

16 July 2010

Mr Gary Banks AO
Chairman
Performance Benchmarking Australian Business Regulation
Productivity Commission
PO Box 1428
Canberra City, ACT 2601

planning@pc.gov.au

Dear Mr Banks,

**Re: Performance Benchmarking Australian Business Regulation - Planning,
Zoning & Development Assessments**

Submission from the Victorian Tourism Industry Council - Part A

The Victorian Tourism Industry Council (VTIC), together with the affiliated tourism and events associations within VECCL's Tourism & Events Unit - Tourism Alliance Victoria, the Victorian Events Industry Council, the Hotel and Motel Accommodation Association (Vic.) and the Backpacker Operators Alliance of Victoria - welcomes the opportunity to respond to the Productivity Commission's Study on Performance Benchmarking Australian Business Regulation - Planning, Zoning & Development Assessments.

In mid-June 2010 the Sustainable Tourism Cooperative Research Centre (STCRC) published a timely report on tourism investment in Australia (Drimi, S., Robinson, J., Tkaczynski, A., & Dwyer, L. (2010) *Tourism Investment in Australia - A Scoping Study*), to which a number of our members provided evidence for research case studies. The scoping study found that impediments to tourism investment in regional destinations included:

- the complexity and length of project assessment processes, particularly in areas of high environmental, cultural and/or historic value; and
- lack of, or uncertainty about, supply of suitable land in some locations.

These findings were reflected in our consultations with other tourism stakeholders from local government, the private sector and government agencies, which also revealed some common themes in the issues identified by these groups. These relate to the processing time of planning and development applications through a number of local councils and the Victorian Civil and Administrative Tribunal (VCAT); and the need for more specific guidelines about what types of development are feasible and acceptable in the context of local planning and zoning overlays.

The feedback also points to a lack of understanding within some local governments of the value of tourism and the ability for tourism investment and development to drive and grow local economies. This is of fundamental concern to VTIC and will impact on the industry's capacity to facilitate investment and regulatory reform, a key priority area identified in the National Long-term Tourism Strategy (NLTS).

Case Study 1 - Experience of Local Government in Interface Areas:

Tourism development in many of the eight Interface Councils¹ surrounding Metropolitan Melbourne is problematic as these Councils also manage Green Wedge areas within their local government area, which are set aside to help conserve rural activities, significant natural landscape features and resources between metropolitan Melbourne's growth corridors. Despite in principle support for tourism industry development, feedback from one Interface Council indicates that meaningful and significant tourism development in their local government area cannot be achieved with this zoning overlay and the associated planning restrictions.

Tourism developments, by their nature, are often 'mixed business', comprising a combination of functions including hospitality, accommodation, tourist attractions, recreational activity and retail. Where these functions do not directly contradict the land use permitted in a Green Wedge area, the scope of the function is heavily restricted, such that the business is no longer commercially viable. Business diversification is restricted, limiting value-adding products such as retail outlets (with the exception of wineries) and current planning rules dictate that tourism needs to be "in conjunction" with structured agricultural activities. Another related issue is that the current preoccupation with agriculture as the sustainable use in Green Wedge area ignores the significant environmental benefits of allowing tourism and other economic activities that could link their operation with specified environmental benefits on the ground.

One example is a multi-million dollar tourism investment in Melbourne's outer north-west, which took place prior to the Green Wedge zoning of the area. The business now operates under certain conditions. For example, the current capacity of the cafe on the premises is limited to 25 people, severely restricting the ability of the business to attract large groups. Whilst these restrictions can be lifted with a Planning Scheme Amendment submission, the amendment is site-specific only, meaning a case-by-case approach is currently undertaken rather than a consistent, regional view.

Another example from the same region is a proposed development for a lavender farm with accommodation. Whilst the farm itself meets the agricultural requirements of the zone, extra evidence is required by the landowner to prove that the agricultural component will not be overshadowed by the commercial aspects of the business. The landowner is required to work harder in providing a strong business case.

More work is needed to help facilitate investments that result in sustainable tourism development that realises the economic potential of these Interface Council areas without compromising their liveability and amenity.

VTIC's position:

The planning and development approvals process must be streamlined in order to reduce unnecessary development costs and avoid delays. This is particularly important where

¹ Cardinia Shire Council; Hume City Council; Melton Shire Council; Mornington Peninsula Shire; Nillumbik Shire Council; Whittlesea City Council; Wyndham City Council; and Shire of Yarra Ranges.

multiple licences are needed for single activities or events and where repeat licences are needed for regular events or activities. In such cases, the use of a series licence may be applicable. There is currently a considerable gap between tourism policy objectives and Victoria's planning system. Not only must the regulations be appropriately aligned, but they must also be effectively implemented and interpreted to ensure clarity. Uncertainty around regulations and timeframes for approval is discouraging investment in Victoria.

Case Study 2 - Experience of a Private Sector Investor

Please refer to Part B of our submission, provided under separate cover for reasons of confidentiality.

Victoria's Nature-based Tourism Strategy 2008-2012

The strategic directions of Victoria's Nature-based Tourism Strategy 2008-2012 focus heavily on the creating an 'enabling environment' that will attract viable and innovative nature-based tourism investment to Victoria. Some initiatives that will contribute to such an environment are already in train, such as the amendments to the Crown Lands Act in late 2009, providing leases of up to a maximum of 65 years and matching tenure to return on investment; and approval to introduce 10 year permits to eligible tour operators on public land. Work is also underway to develop design guidelines for nature-based tourism, incorporating important information about the planning process, which places the development of a nature-based tourism business in the context of planning and policy frameworks in which it will evolve and operate.

VTIC's Position:

Despite some progress, by international comparisons Victoria still lags in its provision of high quality, high yield, luxury nature based and regional accommodation. Further reform is needed to the planning system, which still presents a significant barrier to new private sector investment. Recent government investment in bays and maritime infrastructure, and investment in infrastructure and supporting services in national parks has been positively received by industry. Again, this needs to continue over time, while removing remaining barriers to complementary private sector investment.

Concluding Comments

In summary, VTIC recommends:

- Streamlining of the planning and development application and approval process to reduce unnecessary development costs and avoid delays;
- Provision of progress reports on the status of applications from local government and VCAT to applicants;
- Provision of guidelines regarding what types of development are acceptable and not acceptable in a given zone or land area;
- A review of planning and zoning regulations in Interface Councils in recognition that tourism developments can provide a meaningful connection between rural and urban areas that can also have economic and environmental benefits to local economies;

These recommendations align with the findings of the STCRC study into tourism investment in Australia, which also advocates for the improvement of the efficiency of the project assessment process and information available to project proponents. Indeed the study goes further in proposing the following initiatives, which we would also support:

- A Public Private Partnership approach to tourism infrastructure investment
- Facilitation of project assessment of land for development
- Assessment and release of land ready for low-impact tourist development, particularly in areas culturally and or environmentally sensitive

For further information please contact me on telephone (03) 8662 5426, and email tblake@vecci.org.au

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'T. Blake', with a long horizontal flourish extending to the right.

Todd Blake
Chief Executive