

APPENDIX “D”

TOURISM PLANNING TASKFORCE REPORT

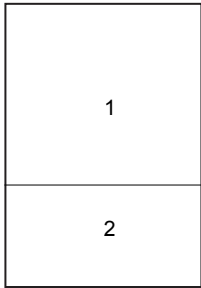
DEVELOPMENT WATCH SUBMISSION TO SUNSHINE COAST COUNCIL
MCU17/0095, MCU17/0096 AND REC17/0056

TOURISM PLANNING TASKFORCE REPORT



Report of the Ministerial Taskforce to the
Minister for Planning and Infrastructure





Front cover photographs:

- 1 Yallingup Beach Holiday Park - Western Australian Tourism Commission
- 2 Kooljaman at Cape Leveque - Western Australian Tourism Commission

Tourism Planning Taskforce Report.

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Foreword

Tourism generates jobs and wealth for Western Australians. In 2005, over 6.5 million people visited the State generating approximately \$4billion in income. Direct and indirect tourism employment is estimated at 72,000 people - approximately 7.7 percent of the Western Australian workforce. Tourism is particularly important in providing jobs in regional areas.

In September 2002 we established the Tourism Planning Taskforce to investigate whether our planning rules properly catered for this industry – how we protected tourism sites from inappropriate residential development, how we could better zone caravan parks and what impact strata titling had on tourism facilities.

The Taskforce investigations provided the opportunity for the factors and issues that have shaped the development of the State's unique and highly valued tourism industry to be explored. This in turn led to the setting of key principles, which will ensure a sustainable tourism industry, based on appropriate development and the maintenance of affordable and equitable access to the community's most valued holiday locations.

The key principle identified is that **a sustainable tourism industry, with its many inherent benefits, requires tourism development to be undertaken for tourism purposes.** To achieve this, the Taskforce has recommended an increased focus on land-use planning for tourism, formulated at a regional and local level. Also recommended is a State framework that recognises the high value the community places on strategic sites, and emphasises the continuing use of these for tourism purposes.

This Report presents a significant reform of tourism planning in Western Australia. The Government's endorsement of the Report recognises that greater emphasis will be given to land use planning for tourism in Western Australia.

In releasing this Report, I would like to acknowledge the Hon Adele Farina MLC and the taskforce members for their considerable efforts in its formulation. Their diverse range of expertise has resulted in a balanced and comprehensive suite of recommendations.

I commend the Report to you and look forward to a continuing role in its implementation.

Alannah MacTiernan MLA

Minister for Planning and Infrastructure



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Summary

- In September 2002, the Minister for Planning and Infrastructure, the Hon Alannah MacTiernan MLA established a taskforce to examine issues surrounding the trends of introducing residential components to tourism developments on tourist zoned land and the strata titling of tourism developments. This report outlines the findings and recommendations of the taskforce.
- In establishing the taskforce, the Minister noted that policy development would require investigation of potential impacts generally, and on:
 - the maintenance of a high level of accessibility to prime recreation areas by the general population;
 - the high potential of tourism development to generate regional employment opportunities; and
 - the maintenance of a variety of tourist accommodation options throughout the State.
- The taskforce was chaired by the Hon Adele Farina, MLC, Member for South-West Region and included members from government agencies and the tourism and development industries. Its investigations were required to address the whole of the State.

State tourist accommodation industry

- The Western Australian tourism industry, while growing consistently, is relatively immature with investment limited by: a high proportion of domestic tourists, distances and cost of internal travel, infrastructure, high seasonality and a limited range of high-end facilities, particularly in regional areas.
- Tourism in the State has a unique character, which provides a point of difference that will be important to the future national and international competitiveness of the industry.
- A strong component of the industry character in regional areas is a focus on the local market, with facilities generally being highly accessible, affordable and providing an important domestic holiday function with social, cultural and lifestyle benefits.
- The Australian trend toward coastal living will result in increasing residential pressure on existing and proposed coastal tourism sites. In response, this requires an increased focus on strategic tourism planning if the economic, social and environmental benefits of sustainable tourism are to be achieved.
- Western Australia had 6.9 million visitors in 2003 with about 11 domestic visitors for each international visitor. The average spending of international visitors is significantly higher than for domestic visitors, making them more important to the economy of the State than their numbers indicate.
- A sustainable tourism industry requires investors to be able to achieve reasonable operational returns, facilitating funding of marketing, maintenance and improvement of facilities. This is not achieved where development is real estate driven and not based on growth in tourism demand.
- Western Australia has sites and locations, which have particular attributes and characteristics of strategic value for tourism. These sites have potential for the development of facilities that achieve the competitive edge, assisting long-term viability of the industry and the quality of life in the State.

The tourism development framework

- The issues subject to taskforce investigations are not addressed at a policy level within the State planning framework, but are reflected in many local government planning schemes. A majority of these schemes provide a clear intention that tourist zoned sites are for short-stay accommodation only.
- Tourism Western Australia (previously the WATC) has established a clear position opposing the use of tourism sites for residential purposes:

“The WATC supports prime land zoned for tourist accommodation being used for demonstrated tourism purposes. The WATC is seriously concerned about the encroachment of permanent residential accommodation onto prime land set aside for tourist accommodation purposes.” (WATC Board, 2002).



- The opportunities in the State for establishment of new tourism nodes is limited by a number of factors, including: community opposition, environmental impact, lack of servicing, the conservation estate, access, physical limitations, and Native Title issues.
- The relatively detailed local government statutory framework that controls the residential use of tourist zoned land in WA is recognised as an advantage for the sustainable development of the tourism industry.

Term of Reference 1:

Undertake an examination of the merits of the justifications used by proponents in support of applications to provide residential development on land zoned for tourism purposes and consider criteria for the assessment of such claims.

- Financial justifications put forward by developers for residential use on a tourism site generally were considered valid in respect to project funding, in response to the conservative position of lending institutions for tourism development. It was not; however accepted necessarily as being in the best interest of the resulting tourism product, or the only option generally available.
- Social and management justifications used by proponents of residential use of tourism developments were seen as potentially giving rise to competing interests and greater resident/tourist conflict. There was not a high level of confidence in the purported benefits and these justifications were not considered compelling.
- The importance of a residential component in achieving funding for a tourism development essentially was ancillary to the ability to strata, and of less significance where alternative, non-strata funding arrangements were used.
- The taskforce recognised that an improved and robust planning framework is required to guide the identification and development of sites of strategic value for tourism development.

Term of Reference 2:

Assess the implications of allowing a mix of permanent and tourist accommodation on land zoned for tourism purposes in terms of:

- reducing the growth of tourist accommodation in relation to future demand;*
- potential loss of high-value tourism land (in close proximity to and with accessibility to areas of high environmental, cultural and scenic value or other locations of strong tourist interest);*
- potential land use conflicts between short-stay and permanent occupants compared to any benefits that a more mixed community may bring; and*
- other planning issues in relation to allowing a mix, such as distance from residential services and the provision of infrastructure.*
- The introduction of a residential component to a tourism development site has the potential to result in a loss of tourist zoned land, a reduced level of tourism service and tourist experience, introduction of urban infrastructure, and/or the lack of access to residential services. These are all implications of potential significance on strategic tourism sites.
- There is potential for conflict between short-stay tourists and residents in a tourism facility due to the different objectives of the two groups. This conflict can manifest itself in many ways but has two primary outcomes:
 - devaluation of the tourism experience at the development through a non-tourism character or ambience; and
 - impact on the amenity of the resident due to different lifestyle priorities to short-stay tourists, who in many cases have a higher recreation priority.

- The rezoning of a tourism site of strategic value to facilitate residential use will result in a reduction in the ability to accommodate future tourism demand and have a detrimental impact on tourism growth.
- Where sites are of a lower-order tourism value, more commonly urban-based and identified as non-strategic, then the implications of limited residential use are considered less significant. Subject to a tourism dominance in a development being retained, an integrated residential component may be appropriate in supporting the development.
- Where a residential use component is supported on a non-strategic tourism site, the taskforce concluded that a maximum of 25 per cent residential use only should be considered. Above this level, the potential for the residential use to dominate the tourism orientation of a development significantly increases. In association with this limit, specific design and management guidelines also are required if the development is to be sustainable as a tourism facility.
- There is an increased focus required on the retention of caravan parks for tourism purposes and on the extent of long-stay use and park home development appropriate within tourist caravan parks.

Term of Reference 3:

Review trends in the strata titling of tourism facilities and the operational and management impacts of various tenure arrangements. This will include assessment of the impact on: management structures, control and enforcement of occupancy requirements, increases in the cost and loss of variety in available accommodation, and increased pressure for permanent occupancy.

- The use of strata schemes for tourism developments primarily is undertaken to achieve project financing and profit realisation from such projects. It has become the dominant mechanism for financing tourism developments since the late 1980s.
- Implications of the use of strata schemes are dependent on the associated management arrangements and can include:
 - developments initiated on the basis of real estate as opposed to tourism demand;
 - loss of capacity to accommodate future tourism demand;
 - facilitation of residential and/or 'lock up' developments on tourist zoned land; and
 - delivery of a poor tourism product.
- On balance, the taskforce recognised strata schemes as important in the funding of tourism accommodation development and recommends their continued use, subject to specific requirements for integrated management and particular design requirements.
- The use of survey strata or vacant lot strata schemes increases the risks associated with achieving a bona fide tourism development. The use of such schemes are supported only where particular requirements to address construction, design, management and integration issues are proposed.
- The *Caravan Parks and Camping Grounds Act 1995* introduced a prohibition on the strata titling of caravan parks and this is supported. Extension of this restriction to include alternative low-density accommodation types also is recommended.

Term of Reference 4:

Investigate the implications of the development of permanent residential accommodation and/or strata titling of land zoned for tourism development on the valuation of individual properties and similarly zoned land under the Valuation of Land Act 1978 and associated land tax implications.

- The impact of land tax on the sustainable operation of a range of regional tourist accommodation facilities has become an issue of concern to the tourism industry over recent years. Land tax increases that are disproportionate to increases in income-earning potential have been perceived as affecting the general affordability of coastal holiday opportunities and reducing the range of accommodation available, through encouraging redevelopment.



- In addition to industry concerns, this has resulted in a significant level of public reaction, and is affecting the Government's ability to meet its objective of ensuring a range of holiday opportunities are retained in popular beachfront localities.
- These land valuation and associated land tax increases have partially resulted from trends in strata titling and residential use of tourism sites, but to a greater extent are due to the use of blanket tourism zoning classifications.
- The use of a detailed zoning framework that zones tourism sites for a specific purpose or category of tourism development can have ancillary benefits in ameliorating land tax increases through reducing the speculative effect on the valuation of such land.
- A review of land tax scales and the tax treatment of tourism properties with low capital value is required if the Government's objectives for tourism development, including the retention of a variety of tourist accommodation, are to be supported.

Taskforce recommendations

The taskforce has proposed integrated changes to the current planning policy framework for tourism development. This includes providing a high level of protection to identified strategic tourism sites and support for their development in achieving a sustainable industry, and a range of tourist accommodation throughout the State. The ability to incorporate residential components in the development of lower-order sites under specific criteria and subject to design requirements also is recommended.

The principal components of the recommended policy framework are:

- The preparation of a Land Use Planning for Tourism State Planning Policy as the primary mechanism for introduction of taskforce recommendations.
- The preparation and approval of local tourism planning strategies, or specific tourism components within local planning strategies, by local government as a framework for decision-making on tourism proposals. A local tourism planning strategy will identify strategic tourism sites or locations that provide for the retention and future development of a range of tourist accommodation to meet projected demand in that locality.
- The establishment of a specific body to work with local government in the identification of strategic tourism sites across the State.
- Local governments are to be assisted by, and consult with Tourism Western Australia and Department for Planning and Infrastructure, in the preparation of local tourism planning strategies.
- Introduction of an extended range of definitions for tourism developments with specific reference to length of stay provisions.
- Introduction of a range of tourism zonings to promote the retention of a range of tourist accommodation facilities.
- The use of Special Control Areas to introduce specific requirements in respect to strategic tourism sites and/or locations.
- Support for the continued use of strata schemes in the financing of tourism developments subject to specific requirements for integrated development and management.
- Introduction of requirements for the linking of various development components within a tourism facility to protect the tourism values of a site.
- The introduction of an interim position for adoption by the Western Australian Planning Commission and local government to guide the consideration of residential proposals on tourist zoned sites prior to the completion of the tourism components of local planning strategies.

1 Introduction

This report outlines the findings of the taskforce, based on its investigations of the terms of reference and related issues, and presents its conclusions and recommendations. The focus of investigations has been on the issues of residential components in the development of tourist zoned land and the strata titling of tourist zoned land. It also has; been necessary to deal more generally with the issue of land for future tourism development, which currently may not be zoned for tourism purposes.

In establishing its approach to the terms of reference, there was a clear acknowledgement by taskforce members of the unique character of the Western Australian tourism industry. This included the broad community accessibility to high-value recreation areas currently enjoyed, and that this point of difference will be valuable for the future success of the industry. The protection of this character through the development of sustainable tourism products, with an emphasis on the use of high-value tourism land for tourism purposes, was recognised as a key principle.

1.1 Scope of taskforce investigation

In July 2002, the Minister for Planning and Infrastructure (Minister), the Hon Alannah MacTiernan MLA, announced her intention to establish a taskforce to examine issues surrounding the trends of introducing a residential component into developments on tourist zoned land, and the strata titling of tourism developments. The Minister acknowledged the lack of strategic direction available to local government and the Western Australian Planning Commission (WAPC) when considering such applications. The Minister identified concerns with the trends in respect to accessibility to prime recreation resources for the general public, potential impacts on regional employment opportunities and maintaining a variety of tourism accommodation options.

These trends had been brought to the Minister's attention through a series of

proposed rezonings of tourism land to provide for residential use, and approaches at a government agency and local government level, on concerns with inappropriately structured strata titled tourism developments. The identified trends primarily represent the development industry's approach to dealing with the difficulties of increased financial restrictions on investment funding for tourism development. Other factors are the relative financial benefit of residential investment over tourism development in high-amenity coastal areas, and a perceived lack of viability for tourism development on some sites. The difficulty for the development industry in achieving development viability on some tourism sites is evident in their long vacancy period, with proposals based on a mix of residential/tourism use, or residential-only developments being pursued.

The scope of the taskforce investigations was to review the justifications for and implications of the identified trends and recommend a policy framework to guide the assessment of future proposals. Specific terms of reference were provided that reflected the Minister's requirement for the taskforce to report within a reasonable period and the need for ongoing assessment and determination of such applications.

The taskforce investigations addressed the terms of reference as they applied to the whole State. There was; however a particular focus on the implications of development trends in regional areas, where the majority of issues that gave rise to the Taskforce occurred, and the importance of these areas in establishing the State's tourism character.

1.2 Terms of reference

The terms of reference for the taskforce are to:

- Undertake an examination of the merits of the justifications used by proponents in support of their applications to provide residential development on land zoned for tourist purposes and consider criteria for the assessment of such claims.
- Assess the implications of allowing a mix of permanent and tourist accommodation on land zoned for tourism purposes in terms

of: reducing the growth of tourist accommodation in relation to future demand; potential loss of high-value tourism land (in close proximity to and with accessibility to areas of high environmental, cultural and scenic value or other locations of strong tourism interest); potential land use conflicts between short-stay and permanent occupants compared with any benefits that a more mixed community may bring, and other planning issues in relation to allowing a mix, such as distance from residential services and the provision of infrastructure;

- Review trends in the strata titling of tourism facilities and the operational and management impacts of various tenure arrangements. This will include assessment of the impact on: management structures, control and enforcement of occupancy requirements, increases in the cost and loss of variety in available accommodation, and increased pressure for permanent occupancy.
- Investigate the implications of the development of permanent residential accommodation and/or strata titling of land zoned for tourism development on the valuation of individual properties and similarly zoned land under the *Valuation of Land Act 1978* and associated land tax implications.
- Adopt or recommend the adoption of such mechanisms or procedures for public participation in the preparation of this report and its subsequent dissemination as are necessary to ensure a wide input into its preparation and public comment on its findings and recommendations.

1.3 Reporting

The taskforce was required to report to the Minister on the investigations and resulting recommendations in a form suitable for broad consultation with the community of Western Australia. This was achieved with the submission of the taskforce report to the Minister for release for public comment in August 2003. The taskforce then was requested to consider the outcomes of the public consultation process. This report provides the outcomes of the taskforce

investigations and final recommendations to the Minister.

In undertaking its investigations, the taskforce has been guided by the contributions of members, briefings from key stakeholders, analysis of zoning information and tourism/development statistics, public submissions, the outcome of site inspections, and expert advice as sought on specific issues.

1.4 Time line

The taskforce provided an initial report to the Minister on the terms of reference, which was released for public consultation in August 2003. Following consideration of submissions and further detailed consultation with industry representatives the taskforce finalised its recommendations in September 2004 for submission to the Minister.

1.5 Taskforce structure

The taskforce was chaired by the Hon Adele Farina, MLC, Member for South-West Region. The members comprised representatives of the tourism and development industries, local government and representatives of government agencies with roles in tourism and planning.

Members of the taskforce were:

Chair

Hon Adele Farina, MLC

Member for South-West Region

Ms Jenny Smithson

Independent Planning Consultant

Representing the Urban Development Institute of Australia (WA)

Ms Robyn Fenech

Independent Tourism and Marketing Consultant

Representing the Tourism Council of Western Australian

Mr Greg Tickle

Owner/Operator Siesta Park Holiday Resort, Busselton

Representing the Cape Naturaliste and

Augusta-Margaret River tourism associations

Mr Ben Charnaud
Independent Property Consultant
Representing the Property Council of Australia
(WA)

Mr Arnold Bogaers
Councillor and Deputy Shire President, Shire
of Busselton
Representing the Western Australian local
government Association (interim)

Mr David Hart
Councillor, City of Bunbury
Representing the Western Australian local
government Association

Mr Larry Guise
Regional Manager, South-West Planning
Representing the Department for Planning and
Infrastructure

Mr Eugene Ferraro
Manager, Metro South
Representing the Department for Planning and
Infrastructure

Mr Ron Pumphrey
Regional Manager, South-West
Commercial and Assets Services
Representing the Department for Planning and
Infrastructure

Mr Duncan Rutherford
Manager, Bunbury
Department of Land Information
Representing the Valuer General's Office

Mr Lou Namouvski
Senior Advisory Officer
Representing the Department of local
government and Regional Development

Mr Mark Exeter
Manager, Southern Area
and

Mr Bob Johnson
Manager, Planning
Representing Tourism Western Australia on an
alternating basis

Mr Nigel Bancroft
Taskforce Executive Officer
Department for Planning and Infrastructure

The taskforce was serviced by the Department
for Planning and Infrastructure, South-West
Office, which also had the responsibility of
co-ordinating advice and reports to the
taskforce. The representatives and senior staff

from relevant government departments also
provided advice and briefings to the as
required.

1.6 Taskforce process

The taskforce held its first meeting in
September 2002. At this meeting, the
taskforce confirmed the terms of reference,
that it had a State-wide perspective in terms of
its investigations, consultation and reporting
and established its approach to addressing the
requirements of each term of reference. This
included the adoption of a consultation
strategy to cover the period of taskforce
investigations, based on a four-week public
submission period with associated press
advertising and a media release. This initial
consultation phase occurred in November
2002. It also was determined that the
taskforce report and recommendations should
be subject to further public consultation, which
occurred in August 2003.

As part of its investigations, the taskforce
received a number of briefings from members
and external industry representatives,
background papers from the DPI and agency
representatives (see Appendix 4).

The taskforce also undertook site inspections
of a range of tourism developments in the
Busselton - Dunsborough region, including
developments subject to strata schemes and
various management and financing
arrangements. Development sites in
Mandurah and Rockingham also were
inspected as part of the taskforce assessment
of the criteria that define high-value tourism
sites.

In response to the contrasting statutory
planning arrangements for tourism
development on the East Coast, an inspection
tour was undertaken to the Sunshine and Gold
coasts in South East Queensland by the
Taskforce Chair, Mark Exeter from Tourism
WA and the Taskforce Executive Officer.

The notes and outcomes from these site
inspections are contained in the Report of the
Ministerial taskforce to the Minister for
Planning and Infrastructure (July 2003).

It was recognised by the taskforce members
early in the process of investigation that the

issues and implications associated with each of the terms of reference were interlinked. Although the prerequisites for financing tourism development were noted as the fundamental drivers of current trends, the taskforce considered that any policy response needed to be viewed in a holistic context and take into account the outcome in terms of tourism product. The complexity of the issues involved, and the early recognition that a blanket policy approach would be unlikely to accommodate regional variations across the State, also steered the taskforce toward the development of a policy framework to provide for improved strategic consideration of tourism land use issues, as opposed to a purely prescriptive outcome.

In addition to the State strategic policy context, as set out in this report, the expectations of the taskforce members also were guided by the following issues, as identified by the Minister, in the background to the establishment of the taskforce:

- the retention of prime tourist zoned sites for tourism purposes;
- the potential for land use conflict between tourism and residential uses - detracting from tourism values, including the tourist experience available;
- the provision and retention of variety in the range of tourist accommodation options available, particularly low-cost options;
- the absence of an existing policy framework to guide the Minister, WAPC and local government in the consideration of such applications;
- the potential impact of strata schemes on the ongoing operation of tourism developments for tourism purposes;
- accessibility for the general public to prime recreation and holiday sites; and
- maximisation of regional employment opportunities associated with tourism development.

Within this context, the taskforce identified the following expected outcomes:

- To identify the primary land use planning objectives and criteria for tourist accommodation development that recognises regional and metropolitan differences, and the circumstances in which

a residential component will be acceptable in a tourism zoning.

- To define types of tourist accommodation and the suitability of a residential component, and the percentage/proportion of any such component.
- To establish clear guidelines for the calculation of any residential component, eg percentage of developable area.
- To consider the introduction of mixed use zoning and the requirement for an increased focus on outline development plans and detailed area plans within such zonings.
- To identify and detail the parameters and characteristics of strategic tourism sites and the particular controls that should apply to such sites, with specific reference to the suitability or otherwise of residential occupation.
- To identify the conditions required to facilitate the retention of strategic tourism sites, including those that are Crown Land, for a variety of tourism development, including the consideration of financial incentives such as land tax relief and retention in Crown ownership.
- To develop a strategy with associated policies, to combat the erosion of the State's relatively few high-value (premium) tourism development sites, ensuring their availability to generate the future benefits that the tourism industry offers.
- To consider the potential complementary benefits that may derive from a residential component in a tourism development.
- To identify issues associated with tourism use of residential dwellings and recommend any further work that may be required at a State level.
- To define the primary considerations to be included in strata title management statements or alternative arrangements for tourism developments to ensure that they operate as bona fide tourism facilities.
- To develop a strategy to retain a variety of tourist accommodation on the State's prime tourism sites from five-star resorts to camping and caravanning, which will offer a noticeable competitive advantage over other states.

- To identify evaluation criteria associated with the strata titling of tourism developments to ensure they will function in the best interests of a sustainable tourism industry.
- To assess the different forms of strata titling and their suitability for use in financing various types of tourist accommodation.
- To provide policy recommendations that support the viability of tourist accommodation development, high standards of design and construction, appropriate servicing and aesthetic outcomes.

At the commencement of the taskforce investigations, a review also was undertaken of available literature on tourism land use planning issues and tourism development in general. This indicated that there was little documented research and the taskforce would need to rely largely on information collected through submissions, briefings and its own inspections, investigations and analysis.

Following advertising of its report and recommendations in August 2003, the taskforce has held seven meetings at which it has considered the submissions and undertaken further investigation of issues raised in consultation with industry representatives. This report contains the final outcomes and recommendations of the taskforce.

1.7 Consultation process

The consultation process was guided by a consultation strategy with the objectives of obtaining information from the industry on trends, implications and current issues in respect to the terms of reference, and ensuring all sectors of the industry were kept informed of the taskforce work and outcomes. This was assisted at an informal level by the broad range of industry groups represented through the members. At a formal level, the strategy involved two consultation processes.

An important component of the taskforce's initial investigations was a four-week public submission period with associated press advertising and forty submissions were received. The information obtained by the taskforce from the submissions was important

in the process of investigating the terms of reference as it highlighted issues of importance to operators, developers, and to a lesser extent, consumers. In some cases, while the information was anecdotal, it represented the only documented outcomes of the implications of the identified trends.

The taskforce reported to the Minister on the terms of reference in July 2003, providing a summary of its investigations and outcomes, and a recommendation that these be subject to public consultation. The taskforce report was then released for public comment in August 2003 for a 10-week period, which involved public briefings in Busselton and Broome. Further industry sector briefings were held with the Property Council of Australia (WA), Tourism Council of WA, Tourism Western Australia, and the Caravan Industry Association (WA).

48 submissions were received in response to the report. (See Appendix 2). During the review of submissions, the opportunity also was provided to selected submitters to address the taskforce to expand on the content of their submissions. These briefings were held over two days in February 2004. (See Appendix 4).

The submissions raised 28 issues. While there was consistency in many submissions, and across sectors, on the issues of importance, there was no evident consensus as to the best direction for the taskforce to follow. (See Appendix 3).

Primary submission issues:

- resources required and primary responsibility for the preparation of tourism strategies
- identification of high-value tourism sites - resources and process
- retention of high-value tourism sites for tourism purposes
- conditions for inclusion of a residential component in a tourism development
- recognition of regional variations and regional seasonality in policy framework
- use of government managed land for tourism purposes

- management arrangements and conditions for strata titled development
- flexibility for industry to respond to investment requirements
- importance of land tax to tourism developments

In order to address the issues raised in the submissions satisfactorily, the taskforce worked closely with the Urban Development Institute of Australia (WA), Property Council WA, Tourism Council of WA and Tourism Western Australia (Tourism WA) in developing and evaluating potential alternative policy positions on a number of particular issues. These included common management, strata titling, goods and services tax implications, mixed use zoning and the identification of strategic sites. While not necessarily endorsing all the taskforce recommendations, each party acknowledged the significant concessions contained in the recommendations developed through this consultation process. These subsequently were endorsed by the full taskforce and now form part of the recommendations. (See Chapter 8).

1.8 Outline of the report

Chapter 2 provides background and context for the report through discussion of some primary issues and trends associated with tourism and the future growth of the industry in the State.

Chapter 3 provides an overview of the statutory arrangements as they relate to the assessment and development of tourist accommodation in the State, and a limited comparison from a national perspective. This overview is achieved through a review of WAPC policies, and a selection of local government planning schemes. A summary of the key issues that relate to the terms of reference also is provided.

A detailed discussion of each of the terms of reference is provided in chapters 4 to 7.

Chapter 8 presents the taskforce recommendations, including the identification of areas where further investigation is required.

2 State tourist accommodation industry

2.1 Introduction

The Western Australian tourism industry has been growing steadily over recent years, in its contribution to the State economy and in its own right. However, it still is considered as relatively immature and characterised by a high proportion of domestic tourists, low midweek demand, high seasonality and a limited range of high-end facilities, particularly in regional areas. While recent growth in regional tourism has seen the development of a range of niche markets, based on the unique and diverse attractions, and a realisation of the high-value of such developments to the industry, the rate of such development has been limited by factors, including the relatively low base population, distances and high cost of internal travel and access to the State, and in some locations, a lack of services. These factors continue to challenge the viability of accommodation developments in the majority of regional locations. Yet they also have created a tourism industry of unique character that provides a point of difference that will be important to the future national and international competitiveness of the industry.

A strong component of this character in regional areas is a focus on the local market, with facilities providing a high level of accessibility, affordability, generally being of a small scale and in some cases, limited services. Recent years also have seen the development of a greater range of accommodation types, which has brought significant advantage to the whole industry, and improved the broad community benefit. The challenge for the industry now is to ensure a range of accommodation types is maintained, so that the very important domestic holiday function of regional tourism facilities is retained in conjunction with national and international tourism growth.

The Australian tradition of summer holidays on the coast has a strong social and cultural

function, with the continued ability to access traditional holiday sites highly valued. As the State's population becomes increasingly urbanised the benefits of these sites to the health and social wellbeing of the community also becomes increasingly important.

While Western Australia is physically large, and nodes of regional development often sparsely spread, the opportunities for establishment of new tourism nodes is limited by a number of factors, including community concerns, environmental impact, lack of infrastructure, the conservation estate, access and physical limitations, and Native Title issues. As the coastal movement of the Australian population continues (Salt, 2001), increasing residential pressure on existing tourism sites will result, requiring an increased focus on strategic tourism planning. Without this focus, opportunities for future tourism developments, and the resultant economic benefits will be lost, along with the current character of the industry and its important social and cultural role.

In addressing the terms of reference, the taskforce was cognisant of the need to consider the requirements of achieving a sustainable tourism industry, and to ensure continued investment in tourist accommodation projects. These requirements are not always synergistic, with the industry subject to rapid change and very sensitive to external effects. In reflecting State strategic policy as it relates to tourism, this dictates the need to provide a land use planning framework focused on creating a robust and sustainable tourism industry. While acknowledging that the development industry is best placed to assess immediate market and demand conditions, it is within this long-term context that the taskforce evaluated the beneficial concessions of residential use, sought by the industry, in the development of tourist zoned land.

Any reference to "tourism development" generally should be read as development of "tourist accommodation", including ancillary and subsidiary commercial and management facilities unless specified otherwise.

The findings, conclusions and recommendations of this report have been based on the taskforce's investigations and

information received, including submissions, and with regard for relevant State strategic policy context:

- **State Planning Strategy** (WAPC, 1997)
“Economic Principle: Creating a Wealthy Community: Facilitate land use planning for the growth of the tourism industry, which is sensitive to environmental constraints.”
- **Hope for the Future: The Western Australian State Sustainability Strategy:** (Government of Western Australia, 2003)
“Tourism has much potential to support the sustainable use of our natural resources. Western Australia’s unique and highly diverse natural environment offers a different kind of tourism experience that people from around the world are wanting: subtle, low impact, more natural and cultural experiences.

The most rapid area of growth in tourism is nature based tourism and eco-tourism. Western Australia’s special status as a marine and biodiversity hotspot is a significant global marketing opportunity. The development of sense of place processes will also make Western Australian settlements more attractive to visitors.”
- **Tourism Western Australia: Vision** (WATC, Corporate Plan 2002/04)
“Generate significant employment and economic growth for the State by positioning Western Australia as Australia’s leading nature based tourism destination”.

Tourism Facts

Exports of tourism goods and services compares favourably with other Australian ‘traditional’ export products. For example, exports of tourism products are greater than coal, or iron, steel and non-ferrous metals, but less than food and live animals.

Tourism contributed \$3.6 billion directly and indirectly to industry gross value added in 2001/02. When considered in terms of other industries tourism adds value to multiple industries such as accommodation, transport services, retail trade, education, cultural and recreational service, plus much more.

Based on the Australian Bureau of Statistics Tourism Satellite Account, \$73.3 billion in tourism consumption in Australia during 2002/03 accounted for approximately 540,700 jobs Australia-wide, representing 7 jobs for every \$1 million in tourism consumption in Australia. From a community perspective, many of these jobs are filled by young people - many in regional areas.

2.2 Future of tourism in Western Australia

2.2.1 Global trends

World travel and tourism is expected to directly and indirectly contribute US\$4,217 billion of world gross domestic product (GDP) in 2004, which is equivalent to 10.4 per cent of total world GDP. In the next ten years travel and tourism GDP is expected to achieve annualised real growth of 3.3 per cent, bringing GDP up to US\$6,927 billion in 2014.

In terms of employment, world tourism directly and indirectly employs 214 million people or 8 per cent of world employment in 2004. This is expected to grow to 560 million jobs in 2014, an annualised real growth rate of 1.7 per cent.

Direct and indirect capital investment in travel and tourism is estimated to amount to a huge sum of US\$802 billion in 2004 (9.4 per cent of total investment), increasing to US\$1,401 billion in 2014.

(World Travel and Tourism Council, Tourism Satellite Account, Travel and Tourism Forging Ahead 2004)

2.2.2 National trends

Tourism directly accounted for 4.2 per cent of Australian Gross Domestic Product in 2002-03, and was directly responsible for employing 540,700 people, or 5.7 per cent of total employment in Australia.

Tourism consumption by domestic households and international visitors to Australia accounted for \$73.3 billion worth of goods and services, in 2002-03. While international visitor consumption in Australia accounted for \$16.7

billion representing 11.2 per cent of total export earnings.

(Australian Bureau of Statistics, *Tourism Satellite Account 2002-03*).

Australia attracted around 4.5 million international visitors, and 75 million domestic visitors (52 million intrastate, 23 million interstate), in 2003.

(Bureau of Tourism Research, *International and National Visitor Survey 2003*)

2.2.3 State trends

Tourists comprise two groups, those travelling outside their home country (international visitors) and those travelling within their own country (domestic visitors). For the purpose of this report the following definition of a tourist/visitor has been adopted; "someone spending at least one night at a destination", to be a domestic tourist/visitor they must also be "over 40 km from home" (Bureau of Tourism Research, *International and National Visitor Survey*).

In 2003, Western Australia had 6.9 million visitors who spent about \$3.9 billion. Of these:

- 570,300 international visitors spent about 12.8 million nights, with a total expenditure of \$1.2 billion. International visitors spent about \$94 a day whilst in Australia.

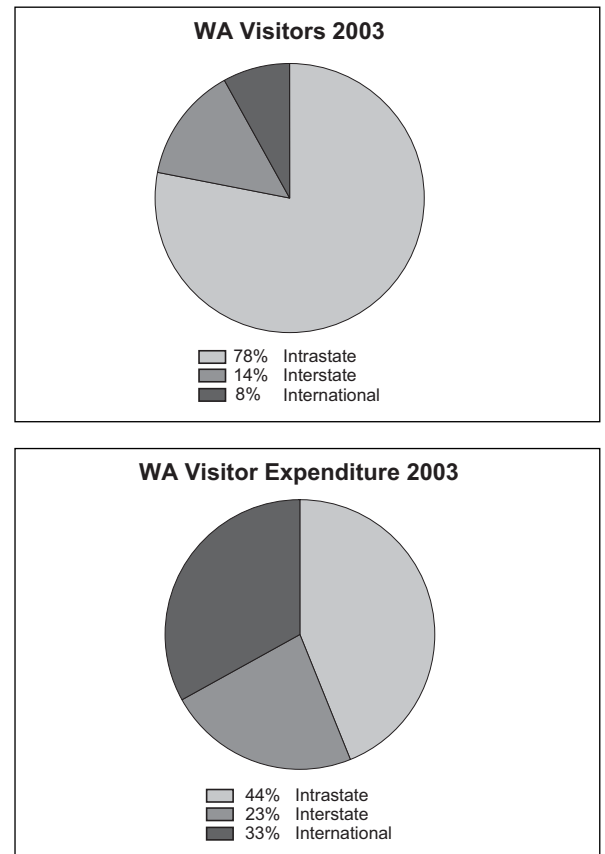
A total of 6.4 million domestic visitors spent about 30 million nights, with a total expenditure of \$2.7 billion.

Domestic visitors also comprise two groups, those travelling outside their own State and those travelling within their own State. In Western Australia, domestic visitors in 2003 consisted of:

- 983,000 interstate visitors (14 per cent of total visitors) who spent \$1 billion, This accounts for an interstate daily expenditure of \$106*.
- 5,937,000 Western Australians seeing their own State (80 per cent of total visitors) who spent \$1,652 million, This accounts for an intrastate daily expenditure of \$84*.
- Estimates based on Bureau of Tourism Research, *Regional Expenditure Model 2000*.

Although Western Australia has almost 11 domestic visitors for each international visitor, international visitors stay longer and spend more daily than intrastate visitors, making them much more important to the State economy than their numbers indicate.

Figure 1. Visitor numbers and visitor expenditure, Western Australia 2003



(Source: Bureau of Tourism Research, *National and International Visitor Survey, 2003*)

Direct and indirect tourism-related employment is estimated to be 72,000 people, approximately 7.7 per cent of the Western Australian workforce, or one job in 13.

2.2.4 Tourism demand

International visitor numbers are expected to surpass one million by 2013. The average annual growth rate for international visitors numbers is estimated at 6.2 per cent a year over the next 10 years. As an export industry, tourism is noted as particularly valuable as a way of redressing Australia's balance of trade situation.

Achievement of this growth will require investment in sufficient infrastructure, attractions, accommodation and other tourism facilities. In addition, the retention of Western Australia's natural attractions and character is necessary, to ensure the State remains as popular a destination in 10 years' time. The private sector usually will provide the facilities needed by tourists if there is confidence in future demand and project viability, and the public sector has played its part. Public sector investment required includes new roads to tourism attractions, sealing of existing gravel roads, upgrading of airports and air services, provision of marinas, and general development of tourism facilities.

International travel and tourism are linked strongly to the world business cycle. Rising incomes, reduced restrictions on travellers leaving certain countries, worldwide marketing, a low oil price relative to Europe, favourable exchange rate and increased awareness of Western Australia's, unique environment and tourism character all have contributed to a growing influx of visitors.

On the other hand, the world business cycle is susceptible to extreme events such as the terrorist attack on the USA on 11 September 2001, and the SARS outbreak. Following September 11, international travel decreased significantly as people's confidence in aviation safety plummeted. However, domestic tourism increased as Australians chose to take their holidays within Australia. In some areas of Western Australia, particularly the South-West, domestic visitor numbers increased after 11 September 2001.

The local industry also is vulnerable to major upsets in the business world. The collapse of Ansett Airlines on 14 September 2001 disrupted domestic air travel. Tourism businesses in the north of Western Australia were particularly disadvantaged as the majority of routes and scheduled services to the area were operated by Ansett and its subsidiaries.

2.2.5 Future development needs of tourism industry

A successful tourism industry requires a particular combination of attractions, facilities and services to meet the needs of tourists.

Tourism planning can be considered in terms of five groupings - attractions, access, accommodation, amenities and activities. These five "As" of tourism have been used as a framework to identify and address the development needs of the tourism industry in Western Australia.

Attractions

Tourists are motivated to visit a destination by its natural and built attractions. To be sustainable, attractions need to be unique, authentic and marketable. They also need to have sufficient controls in place so that the tourism volume is sustainable in the long term without damaging the quality of the attraction. Western Australia is fortunate to have a wide range of natural features, which are strong attractors for the international market. Many of the State's natural attractions are located in national parks, which come under the responsibility of the Department of Conservation and Land Management (CALM), which provides an essential service to tourists and much of the success of tourism in Western Australia depends of the resources allocated to CALM to maintain its existing attractions and develop new ones.

Perth is the major gateway for international and domestic visitors and will continue to play a critical role in the development of tourism in Western Australia. Although the State has a wide range of natural attractions, major built attractions in and around Perth are in short supply compared with most other Australian capitals. More attractions are needed, particularly those which promote the State's indigenous and multicultural background and its outback heritage.

Access

Air: Perth often is described as the most isolated capital city in the world. Air access is a critical component in the development of tourism in Western Australia. A key to increased international visitor numbers is to have more airlines with more seats flying from more countries. Such diversification will assist in protecting Western Australia from the more severe effects of one airline deciding to reduce or terminate its flights to Perth.

Sustainable, reliable domestic air travel relies on a number of airlines operating within Australia, whether domestic or international. The collapse of Ansett would have been less traumatic for the tourism industry if there had been more than two airlines flying domestic passengers within Australia. The expansion of Virgin Blue and Qantas and the resurrection of Skywest will help to provide increased airline access to destinations within Western Australia.

Most regional centres in the State have airports capable of handling jets of up to 70 seats, and several major airports that can handle larger jets. The factors that limit substantially larger numbers of tourists visiting country destinations by air are the low frequency of departures and the high price of economy class fares. Tourism destinations in the north of the State are particularly susceptible to interruptions in air services.

Road: The greatest amount of travel within the State is by road. Western Australia's size requires a first-class road network. Generally, sealed roads are essential for national and international-standard attractions to realise their full job-creation potential. The exception is in remote locations where large numbers of tourists would be environmentally unsustainable or culturally inappropriate. Most owners of two-wheel drive vehicles will not take them on to gravel roads and hire car companies generally will not provide insurance for their vehicles on gravel roads. As a result, the upgrading of an existing gravel road to a sealed road or the construction of a new sealed road has a significant impact on the number of visitors to a region, and the resultant jobs created. Examples include the sealing of the 29 km from Denham to Monkey Mia in the Gascoyne and Monkey Mia resort being developed because of this. The sealing of the 16 km from Exmouth Road into Coral Bay, also in the Gascoyne, resulted in considerable development of accommodation and other tourism facilities.

In remote areas where cost precludes gravel roads being sealed in the foreseeable future, regular grading of the roads is important. This also is true for a selection of outback roads, such as Gibb River Road, that are popular with the four-wheel drive adventure tourism

market as an experience in their own right and are better kept as gravel or earth roads.

Rail: Rail plays a small but important role in the State's passenger transport facilities. The Indian Pacific, operating from Sydney to Perth, is one of the great railway journeys of the world. The service has declined in recent years from one a day to two a week. There is potential for growth by targeting high-yield sectors of markets that produce large numbers of visitors for Sydney and Melbourne, such as the United States and Canada.

Within Western Australia, the Prospector service to Kalgoorlie, the Australind service to Bunbury and the Avonlink service to Northam are the three main government rail services visitors can use to see attractions in regional destinations. There also are numerous local community groups that operate rail tours from several hundred metres to several hundred kilometres.

While not providing a significant contribution to access to tourism facilities throughout the State, a number of the rail facilities have potential to develop as attractions in their own right

Sea: Access to the State's attractions by sea includes cruise shipping, ferries, tour boats and private pleasure craft, most of which are operated by the private sector. The main ferry services operate on the Swan River in Perth, and from Perth, Fremantle and Hillarys to Rottnest Island.

The State Government's involvement has included developments such as the Mandurah Ocean Marina, Geraldton Marina and Exmouth Marina.

Cruise shipping is a market sought after by many coastal towns in Western Australia with a port able to berth liners, and is a market sector that has increased in recent years. Small-boat cruises and hovercraft travel also provide unique attractions in some areas.

Sea transport within the State is limited but has the potential to provide a unique attraction to accessing some destinations.

Accommodation

Successful accommodation development depends on building the right type of facility to

suit the needs of an identified market segment. Tourists are interested in staying in accommodation that reflects the values and attributes of the surrounding area. Tourist seeking a nature-based experience want small-scale, single-storey accommodation that does not harm nature and fits in with its surroundings.

There also is a trend towards apartment style accommodation as opposed to the typical hotel room. This is part of a national trend towards serviced apartments that provide larger living and work areas, where busy executives also can bring their families. These apartments usually are rated at four to four and half stars (AAA Tourism self catering apartment category).

Due to distance, poor access and the high cost of providing facilities, there is a shortage of accommodation in many of the State's key nature-based tourism areas. Such accommodation bottlenecks also can have a flow-on effect to other tourism destinations in the area. For example, a shortage of coach-standard accommodation in Fitzroy Crossing resulted in a national coach company cancelling an around-Australia tour, disadvantaging other Western Australian localities the tour was scheduled to visit.

Amenities

Amenities are basic services that provide for the needs of tourists at a destination. Examples include:

- shops with shopping hours expected of a tourist destination;
- sufficient parking bays for self-drive tourists;
- public transport to local attractions and easily understood timetables,
- sufficient public rubbish bins during the tourist season;
- restaurants and cafes with a high standard of service and flexibility in their menus;
- central tourism information centre and tourism information widely available in hotels and shops and at attractions;
- public telecommunication facilities;
- clear directional signs; and
- well-maintained public toilets.

Many of these amenities are services provided by local government to its ratepayers and, a high degree of co-ordination is needed to ensure that tourism use of such facilities does not compromise the local community, and the resentment of tourists is avoided.

Activities

Activities undertaken at a destination may be active, such as diving and whitewater rafting, or they may be passive, such as relaxing on a beach. Feedback from visitors to the State is that many want more things to do.

Development by the tourism industry of a range of visitor activities needs to be an urgent priority. Of particular importance are activities that provide nature-based and cultural tourism experiences.

In investigating and responding to the terms of reference the taskforce has taken into account the five "As" of tourism. However, its terms of reference clearly are focused on the accommodation sector with the need to provide a framework that will encourage development of the right facilities for a sustainable tourism industry.

2.3 Trends in tourist accommodation

In establishing the taskforce, the Minister was concerned with trends in the development/tourism industry to seek to mix tourist and permanent residential accommodation within a single development on tourist zoned land. The increasing use of strata schemes for tourism developments and its potential adverse impact on their ongoing operation also required review.

The investigations of the taskforce have confirmed that these trends are significant in the tourist accommodation/development industry, with strata schemes being used as a financial mechanism in the majority of medium and large-scale developments. It also is clear that in many cases, these trends, and associated legislative requirements, are influencing the style of accommodation and the management structures under which they operate. This in turn is affecting the tourism experience available in the developments, with

concerns raised by some sectors of the industry and Tourism WA about the quality of the product being delivered, including its ability to meet market requirements.

Based on the information received by the taskforce, financial considerations appear to be the main drivers behind the increased use of strata schemes, and the incorporation of a permanent residential component into tourism developments. This is related to the stringent financial conditions required by lending institutions for tourism developments and the low rate of return reputedly achieved by a majority of tourism developments. Another driver is that not all sites zoned for tourism purposes under local schemes are suitable or appropriate for such development. This results from changes in market conditions, development of surrounding incompatible uses, and in some cases, an original application of the zoning that was inappropriate.

The taskforce has noted that support for the inclusion of a residential component within tourism sites also has been to provide a base level of population in an area. This is argued as having benefits for small business establishment, infrastructure use, security, and in creating an active tourism environment. The taskforce received submissions supporting this view, primarily from regional areas, with seasonal tourism demand, but did not accept that the purported benefits necessarily would be achieved.

In addition to the direct effect of these trends on the tourism product delivered, a number of submissions suggested these trends also are increasing the value of tourist zoned land out of proportion with the investment return. This potentially exacerbates the financial risk in development of such land for tourism purposes, increases residential development pressure, and undermines retention of existing low-cost tourist accommodation facilities.

Redevelopment on tourist accommodation sites, particularly in high-value coastal areas of the State, has resulted in a loss of variety in accommodation and reduced accessibility to these sites for specific sectors of the population. The implications of the increased use of strata schemes and the potential for

inclusion of a permanent residential component on the land tax payable on such properties were noted as drivers in this trend of redevelopment to higher-order accommodation. The use of generic tourist zonings to cover the range of accommodation types from a caravan park to a resort also was noted as a significant factor in this trend.

Caravan parks and camping grounds traditionally have been the pioneer tourism use along the coast and in other scenic areas of the State, and have tended to be the subject of redevelopment pressures as access, and availability of services improved. These facilities then were replaced with developments on new sites or in nearby locations. However, the development of replacement facilities no longer is occurring at a rate sufficient to cover redeveloped sites and as such is resulting in a reduction in accommodation diversity. This lack of new development appears to be due to a number of factors, including the lack of availability of new low-cost sites and the servicing costs associated in establishing these sites. Tourism industry concern has been expressed as caravan ownership is substantial and increasing.

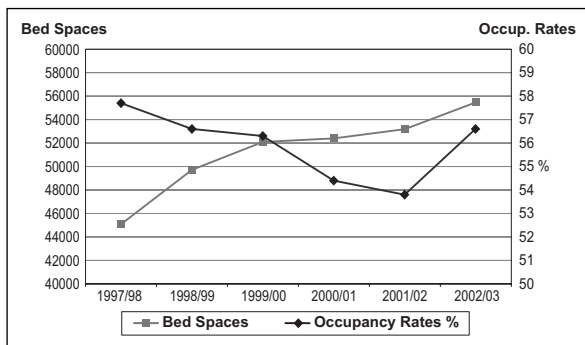
Anecdotal evidence provided to the taskforce by the Department of Local Government and Regional Development indicates that many locations have insufficient caravan park bays for travellers. The lack of development of new parks and the redevelopment of existing parks, combined with the conversion of short-stay sites to long-stay use, are important factors in this trend.

In addition to providing tourism growth forecasts, Tourism WA has identified that the State's present tourism market is experiencing low visitor demand, relative to accommodation available, due to an increase in the number of rooms over the last five years. However, this is part of a normal seven to 10 year demand cycle. (See Figure 2). The taskforce noted its conclusions need to recognise the position of the industry in the cycle, and not over-compensate for current difficulties in achieving investment in the sector.

The trends of high expenditure per international visitor, and the requirement for

WA to be increasingly competitive on an international basis, if the international market is to grow, also were noted by the taskforce. Along with this, it was recognised that the presence of international tourist accommodation operators in regional areas was very limited, and that this needs to be addressed for the international tourism market to expand.

Figure 2: Occupancy rates and accommodation development, Western Australia.



(Source: Australian Bureau of statistics: Survey of Tourist Accommodation)

2.4 Summary of key tourism issues

A number of the main issues and implications identified in taskforce investigations are common to each term of reference.

2.4.1 Tourism requirements and strategic tourism sites

In investigating the primary issue of the implications of the integration of permanent and tourist accommodation in a single development, it was identified by the taskforce that there are a number of different categories of tourism and various forms of tourist accommodation, that directly influence the outcomes on this question. The definition of a tourist as “someone spending at least one night at a destination over 40 km from home” includes the whole spectrum of visitors, from a regional business traveller to an international visitor booked into a single resort for a week. To enable an assessment of the implications, the taskforce identified three main categories of tourist based on perceived accommodation patterns and common experience interests.

Short-stay Visitor - This category includes those seeking a tourism experience and the majority of international visitors. Preferred accommodation is resort or hotel style, located and designed as a tourism facility, with a focus on the overall experience provided in that facility, as opposed to accommodation only.

The demand for such resort facilities is not dominant in the market, although the developments of these facilities can lead tourism growth in an area, and can become iconic in tourism marketing. This segment of the market also includes backpackers accommodation.

Developments designed to meet this market provide a range of services, access to recreation and entertainment venues, and an atmosphere and ambience conducive to socialisation.

Short/Medium-Stay Visitor - This category includes those seeking a holiday experience and includes a majority of inter and intrastate visitors, with the quality of accommodation being important, but not necessarily with a focus on the experience it provides.

Such visitors are more likely to access attractions within the wider area and prefer self-contained accommodation, having a reduced focus on surrounding activities. This segment includes the substantial holiday home market in some areas of the State, and in this demonstrates a preparedness to use this type of accommodation. The interests of a short-stay business traveller generally are similar to this group in that the focus is on the accommodation and facilities available, as opposed to the experience available within the facility.

Developments meeting this market segment vary greatly in standard and services and facilities provided, with the main differentiation being that the facility will not necessarily provide a tourist experience. While such facilities can and will accommodate the short-stay visitor, seeking a tourism experience, it may well not fully meet the expectations of such a visitor.

Seasonal - Long-stay Visitor - This category consists predominantly of intrastate visitors to an area and ranges from those with a second home in a regional area to the seasonal,

long-stay caravan park resident. In a number of regional areas this category also includes seasonal and “fly-in fly-out” workers, who may be considered semi-permanent residents.

While visitors in this category can, and in many cases are accommodated in residential areas, they also are noted as investors in regional tourist accommodation developments. The structure of regional tourism developments, where external areas are managed commonly and the opportunity exists to derive income from short-term tenants, are attractions for this category to invest in such facilities.

There also is a broad range of accommodation facilities within which tourists are accommodated:

- hotels and motels
- serviced tourist apartments
- guest house/lodge
- resorts
- caravan parks - camping grounds
- private dwellings as renter or owner/ holiday homes
- chalet and cabin parks
- backpackers
- bed and breakfast
- rural / farm stay

The taskforce considers this categorisation important in identifying those forms of accommodation and segments of the tourism market where the implications of permanent accommodation in a tourism development are significant, ie where tourists are seeking a short-stay experience. This is in contrast to a seasonal-long-stay visitor, where the impact on their tourist experience of a residential component is likely to be minimal. It is the short-stay and to a lesser extent, the short-medium stay segments of the tourism market that are the most important in framing the tourism character and future growth potential of tourism in the State, and as such have been the focus of the taskforce.

In developing a land use response, the taskforce has noted the need for the identification of strategic tourism sites, which are seen as destination sites with particular attributes and characteristics that enable viable short-stay tourism developments to be

achieved. Such sites are not limited to those suitable for resort-style developments, but also can include low-cost accommodation sites. The appropriate development of such sites can have wider economic benefits in an area, and are critical in establishing a sustainable tourism industry.

These sites also are viewed as having the potential to provide developments that achieve the competitive edge, assisting long-term viability and the quality of life available in the State. The taskforce noted that the Cable Beach Club in Broome had been important in the growth and development of State tourism, and was considered to provide an example of the potential of strategic sites.

These high tourism value or premium sites have been termed as strategic sites by the taskforce, with other sites of a lesser but still important tourism function termed non-strategic. This categorisation has been important in the taskforce’s consideration of the terms of reference. The taskforce acknowledged the importance in the determination of strategic sites, with criteria and a process to achieve this is included in the recommendations. It also is acknowledged that the status of such sites is not always static, and may change with the tourism value of an area, influenced by tourism demand, investment and infrastructure provision.

2.4.2 Generating growth in the tourism industry

The taskforce received submissions that promoted the view that the growth of tourism should be supply led, “*build it and they will come*”, ie tourism potential can be realised only where development of tourist accommodation is provided ahead of demand. While Tourism WA confirms that a tourism product must be available when it is marketed, and that tourism growth can be influenced substantially by marketing, it emphasises that sustainable growth can be achieved only when operators/investors are achieving reasonable returns. This allows sufficient resources to be allocated for marketing, maintenance of service levels, cyclical refurbishment and long term redevelopment, which requires reasonable occupancy levels. This is not necessarily achieved when a

development is real estate driven not based on tourism demand (Warnken et al, 2003).

Some sectors of the industry have argued that existing tourism zoning restrictions have restricted the growth of the industry but the taskforce recognised them as necessary to encourage development of a sustainable industry. Without planning restrictions on the residential development of tourism sites, there is clear potential for the industry to focus on recovery of investment capital in a project, through sale of units with a residential option to second-tier owners/investors, as opposed to providing a sustainable tourism product. Increasing residential demand in high-amenity coastal locations has the potential to result in intensive mixed use and residential development of tourism sites, as in South-East Queensland, potentially compromising local and State tourism objectives and aspirations.

The taskforce also noted the need to maintain options for future tourism development, which is likely to involve an increased focus on the development of existing zoned sites. This arises as the establishment of new coastal tourism development sites was considered unlikely to receive wide community support.

2.4.3 Regional importance of tourism

The taskforce recognises the economic benefit that can accrue from investment in, and income from tourism development, especially in regional areas. It is noted that approximately 80 per cent of visitors to the State travel outside the Perth metropolitan area, which has significant advantages for the creation of local employment. The development of regional tourism can also be beneficial to the level of services and commercial infrastructure, including the development of the cultural, environmental and recreation assets of a locality, and the range and quality of access to and from the locality.

The taskforce also recognised that high construction costs in many regional areas can affect the feasibility of tourism development proposals.

The taskforce acknowledged the unique character of regional Australia as the basis of growth of the nature-based tourism market,

with the beauty, unspoilt nature, variety of landscape and wildlife, and Aboriginal culture identified as fundamental motivators for travel in regional Australia.

2.4.4 Financing tourism development

The taskforce received a number of presentations, and commissioned a summary paper, on the institutional conditions associated with the financing of tourism developments. (See Appendix 4). It was advised to the taskforce that financial institutions take a conservative position when considering finance for tourism developments, justified by them from their previous significant losses in this sector. The development industry has responded with the use of strata schemes and proposals for residential use to finance tourism projects. It was noted that the ability to use strata schemes for tourism developments, where a green title subdivision would not be approved, financially was very important and the basis for the development of many successful tourism facilities.

The difficulties in achieving a dedicated tourism development on some sites are evident in their medium to long-term vacancy. The taskforce acknowledged that the achievement of a residential component in a tourism development, although not essential, could provide the opportunity for a development to occur sooner and provide a more secure return to a developer.

The taskforce accepted that in the current market, a unit in a tourism development that does not have a residential use restriction is easier to sell than one that does. It thereby provides a higher level of security to a financial institution, will correspondingly reduce the level of developer equity required in the project, and minimise holding costs.

While the taskforce recognised that the ability to strata title tourism developments was fundamental to some developments occurring, evident for the past 15 years, the inclusion of residential use was less commonly seen as critical to a development proceeding. A residential component, or flexibility to accommodate such, was primarily acknowledged as reducing a developer's financial exposure, and achieving premium sale prices for individual units. It was noted

that potentially it also facilitated a higher level of servicing, infrastructure provision and general quality of development and/or their earlier provision than otherwise may have been achieved. Furthermore, other types of financing for tourism projects are now being pursued more commonly, including property trusts and vacation rentals (time share).

These issues are explored in further detail under term of reference 1. (See Chapter 4).

The taskforce did; however identify a number of long term concerns with built strata schemes that relate to the ability to maintain funding for refurbishment and upgrading of the developments, maintenance of standard fit-out and services, and general maintenance. It was also accepted that there may be potential to address these concerns with appropriate strata scheme restrictions, conditions of approval and management statement/by-law requirements. It was also noted by the taskforce that the use of strata schemes was more appropriate to resort-style developments that facilitated integrated management, over low density chalet or cabin development where there would be a greater propensity for self-management or use on a lock-up basis.

These issues are explored in further detail under term of reference 3. (See Chapter 6).

2.4.5 Tourism developments and financial returns

The taskforce recognises that the Western Australian tourism market is immature, has high seasonal and locational variation and operates in a competitive market, resulting in relatively low rates of investment return in some tourism developments. A consequence will be that some sites recognised as having long-term tourism potential will not be developable in the short term, resulting in holding costs for the owner. While there were various views in the taskforce on the profitability of tourist accommodation operations within the State, and the importance of this to the findings, it strongly supported the position that any policy approach recognise the need to develop an economically sustainable tourism industry. Such an approach is necessary to ensure profitability is adequate to facilitate initial development, maintenance, upgrading,

redevelopment and marketing, all necessary components for a sustainable industry.

It also was recognised that the multiplier effect of tourism investment in an economy can be substantial and to achieve this benefit State Government support of tourism through assisting the appropriate development of strategic sites in selected locations may be warranted. In achieving sustainable tourism development, a blanket policy approach that ignored regional differences was recognised as being unlikely to achieve this.

2.4.6 Retention of variety and affordability in tourist accommodation

The taskforce identified as a primary task the need to address the retention of a variety of tourist accommodation opportunities in traditional holiday locations available to people at a range of socioeconomic levels due to the high social and cultural value of this use.

The taskforce received submissions and noted the Tourism Minister's concerns that the State land tax framework was encouraging the redevelopment of many low-cost forms of tourist accommodation to resort-style developments, and resulting in a loss of accommodation diversity. It was noted that this trend had the potential to intensify as the cumulative effect of a number of years of significantly increasing land tax took effect.

It was advised to the taskforce by the Valuer General's office that this trend relates to the immature nature of the tourism industry in Western Australia, where currently a higher value is placed on prime tourism land for residential use, and is driven by the valuation process used for calculating land tax. As properties are valued at their highest and best use, based on an unimproved land value, where they are under a common tourist zoning it can result in similarly sized and located properties paying similar land tax, irrespective of the extent of development or income-earning potential of the property. A low-key accommodation facility may pay similar land tax to a five-star resort, resulting in continued pressure for the redevelopment of the low-key property to generate sufficient income to manage an increasing tax liability.

These issues are explored in further detail under term of reference 4. (See Chapter 7).

To retain a range of accommodation, the taskforce acknowledged the need for the introduction of more specific zonings, such as “caravan and camping grounds”, “chalet and cabin” and “tourist resort” into local government schemes. The taskforce also noted the potential of Crown Land sites suitable for tourism development to be identified, made available and developed to meet the demand for affordable accommodation, and the need to retain existing Crown sites used for low-key tourism development. An increased role for Crown Land is one of the potential mechanisms identified if the loss of coastal caravan parks and low-cost accommodation developments is to be addressed.

The Government, through the Department for Planning and Infrastructure (DPI), has had

varying positions on the disposal of Crown sites designated for tourist accommodation, primarily caravan parks and camping grounds, since the 1980s. More recently, the need to protect the community’s interest through retaining public ownership, or limiting the options for alternative use of such sites when freehold title is issued, has been given a higher priority. While it is recognised that different approaches still are applicable, given the range of Crown sites and their original release/lease conditions, the taskforce has noted the need for applications for release of Crown sites to be assessed under the principles of protecting the public interest, by ensuring their use in perpetuity as affordable tourist accommodation.

3 Current tourism development framework

3.1 Statutory arrangements and policy framework for tourism development

The State planning framework has various components that either directly, through statutory controls, or via the establishment of a strategic direction, influence the development of tourist accommodation. In reviewing this framework, it is clear the main issues of the taskforce terms of reference, and in particular residential use of tourist zoned land, are not addressed at a State policy level, but are reflected in some town planning schemes. The lack of a State policy position may result from the trends the taskforce is investigating being relatively recent. It may; however also be the result of the clear intention in a majority of local government town planning schemes that tourist zoned sites are for short-stay accommodation only.

Tourism Western Australian (Tourism WA) has a well developed strategic framework, which also influences the development of tourist accommodation. It has released a number of statements expressing its concerns on the development of tourism sites for permanent residential use, and the shortcomings of some tourism strata schemes.

At the December 2002 board meeting of the then Western Australian Tourism Commission (WATC), the following policy position was adopted:

“The WATC supports prime land zoned for tourist accommodation being used for demonstrated tourism purposes. The WATC is seriously concerned about the encroachment of permanent residential accommodation onto prime land set aside for tourist accommodation purposes.”

While a State Tourism Planning Strategy has not been developed, tourism generally is dealt

with in State and regional planning strategies and policies.

State Planning Strategy

The State Planning Strategy (SPS) provides a vision for the future of Western Australia and includes an overview of challenges facing the State, and associated planning responses. The SPS also provides a list of strategies and actions for government on the main principles of environment, economy, community and infrastructure for each of the 10 regions of the State.

Those related to tourism are:

Economic Principle: Creating a Wealthy Community

Strategies:

“Facilitate land use planning for the growth of the tourism industry which is sensitive to environmental constraints. With a growing tourism market and the likely development of a range of tourist experiences, there is a need to prepare for appropriate facilities in all regions. The planning process should also endeavour to support regional tourism development strategies. Each region cannot necessarily compete in every area but must build on natural strengths. To maximise regional advantages it is necessary to identify, enhance and utilize natural assets and ensure that the decision making system is able to respond to specific regional issues.”

This is proposed to be achieved through the following criteria and actions:

Criteria:

- identify sites for tourism facilities;
- identify environmentally sensitive areas;
- take account of regional tourism strategies.

Actions:

- include in schemes provision for tourist accommodation and other facilities in areas with tourism potential;
- identify country tourism opportunities and indicate infrastructure and planning requirements;
- continue to support tourism development within the framework established for development in ecologically sensitive areas;

- provide for tourism resorts in the Perth region.”

The SPS also identifies the need to give greater emphasis to:

- *“identifying in regional plans, appropriate tourism facilities (such as resorts) in areas with tourism potential;*
- *considering, when giving planning approval to develop tourism facilities, the extent to which the facility is designed to reflect a visitor experience which complements the natural environment.”*

Statements of Planning Policy

Statements of Planning Policy (SPP) are prepared pursuant to the *Town Planning and Development Act 1928* and, as the Act states, are “... directed primarily toward broad general planning and facilitating the coordination of planning throughout the State by all local governments”. Current SPPs deal with issues ranging from the provision of industrial buffers to place-specific planning.

There are a limited number of SPPs in Western Australia, none of which deals specifically with tourism. However, SPP 7, Leeuwin-Naturaliste Ridge, contains a Statement of Intent in respect to tourism, and a number of specific policy statements.

Statement of Intent:

A diverse and sustainable tourism base which complements the existing character and lifestyle of the policy area will be facilitated by:

- *encouraging nature based and cultural tourism opportunities;*
- *focusing coastal tourism in designated nodes;*
- *integrating large scale tourism developments into Principal Centres and other settlements;*
- *promoting low scale tourism development that is consistent with local characteristics;*
- *encouraging innovative tourism development that responds to the local natural and cultural environment;*
- *assessing land use proposals for their impact on tourism; and*
- *conserving these landscape, cultural and environmental values that offer future tourism potential.”*

While SPP 7 does not deal in general with the issues the subject of the taskforce, it identifies tourism nodes and specifies that they should be developed for short-stay purposes. The exception is Smiths Beach, in the Shire of Busselton, where there is specific provision for a limited permanent residential component.

Under SPP 7 tourist accommodation is defined as:

“Establishments which provide predominantly short-term accommodation (i.e. for periods of less than two months) to the general public. These include hotels, motels and guesthouses with and without facilities; holiday flats, units and houses; and visitor hostels.

Caravan parks which provide either predominantly short-term (i.e. for periods of less than two months) or predominantly long-term (i.e. for periods of two months or more) accommodation to the general public and which provide powered sites for caravans and toilet, shower and laundry facilities (ABS, Tourism Accommodation, WA, 8635.5, June 1996).”

The preparation of a Land Use Planning for Tourism State Planning Policy is recognised as providing an effective mechanism for implementation of the outcomes of the taskforce investigations.

Regional Strategies - Regional Structure Plans

Regional strategies interpret the *State Planning Strategy* at a regional level and provide a basis for co-operative action by State and local government on land use and development. Regional structure plans provide for the comprehensive planning of a region or sub-region to guide change in the short to medium term.

A review of regional strategies identifies that they generally deal with the issue of tourism development from the perspective of facilitating the achievement of the benefits of tourism for regional economic growth. Other common themes are:

- encouragement of greater account to be taken for tourism issues in making land use decisions;

- minimisation of environmental and social impact and ensuring that local character and needs are not compromised by tourism development;
- concentration of large scale tourism developments in key development nodes; and
- promotion of low-key, rural based tourist accommodation.

The issue of residential use of tourism developments or tourism nodes is not addressed; however it is clear from the context of many of the strategies and actions that permanent occupation of tourism facilities is not envisaged.

Planning Bulletins and Development Control Policies

Planning Bulletins are released by the WAPC to provide advice on operational issues such as legislation, planning practice, subdivision and development control.

Of relevance to the taskforce terms of reference is *Bulletin No 49 "Caravan Parks" (2001)*, which provides advice in respect to planning for caravan parks. The bulletin acknowledges that the *Caravan Parks and Camping Grounds Act 1995* and associated *Regulations 1997* provide for long-stay and short-stay caravan parks. It emphasises the additional issues that need to be considered in the approval of long-stay parks due to the permanent nature of the residents, including proximity to services, education and health facilities, as opposed to the need to locate short-stay parks near existing tourism and recreation facilities.

Development control policies guide the assessment of applications by the DPI. Of relevance to the taskforce terms of reference is WAPC Policy DC 1.3, which deals with strata titling. In addition to other matters, the policy reinforces the *Caravan Parks and Camping Grounds Act 1995* prohibition of the strata titling of caravan parks. The policy acknowledges that applications for other forms of tourist accommodation, that do not fall within the definition of a caravan park, can be approved for strata titling and will be dealt with on their merits having regard to the local government scheme. No distinction is made in

the policy between built strata and survey strata subdivision.

While not set out in the policy, the approval of strata subdivision of tourist accommodation development generally is subject to a number of relatively standard conditions, which relate to:

- restriction of use to tourist accommodation under section 6 of the *Strata Titles Act 1985*;
- preparation of management statements that deal with building controls, fit-out and maintenance, and require specific management and leasing arrangements;
- staged development issues; and
- servicing.

Local Planning Strategies

The preparation by local government of local planning strategies is required where the local government is preparing a town-planning scheme, and was introduced under the *Town Planning Amendment Regulations (1999)*. A review of local planning strategies prepared to date, although small in number, shows limited attention to tourism issues, and a lack of guidance on how tourism demand and existing sites should be dealt with in a zoning framework. The provision of a strategic framework for tourism, including the identification of tourism sites or precincts is also generally absent.

Town Planning Schemes

Development control in regional Western Australia primarily is exercised through local government town planning schemes (schemes). In the Perth metropolitan and Peel areas the respective region schemes also operate in conjunction with the local schemes. To guide the development of local schemes, the WAPC has prepared a Model Scheme Text, which forms part of the *Town Planning Amendment Regulations (1999)*. One of the objectives of the Model Scheme Text is to provide a greater level of consistency in the legal and administrative elements of schemes.

The Model Scheme Text does not provide a definition for short-stay accommodation, tourist accommodation or any similar land use category. Of relevance to the taskforce, it does; however define the following:

“Bed and Breakfast: means a dwelling, used by a resident of the dwelling, to provide accommodation for persons away from their normal place of residence on a short-term commercial basis, and includes the provision of breakfast.

Hotel: means premises providing accommodation the subject of a hotel licence under the Liquor Licensing Act 1988, and may include a betting agency on those premises, but does not include a tavern or motel.

Motel: means premises used to accommodate patrons in a manner similar to a hotel but in which specific provision is made for the accommodation of patrons with motor vehicles and may comprise premises licensed under the Liquor Licensing Act 1988.”

Caravan Park and Park Home Park are defined consistent with the *Caravan Parks and Camping Grounds Regulations 1997*.

“Caravan Parks: means an area of land on which caravans, or caravans and camps, are situated for habitation;

Park Home Park: means a caravan park at which park homes, but not any other caravans or camps, are situated for habitation.”

The guide to use of the Model Scheme Text recommends the use of a Tourist zone to accommodate the development of tourism facilities, including ancillary retail and service facilities.

The Model Scheme Text does not provide any direction to local government in the preparation of their schemes on the definition of Tourist Accommodation or the associated issue of permanent occupation of such developments, other than for a bed and breakfast establishment.

The majority of local government schemes were gazetted prior to 1999 and there is considerable variation in the way tourism developments are defined, and how they are accommodated within the various zones. A review of the following schemes was undertaken by the taskforce to determine the zoning of land for tourism development: Albany, Augusta - Margaret River, Broome, Bunbury, Busselton, Capel, Carnarvon, Cottesloe, Esperance, Exmouth, Fremantle,

Gingin, Greenough, Mandurah, Manjimup, Rockingham, South Perth and Stirling.

The majority of non-metropolitan schemes contain a generic zone for tourist accommodation development, which generally is termed “tourist”, but in some instances referred to as “Short-stay Residential”. Schemes also contained specific development/land use categories for “Holiday Accommodation”, “Tourism Development” or similar. While these definitions generally were clear in that the developments were intended for holiday, tourism, temporary or short-stay accommodation purposes, only three schemes contained a specific time restriction. This ranged from a maximum of three months in any 12 months (Busselton and Albany) to a maximum of four months. A number of the definitions of Holiday Accommodation were also linked to the local government *Model Local Laws for Holiday Accommodation (1974)*, which limits occupation to an aggregate six months in any 12 months.

Two of the assessed schemes, Mandurah and Broome, provide a specific exemption, at the local government’s discretion, to allow a component of permanent residential development as part of a tourism development in the Tourist zone. The residential component was not limited to a specific percentage but required that the tourism component of the development remain the predominant use. The local government have determined this as a residential component of up to 40 per cent, depending on the specific proposal.

The achievement of similar mixed use developments also would be possible under a number of the other schemes as residential land uses, such as grouped dwellings, also could be approved by the respective local government within the Tourist zone. As with the Mandurah and Broome schemes, the determination of an appropriate mix would be a merit assessment of a proposal by the local government against the scheme objectives for the zone.

Where a local government has been supportive of a proposal for a residential component in a tourism development, and this is not provided for in the scheme, the approach has been to require a scheme amendment to rezone the site, or to introduce

a specific provision to facilitate the residential component.

The Busselton scheme also provides a restriction on the permanent use of caravan parks, at a maximum of 15 per cent of caravan sites, the achievement of which is subject to the approval of the local government. This differs from other schemes, which allow the development of caravan parks, in specific zones, in accord with the *Caravan Parks and Camping Grounds Act/Regulations*. In such instances, it is at the request of the proponent and at the full discretion of the local government as to the type of park - short or long-stay. Once again, the local government would be guided by the objectives for the respective zone within which the proposal was located. That is, a limited extent of long-stay use only may be appropriate in a tourism type zone relative to a residential type zone.

A majority of the assessed schemes did not limit the development of tourist accommodation to the specific tourist zone only. Schemes generally provided for low-key facilities as discretionary uses in the residential zones, and higher order facilities in the town centre / commercial and some rural zones.

Metropolitan local governments schemes generally do not provide for a specific tourist zone. The majority include tourist accommodation land uses in the form of serviced apartments/units, with the definition linking these to temporary occupation. These uses generally can be approved in commercial, mixed use, higher density residential and special beach/foreshore development type zones. This provides for developments with a tourist component or exclusively tourist developments, to be achieved without rezoning, in a number of situations.

A minority of the schemes provide guidance as to the criteria for the assessment of subdivision applications within tourist zones, with recommended minimum lot sizes established. All of the schemes reviewed are; however silent on the issue of strata titling of such developments. In response to this, some local governments have developed town planning scheme policies on the issue.

This review indicates that there is no consistent position in local planning schemes on the issue of permanent residential use of accommodation developments on tourist zoned land. While the provisions of a number of schemes require a rezoning to facilitate such developments, there are as many schemes that could accommodate tourism developments with or without a residential component, at the local government's discretion. In these schemes, residential/tourism developments may or may not be guided by zone objectives requiring the development to be predominantly tourism orientated. It is also clear that a number of local governments are yet to be faced with such development proposals, and have schemes that will not necessarily provide an adequate or clear framework for dealing with the issue when it arises.

Where the issue has been dealt with by a local government in preparation of its scheme, there have been two distinct responses:

- prohibit the permanent residential occupation of tourism developments within specific tourist zones (thereby requiring a rezoning if the local government supports such a development proposal); or
- provide flexibility for the local government to exercise its discretion in approving a component of residential use of tourism developments, with its decision guided by zone objectives and a requirement to retain a tourism dominance in the zone.

The determination of the level of residential use that can be accommodated in a tourism development while ensuring the tourism character is retained adequately is acknowledged by the taskforce as a complex issue. Guidelines for determining appropriate levels are required to take into account the character and potential for dominance of a residential component and cannot be based effectively only on numerical supremacy. This is explored further under the discussion of term of reference 2. (See Chapter 5.)

The differences in the approaches of the various schemes are linked to the spatial application of the zone. Where increased local government discretion has been provided for, it also is evident that the extent of the tourist zoning generally is more extensive, being

applied on a precinct or area basis, as opposed to application to a number of specific high-value tourism sites.

In a number of regional areas, the component of the visitor market accommodated in residential dwellings owned as holiday homes is significant, and this tourism use is important to the local economy. The South-West local governments of Busselton and Augusta-Margaret River are investigating the social and amenity impacts of such use, and its perceived impact on the operation of purpose-developed tourist accommodation.

While this issue was outside the terms of reference of the taskforce, it was noted as a shortcoming in the existing statutory framework, given the lack of clarity, and that it requires further investigation at a State Government level with a view to assisting local governments to develop an effective response.

Town Planning Scheme Zonings

The taskforce terms of reference are specific to tourist zoned land. To establish the required scope of investigations and an inventory of such land, an analysis was undertaken of tourist zoned land in local government schemes in the South-West, Great Southern, Peel, Central Coast and Broome.

As not all schemes contain a specific tourist zoning, the review was based on scheme zones that provide primarily for tourism type development, including tourism and short-stay zones, restricted use and special use zones where tourist accommodation is the primary development type permitted, and specific hotel and motel type zones. It did not include rural type zones where these provide for ancillary tourist accommodation development such as chalets and other low key facilities. A number of these schemes also provide for tourism development within Town Centre and like zones, along with many other uses. These zones also were excluded as previous tourism development has been limited and this is considered unlikely to change significantly.

The outcome of this assessment shows that tourist zonings form a minor component only of the urban zoned land within each of the schemes reviewed. This generally is less than two percent and encompasses a very small area relative to residential zoned land. Review

of the location of these sites also demonstrates clearly that the majority are located within an urban context, ie one or more boundaries border a developed urban area, where significant other residential opportunities exist.

The analysis also showed that the size of tourist zoned sites, or contiguous areas, is highly variable, from less than one hectare to more than 100 hectare. It was also evident that there are few sites of a size and/or location able to accommodate significant resort-style development, with a majority of sites of less than one hectare and a low level of undeveloped sites.

Town Planning Scheme Policies

Local government town planning schemes generally provide for the development of scheme policies designed to provide guidance to the local government, the community, and proponents to assist in the interpretation and implementation of the scheme. Such policies are subsidiary to the scheme and any State policy framework, but can be an important part of the local planning framework.

Of the local government schemes that were reviewed at least the shires of Broome and Busselton have developed scheme policies to guide their consideration, and recommendation of conditions, in respect to applications for strata subdivision of tourist accommodation developments. The Shire of Broome policy sets out guidelines for the assessment of strata applications and specific requirements for integrated management designed to ensure the ongoing management of a facility as a bona fide tourism resort. In achieving this, the policy deals with such issues as management structure requirements, common maintenance, servicing and fit-out, availability of units for rent, and development of common facilities and amenity buildings as part of first-stage development.

These policies have been developed within the context of the WAPC Policy DC 1.3 that strata subdivision applications for tourist accommodation will be considered on their merits.

Tourism WA also has developed a guide on this issue, titled *Strata Title Tourist Accommodation Developments: Attributes of Success*. (See Appendix 5).

3.2 Role of government agencies

A number of government agencies, in addition to Tourism WA have a role in the regulation, promotion, development and in forming the character of the tourism industry in Western Australia.

In conjunction with the WAPC's regulatory role in zoning and subdivision for tourism development, as exercised through the DPI, local government also has an important influence on tourism development through its development approval process. Local government also generally takes the primary responsibility in negotiating and approving various agreements and undertakings associated with the subdivision of tourism sites or the strata subdivision of tourism developments for approval conditions to be cleared. In respect to ongoing use local government has the authority and responsibility for policing use restrictions associated with tourism developments.

Local government also is responsible for the approval, licensing and regulation of caravan parks and camping grounds, in accord with the *Caravan Parks and Camping Grounds Regulations*, and is assisted in this regard by the Department of local government and Regional Development. It also can have a major role in supporting tourism development through the provision and maintenance of public facilities and services.

In respect to the development of tourist accommodation, the role of Tourism WA often is significant in pre-development planning and market assessment undertaken by proponents, through the provision of information. It generally has a limited role in the assessment process of tourism development proposals, or in the development of land use plans, even where tourism sites may be involved or proposed. Tourism WA becomes involved in the development assessment process through the referral by local government or DPI of development and rezoning proposals for comment. This is not undertaken within a formal framework and appears to occur on an ad hoc and limited level. The value of this referral process, when undertaken, to the outcome of the approval

process has not been assessed. It is; however acknowledged that Tourism WA has substantial tourism development expertise that would be of advantage to local government and DPI in the preparation and assessment of strategic tourism planning documents and in reporting on tourism proposals.

Through its Crown land administration function (formerly the responsibility of DOLA), the DPI and CALM have an important role in the State's tourism industry as managers of land used for tourism purposes. For DPI, this relates primarily to its disposal, administration and ongoing management of Crown Land for tourism purposes under various tenure arrangements from licences to freehold. Previously the role of the then DOLA had been significant in implementing government decisions in response to applications for the issue of freehold of reserves in regional areas managed for the purposes of tourist accommodation or caravan parks and camping grounds. DOLA, and subsequently DPI, has, however more recently been developing a policy framework to address concerns associated with the loss of low-cost tourist accommodation that has occurred through this process.

CALM provides a range of tourist accommodation facilities on land that it manages in accord with endorsed National Park Management Plans, and/or the reserved purpose of the land. CALM undertakes the planning, development, and operation of these facilities largely independently of other government agencies, including local government. The lease of CALM land for private development and operation of facilities, with the infrastructure returning to CALM at the end of the lease also is an arrangement that has been used. CALM also has a very significant role outside tourist accommodation development in the management of many of the State's iconic tourism attractions.

3.3 Statutory arrangements in other states

The taskforce undertook a review of the statutory framework that applies in other states, as it relates specifically to the terms of reference, to determine if the subject issues

had been experienced and dealt with. This was supplemented by the taskforce inspection tour to South-East Queensland. Conclusions from this review are that the issue of permanent occupancy of tourist accommodation is managed at a local government level, where management occurs, and this is often on a case-by-case basis.

The situation is similar to that which currently exists in Western Australia in that there is a lack of a State policy framework. The central difference identified is a trend to use mixed use residential zonings in high-demand tourism areas and approve the development (residential building) as opposed to the use (tourism or permanent residential). Some schemes provide the opportunity for development to take advantage of tourism requirements, such as reduced parking provisions compared with residential, with little policing of subsequent use/sale for residential purposes.

State Government Level

Contact with the planning and tourism agencies in Queensland, New South Wales, Victoria and South Australia indicated that the issues under review had not been widely identified. There was no developed policy response in any of the States and no relevant research that could be sourced at a State level from either the planning or tourism agencies.

The NSW Coastal Council advised that it had considered the issue and recognised the value of coastal sites for tourism purposes, but this has not yet been reflected in the State Coastal Policy.

The advice from South Australia was that a majority of coastal tourism developments would require the approval of the State Government, in addition to the local government, and it would be likely that conditions associated with permanent occupancy would be imposed, but this would be on a case-by-case basis.

During 2004 it was identified that the Cooperative Research Centre for Sustainable Tourism has been undertaking research into the residential/tourism trend and issues associated with strata management across Australia, but with a focus on the Gold Coast. While in its preliminary stages, this research

indicates concerns for the tourism industry with the nature of mixed development occurring and the inadequacy of many strata management arrangements (Kelly Cassidy, Griffith University pers comm).

Local Government

In reviewing how the issue is dealt with at a local government level, contact was made with a number of coastal and high-profile tourism local governments in the abovementioned States. The responses clearly indicated that few local governments involved themselves in the issue at a policy level, and very few schemes contained occupancy restrictions on either residential development or tourism development. Of those local governments that had experienced and responded to the trends, this was on a case-by-case basis, usually associated with larger tourism developments and achieved by way of development conditions.

Where the trends had been recognised more widely by the local governments, it was acknowledged that it may be detrimental for tourism and the need to identify specific sites exclusively for tourism purposes had commenced. In the local government areas of Noosa and Tweed Heads, the trends have been responded to through the identification of sites for tourism-only development, particularly coastal resorts.

Individual responses which provide representative examples include:

Maroochy Shire, Sunshine Coast, Queensland

At a strategic planning level, the local government has identified a number of tourism precincts where it seeks to encourage tourism development and has undertaken substantial investment in increasing the general amenity and facilities in these areas. At the scheme level, these areas are not zoned exclusively for tourism, but commonly zoned mixed use/mixed housing. Within such zones, the use classes multiple dwelling or integrated tourism development could be approved, with little to differentiate the development standards or restrictions relating to each. Within these areas, commercial development at street level is also encouraged to provide interest and vitality.

The outcome reported is that the higher-value developments consistently are used for tourism purposes, although this is not regulated, with little permanent residential occupation. At the local government level, this was considered to reflect the higher demand and higher returns that could be achieved for tourist accommodation, over residential development. This was not supported with figures on tourism use of such developments, and there was some evidence that residential/holiday home use of such developments is higher than acknowledged by the local government. The confidence in tourism uses being able to outperform residential uses in competing for limited high-value development sites was also inconsistent with trends identified on the Gold Coast of the conversion of beachfront tourism developments to residential units.

In a non-urban inland setting, where the area available for development was limited, it was acknowledged that it would look more closely at the tourism versus residential issue, but that it had not arisen to date.

Surf Coast Shire, Victoria

The planning scheme for this shire is similar to Maroochydore in that areas identified at a strategic level for the encouragement of tourism development are not zoned restrictively for that purpose, but provide for mixed use development. It was reported that within the two main coastal towns of Lorne and Torquay, there has been no problem of residential use competing with tourist accommodation. recent extensive development of higher-density apartments and residential dwellings within these towns had resulted in the majority being leased for tourism use. However, it was also acknowledged that new tourist-resort development had been limited, and that this may relate to the high tourism use of apartment accommodation.

Ballina and Hastings shires, New South Wales

The general advice was that in Sydney and along the NSW North Coast, there is usually limited difference between tourism development and residential development in respect to development controls, with the developments often being strata titled. Where

there was a specific tourist zoning (which was limited, as most higher density residential and commercial type zones provided for tourism development), development conditions limiting the use would be considered. It also was advised that strata tourism developments had in the past been used as a basis for achieving rural-residential subdivision and that such proposals now required rezoning to ensure the development was primarily tourism.

The local governments clear emphasis in the development assessment process was on environmental, site amenity and community issues, as opposed to the detail of the occupation. It also was clear at this level that the implications of the potential loss of high-value tourism sites to residential use, and the impact of tourism use of residential development on the development of tourist resorts were not issues that had received extended consideration. The taskforce considered that this may relate to the extent of existing development in the areas reviewed, ie the development of high-value coastal greenfield sites is not a common occurrence, and what was reported as the high demand and financial advantage of tourism over residential development.

Overall, it was clear that there commonly was no distinction in the planning framework between permanent and tourism use of residential buildings in areas subject to tourist accommodation pressure, and that this was not necessarily a result of extended consideration of the issues, but simply the planning system accommodating market demand.

The tourism strategies of the various State tourism departments also were reviewed, none of which contained policy statements specific to the issue the subject of the terms of reference.

3.4 Summary

In reviewing the statutory and strategic development framework in Western Australia and other States, the intention was to ascertain how the terms of reference issues are addressed, to provide a framework for the taskforce investigations. It is clear that in Western Australia, there is a relatively

Chapter 3

Current tourism development framework

detailed, although inconsistent, statutory framework at a local level, particularly compared with other States, but this is not supported with State-level policy direction. This local government statutory framework and the protection it can afford to tourism sites was recognised as an advantage for the tourism industry by a number of tourism and

government representatives in South-East Queensland. While the lack of State policy direction reflects the arrangement in other states, there clearly are different pressures in WA relating to population, tourist numbers, and tourism seasonality, which may well require the development of a different approach.

4 Term of Reference 1

Undertake an examination of the merits of the justifications used by proponents in support of their applications to provide residential development on land zoned for tourism purposes and consider criteria for the assessment of such claims.

4.1 Background

In establishing the taskforce, the Minister was concerned with trends in the development/tourism industry to seek to mix tourist and permanent residential accommodation on tourist zoned land.

Investigations by the taskforce and submissions received have confirmed that this trend is significant.

Over recent years, there has been a steady increase in the number of applications received by local government and the WAPC for rezonings and scheme amendments to provide for a mix of tourist and permanent residential accommodation on tourist zoned land.

The applications reviewed by the taskforce took two basic forms:

- Applications for an amendment or rezoning to a town planning scheme to delete use restrictions associated with length of occupancy, of the whole or a portion of sites or units within a development that is proposed as tourism, and argued to primarily still function as such.
- Applications to rezone the whole or part of a site to accommodate a use other than tourism (usually residential). In such cases, the rationale usually is linked to a lack of demand for tourism development and there is no contention that the site will continue to serve a tourism function.

This term of reference examines the justifications used by proponents in seeking approval to develop a tourism zoned site under both of these scenarios. The justifications identified generally fit into three categories: financial, social-management and site specific.

4.2 Financial justifications

The primary justifications put forward by proponents were financial. These generally were based on:

- Accommodation units in a tourism development without a short-stay use restriction sell for a premium and are more readily saleable, generating early income to a project.
- Development viability depends on a permanent residential component due to lack of tourism demand/market.
- Financial institutions have refused to finance tourist accommodation-only projects, particularly in regional areas, with tourism units not considered adequate security.

The taskforce invited presentations from Mr Jeff Cohenca, Director Commercial Finance, Ashe Morgan Winthrop, and Mr Graham O'Neill, Manager Property Finance, BankWest to explain the position of financial institutions in respect to the funding of tourism developments. The taskforce also commissioned a summary paper on the issues from Mr Cohenca. (See Appendix 1).

The taskforce was advised by representatives of the development industry that financial institutions take a conservative position when considering finance for tourism developments, justified by them from their previous significant losses in this sector. The development industry has responded with the use of strata schemes for tourism projects and the incorporation of a permanent residential component, with pre-sales providing the security required by the financial institutions.

Review of development trends shows that the use of strata schemes for tourism developments now is common practice, and has been the primary mechanism for funding such developments in Australia over the past 15 years. The inclusion of a permanent residential component in tourism developments to achieve project finance is a more recent trend. It also was determined that this is of lesser importance than the ability to strata, with a number of recent developer/operator tourism developments achieving development finance without the

inclusion of a permanent residential component.

In the current market, an accommodation unit in a tourism development with no short-stay use restriction is easier to sell than one with a use restriction. It thereby provides a higher level of security to a financial institution, and correspondingly will reduce the level of developer equity required in the project.

The Taskforce was told the increased saleability of such a unit was related to:

- the position of the financial institutions in making access to finance for residential units easier than for tourism units;
- the ability to sell a lifestyle factor, based on investors being willing to accept a low rate of return on the investment where the purchased unit is considered a holiday home; and
- the increased income security associated with a residential investment property.

The inclusion of a residential component in a tourism development therefore can have significant financial benefits for the developer in enabling preferential lending arrangements to be established with financiers, relative to a tourism-only development. It also can facilitate a quicker return on capital invested in the development through improved sales, and in reducing the time frame for development. It also is argued that potentially it facilitates a higher quality of development with a higher level of servicing and infrastructure provision due to earlier and higher returns.

While the issue of a residential component is considered secondary to the ability to strata title in funding such developments, it potentially can be critical to the establishment of a project at a particular time, and the infrastructure provided as part of a project. The inclusion of a residential component also may be considered a further move by the development industry to address a lack of responsiveness by financial institutions to circumstances of increasing demand for tourist accommodation development.

The history of tourism development on the East coast of Australia would appear to indicate that where the opportunity exists mixed residential/tourism development will occur, with the real estate market, as opposed

to the tourism market, as the main driver. The result is the continued provision of tourist accommodation units, ahead of market demand, but which have accommodated industry growth over time. It has; however also given rise to concerns expressed by sectors of the tourism industry about the quality of the resultant tourism product, negative impacts on the tourism experience from resulting use conflicts, and the sustainability of the approach, with high-value sites lost to residential use.

This latter concern is based on the high level of competition and low returns generated in the tourism condominium market, and the inability of operators to provide adequate tourism services, marketing, refurbishment and maintenance under such conditions. The result is a general decline across the board in the quality of accommodation and service provided. Warnken et al (2003) considers that the South-East Queensland tourism industry largely has been buffered from this effect to date as the majority of such development is relatively new, and is in an expanding market. Serious concern is; however expressed for the future of the tourism industry when large numbers of apartments from earlier construction booms mature simultaneously, and continuous low returns mean that funding for refurbishment and retention of the properties for tourism use are not available. The consequence of this, in addition to a detrimental impact on the tourism market, is viewed as a loss of prime tourism sites to residential use. In an analysis of the history of Spanish tourism, Priestly (1995) similarly identified that a government approach of expansion at all costs and price regulation, to achieve numerical growth in tourism numbers, resulted in low returns, a predominance of low-quality facilities, and a resultant collapse in foreign income from tourism.

The taskforce also noted that in facilitating development through enabling a residential component, as opposed to a development being held until adequate tourism demand is achieved, this may have negative implications for existing operators and may not result in an overall tourism benefit. However, it concluded that subject to the introduction of a residential component being limited to specific sites and the application of guidelines and conditions as

required to ensure a tourism outcome, this will minimise the negative impacts for existing operators by reducing the rate at which such developments are likely to proceed to a sustainable level. These concerns also need to be balanced against the findings that without a permanent residential component, some tourism developments may not proceed because of an inability to secure finance. For discussion of the guidelines and conditions to be applied, see Section 5.7.

The taskforce also received information that a permanent residential component in a tourist accommodation development could facilitate compliance of such a development with Class Order exemptions issued by the Australian Securities and Investments Commission (ASIC) in respect to its consideration as a serviced strata scheme under the *Corporations Act*. While the taskforce acknowledged that under very specific circumstances, this could occur, it was not accepted that it should be a dominant factor above tourism considerations in determination of the suitability of a residential component in a particular development.

4.3 Social - management justifications

The social-management justifications put forward by developers in support of permanent residential components in tourism developments focused on the benefit considered to accrue from the development of an ethic of responsibility and general care for the development in owners of permanent residential units, irrespective of whether the owners were also permanent occupants.

The development of an ownership ethic was acknowledged by the taskforce, but it was not accepted that this necessarily was in the best interest of providing a tourism experience at a facility. It was noted that such an ethic in owners had the potential to promote conflict between the tourist and permanent users of a facility. This, and further justifications associated with a permanent residential presence, are dependent on residential units being used on a permanent basis to:

- provide an air of activity in the area and facility throughout the year;

- support the establishment and on going viability of on-site and local commercial facilities; and
- improve infrastructure maintenance.

The history of these developments has; however shown that while the level varies, purchasers of permanent residential units within a tourism development are likely to use them on a lock-up or holiday-home basis. They are vacant for substantial periods and the purported benefits of permanent occupation are not realised, with vacancies also detracting from the tourism experience in peak holiday periods. However, it also is accepted that under such circumstances the potential for tourist-resident conflict is reduced, although there is a corresponding loss of capacity to accommodate tourism demand.

The position was also submitted to the taskforce that a residential component was required in regional tourism areas to combat seasonal fluctuations, and facilitate the establishment and ongoing viability of tourism-orientated commercial and recreation facilities, improved infrastructure, and to improve the character of the area generally. However, the high levels of local business support associated with tourism, relative to permanent residents or the level of holiday home use that may arise may not have been taken into consideration.

Submitters raised further issues in respect to the wider economic benefit that can accrue to a region from the development of a tourism facility with a permanent residential component that otherwise may not be initiated. While the taskforce accepted this position, it was not demonstrated that this benefit generally would be sustainable. It also was not clear to the taskforce that the inherent potential value in a prime short-stay tourism site would not be diminished through the inclusion of a residential component due to the potential for conflict and the devaluation of the tourism experience, and loss of the long term ability to accommodate tourism demand. Correspondingly, the taskforce considered that this justification had limited validity for tourism developments where the potential conflict and detrimental effects of a residential component would be high, ie strategic sites, and as such, outweigh the economic benefits of early development.

4.4 Site-specific justifications

Proponents seeking a residential component put forward a considerable number of justifications that relate to the specific circumstances of a site or the town/locality within which it is located.

The taskforce was unable to be definitive on the general validity of these due to the various site locations and conditions involved. It did; however acknowledge the need for sites to be considered on an individual basis taking into account particular location issues, in addition to their potential strategic tourism value. Sites zoned for tourism purposes do not always have a high potential or value for tourism purposes due to a number of factors, including:

- initial zoning that may have been inappropriate;
- changed market/demand situation; and
- development of surrounding land uses that no longer are compatible with tourism development.

It also was noted that tourism development often has been used as a vehicle in promoting and seeking approval for wider development schemes that primarily are residential. In such circumstances, the tourism sites can remain undeveloped after the residential development has been completed. Thereafter, they are often reduced in size and/or relocated to provide additional residential capacity, and in some cases rendered un-developable due to surrounding land use. The taskforce acknowledged the need to provide the option to re-evaluate the appropriateness of the tourism zoning of such sites. It also was strongly of the view that an increase in the up-front critical evaluation of such proposals in the future was required.

The taskforce also concluded that proposals where a residential element was included that otherwise was outside the adopted planning framework, due to the desire to achieve a tourism development, need to be considered very cautiously due to the potential for high residential infrastructure and servicing costs to the State of such development.

Under both scenarios, where a residential component is considered consistent with the agreed planning framework, mechanisms linking tourism facility development to the

stages of an overall project were considered essential. Where this could not be achieved effectively the development should not be supported.

4.5 Conclusions

On the basis of its findings, the taskforce accepted that the basic financial justifications put forward by developers in support of a permanent residential component in a tourism development are valid, and reflect the current position of lending institutions. The taskforce did; however identify that these justifications were focused on initial project funding and did not consider the quality of the resulting tourism product, ongoing sustainability of a project, or necessarily consider the benefit or impact of the development on the tourism industry. It also was noted that the ability to include a residential component in a development was secondary to the ability to strata title, although still important, in achieving project finance. Correspondingly, the taskforce considered that if residential components in tourism developments are to be supported, this needs to be on a specific category of tourism site only, and subject to development and management conditions to reduce the negative implications.

The general category of social-management justifications were seen as potentially giving rise to competing interests and greater resident/tourism impacts, without a high level of confidence in the benefits, and as such were not considered compelling.

In respect to site-specific justifications, the taskforce recognised that it was necessary for a framework to be established within which proponents, the State and local government, in consultation with and with assistance from the WAPC and Tourism WA, can evaluate the need for retention of specific sites for tourism-only purposes. This determination requires assessment of the overall tourism context of a locality and is discussed further in the taskforce recommendations, Part 1. It also is acknowledged that while protection and facilitation of development is required for high-value strategic tourism sites, where a site has a limited tourism value or potential, it is appropriate for it to be rezoned for mixed use or an alternative purpose.

5 Term of Reference 2

Assess the implications of allowing a mix of permanent and tourist accommodation on land zoned for tourism purposes in terms of:

- *reducing the growth of tourist accommodation in relation to future demand;*
- *potential loss of high-value tourism land (in close proximity to and with accessibility to areas of high environmental, cultural and scenic value or other locations of strong tourism interest);*
- *potential land use conflicts between short-stay and permanent occupants compared with any benefits that a more mixed community may bring; and*
- *other planning issues in relation to allowing a mix, such as distance from residential services and the provision of infrastructure.*

5.1 Background

In establishing the taskforce, the Minister was concerned as to the potential impacts of mixing tourism and permanent residential uses in a single development in respect to land use conflict, impact on the tourism experience, the residential amenity provided in such developments, and the loss of suitable and available land for future tourism development. This provided a clear framework for the identification and assessment of the various effects. The absence of quantitative data made consideration of components of this term of reference difficult, and dictated a reliance on anecdotal evidence in some cases. The taskforce considered each areas of potential impact and based its conclusions on the cumulative outcome of these assessments.

5.2 Reducing the growth of tourist accommodation in relation to future demand

The implications of the loss of tourist zoned land to permanent residential use on the ability to accommodate future tourism demand relates to the ability for any land alienated from tourism development to be replaced with land of equal tourism value and readiness for development. This is dependent on the tourism value of the alienated land, in consideration of its location and characteristics, and issues such as availability of services. A high impact will be experienced where the loss involves a prime tourism site in a location with limited alternatives. The value of the loss of a tourism site also will be higher in locations where community opposition to development of existing natural areas is high, and as such, options for replacement of a site limited.

Where there are a significant number of tourism sites of equal value in a general locality, or where other equal-value sites with potential for development or rezoning for tourism purposes are available, then the loss is likely to be less significant.

Two categories of proposals provide for the introduction of permanent residential components to a tourism site:

Category 1: covers zoning and development character of a site retained as tourism but use restriction removed on whole or a portion of the site or specific number of units,

Category 2: covers portion or whole of a site zoned for residential use.

In consideration of proposals under Category 1, the following issues were identified in respect to the ability to accommodate future tourism growth:

- This may result in a specific site reduction in the provision of tourist accommodation where the overall scale of the development remains unchanged due to allocation of a portion of the development to residential use. This potential loss may; however be addressed where the site capacity exists for the scale of the tourism development to

be maintained, in addition to the residential component.

- This development style will limit tourism potential unless the design approach and management structure facilitates use of the residential units for tourism purposes, as market demand dictates, and provides for future expansion and/or redevelopment.
- The delivery of tourism units achieved in such developments is likely to be of advantage to tourism where the development would not have proceeded without the residential component.
- The long-term loss of tourism potential may outweigh the short-term advantage of achieving the development ahead of sustainable tourism demand. This impact will be reduced where design and management conditions facilitate a change of use back to tourism as demand grows.
- Residential properties currently are used for tourism purposes in some localities, and while this demonstrates a high level of flexibility to accommodate seasonal demand, it does not necessarily provide a tourism experience or cater to the short to medium stay visitor.
- Where the site has strategic tourism value, the significance of a residential component may be high in limiting further tourism development, ie a second stage of the development to accommodate increased demand. A residential component also will limit flexibility for redevelopment, expansion or upgrading to reflect market changes.
- The extent of loss of the tourism function of a site can be significantly greater than just the proportion of the site or units allocated to residential use. This results from the potential for the tourism function and tourism experience to be downgraded, irrespective of demand, where there is a residential component. Anecdotal information provided to the taskforce indicated that this outcome is more prevalent where such developments are strata titled and the interests of owner-occupies become dominant over the tourism interest.

The loss of potential to accommodate future tourism demand from the introduction of a component of permanent residential use

needs to be balanced against the possible immediate loss to tourism if a permanent residential component is not permitted and development of a site does not progress. It also needs to be balanced against the potential future loss to tourism if no tourism-related development is achieved and subsequently, the site is rezoned to another use that excludes any tourism development. In assessing these issues, the taskforce considered it likely that the potential loss to tourism of permitting a residential component in a tourism development will outweigh other considerations on high-value tourism sites, but not in respect to general sites where the potential can be replaced.

In consideration of proposals under Category 2, where the site or portion of the site is rezoned for residential purposes, the following issues were identified:

- The land is lost to tourism with a high potential for this to be long term and probably permanent.
- Significance of the loss of the site depends on site location and characteristics, with the site value and ability to replace the site being fundamental considerations. Where the loss involves a prime tourism site, with the tourism zoning applied in reflection of inherent tourism potential, then the significance of loss consequently is high if the site cannot be replaced.
- Where the site is located in a natural or high landscape-value area and the replication would compromise those values and its inherent tourism value, then the significance of the loss is high.
- If the site is urban based with no particular locational characteristics, the loss of the site may be significant where the site is of a size suitable for a tourism development, and land amalgamation in the surrounding area and/or approval of a tourism development on an alternative site may be difficult to achieve. However, the significance of the loss still is dependent on a current or projected future demand for tourism development in that location.

In considering the significance of this issue, a review of local government schemes in a number of urban areas was undertaken. This indicated that under the statutory planning

framework, there generally are opportunities for development of new tourism sites within urban areas (and limited rural tourism in rural areas). However, this does not consider the tourism value of the lost sites, or the success of actual development proposals, as tourist accommodation often is one of a range of uses that may be approved at the local government's discretion.

The exception to this is in low to medium-density residential areas where tourism developments often are limited by zoning, and often opposed by residents of the immediate area due to perceived amenity impacts.

The alienation of vacant tourism sites, or those with dated developments, from a tourism zoning where there is no current or projected demand for tourism development on that site also was considered. It was identified that where tourism demand was low due to a sustained market change, or changes in surrounding land use, the loss of tourism development potential also was likely to be low.

Where a loss of tourism development potential occurs through the rezoning of the site, or portion of the site, and there is no link to tourism development on the remainder of the site, the detrimental impact on the ability to accommodate future tourism demand is clear. This is particularly significant for those coastal sites where replacement opportunities are constrained.

Where only a portion of a site is proposed to be rezoned for residential use and this is based on supporting associated tourism development, the potential loss needs to be balanced against the possible immediate loss to tourism if the proposal does not proceed. For those sites with an identified tourism value, this will relate to the site characteristics, the ability to accommodate existing and projected tourism demand, and the ability to link the development of the tourism component to the residential development. Examples of previous development proposals based on a proposed association between residential and tourism components commonly have resulted in the tourism component not being built. This was considered to

demonstrate some concerns with the ability to link such developments effectively.

For sites where there is no identified tourism value or future potential, or where the site readily can be replaced through the zoning or development approval process, it was considered that rezoning for residential purposes would not have a detrimental impact on the ability to accommodate future tourism growth.

In consideration of this component of the term of reference, the taskforce concluded that:

- The rezoning from tourism to residential of all or portion of urban based sites with no particular tourism character, or existing or substantiated future demand for tourism development, will result in a site-specific loss, but is unlikely to result in a restriction on growth of tourism accommodation development.
- The rezoning of the whole or portion of a tourist zoned site for residential purposes, where that site has an identified tourism function, will result in a restriction on the ability to accommodate future tourism growth. Where the site is identified as having high tourism value, the significance of this impact is high.
- The retention of tourist zoned sites for tourism purposes only, where the sites have an identified tourism function but limited immediate demand, will not necessarily benefit the growth of tourist accommodation in an area, and may be detrimental relative to promotion of a tourism development with a limited residential component.
- A rezoning or scheme amendment to provide for a tourism development with a residential component on a high-value tourism site will result in a loss of ability to accommodate future tourism demand and will have a detrimental impact on tourism growth.
- The rezoning of a site from tourism to residential negates the ability of the market to return that development to a tourism use as demand increases, as may be achieved in a tourism development with a limited residential component under a tourism zoning.

- The implications of the inclusion of a residential component in a tourism development are more significant in respect to the conflict between the user groups and the effect of this on tourism character, than simply the loss of tourist accommodation. A residential component also can limit the ability of management to modify the character of a development to meet changing market demand, and therefore is detrimental on the ability to accommodate future tourism demand.

5.3 Loss of high-value tourism land

Tourism sites of high-value are those sites that have strategic value for the sustainable development and growth of the tourism industry and need to be identified, developed and managed to provide the greatest benefit to tourism and the community. As discussed in Section 2.4 the taskforce has adopted the term strategic for such sites. With particular importance to this term of reference, it is acknowledged that the status of these sites is not always static, and may change with the tourism value of an area, influenced by tourism demand, investment and infrastructure provision.

The inclusion of a permanent residential component in the development of strategic sites, or loss of portion of such sites to permanent residential use through zoning, has the following implications:

- devaluation of the tourism experience available through permanent resident/tourist conflict and potential for a non-tourism character to persist in the development. The outcome is the undermining of the potential of the site to operate as a sustainable strategic tourism destination, and the loss of the potential wider benefit of this to the community;
- loss of potential for staged development or redevelopment of a site over the long term to meet increasing tourism demand; and
- devaluation of the character of a site's attractions and/or the site setting, ie those aspects from which the site achieves its inherent potential, through residential-style development.

These implications have been identified on the basis of assessment of the impact of the introduction of a residential component to tourism development on existing tourist zoned land.

The taskforce notes that effective tourism planning also will require the establishment of a framework for identification of strategic tourism sites that currently may not be zoned for tourism purposes. Such a process also is likely to result in the identification of strategic tourism locations, ie areas generally identified with high tourism potential. These locations can be identified in local government planning strategies and schemes, in addition to the zoning of specific land parcels for tourism purposes.

With the identification of strategic tourism locations at the broad planning level, the capacity will exist for some areas within these locations to be developed for tourism purposes with a residential component, and to a lesser extent, residential purposes, without necessarily giving rise to the above implications. Achievement of this will involve a masterplanning process undertaken from a tourism perspective that recognises long-term tourism demand. This may result in agreement on a graduation of integrated residential development across a site, while retaining a primary tourism function for the location as a whole. Such an approach to the development of tourism estates would provide increased investment opportunities, and flexibility for such areas to evolve over time with changing tourism demand.

The failure of some past examples of such estate developments to deliver tourism development opportunities of a high value, or any tourism development at all, has been noted by the taskforce. In addressing this, it is recognised that the emphasis in planning of such precincts needs to be on the identification and appropriate designation of sites of strategic and non-strategic tourism value. Where a residential component is proposed in support of the tourism development imposition of an overall development framework to ensure the potential of these sites is not compromised, or that the financial benefit of a residential component is not lost to the tourism development, also is important. This will

require an increased focus by the WAPC and local government on the effective statutory linking of residential and tourism development in such estates.

The taskforce also considered the loss of tourist accommodation opportunities that can arise from the conversion of short-stay caravan parks, many of which occupy strategic tourism sites and serve a strategic tourism function, to either long-stay caravan parks or park home parks. As caravan parks cannot be strata titled, the element of long-stay users within a park can be very important to the ongoing viability of the operation by providing a low-season or year-round base income to the operator. While acknowledging this, the taskforce considered that a more consistent approach to the issue was necessary, given the loss of tourism opportunities that had resulted in the past. The approval of proposals for such conversions rests with local government and it was considered that on tourist zoned land, determination of such applications should be based on the assessment of the need for tourism as opposed to residential use. This assessment should be undertaken in conjunction with the local tourism industry, Tourism WA and WAPC and include consideration of the wider tourism demands and function of the locality.

In consideration of this component of the term of reference, the taskforce concluded that:

- There is a loss to the tourism industry from the introduction of a permanent residential component on strategic (high-value) sites from the reduction of tourism development potential and/or the potential for the tourism experience available in such sites to be compromised.
- The taskforce endorses an approach to future tourism development that involves the identification and designation of strategic tourism locations. Within such locations, a residential component may be able to be accommodated where master planning can demonstrate that tourism values are not compromised, including provision for long-term demand, and the development of the tourism component is integral to development of the site. The taskforce is aware that this approach has been used in the development of integrated

tourism-residential estates on the eastern seaboard in association with the development of brand name resorts.

- In consideration of the importance of strategic tourism sites and locations, and the wider planning implications of such areas for tourism purposes, the taskforce considers that an agreed framework for the identification, management and development of such sites for tourism purposes is required.
- There is an increased focus required on the retention of tourist caravan parks for tourism purposes, as many are located on strategic tourism sites, and/or serve a strategic tourism function. Any loss of these sites to residential use will affect the ability to accommodate future tourism demand.

5.4 Potential for land use conflicts between the short-stay and permanent occupants in a tourism development

The taskforce was presented in submissions with a divergence of views on the potential for conflict between permanent residents and short-stay users of a tourism complex. The various views reflect the categories of visitors and accommodation types as identified in Section 2.4. Anecdotal evidence provided to the taskforce indicated that there is a high potential for conflict between residents and tourists in some forms of tourism developments, which relates to their differing objectives for staying there. It also was identified that this conflict simply may exhibit as a devaluation of the tourism experience available in a facility.

In addition to issues outlined, the conflict also relates to the reduced level of service that commonly is associated with mixed tourism/residential developments, and their orientation away from the interests and needs of the tourist. The taskforce noted this as essentially the consequence of the residential component reducing the viability of providing a full range of tourism services due to lack of tourism numbers and demand. This was strongly evident in mixed use beachfront

developments in south-east Queensland where access to reception and/or assistance often was limited to standard office hours.

While published research on residential conflict in built tourism developments could not be found, it is an issue investigated in respect to caravan parks (AIUS, 1990). The difference in conditions between caravan parks and built developments will affect the extent of conflict; however it is considered that the principles of conflict are equally applicable to both development types. These are discussed below.

Territorial claims

Permanent residents have an increased desire for privacy and personalisation of their site. This can result in the following outcomes:

- the development of resentment and antagonism in permanent residents towards tourist that may cross or pass through public space that has been personalised or is in proximity to their site;
- the personalisation of space has the potential to result in a loss of consistency and variation in standards through out a facility; and
- tourists at a facility with a permanent population are likely to be made to feel intruders, particularly where access to facilities is involved. This feeling will also be influenced by the attitude of management and the number of residents who are possessive of common facilities.

Separation issues

The extent of actual and potential conflict between user groups is likely to increase as the number of permanent residents increases, until they become the dominant group. This is due to the different reasons for the groups being in caravan parks, from rest, relaxation and enjoyment for tourists, and work and household routines for residents.

While a tourist is likely to be viewed as an intruder by residents, the tourist also may resent the residents due to their better access to facilities, knowledge of the park, having a detrimental impact on their tourism experience.

Determination of appropriate level of a residential component

The analysis indicates that the size of a residential component and its location in a tourism development are important to the level of conflict and detrimental impact on the tourism experience that can result. The taskforce has identified that there is potential for a limited residential component to be included in the development of non-strategic sites, conditional on the tourism dominance being retained. As such, it was necessary for determination of the maximum proportion of permanent residential use, and associated conditions, at which this still could be achieved.

The taskforce reviewed existing local government schemes and policy positions, which ranged from a residential component of below 15 per cent to more than 40 per cent in tourism developments on tourist zoned sites. There was; however a lack of documented analysis of the effects of the various percentages. As the taskforce was limited in its ability to undertake its own detailed research on the issues, information was sought through discussion with tourism operators, managers and industry representatives. Anecdotal evidence from South-East Queensland was particularly important in this regard, due to the number of mixed tourism/residential developments in the area. Through this process, the taskforce also identified the need to establish specific criteria for application of the residential percentage. Various methods historically have been used, including land area, unit numbers or floor area, all of which can result in significantly different outcomes.

The outcome of this assessment was that a maximum of 25 per cent residential component was appropriate, based on site area and unit numbers and conditional on specific design requirements, for the tourism dominance of developments to be sustainable.

This was based on the following issues:

- The personalisation and privacy issues associated with resident occupation of units within a tourism development can dominate the tourism character at very low levels. This relates to a loss of consistency across



a facility, externally and internally, and a loss of tourism character in a development.

- Occupancy level of tourism units compared with residential units may result in residential dominance at low levels during the low season. This can result in the development of protective attitudes in residents to recreation and other facilities, and general access. This then can be maintained into the high season, reducing the tourism amenity. It also can result in a desire of residents to maintain low tourism use, and result in specific moves to change the orientation of a development away from the needs of the tourist.
- The involvement of owners of permanent units in corporate bodies generally is stronger and more consistent than tourism unit investors, and can result in residential issues dominating management of a development at residential levels of about 20 per cent and above. The 20 per cent residential component was identified to the taskforce by operators in the Queensland management rights industry as the catalyst level at which residential unit holders tended to dominate other interests. In specific examples, this had resulted in corporate bodies reducing services and facilities available to tourists, with the eventual consequence that the facility's tourism function was greatly reduced in favour of a residential focus.
- A predominance of tourism use is required to provide for the maintenance and ongoing provision of tourism services and facilities, including reception, room service from a viability and management effectiveness perspective.
- The conflict between the recreational/holiday interests of tourists, and the domestic interests of residents generally were considered manageable at residential levels of about 20 per cent or less. At residential levels above this, operators acknowledged that the tourism experience at a facility could be compromised.

The taskforce reviewed the effectiveness of design and management requirements prepared and implemented by local government to determine the basic principles required to ensure retention of tourism

dominance in developments. The suggested conditions take into account the outcomes of the overall assessment of terms of reference 2 and 3, relating to strata titling, and are contained in the conclusions in Section 5.7.

The taskforce also considered the location of a residential component within a development as important as detrimental effects will be exacerbated where a residential component occupies the prime portion of a site, eg where a residential component occupies the beachfront of a site, and all visitors are required to pass this area to access the beach, being the primary tourism focus. Where the residential part of the site is the most visible or located closest to recreation facilities the effect also will be exacerbated. This therefore can result in a dominant residential character to the development at low residential levels and has the potential to reduce the tourism amenity significantly.

In consideration of this component of the term of reference, the taskforce concluded that:

- There is potential for conflict between short-stay tourists and long term or permanent residents within a tourism facility due to the different objectives of the two groups. This conflict can manifest itself in many ways but has two primary outcomes:
 - a devaluation of the tourism experience at the facility through there being a non-tourism character or ambience, and the tourist feeling like an intruder when entering the development or using certain areas/facilities; and
 - an impact on the amenity of the resident due to different lifestyle priority issues of short-stay tourists, who in many cases have a higher recreation priority.
- There is reduced potential for conflict in mixed tourist/residential developments where the visitors are medium-stay holiday or seasonal visitors. This relates to reduced importance on the tourism ambience of the development; however issues of conflict over ownership and intrusion still are likely to occur.
- The significance of the inclusion of a permanent residential component within a tourism development on the potential for conflict will in part depend on the design

and location of the component within the site. The greatest conflict and detrimental impact will arise where the residential component is in proximity to the tourism focus or recreation/entertainment facilities.

- There is potential to reduce the level of conflict and detrimental impact on tourism of a residential component in a tourism development on a non-strategic site where the residential component is less than 25 per cent of the development, and design and management such that the tourism orientation of the development is emphasised and maintained.

5.5 Providing for a more balanced community

Evaluation of this issue was undertaken on a site-specific basis, as was relevant to a majority of submissions received by the taskforce, and from a wider perspective, which generally relates to the ability to service and maintain facilities for a tourism-only development.

The social and management justifications put forward by developers in support of the incorporation of a residential component in tourism developments identified a number of beneficial outcomes on a site-specific basis. These were:

- ability for a residential component to provide support for commercial facilities within a development;
- provision of a level of management and ownership presence; and
- establishment of a level of year-round activity and use.

These issues were discussed in detail under term of reference 1, and the taskforce did not accept that these benefits would outweigh the potential negative implications associated with conflict between residential and tourist users, and the devaluation of the tourism experience, in respect to strategic sites.

The taskforce received a number of submissions supporting the need to establish a balanced population in the Cable Beach tourism precinct in Broome, through allowing residential development. This issue provides

an outline of the specific conditions that prevail in some regional areas.

The Shire of Broome has reviewed this issue on a precinct basis and considers that there are potential advantages in permitting residential development in a primarily tourism area. The approach proposed by the shire is the introduction of a residential component on a graduating basis with increasing distance from Cable Beach and the adjoining commercial/tourism focus. The advantages are:

- A base residential population will increase the ability to establish viable commercial activities in the area through reduced seasonality of demand, which will benefit the tourism experience in the area in the long term.
- The Cable Beach precinct is large, being originally designated on the basis that it permitted mixed use development, and has the capacity to accommodate residential development, particularly in the areas away from Cable Beach, which do not have high tourism potential.
- These areas are noted as requiring a catalyst for development to improve the overall outlook and character of the area.
- A more balanced, all-year population will result in greater use of existing infrastructure and investment in the area, and increase the ability to improve and provide further infrastructure.

The achievement of these advantages are critically reliant on the permanent occupation of the residential units/development and that this occurs to a level that will outweigh the higher expenditure on facilities, cafés, restaurants and tourism orientated specialty shops, that otherwise would accrue from tourism.

As the residential component is acknowledged by the Shire of Broome as a legitimate land use in this context, it is necessary that it be located to provide an adequate level of residential amenity. While the level of integration between the residential and tourism components would need to be high in proximity to the strategic tourism focus, maintaining tourism dominance, it is accepted that this would reduce toward the periphery of the precinct.

The unique circumstances of the Cable Beach tourism precinct, particularly its size, and its potential to accommodate long-term tourism demand and an element of integrated and separate residential development were noted by the taskforce. The approach to planning of this precinct also was noted as potentially providing an example of a valid response to regional circumstances, subject to the establishment of specific limits to the residential development to protect the strategic tourism value and capacity of the area. This could be developed through a local tourism planning strategy.

In consideration of this component of the term of reference, the taskforce concluded that:

- The benefits that arise from the establishment of a more mixed community within a development on tourist zoned land do not outweigh the negative impact of the potential conflict between residents and tourists on focused strategic sites.
- The proposed advantages of the establishment of a base population in a tourism precinct, and the ability of permanent residents in a development to reduce the impact of the seasonality of the tourism industry are noted. These benefits are considered to be applicable only in very specific circumstances, where the benefit outweighs the displacement of potential tourism expenditure and the potential demand for additional residential services.

5.6 The use of land zoned for tourism purposes in respect to access to residential services and provision of infrastructure

The residential environment provided to a permanent resident in a tourism development on tourist zoned land is influenced by amenity issues, associated particularly with conflict with tourists, and the ability to access residential services.

The taskforce accepted that the level of residential amenity that could be achieved was likely to be acceptable on urban-based

tourism sites in respect to access to urban services. Some non-urban and regional tourism sites were recognised as unlikely to provide an adequate level of access to residential services, which could have long-term consequences for the State and relevant local governments in respect to infrastructure provision.

There are examples of townsites around the State that were established as seasonal tourism locations and subsequently have developed to contain a residential population. While the first generation of such a population may accept a level of servicing below that normally expected in a residential environment, the process inevitably results in requests for the provision of infrastructure in what are at times highly inefficient locations to service. As such, the implications of the approval of a residential component on tourist zoned sites in relatively isolated locations can be significant economically, and have ongoing financial consequences for State and local government. Given the location of such settlements is not necessarily planned taking into account residential needs, it also can result in inefficient patterns of servicing and potential duplication of services at both levels of government.

There also are implications in respect to the provision of residential services that can affect the tourism quality of a site, through creating an overall atmosphere in the development that is more orientated to residential than tourism needs. This is particularly important in regional areas where the isolation, relative lack of development and natural beauty are recognised as providing the “point of difference” that will increase future international and national tourism. The taskforce considered that protection of this character would be difficult to achieve if non-urban tourism sites are developed for residential purposes with associated urban infrastructure.

5.7 Conclusions

The conclusions of the taskforce take into account the validity of proponents’ justifications for the inclusion of residential components, as reviewed under term of reference 1, and the implications of mixing

tourist and residential accommodation, as discussed under this term of reference. The conclusions also consider the role of tourism development in establishing sustainable economic activity, particularly in regional areas. The need for a tourism development to be sustainable in its own right and in its wider impacts also is recognised.

The taskforce acknowledges that its conclusions in respect to sites deemed to be of strategic value may be viewed in some sectors as not addressing the financial issues associated with tourism development, and as such, not facilitating the early development of these sites. However, it is considered that the development of such sites for tourism-only purposes is in the best interest of achieving a sustainable tourism industry in the long term. It also is acknowledged that this may have implications in respect to some tourism sites having to be held until tourism demand increases. The taskforce has sought to address this in the policy recommendations. (See Chapter 8).

The taskforce noted that, on balance, there are detrimental implications associated with allowing a mix of tourist and permanent accommodation on tourist zoned land where that land has an inherent tourism value and/or is one of a limited number of development opportunities in a locality, ie a strategic site. The potential for a residential component to detract from the tourism function, the potential loss of tourist zoned land, reduced level of tourism services available, introduction of urban infrastructure, and/or the lack of access to residential services and infrastructure are significant potential implications on strategic tourism sites.

These implications also were determined to be applicable to non-strategic tourism sites to a lesser and variable degree, and in part could be addressed through design and management conditions. It was identified that the desired outcome for these sites would be achieved through the establishment of the residential component without an occupancy restriction. This is seen as facilitating the maintenance of tourism dominance and flexibility for future tourism use as demand increases while also providing the financial benefit of a residential component.

These outcomes gave rise to a number of specific conclusions:

- The detrimental implications associated with a permanent residential development or permanent residential component in a tourism development on a strategic tourism site generally would outweigh any benefit in terms of the residential component facilitating early or more significant initial development or establishment of ancillary facilities. The taskforce considered that a framework should be established for the identification of strategic tourism sites to facilitate their retention for tourism-only purposes.
- The importance of strategic tourism locations and sites, and the wider planning implications of the management of such areas for tourism purposes, requires the planning framework to identify these take into account the positions of the major stakeholders. This would include at least local government, the real estate development and tourism industries, community interests, Tourism WA and the WAPC. It also should take into account State Government policy and be undertaken as an important component of local planning strategies, as required to be prepared when a local government is reviewing its scheme, or in the form of a local tourism planning strategy.
- Where sites have a lower-order tourism value, are more commonly urban based, and identified as non-strategic, the implications of limited residential use are considered less significant where tourism dominance and function are retained. In these cases, the impact of the residential component may be secondary to the benefit that can be achieved through facilitating a new development or the significant redevelopment of an existing facility.
- Not all tourist zoned sites under local government schemes have, or will continue to have tourism potential or a tourism function of significance to the industry, and a planning framework is required that allows for the identification and rationalisation of such sites to facilitate their use for non-tourism purposes.

- Where a residential component is supported on a non-strategic tourist zoned site, the taskforce concluded that a maximum component of 25 per cent should be considered, as the potential for the residential use to dominate the tourism orientation of a development significantly increases above this. The taskforce also concluded that specific design and management guidelines were required if the tourism orientation of such developments was to be sustainable, and for future tourism use of the residential component to be facilitated.
- Where tourism developments are approved on non-strategic tourist zoned land with a residential component, this component should be developed as residential-no occupancy restriction units. That is, it will form an integral part of the tourism complex but will not be restricted in terms of length of stay. Achieving this outcome will require compliance with the following requirements and guidelines:
 - The maximum proportion of residential use shall be determined such that the site retains a predominantly tourism function, and shall not be greater than 25 per cent.
 - The maximum percentage of residential-no occupancy restriction units/development determined as appropriate on the site, being equal to or less than 25 per cent, shall comply with the following at all stages of the development of the site.
 - The proportion of residential-no occupancy restriction units relative to the total number of accommodation units on the site shall be equal to or less than the approved percentage.
 - The site area occupied by the residential-no occupancy restriction units, and any areas designated for the specific use of the occupiers of those units, relative to the area occupied by the short-stay development, shall be equal to or less than the approved residential percentage. In calculating the areas occupied by the short-stay and residential-no occupancy restriction components, common areas and those facilities available for common use shall be excluded from the calculation.
 - All accommodation units shall be designed primarily for tourism occupation and form part of an integrated complex.
 - Any residential-no occupancy restriction component incorporated within a tourism development shall not occupy those areas of the site providing the highest tourism values, eg the beachfront, should be retained for tourism purposes and not residential-no occupancy restriction units.
 - Design differentiation between tourism and residential-no occupancy restriction units within a development shall be limited to that required to accommodate the various components of the tourism market.
 - Residential-no occupancy restriction units may be segregated within the development and provided with recreation and amenity facilities, but shall be designed to enable use as an integrated part of the complex.
 - The potential of a residential-no occupancy restriction component in providing a transition between the tourism development and surrounding residential uses to reduce amenity impacts is acknowledged and separation of the residential-no occupancy restriction component on this basis may be considered.
 - The development shall incorporate facilities normally associated with tourist accommodation developments such as recreation, entertainment, and those required for integrated reception and management.
 - Where a development is subject to a strata scheme, there should be a mandatory requirement for a long-term management agreement between owners of tourism units and a tourism manager/operator to provide for integrated management of these units, and other units in the development used for tourism purposes. (Further requirements in respect to strata schemes to improve the tourism outcome of such developments are set out in the conclusions in term of reference 3).
- The need for the retention of tourism caravan parks, and the extent of long-stay

Chapter 5

Term of Reference 2



use and park home development considered appropriate within such parks, is an issue that requires consideration by local government. This should be undertaken in conjunction with the tourism

and development industries, Tourism WA and DPI as a component of the preparation of a local planning strategy and reflected in the local government scheme.

6 Term of Reference 3

Review trends in the strata titling of tourism facilities and the operational and management impacts of various tenure arrangements. This will include assessment of the impact on management structures, control and enforcement of occupancy requirements, increases in the cost and loss of variety in available accommodation, and increased pressure for permanent occupancy.

6.1 Background

In investigation of this term of reference, the taskforce received a number of background and briefing papers from the then Department of Land Administration (DOLA) and submissions from the then Western Australian Tourism Commission. These papers provided information on the types of strata schemes currently used in tourism development, trends, tourism industry concerns, and a critical review of the capacity for management requirements to be achieved through the *Strata Titles Act 1985* (the Act). The taskforce acknowledged the need for the review to include an assessment of the impact of strata titled tourism development on the tourism industry.

There currently are two types of strata schemes available under the Act - strata schemes and survey strata schemes.

The term strata scheme commonly refers to a built strata, but it also can mean a vacant lot strata, where a number of the lots may not contain a building or any portion of a building, or a survey strata.

A survey strata plan creates lots similar to a freehold (green) title subdivision, and while there may be buildings on the property, these are not shown on the plan. The boundaries of survey strata lots are surveyed by a licensed surveyor and shown on the survey strata plan, and look much the same as lots shown on survey diagrams for green title subdivision.

Survey strata schemes commonly are used for the strata subdivision of serviced but undeveloped land, with strata schemes used for the subdivision of buildings.

The operation of strata schemes is controlled by the Act and strata by-laws, established pursuant to Section 42 of the Act. A management statement also can be used to put in place by-laws, including conditions that may be required by a local government, the WAPC or the developer. By-laws are intended to control the internal management of schemes. The areas they can address are restricted by Section 42(3) of the Act, to the effect that “no by-law can act to prohibit or restrict the devolution of lots or any transfer, lease, mortgage or other dealing therewith or to destroy or modify any easement implied or created by the Act”. The penalty for breach of a by-law is \$400. The Act is unclear as to the standing of a third party, such as local government, in establishing a private prosecution for breach of a by-law, even where that by-law was imposed at the request of that organisation under Section 42(2d).

The use of a strata lot also can be controlled with a Section 6 restriction, and this commonly is done in tourism developments to prohibit residential use. Section 6 of the Act provides that on registration of a plan a restriction of use can be established on a parcel or part of a parcel. The Act also provides that the restriction cannot be removed or modified without the resolution of the strata company, without dissent, and approval of the local government, and where that restriction was required by the WAPC, its approval.

The use of strata schemes for tourism developments primarily is undertaken to achieve financing and profit realisation from such projects, and has become the dominant method for financing since the introduction of the Act in 1985. However, there are concerns expressed by sectors of the tourism industry that developments subject to strata schemes are not being developed on the basis of tourism demand, have resulted in residential use of tourist zoned land, and where management arrangements are not adequate, have resulted in delivery of a poor tourism product.

6.2 Strata titling trends

A review of DPI records and information supplied by the Valuer General’s Office demonstrates that the number of strata

schemes associated with tourism developments has been increasing steadily over the past 10 years, with the portion of those schemes based on survey strata also increasing. It has not been possible to evaluate the use of strata schemes as a portion of tourism development in the scope of the taskforce, given the different approval authorities. However, submissions and information received by the taskforce supports the position that strata titling is used as a funding mechanism for the majority of tourism developments, particularly for medium to large projects.

Strata management

Developed tourism strata schemes generally are managed in one of the following ways:

- All units are managed by a professional management body (in cases a brand name company) located within the complex, with pooling of income and distribution of return based on unit entitlements. These structures generally provide limited control to the owner over use of the unit, and give the management body authorisation to maintain all units and facilities in a manner that achieves the best return on the facility as a tourism operation. Developments will generally include restaurant, bar, café and recreation facilities and all units will be fitted out to a consistent standard and required to be maintained at that level. Such schemes are; however subject to the requirements of managed investment schemes under the *Corporations Act 2001*, including the issue of a full product disclosure statement and involvement of responsible entities in transactions.
- A contract is provided to a management company for the complex on the basis that the company has to establish a contractual arrangement with each of the unit owners. Under such arrangements, income generally is not pooled, owners have a choice as to their participation in the scheme, and a high level of control over the use of their unit. Units will generally be required to be fitted out and maintained to a consistent level to be taken on by the management company, which also will be responsible for the maintenance of common facilities and provision of

reception and tourism services. Facilities will generally include a café and bar. Such structures may not fall under the requirements of managed investment schemes, but still may be required to issue a product disclosure statement in accord with the requirements of the Australian Securities and Investments Commission (ASIC).

- Smaller facilities commonly are managed on a basis where income is not pooled and the extent of site management is limited, and likely to be provided independently, not by a management company. The owner may have the option of on-site management, but also can be limited to external management through a real estate agent or self-management. Under such a structure, there commonly is no requirement for units to be fitted out or maintained to a consistent standard, and the level of service provided and facilities available to guests is likely to be limited.

Under the latter two schemes, the provision of ongoing site management is dependent on the decisions of individual unit owners in keeping enough units in the pool to ensure a viable management operation. While this decision of the owners can relate to the performance of the manager, it also can be influenced by the owners' commitment to the project as a tourism facility. Where units are withdrawn from the management pool, this will affect the ability of the manager to provide adequate service, marketing and general operational attention to the remaining owners in the pool and/or an increase in per unit management cost. This can have a compounding effect through reduced performance and tourism attractiveness of the development, resulting in reduced returns to owners. This may precipitate further withdrawal of units from the management pool. The eventual outcome of this process can be a loss of viability in on-site management and a collapse in the servicing and marketing of the development. It is under these circumstances that increased residential use is facilitated and other detrimental outcomes to the tourism industry arise.

There are strata titled developments in the State managed on a pooled income basis, and recognised as providing a high-quality and sustainable tourism product. It is; however

clear to the taskforce that there is an increasing trend to operate such facilities without mandatory-pooled management to avoid capture as managed investment schemes. This has the potential to undermine the value of strata schemes as a financing tool for tourism development, due to the inadequacy of management structures and resulting outcomes.

Project financing

The financing benefits of the use of strata schemes for tourism developments are achieved through distribution of investment risk, achieving secure pre-sales, finance security and reduced equity requirements. Their use also can assist early profit realisation. This is achieved through enabling the subdivision and sale of components of the land or buildings that make up a tourism development on a real estate basis, as opposed to profit being derived from the ongoing operation of the development. (See term of reference 1). It is these financial benefits that have assisted in strata schemes becoming the dominant mechanism for financing tourism developments.

This approach has resulted in a predominance of projects based on the construction of units for individual sale to residential investors, with the management rights disposed of to a third party, and the developer having no further interest in the property. This system of development and management also has the potential to shift the emphasis in developers' considerations from those factors required to provide a sustainable tourism facility, taking into account market conditions, to those issues that will result in a rapid sale of units and reduced holding costs.

The development industry sees the marketing advantages of strata schemes, being able to sell a title, as significant over other forms of project financing and acknowledges that this, in part, relies on tapping into the residential real estate market and selling a lifestyle image. It is on this basis that sectors of the industry see requirements for pooled management and/or compliance with ASIC requirements for managed investment schemes as undesirable, as residential investors are discouraged, reducing their potential sales market. The outcome of this is

argued by developers as a reduced ability to develop projects profitably.

6.3 Tourism issues associated with strata titling

Tourism WA has been examining the effect of strata schemes on tourism development for a number of years. While it acknowledges the benefits for financing of developments, it has identified concerns in respect to some projects with the tourism product delivered, and their sustainability as tourism operations. (See Appendix 5).

Tourism WA has had considerable feedback regarding the adverse consequences of strata developments with inadequate management frameworks. An example commonly cited is when units are not under the exclusive control of the tourism manager/operator under a pooling arrangement and they are obliged to let units on a basis that has each physical unit occupied for an equal period so that there is equal revenue distributed to each unit owner. This can result in the more appealing units being left empty, while visitors wanting these units are informed that only the less appealing units are available. Visitors either book into alternative accommodation or arrive, become disappointed with the operation of the resort and do not return to the area.

When refurbishment and maintenance are not undertaken through a contractual process, under the control of the tourism manager/operator, and instead are left with, or requires the authorisation of, the unit owners, situations occur where disputes arise as to the need for replacement of a product or the specification of the replacement or repair. This leads to inconsistent standards across a development and visitor dissatisfaction. Visitors frequently compare what they receive for their money with what other visitors receive, with equality in this area critically important to visitor satisfaction.

Equality also is important with internal fit-outs. When fit out standards are not consistent, visitor dissatisfaction will occur, eg a unit owner may fit a unit out with a top-of-the-range television/DVD and stereo

system. This causes that visitor some confusion and disappointment on return visits when another unit has only a standard television and no stereo system. A similar reaction occurs when two visitors in adjacent units compare their respective units fit-outs, one with the expensive equipment, the other with a standard television and no stereo.

Inadequate management arrangements that allow unit owners to elect to leave their units empty for the time they are not residing in them may result in a resort that looks half empty and lacks atmosphere and vitality. Once again, this can reduce the visitor experience available and the tourism value of the area. It also has a detrimental effect on the ability to operate the facility effectively, with consequent loss of tourism management.

Tourism WA considers that there are several examples of poorly developed strata titled tourism facilities in Western Australia. Some are viewed as having been developer-real estate motivated, and tourism has been used as the vehicle to gain the required planning and development approvals. This has resulted in some local governments seeking to limit the use of strata schemes for tourism developments, which has been acknowledged by the taskforce as potentially of concern due to the associated loss of the inherent financing advantages of such schemes.

The issues of tourism concern, as set out by the Tourism WA, essentially arise from the rights, interests and purchase intentions of investors in schemes not effectively regulated or managed for tourism purposes, reflecting a residential as opposed to tourism investment intention. While these issues are common to strata schemes generally, they may be exacerbated in survey strata schemes without common management requirements. This can occur as each lot (future tourism unit(s)) is developed by individual owners and can result in the lack of achievement of an integrated development.

The appropriateness of the use of strata subdivision also varies with the type of developments to which it is applied. The use of strata schemes for caravan park and camping ground subdivision has been precluded through legislative change due to the complex issues that this gave rise to. The

taskforce also identified concerns in respect to the use of strata subdivision within tourism zonings that provide for relatively low-density forms of development, such as chalet/cabin type zones, due to the potential for such schemes to promote real estate driven development, and facilitate residential holiday home use, not tourism use.

6.4 Strata schemes: general issues

Financing alternatives

Restrictive policies of financial institutions, and possibly the relatively low returns generally achieved from the operation of tourism development over recent years (relative to the residential sector), have resulted in restrictions on available capital for investment in the tourism sector. This is particularly evident in regional areas, with strata schemes employed by the development sector to overcome these constraints on development finance, which is the most common and flexible mechanism of financing tourism development. However, they are only one of a range of schemes available for financing of tourism developments that includes:

- syndication
- vacation rental (time share)
- private equity
- (listed) property trusts

Each alternative has advantages in specific circumstances and is attractive to different investment sectors. Correspondingly, each potentially could compensate for a restriction in the use of strata schemes for tourism development. The taskforce; however accepts that under such a move, the level of tourism investment would be likely to decline, at least in the short term, as the number of potential investors is reduced.

The need for a restriction on the use of strata schemes for tourism development, due to the issues outlined, was raised directly with the taskforce. In consideration of this it was noted that strata schemes are a legitimate tool for the subdivision of tourism developments and currently are considered by the development industry as fundamental to the financing of

such development. On this basis, the taskforce considers that properly structured strata schemes should not be precluded from application to tourism projects.

Tourism demand

There is evidence that some strata titled tourism development essentially has been real estate driven, not in response to tourism demand increases. Following construction, these developments have not achieved a viable level of operation as tourism facilities. Promoting such development ahead of demand can result in levels of competition across the industry that affect general viability levels. This reduces the ability of operators to provide adequate levels of service, maintenance, establishment of refurbishment reserves and marketing. The long-term effect will be detrimental for the sustainable operation of the tourism industry in the localities where it is occurring, due to a general decline in the standard of accommodation, industry marketing and visitor servicing available. In balancing this with the investment benefits of strata schemes, the taskforce concluded that the imposition of appropriate management requirements that ensure proposals are developed and operate as tourism facilities would be adequate in ensuring future developments reflect real growth in tourism demand.

The ability to strata tourism sites also may have had an ancillary impact of increasing the value of tourist zoned land disproportionate to the earning capacity of that land from a tourism operation. This occurs as developer viability and profit are based on land/building sales and separated from operational returns. This may result in the early redevelopment of properties with low capital value facilities, and a corresponding reduction in the variety of accommodation available. It also increases the pressure on achieving early returns from projects due to the higher initial investment required. The loss of variety results from the standardisation of the product delivered through strata developments, as a similar design formula generally is adopted to maximise the attraction to residential investors. Recent examples of syndicated developments have demonstrated that through the use of different financing mechanisms, a

greater variety in the delivered product can also be achieved, as the focus shifts away from the delivery of a real estate product. Again, the taskforce considered that with the introduction of common management requirements for tourism strata schemes, the development industry would be encouraged to use alternatives.

The real estate focus in the marketing of tourism strata schemes is evident in the emphasis on capital gain and tax benefits, and lifestyle issues, as opposed to the promotion of a tourism asset achieving a reasonable investment return on that basis. This is demonstrated further in the sale price of high-amenity beachfront tourism units in complexes where pooled letting of units is optional, noted as disproportionately high relative to any reasonable expectation of net rental return from tourism use.

The development industry also has proposed that the investment provided by the use of strata schemes for tourism developments assists to increase the tourism market. To ensure that this growth is sustainable, the taskforce considers that mandatory integrated management structures, with limited direct owner involvement in unit letting, complex management or operation, are required.

Strata scheme management arrangements

Achievement of effective integrated-common unit management, co-ordination of marketing, total unit availability, retention of tourism character, service provision and sustainability of management arrangements are fundamental if strata titled facilities are to operate effectively as tourism developments. This generally has not been achieved with existing developments subject to strata schemes with a resultant loss of tourism quality and capacity. Specific components of effective management are:

- ability to achieve co-ordinated funding of repairs, minor and major refurbishment and eventual redevelopment;
- ability to control corporate body influence on management of developments, including a change in orientation to the residential interests of owners, as opposed to management for tourists;

- ability to achieve consistent internal fit out and standard of maintenance; and
- ability to maintain sufficient units within the management pool to enable viable management and tourism service provision.

In addition to a requirement for mandatory integrated-common management, the taskforce concluded that addressing identified shortcomings noted in existing strata schemes requires developments subject to strata schemes to be of an integrated design and consistent standard. However, there are significant shortcomings in the ability to achieve and enforce this through the Act, with conditions required to be imposed at the local government and WAPC level.

The taskforce received advice from DLI that establishment of integrated-common management requirements through strata by-laws is possible. However, due to the limited penalties, and the lack of clarity under the Act on the standing of third parties to bring prosecution action for non-compliance, this should not be relied on as the primary regulatory mechanism, but only as a further advice to prospective purchasers. In support of statutory conditions, Section 6 restrictions of use under the Act provide for more effective penalties and should be used to reinforce limitations on use pursuant to planning consent conditions.

Management rights

Management Rights is the term describing the business of operating and managing a residential or tourism property under a strata scheme. Due to the considerable number of such schemes in Queensland, the State Government developed legislation as part of the *Body Corporate and Community Management Act (1997)* to control the operation, establish the responsibilities and protect the interest of such businesses. Similar legislation is also being developed in New South Wales. Pursuant to the Act, a set of requirements, the Accommodation Module was provided for tourism and mixed use properties. The legislation also requires that operators hold a restricted letting licence, which has been subject to criticism from some sectors of the Queensland tourism industry as the required training contained no tourism content.

While the Queensland industry is far exceeds that of Western Australia in terms of the number of management rights businesses, the taskforce considered that with continued growth in tourism developments under strata schemes, benefits could accrue from the development of similar legislation. A focus in such legislation on the tourism industry, with licensing of operators to ensure at least basic skills in tourism accommodation management, was viewed as being essential and having potential long-term benefits for the industry.

Corporations Act

In considering management requirements associated with tourism developments subject to strata schemes, the taskforce has identified the need for all units to be part of an integrated-common management structure, ensuring all units are in the rental pool and available for tourism use. Based on legal advice received on serviced strata schemes, under such a management arrangement where the use of units is limited to short-stay, and the scheme has greater than 20 investors, they would generally be considered managed investment schemes. The conditions of such schemes are set out in ASIC Policy Statement 140, 2000. Where some developers previously have used ASIC Class Order exemptions (CO 02/305, CO 02/304, CO 02/303) so that schemes were not assessed as managed investments (due to there being only limited restrictions on residential use and optional management arrangements available to the owner), these may no longer be available.

The taskforce received submissions that the cost of compliance with ASIC requirements for managed investment schemes is high, and not viable for smaller developments by single entity developers. However, it is clear that this advice primarily related to early schemes where clarification of ASIC requirements was inadequate, and that costs have been reduced as more schemes have been approved. Nevertheless, it is noted that the ongoing cost of such schemes is high and may still affect the development viability of small projects. In considering the impact of the requirement of integrated-common management and the cost of ASIC compliance, the taskforce also has acknowledged the consumer protection and investor confidence benefits of projects that

comply with the requirements of managed investment schemes. The priority for the taskforce in recommending mandatory common management on strategic sites is in ensuring a quality tourism outcome. Correspondingly, the taskforce has not sought to restrict the letting of individual tourism units in complexes with a residential component to the management body only and this may enable projects to still be operated as managed rights schemes.

In assessing these competing interests, the taskforce acknowledged the requirement for integrated-common management as a fundamental component of achieving successful tourism developments under strata schemes, and that these issues should be the focus of the taskforce consideration, as opposed to how such schemes are treated under the *Corporations Act 2001*. Noting submissions to the taskforce on the high costs of ASIC requirements, it was considered that while maintaining its position on integrated management, the development of specific guidelines for serviced strata schemes and a model format for product disclosure statements to assist compliance with the *Corporations Act 2001* would be beneficial.

6.5 Vacant lot strata and survey strata schemes

The use of survey strata schemes and vacant lot strata schemes increasingly are being preferred by the development sector over built strata schemes as they are perceived as closest to freehold (green) title, providing a residential marketing advantage. They also are recognised as the most effective way to achieve immediate return on initial capital invested in basic infrastructure and services. Relative to built strata schemes, this further reduces the interest of the developer in ensuring that the proposed complex is timed and targeted appropriately in respect to tourism demand to ensure the potential for sustainable operation, as a tourism facility exists. The extent of control over the delivery of the final product in such developments is dependent upon the nature of contracts with individual and subsequent purchasers of the vacant lots, and local government development approval conditions. These have

not always been effective in achieving a consistent tourism product in a timely fashion.

Such schemes also are attractive from the real estate perspective, in that they provide a further advantage in significantly reduced stamp duty payable on the sale of the vacant lots, as opposed to a developed lots. Such schemes also have the advantage of allowing tourism development to be established with limited finance and low risk when compared with more traditional methods of financing. While this may cause development ahead of demand in some project markets, it also can facilitate development in locations where otherwise it may not be achieved.

Survey or vacant lot strata schemes increase the difficulty of achieving an integrated and consistent tourism development over built strata schemes and can result in the development of projects that are marketed, and have the character of a residential product. This is reinforced with the investor purchasing a lot on which they undertake the building, often with varying levels of personalisation through direct design influence. An example of such personalisation in a strata scheme is the incorporation of wine cellars within a number of tourism units in a development, a feature that may be considered more akin to a residential dwelling.

The residential character and ownership interest that arise in these circumstances then can be very high. This is reflected in increased pressure for residential use, which may be reinforced if tourism returns are not at expected levels, and can result in developments used on a lock-up basis. There is a reduced risk of this where such developments are subject to mandatory integrated-common management requirements, there is no option for owner design/construction influence, and the created lots are limited to the building area. In these cases the benefits of personalisation are reduced as the units cannot be used on a holiday home/lock-up basis.

Such schemes also may result in extended periods for construction of facilities, reduced tourism amenity and non-viable numbers of units for management during this period. Where such schemes are approved, it is necessary that these impacts are addressed

through the imposition of specific conditions on development and strata approvals.

In consideration of these concerns, the taskforce concluded that survey strata and vacant lot strata schemes were not desirable but did have a role in the financing of tourism developments. It was concluded that approval of such schemes be conditional on mandatory integrated-common management and resolution of construction and timing issues.

In summary, the taskforce was supportive of the use of strata schemes to allow strata subdivision to occur concurrently with, or following development. The creation of serviced vacant lots through survey and vacant lot schemes was considered generally undesirable but having application in some circumstances under specific management and construction conditions.

6.6 Conclusions

Strata schemes are an important component in the funding of tourist accommodation development. However, there are some risks for the development of sustainable tourism projects under such schemes and their use should address the following issues:

- Development preferably is fully or substantially constructed, with any staged development to include all common facilities required for that stage, and demonstrate viable management potential in terms of the number of units constructed in that stage.
- Development is consistent with a valid approval issued by the local government and demonstrates consistent architectural and building standards. In resorts where there are different classes of accommodation, rooms and facilities in each class are of the same standard.
- Establishment of long-term (25 years) management arrangements between unit owners and a tourism manager/operator to provide for mandatory integrated-common management of all units and which incorporates the following issues:
 - termination of the manager/operator and immediate appointment of a replacement manager/operator;

- the management agreement between the tourism unit owners and the tourism manager/operator must bind successive owners;
- development refurbishment as required to maintain or upgrade the tourism standard of the facility is to be managed by the tourism manager/operator on a development-wide basis through an annual mandatory levy, and the establishment of a refurbishment reserve or similar mechanism;
- the management agreement shall provide for all units within the classes provided to be fitted out to a consistent standard and required to be maintained by the resort manager to a consistent standard;
- occupation of units is controlled by the resort operator with the management agreement providing the ability to hold units out of the rental pool only for the period required for maintenance purposes, ie all tourism units shall form part of the rental pool and be available for tourism use;
- the ownership and management of the reception and common and recreation facilities;
- the potential for an alternative letting arrangement with a licensed real estate or travel agent (separate from the management/caretaking agreement) to be established by owners;
- recording of the use of the facility and reporting on any non-compliance with management statement and by-law requirements; and
- strata plans are to be specified with a Section 6 restriction of use limiting occupation of tourism units to Tourism Purposes with an occupation restriction of a maximum of three months in any 12-month period.

There are constraints to the achievement of bona fide tourism developments where survey strata or vacant lot strata schemes are used. These schemes should be approved only on tourist zoned land where it can be demonstrated that each scheme will provide for a development consistent with the intent and objectives of the zone, be part of a mandatory integrated-common management



arrangement and provide a bona fide tourism development. Additional conditions on such developments that address construction, facility provision and timing of development also are considered necessary.

The preclusion on strata titling of caravan parks under the *Caravan Parks and Camping Grounds Act 1995* is considered valid and

supported, and considered warranted to extend such a prohibition generally to the strata titling of land or developments within “Caravan Park”, “Chalet and Cabin” and similar low-density tourism development zones.

Chapter 6

Term of Reference 3



7 Term of Reference 4

Investigate the implications of the development of permanent residential accommodation and/or strata titling of land zoned for tourism development on the valuation of individual properties and similarly zoned land under the Valuation of Land Act 1978 and associated land tax implications.

The impact of land tax on the sustainable operation of a range of regional tourist accommodation facilities has become an issue of significant concern to the tourism industry over recent years. Land tax increases have been perceived as affecting the general affordability of coastal holiday opportunities as operators increase prices to meet increases in land tax. There also has been an impact on the range of accommodation available, as the pressure for redevelopment has increased on low-cost tourism facilities. In addition to tourism industry concerns, this has resulted in a significant level of public reaction and is affecting the Government's ability to achieve its objective of providing a range of holiday opportunities in beachfront localities.

In addition to the impacts of strata titling and the introduction of residential components to tourism developments on the valuation of tourism sites, the use of blanket tourism zoning structures under new town planning schemes has been a significant contributor to this effect.

7.1 Background

Over recent years, coastal towns in Western Australia (eg Busselton, Broome, Mandurah) have experienced high and sustained population growth rates, which have coincided with significant growth in tourist visitation and accommodation development. These factors have resulted in increased demand, speculation and increased property values for coastal properties for residential and tourism use.

In 2000/01, the Valuer General's Office (VGO) revalued land in a number of regional coastal areas, which resulted in many tourism operators receiving substantial increases in

their land tax bills. These increases were most pronounced in the Shire of Busselton, ranging from \$2400 to \$93000 (from 33 per cent to 652 per cent). The process of objection to the unimproved valuations did, however, reduce a number of these increases, with the highest post-objection tax increase being 343 per cent. A number of the premises to receive substantial increases were caravan parks. This gave rise to expressions of operator and public concern as the increase in government charges was seen to be promoting tariff increases, thereby reducing public accessibility.

The tax increases arose from increased land valuations for the subject properties and progressive land tax scales. Although land valuations in the area are re-established annually, the increases reflected a four-year period since the previous comprehensive valuation review. The gazettal of a new planning scheme that provided a blanket zoning for all tourism sites, from caravan parks to resorts, also resulted in upward pressure on land prices and valuations. An additional unintended consequence of the land tax increases has been increased financial pressure for redevelopment of low-cost tourist accommodation facilities to styles of development that achieve higher gross returns, particularly along the coast. Response to these pressures also has been facilitated by the more flexible planning framework introduced with the use of the blanket tourism zoning.

It is noted that the VGO has committed to undertake more intensive annual reviews in major regional centres to minimise future catch-up increases in valuations.

7.1.1 Land valuations

Under the *Valuation of Land Act 1978*, land is valued for land tax purposes at its unimproved market value (UV), with this reflecting the highest and best use of the land. Where a range of developments are included within a similar land zoning, such as tourism, this can result in similar land values on a per hectare basis being determined irrespective of the nature of existing development on a site, eg a caravan park site may be valued on a unit area basis equivalent to a five-star resort site.

This method of valuation does not reflect the extent of development on the site or its existing earning capacity, but rather its potential for development. The significance of this approach is greatest for those developments of a low capital and income-earning potential, located on high-quality tourism/residential land, such as beachfront areas.

The UV method of valuing land has been investigated in respect to its impact on tourism operators through the *Review of State Business Taxes* (DTF, 2002). The review acknowledged that some tourism operators with low value land improvements would benefit from a shift to a gross rental value (GRV) land tax system (as used by local government for rating purposes). It concluded that:

- On balance, the advantages of using the UV method of valuing land (the current method used in Western Australia and all other states and territories that impose land tax) outweigh the advantages of the GRV method.
- The volatility of land tax would be likely to be substantially higher for tourism operators in the Busselton region as the GRV of properties in that region are revalued only once every four years.

7.1.2 Land tax scales

Progressive tax scales cause a bracket creep effect as increases in property valuations move properties into higher tax scales. Referring to the 2000/01 Busselton example, the increases arising from bracket creep were greater than the direct impact of the valuation increases for a number of properties.

Under the Treasury paper *“Streamlining Western Australia’s Tax System”* (DTF, 2002a) it is proposed to lessen the impact of bracket creep through a reduction in the number of thresholds from 10 to six. It was noted that the proposal would realise higher land tax bills where the aggregate value falls between \$700,000 and \$1.9 million. In conjunction with the land tax increases introduced for 2003/4 this resulted in an adverse effect on the many tourism properties within this value category.

While the effect of progressive tax scales can be significant, the taskforce concluded that it was an issue consistent across all businesses, and not directly within the capacity of the taskforce to address, particularly as any remedy proposed for the tourism industry could result in unintended consequences in other business sectors. Correspondingly, the taskforce has not developed any specific recommendations on this issue.

7.1.3 Effect on operators

Research on the land tax issue by Tourism WA in December 2001 in the Shire of Busselton indicated:

- The land tax increases were seen as a considerable burden, as many operations were on a break-even level.
- There were limitations to passing on costs due to publication of tariffs and package deals.
- There was concern about the negative occupancy impact of tariff increases required to cover increased costs.
- Two caravan parks and two resorts were considering closing.
- There was very limited potential to increase tariffs in the off-season. Additional costs therefore would be recovered by increases in tariffs in peak school holiday periods.
- Low-cost accommodation operators were experiencing significantly increased pressure for redevelopment and/or subdivision to enable income-generation potential to match land tax liabilities.

7.2 Influence of a permanent residential component and strata titling on valuation of tourist zoned land

The impact on land values of tourist zoned land through the introduction of a permanent residential component in development of such land will vary considerably depending on market circumstances, as applicable to each property and the locality. The effect also will vary in response to local features such as

Table 1: Indicative valuation effects of alternative residential and strata options
(Valuer General's Office, Bunbury 2002.)

Undeveloped tourist zoned site	Permissibility of strata	Permanent residential component	Value effect
1	Yes	Nil	0.0%
2	Yes	20%	+7.5% (range 5-10%)
3	No	Nil	-7.5%

water frontage and views and the regional location. In assessing the magnitude of this impact it is noted that applications for residential components generally have been in the premium tourism areas, where competition for high-amenity residential properties is great. The valuation impacts in secondary locations with low residential and tourism demand are likely to be negligible.

A review of sale prices in a number of tourism developments indicates prices approximately 20 per cent higher are achieved for units with no use restrictions, over tourism units. In this context, it is noted that a residential unit may be considered to offer the most to an owner as it provides for exclusive permanent occupation if desired, as well as the opportunity for short-stay tourism use. It also provides the option of long-term residential tenancies, which may be considered more important to the investor and financial institutions than the tourism performance of the complex.

An analysis by the VGO (2002/03) has indicated that the increase in site value resulting from a 20 per cent residential concession, would be in the order of five to 10 per cent in a high-amenity area. A developer also would expect a faster rate of sales and easier access to finance for purchasers of the residential units over tourism units, further increasing the benefit.

Strata and survey strata schemes play an important role in the financing of tourism projects and any complete prohibition on the ability to strata could be expected to affect land values. This impact may be nominal in some cases, or it could be considerable where the market lacks developers with the capital

backing to underwrite projects in their own right.

Without the ability to strata, a tourism development would require the developer/operator to demonstrate a long term cash flow reliant on adequate sustainable net profit for the business, including forecasts on tariffs, occupancy rates and expenses. Under current financial institution conditions, this may disadvantage the financing of such projects, and could be reflected in the market's valuation of development sites. In summary of these factors the VGO has indicated a likely valuation impact of a price reduction of up to 7.5 per cent on tourist zoned land where a prohibition on strata subdivision of such sites was introduced.

Table 1 presents indicative valuation effects provided by the VGO for the purpose of the taskforce investigations. These are based on alternative scenarios related to permanent residential use and strata schemes with the base case (1) representing the general situation under a tourist zoning.

Strata schemes also were noted by the taskforce as generally resulting in a reduction in the aggregate land tax collection due to the nature of the tax scales. This is shown in Table 2, which assumes each strata lot is owned by a separate entity not owning other taxable land. While individual tax circumstances will vary and affect the tax liability, as land tax is based on the aggregate value of all land owned as at 30 June of each year, it indicates that a strata scheme can have a significant impact in reducing the overall land tax levied. This is not necessarily supportive of the delivery of a sustainable tourism product through integrated-common

Table 2: Indicative land tax comparisons for a single lot subject to alternative subdivision schemes (Valuer General's Office, Bunbury 2002.)

Tourist development of 35 accommodation units	Lots	Value per lot	Aggregated value	Total land tax	Average cent in \$
Englobo - single lot	1	\$5,000,000	\$5,000,000	\$96,782	1.94
Survey Strata	35	\$350,000	\$12,250,000	\$41,370	0.34
Strata Plan	35	\$142,857	\$5,000,000	\$9,000	0.18

management, and returns significantly less revenue to the Government. It was acknowledged that the benefit of this to the developer/owner partially was offset by the additional local government rates paid by such developments compared to those not subject to strata schemes. This would have only a minor compensating effect in reducing the financial benefits that encourage this form of development.

While strata scheme land tax is calculated on an apportioned unit entitlement basis, survey strata scheme valuations are based on individual lot valuations.

The inclusion of a permanent residential component and the ability to strata a tourism development on tourist zoned land will influence a range of development feasibility factors that affect the valuation of a property. These include:

- pricing structure (a premium price currently is achievable for permanent occupancy lots)
- selling rate (market information is that lots without a residential use restriction are considerably more marketable)
- perception of risk to developer, ease of finance (especially where lending institutions perceive a higher risk)

It is expected that such variations will be greater on sites larger than one hectare, which would require multi-stage development and greater market justification.

7.3 Potential responses: managing land tax increases

Analysis of issues associated with land valuation and land tax effects on tourism facilities indicates a number of options to, in some part, redress the negative implications of increasing land tax, particularly on low-cost forms of tourist accommodation in prime recreation areas. It is these prime recreation areas that are viewed as highly critical, in terms of developing solutions, as it is where the greatest pressure for redevelopment is experienced. Correspondingly, it also is where the loss of tourist accommodation variety due to land tax effects is and will be most evident.

In developing a planning response to these issues, the taskforce was cognisant that any proposal should have a sound planning basis, with beneficial effects that may arise in respect to land tax being a secondary outcome. The limitations of the planning system in dealing with land valuation and tax issues, and the outcomes of the *Review of Business Taxes* (DTF, 2002), including the recommendation that the unimproved valuation basis of the system be retained, also were considered by the taskforce. It was noted that there was a need for a more general review of the land tax system as it applies to tourist accommodation, which has the capacity to take into account those issues outside the scope of the taskforce. This review would need to address issues such as tax scales and valuation methods, and reflect the wide social and economic benefits of the tourism industry.

7.3.1 Zoning controls

The use of specific tourism zonings in schemes has been identified by the taskforce as having potential ancillary benefits in reducing land tax impacts on low-key tourism operations.

The Shire of Busselton planning scheme currently includes the majority of tourist accommodation developments within a tourist zone. This zone provides for the approval of a significant range of development types at the local government's discretion. In response to the land tax effects of this zoning structure, and concerns expressed about redevelopment trends, the local government and tourism operators have proposed the use of a more defined zoning system to cover the various categories of tourist accommodation in the area. This system would establish the primary limits to the intensity of tourism development that is appropriate on a site through the planning scheme, as opposed to this being determined through the development approval and associated advertising process. This increases the certainty for the development sector and property owners on what can be developed on a site, and is envisaged to act in reducing speculative purchase of such sites.

The proposal is to introduce a more defined zoning structure that would include the following zones:

- Caravan park and camping grounds
- Cabin/chalet park
- Tourist-resort

Each zone is proposed to contain specific requirements in respect to the density of development, with the extent of development types permissible increasing from the caravan park zone to the tourist zone. (See Chapter 8).

Advice from the VGO is that the impact of this revised zoning structure in reducing land values for high-amenity beachfront sites being converted from a tourist to a caravan park or cabin and chalet park zone could be as great as 30 per cent and 20 per cent respectively. For properties further away from the beachfront, the valuation difference between the various zones is predicted to reduce significantly. While these valuation effects can be considered as indicative only, they demonstrate that the use of a revised zoning

structure for the purpose of achieving the retention of a variety of tourist accommodation could have a greater land tax effect than addressing either permanent residential components or the use of strata schemes.

Other issues associated with this proposal include:

- Reduction in value of properties reduces lending potential of owner and capital gain on sale.
- The proposal has been discussed in Busselton on a voluntary basis, ie landowners would request to be rezoned to one of the more constrained categories. This may result in a low level of take-up, with continuing pressure from land tax effects for redevelopment of many sites with lower-cost forms of accommodation.
- It provides a greater level of certainty for the development sector and the community on the intensity of development that could be permitted on a site.
- The valuation estimates rely in part on the market perceiving that a rezoning of a site to a higher development zone is difficult and highly unlikely where a site is identified for low-intensity tourism under a local planning strategy. This may not be realised if the voluntary approach is maintained and sites are not zoned consistent with the local planning strategy.

The benefit that can be achieved with the introduction of such a zoning structure on a voluntary basis may be limited. The use of more defined tourism zoning structures in the preparation of planning schemes will assist local governments in the retention of a variety of tourist accommodation facilities at various affordability levels within their locality.

7.3.2 Limitations on the use of strata schemes and/or permanent residential use

Indicative estimates are that a limitation on the use of strata schemes, in general, will not have a significant direct effect on land valuations, relative to the option of zoning controls. The use of survey strata and vacant lot strata schemes for tourism sites has limitations in terms of achieving integrated and consistent tourism developments that are used

and managed on a tourism basis. Removal of the option for strata subdivision without a mandatory requirement for integrated management of units would assist in reducing the pressure for redevelopment of low-cost accommodation facilities. This will be achieved as parameters for investing in such properties will shift from residential real estate interests to returns based on potential tourism operations, reducing residential speculation and property value increases. This management requirement also could limit the potential for capital raising and the ability for some sites to be developed or upgraded.

The controls that apply to tourist zones throughout the State vary in their permissibility of residential use. Rezoning also have been undertaken to permit residential use where this was inconsistent with the base tourism zoning. This has affected the market perception of tourism sites, with a premium paid on high-amenity sites, taking into account the potential of achieving a residential component. While this effect has been valued by the VGO as less than that of using a broad tourism zoning structure, it is still a contributor to redevelopment pressure on low-cost accommodation sites. The taskforce has determined that potential exists to reduce this effect through the introduction of specific criteria and a strategic framework limiting the conditions under which a residential component on a tourism site would be considered. This will provide increased confidence as to the extent of residential development that will, or will not, be approved on a site. In conjunction with guidelines for the design and form of such residential components this will reduce the effect of residential speculation further.

7.3.3 Summary of potential responses

The taskforce has found that the effect of rapidly increasing land tax in some regional areas has had a disproportionate effect on low-cost forms of tourist accommodation and has increased redevelopment pressure on these sites through the necessity to achieve greater income-earning potential. It was considered that this had, and would continue to have, a negative impact on the range and

accessibility of accommodation available in beachfront recreation areas.

The introduction of a permanent residential component in tourism developments and the strata titling of tourism development were noted as having an impact on the valuation of tourist zoned land and the corresponding land tax levied. It also is evident that the impact of these factors is less than the impact that results from the use of a broad tourism zoning in local government planning schemes or the benefit that potentially can be achieved by the introduction of a more detailed tourist zoning structure.

The taskforce recommendations for the identification of strategic sites and their retention for tourism development will, in part, address these issues. (See Chapter 8). It also will result in a continued holding requirement over some sites. Where such sites are yet to be zoned for tourism purposes and form part of a rural landholding, this is not considered a significant issue. However, there will be strategic sites zoned for tourism purposes which are not ready for development, due to lack of immediate demand or high cost of servicing. In such cases, this delayed development potential should be recognised through the zoning system, which may be achieved through a deferred zoning concept. Ancillary benefits of this will be recognition of the reduced potential of the land through the land tax valuation process, and an associated reduction in holding costs.

The taskforce considered options available for land tax relief for identified strategic tourism sites based on advice from the VGO and Department of Treasury and Finance. The pursuit of tax relief options was seen as generally outside the scope of the taskforce, although acknowledged as the most appropriate avenue for dealing with land tax issues.

7.4 Goods and services tax

The introduction of the Goods and Services Tax (GST) is argued to have had a detrimental effect on investment in strata titled tourism developments. This arises under most strata scheme structures as GST is payable on the purchase price of units and expenditure by

guests on goods and services provided. While this issue is not directly within the terms of reference of the taskforce, it has been identified as inequitable in favouring specific development types.

Investors who purchase strata titled units in a tourism development from developers will pay GST on the purchase price and will not be eligible for a refund. This is because the Australian Taxation Office views serviced apartments in a tourism complex as being easily switched between private and business use, even where part of a commercial complex, and so considers such units as residential units.

This differs from a tourism development undertaken without subdivision, as any GST paid on construction and sale of the development can be recouped by the investor.

This issue could be resolved through the inclusion in the definition of commercial residential premises an individual strata unit of a tourism development that is subject to mandatory pooled management requirements, long term leases by investors to management companies, and restrictions on residential use. These conditions reflect the recommendations of the taskforce on the use of strata schemes for tourism development. They are similar to the requirements of the Foreign Investment Review Board for a strata titled hotel to be designated for foreign investment policy purposes.

The taskforce concluded that achieving this modification to the GST framework for strata titled tourism development would support investment in tourism projects. In addition, it would encourage strata schemes of a form that will result in sustainable tourism projects.

7.5 Conclusions

- The use of broad tourist zoning classifications can have significant impacts in increasing the market values placed on tourist zoned land, and associated negative implications on the long-term viability of low-cost forms of tourist accommodation. The use of more detailed zoning frameworks, designed to maintain a variety of accommodation types, can have ancillary benefits in ameliorating these impacts through reducing the speculative effect on the valuation of such land.
- The introduction of specific criteria and a strategic framework that clearly establishes the permissibility or otherwise for incorporation of a residential component in the development of tourist zoned land has the potential to reduce the land tax impact from increases in residential property values on strategic tourism sites.
- Tourist accommodation developments under strata schemes generally achieve significant reductions in the aggregate land tax payable, relative to similar developments held by a single entity. Notwithstanding other applicable rates and levies, this encourages the use of strata schemes contrary to the interests of achieving integrated tourism management of tourism developments.
- The application of the land tax system to tourist accommodation development does not take into account the wide community benefit of tourism investment, the need to retain strategic sites, including low-cost tourist accommodation facilities, or inequities associated with the current taxing of developments subject to strata schemes.
- The introduction of a tiered zoning structure for identified strategic sites, such as the use of a tourism deferred zone, is worthy of investigation to provide for recognition of the future time frame for the development of some of these sites.
- The introduction of the GST has created inequities in the taxing of tourism developments under strata schemes. Modification of the GST ruling for projects under mandatory common management requirements will acknowledge the bona fide nature of such projects and support this as the preferred model for tourism development strata schemes.

Chapter 7

Term of Reference 4



8 Taskforce recommendations

The taskforce has made 26 recommendations, which to be implemented, will require integrated changes to the current planning policy framework, as it relates to tourism development. These recommendations arise from the conclusions set out under each of the terms of reference. Each recommendation takes into account all the conclusions to provide a comprehensive policy approach.

Part 1 presents this integrated approach, which provides a planning framework that addresses the majority of the taskforce conclusions. The complex and interdependent nature of the issues covered by the scope of the taskforce investigations has dictated such an approach and, like most solutions to complex issues, has its own complexities.

Consistent with the taskforce terms of reference, the recommendations primarily apply to land that is zoned for tourism purposes and land that is identified as having potential for tourism purposes, and where residential use generally is not permitted. It does not directly address the development of tourist accommodation on land not zoned for tourism purposes, eg a tourist chalet on a rural property. Recommendations on the management and design of such projects are applicable in addition to the statutory planning framework applying to that zone.

The approach involves modifications to the State planning framework to provide an improved strategic and statutory context for the consideration of tourism proposals. The recommendations also provide guidelines and criteria to assist the process of development of this framework.

The recommendations recognise the need to provide for the retention and development of identified strategic tourism sites for tourist accommodation purposes only, and in providing for a range of tourist accommodation to be developed throughout the State. They also recommend an approach to the zoning of lower-order tourism sites that provides the flexibility for development components that are not restricted by residential occupancy limits. Specific criteria, design and strata scheme

guidelines that support the development of sustainable tourism projects are provided for these sites.

Part 1 also includes proposed changes to the requirements for the preparation of town planning schemes to better reflect and respond to the requirements of the tourism industry, the retention of affordable tourism sites, and provide a more refined approach to the zoning of tourism sites.

The preparation of a Land Use Planning for Tourism State Planning Policy is also recommended as the primary mechanism for implementing the proposed planning framework.

As the time frame for review of local government town planning schemes may be long, it will be important that the policy approach be effective at the scheme amendment level and through the development approval process. It is at this level that many proposals will be dealt with. Part 2 provides interim recommendations for this purpose.

Part 3 provides recommendations in response to identified constraints and impediments to the achievement of tourism development with a focus on assisting the initiation of tourism-only projects on strategic sites.

Part 4 presents the taskforce position on specific issues of importance to the planning and development of tourist accommodation that require separate action or a focus by other agencies.

PART 1

8.1 Comprehensive policy approach

The recommended policy approach reflects the taskforce's recognition that a significantly greater emphasis is required to be given to land use planning for tourism in Western Australia, including the preparation of WAPC and local government policy, local planning strategies and town planning schemes. As this is achieved, it will provide a clear and effective framework to guide assessment of proposals for development and/or changes to land zoned

for tourism purposes. This will have benefits in respect to sites identified as suitable for tourism only and those that no longer have an important tourism function and can be zoned for alternative purposes.

The principal components of the recommended policy are:

- The preparation and approval of local tourism planning strategies or specific tourism components within local planning strategies by local government as a framework for decision-making on tourism proposals. The tourism planning strategy will need to identify strategic tourism sites and/or locations to provide for the retention and future development of a range of tourist accommodation in that locality, and sites suitable for tourism development with a residential component.
- A scheme amendment proposal that would result in the loss of a tourist zoned site or introduction of residential use to development of a tourist zoned site must address the function of the site in meeting future tourism demand in that locality.
- The provision of guidelines to assist local government in the development of local tourism planning strategies, including approaches to retaining and providing a range of accommodation types, and criteria for identification of strategic and non-strategic sites.
- Local governments are to be assisted by, and consult with, Tourism WA and the Department for Planning and Infrastructure (DPI) in preparation of the local planning strategy tourism component.
- Introduction of an extended range of definitions for tourism developments with specific reference to length-of-stay provisions.
- The introduction of a range of tourist zonings to promote the retention of a range of tourist accommodation facilities and recognise the long-term tourism potential of some sites.
- The use of Special Control Areas in town planning schemes to introduce specific requirements in respect to strategic sites and/or strategic locations.

- Modifications and additions to WAPC policy in respect to the use of strata schemes for the subdivision of tourist zoned land.

The use of the phrase “land zoned for tourism purposes” in the recommendations refers to that land where the zoning provides that the sole or predominant use is restricted to tourist accommodation and/or tourism development purposes.

8.1.1 State Planning Policy

A State Planning Policy (SPP) is the highest order of planning policy. It is a statutory policy made under section 5AA of the *Town Planning and Development Act 1928* and is approved by the Minister and the Governor prior to gazettal. An SPP may make provision for any matter that may be the subject of a town planning scheme and generally is concerned with planning controls and to co-ordinate and guide planning and decision-making by State and local government and the Town Planning Appeal Tribunal.

The preparation of an SPP that incorporates the taskforce recommendations will require that the subject matters are given due-regard by the WAPC and local government in preparing planning strategies, schemes and in making decisions on planning matters. This will strengthen the implementation of the taskforce recommendations through the strategic planning framework and the consideration of individual development proposals.

Recommendation 1:

That the WAPC prepare a State Planning Policy under s5AA of the Town Planning and Development Act 1928 on Land Use Planning for Tourism which is based on, and provides the definitive mechanism for, implementation of the taskforce recommendations.

8.1.2 Local planning strategies

Local governments are responsible for the preparation and review of Town Planning Schemes for their area. The *Town Planning Amendment Regulations 1999* require that when a local government proposes a town planning scheme that envisages the zoning or

classification of land, the local government shall prepare a local planning strategy for approval by the WAPC.

Under Regulation 12A, a local planning strategy shall —

- “(a) set out the long-term planning directions for the local government;
- (b) apply State and regional planning policies; and
- (c) provide the rationale for the zones and other provisions of the Scheme.”

It is evident to the taskforce that few existing town planning schemes in Western Australia make specific or adequate provision for tourism uses and facilities. It also is evident that neither the *Model Scheme Text* or the *Planning Schemes Manual - Western Australia Guidance on the Format of local government Planning Strategies* make adequate reference to, or provide sufficient guidance for tourism development to be dealt with adequately in schemes or local planning strategies.

The current approach to tourism planning throughout the State is highly variable and may reflect this lack of policy guidance. In contrast, there is a need for and widespread interest in tourism as an existing or potential contributor to the economies of most local government areas and the State as a whole. The taskforce sees this interest as positive and requiring more formal recognition in the land use planning process. It also is evident that in some instances, there is a lack of appreciation of the potential negative implications associated with poorly developed and/or managed projects. Such projects can affect tourism industry sustainability.

In preparing or reviewing their town planning scheme(s), each local government should prepare a tourism component to the local planning strategy that specifically addresses the needs of tourism in its area. Where a local government has prepared or decides to prepare a local tourism planning strategy that deals adequately with land use planning for tourism, the relevant conclusions and recommendations may form the required component of the local planning strategy. The strategy outcomes then should be reflected in their planning scheme with specific zones and provisions, as appropriate. The WAPC

(through DPI) and Tourism WA will be required to assist local government in this process.

The primary objectives in undertaking the tourism component of the local planning strategy will be to identify:

- strategic tourism sites, which are those sites that are critical to the future growth and community benefit of tourism in an area and the State, and where development shall be for tourism purposes only;
- strategic tourism locations, which are those areas identified as having future tourism potential and where further planning is required for the identification of specific tourism sites and other uses;
- non-strategic tourism sites, which are those sites that have an important tourism function but where their retention for tourism only purposes is not in all cases critical;
- sites for the development of integrated tourist-resorts;
- those sites that have a general zoning that provides for the development of tourist accommodation, such as Town Centre and some Rural zones, and the role such zonings have in accommodating future tourism demand; and
- those sites zoned for tourism purposes but no longer having an existing or potential tourism function, and where rezoning of the whole or part of the site for an alternative use is appropriate.

This process also will need to consider the use of government-managed or owned land for tourism purposes, particularly in retaining and providing for a variety of low-cost tourist accommodation facilities and caravan parks/camping grounds. This should include that land managed by the Department of Conservation and Land Management (CALM), DPI, LandCorp, State trading enterprises and local government.

The importance of tourism as an industry sector varies considerably across the 144 local governments in the State, as does the importance of other economic functions. This is recognised in respect to the preparation of local planning strategies generally, and the same flexibility is provided in respect to the

tourism component of these strategies. The taskforce has identified that the coastal areas of the State are where the local planning framework has, and will continue to, come under the greatest pressure for tourism/residential development. As such, the recommendations place a priority on addressing the land use requirements for tourism in these areas.

The local tourism planning strategy has the potential to be a highly effective document in providing direction to local governments and the development/tourism industry on tourism development issues. To achieve this, it will need to provide a clear framework for the application of proposed tourist zones, and the introduction of specific tourism development provisions through the town planning scheme review process and in consideration of town planning scheme amendments.

Recommendation 2:

That the requirements for the preparation of town planning schemes identify that in providing the rationale for the zoning or rezoning of land for tourism purposes or to permit tourism uses, the local government shall, with the assistance of Tourism WA, specifically address the needs of tourism in its local planning strategy.

The key issues to be addressed, as relevant to the scale and nature of tourism in the area, are:

- *review the role and importance of tourism within the local community having regard for state and regional planning policies in respect to tourism;*
- *identify the focus of tourism within the local, area including potential growth areas of tourism and the objectives for tourism development;*
- *existing range of tourist accommodation;*
- *principal tourism attractions and events in the district;*
- *emerging tourism development opportunities, including attractions and accommodation;*
- *projected demand for and range of tourist accommodation required;*
- *identification and application of sustainability principles to tourism development - economic, social/cultural and environmental;*
- *existing and future infrastructure, including transport, water supplies, effluent disposal, medical services, leisure and shopping facilities related to or required for tourism development;*
- *availability, retention and identification of Crown Land (if appropriate) for provision of caravan and camping grounds and other forms of tourist accommodation;*
- *rationale for the application of tourist zonings in a town planning scheme, including assessment of land supply, types of accommodation and scale and character of development;*
- *identification of strategic tourism sites and/or strategic tourism locations or activity locations;*
- *recognition of the existing and potential level of tourism development that can be catered for on land not designated or zoned specifically for tourism purposes;*
- *review of existing tourist zoned sites to determine those to be retained for tourism purposes and those suitable in whole or part for zoning for alternative uses (ie identification of sites that have no existing or potential tourism function of significance to tourism development in the local area);*
- *approach to providing for the long-term accommodation of the range and volume of tourism development through designation of:*
 - *strategic tourism sites to be retained for tourism-only purposes;*
 - *non-strategic tourist zoned land suitable for tourism development with a limited component of the development, which may be up to a maximum of 25 per cent, not having a length-of-occupancy restriction;*
 - *the function of caravan parks as providing for tourist, seasonal, and residential use and the need to provide adequate capacity to accommodate each category through limiting long-stay use of tourism parks and the conversion of caravan parks to park home parks;*

- *the proportion of cabin/chalet development that should be permitted within caravan parks and camping grounds, reflecting the character of existing users and projected demand; and*
- *mechanisms to ensure the sustainable retention of a range of tourist accommodation within the locality and provision of opportunities for the accommodation of emerging tourism development styles;*
- *identification of principal design guidelines for the various tourist accommodation categories or particular sites, where determined to be required. This should include issues of site size and development density to guide the establishment of sustainable developments. The developed design guidelines will need to have regard for the particular design requirements of tourism development and the need to take advantage of a site's characteristics and the opportunities that can be afforded through multi-storey and increased-density development. The guidelines also should establish the requirement for the preparation of development guide plans and the process for landscape and community impact assessment where deemed necessary.*

8.1.3 Identification of strategic tourism sites

The requirement for the identification of strategic tourism sites across the State is central to the development of a sustainable and expanding tourism industry, and retention of a range of tourism opportunities for the general population. The process of identification of these sites will need to be undertaken expeditiously and in many cases, prior to the local government reviewing its local planning strategy/town planning scheme to reduce uncertainty for the development industry and provide a consistent basis for decision-making authorities. In achieving this, and in acknowledging the State-level importance of such sites, the allocation of sufficient resources and establishment of the necessary framework at a State level is required. In conjunction with this, the primary role of local government in the identification of

such sites within its area needs to be recognised in this framework.

In meeting these parameters, the establishment of a specific purpose tourism committee with broad industry representation has been recommended to undertake this process in priority local government areas.

Recommendation 3:

That the State Government establish and adequately resource a specific purpose tourism committee to undertake the identification of strategic tourism sites in priority local government areas with the following suggested membership:

- *Chair*
- *Department for Planning and Infrastructure*
- *Tourism Western Australia*
- *Tourism Council of WA*
- *Urban Development Institute of Australia (WA)/ Property Council of Australia (WA)*
- *Western Australian Local Government Association*
- *Taskforce Representative*

The tourism committee is to make specific arrangements with the respective local government in the area under consideration to recognise the significant work undertaken by some local governments in tourism planning, ensure adequate recognition of regional issues and consultation with stakeholders. The primary stakeholders identified to be involved in this process are landowners, the tourism development industry, tourism facility owners, operators and marketing organisations, the local community and tourists, as appropriate to each local government area.

The tourism committee also will seek representation from the respective local government and Tourism WA Regional Manager in the area in which it is operating, and CALM, LandCorp and other government land planners and managers where they have responsibilities in the area of interest.

It is further recommended that Tourism WA and DPI, in conjunction with a local government, prepare an example (model) tourism component of a local planning

strategy and allocate sufficient resources for this to be undertaken expeditiously.

Criteria for the identification of strategic tourism sites and locations

The taskforce has identified that strategic tourism sites should be a focus for tourism development with the zoning of such sites limited to tourism-only purposes. On non-strategic tourism sites that are located appropriately to accommodate residential development and where determined appropriate in the planning context, flexibility can be provided for residential-no occupancy restriction components in developments up to a maximum of 25 per cent. (See Recommendation 10). This distinction makes it critical for the designation of tourist zoned land as strategic or non-strategic to be undertaken against specified criteria that provide for the process to be documented and subject to review.

Strategic tourism sites generally will exhibit a number of characteristics that set them apart from other tourism sites in terms of the high potential they exhibit for tourism development that will benefit the wider tourism industry. Criteria for the identification of such sites and for application in the process of developing local/regional tourism planning strategies are identified below. It is the sites that demonstrate one or more of these criteria that are, or will become, iconic in the tourism industry and which provide one of the platforms on which to increase the wider industry.

The taskforce has not established minimum or maximum recommended sizes in respect to strategic tourism sites or locations as this can vary considerably within the context of the location, site constraints, servicing requirements and other factors. A strategic tourism site designation essentially will reflect that planning has identified that the site is required in entirety for tourism purposes as its highest use. A strategic tourism location designation indicates that additional planning is required to establish the appropriate land use pattern in achieving the best planning outcome for the area, which may include full tourism development or a mix of uses.

The identification of an area of land, or a specific land parcel, as strategic will not mean inherently that the area is available or appropriate for immediate development or re-development. Such a designation may be an outcome of the role of the site in the overall tourism market, as opposed to any particular physical or locational characteristic. An example of this is a development providing a type of accommodation that increases the variety available in an area, with the intention that this function be retained.

As the local tourism planning strategy approach develops, there also will be the identification of strategic sites and strategic locations where the economic conditions appropriate for development will not be reached for a number of years. It is recognised that an appropriate planning and land tax framework is required to assist the retention of the tourism potential of such sites, and to facilitate their development when the required level of demand exists. Following the designation of strategic tourism sites, these also should become the focus for tourism infrastructure development, marketing and in the provision of a supportive development framework at State and local government levels.

The designation of strategic tourism sites should include existing tourist accommodation developments where appropriate. This will occur where it is considered necessary to recognise the importance of the site or development in retaining accessibility to a range of tourist accommodation options in prime tourism areas across the State.

Recommendation 4:

That for the purpose of guiding the identification of strategic tourism sites and strategic tourism locations and in the preparation of a local planning strategy the following criteria be included in the recommended SPP, Land Use Planning for Tourism.

These criteria are to guide the assessment of the strategic value of tourism sites or locations and compliance with one or more of the criteria will not necessarily determine that a site is strategic or otherwise. This

determination will be based on the outcome of assessment of the site against all criteria. Notwithstanding this, a primary consideration in the process is consideration of the alternative site criteria as this reflects the ability for any loss of tourism potential at a location to be replaced with an alternative opportunity of equal or higher tourism value and certainty.

Criteria for identification of strategic tourism sites and strategic tourism locations

Sustainability: The site shall provide for tourism development that is sustainable in respect to its construction, operation and function, in its site-specific and wider impacts. This will require a site to be developable without compromising the sustainable use of the area's natural and cultural resources, have regard for existing social structures and be part of the delivery of diversified and balanced tourism opportunities.

Planning Context: A site or location may be identified in a regional planning strategy or in a region plan as having high tourism potential and value or may be part of a development area recognised in the State planning framework as having high tourism value.

General location criteria

Accessibility: The ease of access to the site or the associated attraction generally should be high, and appropriate to the nature of the facility or attraction.

Examples are Lake Argyle, Yallingup and the Swan Valley.

Uniqueness: The site may contain or be in the vicinity of an attraction of landmark value, or itself be of landmark value. The more unique the attraction, the more it will provide tourism value.

Examples are Lake Argyle, The Pinnacles, Purnululu National Park, Tree-Top Walk, Whale World, Miners Hall of Fame and Busselton Jetty.

Setting: The site may have an aspect and outlook that facilitate recreational tourism activities and/or the creation of a tourism character and ambience. This site appeal should be such that it demonstrates a high

level of tourism demand or has an inherent potential for such and is highly marketable.

Examples are Cable Beach, Broome, Bunker Bay, Karri Valley, Coral Bay and Nornalup Inlet.

Tourism Activities and Amenities: The site provides, or has easy access to, supporting activities and amenities such as tours, fishing, historic sites, walk trails, environmental interpretation, cafes, restaurant, shops and the like.

Examples are Scarborough beachfront, Coral Bay, Central Perth and Bunbury waterfront.

Alternative Sites: The site has an element of scarcity in that it may be the only opportunity, or one of a limited number of opportunities, to achieve a significant tourism development in an area, at a particular place or as it may demonstrate a particular function or characteristic.

Examples are Dunsborough, Monkey Mia-Shark Bay, Leeuwin-Naturaliste coastline, Windy Harbour.

Site-specific criteria

Suitability: The site is located within a land use context that will not overly limit the extent of activities of guests within the resort due to amenity impacts on adjoining residents or where the adjoining uses potentially will detract from the tourism character of the site.

Examples are Rottneest Island, Bunker Bay and Smiths Beach.

Capability: The site has the capacity to be developed for tourism purposes and accommodate the associated services in a manner that does not detract from the natural attributes of the site or result in environmental degradation.

Examples are clearing for bushfire protection, sewerage installation, water supply and rubbish disposal.

Size: The site should be of a size adequate to accommodate a sustainable tourism facility of the appropriate type for the location, with consideration of future expansion, and exhibit potential for the necessary level of services to be provided.

Function: Strategic tourism sites may perform a specific function, such as a traditional social or cultural role, and/or serve a particular clientele, where that may not be replaced readily.

Examples are beachfront caravan parks, school holiday camps and Crown tourism leases.

8.1.4 Endorsement of the tourism component to local planning strategy

The taskforce recognises that flexibility is required in respect to the detail that is necessary within the tourism component of a local planning strategy to reflect the variable importance of tourism between local government areas and to enable work already undertaken by local government and Tourism WA to be recognised.

In some cases the preparation of a local tourism planning strategy will be preferred by the local government and reference to such strategies in subsequent recommendations shall be read as a reference to the tourism component of a local planning strategy.

Recommendation 5:

Where a local government prepares a tourism planning strategy for the purpose of providing the rationale for the zoning of land for or away from tourism purposes under a scheme, it shall request WAPC endorsement of that document. The process for this endorsement shall follow the process as set out in the regulations for a local planning strategy and shall require that the DPI refer the document to Tourism WA with a request for comment and have regard for any comment received in advising the WAPC on that strategy.

Priority for preparation of tourism component in a local planning strategy

Recommendation 6:

That preparation of the recommended SPP, Land Use Planning for Tourism, adequately reflect the variable importance of tourism

between local government areas in the State. It also should identify coastal local governments and the City of Perth as priority areas for determination of strategic tourism sites and preparation of tourism planning strategies or tourism components to their respective local planning strategy.

8.1.5 Scheme amendment prior to development of tourism component in a local planning strategy

Given the relatively lengthy process involved in the development of local planning strategies and the review of town planning schemes, it will be necessary for decision-making authorities to consider some rezoning proposals where this strategic work and the identification of strategic sites have not been completed. To ensure that decisions on such applications are not unduly delayed, the taskforce has proposed that the assessment of the strategic value of the subject site be undertaken in the scheme amendment report in accord with the recommended requirements.

Recommendation 7

Where a local government does not have a local planning strategy endorsed pursuant to this policy framework and an application for a rezoning or scheme amendment is proposed for a tourist zoned site to facilitate a residential or non-tourism use, the amendment report shall address the issues specified in Recommendation 2. This amendment report may be limited in its application to a specific place or portion of the local government area, as is relevant to the associated amendment, and the scale and importance of tourism in the locality.

8.1.6 Strategic tourism locations

As local tourism planning strategies develop and take an increasingly strategic approach to tourism planning, the application of the criteria (Recommendation 5) will result in the identification of strategic tourism locations. This designation recognises the high tourism value of an area in general, within which further planning may identify sites that are

strategic, non-strategic, and depending on the size of the location, some that may have no tourism function. The base zoning of such locations when identified may reflect the existing land use, such as rural, as opposed to being specific to tourism development. Where such locations are identified, the resultant town planning scheme shall set out the process for further planning of the area, which generally will require a masterplan or outline development plan process.

The strategic tourism location designation generally will not be applicable to single sites zoned for tourism purposes, particularly within an urban context, as the policy framework proposed should result in such sites being determined as strategic, non-strategic or as having no tourism value. However, the designation will be applicable to urban areas identified as having redevelopment potential where a primary function of the area is tourism, or it is recognised as having significant tourism potential.

Through the planning process of strategic locations, the allocation of specific zones or land use areas and related development provisions will be determined. Where a residential component is included in the location as part of an integrated development concept, provisions linking the residential and tourism development will be required.

Appropriate recognition of strategic locations through a town planning scheme may include the use of a special control area or specific zoning as a tourism investigation zone. Such a zoning or introduction of a special control area should allow for current uses and proposals to be developed, where they do not compromise the tourism potential of the location, identify the process for further planning of the area, and any requirements for rezoning prior to development. While flexibility exists in respect to the application of a special control area or tourism investigation zoning, it is expected that the special control area more commonly would be used where the development of the land is outside the time frame of the current planning scheme and local planning strategy.

Recommendation 8 provides the flexibility for a range of tourism development concepts to be developed within an area identified to be of high strategic tourism importance. Evaluation

of required development plans and associated concepts developed for these locations will be guided by the criteria set out in the local planning strategy and/or planning scheme, and the principles for the use of tourism land established by the taskforce and in the recommended SPP, Land Use Planning for Tourism.

Recommendation 8:

That where the preparation of a local planning strategy results in the identification of a strategic tourism location, that specific process provisions and assessment criteria to guide detailed planning of the location be included in the strategy, and the town planning scheme where that land is to be zoned consistent with that designation. The achievement of this in a town planning scheme can be via the use of an special control area or specific zoning of the land as tourism investigation. Both mechanisms are to require the preparation of an outline development plan, or similar, and appropriate zoning prior to subdivision or development. Criteria for assessment of an outline development plan also shall be established suitable to the site and reflecting the taskforce policy framework and the recommended SPP, Land Use Planning for Tourism.

The required planning is to establish land use and development parameters for areas within the location, which may include strategic, non-strategic and non-tourism sites. Developed plans also may include the designation of land for specific-purpose tourism developments, such as integrated tourist-resorts, which may cover part or the overall location. Where plans propose integrated development, mechanisms are to be established for linking the development of any residential/non-tourism components to the designated tourism site, and linking the various tourism components, to ensure the future development of the tourism sites occurs and the tourism value of the development is not compromised.

8.1.7 Assessment of residential use proposals on tourist zoned sites

The taskforce has identified that there is the potential to provide the flexibility for residential use of a proportion of units in the development of some sites zoned and required to be retained primarily for tourism purposes. This is restricted to those sites that are identified as non-strategic and where the site is in a suitable location and planning context to accommodate residential use, ie the site would provide adequate access to residential services and amenities, creates a sustainable residential environment and does not result in excessive servicing or infrastructure costs. Within this framework, not all sites identified as non-strategic will be considered in the planning framework as suitable to accommodate a residential component.

The recommendations are designed to allow the project-financing benefits of a residential component in a new tourism development or a significant redevelopment of a tourism facility to be achieved. It also establishes principles to ensure any detrimental impacts on the tourism experience available in such developments, or the capacity to accommodate future tourism demand through the permanent loss of land to tourism purposes, are minimised. Achieving this outcome requires specific controls on the nature and extent of the residential development, which are outlined in Recommendation 9. Consistent with the functional character intended for this component of such developments, it is termed residential-no occupancy restriction.

The recommended policy framework requires that where sites are identified as suitable for this development type, they are zoned specifically to provide for the residential-no occupancy restriction component prior to development. This framework does not prevent proponents seeking to rezone to achieve a standard residential component or a higher percentage of a development as a residential-no occupancy restriction component. However, it does establish clearly that this will be considered only where the local planning strategy or scheme amendment process demonstrates that the site as a whole, or a specific part of a site, has no significant ongoing or future tourism function or value.

In determining an application for approval of a residential-no occupancy restriction component on a site identified as non-strategic, the tourism benefit and broad planning context of that site will need to be given high regard. It is clear that in a number of areas across the State, the introduction of a residential component into sites that may be isolated, have high rural or landscape values, are unserviced or seasonally inaccessible, or outside the broad settlement strategy for the area, would be inappropriate. Similarly the approval of a component of residential use in an existing development where there is no demonstrated tourism benefit also would be inappropriate.

Recommendation 9:

That in the preparation and approval of local tourism strategies and local planning strategies, schemes and scheme amendments, that local government, DPI and the WAPC use the following principles for the assessment of residential use proposals for tourism developments and on land zoned or proposed to be zoned for tourism purposes:

Strategic Tourism Sites: *Where a site is identified as a strategic tourism site:*

No residential use is permitted and all development to be subject to length-of-occupancy restrictions, except where the development is an Integrated tourist-resort, and management and design to promote operation as a tourism facility.

The development of Integrated tourist-resorts will be supported on strategic sites or within strategic tourism locations where the land area for integrated development is a minimum of 30 hectares and the site is located appropriately to provide adequate residential services and amenity. Integrated tourist-resorts are to be principally tourism developments and shall provide a full range of tourism facilities and attractions on site. Such developments shall provide a principal tourism node or nodes but may contain a residential component that is integrated in terms of function and design, but ancillary in terms of scale and presence. The residential component generally shall be separated and buffered

from the tourism node(s) to the extent required to protect the tourism experience and character. Such developments may be 100 per cent tourism, but where a residential component is provided, this shall be based on a minimum of two tourism units for each residential unit and a maximum of 30 per cent of the site area allocated for residential purposes (the area defined as being for residential purposes is exclusive of common open space, recreation areas and like facilities). The location of the residential component shall be on those areas of the site with the lowest tourism amenity. Such sites shall be zoned specifically for the purpose of an integrated tourist-resort and developed consistent with an overall masterplan. As a primary element, the masterplan shall ensure integrated and linked development of the tourism and residential components, including staging, and in achieving this may require development of tourism components prior to subdivision.

Non-strategic Tourism Sites: Where a site is identified as a non-strategic tourism site:

A specified portion of the proposed tourism development or redevelopment of a site, being between zero and 25 per cent inclusive (the approved percentage), may be permitted without imposition of a residential occupancy restriction subject to the site being located to provide adequate access to residential services and amenities, within an appropriate planning context and zoned appropriately.

- The maximum percentage of residential-no occupancy restriction units/development on the site shall comply with the following at all stages of the development:

- i) The proportion of residential-no occupancy restriction units relative to the total number of accommodation units on the site shall be equal to or less than the approved percentage.
- ii) The site area occupied by the residential-no occupancy restriction units, and any areas designated for the specific use of the occupiers of those units, relative to the area occupied by the short-stay development shall be equal to or less than the approved

percentage. In calculating the area occupied by the two development categories, those facilities available for common use shall be excluded from the calculation.

- iii) That any individual residential-no occupancy restriction unit and as a whole any residential-no occupancy restriction component of such a development shall be of a design and scale that it clearly is subsidiary to the tourism component of the development such that the tourism component remains dominant in all aspects.
- The determination of the appropriate residential-no occupancy restriction percentage between zero and 25 per cent inclusive can be determined on a site-specific or local government area basis. Determination of the approved percentage, or whether any residential-no occupancy restriction component shall be permitted, shall have regard for tourism issues and the sustainability of a residential development within the broader planning and settlement context of the specific site. This assessment shall take into account the services, amenity and infrastructure requirements that would be available to a residential component, and required by a residential component.
 - The establishment of performance criteria for the determination of the applicable percentage is encouraged in areas where it generally has been determined that a residential-no occupancy restriction component is appropriate, based on additional tourism accommodation provision or significant upgrading, servicing requirements, design approach to ameliorate potential impacts on the tourism experience, and ability to accommodate future tourism demand.
 - In implementing this recommendation any proposal for residential-no occupancy restriction use on a non-strategic tourism site shall be subject to the zoning of the site clearly differentiating it from other sites zoned for tourism purposes and where any residential use or occupancy greater than three months in 12 months is not permitted.

8.1.8 Design principles for residential-no occupancy restriction components in tourism developments

The taskforce has identified a number of potential detrimental impacts from the introduction of residential components in tourism developments, and that these can in part be addressed through the design of a facility, and by limiting the extent and function of the residential component. In addition to, and in refinement of, these design principles it is acknowledged that a range of design responses will be developed by industry and local government and this is encouraged. These responses should be considered on merit and supported where consistent with these design principles and in achieving the maximum tourism benefit from the development. In many cases these design principles are also appropriate to 100 percent tourism developments in ensuring a tourism function and character is achieved.

In the following recommendation the residential component supported on appropriately zoned non-strategic tourism sites is termed residential-no occupancy restriction reflecting that the units primarily are a permanent or long-stay component of a tourism development, and may not necessarily provide a level of residential amenity that would be expected in a residential area. Consistent with this, the recommendation provides that such development is not required to comply with the *Residential Design Codes of Western Australia* to the extent necessary to meet the recommendations, further increasing the flexibility available in such projects.

Recommendation 10:

That the recommended SPP, Land Use Planning for Tourism introduce the following standard provisions for the development of residential-no occupancy restriction components in tourism developments through the specific zoning of these sites as tourist/accommodation or a like zone.

- *Where a tourism development is approved with a residential-no occupancy restriction component on land zoned appropriately, it*

comply with the following design and development principles:

- *Those areas of the site providing the highest tourism amenity, eg the beachfront, shall be retained for tourism purposes, and not designated for residential-no occupancy restriction units.*
- *The location of all units on the site shall provide for ease of tourism access through the site and facilitate easy access to areas of high tourism amenity within or adjoining the site.*
- *The maximum proportion of residential-no occupancy restriction units shall be such that the site retains a dominant tourism function and character, and shall be determined by the local government between zero and 25 per cent inclusive.*
- *The maximum percentage of residential-no occupancy restriction units/development on the site shall comply with the following at all stages of the development of the site:*
 - The proportion of residential-no occupancy restriction units relative to the total number of accommodation units on the site shall be equal to or less than the approved percentage.*
 - The site area occupied by the residential-no occupancy restriction units, and any areas designated for the specific use of the occupiers of those units, relative to the area occupied by the short-stay development shall be equal to or less than the approved percentage. In calculating the area occupied by the short-stay development, those facilities available for common use, such as reception and recreation facilities, shall be excluded from the calculation.*
 - Any individual residential-no occupancy restriction unit, and as a whole any residential-no occupancy restriction component of such a development shall be of a design and scale that it clearly is subsidiary to the tourism component of the development such that the tourism component remains dominant in all aspects.*
- *All units in the development shall be designed primarily for tourist occupation,*

form part of an integrated complex and shall not be subject to compliance with the Residential Design Codes of Western Australia to the extent necessary to meet these requirements, unless specified under a planning scheme.

- *Design differentiation between tourism and residential-no occupancy restriction units within a complex shall be limited to that required to accommodate the various components of the tourism market.*
- *Residential-no occupancy restriction units may be concentrated in an area of the complex and provided with specific recreation and amenity facilities but shall be designed to enable management and use as an integrated part of the overall complex. In assessing the location of units, the potential for a residential-no occupancy restriction component to provide a transition between tourism development and surrounding residential uses should be taken into account.*
- *The development shall incorporate those facilities normally associated with tourist accommodation developments such as recreation, entertainment facilities and integrated management facilities.*

8.1.9 Subdivision of land zoned for tourism purposes

The taskforce assessment of land zoned for tourism purposes in coastal local government areas showed that such land generally makes up only a minor component of urban zoned land, with a majority of sites being relatively small at less than one hectare. Through its investigation, the taskforce received submissions on the need to provide tourist zoned sites of an adequate size to accommodate the development of sustainable tourism enterprises, ie sites that have the capacity to accommodate sufficient development to support management and provision of commercial and common facilities.

The number of tourism units in a development required to achieve this can range from less than 40 keys to more than 100 keys (the number of keys may be greater than the number of units), depending on the nature of the development, the location and target market. If a resort level of facility provision and

management is to be achieved industry advice is that a development of more than 90 units generally would be required for a regional/coastal site. The area required to accommodate this number of units also can vary considerably between an urban-based site, where multi-storey development is appropriate, to a remote site where low-density development is required.

Review of a range of existing developments providing a minimum level of facilities and management presence showed that in a multi-storey format a development can be achieved on a site of less than one hectare. Where development was limited to a single or two storeys, a site area of more than 1.5 ha generally was required. Many resort developments occupy significantly greater areas of land, particularly where the character and style of the development is established internally. The ability to access sites large enough to accommodate this can be critical to the success of a development and is important to the tourism industry overall.

Applications for subdivision of tourist zoned land currently are assessed by the WAPC under general principles for the subdivision of land (WAPC Policy DC 1.1). This framework is considered deficient by the taskforce in providing adequate guidance for the determination of such proposals given the specific nature of tourism development. While it is not possible for assessment criteria at a State policy level to provide minimum lot sizes, they can provide for a more consistent tourism-responsive approach and increased direction to proponents. Where it is considered that minimum lot size criteria are required, these should be developed through the local planning strategy and included in the local planning scheme. The primary objective of the taskforce in developing the recommended criteria was to ensure the retention of the maximum potential for establishment of a sustainable tourism operation on a site, without restricting appropriate subdivision.

Recommendation 11:

That in the assessment of subdivision proposals for land zoned for tourism purposes, the WAPC shall refer any such application to Tourism WA with a request for comment and

shall have regard for that comment in its determination. In determining an application, it is recommended that the WAPC seek to ensure that the following objectives are met and, where these cannot be complied with, not approve the application:

- *the proposed lot(s) will be able to accommodate and provide the development flexibility necessary to facilitate development of a sustainable tourism facility consistent with the site's zoning and location and, where identified, its tourism function under an endorsed local planning strategy or tourism strategy;*
- *the retention or enhancement of the strategic value of the site for tourism purposes, including the relationship between individual lots and areas of high tourism amenity (such as the beachfront) and potential in accommodating current and future tourism demand;*
- *the accommodation of services, management and recreation facilities associated with development of the site without compromising the character, development flexibility or tourism amenity of the site; and*
- *where the zoning of the site provides for a restricted range of tourism uses, or a single use, the ability for all resultant lots to be developed sustainably consistent with that zoning.*

In assessing compliance with these objectives, it is recommended that the WAPC also consider:

- *any approved development proposal for the site that is consistent with, and supported by, the proposed subdivision; and*
- *whether the subdivision forms an integral part of the staged development of the site.*

8.1.10 Strata schemes: assessment and management conditions

Strata schemes are an important component in the funding of tourist accommodation developments and the taskforce has concluded that the continued use of such schemes is important for the industry, particularly in regional areas. There are identified risks in the use of such schemes in achieving sustainable tourism developments

unless particular management requirements are met. These requirements are set out below. The primary requirements are for common management of tourism units within a development and that units are made available for tourism letting. This is designed to address issues of lock-up use of strata units and inadequate management and maintenance of facility standards, as has occurred under some current strata management arrangements.

For identified strategic sites, the recommendations require that all units are part of a common management and letting arrangement. Following detailed consideration of the strata issue, the taskforce concluded that such a management regime was necessary in maximising the tourism benefit from the State's best tourism sites. It is acknowledged that these management requirements will result in some schemes being considered managed investments under the *Corporations Act 2001* and that this has financial implications for the establishment and operation of these schemes. However, on balance, it was considered that these costs were outweighed by the benefits of fully integrated schemes.

In recognition of the development industry's request for increased flexibility in respect to strata management, and in providing some potential to operate developments as management rights schemes, the option of allowing flexibility for owners to opt out of common letting arrangements, while retaining common caretaking/management, has been provided for on non-strategic sites. The practical limitations in establishing on-site caretaking and management for small schemes also has been acknowledged with the option for this to be undertaken off site.

The use of strata schemes in the cabin and chalet zone is not supported as such proposals are considered inconsistent with the objectives of retaining a variety of tourist accommodation. The strata titling of cabin and chalet development on sites under other zonings may be supported where consistent with the planning scheme and subject to compliance with strata management requirements. No change is proposed in respect to the existing legislative prohibition of the strata titling of caravan parks.

The taskforce's preferred position on strata schemes is for subdivision to occur concurrent with, but not prior to development of tourism facilities. The recommendations provide for survey and vacant lot strata schemes to be supported subject to conditions requiring that practical construction issues, such as limiting the development period for a scheme or stage to two years, and management arrangements are addressed.

These conditions and assessment criteria will operate in addition to existing criteria under a local government town planning scheme or as set out elsewhere in these recommendations. Further information on issues to be addressed in the development of best practice management structures for the sustainable operation of tourism developments is contained in Appendix 5.

Recommendation 12:

That the recommended SPP, Land Use Planning for Tourism, provide additional criteria to WAPC Policy DC 1.3 (Strata Titles) for the assessment of strata applications for tourism developments to reflect the particular requirements for the sustainable operation of strata titled tourism facilities. Specifically, the amendments shall provide for the inclusion of the following criteria to be considered in the assessment of strata applications on land generally zoned for tourism purposes, and conditions to be imposed on approvals of tourism developments and tourism components of mixed use developments.

Assessment criteria

- i) *The development/site the subject of the application has a valid development approval issued by the local government, which demonstrates architectural and building standards consistent with an integrated tourism facility, and where development has been undertaken, it is consistent with that approval.*
- ii) *Where development includes or is proposed to include a residential-no occupancy restriction component, it is consistent with the design guidelines (Recommendation 10) and the unit allocation is consistent with the maximum percentage determined for the site.*
- iii) *Where a development the subject of the application is not fully constructed, it shall be demonstrated that any staging will include in each stage the common facilities required for that stage and demonstrate viable management potential in terms of the number of units constructed in each stage. In such developments, the construction and staging program shall be subject to conditions to minimise impacts of construction on operating stages of a development, and provide a specific time frame for construction of units and common facilities within each stage.*
- iv) *The site is not a site within a "Caravan Park and Camping Ground", "Chalet and Cabin" or like zone under the local government town planning schemes or identified for such a purpose in the local planning strategy.*

Conditions:

- i) *The management statement for the strata scheme shall establish a Schedule 1 by-law that requires as a minimum the establishment of a unit management agreement, lease or alternative arrangement between each owner of a tourism use strata unit, or the owners collectively, and a common facility manager/operator to provide for common on-site management of all such units for a minimum period of 25 years as a tourism facility. The management agreement, lease or alternative arrangement shall cover but not be limited to resort reception, security, maintenance, caretaking, refurbishment, marketing and other services required for the development to operate as a tourism facility. The management statement shall be approved by the relevant local government and the WAPC, in consultation with Tourism WA. The required by-law shall specify the inclusion of the following minimum requirements in the management agreement:*
 - a) *Termination of one facility manager/operator must be followed by the immediate appointment of a replacement manager/operator.*
 - b) *The facility management agreement between each unit owner/owners and*

the facility manager/operator must bind successive unit owners.

- c) *Development refurbishment as required to maintain, or upgrade, the tourism standard of the facility is to be managed by the facility manager/operator on a development-wide basis through the establishment of a refurbishment reserve, or similar mechanism.*
- d) *Entry to units, including by owners is controlled by the facility manager/operator with the management agreement providing that all tourism use units be available only for tourism use, including owners use, unless subject to maintenance.*
- e) *Internal fixtures/fittings and décor in each tourism unit are to be provided and maintained to a specified consistent standard suitable to tourism letting of the units.*
- f) *Owners of a unit in a strata scheme of greater than 20 strata units on a non-strategic tourism site may, as an alternative to common letting, enter into an agreement with a real estate agent or licensed travel agent of their choice, for letting of their unit only. Any such agreement or letting practice shall be consistent with the requirements of the facility management/operating agreement, excepting the common tariff structure, and at all times provide for the unit to be available for tourism letting.*
- g) *For strata schemes consisting of 20 units or less, on-site management and reception facilities and operations are preferred but not required.*
- h) *The facility manager/operator is to keep a written record of all bookings of each owner's unit and must notify the strata company in writing if it becomes aware of any person occupying the unit for a period exceeding three months in any 12 month period. On receipt of such notification, and in addition to its own compliance action, the strata company shall advise the local government within which the development is located of receipt of that notification.*
- i) *It is preferred that management and reception facilities and manager's*

accommodation shall form part of the common property or be held by the corporate body. Where alternative arrangements are proposed, these shall ensure that management and reception facilities and associated manager's accommodation are subject to lease arrangements or ownership restrictions and disposal mechanisms linked to the facility management/operator function.

- j) *All recreation, servicing/support and common facilities are to be located on the common property and full use of all services and facilities are to be available for all guests regardless of the booking agent.*
- ii) *Strata plans are to be specified with a Section 6 restriction of use limiting occupation to tourism purposes with an occupation restriction of a maximum of three months in any 12-month period.*
- iii) *Any changes to the management statement affecting the matters identified are to be approved by the WAPC in consultation with Tourism WA.*

8.1.11 Zoning and town planning schemes

A local government scheme is a principal instrument for implementation of land use planning. A town planning scheme is a statutory instrument and once approved by the Minister and Gazetted has the same force and effect as the *Town Planning and Development Act 1928*. Among other things, a town planning scheme zones and reserves land within the scheme area and sets out the permissibility of land uses and development controls. In conjunction with the proposed SPP, Land Use Planning for Tourism, it is an important instrument for implementing the taskforce recommendations.

Part 4 of the *Model Scheme Text* provides for a town planning scheme to contain a zoning table, which indicates, subject to the provisions of the scheme, the uses permitted in the various zones. The permissibility of any use is determined by cross-reference between the rows listing use classes and the columns listing zones.

The symbols used in the cross-reference in the zoning table have the following meanings:

- 'P' means the use is permitted by the scheme providing the use complies with the relevant development standards and the requirements of the scheme;
- 'D' means the use is not permitted unless the local government has exercised its discretion by granting planning approval;

- 'A' means the use is not permitted unless the local government has exercised its discretion by granting planning approval after giving special notice in accordance with Clause 9.4*;
- 'X' means the use is not permitted by the scheme.

* Clause 9.4 of the *Model Scheme Text* deals with advertising of applications.

Table 3: Sample zoning table for tourism uses

USE CLASS (1)	ZONES								
	Caravan park	Chalet & cabin	Motel (2)	Hotel (2)	Tourist/resort	Tourist/ accommodation (3)	Tourist investigation (4)	General rural	Residential R20
Bed & Breakfast	X	X	X	X	X	P	Development subject to compliance with adopted outline development plan. Scheme may provide for minor 'P' uses.	D	D
Caravan and camping	P	D	X	X	D	D		A	X
Park Home Park	A	A	X	X	X	A		X	A
Cabin	P	P	D	D	P	P		A	X
Chalet	D	P	D	D	P	P		A	X
Guest-house	X	D	D	D	P	P		A	X
Holiday Home	X	X	X	X	X	D		X	P
Hotel	X	X	X	P	P	P		X	X
Motel	X	X	P	D	D	P		X	X
Resort	X	X	X	P	P	P		X	X
Serviced Apartment	X	X	D	P	P	P		X	X
Single Dwelling	X	X	X	X	X	X		P	P
Group Housing	X	X	X	X	X	D		X	P
Multiple Dwelling	X	X	X	X	X	D	X	D	

Notes

- (1) Manager's facilities and ancillary commercial facilities are deemed part of the various Use Class as appropriate.
- (2) The specific tourism zonings of Hotel and Motel as included in the table reflect the strategic designation of such sites, ie no residential use.
- (3) This zoning is applicable only to tourism sites determined to be non-strategic and appropriately located to include a component of residential development, with tourism use to be dominant. The level of the residential component is to be determined by the local government on a site-specific basis or established in the scheme, up to a 25 per cent maximum only.
- (4) This zoning is applicable to areas identified as strategic tourism locations and may be used as an alternative to the special control area designation.

Table 3 demonstrates how tourism uses may be dealt with in a range of zones. The inclusion of specific purpose zones or the full range of tourist zones within the land use table of a specific local government scheme will depend on the character of tourism in an area, the range of tourism sites, and will not be required in all town planning schemes. Residential uses are included to show their permissibility within the various zones consistent with the principles of the taskforce recommendations.

While tourism development occurs primarily on land zoned specifically for that purpose, it also occurs under alternative zonings such as commercial, town centre and mixed use zones such as commercial/tourism. Land zoned for such purposes was not within the scope of the terms of reference of the taskforce and as such, have not been considered in detail or included in the sample zoning table. The continued use of such zones in appropriate locations in providing for a mix and intensity of development that includes tourism uses is supported. Such zones are not considered an acceptable substitute for the zoning of land specifically for tourism purposes in recognition of the need to retain high-value tourism sites for that purpose. In the preparation of a local planning strategy / town planning scheme, such zones should be viewed as providing an ancillary role only in providing future tourism development opportunities.

Tiered zoning framework

The taskforce has concluded that in order to provide for the sustainable operation of a range of tourist accommodation types, it is necessary to provide for a more detailed zoning structure that clearly sets out the extent and type of development that can be achieved in the specific tourism zone. It is proposed that this is achieved through the introduction of a tiered zoning structure which limits the range of development permissible on a site to the capability of the site taking into account the planning context and its identified tourism function.

Recommendation 13:

- i) *That the guidelines and requirements for the preparation of town planning schemes*

be revised to provide for local governments to adopt a range of tourism zones, where appropriate taking into account the local tourism industry and range of tourism sites, with provisions specific to each zone. The zones shall be based on the categorisations of: Caravan Park and Camping Grounds, Cabin and Chalet, Tourist/Resort, Motel, Hotel, Tourism Investigation and Tourist/Accommodation.

That the continued use of mixed use zones that provide for tourist accommodation uses in addition to other uses is supported only as additional to and not as a substitute for, the identification and zoning of existing and new sites specifically for tourism purposes.

- ii) *That all new and reviewed town planning schemes contain a standard provision that requires all units in a tourist accommodation development to be available for tourism letting, and that limits the length of occupancy of tourist accommodation, short-stay accommodation and other forms of tourism development on tourist zoned land to three months in any 12-month period.*
- iii) *That the tiered zoning framework, including the model provisions specific to each zone, be introduced in the recommended SPP, Land Use Planning for Tourism.*

Definitions for tourism uses

The *Model Scheme Text Schedule 2 - Dictionary of Defined Words and Expressions* (2) contains a limited number of definitions for tourism related use classes (see Section 3.1, p24). The introduction of additional definitions was considered necessary in implementation of the taskforce recommendations to provide for consistency on development types.

In the development of a tourism complex, it is expected that it will provide a range of facilities and amenities for guests, with town planning schemes generally providing for the inclusion of commercial components where these are ancillary to the tourism use. The inclusion of commercial facilities in the development of land zoned for tourism purposes should be designed primarily to enhance the tourism experience available at the location. The use of the street level of multi-level tourism facilities for commercial

uses related and ancillary to the tourism function is a design response noted and supported by the taskforce.

Recommendation 14:

- i) *That the Model Scheme Text Schedule 2 - Dictionary of Defined Words and Expressions (2) Land Use Definitions be revised to include the following additional definitions of tourism uses:*

“chalet” means an individual self-contained unit usually comprising cooking facilities, ensuite, living area and one or more bedrooms designed to accommodate short-stay guests, forming part of a tourism facility and where occupation by any person is limited to a maximum of three months in any 12-month period.

“cabin” means an individual self-contained unit similar to chalet but may lack ensuite facilities and may comprise only one room and is designed for short-stay guests, forming part of a tourism facility and where occupation by any person is limited to a maximum of three months in any 12-month period.

“eco-tourist facility” means a form of tourist accommodation that is designed, constructed, operated and of a scale so as not to destroy the natural resources and qualities that attract tourists to the location. The development should utilise sustainable power, have a low energy demand through incorporation of passive solar design, provide for low water consumption, ecologically sensitive waste processing and disposal with no pollutant product.

“farm stay” means a residential building, bed and breakfast, chalet or similar accommodation unit used to accommodate short-stay guests on a farm or rural property and where occupation by any person is limited to a maximum of three months in any 12-month period.

“guesthouse” means integrated premises for short-stay guests comprising serviced accommodation units and on-site tourism facilities such as reception, centralised

dining, and management, and where occupation by any person is limited to a maximum of three months in any 12-month period.

“holiday home” means a residential building used to provide accommodation for short-stay guests, rather than permanent residency, and excluding those uses more specifically defined elsewhere.

“lodge” - see “guesthouse”.

“tourist resort” means integrated, purpose-built luxury or experiential premises for short-stay guests comprising accommodation units and on-site tourism facilities such as reception, restaurant and leisure facilities like swimming pool, gymnasium, tennis courts, and where occupation by any person is limited to a maximum of three months in any 12-month period.

“serviced apartment” means a complex where all units or apartments provide for self-contained accommodation for short-stay guests, where integrated reception and recreation facilities may be provided, and where occupation by any person is limited to a maximum of three months in any 12-month period;

“Short-Stay Accommodation” and “Tourism Development” mean a building, or group of buildings forming a complex, designed for the accommodation of short-stay guests and which provides on-site facilities for the convenience of guests and for management of the development, where occupation by any person is limited to a maximum of three months in any 12-month period and excludes those uses more specifically defined elsewhere.

- ii) *That the additional definitions of tourism uses, be introduced in the recommended SPP, Land Use Planning for Tourism.*

8.1.12 Special control areas

Special control areas are designations under a scheme that typically deal with a single issue and provide for additional provisions or objectives to be applied to a class of development that overlap zone and/or reserve boundaries. Part 6 of the *Model Scheme Text*

provides for special control areas to be included in a scheme to identify areas or planning issues that are significant for a particular reason.

The taskforce considers special control areas a potentially useful tool to identify strategic tourism locations in a scheme and to introduce related special provisions. A special control area for this purpose can set out the framework by which the location will be planned and the criteria for the various categories of tourism use and strategic sites to be identified. Special control areas also may set out guidelines on tourism-related matters to be taken into account in considering development applications within the special control area. An example is a requirement that Tourism WA is consulted on development applications received for land within a strategic location.

The special control area designation provides an option to the zoning of a strategic location within a tourism investigation or similar zone and will be applicable where the time frame for development is likely to be outside the next scheme review process, ie longer than five years.

Special control areas also are considered an appropriate tool to identify strategic tourism sites in a scheme. In using special control areas for this purpose, they can be applied to a range of base zonings, such as caravan park and camping ground and tourist/resort, and set out particular scheme requirements associated with that land. This provides a mechanism for land within the same zoning category to be distinguished on the basis of its identification through the local planning strategy process as a strategic site or otherwise.

Recommendation 15:

That in the preparation of each local government town planning scheme and local planning strategy, consideration be given to inclusion of special control areas to introduce specific provisions for strategic tourism sites and locations. These area designations shall be designed to reinforce the primacy of these sites for tourism development and establish the particular development controls and

objectives that relate to the sites, including provisions in respect to interim uses and consideration of development proposals.

PART 2

8.2 Interim policy requirement

The recommendations of the taskforce to address its findings will require time to implement and take effect given the focus on local planning strategies - tourism planning strategies and the recognition of the need to take a strategic approach to land use planning for tourism. Correspondingly, it is necessary to establish an interim position to guide consideration by the WAPC and local government on development and zoning proposals for land zoned for tourism purposes that will require determination in the short term. This interim framework will be applicable while the recommended SPP, Land Use Planning for Tourism, the identification of strategic sites and review of local planning strategies is undertaken, and changes to town planning schemes are brought into effect.

This will allow development proposals to be considered and progressed where appropriate in a planning context and under the statutory framework while the strategic tourism planning work recommended by the taskforce is undertaken. Recommendation 7 identifies the requirements for the preparation of amendment reports for proposals to rezone sites zoned for tourism purposes to an alternative use.

Recommendation 16:

- 1. The taskforce recommends that the WAPC adopt an interim policy position in respect to the consideration of proposals for scheme amendments to provide for the permanent residential use of tourism developments or the non-tourism use of land zoned for tourism purposes, based on the following:*
 - i) Where a subject site is identified as a strategic tourism site in the amendment report and/or the WAPC receives advice*

- from the DPI that the site is a strategic tourism site in terms of the assessment criteria, then the WAPC not recommend to the Minister that amendment for final approval to the extent that this would facilitate permanent residential use.
- ii) Where a subject site is identified as a non-strategic tourism site in the amendment report and/or the WAPC receives advice from the DPI that the site is a non-strategic tourism site in terms of the assessment criteria, then the WAPC recommend to the Minister that amendment for final approval only to the extent that this would facilitate 25 per cent or less residential-no occupancy restriction use determined in accord with, and subject to the conditions recommended by the taskforce (Recommendation 13). In determining the residential component between 0 per cent and 25 per cent inclusive, the WAPC shall have primary regard for the level of residential - no occupancy restriction supported by the local government and the broad planning and settlement context within which the site is located.
- iii) Where a subject site is identified as no longer required in whole or part for tourism development as it has no demonstrated tourism demand or sustainable tourism function in the amendment report, and/or the WAPC receives advice from the DPI that the amendment site has no sustainable tourism function, then the WAPC recommend to the Minister that amendment for final approval for the subject site, or that portion only identified as having no sustainable tourism function.
- 2 It is further recommended that this interim policy position be adopted by the WAPC to inform its consideration of applications for approval of tourism accommodation development generally and proposed development guide plans and outline development plans that it is required to consider pursuant to the State planning framework. In this regard, the WAPC may request an applicant for such an approval to prepare an assessment of the strategic tourism value of the site pursuant to Recommendation 2.
- 3 In preparing its advice in respect to 16 1. and 2. above, the DPI shall refer any such application to Tourism WA with a request for comment and shall have regard to any comment received in the preparation of its advice.

PART 3

8.3 Facilitating sustainable tourism development

Through the taskforce investigations, a range of issues have been identified that act as impediments to the initiation of tourism developments. In a number of cases, it also is apparent that these impediments operate without effectively adding value or benefit to the general community or to those projects that reach construction. In addition to this, it is acknowledged that while tourism projects have broad multiplier benefits, particularly in regional areas, it also is a difficult industry in which to initiate development, facing strong international and national competition for investment funds. Correspondingly, the achievement of sustainable growth of the industry and the development of the State's strategic sites will require ongoing support at the broad industry and individual project level. The taskforce seeks the establishment of specific initiatives through Tourism WA to ensure that this support is provided.

The primary issues identified as impeding sustainable tourism development relate to:

- co-ordination of development approval processes
- priority attributed to tourism projects by government
- infrastructure development
- land tenure
- lack of a regional planning framework
- access to government incentives and support

In respect to the development of a regional planning framework, this is addressed in the taskforce recommendations in respect to the

establishment of an increased focus on land use planning for tourism. Issues associated with the development approvals process are analysed in the report *Review of Project Development Approvals System - Final Report*. This report also provides recommendations for improving the approvals process. While focused primarily on resource development, it considers tourism projects and makes a number of recommendations of relevance to tourism development.

The difficulties of initiation of regional tourism projects often can relate to the isolated nature of the development site and lack of basic infrastructure. Existing headworks assistance schemes operated through the Department of Industry and Resources have been effective in the initiation of some tourism projects. The full benefit of such schemes for tourism will require a stronger recognition of the specific requirements and benefits of tourism development. In achieving this, the establishment of an additional headworks assistance scheme that is specific to tourism projects and the development of strategic sites is recommended.

While the taskforce has made a number of specific recommendations it considers will assist the sustainable development of the industry it has noted that the primary requirement is an increased recognition of the economic importance of tourism to the State. In this respect, appropriate tourism projects on strategic sites are proposed for recognition as of State significance and requiring specific facilitation through a co-ordinated approval process. This role and the structure to achieve it is most appropriately developed and implemented by Tourism WA in delivering its core function *"to develop or to facilitate the development of new tourism facilities and improve or facilitate the improvement of existing tourism facilities in Western Australia"* (WATC Act 1983).

Recommendation 17:

That the Government establish an improved framework at the State level for the facilitation and support of tourism development on strategic tourism sites that recognises the broad social and economic importance and

potential environmental benefits of the industry and which includes:

- *The introduction of a funded tourism development specific headworks assistance scheme for the support of the development of 100 per cent tourist accommodation projects on strategic tourism sites.*
- *An increased focus by the State Government on State tourism infrastructure development.*
- *The recognition of 100 per cent tourist accommodation projects on strategic sites as potential projects of State significance and establishment of a strategic tourism projects body through the Department of Premier and Cabinet in conjunction with Tourism WA to provide an integrated approvals system for such projects.*
- *Initiation of a project designed to influence the position of financial institutions in respect to the funding of tourism developments, and collaborate with any Federal or other State Government initiative in this regard.*
- *Review tenure arrangements for government release of tourism development sites to ensure financial requirements for project development can be met while retaining primary control on land use and development where necessary.*
- *A preparedness by government to negotiate incentives schemes for 100 per cent tourist accommodation projects on strategic tourism sites that recognises the potential for low net returns during the development and early operation of such projects and which considers the use of deferral agreements in respect to State taxes.*

8.3.1 Effect of GST on tourism investment

The introduction of the GST has had a detrimental effect on investment in strata titled tourism developments as GST is payable on the purchase of individual units, in addition to returns on operation of the business that the unit may form part of. This approach by the Australian Taxation Office recognises that under some strata management arrangements

owners may withdraw their unit from the management/letting pool and reside in it. The achievement of an adjustment to the GST policy ruling to exempt the purchase of units in bona fide tourist accommodation establishments, as provided for in the taskforce recommendations, will assist in encouraging investment in this sector of the market.

Recommendation 18

That the Government make a submission to the Federal Treasurer and the Australian Taxation Office seeking a modification to GST Ruling 2000/20 so that strata titled 100 per cent tourist accommodation developments on strategic tourism sites subject to common management and letting arrangements are considered commercial residential premises and thereby are treated similarly to hotels, motels and other tourist accommodation facilities.

PART 4.

8.4 Additional recommendations

8.4.1 Land tax

The taskforce has found that the effect of rapidly increasing land tax in some regional areas has had a disproportionate effect on low-cost forms of tourist accommodation and increased redevelopment pressure on these sites to provide a greater income-earning potential. It was considered that this had, and would continue to have, a negative impact on the range and accessibility of accommodation available, particularly in beachfront recreation areas.

In addressing these conclusions, the taskforce proposed the use of a more detailed zoning structure and other mechanisms to be introduced as part of the comprehensive planning framework. Advice provided to the taskforce from the Valuer General's Office (2003) is that this will have a beneficial effect in reducing land tax increases for those properties zoned for a specific tourism

purpose that generally is consistent with the current use of the site.

As tourist accommodation developments under strata schemes generally achieve significant reductions in the aggregate land tax payable on such developments, relative to the same developments held in a single entity, the taskforce also has recommended that this be reviewed.

Recommendation 19:

That the Treasurer and Minister for Tourism be advised that the taskforce considers that the current land tax framework is considered to have a negative impact on a considerable portion of low key tourist accommodation sites, and as such work against the State Government's objectives for tourism development and the retention of a variety of tourist accommodation.

Recommendation 20:

That the land tax system be examined, with the objective of providing tax relief for identified strategic tourism sites, including low-cost tourist accommodation facilities, and reducing the inequity associated with current taxing of developments subject to strata schemes relative to developments held under a single land title.

8.4.2 Residential holiday homes

The high level of use of residential properties in some regional areas of the State as holiday homes on a commercial basis, and the implications of this for residential amenity and viability of dedicated tourism developments, was raised specifically with the taskforce. While noting the importance of the issue and that it required further investigation, it was acknowledged as outside the terms of reference.

Recommendation 21:

That the issue of the commercial use of residential dwellings on residential zoned land for tourism purposes be the subject of further investigation by the WAPC, in conjunction with local government, Western Australian Local

Government Association and Tourism WA, with a view to the development of guidelines to assist local government to respond to the issue effectively.

8.4.3 Use of government managed land

The taskforce has identified that there is an important role for government-managed or owned land in the future development of tourism in the State, as many tourism icons are located on such land and it includes a large part of the State's coastline. Government-managed land also has an important role in the retention of a range of tourist accommodation with many low-key accommodation facilities currently located on such land. Recommendation 22 reflects the importance of integrating tourism development across an area with regard for private sector and government requirements and seeks to ensure these issues are considered by government agencies.

As the development pressure on coastal areas increases, the role of government-managed land is envisaged to increase in terms of the provision of sites for future tourism development. These sites also will play a role in the retention of strategic tourism opportunities where demand conditions for sustainable tourism development are still to be reached.

Recommendation 22:

That the WAPC, LandCorp, CALM, DPI and local government note the important role for government managed land in future tourism development in the State and be required to have regard for this when preparing management and development strategies and plans for these landholdings.

Recommendation 23:

That DPI, through its Crown Land administration function take action to develop and implement policies to ensure the identification and appropriate protection of government-managed or owned strategic tourist accommodation sites and caravan parks and camping grounds for tourism

purposes. Such a policy is to include the consideration of conditional purchase options under the Land Administration Act, leasehold arrangements, and the use of Section 75 conditional tenure, and only where this cannot be achieved Section 15 covenants, to ensure the land can be used only for its designated purpose. The nature of conditional freehold and leasehold descriptions of use to also be specific to the designated purpose of the land, eg caravan park and camping ground, tourist resort, and to specify the nature of use of the sites. In this regard, specific consideration shall be given to the need for the maintenance of adequate short-stay sites and limitations on the development of permanent structures and park homes on caravan parks.

8.4.4 Corporations Act 2001

In considering management requirements for sustainable tourism developments subject to strata schemes, the taskforce has identified significant benefits where all units are part of a common management and letting structure. Based on advice received on serviced strata schemes, the taskforce understands that under such an arrangement schemes generally would be considered managed investment schemes under the *Corporations Act 2001*, and be subject to specific compliance and reporting requirements. Various structures, such as unit lease-back with fixed returns, schemes with not more than 20 investors and schemes with an investment price of more than \$500 000 are exempt from these particular requirements under ASIC policy. The taskforce has; however noted submissions that common management and letting as required on strategic sites may make particular development structures unviable. In assessing these competing interests, the taskforce acknowledged the benefits of common management in achieving successful tourism developments and the need to provide flexibility where possible to meet the requirements of various development and financing structures. The achievement of modifications to the *Corporations Act 2001* to reduce the impost on serviced strata schemes while retaining investor protection was seen as a beneficial outcome for sustainable tourism development.

Recommendation 24:

That the Federal Government be requested to review the compliance requirements for strata titled tourism development projects considered managed investment schemes under the Corporations Act 2001 and develop guidelines and a model format for the preparation of product disclosure statements, to reduce the financial cost of compliance to such schemes.

8.4.5 Management rights legislation

“Management Rights” is the term describing the business of operating and managing a residential or tourism property under a strata scheme. The Queensland Government developed legislation as part of the *Body Corporate and Community Management Act, 1997* to control the operation, establish the responsibilities and protect the interest of such businesses. While the Queensland industry far exceeds that of Western Australia in terms of the number of management rights businesses, the taskforce considered that with continued growth in tourism developments under strata schemes, a review of the legislative requirements of such businesses was warranted. A focus in such a review on the tourism industry, with licensing of operators to ensure at least basic skills in tourist accommodation management, was viewed as having potential long-term benefits for the industry. The Department of Consumer and Employment Protection has released a paper on the *Regulation of Holiday Accommodation Managers*, which reviews the need for improved management of the industry.

Recommendation 25:

That in conjunction with the outcomes of the review, Regulation of Holiday Accommodation Managers, the Government urgently review the need for the development of management rights or similar legislation and the regulation and accreditation of holiday accommodation managers, with a focus on the particular needs of the tourist accommodation industry.

8.4.6 Consultation and review

The taskforce recommendations provide for a relatively significant increase in focus on tourism land use planning by local government and the WAPC, and important changes in tourism development policy. These proposals have been subject to extensive public consultation and review. Further consultation also will occur in the preparation of the recommended SPP, Land Use Planning for Tourism.

While acknowledging the extent of consultation through the policy development process, a review of the recommendations is considered warranted by the taskforce within a relatively short period to assess the outcomes for the tourism industry and ensure the policy framework remains up to date with tourism industry trends.

Recommendation 26:

The recommendations of the taskforce be subject to review within a five-year period of finalisation and/or implementation.



Glossary

ASIC:	Australian Securities and Investments Commission
ATO:	Australian Taxation Office
BTR:	Bureau of Tourism Research
CALM:	Department of Conservation and Land Management (WA)
Crown Land:	Land not alienated from the Crown in any way, includes Government reserves.
DOLA:	Department of Land Administration (WA) (DOLA was replaced by the DLI with its Crown Land administration function moving to DPI in July 2003).
DPI:	Department for Planning and Infrastructure (WA)
DLI:	Department of Land Information
DTF:	Department of Treasury and Finance
GST:	Goods and Services Tax
MIA:	Managed Investments Act 1998
SPP:	State Planning Policy
Sustainability:	Sustainability is meeting the needs of current and future generations through simultaneous environmental, social and economic improvement. (The Western Australian State Sustainability Strategy)
Tourism Development:	Refers generally to the development of accommodation facilities for tourists, unless otherwise specifically defined.
Tourist:	A person spending at least one night at a destination over 40 km from home.
Tourism WA:	Tourism Western Australia (Trading name of WATC from August 2004)
VGO:	Valuer General's Office
WAPC:	Western Australian Planning Commission
WATC:	Western Australian Tourism Commission


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Appendix 1

PAPER ON FINANCING TOURIST ACCOMMODATION FOR "THE MINISTERIAL TASKFORCE TO INVESTIGATE THE IMPACT OF COMBINING TOURIST AND PERMANENT RESIDENTIAL ACCOMMODATION AND THE IMPACT OF STRATA TITLING OF TOURIST ACCOMMODATION"

BY JEFF COHENCA
Director Commercial Finance
Ashe Morgan Winthrop

18TH NOVEMBER 2002

FINANCING OF TOURIST ACCOMMODATION

Purpose

The purpose of this paper is to provide an overview of the funding policies of the major banks with respect to tourist accommodation (the terms tourism accommodation and hotels are interchangeable in this paper). In particular, the Ministerial taskforce is interested in understanding why developers are seeking planning approval for a residential component within these projects, and the financial implications of the strata titling of such projects.

A copy of the letter of instruction provided by the Ministerial taskforce and the Terms of Reference are attached to the rear of this paper.

Background

Tourism is not an asset class that banks are especially bullish about financing, therefore when presented with a tourist asset, they will take an inherently more conservative position than might otherwise be the case. This is due to several reasons, including:

- The recent history (say in the last 10-15 years) of tourism assets and particularly hotels, to trade at significant discounts to replacement cost. In the late 1980's - early 1990's, development finance for tourist accommodation was considerably easier to secure with lower equity requirements than is the case today. However, this changed when the banks incurred significant losses in this sector, during the 1990's. It could be argued that it was this tightening in credit standards that has led to strata titling developments becoming a more popular way of effectively financing tourism developments, and
- The ability of single events such as the 1989 pilots' strike, the 2001 terrorist attacks on the World Trade Centre and the collapse of Ansett, to have a material impact on the industry.

Essentially when undertaking hotel developments, developers have two options, with these being:

- Develop and sell individual strata units to investors, and
- Develop and retain ownership of the development or sell to a single purchaser.

It is important to note that the two options are completely different, with the first being a property "play" where the developer builds a building, sells the product and crystallises a development profit. In some instances, a company associated with the developer assumes the ongoing management rights for the operation of the hotel whilst in others they are managed by arms length hotel management companies/operators. However, this represents a separate "transaction" and the developer's obligations generally terminate once all strata lots are sold and any ongoing contractual obligations (such as minimum rental guarantees) are satisfied.



In the second option, the hotel is not usually strata titled. Rather it is built by the developer and retained, or sold to a single investor. The hotel is then managed by the new owner, or an independent operator is appointed to manage or lease it (subject to an appropriate contract with the owner). The single investor/developer who retains ownership of the finished product, is usually more interested in a longer term investment that generally takes a number of years' operation before it generates a commercial return.

Banks would generally prefer to finance hotels developed under the first option, as in these circumstances they do not assume an ongoing operating risk.

Option 1 - Develop and sell strata units to investors

Under this option, developers build and strata title units, then sell the final product to investors (usually using a prospectus or a similar document such as an information memorandum). To entice the investor to invest, the developer has usually arranged a suitable resort/hotel operator to manage the completed development. Examples of this in WA are the Kareelya and Seashells groups, which each have associated hotel/serviced apartment management companies which manage the complexes they develop. The management company need not be associated with the developer, as in the case of the Radisson Dunsborough which was developed by Futuris and managed by Radisson (prior to its takeover by Kareelya Group).

When financing these sorts of developments, banks are particularly interested in how their facility will be repaid. This is generally by way of settlement of the sale of individual strata lots. Therefore before a bank will agree to advance any monies to a developer to build a development, it will require a certain level of presales. This level will vary depending on a range of issues, including the developer's track record and relationship with the lender, the location of the development, the level of borrowings etc.

Generally a developer can borrow a percentage (say up to 70 per cent) of the total cost of a development, with the balance to be contributed by way of equity. However, amongst other things, the preparedness of a bank to advance this percentage (and in some cases more), will depend on the level and quality of presales. The higher the value of presales, the more certain the bank is of being repaid, and therefore the more flexible and accommodating it will be. The lower the presales the less a developer can borrow and the more difficult it is for developers to secure finance.

Generally it is easier for developers to secure presales of residential apartments than tourist units, which means that if a development has a residential component, the developer may be able to secure some quick presales. This may in turn enable the project to commence quicker than would otherwise be the case, which could have a positive impact on the profitability of the project.

Depending on the level of presales required, there may be a residual debt owing by the developer to the bank. The bank will be reliant on the sale of further stratas to repay this residual debt and therefore assumes a sales risk during and post completion of construction, until its loan is repaid.

Banks generally regard residential stock as easier to sell and better security than tourist based assets, due to a number of reasons, including:

- the market for residential purchasers is deeper as it includes owner/occupiers and investors, whilst purchasers of strata titled tourist accommodation is limited to investors,
- the trading risks associated with short-stay accommodation, and
- the banks consider there is less downside risk in the value of housing product (i.e. if the market falls, housing will fluctuate considerably less than tourism assets), thereby providing them with more reliable security.

Therefore banks would prefer to see a mix of residential and tourism stock, which reduces their risk profile.



Option 2 - Develop and retain ownership of the development or sell to a single purchaser

In some cases, developers build hotels with a view to:

- selling the completed hotel to an investor who in turn manages it itself or appoints a professional operating group such as Hilton, Sheraton etc, or
- operating the completed hotel themselves or appointing a professional operating group to manage the hotel on their behalf.

Where the hotel is to be unsold to an investor, the bank would generally require that a sale agreement be in place prior to commencement of construction. Practically speaking, the investor would then have its own finance in place to assist with the purchase and ongoing operation of the completed hotel.

In the above two scenarios, any bank that finances the completed hotel, assumes an operating risk, because operating a hotel is a real trading business. Therefore the bank needs to be satisfied that a suitably qualified operator is in place to manage the completed hotel for an investor or that the developer has the necessary skills (if it is to become owner/operated) to manage the hotel itself.

As an indication, banks will lend a maximum of 60-65 per cent of the hotel's value, although this depends upon a range of issues, including the borrower's history, the hotel's location and trading history (or in the case of a new hotel, its projections). When dealing with new hotels the banks usually take a more conservative position because there is no trading history available to support profitability forecasts.

Under this scenario 2, the loan is generally repaid from trading profits and the hotel's eventual sale, as opposed to Scenario 1, when bank finance is repaid from settlement of the sale of individual strata units (residential and short-stay). Therefore if there is a residential component that can be developed and sold to reduce borrowings (and therefore the gearing of the project), the banks will look upon this more favourably than if they were solely reliant upon the trading performance and eventual sale of the hotel for their repayment.

Summary

Finance is an art not a science and therefore the comments contained herein are, by necessity, a generalisation. As an example Commonwealth Bank may lend money against a retail development that ANZ would not finance, whilst ANZ may fund a hotel that Commonwealth Bank would not. Banks generally work within a policy framework, but these are guides only and individuals have the ability to approve transactions that fall outside of these policy frameworks, if they are satisfied with the overall risk profile of the transaction.

There is little doubt that due to the restrictions placed on short-stay accommodation, permanent accommodation is easier to sell. Therefore, it could be argued that a project that has an increased percentage of permanent accommodation, would be more profitable than one with a lesser percentage and therefore easier to finance. Given these comments it is understandable that developers seek a component of permanent residential accommodation within their developments.

With the general reluctance of banks to finance hotel development on the basis of ongoing operations, the only way for many tourist developments to proceed is if they are strata titled and sold to investors. Therefore in many cases, strata titling is effectively used by developers as a financing tool.

With respect to the issue of the permanent versus short-stay accommodation requirements of the banks, most developers have already received development approval before they approach the bank for finance. Therefore, the ability of the banks to influence the mix of short-stay and permanent accommodation is limited. Furthermore, I would consider it most unusual for a bank to try to influence the mix, as it could be argued that this would place it and its employees, in the position of acting as quasi directors of the borrower. From my experience, a bank is most likely to question the number and value of presales and the impact this has on its risk profile, rather than try to influence the fabric of the development.

Jeff Cohenca

Appendix 2

List of submitters to the advertising of the report and recommendations of the taskforce, August 2003

Mr Alan Boys*	Director Hotel & Leisure Advisory P/L	NEDLANDS WA 6909
Mr Ted Gettingby	Karrinyup Waters Resort	GWELUP WA 6018
Mr Paul R King	Director Seashells Hospitality Group P/L	SCARBOROUGH WA 6019
Ms Susan Nulsen	A/Director Policy & Education Department of Consumer and Employment Protection	PERTH WA 6850
Mr Song Cheng Miang	Managing Director Western Australia Beach & Golf Resort P/L	C/- Mirvac Fini, Perth WA
Mr Colin R Heath	Managing Director Heath Development Co	COTTESLOE WA 6911
Director	Wavelength Nominees P/L	BROOME WA 6725
Community Services Manager	Shire of Exmouth	EXMOUTH WA 6707
Mr David McKenzie	Chairman, Canal Rocks Pty Ltd	CLAREMONT WA 6910
Ms Annettee Harbron	Koltasz Smith	BUSSELTON WA 6280
Tanya & John Karal	the_karals@bigpond.com	
Mr Barry Brown*	General Manager, Cape Naturaliste Tourism Association	BUSSELTON WA 6280
Russell Gibbs	Hawaiian Management Group	NEDLANDS WA 6909
Mr Joe Lenzo* (1)	Executive Director, Property Council of Australia (WA)	PERTH WA 6000
Ms Karen Fleay	esfm@bigpond.com	
Ms Jenny Judd		JURIEN BAY WA 6516
Mr Nobu Kawasaki	Managing Director Yanchep Sun City	PERTH WA 6850
Ms Natalie C Katona*(2)	Manager Planning Services, Shire of Broome	BROOME WA 6725
Greg & Phil Tickle	Siesta Park Holiday Resort	BUSSELTON WA 6280



Mr Tony Brun	Executive Manager City Development, City of Bunbury	BUNBURY WA 6231
Ms Pat Strahan* (3)	Executive Officer Caravan Industry Australia WA Inc	KARRINYUP WA 6921
Mr David Maiorana	Principal Planner Shire of Gingin	GINGIN WA 6503
Mr Angus Murray	P R D Nationwide	BROOME WA 6725
Mr Mark Newman	Chief Executive Officer, City of Mandurah	MANDURAH WA 6210
Mr Tom McGellin	tommcgellin@bigpond.com	
Mr Tim Shingles	Manager Strategic Planning, Shire of Busselton	BUSSELTON WA 6280
Clive & Margaret Johnson	Mandalay Holiday Resort	BUSSELTON WA 6280
Mr Rory O'Brien	Shire of Augusta-Margaret River	MARGARET RIVER WA 6285
Mr Nick Hanigan	Civic North	civcnorth@bigpond.com
Mr Terry Posma	Geographe Point Pty Ltd	CLAREMONT WA 6010
Mr Tony Clohessy		COTTESLOE WA 6011
Mr Peter McMillan	Director, Darwin Property Pty Ltd	DARWIN NT 0801
Mr David Kennedy	Director - Hotels & Leisure CB Richard Ellis Pty Ltd	PERTH WA 6000
Mr Glyn Crimp	Kintyre Holdings Pty Ltd	SCARBOROUGH WA 6019
Mr Richard Muirhead	Chief Executive Officer, Western Australian Tourism Commission	PERTH WA 6847
Alan & Janet Sammons	Port Mill Bed & Breakfast	FREMANTLE WA 6160
Mr Brett Flugge	Director Planning & Development Services, Shire of Murray	PINJARRA WA 6208
Mr Brian Wall	Executive Manager, Shire of Wyndham-East Kimberley	KUNUNURRA WA 6743
Mr Robert Wigley		MORLEY WA 6062
D A Ferguson	Menelle Holdings Pty Ltd	NTH BEACH WA 6920



Executive Officer*(4)	REIWA	SUBIACO EAST WA 6008
Water Corporation	Land Development Branch	LEEDERVILLE WA 6902
Chief Executive Officer	City of Kalgoorlie-Boulder	BOULDER WA 6432
Executive Officer* (5)	Tourism Council of WA	BURSWOOD WA 6100
Chairman	Western Australian Planning Commission	PERTH WA 6000
Harold Hughes	Abbey Beach Resort	BUSSELTON 6280
Bradley Woods* Executive Director	Australian Hotels Association (WA)	PERTH WA 6000
Ross Holt & Mike Garner* (Briefing Only)	Chief Executive and Project Manager, LandCorp	PERTH WA 6000

(*) These submitters also addressed the taskforce on their submissions during February 2004, see Appendix 4 for association representatives.



Appendix 3

Summary of primary submission issues and taskforce response on advertising of draft report: August - October 2003

Issue	Frequency	Summary of comment	Taskforce response	Outcome	Assessment criteria
1 Detail required in tourism strategy and local planning strategy.	5	Provide flexibility to allow tourism strategy to reflect importance of tourism in area, require only minimum necessary to deal with issue.	Comment is consistent with intent of recommendation, that strategy detail should reflect the nature and scale of tourism in area, and form part of local planning strategy. Identification of priority local governments for preparation of strategies.	Modification of Rec 1/2 and Rec 3/6 to emphasise flexibility and identify priority local governments for preparation of tourism planning strategies/ review local strategies.	1a)
	10	Preparation of land use strategies for tourism supported.			
2 Documentation required for rezoning of tourism site.	2	Where rezoning proposed prior to preparation of tourism strategy, amendment report in accord with guidelines considered adequate to allow rezoning to be considered.	The provision of a scheme amendment report that addresses the required issues acknowledged as providing an adequate process to achieve the taskforce objectives.	Modification of Rec 2/7 to confirm option of using scheme amendment report	1b)

3	Responsibility for preparation of tourism strategy and provision of resources.	4	Primary responsibility should rest with local government including determination of strategic sites to reflect local conditions.	While local government, in conjunction with the industry, has the detailed knowledge of local area tourism industry there is a role for the State in leading the identification of strategic sites, given these are 'sites of state importance'. Where strategies are most required is where tourism is an important component of the economy and the allocation of resources to plan appropriately for this use is a responsibility of local government. The resource requirement of this process on local government will be eased with the State leading the identification of strategic sites through a specific reference body. Strategy framework recognises need for flexibility in arrangements across the State.	1a)	Recommendation 3/3 modified to provide for establishment of committee at State level to identify strategic sites and confirm that strategies are to be prepared by local government in conjunction with DPI. Flexibility provided in arrangements to reflect significant prior work by some local governments in preparing tourism strategies.
3	local government has inadequate resources to undertake strategy preparation and requirement at local government level will impede development.	5	Local government and State should develop strategies in partnership with State having lead role in identification of strategic sites.		1d)	Report text amended to include data on analysis of land zoned for tourism purposes in selected coastal local governments.
4	Need to provide and retain high-value tourism sites.	2	Report lacks quantitative data and does not demonstrate need to protect high-value tourism sites, ample supply in SW for many years.		Quantitative data on availability of land zoned for tourism purposes in coastal local government shows that site availability is low, with lot sizes generally small and high-amenity sites limited in number. This information supports the outcomes of analysis of recent development trends, which indicated the need to establish a policy framework in respect to residential use of tourism sites.	
4		7	Need to provide high-value tourism development opportunities, need to limit residential use of such sites.			



5	Strategy guidelines require consideration of function of caravan parks.	2	Any proposal to limit long-stay use of caravan parks opposed. 12 Need to address use and retention of caravan parks supported	The guidelines require that a tourism strategy identify the various function of caravan parks from tourism to seasonal and permanent. It also proposes that on tourism parks the local government may impose through the planning scheme a maximum percentage limit on the use of sites for long-stay purposes consistent with the need to retain a range of accommodation options.	2b) No change proposed.
6	Requirement for consultation with servicing authority, specific industry groups	2	Specific requirement should be included in guidelines for consultation with servicing authorities and specified industry group.	Consultation with servicing authorities is not an issue specific to tourism planning and covered in guidelines for local planning strategy preparation. Industry groups are acknowledged as important in process and identified in guidelines as required to be consulted in strategy preparation	2b) No change proposed.
7	Resourcing of tourism strategy preparation	10	Support for allocation of necessary resources by WAPC and TWA to work with local government in preparation of strategies.	The importance of allocation of sufficient resources and a clear process for the strategic site selection process with a greater role for the State agreed. The role of the DPI and TWA in this process confirmed. Recommendation for preparation of an example strategy retained but it cannot be undertaken until funding is confirmed.	1a) Modification to Recommendation 3 to provide for establishment and resourcing of a specific-purpose committee to undertake this in conjunction with local government for priority areas across the State.
		6	Support for preparation of example tourism strategy.		
		1	Recommendation should confirm that example tourism strategy will be prepared.		

8	Proposed criteria for the identification of strategic sites.	1	Provision of examples of locations inappropriate in criteria.	The criteria are proposed as assisting the process of identification of strategic sites and it is a summary of the character of a site that will indicate its strategic nature. The process for selection of strategic sites will involve stakeholder consultation and the ability to have nominated sites evaluated. Identification of general locations exhibiting specific criteria is considered a valid tool in assisting interpretation of criteria along with access to services/ infrastructure which is included.	Modification of introductory text to criteria in Rec 5/4 to clarify application of criteria.	1d)
		2	Application of criteria will result in few sites being identified as strategic and exclude some sites considered strategic.			
		10	Proposed criteria and framework supported.			
		1	Criteria to consider infrastructure issues specifically.			
9	Identification of strategic tourism locations in local planning strategy.	1	Concept supported as appropriate planning step but opposes application to individual sites.	The proposal for the introduction of a planning process for strategic locations reflects the focus of the taskforce recommendations on future planning for tourism. It introduces a flexible mechanism for the identification of locations with future tourism potential to ensure that this is taken into account when planning for an area is undertaken.	Rec 6/8 modified to clarify intent of designation and that not applied appropriately to small individual sites where demand for development exists.	1b) 1d)
		11	Concept supported as appropriate for tourism land use planning.			
		2	Concern in respect to increased complexity of system.			



10	Preclusion of residential development on strategic sites.	11	Oppose recommendation on basis that residential required for long-term sustainability and market will determine appropriate balance.	The investigation of this issue by the taskforce identified some significant detrimental impacts from mixing of residential and tourism development on high-value tourism sites in terms of the tourism experience and the loss of potential to accommodate future tourism demand. While acknowledging the financial benefits of a residential component the taskforce considered that the sustainability of the States tourism industry required the retention of strategic sites for tourism purposes only, noting limited distribution and size of such sites in most areas. The potential for a residential component to be accommodated within strategic locations subject to structure planning of these areas and the opportunity for the development of integrated tourism resorts was recognised.	Rec 7/9 modified through the inclusion of "integrated tourist resort" as a use that can be considered on strategic sites. Rec 6/8 modified to clarify that residential use can be provided for through the structure planning process of strategic locations.	1a)
3			Oppose recommendation and seek that a revised maximum proportion of residential development on strategic sites be imposed with flexibility to local government to determine on a case-by-case basis. Residential component required for project financing and/or creating vitality - variety in an area.			
10		10	Support preclusion of residential development from strategic sites.			

11	Residential component on non-strategic sites	13	Oppose suggested limit on residential at 20 % as in some cases more is required for financial viability, should be flexible to reflect regional conditions, consider 40% to 50% maximum.	Through its investigations the taskforce identified a number of detrimental impacts from residential components in tourism developments and that these impacts can be reduced in part on specific and appropriately located sites through design and limitations to the extent and function of the component. In recognising the industry requirement for increased flexibility the taskforce considered an increase in the maximum residential component allowable in conjunction with refinement of the design guidelines. The taskforce investigations confirmed the need to require that the residential component essentially form part of the tourism development in providing capacity for this component to be used as part of the tourism facility as demand increases and to ensure that a residential element does not compromise the tourism operation.	1b)	Rec 7/9 modified to provide a maximum residential component on non-strategic sites up to 25% where sites located appropriately in planning context with regard for residential services and amenity, with local government able to develop performance criteria in respect to determination of the appropriate residential level between 0% and 25%.	
4	Limit of residential component in non-strategic sites supported but consider that may be basis to increase marginally without compromising tourism outcome.	7	Limit of residential component in non-strategic sites to 20% supported.				
1	Oppose requirement that residential component on non-strategic sites be designed to essentially form part of tourism complex.	5	Oppose current policy framework as does not provide flexibility to recognise variations across state, ie ability to have higher residential percentage in some regional areas.				
12	Recognition of variation across state in terms of construction cost, seasonality, isolation and tourism experience.						No change proposed.
							2b)



13	Flexibility required for market-based approach to mixed residential tourism development and use.	7	The mixing of residential and tourism uses has no detrimental impact, is current trend and flexibility required to facilitate this - allow market to determine mix on tourism sites - good examples of mixed development, creates vibrancy.	Investigations by the taskforce indicate that there are detrimental impacts from mixing tourism and residential uses on some sites depending on the tourism function. This is reflected in the policy framework. The need to limit the extent of residential use in mixed development clearly is supported by the current ability of residential uses to out-compete tourism uses and the need to facilitate tourism use on high-value tourism sites. Majority of tourist zoned sites in state are in an urban setting where mixed use is not required for vibrancy, ie residential/commercial development already exists adjoining or in proximity to sites.	Recommendations to limit residential component in tourism development retained, flexibility provided for up to 25%. Recommendations generally reviewed to reduce prescriptive nature without affecting established principles of policy framework.	1b)
14	Tourism use of government-managed/ owned land	11	The increased use of government-managed land to ensure the retention and provision of a range of tourist accommodation options supported.	The recommendation recognises the high value of some tourism sites within government-managed/owned land and that these need to be considered in the preparation of local planning strategies, and the management of this land to have regard for those strategies. The appropriate tenure for the land will depend on a range of factors and will not necessarily be freehold. Mechanism to control long term use of land also required and reflected in recommendations.	No change proposed.	3a) 2a)
		1	Support proposal subject to land being made available to private sector.			

15	Use of tiered system for zoning of tourism land.	4	Oppose introduction of specific zones as considered to reduce flexibility for development to change over time with demand and tourism trends, considered prescriptive.	The proposed framework is considered primary to the retention of a range of tourist accommodation across the State and access by the general population to areas of high tourism amenity. The structure also reflects the variable capability of tourist zoned land to accommodate specific development types. The full zoning structure will not be required to be applied in all areas with those zones suitable to the range of land capability and planning context in an area used.	2b) 3a)
16	Introduction of standard definitions for tourism uses	2	Introduction of standard definitions opposed as overly restrictive, prescriptive.	The introduction of standard definitions is seen as providing for improvement to the approvals process for tourism development, providing consistency and certainty in how proposals can be assessed and development types that will be considered in a specific zone. The definitions are not considered to act to restrict development options. Suggested proposals for additional definitions have been assessed and incorporated where considered necessary.	1d)
		3	Support subject to reduction to two primary zoning categories.		
		8	Support introduction of framework as proposed.		
		2	Proposed that local government policy framework be used instead of zoning to differentiate use categories.		
		9	Standard definitions supported		
		3	Suggest additional uses for which definitions required and minor changes to existing definitions		



17	Length of occupancy of tourism facilities	4 Oppose introduction of standard length of occupancy restriction at three months in 12 months as overly prescriptive, needs to provide flexibility for regional conditions, consider up to 6 months with local government to determine. Policing is an issue of concern.	6 Support introduction of standard length-of-occupancy restriction of three months in 12 months for tourism uses.	Schemes across the State currently contain a range of restrictions on occupancy of tourism development. These range from specific periods to a reliance on a definition of use as short-stay. Introduction of a clear definition of what constitutes tourism use was considered necessary by the taskforce to ensure availability of tourism developments for tourism use and in assisting compliance. In respect to comments seeking flexibility for specific extensions of use the taskforce considered that the benefit provided by the inclusion of up to a 25% component of development with no-occupancy restriction in non-strategic sites would largely meet this need. Standardised occupation limits will also assist management and policing, including strata restrictions.	2b) 3a) No change proposed - retention of a standard three month in 12-month occupancy limit for tourist accommodation uses.
18	Standard provisions and design guidelines for residential components in tourist development sites.	7 Proposed guidelines supported, retention of high value land for tourism purposes emphasised.	3 Use of gross floorspace in calculation of percentage residential component opposed as limits flexibility of design	2 Recommendation to be specific in respect to Residential Design Codes not being applicable to tourism development.	4 Introduction of guidelines considered prescriptive and will limit potential to achieve best outcomes for sites.
				The introduction of standard provisions and guidelines for this type of development are seen as essential by the taskforce if tourism function of such sites and developments is to be retained, refer 10 above. The taskforce has noted concerns in respect to the Gross Floor Area limit that was designed to ensure that the scale of the residential component did not dominate the tourism facility, and recognised the need for increased flexibility. Prescriptive components of the recommendations relate to the percentage of residential development. local governments have the ability to assess proposals on merit subject to compliance with principles.	1b) 1d) Rec 12/10 modified to delete requirement for maximum Gross Floor Area of residential units to meet percentage limit. Design principle for the scale of residential to be clearly subsidiary to tourism use included. Non-applicability of R codes to tourism development clarified.

19	Management arrangements for tourism developments under strata schemes.	5	Requirement for integrated management opposed as considered likely to restrict development as will reduce investment due to MIA implications.	Investigation of the use of strata schemes for tourism developments showed that it was the primary mechanism for generating funds for projects. It also showed that under some arrangements, these projects were being driven essentially by real estate demand as opposed to tourism demand, and there was a need to ensure such development operated as bona fide tourism facilities. It was determined that this could most effectively be achieved through a requirement for integrated management of such facilities. In noting the implications of integrated management for compliance with the MIA the taskforce investigated options available to achieve management objectives without limiting the options available for structuring of schemes. The primary focus of the taskforce was necessarily on achieving appropriate land use outcomes on tourism sites	1b)
	3	Integrated management, single manager of tourism facilities supported, but need to provide flexibility so as not to reduce investment.		Recommendation 14/12 modified to provide flexibility for owners of units to withdraw from common letting of units on non-strategic sites and where greater than 20 units. Further associated modifications to increase reporting requirements on use of units.	
	10	Integrated management requirement supported.			



20	Use of survey strata and vacant lot strata schemes for tourism development.	2	Restrictions on the use of strata schemes prior to development opposed.	1a)	Rec 14/12 modified to provide for the use of survey and vacant lot strata schemes subject to specific requirement for integrated management and the imposition of conditions to address issues of construction impacts and provision of common facilities.
3	Support position that requires that subdivision occurs concurrent with or after development not before.	3			In investigation of this issue, it was determined that the use of survey strata schemes and vacant lot strata schemes to provide for the sale of vacant strata lots that then were to be developed as part of an integrated tourism facility had a number of practical outcomes and management implications that were detrimental to development of a sustainable tourism facility. In review of this issue and subject to the requirement for integrated management of strata developments, it was determined that the management issues could be addressed adequately, and through the imposition of conditions, detrimental implications associated with staging and construction could be reduced.
2	The restriction on use of strata schemes on land designated within cabin - chalet and lower-density zones opposed.	2			
21	Establishment of interim policy position.	2	Introduction of interim policy position opposed until review complete, opposed due to recommendations on residential percentage.	2b)	No change proposed
6	Introduction of interim policy position supported.	6			Interim policy position is not designed to take effect prior to completion of review but to provide guidance to the WAPC following final adoption of recommendations, but prior to local governments modifying their planning schemes and local strategies. This reflects the strong reliance in the recommendations on the planning strategy process and recognition of the long time frame for review of these.

22	Land Tax.	7	Support for review of land tax system as it applies to tourism development to reduce impact on low-cost tourism facilities.	Taskforce identified that high land tax imposts on low-cost tourist accommodation on prime land was a contributing factor in redevelopment of these sites and that system requires review to reduce impact. Introduction of tiered zoning structure also will have beneficial effects in this area in reducing the increases in land tax likely to be experienced in low intensity zones.	Rec 17-18/ 19-20 updated otherwise, maintained without change.	2a)
		2	Support recommendations, consider general review of land tax warranted / tax concessions for tourism development warranted.			
23	Tourist use of residential dwellings	7	Need for review of this issue supported, affects tourism development.	The taskforce received a number of comments on the implications of tourism use of residential dwellings for tourism facilities and the quality of the tourism experience provided. While noting that dealt with by local government in a variety of ways acknowledged to be outside terms of reference but important to be reviewed in the short term.	No change proposed	2a)
		2	Tourist use of residential dwellings supported and does not require review.			



24	Corporations Act 2001.	3	<p>Support pursuit of changes to Corporations Act 2001, ASIC policies to reduce compliance requirements of managed investment schemes for strata titled tourism development</p> <p>1 Any requirement for integrated management should be subject to achieving changes to MIA requirements as recommended.</p> <p>1 Ability to influence legislation considered limited, use agreements with developers for management as an alternative.</p>	<p>The objective of the taskforce is to achieve integrated management of tourism facilities so a sustainable tourism product can be provided. Recommendations do not require that schemes are Managed Investment Schemes, but it is acknowledged as an implication under some structuring options. The Taskforce did not consider it appropriate that the required management framework be subject to achieving legislative changes. Agreements with developers that gave rise to management requirements were not seen as necessarily resolving legislative implications if providing for mandatory common management.</p>	No change proposed	3a) 3c)
25	Management rights legislation.	1	Introduction of management rights legislation not seen as necessary in WA.	<p>Management rights industry considered likely to grow in state and legislation which requires training for tourism management may be beneficial. Recommendation is for a more detailed review of the need for legislation and regulation of holiday accommodation managers.</p>	No change proposed	3a)
26	Development of State Planning Policy "Land Use Planning for Tourism Development". 7	5	<p>Management rights legislation supported/ will contribute to increased professionalism in industry.</p> <p>Development of an SPP for introduction of taskforce recommendations (subject to resolution of other submission issues) supported.</p>	<p>The development of an SPP for tourism land use planning will provide the most effective mechanism for the introduction of the taskforce recommendations and provide the profile to tourism in the planning framework relative to its current and future economic importance to the State.</p>	No change proposed.	3a)

27	Review period for taskforce recommendations.	6	Requirement for review at five years, or earlier if required in response to implementation supported.	The suggested review period of five years considered appropriate given that implementation of significant components of the taskforce recommendations will occur through the local planning scheme and planning strategy process which will take considerable time.	No change proposed.	3a)
28	Issues of a minor nature.		Generally suggested additions and minor clarifications of recommendations and report text.	These suggested changes and modifications have been assessed in accord with the criteria attached and amendments to report and recommendations made consistent with this where required.	Minor modifications to text and recommendations.	



Appendix 4

List of briefings received by the taskforce

Date	Presenter	Representing	Topic
Meeting 2 11 October 2002	Cr Jamie McCall	Shire of Augusta-Margaret River	Augusta Margaret River Tourism Policy
Meeting 3 25 October 2002	Jeff Cohenca	Director Commercial Finance. Ashe Morgan Winthrop	Financial Conditions for funding tourism developments
	Graham O'Neil	Manager Property Finance BankWest	BankWest funding conditions for tourism developments
	Paul King	Seashells Hospitality Group	A developer / operator perspective on tourism development
Meeting 4 1 November 2002	Duncan Rutherford	Valuer General's Office	Implications of strata schemes and residential components on valuation of tourist zoned land
	Bob Johnston & Mark Exeter	Western Australian Tourism Commission	An overview of tourism in Western Australia and development requirements
	Ben Chamaud	Property Council WA	Financial feasibility analysis for tourism developments
Meeting 11 10 March 2003	Charles Noble	Department of Land Administration	Application of strata schemes to tourism development
Briefings on Submissions. 9 & 10 February 2004	Sally Hollis Ian Simmons	Tourism Council Western Australia	Overview of submission, greater role for industry in policy framework
	Ross Holt Mike Garner	LandCorp	LandCorp project experience, importance of finance in regional projects
	Barry Brown	Cape Naturaliste Tourism Association	Overview of submission, importance of variety in tourist accommodation
	Pauline Tew, Brett Draffen, Geoff Cooper, Joe Lenzo, Nick Allingham.	Property Council of Australia (WA)	Overview of submission, project experience and potential impact of MIA requirements



	Bradley Woods, Karen Connell, David Bornmann	Australian Hotels Association	Overview of submission, importance of short-stay vs permanent residential distinction in planning system
	Alan Boys	Hotel and Leisure Advisory Pty Ltd	Overview of submission
	Don Ferguson, David Holland	Caravan Industry Association	Overview of submission, recommend policy based approach to various tourism uses
	Joe White, Lino Iacomella	Real Estate Institute of Western Australia	Overview of submission, need for increased flexibility in system
	Natalie Katonna, Councillors	Shire of Broome	Importance of residential components in regional situations

List of consultation meetings with taskforce or Taskforce Chair and individual members following release of draft report.

Pauline Tew	Jewell Hospitality
Neil Stevens	Neil Stevens Consulting
Ian Murchinson, Barbara Weiss	Tourism Investment
Adrian Fini, Darren Cooper	Mirvac Fini
Terry Posma	Geographe Point
Terry Martin	As Chair WAPC
Jeremy Dawkins	Chair WAPC
Board Members	Western Australian Tourism Commission
Richard Muirhead, Paolo Amaranti, David Etherton	Western Australian Tourism Commission
Steve Palmer	Project Proponent
Cr Nick Dorman	Shire of Augusta- Margaret River
Brett Jackson	Kareelya Property Group
Bill Mitchell	Project Proponent
Mark Hohnen	Project Proponent
Chris Pye	Quest Properties
Kelly Cassidy	Griffith University
Prof. Dominique Fischer	Curtin University
Dr Jan Warnken	Gold Coast University
Peter Gleed	Koltasz Smith
Greg Holme	Prevelly Caravan Park
Mike Bignell	Bignell Developments
Larry Helber	Helber, Hastert and Fee
Ian Huxley	Westshore Property Group
Frank Poeta	Freehills



Appendix 5



STRATA TITLE TOURIST ACCOMMODATION DEVELOPMENTS

ATTRIBUTES OF SUCCESS

Tourism Western Australia has been examining the effect of strata titles on tourism developments for some time. While being supportive in principle of strata titles as a means of financing tourist accommodation developments, Tourism WA shares the concerns of many local governments and the Foreign Investment Review Board of the Federal Treasury that most strata title tourism developments can easily be converted to residential use after the expiration of the term of the leaseback or other arrangement, or the failure of the complex manager. Local governments are particularly conscious that local government by-laws requiring a maximum stay of three months (short-stay occupation only), are time consuming and expensive to enforce if unit owners and complex managers choose to ignore them.

The following table shows the attributes that a successful strata title tourist accommodation establishment needs to have. The consequences of the establishment not having the attributes are also identified.

Tourism success	Tourism failure
<p>(A) Building design and construction</p> <p>Consistent architectural and building standards are established by the developer. In resorts where there are different classes of accommodation, rooms and facilities in each particular class are of the same standard.</p> <p>Survey strata and vacant lot strata developments should be structured to avoid each unit being designed and/or constructed by different architects or builders, with construction comprehensively programmed over a short time period.</p> <p>The design of any new or redeveloped units of accommodation should facilitate tourism use by ensuring that it meets the needs of visitors to the area rather than have the look and feel of residential accommodation. Designs that include dedicated car spaces, games rooms, laundries, or the like, and/or excessive floor area that more resembles residential premises should be avoided.</p>	<p>Inconsistent standards result in tourists comparing each other's facilities, either favourably or unfavourably. If tariffs do not exactly reflect differences, complaints arise from irate guests who believe that they have not received the same value for money as their neighbours.</p> <p>Inconsistent design of units creates management and fitout problems and encourages owner participation in unit management and maintenance, with consequences as outlined above. Managed construction is required to ensure that a viable number of units are available when the resort commences trading, and building activity does not continue over an extended period with detrimental impacts on guests and the ability of the resort to trade.</p> <p>Units that are residential in nature may not provide the holiday atmosphere provided by units designed for short-stay and promote an owners perception of the unit as a holiday home. The financial return (per m²) on "residential style" units may not be as high as "tourist style" units due to higher construction costs, which may result in owner dissatisfaction.</p>



<p>Unit owners are not able to fit out units to higher standards or with additional facilities.</p>	<p>If unit owners fit out their units individually, complaints arise from guests who believe the units they are staying in are fitted out with inferior fixtures, fittings and equipment compared to their neighbours' units. Complaints commonly arise from the size and quality of televisions and sound systems, air-conditioning versus no air-conditioning, dishwashers versus no dishwashers, double beds versus king size beds, etc.</p>
<p>For staged developments, ample public facilities are constructed in the first stage such as restaurants, bars, swimming pools, golf courses, etc.</p>	<p>Guests will be reluctant to book into establishments that do not have public recreational and other facilities expected of establishments that describe themselves as "resorts". Those who do book will be disappointed and will pass the information on to friends and relatives.</p>
<p>(B) Separation of ownership and resort management</p> <p>There is a management agreement between all unit owners and the complex manager to provide viability for adequate management/service provision. For large developments, observance of ASIC legislation covering prescribed interests is highly desirable.</p>	<p>A lack of management separation between unit owners and guests results in unit owners being involved in day-to-day decisions on matters such as replacement of cutlery, crockery, beds, mattresses, furniture and the upgrade of public areas. This means that different units will have different standards of fit out. Complaints arise from guests who are in a unit with aged, worn-out furniture and equipment that visit friends in a unit that has new furniture and equipment.</p> <p>Without all unit owners using the management service the per unit cost is high and if numbers decline over time the cost for those remaining increases, or the level of management/service declines. This will affect returns and can precipitate ongoing withdrawal of owners and collapse of the management service.</p>
<p>The management agreement between owners and the complex manager must bind successive unit owners.</p>	<p>If the management agreement does not bind successive unit owners, the problems with different standards of furniture and equipment arise as outlined in the preceding paragraph.</p>
<p>The management agreement between owners and the complex manager must be for a substantial period.</p>	<p>Short term agreements between unit owners and complex managers will result in the early possibility of unit owners having day-to-day involvement in the letting of their units, or not letting them at all. The complex can quickly lose the appearance and level of service associated with being a tourist accommodation establishment.</p>
<p>Termination of one tourism manager/operator must be followed by the immediate appointment of a replacement operator.</p>	<p>The consequences of this not happening have been identified above.</p>



<p>Units are either leased back to a tourism manager for an agreed return to unit owners, or form part of a collective investment scheme that falls under Australian Securities and Investment Commission regulation in which revenues are pooled, expenses (including the tourism manager/operator's remuneration) are shared and the resulting profit is distributed to unit owners.</p>	<p>When units are not under the exclusive control of the complex manager under a pooling arrangement, the manager is obliged to let units on a basis that has each physical unit occupied for an equal period so that there is equal revenue distributed to each unit owner. This can result in the more appealing units being left empty while visitors wanting these units are informed that only the less appealing units are available. Visitors either book into alternative accommodation, or arrive and become disappointed with the operation of the resort.</p>
<p>Refurbishment is managed by the complex manager resort-wide. An annual mandatory levy and the establishment of a replacement reserve controlled by the complex manager, or similar mechanism, is essential.</p>	<p>The consequences of this not occurring are complaints from guests regarding differing standards of furniture and equipment. There is also the difficulty of negotiating with unit owners. One resort manager identified the difficulty of obtaining agreement for replacing all ironing boards in a 112-unit complex.</p>
<p>Occupation of units is controlled by the resort operator. Unit owners have limited rights of occupation consistent with local government by-laws, and have no control over guest use of their units. All units within a development are required to be available for tourist letting when not occupied by owner.</p>	<p>Occupation controlled by unit owners results in a substandard operation that does not have the appearance or behaviour of a tourist accommodation establishment. Some units may be left empty when not occupied by the owner or his family and friends, while potential guests are turned away as units in the letting pool are full.</p>
<p>(C) Resort manager The complex manager has experience and a good reputation in the tourism industry.</p>	<p>Some smaller complexes do not have an experienced manager onsite and complaints arise when basic facilities are not available or are not in working order, such as missing light globes, refrigerators malfunctioning, pilot lights not working in gas cylinders, insufficient number of glasses and plates, etc. If a visitor locks himself out of his room, there is no one available to let him back in.</p>
<p>The complex is operated as a single resort.</p>	<p>Identified above</p>
<p>Users of the resort have no visible evidence that the resort is owned by separate unit owners.</p>	<p>Identified above</p>

Several examples of poorly developed strata titled tourist facilities exist in Western Australia. Some have been blatantly developer-profit motivated, and "tourism" has been used as the vehicle to gain the required planning and development approvals. This has left a negative feeling and resentment in some local governments, and Tourism WA has become concerned that an acceptable method of financing tourism developments is threatened with not being supported by some local governments because the method has been exploited by those wanting a quick return and no long-term responsibility. Compliance with the attributes of tourism success as outlined above will assist strata titled tourism developments to operate as resorts and provide the level of experience that guests are seeking.

