

SOUTH AUSTRALIAN TOURISM COMMISSION

# REGIONAL TOURISM REVIEW

SUMMARY REPORT

JUNE 2024



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# 1. EXECUTIVE SUMMARY

This Summary Report provides an overview of the findings in the South Australian Regional Tourism Review (the Review), commissioned in January 2023. It involved up front consultation with key regional tourism stakeholders and ongoing consultation with the Regional Tourism Organisation (RTO) Chairs and Managers including workshops and one-on-one sessions. For completeness, it includes the 11 regions and Adelaide (12 tourism regions).

The Review, which was requested by a number of RTOs, set out to identify opportunities for increased strategic and operational alignment across RTOs and state and local government, as well as opportunities for sustainable resourcing, management, marketing, product development and industry capability building. It also sought to establish how greater alignment can be achieved between RTOs and Visitor Information Centres.

The Review provides supporting evidence for reevaluating the existing RTO model and funding arrangements to ensure coordinated, efficient, and effective destination and visitor delivery across the state to grow tourism into the future.

The key challenges identified in the Review of the South Australian regional tourism sector are consistent with the previous reviews that occurred in 2011 and 2015.

## **THE CHALLENGES INCLUDE:**

- Lack of clarity on roles and responsibilities
- Inconsistent funding models
- Financial sustainability
- Governance arrangements
- Limited strategic alignment

These challenges pose barriers for the state, and at a regional level, to effectively collaborate on delivering a unified and coherent strategy to drive visitation.

The Review recommended four models for consideration which have been comparatively analysed through a cost-benefit analysis of their ability to meet objectives, deliver best outcomes for the state, and respond to the challenges highlighted.

The four models, as well as the base case (status quo) model, are listed below with further detail of each outlined in the body of this report:

- Status Quo
- RDA-Led
- Multi-Partner
- SATC Funded
- SATC Funded and Delivered

The comparative analysis of the four models, combined with the Review recommendation and consultation, found that the SATC Funded model is the preferred option.

Part of the recommendation is the consolidation of the existing 11 tourism regions to establish a minimum of five 'Destination Management Zones' with a phased approach to implementation.

The SATC will commit to leading actions that will result in better outcomes for the regions, as well as work with any RTO which initiates interest in being part of a Destination Management Zone (DMZ).

The review has also made clear the valuable contribution made by current RTOs and their hardworking staff and boards. The SATC is able to confirm a 50% increase in current funding arrangements as part of the existing local contact person agreements to support the development of Destination Management Plans (DMPs) and new tourism products and experiences.

Further, the SATC can confirm it will provide dedicated marketing support to each of the 12 regions in the 2024/2025 financial year. The total estimated value of the regional marketing support package exceeds \$100,000 per region.

In summary, executing the recommendations would assist in achieving the objectives to grow regional tourism expenditure, grow the number of tourism businesses and products, and foster collaboration and coordination in the visitor economy.

## **2. JOURNEY TO DATE**

In response to feedback from the RTOs, the State Government through the South Australian Tourism Commission (SATC) commissioned a comprehensive independent review of South Australia's regional tourism structures and working relationships in January 2023. The scope was to outline recommendations for the future sustainability of South Australia's regional tourism structure.

In the prior 12 years, there had been two significant reviews of regional tourism in South Australia which commenced in 2011 and 2015. Both reviews highlighted the need for cost efficiencies and addressing the sustainability of RTOs. These reviews led to the formation of 11 independent RTOs with varying governance and funding structures, but also highlighted the challenges of financial sustainability and limited strategic alignment with state priorities.

Those state priorities are outlined in South Australian Visitor Economy Sector Plan 2030 (Sector Plan); a comprehensive plan developed by the State Government to drive growth in the tourism industry. The plan aims to grow South Australia's visitor economy to \$12.8 billion by 2030, creating 16,000 new jobs. It outlines strategic priorities such as effective marketing strategies, development of tourism experiences, stakeholder collaboration and leveraging events to promote visitation. Enabling areas such as public infrastructure and labour and skills are also emphasised.

The 2025 Regional Visitor Strategy (RVS) is a companion document to the Sector Plan, focusing on the needs and aspirations of South Australia's regions. The 2025 RVS details key principles including health and wellbeing, sustainable visitation, business continuity, and appropriate investment for future regional communities. It provides a strategic direction for developing and implementing Destination Management Plans (DMPs) while addressing individual regional response priorities.

### 3. KEY FOCUS AREAS OF THE REVIEW

The Review looked at four key focus areas that would need to be considered when determining the most suitable model, as detailed below.

- Regional Management Structures
- Promotion of Regions
- Product Development
- Industry Capability Building.

#### **REGIONAL MANAGEMENT STRUCTURES**

The organisational structures of RTOs in South Australia vary, as does where they receive funding. Some regions are incorporated associations, others fall under Regional Development Australia (RDA) or local government structures. Funding for RTOs comes from a variety of sources including SATC, local governments and their subsidiaries (such as Adelaide which is funded by the Adelaide Economic Development Agency-AEDA), tourism businesses through a membership arrangement, and grants.

Each RTO is responsible for destination management activities such as administration, product development, marketing, industry capability building, and stakeholder engagement.

#### **PROMOTION OF REGIONS**

The South Australian tourism industry targets four key visitor markets, including international visitors, interstate overnight visitors, intrastate overnight visitors, and domestic day trip visitors.

The SATC focuses on generating demand and visitation to the state through experience-led campaigns and activities. It works with key international markets and engages in targeted domestic campaigns. RTOs play a role in delivering complementary regional marketing programs that showcase destination experiences and specific products. The Review found that this duplication of efforts can create mixed messaging and competing brand messages.

Further, while visitor perception of South Australia has changed positively, a clear long-term destination brand will help to build appeal and increase demand.

#### **PRODUCT DEVELOPMENT**

The SATC's Destination Development arm supports the development of tourism infrastructure and experiences in South Australia. It provides support to current operators and new entrants in developing new products and enhancing existing offerings. Funding programs and resources are available to assist regional tourism product development.

The Review found that RTOs and local governments play an important role in product development, but that improved collaboration, role clarity and communication are needed to more effectively develop products that align with visitor needs and support destination marketing efforts.

## **INDUSTRY CAPABILITY BUILDING**

The current state of industry capability building activities in South Australia requires greater coordination of efforts to support tourism businesses in the journey of growth.

Improvement pathways include establishing role clarity and a collaborative approach to capability building, prioritising accurate data analysis for identifying development opportunities, and tracking and monitoring programs to ensure they effectively respond to the needs of tourism businesses.

The Review identified the opportunity to partner with key stakeholders to deliver industry capability support, such as working with the Tourism Industry Council South Australia (TICSA).

## **NATIONAL COMPARATIVE ANALYSIS**

The Review included a comparative analysis against South Australia's largest state competitors including New South Wales, Queensland, Victoria, and Western Australia. It found that regional tourism structures and roles vary within Australia and overseas, with no one-size-fits-all model.

To achieve the greatest results, each region's structure should reflect the needs of the industry and support the overarching visitor economy goals for the state. Role clarity between state and regional tourism organisations, funding stability and clear metrics are essential for the success of any model.

States like New South Wales and Western Australia have implemented 'top down' structures defined and funded by the State Tourism Organisation (STO) with separate entities for RTOs to maintain autonomy and efficiency while acting as a conduit between industry and the STO.

## **4. REGIONAL TOURISM MODELS**

The Review presented four Program Delivery Models to the SATC for consideration in addition to the Status Quo (or base case). It considered the trade-offs between fully decentralised and fully centralised models, highlighting the need for a balance between control over funding allocation and the ability to respond to regional needs.

The Program Delivery Models which were presented are detailed below.

- Status Quo
- RDA-Led
- Multi-Partner
- SATC Funded
- SATC Funded and Delivered.

### **OPTION ONE – STATUS QUO MODEL**

This relates to the current model and has been included to articulate the base case or status quo. It involves 11 (plus Adelaide) regions, each with its own governance and systems. The advantage is that each region maintains representation and can raise funding for co-operative campaigns, however, there lacks consistency in roles, responsibilities and governance structures and a coordinated strategic direction.

### **OPTION TWO – RDA LED MODEL**

In this model, regional tourism development is delegated to the eight RDA bodies in South Australia. The Review found that RDAs already have experience in regional and industry development, and their expertise in infrastructure can align with tourism funding. It proposed that an industry committee would need to be established to advise RDAs on strategy and investments. It noted that RDAs have existing funding sources from different levels of government, allowing tourism funding from SATC to directly contribute to outcomes.

### **OPTION THREE – MULTI-PARTNER MODEL**

In the multi-partner model, each RTO operates as a separate entity with a standardised governance structure. The RTOs adopt a not-for-profit, Incorporated Industry Association, or Company Limited by Guarantee structure. They develop DMPs with measurable Key Performance Indicators (KPIs) to drive outcomes and facilitate product development, regional promotion, and industry capability building. A network of RTOs is formed to enable cross-regional collaboration and advocacy. A challenge of this approach is multiple stakeholders and no base funding to ensure financial stability.

### **OPTION FOUR – SATC FUNDED MODEL**

In this model, SATC would be the primary funder, and the RTO would focus on product development and industry capability building. Broader marketing activities would be managed by SATC with support of localised marketing initiatives led by local government or tourism organisations.

The Review proposed that its ideal governance structure is a not-for-profit, Company Limited by Guarantee, and that a shared services model for administration would be implemented to ensure efficiency. Operational funding primarily comes from direct allocations from SATC. RTOs are considered not-for-profit entities which can raise revenue and reinvest it for the benefit of stakeholders. DMPs are funded through a separate process by SATC and key industry and government partners.

This model allows SATC to target funding and achieve priority outcomes, particularly with primary marketing responsibilities delegated back to SATC. This option provides a clear focus on industry capability building and product development, while ensuring oversight and coordination through consistent SATC funding and governance. The model does not preclude local government investment above and beyond the base funding provided by SATC to deliver specific services and initiatives for council regions.

### **OPTION FIVE – SATC FUNDED AND MANAGED MODEL**

Under this model, the functions of the RTOs are brought back under SATC through its Destination Development arm. Regional Tourism Managers (RTMs) are employed by SATC and focus solely on industry capability building and product development. They collaborate with the SATC marketing function and are supported by an industry steering group in each region, consisting of local government representatives, relevant RDAs, and industry representatives. All funding for regional tourism development activities is provided by SATC. While administration costs are centralised, it would require both financial and human resources to be allocated. This model would limit the independence of the RTOs.

## 5. SATC FUNDED MODEL

The Review found that the status quo regional tourism model is limiting South Australia in reaching its full tourism potential. In order to respond to these challenges and seize opportunities, any decision considered should be one that is developed to achieve the following objectives:

1. Grow regional tourism expenditure through destination marketing and promotion and other supporting initiatives.
2. Grow the number of tourism businesses and products through proactive product and industry development initiatives leveraging regional strategic strengths and supporting visitor economy businesses at each stage of the business lifecycle.
3. Foster collaboration and coordination in the visitor economy through ongoing stakeholder engagement, strategy development and consistent RTO governance structures.

The Review found that these objectives will be achieved through a fit-for-purpose and consistent regional tourism model with clear roles and responsibilities across stakeholders working collaboratively and strategically to drive focused tactical marketing, synergistic product development, productivity growth and increased collaboration.

The Review found that the SATC Funded Model was the most viable option for delivering these objectives.

### UNDER THE SATC FUNDED MODEL:

- SATC will be the primary funder of each entity with a focus on product development and industry capability building.
- The role of marketing will be managed by SATC and as such, localised marketing will be managed and funded through co-funding arrangements by the RTO in collaboration with SATC and local tourism organisations where they exist.
- SATC will work with local government to complement activity by its economic development teams and at large is a coordination and collaboration role.
- The ideal governance structure for this is not-for-profit, Company Limited by Guarantee. This governance model will offer greater credibility and independence.
- Each entity will develop a Destination Management Plan (DMP) under a formalised process with measurable KPIs that are outcomes focused.
- The entity would report to a Board which would consist of a mix of skills base (i.e. tourism, governance, strategy, financial) with geographic representation.

### CONSOLIDATION OF TOURISM REGIONS

A key part of the Review considered the number of RTOs and the most efficient structure from a funding and return-on-investment perspective.

While Option Two (RDA Led Model) would utilise the eight established RDA regions, a revised regional division of the state was developed for Options Three, Four and Five.

For those options, the Review proposed a consolidation of South Australian tourism regions which considered visitor demand, areas that drive visitation, maturity and growth opportunities, development needs, collaboration potential, geography, and visitor flow throughout the state.



## **DESTINATION MANAGEMENT ZONES**

The aspirational goal is to establish 'Destination Management Zones' that prioritise visitor centric perspectives rather than marketing or branding boundaries, allowing for flexibility in retaining existing regional branding and options for participation in marketing activities. The Review found that it would be most effective if regions were consolidated to five Destination Management Zones from the existing 11 tourism regions.

This would mean each Destination Management Zone would incorporate two to three tourism regions based on the considerations listed above. This would enable each zone to achieve a critical mass of resources and skills to support the effective delivery of tourism initiatives.

It is proposed that the establishment of Destination Management Zones would be an 'aspirational' goal for the next three plus years, with some key next steps in the interim period, along with further consultation.

Based on the feedback gathered through the Review and subsequent consultation sessions, it is recognised that there is complexity to this change and RTOs are at different stages in their readiness and willingness to consolidate.

In the first instance any consolidation to establish a Destination Management Zone would need to be initiated by the existing RTOs.

While it is the preference for consolidation to remain regionally-led throughout implementation, this will be reviewed through the pilot phase and would include consultation with RTOs.

Importantly as highlighted above, this process would be initiated by the region/s; with RTOs invited to come forward should they wish to consolidate - together with which region/s they would consolidate with. The SATC would manage the process in establishing the legal entity for the Destination Management Zones and provide the base funding.

This is discussed further in the following section of this report.

## 6. REVIEW OUTCOMES

The proposed outcomes address the four key focus areas that collectively will support a sustainable approach to regional tourism going forward.

### REGIONAL MANAGEMENT STRUCTURES

In order to capitalise on the opportunities presented in the Review, the SATC proposes a regionally-initiated phased approach to be implemented over the next three years.

The proposed phased approach includes:

- **Stage 1 – by July 2025:**
  - o Role clarity – led by the SATC in consultation with RTOs
  - o Governance best practice – the SATC will establish guidelines for RTOs
  - o Development of Destination Management Plans.
- **Stage 2 – by December 2026\*:**
  - o Potential pilot Destination Management Zone – if any RTOs self-nominate for consolidation, the SATC would lead the establishment of a pilot zone which would provide a blueprint for any subsequent roll out of Zones should other RTOs be willing and ready.
- **Stage 3 – aspirational target of 2027\*:**
  - o All regions to be part of a Destination Management Zone.

\*Timing will be dependent on the willingness and readiness of RTOs and other key partners who need to initiate the process of consolidation; this is a proposed guide only.

The SATC will continue to work collaboratively with the RTOs and in line with their readiness and willingness to adopt changes, while ensuring ongoing engagement and consultation with the Regional Chairs and Managers.

For any change to be implemented successfully, it is imperative that the regions support the recommendations presented and that we work together to embrace a new opportunity to improve regional tourism structures across South Australia.

The success of the pilot phase will help to inform the implementation of Stage 3. While it remains SATC's preference to ensure region consolidation is regionally-initiated, this will be reviewed as implementation progresses. The SATC would consult with relevant councils and stakeholders before any changes were made to this regionally-initiated process.

The SATC remains committed to delivering the best outcome for South Australia to reach its full potential as a tourism destination. We also acknowledge and would like to highlight the significant work that is delivered by the RTOs through the Chairs and Managers, and their role as key stakeholders working closely with local council, RDA and industry to deliver outcomes for South Australia's regions.

The SATC will extend the current funding arrangements for the local contact person role for 2024/2025 and 2025/2026.

In line with the recommendations made through the Review as summarised in this report, RTOs are invited to consider working in collaboration with another region or other regions to consolidate and form a Destination Management Zone.

For the RTOs that see the net benefit of change and working in partnership to form a new entity (Zone) that will be primarily funded by the SATC for stage 3. Funding for any zone will be based on the needs on the consolidated regions as an entity. Existing funding arrangements to the RTO from SATC will also be reallocated to the zone.

The SATC will work with RTOs that self-nominate for consolidation into a zone. This will require two or three regions with similar needs, maturity and geography.

### **PROMOTION OF REGIONS**

The SATC will be providing dedicated marketing support to each of the 12 regions in the 2024/2025 financial year. The total estimated value of the regional marketing support package exceeds \$100,000 per region, and includes direct digital marketing and public relations support, cooperative marketing and television partnership opportunities.

### **PRODUCT DEVELOPMENT & INDUSTRY CAPABILITY BUILDING**

To support RTOs to deliver a more coordinated approach in the immediate term, the SATC will increase current funding arrangements by an additional 50% (local contact person agreement) to support the development of DMPs and new tourism products and experiences. Noting, this funding arrangement to the RTO from SATC will be reallocated to the relevant Destination Management Zone upon any consolidation.

In addition, the SATC will work with RTOs to identify product gaps and deliver development programs to support industry capability and growth.

## **7. CONCLUSION**

In closing, the SATC supports and endorses the recommendations from the Review which are based on direct feedback provided during the consultation phase and analysis of existing RTO structures across the nation and internationally. The proposed model and outcomes will help create a more unified and coherent strategy to grow products and experiences and drive visitation.

It will provide a platform for increased strategic and operational alignment across RTOs and state and local government, as well as opportunities in resourcing, management, marketing, product development and industry capability building.

Moving forward, transparency and decisive leadership on the outcomes of this Review and the process through to change management, establishment and implementation phases are imperative. This can only be achieved through a mutual cooperative and understanding partnership between all stakeholders. Further coordination of the change management process is vital in how the entity will collaborate with the broader tourism ecosystem to achieve defined outcomes and to ultimately, drive regional tourism expenditure in South Australia.

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