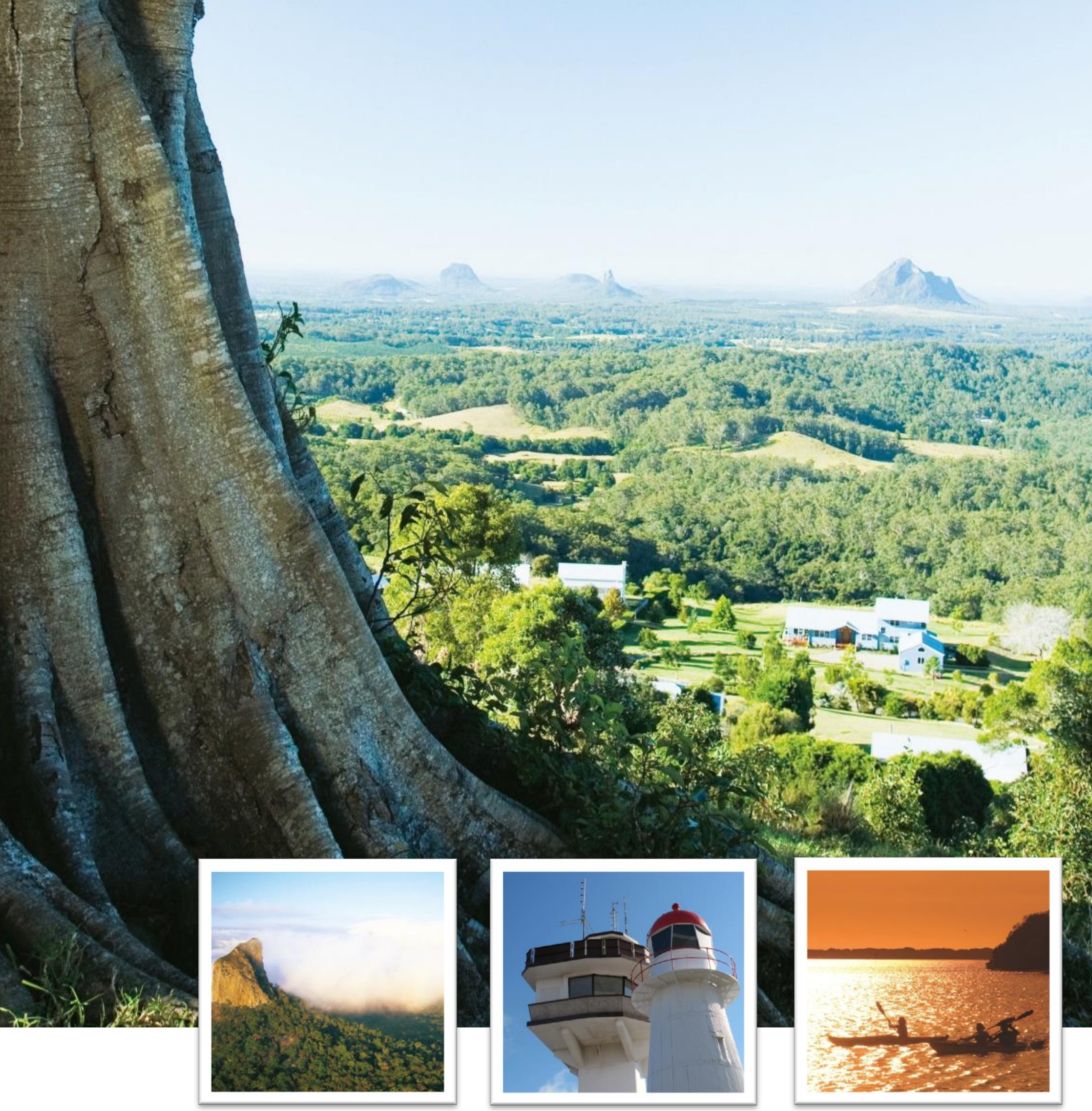


Performance Review of the Sunshine Coast Council Tourism and Major Events Levy

April 2015

Prepared by EarthCheck for

Sunshine Coast COUNCIL

Executive Summary

Sunshine Coast Regional Council is reviewing its current funding model for tourism, including the return on investment from the Tourism and Major Events Levy.

As a destination, Sunshine Coast is dependent on tourism as a key pillar of its economy. In 2013/14, total tourism and hospitality sales generated $1,078.7m value added and supported 12,198 direct jobs. For every dollar spent by visitors, 87c flows through to other sectors of the economy.

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 used sparingly. 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 Sunshine Coast Regional Council and Sunshine Coast Destination Ltd, an assessment of the Tourism and Major Events 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 is operating well and contributing fully to the region striving toward its target visitation and expenditure outcomes.

Key outcomes of the review are as follows;

- **IMPACT: Every dollar invested via the Tourism and Events Levy, contributes to delivery of an industry-wide return of $18[2]**

✓

- **Events: Based on levy investment of $877k and a total economic benefit (including value of good sourced locally) of $47.16m a ROI of 54:1 is generated.**
- **Levy investment contributes to the leveraging of $93M in annual marketing investment by the tourism sector.**

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

[2] ROI is based on 2013/14 data and represents an assessment of impact from total estimated industry marketing investment, including levy funds.

EQUITY: A strong correlation exists between where the levy is collected and where expenditure takes place.	
✓	+ Information available during the review period suggests that the program captures the majority of business categories who benefit from tourism expenditure in the area, with accommodation businesses paying 60% of the levy and gaining 40% of the total direct visitor expenditure.

EFFICIENCY: The levy disbursement arrangements as currently operated are fit for purpose and represent an efficient means of investment and delivery.	
✓	+ Council levy collection and disbursement arrangements are in line with the approach taken across most comparator destinations. The recipient of the funds (SCDL) is rated as one of the 'most effective' Regional Tourism Organisations in Queensland according to TEQ statistics.

CONSISTENCY: Fit for purpose systems are in place across Council's range of charges and levies to ensure new eligible businesses are captured.	
+/-	+/- The commitment to raise rate levels by 10% during 2015 and 2016 is supported. Prior to the rise in rates levels, tourism funding raised via the business levy was falling behind that of some competitor destinations.

As a whole, the levy program is operating well and contributing fully to the region striving towards its target visitation and expenditure outcomes. Figure 1, over, shows a summary input-output analysis for the Sunshine Coast Regional Council area (SCRC), including an overall return on investment estimate.

OVERALL, EVERY DOLLAR INVESTED VIA THE TOURISM AND EVENTS LEVY, CONTRIBUTES TO DELIVERY OF AN INDUSTRY-WIDE RETURN OF **$18**.

EVERY DOLLAR OF TOURISM AND EVENTS LEVY FUNDS INVESTED IN MAJOR EVENTS CONTRIBUTES TO **$47.16M** OF VISITOR EXPENDITURE – A ROI OF **54:1**

LEVY INVESTMENT CONTRIBUTES TO THE LEVERAGING OF **$93M** IN ANNUAL MARKETING INVESTMENT BY THE TOURISM SECTOR

An overall return on investment on levy funds of 18:1 demonstrates a sustained and strong performance.

However, as demonstrated in Table 1, below, funding generated by the levy (viewed in the context of per head of population and per business) is lower than a number of other destinations reviewed during the study period. Providing the region and its businesses with the opportunity to compete for market share and deliver continued growth, is likely to require further investment. In this sense, as part of an overall tourism funding mix, consideration should be given to opportunities to build the amount generated by the levy, where sustainable.

Table 1: Summary of Comparators for Tourism Levies and Tourism Expenditure

			Levy Funds Invested Per	
Destination	Tourism Expenditure	Annual Levy Funds	Head of Population	Business
SUNSHINE COAST COUNCIL*	**$1.66B******	**$4.3M**	**$15.39**	**$154.26**
Gold Coast	$6.6B	$13M	$24.17	$225.86
Surf Coast	$18M	$1.4M	$49.50	$458.87
Loch Ness	$490M	$0.3M	$4.72	n/a

* All data 2013/14

** $1.66B expenditure estimate is sourced from SCRC data on the impact of Major Event Board supported events, and TRA national survey data

Figure 1: Levy Impact Analysis (2013/2014)

TOTAL ESTIMATED INDUSTRY MARKETING INVESTMENT ($92.9M)

TEQ Marketing Investment Benefitting SCRC Area ($8.48M)

Industry Marketing Investment (Excluding Levy) ($80.1M)

Tourism And Events Levy ($4.28M)

Marketing Investment

Major Events Board

SCDL

Major Events	Holiday Visitors (excluding events)	Visiting Friends and Relatives	Business	Other
64,867 Visitors	2,889,842 Visitors	1,667,501 Visitors	312,335 Visitors	359,399 Visitors
$47.16 Million	$884 Million	$555 Million	$60 Million	$111 Million
$1.66 Billion				

Visitor Expenditure

54:1

Overall Return On Investment

18:1

Return On Investment

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 SCRC area.

Data Assumptions

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

- 2013/14 has been used as the basis for analysis - the most recent year that all key data inputs (direct tourism output, levy expenditure, visitor expenditure).
- Assessment of marketing investment assumes SCDL 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 $4,282,918 is largely invested by SCDL, and has therefore been included within the estimate of industry marketing investment.
- An amount of $8.48M for TEQ marketing which benefits Sunshine Coast Regional Council area has been added to the total estimated industry marketing investment. This information is sourced from TEQ's 2014 financial statement, on the basis of 9.37% of all TEQ's marketing investment (marketing, development, events, and staging initiatives, including RTO grants) benefitting the Sunshine Coast Regional Council Area - this sum is proportionate to the area's share of total Queensland visitor expenditure in 2013/14.
- 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 SCDL businesses – an average of 10.6%

  Based on this range of data sources and the likelihood of the SCDL 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 (surf clubs and food-carts) where Council may wish to assess the balance of costs and potential benefits from 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**.**

- In the area of transient accommodation, it is recommended that Council and SCDL continue building the successful working partnership. SCDL are well placed to advise on new accommodation entrants to the market.

- Council may wish to consider clarifying the definition of an 'iconic attraction'. While in most cases the categorisation is obvious and self-selecting, considering a clearer definition which encompasses metrics such as scale of business and visitor number thresholds may assist with transparency and understanding.

Building Efficiency

- No amendments to collection and disbursement mechanisms are recommended.

Improving Consistency

- Consider building additional surety by extending the current 3 year funding commitment to SCDL to a five year period, with appropriate review periods built in.

- Levy spend per head of population is $16.93, a lower figure than comparator destinations. Building on the commitment to increase the levy rate by 10% per year during 2014, 2015 and 2016 Council may wish to consider factoring in CPI into future rate setting.

- As part of reporting and review, it is recommended that competitor and peer group funding arrangements are reviewed on a regular basis to ensure the region maintains appropriate and competitive levels of investment.

Contents

Project Background

Tourism and major events are key contributors to economic development and employment, and are recognised as a foundation of both Australia and Queensland's future prosperity.

At a regional level, tourism and major events have the ability to act as economic development and lifestyle drivers for communities. This importance has been recognised by Sunshine Coast Regional Council (SCRC) with the role of tourism clearly referenced in corporate strategies and plans.

Tourism expenditure injects in excess of $1 Billion in valued added to the local economy and supports over 12,000 jobs. It is estimated that for every dollar spent by visitors 87c flows into other sectors of the economy.

SCC collects a Tourism and Major Events Levy from business operators, which is use to help drive, support and leverage tourism and event opportunities for the region. As the region works towards strengthening the value of tourism and events, Sunshine Coast Council is looking to examine the current levy arrangements to determine whether this is the most appropriate and cost-effective model moving forward.

As such, Sunshine Coast Council has employed a third party consultant (EarthCheck) to undertake a review of the current levy arrangement to measure its economic value both for Council and the businesses that help to fund it.

It is the intent of this review to quantify the performance of the Tourism and Events Levy to determine the leverage that these funds generate for the Sunshine Coast LGA.

This review aligns with the **Sunshine Coast Economic Development Strategy 2013-2033**

Action: *Undertake a review of the performance of the tourism levy and report the outcome to Council as part of the annual budget deliberations.*

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 levy will be assessed in terms of;

Impact

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

Equity

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

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?

The review methodology includes:

- A **desktop review** of the currently levy arrangements, supporting research;
- Consultation with **key officers** at Sunshine Coast Regional Council and Sunshine Coast Destination Ltd;
- **Comparative analysis** of similar levies in other LGAs and tourism regions;
- Analysis of overall levy **impact**
- An **evaluation** of the current levy arrangements and categories; and
- **Recommendations** on the overall effectiveness of the funding regime.

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 new levy model was designed to focus one of Council's roles on being a banker (collecting and dispensing funds), but allowing the industry to determine the detail of where these funds should be invested, **giving industry a stronger role and helping to ensure its long term sustainability**.

The levy is currently collected from business operators 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.*[3]

The levy is collected via annual rate notices and is calculated using five categories as detailed below. A minimum rate amount of $75.00 is applied.

Rate Calculator and Definitions

Table 2: Rateable Business Categories and Values

Cat.	Description	Rates cents per dollar value of Rateable Value
A	Transitory accommodation – urban	0.2499
B	Transitory accommodation – rural	0.1874
C	Commercial and Industrial – urban	0.1250
D	Commercial and industrial – rural	0.0937
E	Iconic tourism	0.2499

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 14/15 financial year. All properties not falling within the urban area (Figure 2, pg 12) are designated as rural.

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 2014/15 financial year that council considers to be an iconic tourist attraction.

Income Generation from the Levy

Based on figures provided by Council, in 2014 **14,086** charges were made, generating **$4,282,918.**

For the 2014/2015 financial year, it is estimated that **$4,711,210** will be generated by the levy, with **$3.76 million** disbursed via SCDL and the **$951,210** invested in supporting major events.

It is EarthCheck's understanding that the levy rate was increased by 10% from 1 July 2014, with a commitment it to further increases of the same amount in each of the next two financial years.

Levy Disbursement

Levy funds are disbursed by the regional tourism organisation (Sunshine Coast Destination Limited – SCDL) and with regards to major events support, by Sunshine Coast Regional Council based on recommendations made by Sunshine Coast Major Events Board.

In order to receive levy funds, all parties must request and be granted funding support by Council.

The funding and performance deed between Council and SCDL notes program objectives as;

- Developing and delivery of a Tourism Program for the SCDL Tourism Region;

[3] Sunshine Coast Council Budget – Revenue Statement 2014/15

- Promoting the SCDL 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 SCDL Tourism Region including product development and key infrastructure related to the tourism industry; and
- Such other objects listed in the Constitution of SCDL Tourism Region including product development and key infrastructure related to the tourism industry.

Management of Funding

SCDL must only spend the funding:

- 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.

- On or about 1 July 2015 and subject to Council approval of the annual Business Plan, Council will approve funding of the Tourism Program for three (3) years. The level of funding for 2015 - 2016 will be $3,760,000. The level of funding for each subsequent year will be at least equal with the previous year's funding.
- On or about 1 July 2016, and on or about the commencement of each financial year thereafter for the duration of this 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 SCDL by no later than 30 September each year and SCDL 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 SCDL.
- Subject to Council resolving from year to year to make available from its budget sufficient funding for the Tourism Program, and compliance by SCDL with this Deed, the Council will pay the Funding for the Tourism Program to SCDL.

Reporting

SCDL 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. SCDL must keep records in accordance with Australian Accounting Standards that identify receipt and expenditure of the Funding for the Tourism Program separately within SCDL'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 SCDL for the Tourism Program.

Tourism Program Measures

Delivery of the program will be measured in terms of:

<u>Governance and Corporate Services</u>

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

Business Events Development

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

Visitor Information Centres

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

Contribute to building resilience in the tourism industry in the SCDL Tourism Region through the delivery of targeted information, training and awareness programs and initiatives including:

- Increasing the use and build skills in digital marketing; and
- 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.

Key Performance Indicators 2015-2018

Number of visitor nights in the SCDL 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

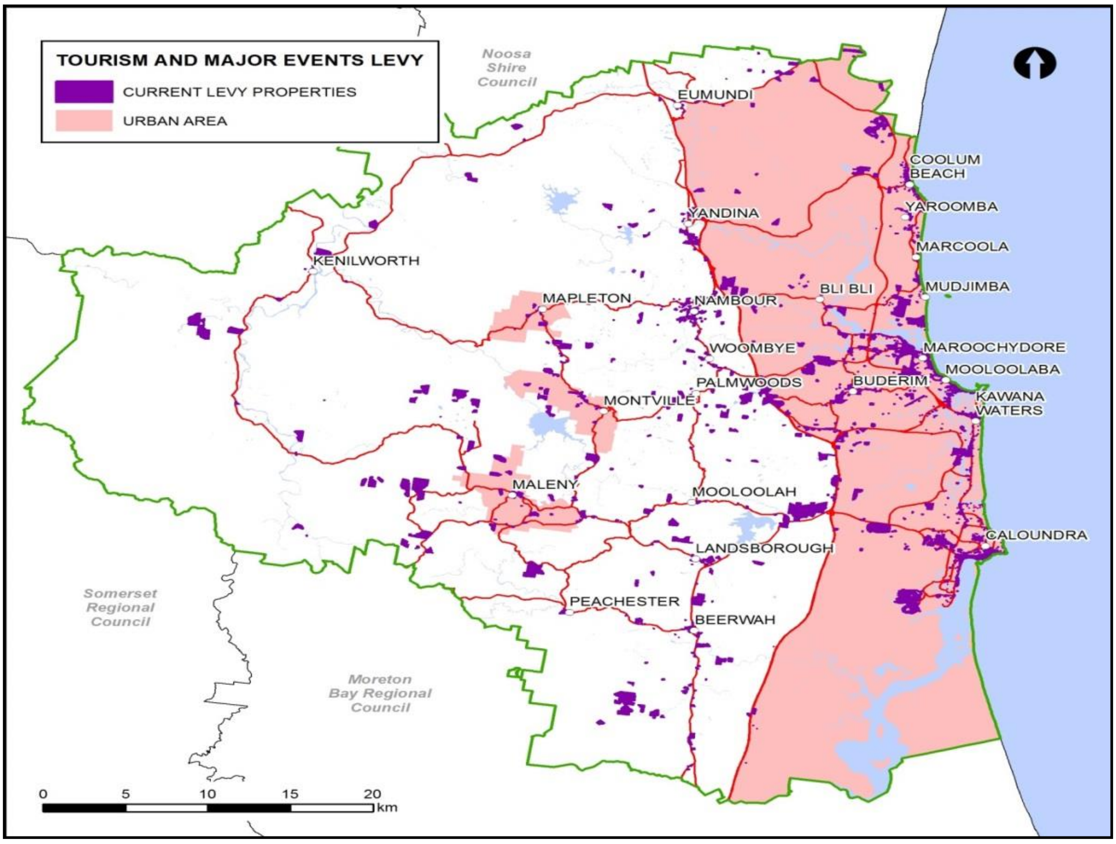
Spend by visitors to the SCDL Tourism Region Grow visitor spend over and above 2014 levels.

- 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 2: Sunshine Coast Tourism and Major Events Levy Collection Zones



Case Study Comparators and Lessons

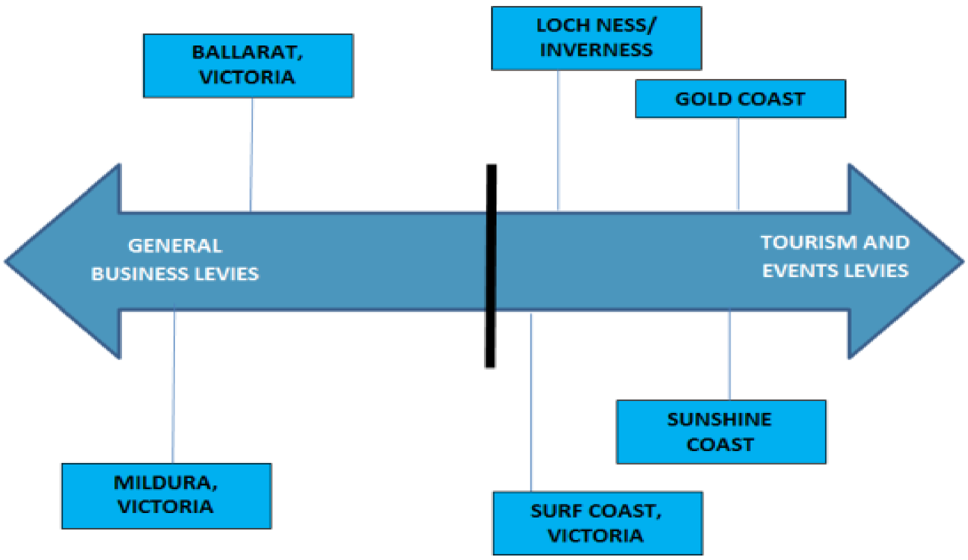
Analysis of a range of destinations across Australia shows that specific tourism and events levies are limited in number – Gold Coast provides the most appropriate local example. In reality, funding solutions for localities directly reflects their distinct financial, political and business circumstances. EarthCheck's analysis has shown an overall shift towards utilising general business levies, and moving away from tourism levies, particularly in Victoria.

Figure 3 provides a summary of funding approaches in case study examples considered during the review. Additional information on these and other case study examples is contained in appendices 2 and 3.

Case Studies: Key Trends and Issues

- Victoria, in particular, has seen a trend towards supporting tourism investment via general business differential rates rather than levies dedicated to tourism programs.
- Alternative funding models such as bed taxes which are popular in North America and parts of Europe have not yet found favour in Australia.
- Public sector's ability to sustainably fund tourism investment from core budgets is likely to become increasingly limited – expectations are that local, state and federal tourism agencies will continue to look at alternatives funding models where businesses and/or consumers make leading contributions.
- Mechanisms which seek to achieve buy-in from smaller businesses and short-term let holiday homes into levy and rate arrangements have had only mixed success. Hybrid membership/differential rates schemes are a potential solution for this issue.
- Effective communication to obtain business/ community buy-in and support to funding schemes is essential.
- The ability to demonstrate impact to beneficiaries (i.e. the businesses paying the levy) is important in terms of engendering commitment as well as long term sustainability of the funding stream.
- Making a direct correlation between marketing investment and overall visitation is not always the most statistically accurate measure. Measurement of levy funds can be enhanced by having a series of performance-related KPIs alongside destination-level visitation and performance. outcomes.

Figure 3: Levy Funding Approaches Taken by Comparator Destinations



Impact

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

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

Impact: Performance Dashboard

✓	• Overall return on Investment impact for events and tourism activity is significant (18:1 ROI), and from analysis of data available during the review period, represents a positive return on levy investment.

The funding and performance deed between Council and SCDL provides for a range of performance measures with headline KPIs focusing on visitation and expenditure figures relating to the SCDL region and levy area. Program measures also relate to;

- Governance and Corporate Services
- Business Events Development
- Visitor Information Centres
- Building resilience in the tourism industry.

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 SCRC area.

Data Assumptions

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

- 2013/14 has been used as the basis for analysis - the most recent year that all key data inputs (direct tourism output, levy expenditure, visitor expenditure).
- Assessment of marketing investment assumes SCDL 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 $4,282,918 is largely invested by SCDL, and has therefore been included within the estimate of industry marketing investment.
- An amount of $8.48M for TEQ marketing which benefits Sunshine Coast Regional Council area has been added to the total estimated industry marketing investment. This information is sourced from TEQ's 2014 financial statement, on the basis of 9.37% of all TEQ's marketing investment (marketing, development, events, and staging initiatives, including RTO grants) benefitting the Sunshine Coast Regional Council Area - this sum is proportionate to the area's share of total Queensland visitor expenditure in 2013/14.
- 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 SCDL businesses – an average of 10.6%

  Based on this range of data sources and the likelihood of the SCDL 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 Return on Investment, analysis shows;

- **Every dollar invested via the tourism and events levy, contributes to delivery of an industry-wide return of $18.**
- **Events: ROI of 54:1**

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.

Appendix 2 contains a summary of key data inputs used in impact calculations.

It should be noted that this analysis infers a correlation between levy investment and end visitation expenditure outcomes and that SCDL 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. A measure of good performance is that the majority of funds should where appropriate be focused on frontline activities.

Queensland RTO's participation in the ASPIRE tourism benchmarking program provides an opportunity to assess the region's performance. Overall, SCDL rates as one of the top three RTOs in Queensland across the 12 ASPIRE measures.

Table 3: ASPIRE Tourism Benchmarks

ACTIVITY	SCDL 2013	QLD 2013
Total staff and administration expenditure?	32%	44%
Total marketing expenditure?	65%	50%
Total industry development expenditure	3%	8%

Until early 2015 Sunshine Coast Destination Ltd.'s allocation of resources to administration and staff was lower than most other regions.

It is understood that since the 2013 ASPIRE report, SCDL has made major changes to its staffing and administrative resourcing to enable it to meet the 15% staffing and corporate target in the funding and performance deed.

Events
With regard to the impact of levy investment in major events, Council analysis of event acquittal reports has provided positive impact results for 2013/14;

- Sponsorship value of $877,254 based on commitments made to date plus anticipated sponsorships for the balance of the financial year.

- 64,867 participants, family, friends and support personnel attracted from outside the Sunshine Coast area.
- $3,081,209 in value of goods sourced locally
- An Estimated economic benefit of $44,075,549, plus $3,081,209 value of goods sourced locally, resulting in a 1:54 ROI on levy funds.

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

- **Overall return on Investment 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**
  - **ROI on overall levy investment of 18:1**
  - **Events: ROI of 54:1**
  - **The levy contributes to leveraging of $93M in industry marketing investment**

Equity

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

- **Is the funding mechanism fair and equitable?**
- **Are the business 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 analysis period suggests that the program captures the majority of business categories who benefit from tourism expenditure in the area.**

Current levy arrangements are set out in an earlier section of this report. Council's intent is to gather revenue from a broad range of businesses that are bone fide parts of the tourism industry and/or benefit directly or indirectly from visitor expenditure.

Table 4: Revenue Generated by Levy Business Category (2015)

Description	Revenue Generated	% of Total Revenue
A:Transitory Accommodation – urban	$1,857,714	39%
B:Transitory Accommodation – rural	$37,917	1%
C: Commercial and Industrial – urban	$2,209,298	47%
D: Commercial and industrial – rural	$318,331	7%
E: Iconic tourism	$270,917	6%
	$4,697,177	**100%**

Analysis and Assessment

Analysis carried out for the Sunshine Coast Destination Tourism Plan identified the segments of the local economy where visitor expenditure took place. In general terms, these equate closely to accommodation and the 'other' levy categories, enabling a comparison to be made between visitor expenditure and the sources from where levy resources are generated.

Figure 4: Comparison of Visitor Expenditure in the Sunshine Coast Economy with Sources of Levy Funds

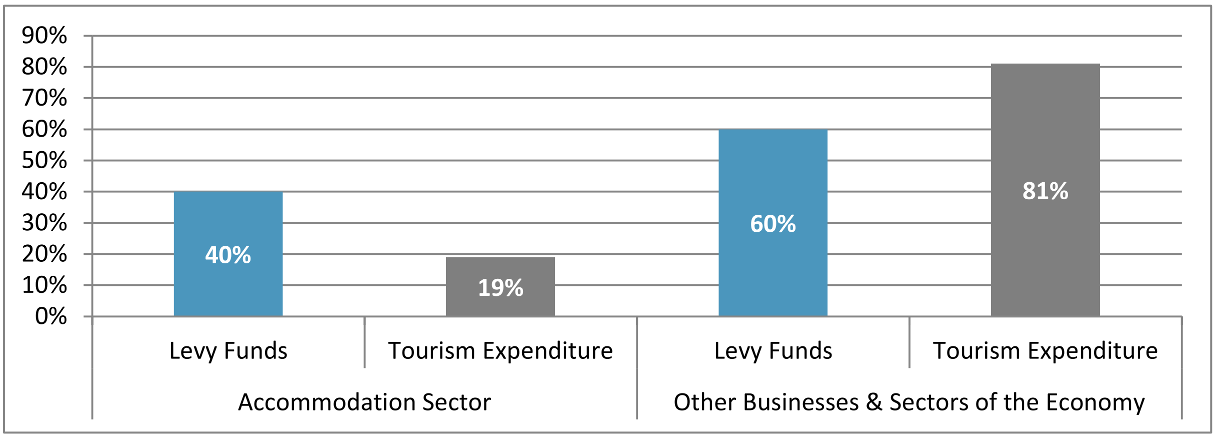


Figure 4 shows that while 40% of levy funds were generated in the accommodation sector, it attracted 19% of resulting total expenditure. For the 'other' sectors of the economy - they attracted 81% of visitor expenditure and contributed 19% of levy funds.

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 challenge often experienced in a funding mechanism of this type is communicating the benefits and rationale to businesses that contribute levy funds but do not sell goods and services directly to visitors. The results of this analysis present a persuasive case in favour of seeking levy funds from a broad business base.

As such, it is possible to conclude that the program is equitable in terms of the business base from which levy funds are gathered, and are that these categories are appropriate to the characteristics of Sunshine Coast's visitor economy.

Gaps in Levy Collection

In conducting the levy review, EarthCheck had access to overall statistics on chargeable properties and revenue generated, but not detailed listings of individual business and their locations. As such our analysis of gaps in revenue collection has been restricted, and resulting conclusions necessarily caveated.

Table 5: ATDW-Listed Tourism Products and Experiences in the Sunshine Coast Council Area

Levy Category	TOTALS	%
A - Transitory Accommodation - urban	133	50%
B - Transitory Accommodation - rural	26	10%
C - Commercial and Industrial - urban	42	16%
D - Commercial and Industrial - rural	12	4%
E - Iconic Tourism	6	2%
Other	18	7%
Events	30	11%
	267	

A review of Sunshine Coast Council tourism products listed on the Australian Tourism Data Warehouse (ADTW), showed 267 businesses or products. These results are summarised in Table 5. ATDW records cover what can be best described as core tourism businesses and experiences.

While any conclusions drawn from this analysis have to be heavily caveated by the fact our analysis has not been able to cross-match individual business records between the two data sources, the numbers of chargeable properties in the levy clearly outnumbers those identified in ATDW. Our analysis has shown a number of areas where further consideration could potentially be given to looking at business categories to be included in the levy, while considering a balance of cost/benefit and appropriateness for inclusion;

- Surf Life-Saving Clubs: analysis shows that there are 8 clubs with significant tourism amenities - restaurants, bars, gaming etc. This category of businesses are small in number and are charitable in nature, but some are also significant tourism business operations.
- 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: Many of these businesses will fall within the definition of transitory accommodation, and are highly likely to form the bulk of eligible businesses which are currently not fully captured in the levy. However, the majority of these businesses are likely to generate the minimum $75 levy fee, and it is accepted that capturing business information would be time-consuming and expensive. On balance, it is recommended that in practice, Council do not actively pursue this sector. Some Australian destinations have attempted to secure buy-in from these types of businesses through membership arrangements with the local or regional tourism organisation – this type of hybrid arrangement seems an appropriate direction for Sunshine Coast to continue to take in the interests of securing maximum buy-in and support.

While analysis of the program's equity is heavily caveated given the data limitations, we can however conclude that;

- **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 analysis period suggests that the program captures the majority of business categories who benefit from tourism expenditure in the area.**
- **There are a small number of categories of businesses (surf clubs and 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.**
- **In the area of transient accommodation, it is recommended that Council and SCDL continue building the successful working partnership. SCDL are well placed to advise on new accommodation entrants to the market.**
- **In terms of transparency, it is recommended that Council considers clarifying the definition of an 'iconic attraction'. While in most cases the categorisation is obvious and self-selecting, considering a clearer definition which encompasses metrics such as scale of business and visitor number thresholds may be prudent.**

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.** • **The levy disbursement arrangements as currently operated are fit for purpose and represent an efficient means of investment and 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 by the regional tourism organisation (Sunshine Coast Destination Limited – SCDL) and with regards to events support, by Sunshine Coast Regional Council based on recommendations made by Sunshine Coast Major Events Board.

In order to receive levy funds, all parties must request and be granted funding support from Council.

A funding and performance deed governs SCDL's disbursement and 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 Officers 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 for the comparator destinations reviewed.

Alternative options for revenue generation such as consumer taxes would require new and additional resources to be allocated i.e. less efficient in terms of collection

Levy Disbursement

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

Similar disbursement arrangements are in place in the domestic comparator destinations reviewed.

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.

SCDL covers a larger footprint than the Council area, and the area 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 SCDL 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, SCDL's footprint provides scope for securing best value in terms of returns on investment.

We conclude that;

- **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 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?**

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 and revenue generated is minimal. • Fit for purpose systems are in place across Council's range of charges and levies to ensure new eligible businesses are captured. • The commitment to raise rate levels by 10% during 2015 and 2016 is supported – prior to the raises in rates levels, tourism funding raised via the business levy was falling behind that of some competitor destinations.

Consistent Income Stream

Analysis of charges since 2012 demonstrates a negligible (less than 1%) level of variation from year to year, and overall. Variation in revenue generated is a little higher (7% increase between 2012 and 2015) and exhibits more volatility from year to year.

Figures 5 and 6 show the variation from 2012 to 2015 in the number of charges levied and total revenue generated - these figures have been adjusted to factor out Noosa businesses for 2012 and 2013, enabling a longer trend period to be examined.

Figure 5: Variation in the Number of Levy Charges Between 2012 and 2015

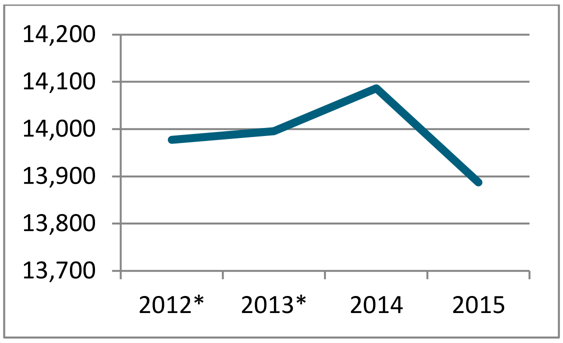
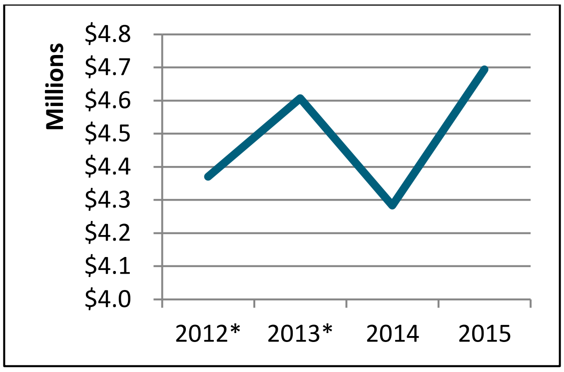


Figure 6: Variation in Levy Funds Generated Between 2012 and 2015



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.

Consistency and surety of funding is a key issue in all comparator destinations – City of Gold Coast Council have provided Gold Coast Tourism with a guarantee of income over a five year period, and Scotland's Inverness/Loch Ness Business Improvement District also runs for a five year period, with review periods automatically built in.

The main cause of variation in charges and revenue is brought about by businesses leaving and entering the levy area. Across all of Council's rates and charges, 70-80 integrity reports are generated each year. Reports are utilised to cross-match against land use codes etc. Transitory accommodation is recognised as being more difficult keep track of, as cross matching needs to extend to websites and other marketing sources.

The importance of consistency in income generation is recognised in the Funding and Performance Deed between Council and SCDL, which notes that;

- *The level of funding for 2015 - 2016 will be $3,760,000. The level of funding for each subsequent year will be at least equal with the previous year's funding.*

- *On or about the commencement of each financial year thereafter for the duration of this Agreement, Council will consider extending the period of any already approved funding for a further term of twelve (12) months.*

These clauses in the performance deed provide additional surety on an SCDL investment stream which has already shown strong levels of reliability and consistency.

Appropriateness of Rate Level/ Revenue Generated

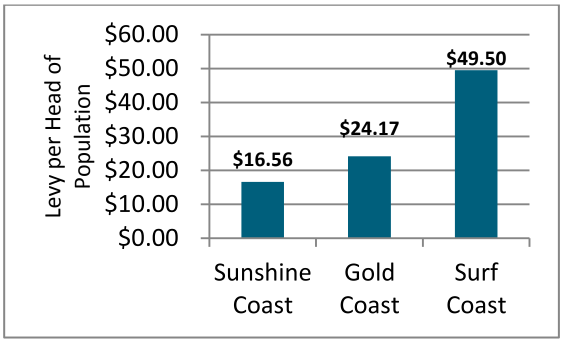
Comparison between destinations of the rate levels and total amounts of revenue generated is challenging, given each area's unique circumstances i.e. scale of tourism industry, and type of businesses, as well as considerations including other costs and levies already in place.

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 are 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.

When levies are viewed as a spend per head of population investment, analysis indicates that Sunshine Coast investment records lower levels than those in both Gold Coast and Surf Coast - a per head investment of **$16.93** compared to $24.17 and $49.50 respectively (Table 3).

Figure 7: Levy Investment per Head of Population



Gold Coast's levy is inflation-proofed through a commitment to raise rate levels in line with CPI. Council's commitment to raise the Sunshine Coast tourism and events levy rate by 10% from 1 July 2014 and by the same amount in the two following years is welcome in this regard. However, the reality is that despite the levy generating a significant sum, the region's tourism funding has started to lag behind some competitors in real terms.

Of course, it should also be anticipated that higher rate levels will raise expectations from rate-paying businesses – establishing metrics which enable communication of benefits which are tangible to businesses should be considered where practical.

We conclude 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.**

- **Fit for purpose systems are in place across Council's range of charges and levies to ensure new eligible businesses are captured.**

- **A three year funding commitment from Council is welcomed, but Council may wish to consider building additional surety by extending this commitment to a five year period, with appropriate review periods built in.**

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- **Levy spend per head of population is $16.93, lower than comparator destinations. The commitment to raise rate levels by 10% during 2015 and 2016 is supported – prior to the raises in rates levels, tourism funding raised via the business levy was falling behind that of some competitor destinations. Council may wish to consider factoring in CPI into future rate setting.**

- **As part of annual reporting and review, it is recommended that competitor and peer group funding arrangements are reviewed to ensure the region maintains appropriate and competitive levels of investment.**

Conclusions

Impact

- Every dollar invested via the Tourism and Major Events Levy, contributes to delivery of an industry-wide return of $18. A ROI of 18:1
- Events: Based on levy investment of $877k and a total economic benefit (including value of good sourced locally) of $47.16m a ROI of 54:1 is generated
- Levy investment contributes to the leveraging of $93M in annual marketing investment by the tourism sector

Equity

- 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 analysis period suggests that the program captures the majority of business categories 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 for Council and tourism partners to collect tourism business revenues.
- The levy disbursement arrangements as currently operated are fit for purpose and represent an efficient means of investment and 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 businesses are captured.
- The commitment to raise rate levels by 10% during 2015 and 2016 is supported – prior to the raises in rates levels, tourism funding raised via the business levy was falling behind that of some competitor destinations.

Recommendations

Improving Equity

- There are a small number of categories of businesses (surf clubs and food-carts) where Council may wish to assess the balance of costs and potential benefits from 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.
- In the area of transient accommodation, it is recommended that Council and SCDL continue building the successful working partnership. SCDL are well placed to advise on new accommodation entrants to the market.
- Council may wish to consider clarifying the definition of an 'iconic attraction'. While in most cases the categorisation is obvious and self-selecting, considering a clearer definition which encompasses metrics such as scale of business and visitor number thresholds may assist with transparency and understanding.

Building Efficiency

- No amendments to collection and disbursement mechanisms are recommended.

Improving Consistency

- Consider building additional surety by extending the current 3 year funding commitment to SCDL to a five year period, with appropriate review periods built in.
- Levy spend per head of population is $16.93, a lower figure than comparator destinations. Building on the commitment to increase the levy rate by 10% per year during 2014, 2015 and 2016 Council may wish to consider factoring in CPI into future rate setting.
- As part of reporting and review, it is recommended that competitor and peer group funding arrangements are reviewed on a regular basis to ensure the region maintains appropriate and competitive levels of investment.

Appendix 1: Stakeholder Engagement List

Name	Position	Organisation
Geoff Peters	Industry Investment Facilitator	Sunshine Coast Council
Don Thomson		Sunshine Coast Council
Simon Ambrose	Chief Executive Officer	Sunshine Coast Destination Limited
Grant Hunt	Chair	Sunshine Coast Destination Limited
Joanne McMurtry	Tourism Officer	Byron Shire Council
Rod Trowbridge	Chief Executive Officer	Mildura Tourism
Graeme Ambrose	Chief Executive Officer	Uniqueness Tourism BID Ltd
Martín Winter	Chief Executive Officer	Gold Coast Tourism
Simon Loone/ Jody Keating	Economic Development and Tourism	Surf Coast Shire Council
Roger Grant	Chief Executive Officer	Great Ocean Road Marketing

Appendix 2: Impact Analysis: Key Data Inputs

INPUTS - ESTIMATED INDUSTRY MARKETING INVESTMENT

Input	Amount
Estimated Industry marketing investment (2013/14) • Marketing investment estimated as 7% of total industry output ($1,205.6B) *Source: Economy.id for Sunshine Coast Regional Council Area, EarthCheck analysis of industry marketing investment*	$84,392,000
Levy investment (2013/14) • Levy funds have been identified as being an element of overall industry marketing investment *Source: Sunshine Coast Regional Council*	*$4,282,918*
TEQ marketing investment which benefits Sunshine Coast • TEQ's total marketing investment ($90.47M) apportioned to Sunshine Coast Regional Council area (9.37% of QLD visitor expenditure) *Source: TEQ Financial Statement , TRA*	$8, 477,039
Total Estimated Marketing Investment	**$92,869,039**
SCRC population 2013: 278,202 (ABS)	
Number of Local businesses 27,765 (Business Register 2013)	

INPUTS – VISITOR EXPENDITURE

CATEGORY OF VISITOR EXPENDITURE	Day $	Domestic Overnight $	International $	Total
Holiday (minus events)	199,642,762	637,893,023	46317491	883,853,276
VFR	100875155	407235611	46512176	554622942
Business	21624285	36575863	1381737	59581885
Other	28694112	37547005	44688586	110929702
Total (Domestic and International Visitor Surveys	*350,836,314*	*1,119,251,502*	*138899990*	*1,608,987,805*
SCRC -Economic Value of sponsored events (economic benefit of goods sourced locally + economic benefit)				*47156758*
TOTAL VISITOR EXPENDITURE				**1,656,144,563**
* All data sourced from the Interational and Domestic Visitor Surveys with the exception of event value (SCRC event acquittal reports)				

Appendix 3: National and International Tourism Funding Approaches

Globally, economic benefits derived from the visitor economy are widely recognised, as is the need for innovative and effective investment to deliver sustained growth. However, there is an increasing trend away from the public-sector dependency model traditionally adopted, as this can no longer generate the investment needed to deliver growth.[4]

Throughout Australia, the limits of public sector funding of the tourism industry are acknowledged. Alternative funding options are actively being considered at state, regional and local levels.

> ***[A tourism funding model] based upon heavy public-sector dependency is no longer sustainable, and there is a need to look at alternatives that deliver the level of investment required to meet the growth aspirations of government.***
>
> - VisitEngland, 2011

The following section of the report examines a range of alternative tourism investment models adopted by governing bodies in Australia and internationally.

Rates and Taxes

Additional Taxes or Levies on Businesses

This is the model adopted by Sunshine Coast Council.

Levies of this type can be best described as differential area rates. They can either be in the form of a levy focused on tourism and economic development (with funds ring-fenced for tourism activities) or a general differential business rate where funds are gathered by councils for prioritisation and reinvestment.

Throughout Australia, this category of resourcing is the most frequent. EarthCheck's research indicates a gradual move away from specific tourism levies towards general differential business rates as the preferred funding mechanism.

A number of domestic and international examples of this type of levy are included in this report.

In practice, the approach taken in each area reflects local, regional and state politics and circumstances.

Taxes on Consumers

Bed Taxes

Room occupancy taxes or 'bed taxes' are perhaps the most common form of tourist levies worldwide, particularly in North America and Europe.

These are applied to visitors staying in commercial accommodation and are usually administered on a per night rate basis. Rates can range from 1% to nearly 19% depending on the location.

No Australian destinations that we are aware of currently apply a bed tax, but there has been recent interest by the City of Gold Coast to implement such a levy.

Similarly in London, a London finance commission set up by the mayor in 2012 backed a tourist tax, arguing that if the City's tourist and entertainment industry was to flourish, there was "a powerful argument for a levy that could then be reinvested in marketing and urban realm improvements".

In general however, moves to increase taxes on consumers have been strongly opposed by industry and government bodies in many countries. This stance is based on the view that an additional tax on what are already highly taxed tourism businesses (with costs passed on

[4] *Introducing Tourism Business Improvement Districts in England*, English Core Cities DMO Group and VisitEngland (Dec 2011)

to consumers) will have a severe negative impact on destination competitiveness.[5]

Case Study – Rome

The Roma Capitale Authority has implemented a tourist accommodation tax payable by guests of hotels, holiday homes, rented rooms establishments, bed & breakfasts and camping grounds in Rome (this measure does not apply to hostels).

The tourist accommodation tax is due for each night spent in Rome's accommodation facilities.

From 1st September 2014 the rates range from 2 euros per night (camping) to 7 euros for 5 star hotels, and applies for a maximum stay of 10 nights.

Persons who are residents of Rome, children up to age 10, all who accompany patients for health reasons, members of the State police force and the other armed forces, and one coach driver and one tour leader/tourist guide for every 23 group members are exempt from the tax.

The Tax is collected by businesses on behalf of government.

Permits, Fees and Charges - Passenger Movement Charges[6]

The Passenger Movement Charge (PMC) was introduced by the Australian Government in 1995 and is levied on passengers departing Australia, regardless of whether or not that passenger intends to return to Australia. The tax was originally implemented to recoup the full accrual costs of border processing for international passengers and the issuing of short-stay visitor visas; however it has well surpassed this requirement in recent years, generating nearly $900 million this past financial year. Some of these excess funds have been fed into tourism funding programs (e.g. TQUAL Grants).

Although the PMC is currently frozen at a rate of $55, agencies such as the Tourism & Transport Forum and the National Tourism Alliance are lobbying for its review, voicing concerns that it is negatively affecting Australia's competitiveness as a tourist destination.

Unlike other countries with similar departure taxes (e.g. Air Passenger Duty (UK)), there is no difference in short-haul and long-haul rates.

Permits, Fees and Charges - Entry Charges

Usually used in protected areas such as national parks, entry charges are a common way to cover maintenance, visitor facility and other infrastructure costs of a particular area though an entry charge, either per person or per vehicle.

Case Study – NPWS

The National Parks and Wildlife Service (NPWS) currently charge daily entry fees (per vehicle) to access its national parks who receive highest levels of visitation. These fees are used to:

- Maintain and improve visitor facilities
- Conserve threatened species and their habitats
- Protect sites of cultural significance
- Carry out pest control programs

Fees range from $7-$11 per day; however some parks have higher rates during peak periods. Annual passes and multi-park options for regular visitors are also available.

http://www.nationalparks.nsw.gov.au/passes-and-fees

Another example is the Environmental Management Charge (EMC) which is paid by every person participating in a tourist activity (excluding operator staff) who enters the Great Barrier Reef Marine Park. These fees are utilised directly in the management of the marine park, including education, research, ranger patrols and policy development. Marine park tour operators are obliged to collect the $3.50 per

[5] http://www.hirum.com.au/proposed-bed-tax/

[6] *National Tourism Alliance (NTA) Budget 2014 Submission*, NTA (January 2014)

2014/15 federal Budget Analysis, Tourism & Transport Forum (May 2014) visitor (full day) and $1.75 per visitor (part day) charge.

Development Charges

Dependent on local and state legislation, planning and development charges can be used as part of funding mix for visitor destinations.

Development Charges are one-time fees paid by developers at the time a building permit is issued to help pay for new and supporting municipal services.

Grants, Donations, Sponsorship

Grants, donations and sponsorships can also form part of a funding solution for some destinations and venues.

Case Study – MONA

The Museum of Old and New Art (MONA) is the largest privately funded museum in Australia. Located within a winery in Hobart and presents a range of art from modern to antique.

Opened in 2011, it has become a major tourist attraction in Hobart and has played a significant role in boosting visitation to the region, particularly in terms of the cultural visitor market.

The 'MONA Effect' has been well-documented.

Asset Privatisation/ Commercial Engagement

Councils in many destinations throughout the world have used asset sales and privatisation, alongside engaging commercial partners as a means of contributing to overall tourism investment and resourcing.

For instance, VICs in many destinations have income generation as a requirement to help offset costs. For services such as VICs, options can include

- Co-location (joint occupation in honeypot locations with high footfall, e.g. attractions, transport hubs, key retail developments)
- Sub-letting (to commercial tenants to offset premises costs)
- Contracted out service models involve the funder inviting delivery by another body through a SLA or less formal partnership agreement.

Appendix 4: Local and Regional Approaches

City of Gold Coast (QLD)

Collection Method

The Gold Coast tourism levy is a commercial, rates-based levy set across all businesses within the City of Gold Coast Council boundary. The levy is collected from businesses on an annual basis

Levy Disbursement

A total of $20M is collected by Council through the levy, with $13M allocated to Gold Coast Tourism ($250k of which is invested in 2 VICs). The remaining $7M is focused on attracting and delivering leisure events. Any additional residual funds are retained by Council and invested in priority tourism projects (including events and infrastructure).

Gold Coast Tourism (GCT) holds a five-year funding agreement with Council, regarding its allocation of levy funds, with Council retaining the right to end the agreement. Should Council decide to end the agreement, contractual arrangements provide for Gold Coast Tourism receiving a $6-7M 'buffer' to enable forward commitments to be honoured and alternative sources of funding secured.

Economic Benefits

Council understands that GCT and levy funds are not solely responsible for driving visitation to the region, rather that it is the strong buy-in from industry (e.g. major hotels and theme parks) that is driving conversion into sales and expenditure in-destination.

The agreement includes annual reporting requirements comprised of a set of approximately 40 KPIs. The KPIs developed between Gold Coast Council and Gold Coast Tourism on an annual basis.

Issues and Challenges

Griffith University is currently carrying out a study to determine the actual value and impact of tourism marketing on the Gold Coast. General estimates indicate that this figure sits around $560M, suggesting that the $13M from the levy contributes to less than 1% of the Gold Coast's destination marketing spend. As such, it is believed that levy funds are primarily used to drive brand demand.

Council recognises that statistically it is difficult to directly correlate the amount invested (through the levy) with the end destination outcome in terms of visitation numbers. Therefore, visitation numbers are not included in Gold Coast Tourism's annual set of KPIs.

Victoria

Throughout Victoria, there has been a trend for local government areas to move away from dedicated economic development, tourism and event levies towards funding additional tourism activity via general business differential rates. Income from differential rates is not ring-fenced for tourism activities with Council's having the authority to invest accordingly. Ministerial Guidelines for Differential Rating was introduced in April 2013, with the purpose of provided greater transparency and certainty across Victoria's municipalities.

City of Ballarat

City of Ballarat had a longstanding economic development and tourism levy up until 2012, funds from which were used to support project activity carried out by City of Ballarat's Economic Development Team and Ballarat Regional Tourism. From 2012/13 all project activity was funded via Council differential rates scheme. Council reported that the majority of businesses made smaller contributions under the new arrangements.

Mildura

Mildura Rural City Council had a longstanding economic development and tourism differential rate until 2012, funds from which were used to support project activity carried out by Mildura Tourism. From 2012/13 the dedicated tourism levy scheme was replaced by a general business differential rate (120% of the residential rate). In September 2013 Mildura Tourism and Mildura Council completed negotiations that established a new three-year Memorandum of Understanding between the two organisations.

Surf Coast

During the mid-1990s, the newly amalgamated Surf Coast Shire council made a major decision to elevate the importance of their tourism industry, including substantially increasing its financial commitment to tourism and economic development. It established Surf Coast Tourism as a Section 86 committee of council and it became one of the first in Victoria to introduce a differential commercial rate to fund tourism.

By 1997 the system had evolved into a Tourism and Economic Development Levy (special rate and charge). It comprised a special rate used for tourism-related infrastructure developments and a special charge used for marketing purposes. A feature of the new system was the introduction of a charge of $40 per year on non-permanent home owners who commercially rented their home. The scheme raised $300,000 per year for the three years that it operated.

In July 2001 the Council decided to reformat the scheme, comprising:

- A Tourism / Commercial Rate (differential rate) on all tourism and commercial land used for commercial or industrial purposes, as well as for any major tourist establishment/ accommodation facility. It raised nearly $500,000 per year
- Tourism Special Charges: Holiday home owners were levied $60 per year, while minor tourist accommodation (not already covered under the tourism/ commercial rate) were levied $200 each per year. The special charges raised nearly $200,000 per year. The combined revenue generated approximately $670,000 per year for Surf Coast Tourism, which its board invested back into the future of the industry. By 2006, when the Council had been operating the system for eight years, the commercial/ industrial differential rate was 90% greater than the residential rate in the dollar, B&Bs were being levied $200 per annum and holiday homes paid $65 per annum. The 2005-2006 budget projected revenue from the scheme of $887, 234, of which about $750,000 was earmarked to help meet its tourism expenditure.

However, the system had its problems. Absentee home owners were able to contest the $65 charge by simply completing a declaration. Council had identified 7,457 holiday homes, but only 1,500 were paying the charge.

The level of administration for the holiday home component was also considered to be excessive relative to the return. Even though B&B operators were not included under the commercial rate and were clearly frontline beneficiaries of tourism activity, the number of B&B operators paying the special charge of $200 per year was steadily declining. After ten years of operation, the Council abandoned the special charges in 2006 and adopted a new system.

The hybrid system retained the Differential Commercial Rate to capture revenue from commercial businesses, but instead of the Special Charges, businesses can now opt-into a membership scheme that provides them with specific local and regional marketing benefits. Businesses who pay the commercial rate can now apply for part of their payment to be credited against a full membership in both the local and regional tourism organization (i.e. Surf Coast Tourism and Geelong-Otway Tourism). Administration of the membership, including invoicing, is undertaken by Geelong Otway Tourism. Sixty per cent of the membership fee is returned by Geelong Otway Tourism to Surf Coast Tourism. The remainder of the monies generated from the commercial rate are directed by Council to the development of the tourism industry, including operation of the visitor information centres.

In the intervening period, regional tourism structures have evolved. Partnership arrangements have changed but this core tourism funding formula remains in place. Picking up contributions from small accommodation establishments remains a key challenge

Source: Growing Destinations, Tourism Victoria

Issues and Challenges

Funding for local and regional tourism organisations in Victoria highlights a number of issues and challenges which are pertinent to circumstances in the Sunshine Coast;

- There has been a general move towards funding via consolidated differential business rates. The reasons for the move are varied, but include simplifying the rate collection systems, and reflecting the overall management and financial circumstances of councils
- Rate collection is primarily carried out by Councils, with costs being covered within authorities' overall rate collection responsibilities
- Surf Coast provides an example of a different approach to ensuring holiday home owners and smaller accommodation businesses contributed to overall funding.

Byron Shire Council (NSW) Tourism Levy

In 2011 the Tourism Advisory Committee (on behalf of Byron Shire Council) investigated the introduction of a tourism levy on local ratepayers.

Council resolved on 10 June 2010 (10-446) that discussions be initiated through the TAC on the detail of a special rate for tourism from business properties in the Shire and reiterated that levied funds needed to be focussed on developing and maintaining infrastructure. The TAC considered a range of revenue-raising options to manage tourism. It also looked at the application process, criteria and timelines required to prepare a submission to the NSW Minister for Local Government for a special Tourism Levy or special variation to the general rate for the Byron Shire.

In 2011, the Strategic Planning Committee noted that the Independent Pricing and Regulatory Tribunal had brought forward the dates for making an application for a special rate for 2012/13, reducing the time available for community consultation, and resolved under delegated authority (Resn 11-938) that consultation be deferred to 2012, with the intention of making an application for the 2013/14 financial year.

Implementation of the program has not yet progressed. Key considerations where lack of consensus on levy terms and community support.

Collection Method

A consensus on who would be subject to the levy was not agreed Members of the TAC put forward the view that the levy should be paid by all ratepayers , as it was believed everyone in the Shire would benefit from resulting tourism expenditure and support for employment. Council disagreed with this view, deeming the levy should solely be applied to businesses.

Levy Disbursement

Council had forecast raising an annual income of approximately $200,000 from the levy to help fund a range of projects identified in the Tourism Management Plan.

The Levy and Governance Project Reference Group has identified a variety of potential revenue sources as alternatives or adjuncts to a tourism levy. These will need to be given further consideration if the goal of sustainable tourism is to be achieved especially in light of Council's decision not to proceed with consultation on a tourism levy in 2013.

Issues and Challenges

Community Views – local experience of implementation of previous special purpose funding schemes was mixed.

Variable Support for Implementation – there was support from the Chamber of Commerce, but support from other agencies was less clear.

Time Constraints – There were a range of internal and external time constraints in making an application to implement a special tourism rate, including upcoming Local Government elections in 2012.

Legal requirements - In NSW, Councils require consent from the State Government to levy an additional rate on local businesses.

Inverness and Loch Ness, Scotland - Uniqueness Tourism BID Ltd

A Business Improvement District (BID) is a private-sector led initiative where businesses within a clearly defined geographical area, work together, invest and collectively deliver projects that will make an impact on their area over an agreed period.

The Inverness and Loch Ness BID operates for a five year period, with Uniqueness Tourism BID Ltd – the BID management company being accountable to its funding businesses. Formation of a BID is via a ballot of eligible businesses, with a majority of the number of ballots and the rateable value of the total eligible businesses being required to allow the BID to proceed.

Over the past few years, the popularity of BIDs in the UK as a means of businesses supporting programs of activity has grown significantly - there are currently 163 BIDs. BIDs have typically been town centre and retail focused - Inverness and Loch Ness is currently the only dedicated Tourism BID. Tourism BIDs

There are 363 businesses tourism-related businesses included in the Inverness and Loch Ness Tourism BID. Aside from whether-or-not a business is in the designated geographical area covered by the Tourism BID there are two other criteria that determine participation. The first is that only businesses, as detailed on Council's Valuation Roll in the sectors identified are included (see table below). The other basis for inclusion is that only businesses with a non-domestic rateable value of £2,000 or above are included. This means that businesses without a nondomestic rateable value or those which are below the £2,000 threshold are exempt from paying the levy. However, they can if they so wish 'opt–in' by paying an annual fee and become a non-levy paying stakeholder.

Collection Method

Levy funds are collected by Highland Council as part of its overall local business rate collection responsibility. The cost of collection is covered by the Council. Mechanisms are in place to ensure that businesses that move to the area are captured by the rating system.

The Inverness and Loch Ness Tourism BID projects and activities do not replace statutory services that are already provided by Highland Council and other public bodies. The Tourism BID has agreed baseline service agreements with its partner organisations to ensure business owners that the levy payment will be used for additional projects which the businesses voted for in the Tourism BID ballot.

Levy fees are based on a flat sum for identified bandings of rateable values. Cost to businesses was presented as a 'cost per week' amount.

Total annual income of £240,000 (approximately $480,000) is forecast, $340,000 of which will be generated by the business levy (refer to Table 6 on over page).

Table 6 Forecast BID Income

Income	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Levy	£170,000	£170,000	£170,000	£170,000	£170,000	£850,000
Forestry Commission	£10,000	£10,000				£20,000
Common Good Fund	£20,000	£20,000	£20,000	£20,000	£20,000	£100,000
Highland Council	£20,000	£20,000	£20,000	£20,000	£20,000	£100,000
VisitScotland	£20,000	£20,000		£20,000		£60,000
Total	**£240,000**	**£240,000**	**£210,000**	**£230,000**	**£210,000**	**£1,130,000**
Expenditure	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	
Marketing and Promotion	£78,000	£78,000	£64,000	£70,000	£64,000	£354,000
Conference and Business Tourism	£48,000	£48,000	£40,000	£48,000	£40,000	£224,000
Events	£10,000	£10,000	£10,000	£10,000	£10,000	£50,000
Infrastructure	£22,000	£22,000	£23,000	£23,000	£23,000	£113,000
Business Development	£10,000	£10,000	£10,000	£10,000	£10,000	£50,000
Management & Operational Costs	£60,000	£60,000	£52,500	£57,500	£52,500	£282,500
Contingency	£12,000	£12,000	£10,500	£11,500	£10,500	£56,500
Total	**£240,000**	**£240,000**	**£210,000**	**£230,000**	**£210,000**	**£1,130,000**

Levy Disbursement
Disbursement is via the not for profit BID company specifically set up for managing the business improvement district, Uniqueness Tourism BID Ltd. The company has also taken on the formal destination management organisation role.

The money raised is ring-fenced for the use of the Tourism BID Company to deliver the projects and services as detailed in its Business Plan. The activities identified in the business plan are prioritised by tourism businesses. Areas of project activity include;

- Conferences and Business Tourism
- Events and Festivals
- Business Support
- Access and Infrastructure
- Advocacy.

Economic Benefits
The Inverness and Loch Ness BID has been operating for less than 1 year, therefore there is limited evidence currently available to demonstrate economic benefits and impact. A series of outcome driven (overall destination tourism volume and value) and output (direct measures such as marketing ROI, PR value, stakeholder satisfaction) measures have been identified, with a requirement to identify benefits at beneficiary (business) level where practical.

The decision to form the BID was partially driven by recognition that previous funding arrangements for the Regional Tourism Organisation were no longer financially sustainable. There was also a tacit understanding that the contraction in public sector expenditure in the UK in the short and medium terms meant that a business-led approach to supporting tourism service delivery was a prudent direction to take.

Comparator Summary

In terms of issues arising from domestic and international tourism funding trends for Sunshine Coast Regional Council to consider, we would highlight the following;

- Dedicated tourism business levies are limited in number throughout Australia – Gold Coast provides the most appropriate direct example
- Victoria has seen a trend towards supporting tourism investment via general business differential rates rather than ring-fenced tourism budgets
- Collection of differential rates schemes is always via Council - there is limited evidence of collection costs being passed on to partner/disbursement partners
- Alternative funding models such as bed taxes which are popular in North America and parts of Europe have been resisted in Australia
- Public sector's ability to sustainably fund tourism investment from core budgets is likely to become increasingly limited – expectations are that local, state and federal tourism agencies will continue to look at alternatives where businesses and/or consumers make leading contributions. Having independent income streams, and avoiding reliance on other external funders is a positive position to be in
- Funding solutions often directly reflect local financial, political and business circumstances
- Categories of businesses included in distinct tourism levies vary considerably - frequently the rationale is practical i.e. working backwards from a minimum level of income needed for an appropriate scale of investment, achieving a balance of cost/ benefit in terms of collection costs, consideration of previous partnerships and funding regimes
- Mechanisms which seek to deliver buy-in from smaller businesses and short-term let holiday homes who are bone fide tourism businesses without excessive cost, have experienced mixed success. Hybrid membership/differential rates schemes are presented as a potential solution
- Effective communication to obtain business/ community buy-in and support to funding schemes is essential
- The ability to demonstrate impact to beneficiaries i.e. the funding businesses is important in terms of engendering commitment as well as long term sustainability of the funding stream
- Measurement of the net impact of levy funds on visitor economies is a complex topic, particularly in terms of marketing investment - making a direct correlation between marketing investment and overall visitation is difficult. Measurement of levy funds can be enhanced by having a series of performance-related KPIs alongside destination-level visitation and performance outcomes.