

CORRECTED VERSION

RURAL AND REGIONAL COMMITTEE

Inquiry into rural and regional tourism

Bendigo — 27 June 2007

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Mr R. Thomson, Goldfields Tourism Campaign Committee.

The CHAIR — We welcome Rod Thomson, managing director of Bendigo Pottery, board member of Bendigo Trust and also member of the Goldfields Tourism Campaign Committee.

This is an all-party parliamentary committee inquiry into rural and regional tourism. All evidence taken at this hearing is protected by parliamentary privilege provided by the Constitution Act, the Parliamentary Committees Act and the Defamation Act of 2005. I also wish to advise that whilst you are covered by parliamentary privilege inside this hearing, if you repeat your comments outside the venue, that parliamentary privilege no longer exists.

Before you start, Rod, if you could state your name and address and also the organisation which you are primarily here to represent, and then leave as much time as you can for questions from the committee at the end of your presentation; that would be great.

Mr THOMSON — Rod Thomson. I am here as the chair of the Goldfields Tourism Campaign Committee, basically representing its views. We have submitted a written report, which addresses most of the key issues. I thought I would just use this session to raise some issues around funding and structure of the regional marketing program that is currently in place.

Basically there is not enough money allocated to regional tourism marketing to run effectively the current branding and tactical marketing campaigns for each of the 10 regions that regional Victoria is broken into. The current regional marketing program provides \$3.25 million per annum — which, thankfully, is an increase of 100 per cent over previous years — for the implementation of 10 distinct regional brands. Notwithstanding the cooperative funding sought from industry and local government to match this funding, achieving an adequate and sustained level of brand recognition for 10 brands is an ambitious target for an investment of \$3.25 million per annum, which really, once you break it up into 10, is only \$325 000 per brand per year.

The only successful campaign that could be measured as having an impact is the Yarra Valley Run Rabbit Run campaign, which was executed at a cost of \$6 million. They are the sorts of dollars that need to be spent to have a campaign that can be run and then actually measured as an effective success.

Ms LOVELL — Sorry, what did you say the cost of Run Rabbit Run was?

Mr THOMSON — About \$6 million, is my understanding.

It is a requirement of the current regional marketing plan that at least 25 per cent of funds be spent on brand marketing, and there are incentives to increase that percentage. This means that regional campaign committees each have approximately \$200 000 to \$250 000 to be spent on running brand ads for the region. As marketing dollars are low, all that can be afforded is an intrastate campaign, possibly extending to interstate regional campaigns, so the major interstate markets that should be focused on cannot be. If you look at buying a page for an ad in major metropolitan areas, you are looking at about \$50 000, and four ads is not really going to do a huge amount to promote your brand.

The current regional marketing structure encourages regional silos. In effect it has established a competitive framework between regions for state government funding and has created a range of separate regional brands, which then compete with each other in the marketplace. As I said, we all have to go through a funding application procedure, and we are really vying to see who is going to get the most money to spend on their region. This serves to dilute the marketing funding and potentially undersells the depth and diversity of Victoria as a destination.

The original Jigsaw concept linked the pieces of Victoria together as a statewide offering of attractive touring experiences, whereas the current marketing funding model does not focus on the creation of statewide tourism experiences to meet consumer needs; it fosters brand development of each of the individual regions. This marketing structure may work if each region had \$5 million

per annum to run an effective branding campaign and the key interstate and possibly international markets could be coordinated at a state level. But without this level of funding other marketing structures really need to be implemented.

In summary, the program we have got at the moment is not matched to the dollars that are being received. A different program really needs to be looked at to match the current funding, or we need more funding to properly utilise the current program. Possibly a holistic approach to marketing in Victoria as a state, with key, themed experiences would be appropriate as an alternative.

The level of regional marketing program funding granted to the regions is reliant on matching funding put forward by local government and industry, yet the program maintains rigid top-down regulations regarding the eligibility of matching funding and how such funding is to be applied. There is little recognition that in the goldfields region local government invests almost twice as much on an annual basis in tourism — which was approximately 6.1 million in the 2006-07 financial year — as the state government allocates to the regional marketing program for the entire state, which was \$6.5 million over two years. Currently the focus of marketing programs often becomes how to attract matching funding to satisfy funding conditions instead of what is the most effective marketing program to attract visitors and increase yield. So when campaign committees are sitting down working on the program, a lot of the time and effort is spent working out how to get this extra funding and satisfy all the rules rather than just focusing on the objective of increasing visitation and yield.

With the Jigsaw magazines, which were the primary piece of marketing collateral, operators would advertise directly with goldfields, so matching funding was easy to raise and show in the accounts. Now that destinations have developed and are offering operators complete marketing packages and cooperative programs, they want the local operators on their websites with their booking systems and advertising primarily in the destinations visitor guides. So it is not easy to show, even though the operators are participating in these programs which all end up promoting the region. Because the money is travelling through to the destination, it is not easy to reflect that in the region's accounts and demonstrate that it is matching funding, which we have to provide under the agreement that we sign.

Although there are some vastly different structures of the regions, the regional marketing program still tries to cover all the regions with one set of rules, so there are some regions where basically the region is also the destination marketing body, whereas goldfields is a lot different; it has Bendigo and Ballarat as two major destinations, Castlemaine hot on their heels and then a lot of local villages in between. So we are a very different structure and have a lot of individual entities that make up the region.

There needs to be more focus on state-sponsored campaigns in converting inquiries into sales and actually making a booking. In marketing this means a greater tactical element, with a focus on bookings rather than on brand, and on the 'visitvictoria' website making sure that there are booking functions to convert interest to sales. At present you just go and look and then you have to find your way to actually book the product. We are way behind the other states in that type of website.

Funding would ideally span four years so long-term strategies can be put into place, rather than working from year to year. Currently the funding is over a two-year period but with the timing of the program — it begins after the councils have set their budgets and in most cases after they have set out their marketing prospectuses to operators — really we can only effectively work together in the second year of that two-year period. Lengthening that to a four-year period would give confidence of future funding, but also allow the councils to budget to be part of the cooperative marketing programs.

State initiatives to attract business tourism and major events to Victoria generally appear to have no objectives for or linkages with regional Victoria. The positive and notable exception to that was the Commonwealth Games, when some of the events were held in regional Victoria, which was fantastic. Other major events in Melbourne seem to have little impact on increasing regional visitation. There should be a whole-of-Victoria focus on some of the major events and not just the Melbourne focus, hoping and assuming that visitors will move into the regions after they have been to the event. To date there is no real evidence that visitors do filter into the regions following a major event. A possible example of how this could go would be if there was a major art exhibition in Melbourne, a couple of the exhibits could be located in regional art galleries to encourage visitors to travel through the region to see the entire collection. It might be that 95 per cent is in Melbourne and just a couple of pieces each in Bendigo and Ballarat. We do have the finest regional galleries in Australia in the region. That way people are exposed to the other art treasures that are available at these regions and also get to tour through regional Victoria. I might leave it at that.

The CHAIR — Well done, Rod. That was straight to the point.

Ms DARVENIZA — Thanks very much for that, Rod. There were some very interesting ideas that you have come up with there. I have got a couple of questions. Damian might not come back to me so I will ask them all at once. The website with the booking capacity, is that something that does happen in other states and works well?

Mr THOMSON — Yes.

Ms DARVENIZA — It is a capacity that we do not have, so if you go to visit the Victorian tourist website, it does not hook you up to any booking capacity?

Mr THOMSON — No. They are currently working on that but it is two years — it needs to happen quickly.

Ms DARVENIZA — So that is something that needs to be hurried up?

Mr THOMSON — Yes.

Ms DARVENIZA — Good. The extension of the funding I think you have made pretty clear, with reasons around the way the council organises its budget. If I am right, you are saying rather than be allocated your funding for two years, they should look at allocating funding for a four-year period.

Mr THOMSON — That is right, and it would be very advantageous to start the next round one year before, so you know what is going to happen to continue it, rather than it finishes and you are left negotiating, because councils then again set the budgets.

Ms DARVENIZA — Are there any downsides to that?

Mr THOMSON — No, because any extra money that comes along can always be added into a campaign, but at least the base campaign would be strategically planned.

Ms DARVENIZA — You talked about the art gallery and bringing some of the exhibits to regional and rural Victoria, and I think that that is an idea that is well worth looking at. You talked about the major events in the city not bringing people to regional Victoria, but you said in the Commonwealth Games that that did actually work, that you did get some people who came to the Commonwealth Games coming to regional Victoria?

Mr THOMSON — No, that is because some of the events were actually held in regional Victoria.

Ms DARVENIZA — Okay. So that is what brought them.

Mr THOMSON — Yes. The basketball was held in Ballarat, Bendigo and Geelong.

Ms DARVENIZA — That is right, and we had warm-ups and trials and things with shooting and other things. I was just going to ask you what do you think worked and how could we make that happen with other events. I guess it is a bit hard to bring a Formula One car racing around the streets of Bendigo.

Mr THOMSON — That is right. But with some of the bigger sporting events there might be training or acclimatising or whatever that can be farmed out, and there are a lot of good sporting facilities in regional Victoria.

Ms DARVENIZA — There are too. Thanks very much for that presentation.

Mr NORTHE — Just a question on funding, you mentioned before there are some difficulties at the moment. Is it as simple as there is not enough funding there at the moment? I understand that, but what do you see as the ideal model or structure in terms of funding? Have we got the right model in place at the moment in terms of that?

Mr THOMSON — No, I do not think so. There are several things. One, the funds are allocated and then a set of rules sort of structured that everyone has to comply to and everyone has to compete against, and because everyone is so different and at different levels of development, some are disadvantaged through that process I guess.

The other thing with the funding, it is for marketing, whereas some regions, and some areas of regions, require product development rather than marketing. It is no good marketing a region if you have not got the product in place. So I think there needs to be flexibility in what that funding can be allocated for because in some regions it needs to be developing the product beforehand to get that right and then market it, rather than just, 'No, it must be marketing'. And then there is the split between brand and tactical. In some cases if you have not got enough money to spend on brand marketing, you are really wasting that money that you are spending, and probably it should all be tactical marketing, which is encouraging people to actually visit and book rather than just promoting an image of goldfields as a region to visit.

Ms TIERNEY — I am obviously aware that today you have directed your presentation primarily at funding and structural issues, but given that you are the chief of a fairly iconic business that is here, I am very interested to know from your personal experience the changing nature of the tourist group that has been coming through your doors — the mixture of interstate and international as well as visitors from other parts of Victoria, and what, if anything, you do as an organisation in trying to change the mixture of your tourist clientele.

Mr THOMSON — The mix is that we have less than 5 per cent international; it is quite a low percentage of international visitors. Generally the mix between states and local within Victoria has remained in similar proportions across the years. We have had the business since 1999. There were quite dramatic increases in visitation up to 2002, and it has fallen away steadily since then. This year seems to have plateaued with last year. It is gross numbers and trying to encourage many visitors that we are looking at, rather than trying to change the mix.

It would be great to have more internationals coming, and that is where the growth area into Australia and into Victoria is going to be, and that is what is being forecast. But the big problem is that with most of the growth areas with the Asian markets, they tend to travel in groups. They come out to Australia for five days — it is cheaper up in Queensland, so they spend three days there, and maybe two in Melbourne, and then they do the penguins, Sovereign Hill, the Great Ocean Road and go home. The big challenge is to try to get them inland. Generally it is the free and independent travellers from Europe, the UK and America who return and who are driving around. We hope those in the Asian market, once they have been once on a tour group, develop the confidence to come back as free and independent travellers. That is when we may get to see them.

The CHAIR — Rod, do you think Bendigo lacks that Disneyland factor that the Gold Coast might have for overseas visitors?

Mr THOMSON — Part of the problem with the overseas visitors is the way Tourism Australia markets Australia with lots of beach campaigns, and that is what it is flashing as the icons.

Ms DARVENIZA — I guess the reef, too.

Mr THOMSON — That is right, and bikini-clad girls, which is fine, but it is a totally different experience to what we are offering. That is what the inbound agents will be booking, because that is what people are seeing and that is what they will be asking for. It is not an easy one, because there is such a diversity of attractions and experiences through the goldfields but none of them are that beach-related one, which seems to be part of the primary face of Australia.

Mr EREN — In terms of the broader business community, what involvement does it have in the promotional activities of tourism?

Mr THOMSON — One of the problems, I guess — and it is in all of regional Victoria — is that most of the attractions and businesses are small or micro businesses, so you are dealing with many family businesses. The only way that they can market is in Bendigo, through Bendigo Tourism, and maybe with the goldfields and do it as a cooperative marketing approach. In Queensland obviously there are those huge icons, Dreamworld, Movie World and such, which have huge dollars they can throw at marketing. I guess we are lucky that we have got Sovereign Hill in the region, which has a bigger marketing budget than what the goldfields has, and we hope to spin off from its success. But in the rest of the region, but also the state, are very small businesses that cannot and just do not have the dollars to do it on their own.

Ms LOVELL — Rod, I am interested in your comments about major events having little impact on the regions. I note particularly that even though an event from the Commonwealth Games was here in Bendigo, on a comparison of the figures for 2004 and 2006, your domestic visitation fell by almost 11 per cent in the Commonwealth Games year, and your international visitor visitation fell by almost 29 per cent in the Commonwealth Games year, compared to 2004. So even having an event here did not necessarily build on the tourism numbers. I was at Major Events Victoria yesterday, and certainly the strategy for tourism in this state seems to rely heavily on the major events calendar. But Major Events Victoria certainly did not seem to have any answers to how it would leverage off those major events for regional Victoria, other than a few events held, like the bikes at Phillip Island or a couple of events in Geelong. Do you have any answers as to how Major Events Victoria and Tourism Victoria could better assist the regions and leverage off those visitors for the events that are being held in Melbourne?

Mr THOMSON — Apart from the cultural-event type of example that I gave, off the top I cannot give a definite 'this is how it could be done'. I think every event would have to be looked at in isolation as to how you could possibly draw the people out. With the Commonwealth Games — and it was the same when the Olympic Games were on — visitation actually dropped because everyone was going there for their holidays. Those who might normally have travelled bought tickets and spent their money going to the games. So some visitors who came from interstate or internationally to the games might have come out, but we lost a lot of our normal business because they were going to the games instead of travelling and staying. It is hard to know how those two balance out. That is reflected in the decline that has been happening not just through regional Victoria, but regional Australia as well, since that period. You have to be careful when talking about statistics and comparing different years. If you compare 1999 to now we are on a par, but if you compare 2002, only five years ago, to now, we are well below. The figures are somewhere between 20 to 30 per cent down on that time.

Ms LOVELL — Yes, from 1999 to 2006 you were actually up 4 per cent on your domestic, but you were down nearly 15 per cent on your international visitors.

Ms DARVENIZA — I was listening to the radio on the way here. The data from the census is out and people were talking about a range of different things that have come out of that census. Do you have any views about some of the changes in the ways we holiday now? We have got much cheaper airlines and air fares — we have got Virgin and Rex — and some cheaper carriers, like Tiger Airways, bringing Asians in and taking Australians out. We also know that the level of household debt has increased and that people are interested in plasma TVs and home cinemas and that sort of thing. Do you think that these sorts of issues are having an impact on the choices people are making about how they spend their money and on whether they will go overseas on a cheap holiday or they will go interstate on a cheap holiday, or whether they will buy the plasma TV or the surround sound rather than travel through regional Victoria? Do you think those sorts of things are impacting on intrastate visitors?

Mr THOMSON — Yes, definitely. I think that is having a huge impact. I think they are driving the whole change, those three things that you mentioned. The other thing is that where it used to be that you would go to a travel agent and they would be promoting packages to go somewhere, now they are not doing that because they are not getting the commissions they used to get when Qantas was giving commissions for those sorts of packages, and now everyone is booking online.

I think one of the solutions we need to try is that the regions somehow build packages that fit in with flights to Melbourne, so that when people book their flight they also maybe book a car and book a couple of nights' accommodation as well. That is where I think a lot of focus needs to be given by Tourism Victoria, on looking at developing those packages, or a structure that can facilitate that development and type of booking, which I think comes to a lot of product development. There are no buckets of money for product development at the moment. There are funds for infrastructure, there are some funds for marketing and provincial promotion, and they are all still working separately and not together, but there is no funding for the actual development of the product. This product could be the packaging of something to do, somewhere to stay, with that cheap flight coming in.

The CHAIR — Thanks, Rod. That has been very insightful. It really comes across that you have a strong knowledge of and passion for the industry. Well done. Thank you for your evidence. Within a couple of weeks a copy of that evidence will be made available to you to check for any typos and make any corrections you may wish to make.

Mr THOMSON — Thank you.

Witness withdrew.