9 June 2017

The Hon Greg Pearce MLC
Chair
Inquiry into Regional Development and a Global Sydney
Standing Committee on State Development

Via email: alexander.stedman@parliament.nsw.gov.au

Dear Chair

RE: Inquiry into Regional Development and a Global Sydney

The NRMA welcomes the opportunity to provide comment to the Inquiry into Regional Development and a Global Sydney.

The NRMA provides motoring, mobility and tourism services to 2.4 million Members across Sydney, regional NSW and the ACT. The NRMA works with policy makers and industry leaders to advocate for increased investment in road infrastructure and transport solutions to make mobility safer, provide greater access to affordable and reliable transport services, and to support the growth and development of regional communities.

The NRMA has a keen interest in ensuring the communities in which our Members live, work and holiday continue to grow and prosper. Fifty per cent of NRMA Members are based in rural or regional NSW. The NRMA is also one of the largest operators of holiday parks across Australia, 15 of which are based in regional NSW including Dubbo, Port Macquarie, Merimbula, Jindabyne and Umina.

Improving transportation links and growing visitation to regional tourism destinations is of critical importance given 87 per cent of travel to regional NSW for holiday and leisure purposes occurs by car. This inquiry offers the opportunity to investigate ways in which industry and government can work together to grow regional economies, support tourism dispersal and improve access to employment and business opportunities across the state.

The NRMA's submission will focus on three key areas:

- current trends in population growth in regional NSW and the implications for policy makers,
- the value of tourism to regional communities, and
- the opportunity to encourage greater visitor dispersal to regional NSW.

REGIONAL NSW ECONOMIES

Regional NSW is the largest and most diverse regional economy in Australia. It is home to approximately 2.9 million people, representing 40 per cent of the NSW population. Regional NSW contributes around a third of the Gross State Product (GSP) at $138 billion[1].

Headline Economic Indicators					
Region	Gross Regional Product ($b)	Regional percentage	Population 2011	Employment 2013	Unemployment Rate %
Central Coast	10.8	7.8%	322,650	150,967	6.4
Central West/Orana	16	11.6%	276,750	131,934	6.4
Far West	2.9	2.1%	48,100	19,081	7
Hunter	38.5	28.0%	604,550	297,155	5.1
Illawarra	16.2	11.8%	385,250	167,159	7.4
Riverina-Murray	13.6	9.9%	266,350	126,459	6
New England-North West	8.9	6.5%	182,600	82,900	6.4
North Coast	20.6	15.0%	584,150	241,385	6.6
South East and Tablelands	10.2	7.4%	261,800	126,371	4.4
Totals	137.7	100.0%	2,932,200	1,343,411	6.2

Regional NSW has long been dominated by agricultural and mining sectors due to the state's rich natural resources. However, the nature of employment and demographic structure of the regions is changing, and so too will its base for economic development.

In research commissioned by the NRMA, the Regional Australia Institute (RAI) found that contrary to popular belief, regional Australia's population is not in fact in a state of decline, and that higher rates of population growth in big cities is not driven by Australians moving from the regions to the city. Instead, regional Australia exhibits lower population growth than cities because it does not attract its share of international migrants[2].

Population projections to 2026 indicate an expected 16 per cent increase in the population in regional Australia compared to 17 per cent in metropolitan areas. In regional NSW, cities like Bathurst, Coffs Harbour and Newcastle are expected to experience population growth of between 11-15 per cent over the next decade. Others like Tamworth, Gosford-Wyong and Shoalhaven will also grow between 6-10 per cent[3].

For every regional town centre that is expected to experience growth, there are similar cities that are expected to decline including Broken Hill, Balranald, Cobar and Moree Plains. These regional town centres all have projected declines in population to 2036[4].

The industries that support employment in local economies have also begun to shift. The RAI has identified high-tech, high-touch and high-care jobs including professional, scientific and technical services, education and training and healthcare will be the key industries that will support future employment growth to 2030.

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[1] Department of Industry (2017) *Why Sydney and NSW – Regional economies of NSW* www.industry.nsw.gov.au

[2] Regional Australia Institute (2017) NRMA Discussion Paper – February 2016, p.4-6

[3] iBid 2

[4] Department of Planning and Environment (2016) *Population Projections – 2016 Projection data by LGA* www.planning.nsw.gov.au

Tourism, as Australia's largest services export sector, is one such industry that offers enormous potential for growth.

As we confront the challenge of a population near 40 million by 2061, for every 100,000 Australians who choose to live in growing small cities rather than our big five cities, the RAI estimates an additional $50 billion will be released into the economy over the next 30 years in reduced congestion costs and increased consumption[5].

The challenge for regional NSW is being able to support local communities as they transition to service-based economies, while maintaining sufficient infrastructure to those that are in a state of decline.

TOURISM AS A SUPER GROWTH INDUSTRY

Tourism has been identified as a sector that can provide significant opportunities for regional development and export growth. Deloitte Access Economics' paper *Positioning for Prosperity? Catching the next wave* identified tourism as one of Australia's five super growth industries – second only to gas – with the sector expected to grow more than 10 per cent faster than global gross domestic product. Australia's top five super growth industries including tourism have the potential to deliver an additional $250 billion to the national economy over the next 20 years if these growth projections are realised.

Tourism contributes $32.3 billion to the NSW economy, of which $17.3 billion is captured in Sydney (54 per cent) and $14.9 billion is directly attributed to regional communities. NSW receives the lion's share of total tourism visitation and spend in Australia, receiving approximately 30 per cent of total visitors, spend, and nights in the country[6].

Since 2011, regional NSW has seen a 17 per cent increase in overnight visitation, with a 15 per cent increase in visitors over the same period[7]. However, Sydney maintains a higher share of visitor nights and expenditure. Regional dispersal including greater length of stay and expenditure in regional NSW is necessary to support economic growth of these communities and the 84,600 people employed regionally in the sector.

Trends in regional visitation

Regional NSW accounts for approximately 70 per cent of total domestic overnight travel in NSW, with 36 per cent of domestic overnight visitors coming from Sydney[8]. Regional NSW received 20.9 million domestic overnight visitors for the year ending December 2016, up 6.9 per cent[9]. By comparison, Sydney received 9.2 million domestic overnight visitors, growing at only 1.5 per cent over the same period.

However, the largest differences in visitation between Sydney and regional NSW can be seen in their shares of both international and domestic overnight visitation. International visitors account for 10.9 per cent of visitation to Sydney and 74.9 per cent of visitor nights, yet only account for 1.3 per cent of visitors and 15.9 per cent of visitor nights in regional NSW. Further, spending by international visitors in Sydney accounts for 44.9 per cent of total visitor spend in Sydney, while it only accounts for 5.9 per

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[5] Regional Australia Institute (2017) *NRMA Discussion Paper,* February 2016

[6] Destination NSW (2016) *NSW Visitation – International and Domestic Overnight, Year ending December 2016*

[7] Destination NSW (2016) *Travel to regional NSW*, Year ended December 2016

[8] Destination NSW (2016) *Travel to regional NSW*, Year ended December 2016

[9] Destination NSW (2016) *Travel to regional NSW*, Year ended December 2016

cent in regional NSW[10]. Encouraging greater dispersal of international visitors to regional NSW is a key consideration for the economic growth of these communities.

This will be critical among our key international source markets, particularly from Asia. China will soon be Australia's largest source market, with 1.2 million Chinese visitors to Australia during the year ending December 2016; an increase of 16.9 per cent[11]. Of these visitors, 46,000 visited regional NSW. These visitors spend more and stay longer in regional NSW than any other international visitor cohort including the UK, New Zealand, Germany and the US. Chinese visitors spent a total of $131 million and stayed on average 29.7 days in regional NSW. This compares to only $95 million and 12.8 days spent on average by our largest source market NZ in regional NSW[12].

The propensity of Chinese visitors to travel to regional NSW has also increased over time. Two-thirds (66 per cent) of holiday visitors and 44 per cent of visitors travelling to see friends and relatives (VFR travellers) arriving in Sydney dispersed beyond their city of arrival[13]. This compares to only 4 per cent recorded in 2011[14].

There is huge potential to capture greater spend from emerging international source markets as these markets mature and become more comfortable with free and independent travel (FIT).

Domestic Travel

Holiday travel and VFR are the two main purposes for visitation to regional NSW, with private vehicle accounting for 87.3 per cent of transport of domestic overnight travellers[15]. This is further supported by Kantar TNS *Domesticate* research which indicates that Australians' domestic holiday needs are best fulfilled through regional Australia, with 1 in 4 Australians associating regional destinations with peaceful moments of quiet and reconnecting with family and friends. Regional NSW is the most visited regional destination in Australia (41 per cent) and the most popular regional destination (43 per cent) that people are seriously considering visiting in the next 12 months for a holiday or short break[16].

Further, visitation to regional NSW is expected to grow steadily over the coming years, with domestic visitor nights forecast to increase to 87.4 million by 2024-25, an average annual growth rate of 3.0 per cent. This growth rate is higher than that of Sydney, with domestic visitor nights expected to increase by only 2.2 per cent to 31.0 million by 2024-25. However, Sydney is expected to see slightly higher growth in international visitor nights to 115.1 million by 2024-25 (an increase of 5.5 per cent), compared to regional NSWs' rate of growth of 5.2 per cent (or 20.6 million nights)[17].

The above analysis highlights two main points for discussion: Sydney will always remain the major gateway destination for international visitors, particularly with emerging source markets in Asia. However, there is a considerable opportunity to encourage greater regional dispersal from metropolitan areas to regional NSW.

Recognising the attractiveness of regional NSW as a domestic holiday destination and the prevalence of car use to facilitate these trips, the state's road network is of critical importance in encouraging regional dispersal and growth of tourism in these economies.

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[10] Destination NSW (2016) *Travel to regional NSW* and *Travel to Sydney*, Year ended December 2016

[11] Tourism & Transport Forum (2017) *Overseas Arrivals Summary by Airports & Key Markets*, Dec 2016 edition – Feb 2017

[12] Destination NSW (2016) *Travel to regional NSW*, Year ended December 2016

[13] Tourism Research Australia (2015) *Dispersal of Chinese free and independent leisure visitors in Australia*, Summary, March 2015, p. 6

[14] Tourism Research Australia (2011) *Visitor dispersal from Sydney to regional NSW – Summary of results,* p. 2

[15] Regional Australia Institute (2016) *NRMA Discussion Paper*, February 2016, p 11.

[16] Kantar TNS (2017) *Domesticate 2017*

[17] Destination NSW (2016) *Travel to regional NSW* and *Travel to Sydney*, Year ended December 2016

FACILITATING GROWTH IN REGIONAL NSW

Addressing Sydney congestion

The NRMA has consistently highlighted the impact urban road congestion has on the economic development of the entire state. Congestion is estimated to cost the state $6.9 billion a year in lost economic activity with this number expected to rise to $12.6 billion by 2031[18]. However, the NRMA would contend this congestion also restricts the dispersal of visitors to regional NSW, particularly from Sydney.

The NRMA has long advocated for critical upgrades to the national highway network, namely the Pacific Highway, Princes Highway, New England Highway, Newell Highway, and Great Western Highway. These infrastructure upgrades are not only critical to reduce fatalities and serious injuries on our roads, but also facilitate the movement of freight that supports trade, as well as tourism that supports regional communities.

For example, the Pacific Highway facilitates visitation to Tuncurry/Forster, Port Macquarie, South West Roads, and Byron Bay. The Princes Highway facilitates visitation to Sussex Inlet, Jervis Bay, Moruya, and Merimbula. Most regional tourism destinations are reliant on major highways to facilitate trade and economic activity in their region.

However, delays and congestion along these corridors act as inhibitors to visitation and trade. In a recent Infrastructure Audit Report, the cost of delays on the Sydney – Newcastle – Wollongong corridor was estimated at $5.6 billion in 2011, with this number expected to increase to $14.8 billion by 2031. Further, the NRMA's Business Motoring found 84 per cent of Members believe congestion has increased over the past 12 months, with this number increasing to 93 per cent when surveying Members located in Sydney.

Addressing congestion in and around Sydney is necessary to ensure greater connectivity with regional NSW. Reduced congestion means reduced travel time which in turn leads to more time spent in the regions and reduced frustration for travellers.

Addressing the backlog of local road infrastructure

Addressing Sydney congestion is only one part of the equation when encouraging regional dispersal. Local roads, particularly in regional tourism destinations, also play a key role in facilitating tourism.

The NRMA's *2016 Funding Local Roads* paper highlighted a $1.8 billion infrastructure backlog in local roads across NSW. Local roads located in regional NSW account for 72 per cent of this infrastructure deficit at $1.3 billion[19]. The report highlighted that many local councils lack the resources and expertise to undertake significant infrastructure upgrades necessary to support local commerce, freight and commuter movements.

In addition, 67 per cent of fatalities occur on country roads[20]. Addressing the condition of road infrastructure in regional NSW is critical to safe mobility, as well as encouraging safe travel by tourists and visitors.

While funds such as Roads to Recovery and Financial Assistance Grants exist, some allocations may not be spent in the year in which they are allocated due to a number of factors including limited council resources, timing priorities and falling general council revenues.

Consideration should be given to encouraging local councils to develop a priority list of key local road infrastructure upgrades requiring immediate attention, and work with state and federal governments to ensure

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[18] BITRE (2015) *Traffic and congestion cost trends for Australian capital cities*, Information Sheet No. 74

[19] NRMA (2016) *Funding Local Roads – Recommendations to clear the infrastructure backlog*

[20] Centre for Road Safety (2017) *Towards Zero – Road Safety Plan development,* May 2017

program funds are effectively targeted to those projects. Where funds cannot be provided from local, state or federal grants, innovative funding options including private sector involvement should be considered to deliver critical projects ahead of schedule.

ENCOURAGING REGIONAL DISPERSAL

Sydney is the state's, and indeed Australia's, major gateway. As a result, it will always enjoy a healthy stream of international and interstate visitation. However, a significant opportunity exists to encourage visitation beyond the city through greater connectivity with the state's gateway destination. Offering unique experiences, improving attraction signage and increasing tourism promotion will be critical to encouraging greater regional dispersal.

Coordinating the development of tourism infrastructure and experiences

As a collection of separate yet interrelated industries, the tourism industry by nature suffers from disaggregation, often making it difficult to coordinate the delivery of key visitor infrastructure and experiences.

A key example is the delivery of driving trails to key visitor attractions. While facilitating visitation through tourism marketing remains the responsibility of the Minister for Tourism through Destination NSW, the coordination and maintenance of driving trials and tourism assets rarely falls within the responsibility of the tourism portfolio. Instead the Minister for Roads, Minister for Environment and Heritage, and in some instances, the Federal Government, are responsible for these assets. In addition, local governments have responsibility for maintaining roads and visitor facilities such as rest stops and parks that again fall outside the remit of the tourism portfolio.

All these challenges however are not new and are well understood by industry and government. Significant work has already been done to coordinate all levels of government at a destination level to deliver integrated visitor experiences through Destination Management Plans. However, more should be done to bring projects identified in these plans to market, including associated road infrastructure that chould be improved.

Visitor signage

The upgrade of major arterial roads will encourage greater connectivity and shorter travel times to key economic hubs and tourism destinations. However, there is concern these arterial roads may result in regional tourist destinations being bypassed, resulting in a loss of economic activity in local communities. Visitor signage plays a key role in encouraging visitors into local regions. These 'pit-stops' not only reduce the instance of fatigue, but also encourage spend in local town centres.

Visitor signage is often difficult to read and confusing, and further, often does not provide the real-time information on the suitability of visiting certain attractions (i.e. visiting national park attractions during flooding) that visitors need. The look and feel of visitor signage is inconsistent across jurisdictions depending on whether it has been funded by local, state or federal government agencies, causing additional confusion among interstate and international travellers.

There is a role for all levels of government to deliver consistent and uniform wayfinding signage and supporting Apps to facilitate visitation on popular self-drive routes. Technology could play a large role in providing up-to-date visitor information and suggested itineraries to encourage visitors to increase their length of stay. Further, interactive visitor signage could potentially double as public service announcements during natural disasters or major traffic incidences on the roads.

Destination Networks

The NRMA acknowledges the reform currently being undertaken of the state's Destination Networks and the economies of scale that will be delivered through the changes. The Destination Networks are critical in providing important connections between the regions and Destination NSW from a coordination and tourism marketing perspective.

The NRMA seeks to ensure that these networks are sufficiently resourced and regional tourism continues to be a core focus of campaigns developed by Destination NSW, noting the $13 million Regional Tourism Fund and $43 million to reform the Destination Networks. The private sector requires certainty of funding and profiling of regional destinations to encourage greater investment in product and their own marketing activities.

Industry remains keen to engage with representatives of the Destination Networks given the considerable time it has taken to appoint appropriate representation in the roles. The NRMA would support the opportunity for industry to work with representatives of the Destination Networks to deliver key programs and action plans to support growth in regional visitation.

CONCLUSION

The NRMA welcomes the opportunity to provide comment to the Inquiry into Regional Development and a Global Sydney. As the structure and economic base of regional NSW changes, improving transportation links and growing visitation is necessary to support trade and employment opportunities in local communities.

As regional communities transition to high-tech, high-touch and high-care service industries, tourism offers a unique opportunity to diversify the economic base of these regions. In order to facilitate greater visitation, improving connectivity and reducing congestion in and around Sydney will be paramount. Further, upgrading local road infrastructure, prioritising projects for delivery and standardising visitor attraction signage will improve the visitor experience and encourage greater length of stay and spend in local communities.

Regional NSW must continue to be appropriately supported by Destination NSW and Destination Network representatives, and encourage greater collaboration between industry and government in facilitating greater visitation to the regions.

If you require any further information regarding this submission, please contact NRMA Senior Manager – Public Policy & Research, Carlita Warren, on (02) 9276 7268 or Carlita.Warren@mynrma.com.au.

Yours sincerely

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