimate of industry marketing investment.
- An amount of $6.21M for TEQ marketing which benefits the council area has been added to the total estimated industry marketing investment. This information is sourced from TEQ's 2015/16 financial statement, on the basis of 7% of all TEQ's marketing investment (marketing, development, events, and staging initiatives, including RTO grants) benefitting the council area - this sum is proportionate to the area's share of total Queensland visitor expenditure in 2015/16.
- Estimates of total industry marketing investment are based on an industry norm of turnover being invested in marketing activities. Based on this range of identified data sources and the likelihood of the VSC survey attracting responses from predominantly larger businesses (who are likely to invest a larger proportion of turnover in marketing), 7% has been determined as representing a prudent and reasonable industry norm.
- VFR, holiday, business, event and other (education, travel for a specific purpose etc) has been included within the visitor expenditure total recognised as being influenced by marketing investment.
- To enable impact to be isolated to the major events specifically funded by the levy, ROI on major events utilises council data sourced from event acquittal reports (value of goods sourced locally + estimated economic benefit). Other ROI analysis (business events and leisure) utilises TRA source data.
- ROI for events investment has been calculated on the basis of analysing direct sponsorship investment against the economic benefit generated. It is recognised that the sponsored events would have been unlikely to proceed without council support and that marketing investment by event organisers will largely have been incorporated within the overall direct industry output figures used to determine industry-wide marketing investment.

Recommendations

Improving Equity

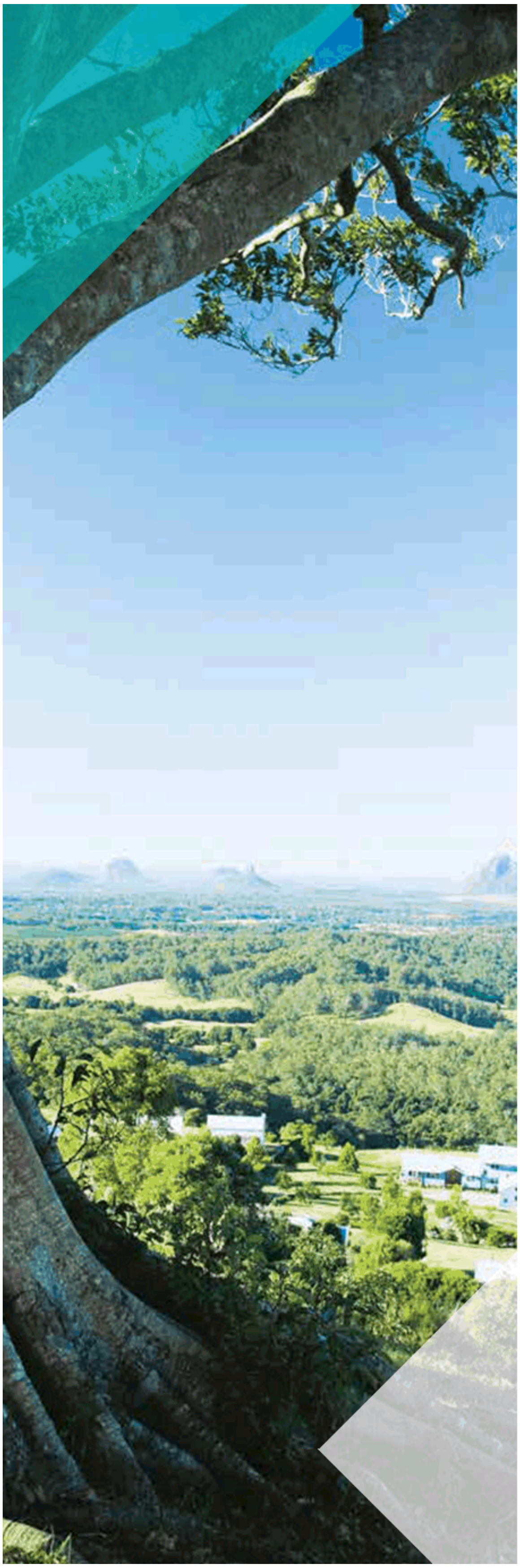
- There are a small number of categories of businesses (food-carts) where council may wish to assess the balance of costs and potential benefits of extending the levy's business capture; however it is recommended the categories of eligible businesses and practice used in collected funds should remain as per current arrangements.
- Ensuring that the growing area of transient accommodation/ sharing economy contributes fully to investment funds for the sector is an important consideration. Council is currently progressing discussions with key stakeholders in the sharing economy to this end.
- Mechanisms such as business licensing are a potential means of capturing contributions from home-based businesses which serve the visitor economy. It is recommended that council continues to investigate opportunities in this area.

Building Efficiency

- No amendments to collection and disbursement mechanisms are recommended.

Improving Consistency

- The commitment to raise rate levels by 10% per annum over the past three year levy program has been valuable from the perspective of raising the region's tourism and event spending power to a level more consistent with per capita investment in comparator destinations. If council considers that additional resources are required, a modest level of increase in addition to CPI could be considered.
- Investment in tourism marketing (via VSC) has fallen in real-terms over the past three year period. In its next three year funding commitment, as a minimum, council may wish to consider the application of annual CPI increases to maintain the spending power of marketing investment. In the longer term, when the redevelopment of Sunshine Coast Airport is complete, providing improved opportunities to attract international visitors – additional partner resources may be needed to fully leverage these opportunities.
- Implementing an annual CPI increase to maintain the spending power of marketing investment is recommended. In the longer term, when the redevelopment of Sunshine Coast Airport is complete, providing improved opportunities to attract international visitors – additional partner marketing resources will be needed to fully leverage these opportunities, potentially including Sunshine Coast Airport and other local and regional industry stakeholders.



Contents

Executive Summary	2
Introduction	9
The Current Levy Arrangements	10
Impact	13
Equity	16
Efficiency	19
Consistency	21
Conclusions	25
Recommendations	26

EARTHCHECK

DISCLAIMER

The information and recommendations provided in this document are made on the basis of information available at the time of preparation and the assumptions outlined throughout the document. While all care has been taken to check and validate material presented in this report, independent research should be undertaken before any action or decision is taken on the basis of material contained in this report. This report does not seek to provide any assurance of project viability and EarthCheck accepts no liability for decisions made or the information provided in this report.

Introduction

Sunshine Coast Council's Corporate Plan 2017-2021 outlines the priorities and key strategies to help achieve the vision for the region to become Australia's most sustainable region - Healthy, Smart, Creative.

Within the framework of a smart economy, a priority is for the Sunshine Coast to become a natural, major and regional event destination.

Tourism expenditure injects in excess of $946.9 million in direct tourism output/sales into the local economy and supports approximately 5,179 jobs (direct)[3].

Employment impacts generated by visitor spending are significant. Impact of the $946.9 million direct tourism sales flowing through the economy generates approximately 10,000 jobs for Sunshine Coast residents, in sectors as diverse as agriculture, retail, manufacturing, transport and professional services.

Council collects a Tourism and Major Events Levy from owners of commercial, industrial and transitory accommodation properties (or accommodation let for short term stays of less than 28 days) which is invested to help drive, support and leverage tourism and event opportunities for the region.

Following on from the review conducted for 2013/14, this report provides an independent review of the operation and impact of the levy program up to 2015/16 (the most recent year for which a complete set of data inputs is available).

Project Approach

The review examines levy collection and distribution methods and seeks to determine the overall economic benefit and impact of the investment to funding parties.

The review methodology includes:

- Analysis of overall levy impact;
- An evaluation of the current levy management and operation; and
- Recommendations on the overall effectiveness of the funding regime.

The levy program has been assessed in terms of;

Impact

- Is investment of the levy achieving its economic aims and objectives?

Equity

- Is the funding mechanism fair and equitable?

Efficiency

- Are the levy collection, management and disbursement mechanisms efficient and cost effective?

Consistency

- Does the levy provide a sustainable and consistent stream of income, taking natural fluctuations in the business base into account?
- Are the levels of funds generated appropriate to destination management and marketing needs, and comparable with other the situation in other destinations?

[3] Source: Sunshine Coast Economy id 2015/16

The Current Levy Arrangements

The Tourism and Major Events Levy was introduced by Sunshine Coast Council as a means of reforming the previous tourism funding model, which relied heavily on council contributions.

The levy is collected from property owners across the Sunshine Coast LGA who have: rateable land that has benefited, or will benefit, either directly and indirectly, from promotion of the tourism industry strategies carried out by council or approved external agencies, at differential levels reflecting that degree to which the land occupier is considered to derive benefit.[4]

The levy is collected via annual rate notices and is calculated using five categories as detailed below. A minimum rate amount of $90.80 was applicable in 2016/17.

Rate Calculator and Definitions

Cat.	Description	Rate cents per $/RV
A	Transitory accommodation – urban	0.2980 cents
B	Transitory accommodation – rural	0.2235 cents
C	Commercial and Industrial – urban	0.1490 cents
D	Commercial and industrial – rural	0.1117 cents
E	Iconic tourism	0.2980 cents

Figure 3: Rateable Business Categories and Values

Iconic tourism: includes those parcels of rateable land that are used wholly or partly for Australia Zoo, Big Kart Track, Corbould Park Racetrack, Ettamogah Pub and Aussieworld, Pelican Waters Golf Club, Tranquil Park, Caloundra RSL Club, Nambour RSL Club, Maroochy RSL Club, Sunshine Plaza, Palmer Coolum Resort, Twin Waters Resort, Ginger Factory, Underwater World, The Big Pineapple and any new development completed during the 2015/16 financial year that council considers to be an iconic tourist attraction.

Transitory accommodation: Properties which are offered for short term residential rental, being rental for a period of less than 28 days, at any time during the 2015/16 financial year.

[4] Sunshine Coast Council Budget – Revenue Statement 2015/16

Income Generation from the Levy

For the 2015/2016 financial year, $5,212,317 was generated from the levy. The levy rate has been increased by 10% per annum since 1 July 2014.

Levy Disbursement

Levy funds are invested directly into tourism attraction (events) and tourism marketing. For marketing and promotional activities, $3.843 million was disbursed by VSC, with the remainder invested directly by council in supporting major and regional events, on advice and recommendations provided by the Major Events Board.

The funding and performance deed between council and VSC notes program objectives as;

- Developing and delivery of a Tourism Program for the VSC Tourism Region;
- Promoting the VSC region's brand development including a Sunshine Coast brand and marketing;
- Promoting, supporting and leveraging Major Events in the SCTA;
- Advocating for the development of tourism in the VSC Tourism Region including product development and key infrastructure related to the tourism industry; and
- Such other objects listed in the Constitution of VSC Tourism Region including product development and key infrastructure related to the tourism industry.

Investment of Funding by VSC

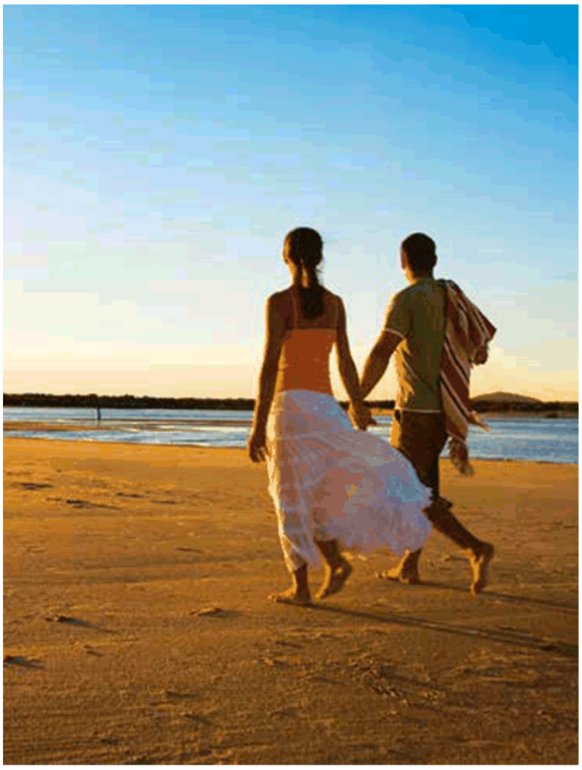
VSC must only invest levy funds:

- For the purposes of undertaking the Tourism Program, and purposes that are necessarily related to the Tourism Program, for which the funding was provided; and
- Otherwise in accordance with the terms and conditions of the Funding and Performance Deed.

Funding Agreement and Measurement

Terms for payment of funding are set out in the funding and performance deed.

- In July 2015 council agreed funding of VSC's Tourism Program for three (3) years. A minimum sum of $3,760,000 was set, with the level of funding for each subsequent year at least equal with the previous year's funding.
- On or about the commencement of each financial year thereafter for the duration of the Agreement, council will consider extending the period of any already approved funding for a further term of twelve (12) months.
- If the annual receipts from the Tourism and Major Events Levy exceed council's budgeted forecasts, council will advise VSC by no later than 30 September each year and VSC can submit a request for additional project funding by no later than 30 November of that year, at which time it will be considered by council and such project funds may or may not be approved and dispersed to VSC.
- Subject to council resolving from year to year to make available from its budget sufficient funding for the Tourism Program, and compliance by VSC with this Deed, the council will pay the Funding for the Tourism Program to VSC.



Reporting

VSC must monitor the Tourism Program activities and submit written reports to meet council's acquittal requirements including but not limited to:

- Prepare an Annual Report for each financial year and submit to council no later than 30 November each year;
- Prepare a progress report against the Tourism Program to 31 December each year and submit to council no later than 31 January each year, or at an alternative mutually agreed time; and
- Provide a financial report (which identifies the use of the Funding for the Tourism Program specific to the SCTA) provided as a component of the Annual Report. VSC must keep records in accordance with Australian Accounting Standards that identify receipt and expenditure of the Funding for the Tourism Program separately within VSC's accounting records so that at all times the funding for the Tourism Program is identifiable and ascertainable and for each financial year in which a payment of Funding is made or used by VSC for the Tourism Program.

Key Performance Indicators 2015-2018

Number of visitor nights in the VSC Tourism Region

Grow the number of visitor nights above 2014 levels.

- FY15/16 Target - 12,250,000
- FY16/17 Target - 12,556,250
- FY17/18 Target - 12,870,156

Number of visitor nights within the SCTA

Grow the number of visitor nights above 2014 levels.

- FY15/16 Target - 8,510,063
- FY16/17 Target - 8,722,814
- FY17/18 Target - 8,940,884

Spend by visitors to the VSC Tourism Region

Grow visitor spend over and above 2014 levels.

- FY15/16 Target - $2.59B
- FY16/17 Target - $2.65B
- FY17/18 Target - $2.72B

Spend by visitors to the SCTA

Grow visitor spend over and above 2014 levels.

- FY15/16 Target - $1.58B
- FY16/17 Target - $1.62B
- FY17/18 Target - $1.66B

Figure 4: Tourism Program Measures

Tourism Program Performance

At the VSC Tourism Region level there has been growth in visitor nights and visitor spend, between 2014/15 and 2015/16.

- International visitor nights for the year ending June 2016 were 11.8% up on 2014/15 numbers and international visitor spend was up by 26% for the same period.[5]
- Domestic visitor nights grew by 5.9% for the year ending June 2016 and the average trip expenditure of domestic visitors grew by 6.2% for the same period.[6]

The 2015/16 target for visitor numbers was exceeded, with visitor nights totalling 14,245,000. Visitor expenditure did not reach the target; with regional spend totalling $2.163 billion in 2015/16. However, the growth target represented a 29.5% growth on the year before, while the growth achieved totalled 8.1%.

Delivery of the program is measured in terms of:

Governance and Corporate Services

- Governance and Corporate Services (including administration) costs are not to exceed 15% of total expenditure in any given year.

In 2015/16, VSC expenditure of funding under the Deed on the items listed above totalled 12.09%.

Business Events Development

- Business Events development costs to be at least 5% of the total funds directed to VSC by council.

In 2015/16, VSC expenditure of funding under the Deed on business events development totalled 9.83%.

Visitor Information Centres

- Total Visitor Information Servicing costs not to exceed 10% of the total funds directed to it by council.

In 2015/16, VSC expenditure of funding under the Deed on Visitor Information Servicing totalled 9.71%.

Industry Resilience

- Increasing usage building digital skills.
- Assisting businesses and tourism managers to be 'disaster-ready' and have resilience plans in place in response to severe weather events or natural disasters. This will include supporting promotion of the 'Ready, Set, Go' disaster recovery mobile application.

---

[5] Tourism Research Australia, *International Visitor Survey Year Ending June 2016*

[6] Tourism Research Australia, *Travel by Australians: June 2016*

Impact

The key criterion to consider when assessing impact of the levy is;

- Is investment of the levy achieving its economic aims and objectives?

IMPACT: Performance Dashboard

- Overall return from investment of levy funds is significant - an ROI return of 32:1
- This performance represents a significant improvement on the 18:1 ROI for 2013/14 (where performance was in part based on pre de-amalgamation tourism outputs/ sales data)
- Specific investment in Major and Regional Events generated an ROI of 40:1
- Investment in tourism marketing and in major and regional events continues to record strong and improving performance, representing good value for the levy paying business community.

Impact Assessment Methodology

Overall impact of levy funds has been calculated on the basis of analysing estimated total industry marketing investment (including levy funds) against visitor expenditure generated in the council area.

Data Assumptions

Impact analysis is based on a series of assumptions regarding data and visitor expenditure;

- 2015/16 has been used as the basis for analysis - the most recent year that all key data inputs are available (direct tourism output, levy expenditure, visitor expenditure).
- Assessment of marketing investment assumes VSC and overall industry marketing impact is equally effective in terms of ROI generated.
- ROI figures are based on an analysis of total industry marketing investment which includes; tourism and events levy funds, Tourism & Events Queensland marketing support which benefits the area, and an estimate of industry-wide marketing investment.
- The levy resources managed by VSC focus on marketing investment and have therefore been included within the estimate of overall industry marketing investment.
- An amount of $6.2M for TEQ marketing which benefits the council area has been added to the total estimated industry marketing investment. This information is sourced from TEQ's 2015/16 financial statement, on the basis of 7% of all TEQ's marketing investment (marketing, development, events, and staging initiatives, including RTO grants) benefitting the council area. This sum is proportionate to the area's share of total Queensland visitor expenditure in 2015/16.
- Estimates of total industry marketing investment are based on an industry norm of turnover being invested in marketing activities. Sources of information reviewed to determine an appropriate norm included;
  - Benchmarking Caravan and Tourist Park Operations, CRC Tourism, 2007 (7%)
  - Tourism Northern Territory (3-10%)
  - Bloomberg Business (starting at 5%)
  - US small business administration (7% to 8%)
  - Biannual member survey of VSC businesses (2014) – an average of 10.6%
  Based on this range of data sources and the likelihood of the VSC survey attracting responses from predominantly larger businesses (who are likely to invest a larger proportion of turnover in marketing), 7% has been determined as representing a prudent and reasonable industry norm.
- VFR, holiday, business, event and other (education, travel for a specific purpose etc) has been included within the visitor expenditure total recognised as being influenced by marketing investment.
- To enable impact to be isolated to the major events specifically funded by the levy, ROI on major events utilises council data sourced from event acquittal reports (value of goods sourced locally + estimated economic benefit). Other ROI analysis (business events and leisure) utilises TRA source data.
- ROI for events investment has been calculated on the basis of analysing direct sponsorship investment against the economic benefit generated. It is recognised that the sponsored events would have been unlikely to proceed without council support and that marketing investment by event organisers will largely have been incorporated within the overall direct industry output figures used to determine industry-wide marketing investment.

Analysis and Assessment

In terms of ROI, analysis shows:

- Every dollar invested via the tourism and events levy, contributes to delivery of an industry-wide return of $32.
- Major and Regional Events investment generated an ROI of 40:1

Note:

- To enable impact to be isolated to the major events specifically funded by the levy, ROI on major events utilises council data sourced from event acquittal reports (value of goods sourced locally + estimated economic benefit). Other ROI analysis (business events and leisure) utilises TRA source data.
- ROI is based on analysis of overall estimated industry marketing investment, against resulting visitor expenditure.

In determining impact, there are a wide range of external factors which also influence end visitation and expenditure outcomes which need to be factored into consideration. Investment of levy funds sits alongside industry-wide marketing investment, including that made by Tourism and Events Queensland. As such, overall impact has been determined on the basis of an estimate of industry-wide marketing investment – not just levy funds.

It should be noted that this analysis infers a correlation between levy investment and overall visitation expenditure outcomes, and that VSC and overall industry marketing impact is equally effective in terms of ROI generated. These measures are a valuable proxy for performance and provide a leading indicator of the direction in which destination performance is heading. Council's role in investing in destination infrastructure, management and investment undoubtedly exerts a significant influence on overall tourism performance.

Another consideration to assess is how and where levy resources are allocated in terms of activities and supporting infrastructure. An appropriate performance indicator is directing the majority of revenue toward frontline rather than administrative activities.

Queensland RTO's participation in the ASPIRE tourism benchmarking program provides an opportunity to assess the region's performance. VSC has consistently rated as one of the top three performing RTOs in Queensland across the suite of 12 ASPIRE measures.

VSC's investment of 19%[7] of its income in staffing and administration costs (based on ASPIRE benchmarks) takes into account all revenue and business activities, including those funded through TEQ. In this regard, VSC expenditure is less than

ACTIVITY	VSC 2015/16	VSC 2013/14	QLD 2015/16
Total staff and administration expenditure?	19%	32%	22%
Total marketing expenditure?	70%	65%	70.1%
Total industry development expenditure	3%	3%	5.5%

Figure 5: ASPIRE Tourism Benchmarks

the Queensland RTO average, and is a significant improvement from 2013/14. In terms of the Funding Deed threshold of 15% for Governance and Corporates Service (including administration costs), the VSC expenditure of funds received from council on these expense items totalled 12.09% in 2015/16.

Events

With regard to the impact of levy investment in major events, analysis of event acquittal reports has provided positive impact results for 2015/16:

- Sponsorship value of $2.1M based on commitments made to date plus anticipated sponsorships for the balance of the financial year.
- 132,328 participants, family, friends and support personnel attracted from outside the Sunshine Coast area.
- $3,672,487 in value of goods sourced locally.
- An estimated economic benefit of $84,653,591, supporting 940 FTEs.
- A 40:1 ROI on levy funds invested in sponsoring major and regional events.

In terms of impact of the tourism and events levy we can conclude that:

- Overall ROI impact for events and tourism activity is significant, and from analysis of data available during the review period, represents a positive return on levy investment, building on the 18:1 ROI for 2013/14
  - ROI on overall levy investment of 32:1
  - Major and Regional Events: investment generates an ROI of 40:1
  - The levy contributes to leveraging of $53M in industry marketing investment

[7] ASPIRE Program definition incorporates all staff costs which is a greater scope of inclusions than Funding Deed measure 1 Governance and Corporate Services costs not to exceed 15%.

Equity

Key aspects to consider when assessing equity of the tourism and events levy program are:

- Is the funding mechanism fair and equitable?
- Are beneficiaries from visitor expenditure adequately captured by the funding arrangement?

EQUITY: Performance Dashboard

- Current management and delivery of the program as a whole is fair and equitable.
- The levy program is equitable in terms of the business base from which levy funds are gathered. There is a strong correlation between where the levy is collected and where resulting expenditure takes place.
- Information available during the review period suggests that the program continues to capture the majority of business categories who benefit from tourism expenditure in the area.
- Ensuring that the growing area of transient accommodation/ sharing economy contributes fully to investment funds for the sector is an important consideration. Council is currently progressing discussions with key stakeholders in the sharing economy to this end.
- Mechanisms such as business licensing are a potential means of capturing contributions from home-based businesses which serve the visitor economy. It is recommended that council continues to investigate opportunities in this area.

Council's intent from implementing the levy program is to gather revenue from a broad range of properties, where business beneficiaries benefit directly or indirectly from visitor expenditure.

Description	Revenue Generated	% of Total	% of Total Revenue 2013/14
A: Transitory Accommodation – urban	$2,004,157	38%	39%
B:Transitory Accommodation – rural	$43,895	1%	1%
C: Commercial and Industrial – urban	$2,489,199	48%	47%
D: Commercial and industrial – rural	$354,889	7%	7%
E: Iconic tourism	$320,176	6%	6%
	$5,212,317	**100%**	

Figure 6: Revenue Generated per Levy Business Category (2016)

Analysis and Assessment

Income generation from the levy has remained consistent across the levy's property categories between 2013/14 and 2015/16. A minor increase in the proportion of income generated from urban transitory accommodation, with a corresponding fall in the commercial/light industrial has being recorded.

Figure 7 shows that sources of levy funds, equates closely with visitor spending in the local economy.[8]

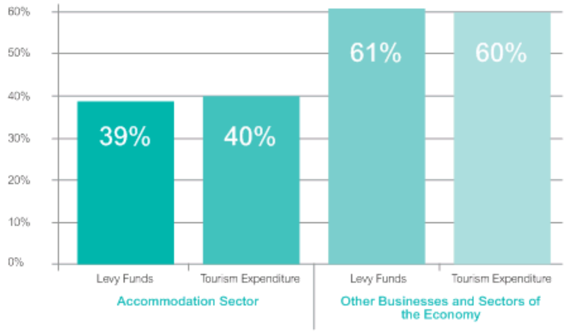


Figure 7: Comparison of Visitor Expenditure in the Sunshine Coast Economy with Sources of Levy Funds

A number of caveats need to be applied to this analysis in terms of:

- Factoring leakage of expenditure out of the local economy.
- The visitor expenditure categories do not tally in exact detail with the levy business categories, and
- Tourism expenditure figures are at regional level and levy funds relate to the Sunshine Coast Council area, but can be taken as a fair representation of expenditure distribution.

However, the analysis remains instructive and provides a useful proxy for assessing equity of the levy. It demonstrates that those sectors of the economy that can be described as non-core tourism businesses (those outside the accommodation sector) are attracting a larger proportion of the benefits derived from tourism expenditure.

A narrower revenue raising tool such as a special purpose levy which only gathered funds from core tourism industry businesses would not equate as closely to the broad range of business beneficiaries from tourism expenditure, as shown in figure 8.[9]

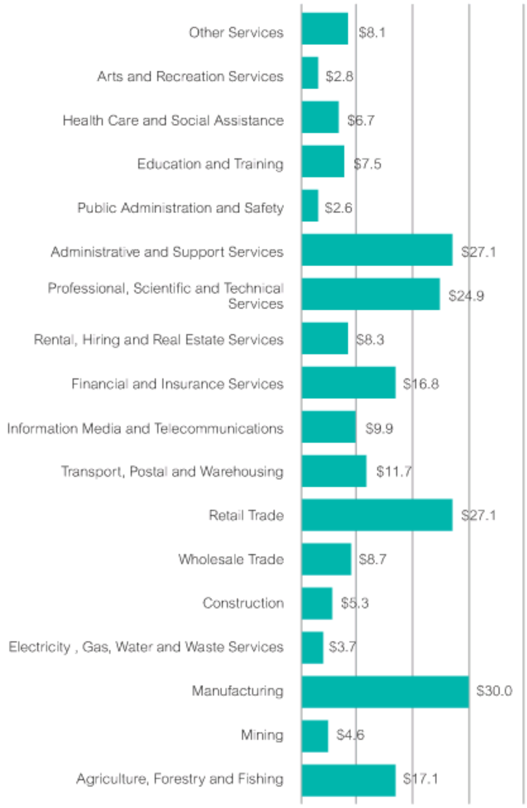


Figure 8: Estimated Flow through Economic Activity to Other Industries ($m/annum)

It can be concluded that the levy program is equitable in terms of the business base from which levy funds are gathered, and that these categories are appropriate to the characteristics of Sunshine Coast's visitor economy.

[8] Sunshine Coast, Tourism Satellite Account 2013/14

[9] Modelled on National Institute of Economic and Industry Research (NIEIR) data.

Gaps in Levy Collection

In conducting this review, consultants did not have access to detailed listings of individual business and their locations. As such, analysis of gaps in revenue collection has been restricted, and resulting conclusions necessarily caveated. Nonetheless, analysis demonstrates that there are a number of areas where further consideration could be given to looking at business categories and types where equitable contributions could be captured to a greater extent;

- Mobile catering businesses/ coffee carts in hub locations, these businesses are highly likely to generate a significant proportion of their revenue from visitors. However, it is recognised that the costs in capturing these businesses are likely to be prohibitive compared with potential revenue generated.
- Small accommodation operators including B&Bs and holiday homes and the rapidly increasing numbers of properties which now form part of the sharing economy. Many of these businesses will fall within the definition of transitory accommodation, and are highly likely to form a significant proportion of businesses and properties which are currently not fully captured in the levy. Council is currently progressing discussions with key stakeholders in the sharing economy to this end.
- Services and experiences delivered from residential properties and homes i.e. guided tours etc.

While analysis of the program's equity is heavily caveated given the data limitations, it can be concluded that:

- Current management and delivery of the program as a whole is fair and equitable.
- The levy program is equitable in terms of the property base from which levy funds are gathered.
- The levy represents an equitable means of ensuring that revenue generated equates closely with the broad range of businesses that benefit from visitor expenditure.

- There are a small number of categories of businesses (food-carts) where council may wish to assess the balance of costs and potential benefits of extending the levy's business capture; however it is recommended the categories of eligible businesses and practice used in collected funds should remain as per current arrangements.
- Ensuring that the growing area of transient accommodation/ sharing economy contributes fully to investment funds for the sector is an important consideration. Council is currently progressing discussions with key stakeholders in the sharing economy to this end.
- Mechanisms such as business licensing are a potential means of capturing contributions from home-based businesses which serve the visitor economy. It is recommended that council continues to investigate opportunities in this area.

Efficiency

The key criterion to consider when assessing efficiency of the tourism and events levy is;

- Are the levy collection, management and disbursement mechanisms efficient and cost effective?

EFFICIENCY: Performance Dashboard

- The levy as it is currently operated and managed represents an efficient and cost-effective means for council and tourism partners to collect tourism business revenues.
- Collection of the levy through the overall business rating regime ensures that economies of scale are utilised. Similarly, disbursement of funds via established delivery and advisory mechanisms (Visit Sunshine Coast and the Major Events Board) represents an efficient means of delivery.
- Council levy collection and disbursement arrangements are in line with the approach taken across comparator destinations.

The levy is currently collected twice a year (Jan-June, Jul-Dec) and rate notices are sent either through via mail or email with 1 month payment terms. Collection of the tourism levy is part of the same process as overall business rates.

Levy funds are disbursed directly by council on major events, and to VSC for investment in marketing and promotional programs.

In order to receive levy funds, all parties must request and be granted funding support from council. A funding and performance deed governs VSC's investment of levy funds.

Analysis and Assessment

Levy Collection

The collection of funding contributions through existing rates and charges mechanisms represents the most cost-effective and efficient approach for revenue collection. Council's approach to collecting the levy fully aligns with this scenario, and council officer's report that the system operates well. Any additional staff time required to administer the program is covered within council's resources.

Similar collection arrangements are in place across local governments who have differential rates or special purpose levies in place.

Levy Disbursement

Disbursement of levy funds takes place via specialist sector organisations. For marketing and destination management - VSC, and for major events, by council based on recommendations provided by the Major Events Board.

Necessary requirements for efficient disbursement involve the identified agencies having the necessary skillsets, experience and resources to ensure probity and due diligence in managing funds, coupled with the ability to deliver on outputs and outcomes.

VSC covers a larger footprint than that from which levy funds are drawn. If management, delivery and reporting mechanisms do not correspond to the levy's specific requirements in this regard, an efficiency risk could potentially arise.

However, the Funding and Performance Deed between council and VSC recognises this issue and stipulates a range of reporting and disbursement requirements. Coupled with the fact that effective tourism delivery is often inappropriately constrained by administrative boundaries not recognised by visitors, VSC's footprint provides scope for securing best value in terms of returns on investment.

- The levy as it is currently operated and managed represents an efficient and cost-effective means for council and tourism partners to collect tourism business revenues. No amendments to the collection mechanism are recommended.

- The levy disbursement arrangements as currently operated are fit for purpose and represent an efficient means of investment and delivery. No amendments to the disbursement mechanism are recommended.
- Council levy collection and disbursement arrangements are in line with the approach taken across comparator destinations.

Consistency

Key criteria to consider when assessing consistency of the tourism and events levy are;

- Does the levy provide a sustainable and consistent source of tourism investment revenue, taking natural fluctuations in the property base into account?
- Are the levels of funds generated (and how they are invested) appropriate to destination management and marketing needs, and comparable with other the situation in other destinations?

+/-

CONSISTENCY: Performance Dashboard

- The levy as it is currently managed and delivered provides a strong level of reliability and consistency in revenue generation - variation in charge numbers in recent years is minimal.
- Fit for purpose systems are in place across council's range of charges and levies to ensure new eligible properties are captured.
- The commitment to raise rate levels by 10% per annum over the past three year levy program has been valuable from the perspective of raising the region's tourism and event spending power to a level more consistent with per capita investment in comparator destinations. If council considers that additional resources are required, a modest level of increase in addition to CPI could be considered.
- Implementing an annual CPI increase to maintain the spending power of marketing investment is recommended. In the longer term, when the redevelopment of Sunshine Coast Airport is complete, providing improved opportunities to attract international visitors – additional partner marketing resources will be needed to fully leverage these opportunities, potentially including Sunshine Coast Airport and other local and regional industry stakeholders.

Income Consistency

Consistency in levels of income generated over a number of years is an important consideration for the tourism and events levy program. Consistency and longevity of funding enables tourism delivery bodies to:

- Plan and invest with confidence beyond year to year planning.
- Have surety of resources which helps in attracting and retaining key personnel.
- Set out costed and deliverable plans to industry and public sector partners, building confidence and helping underpin a strong leadership and advocacy roles.
- Demonstrate security of resources over a medium term period which can help in leveraging new external private and public funds.
- Sustain marketing-led investment in target sectors.

Figure 9 shows the pattern of charges made between 2012 and 2017. Figures have been adjusted to factor out Noosa businesses for 2012 and 2013, enabling a longer trend period to be examined.

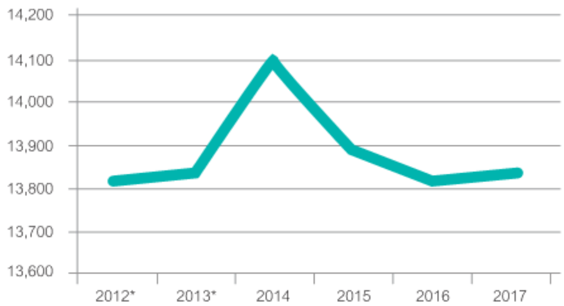


Figure 9: Variation in the Number of Levy Charges between 2012 and 2017

Income Generated by the Levy

The policy to raise levy levels by 10% per year for three years (2014-17) was implemented as a means of enabling tourism investment to recover from a period of flat-lining/ real term falls. The rise in available investment funds is significant, rising from $4.28 million in 2014 to a projected $5.755 million in 2017 – a 34% rise.

Comparison between destinations on the rate levels and total amounts of revenue generated is challenging, given each area's unique circumstances i.e. scale of tourism industry, and type of businesses, as well as considerations including other costs and levies already in place.

However, tourism is a highly competitive business and sustained investment is required if market share and outright growth is to be achieved. Sunshine Coast's Destination Tourism Plan recognises the scale of the challenge - with the region tasked with generating approximately $3.9 billion towards Queensland's overall 2020 target. Marketing investment, in particular, needs to be sustained if progress towards these ambitious targets is to be met.

Gold Coast is a larger destination than Sunshine Coast and as would be expected, generates significantly larger sums from its tourism levy. However, when revenue generated is viewed on a per business basis, analysis indicates that Sunshine Coast investment records a lower level than in the Gold Coast, but higher than Sapphire Coast (Bega Shire) - a per business investment of $157.50.

A similar trend is shown when levels of levy per capita and levy funds as a proportion of Gross Regional Product are considered (see figures 11-12).

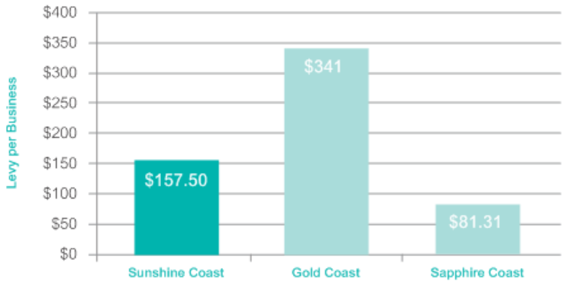


Figure 10: Levy Investment per Business

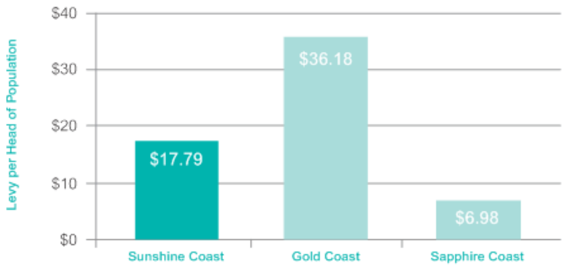


Figure 11: Levy Investment per Head of Population

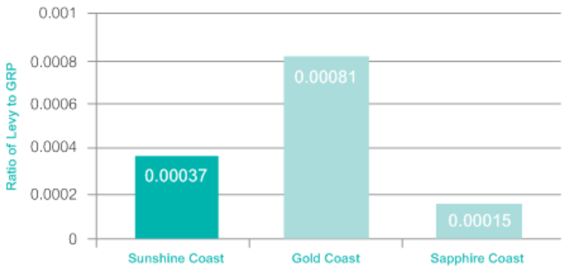


Figure 12: Levy as a Proportion of Gross Regional Product

The rise in funds over the last three year period has been significant. This support is a key enabler in driving tourism visitation, expenditure and support for local employment.

Clearly, ongoing investment is required to maintain spending and investment power, and in relative terms Sunshine Coast still gathers a lower level of business contribution from the levy than is the case in the Gold Coast (figures 10-12). Nonetheless, continuing the 10% per annum rise in the levy will be a challenging position to present to levy-paying property owners without clearly evidenced improvements in ROI and positive impact for beneficiaries.

DESTINATION	Annual Levy Funds
Sunshine Coast	**$5.21M**
Gold Coast	$20.54M
Sapphire Coast (Bega Shire)	$235,000

Figure 13: Comparator Levy Funding Levels

The commitment to raise rate levels by 10% per annum over the past three year levy program has been valuable from the perspective of raising the region's tourism and event spending power to a level more consistent with per capita investment in comparator destinations. If council considers that additional resources are required, a modest level of increase in addition to CPI could be considered.

At state level, the sustainable funding of Queensland's tourism industry to support the sector's international and domestic competitiveness remains high on stakeholder agendas. Queensland Tourism Industry Council has recently consulted industry on future sustainable funding and organisational/ management options. The topic is also a live issue being considered in a number of other states.

Council's decision to implement the tourism and events levy has ensured that the visitor economy is supported by a sustainable revenue source, placing the region in a positive position in comparison with many other destinations, where reliance on public sector funds is significant. QTIC's recent industry consultation exercise demonstrates that tourism funding across the state continues to be an ongoing consideration. With Visit Sunshine Coast, council should remain an active participant in ongoing state-level discussions regarding tourism resourcing and management structures.

Focus of Levy Investment

In order to support the sustainable development of the region's visitor economy, a balance of investment in marketing and attractors is required. Levy funds seek to achieve this balance via investment in marketing and leveraging benefits via VSC's program, and direct investment in attractors/reasons to visit via sponsoring major and regional events. This approach is consistent with the principle of an appropriate balance between marketing and product/experience development which underpins sustainable growth in management in all thriving destinations.

VSC and the Major Events Board are trusted delivery and advisory partners for council and both have shown demonstrated consistently strong ROI. It is recognised however that events investment offers particular benefits in terms of:

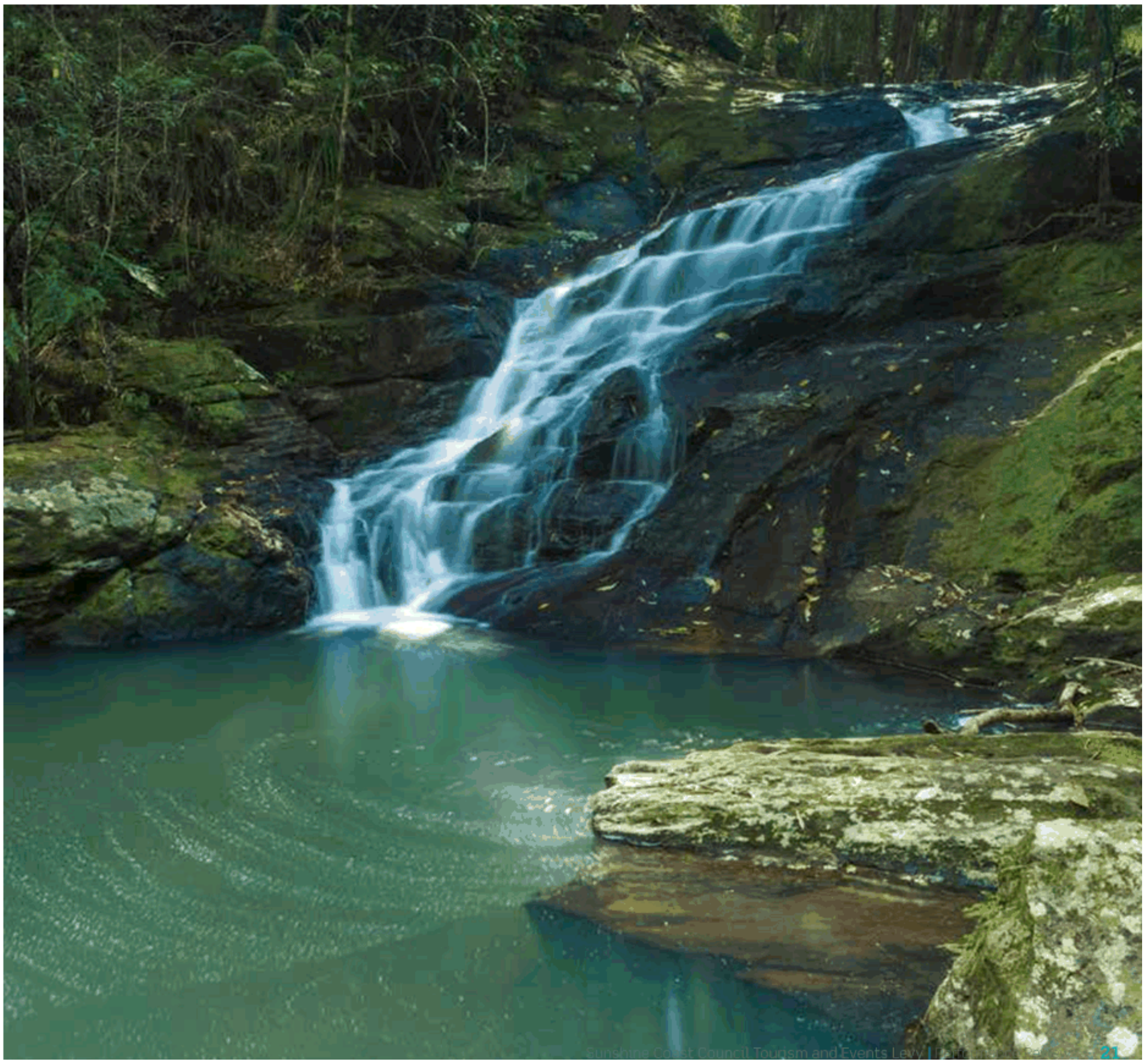
- Ability to demonstrate positive impact for business beneficiaries more easily than some aspects of marketing investment.
- A greater degree of control on spending as the Major Events Board is an advisory body to council.

As there are clear synergies between the two funding areas i.e. destination marketing plays an important role in fully leveraging events' economic benefits. The practice over the last three year period in maintaining a static level of core marketing support and increasing investment in major and regional events has meant a real-term fall in marketing spending power.

Implementing an annual CPI increase to maintain the spending power of marketing investment is recommended. In the longer term, when the redevelopment of Sunshine Coast Airport is complete, providing improved opportunities to attract international visitors – additional partner marketing resources may be needed to fully leverage these opportunities, potentially including Sunshine Coast Airport and other local and regional industry stakeholders.

It is concluded that:

- Overall, the levy as it is currently managed and delivered provides a strong level of reliability and consistency in revenue generation - variation in charge numbers and revenue generated is minimal.
- The commitment to raise rate levels by 10% per annum over the past 3 year levy program has been valuable from the perspective of raising the region's tourism and event spending power to a level more consistent with per capita investment in comparator destinations. If council considers that additional resources are required, a modest level of increase in addition to CPI could be considered.
- Investment in tourism marketing (via VSC) has fallen in real-terms over the past three year period. In its next three year funding commitment, as a minimum, council may wish to consider the application of annual CPI increases to maintain the spending power of marketing investment. In the longer term, when the redevelopment of Sunshine Coast Airport is complete, providing improved opportunities to attract international visitors – additional partner resources may be needed to fully leverage these opportunities.



Conclusions

Impact

- Every dollar invested via the Tourism and Major Events Levy, contributes to delivery of an industry-wide return of $32, a ROI of 32:1. This represents a significant improvement on the 18:1 performance for 2013/14 (where performance was in part based on pre de-amalgamation tourism outputs/ sales data).
- Events: Based on levy investment of $2.1M in major and regional events a total economic benefit of $84.7M, a ROI of 40:1 is generated.
- Levy investment contributes to the leveraging of $53M in annual marketing investment by the tourism sector.
- Investment in tourism marketing and in major and regional events continue to record strong and improving performance, representing good value for the levy paying business community.

Equity

- Current management and delivery of the program as a whole is fair and equitable.
- The levy program is equitable in terms of the property base from which levy funds are gathered. There is a strong correlation between where the levy is collected and where resulting expenditure takes place.
- Information available during the analysis period suggests that the program captures the majority of enterprises who benefit from tourism expenditure in the area.

Efficiency

- The levy as it is currently operated and managed represents an efficient and cost-effective means of generating revenues for strategic tourism investment.
- The levy disbursement arrangements as currently operated are fit for purpose and represent an efficient means of investment and delivery.
- Collection of the levy through the overall business rating regime ensures that economies of scale are utilised. Similarly, disbursement of funds via established delivery and advisory mechanisms (Visit Sunshine Coast and the Major Events Board) represents an efficient means of delivery.
- Council levy collection and disbursement arrangements are in line with the approach taken across comparator destinations.

Consistency

- Overall, the levy as it is currently managed and delivered provides a strong level of reliability and consistency in revenue generation - variation in charge numbers and revenue generated is minimal.
- Fit for purpose systems are in place across council's range of charges and levies to ensure new eligible properties are captured.

Recommendations

Improving Equity

- There are a small number of categories of businesses (food-carts) where council may wish to assess the balance of costs and potential benefits of extending the levy's business capture; however it is recommended the categories of eligible businesses and practice used in collected funds should remain as per current arrangements.
- Ensuring that the growing area of transient accommodation/ sharing economy contributes fully to investment funds for the sector is an important consideration. Council is currently progressing discussions with key stakeholders in the sharing economy to this end.
- Mechanisms such as business licensing are a potential means of capturing contributions from home-based businesses which serve the visitor economy. It is recommended that council continues to investigate opportunities in this area.

Building Efficiency

- No amendments to collection and disbursement mechanisms are recommended.

Improving Consistency

- The commitment to raise rate levels by 10% per annum over the past 3 year levy program has been valuable from the perspective of raising the region's tourism and event spending power to a level more consistent with per capita investment in comparator destinations. If council considers that additional resources are required, a modest level of increase in addition to CPI could be considered.
- Investment in tourism marketing (via VSC) has fallen in real-terms over the past three year period. In its next three year funding commitment, as a minimum, council may wish to consider the application of annual CPI increases to maintain the spending power of marketing investment. In the longer term, when the redevelopment of Sunshine Coast Airport is complete, providing improved opportunities to attract international visitors – additional partner resources may be needed to fully leverage these opportunities.
- Implementing an annual CPI increase to maintain the spending power of marketing investment is recommended. In the longer term, when the redevelopment of Sunshine Coast Airport is complete, providing improved opportunities to attract international visitors – additional partner marketing resources will be needed to fully leverage these opportunities, potentially including Sunshine Coast Airport and other local and regional industry stakeholders.

Sunshine Coast COUNCIL

www.sunshinecoast.qld.gov.au
mail@sunshinecoast.qld.gov.au
T 07 5475 7272 **F** 07 5475 7277
Locked Bag 72 Sunshine Coast Mail Centre Qld 4560