

CORRECTED VERSION

RURAL AND REGIONAL COMMITTEE

Inquiry into rural and regional tourism

Daylesford — 28 June 2007

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Witnesses

Mr G. Ryan, manager, tourism, economic development and recreation, and
Cr W. McClenaghan, Hepburn Shire Council.

The CHAIR — Thanks very much everybody, and a special thankyou to Geoff and to Bill. This is an all-party parliamentary committee, the Rural and Regional Committee. We are conducting an inquiry into rural and regional tourism. This inquiry and the evidence that we take during this inquiry is in fact covered by parliamentary privilege under the Constitution Act 1975, the Parliamentary Committees Act 2003 and the Defamation Act 2005. Any evidence you give is covered by parliamentary privilege, although if you repeat that evidence outside the building that parliamentary privilege is not afforded to you. Before you start, Geoff and Bill, please state your full name, address and the organisation which you are representing, and then it is over to your for your evidence and your submission. If you could leave us a fair amount of time at the end for some questions.

Cr McCLENAGHAN — Chair, is that a personal address?

The CHAIR — Yes, or if you like a business address or the address of the shire.

Cr McCLENAGHAN — Thank you, Chair. Before I do so I would like to welcome the committee to Daylesford on behalf of the Hepburn Shire Council and I trust that you will have a good and productive session today. My name is Cr Bill McClenaghan of 76 Vincent Street, Daylesford, Hepburn Shire Council.

Mr RYAN — My name is Geoff Ryan and I am the manager of tourism, economic development and recreation, of the same address.

The CHAIR — It is over to you, Geoff.

Mr RYAN — I might, first of all, hand to Bill who is going to give you a brief summary of the bathhouse business. One of the key industries we have in our region is health and wellness, and the most significant icon we have in the area is the Hepburn Mineral Springs Bathhouse. The state government, in conjunction with council and with a little bit of assistance from the federal government — not a lot, but a little bit — is in the process of refurbishing or rebuilding the bathhouse. Cr Bill McClenaghan is the chair of our bathhouse business community liaison group which was set up by council to minimise the impact of the closure of the old bathhouse so that when the old bathhouse closed we did not have lots of businesses going broke, and so on.

Cr McCLENAGHAN — Hepburn shire is a premier destination for tourists in Victoria and we attract visitors from interstate, mainly Sydney, Adelaide and Queensland, and also from South East Asia and other overseas destinations. We are specifically marketed by Daylesford and Macedon Ranges Inc. which is part of the Jigsaw campaign, and Daylesford has a special place in this as it is the only place in Victoria, other than Melbourne, that is specifically named as a region — Daylesford and Macedon Ranges. One of the jewels of this region is the Hepburn Mineral Springs Bathhouse, which has been in operation since the late 19th century.

The bathhouse has undergone some renovations over time. The last renovations were in 1991-92, and currently it is being renovated again; in fact it is being completely rebuilt. This is not a patch-up job, this is a very serious renovation. It will make the bathhouse the jewel in the crown of Hepburn shire, it will attract tourists from all over the country, it will bring people here from all over the world. It is roughly a \$10-million refurbishment. It is financed principally by the state government which is allocating \$8 million, council is allocating \$1.2 million which we are borrowing — that is a pretty big ask for a small rural shire — and there is also about \$550 000 of federal money going into it as well.

The project is on track and it is going to be delivered so that the bathhouse can open with a new long-term tenant in early 2008. Council has been very concerned that the effects of the closure of the bathhouse would be very sorely felt on the local tourism community and consequently the bathhouse business and community liaison group was formed to guide the community through the

closure, so that by the time the bathhouse closed in 2006 the committee was already at work, promoting the area of Daylesford and Hepburn Springs. We have produced a pamphlet promoting principally the Hepburn Springs area. It has all been done by volunteers — the production of this very professional pamphlet. You may have a copy of it in the folders that have gone around; if not, I would be pleased to provide you with one. There is also an attachment to it giving details of accommodation, cafes, restaurants, shops, galleries, and other spa and therapy providers in the area.

The effects of the bathhouse closure have been felt, but they are not anywhere near as bad as what was anticipated in the early days because we have continued to promote Daylesford and Hepburn Springs as a serious tourism destination and a place where you can still come and get spa therapy, because there are many other private operators who have stepped forward and filled the void in that time, including the former tenant of the bathhouse who is conducting operations from elsewhere, and who will be speaking to you later today.

The council is very excited about this development because it is a focal point. A lot of people come to Daylesford and Hepburn Springs with the specific intention of going to the bathhouse. When it does reopen, early next year, they are going to find a world-class facility with a world-class long-term tenant. Currently the search to find a long-term tenant is well advanced. Stage 1 of the tendering process has been completed, the expressions of interest have closed and DSE and Hepburn Shire Council, through the leasing control group, are seeking to shortlist the companies that have put in expressions of interest, and invite them to tender for a long-term 25-year lease. This we expect to be announced in October this year, to give the new long-term tenant plenty of time to get in there, to make last-minute changes and additions to the building that they will occupy then for a long time; and also to promote the business, promote the area, and promote themselves and their business to establish their own brand.

I am focusing on this, Chair, because we consider this to be a very significant focal point. Daylesford is the centre of the Hepburn shire. It is a small rural shire. We have a budget of \$20 million in total, which is less than the City of Port Phillip collects in parking fines every year, and we have to stretch that money a long, long way. We cannot afford to spend massive amounts of money on tourism like other rural shires around us and other metropolitan shires, but what we do we stretch and we make as useful as we possibly can by the use of many, many hardworking volunteers in this community who put heart and soul into promoting their town, their region and their own business as well. Thank you for listening. We have a handout here for you as well to add to the other information in your folders about the redevelopment of the bathhouse, about the economic driver and impact of the bathhouse in the region.

Mr RYAN — If it is all right with you, Chair, I will give a bit of a snapshot of tourism quickly and then we have some time for questions.

The CHAIR — Great.

Mr RYAN — I will just hand around some details of who the market is that is coming here. Essentially those who come to our shire are approximately 70 per cent from Melbourne, 15 per cent from regional Victoria and 11 per cent from interstate with about 3 per cent from overseas.

Ms DARVENIZA — Sorry, can you just run through those again?

Mr RYAN — The handout I am giving you has actually got them listed in detail.

Ms DARVENIZA — Excellent, thank you.

Mr RYAN — About two-thirds of the people who come here are daytrippers, obviously there is a third who are overnight stayers. The length of stay for most people is usually between one and two nights. The key motivating factor for visitors coming here is romance. If you are

thinking of romance, then think of this area next time. That is the main reason that most people come here. The market that comes here is known as the socially aware and visible achiever. They are the two market segments under the Roy Morgan market segments. I have given you a copy of the descriptions of those two market segments. They are typically high-spending, independent and discerning. They are much more likely to come in a car as a couple than they are in a bus demanding discounts on prices. They are the market that in fact everybody wants and everybody is fighting to get.

Marketing for our area is done primarily through the Jigsaw campaign, through the goldfields and the Daylesford and Macedon Ranges campaign committees. We believe that is a very good concept. It is the envy of every other state in Australia. It is something that has been supported by the last two or three governments, be they Liberal or Labor. We would certainly encourage further support of that financially and otherwise. It involves the operators themselves contributing and it involves some matching dollars from state government. One of the reasons why it is good is it is very detailed. It has a lot of research basis to it, it is strategic and it really is involving local ownership in terms of how the marketing is done. If you are not familiar with the Jigsaw campaign — how many of you are familiar with the Jigsaw campaign?

Ms DARVENIZA — I am interested to hear what you think of the Jigsaw campaign and how it has worked for you, ways in which you think it could be improved or if there are gaps in it. We are interested in hearing about that.

Mr RYAN — In terms of improvement, there is always room to improve anything. We need to get more buy-in at the lower end of the market. Some operators are finding it is becoming a bit more expensive and there is work that needs to be done in terms of educating the operators as to how it works and it can better work for them. That is something that the campaign committees are working on and they would acknowledge that there is still work to be done there. But the overall concept of Jigsaw is very good and it would be quite concerning to contemplate changing that. As I travel around other places in Australia they say, 'Why can't we do that?'. Victoria has been leading the field in its Jigsaw campaign for years and continues to do so.

In terms of marketing, the main area the council gets involved in is through websites with visit Daylesford, visit Creswick, visit Clunes, visit Trentham, and spa town. Visit Daylesford is the main one and over 70 000 people a year are going on to that site. If one looks at trends, certainly the trend is, in terms of marketing, that more and more use of websites is occurring and less and less brochures and the like, which is not to say that we do not need brochures but the emphasis is much more on the use of websites.

Council's primary role in terms of tourism centres around supporting visitor information centres. We have a level 2 accredited centre in Daylesford which has around 125 000 people a year go through, which makes it a very significant visitor information centre. We also have non-accredited centres at Clunes, Creswick and Trentham. They get around 5000 people a year going through them. All of those centres are run by volunteers and we work with over 150 volunteers. None of those centres could function without the excellent work of the volunteers. Council's main role other than that involves some coordination and planning, a bit of PR and famils, but we do not see our role mainly involved in marketing. That is much more the role of the campaign committee and the HRTA, who will be speaking to you shortly. We also get involved a lot in events. We have over 40 events held in our shire each year, the largest being ChillOut which has an economic benefit of over \$5.2 million to our township here and a bit beyond. That is spent over about four days. We also have other events such as the Foto Biennale — while you are here, if you go into the hall next door you can see part of the display for the Foto Biennale — the Swiss Italian festa, Anderson's Mill and a range of other events. Council provides assistance with the planning, insurance, traffic, rubbish and so on. I should mention also that we won the state award for event planning last year.

Ms DARVENIZA — For what?

Mr RYAN — Planning for events. We beat the likes of the City of Melbourne, the Rural City of Mildura and several other minor councils.

Ms DARVENIZA — Good.

Mr RYAN — In terms of our budget, in the last year our budget on tourism was around \$264 000, which is 1.44 per cent of the total budget of \$18 332 000. In the coming budget it is proposed that up to \$75 000 will be allocated for events, which will be a significant increase on events. The tourism budget has increased threefold in nine years. Council's contribution to tourism-related capital works includes \$1.2 million for the Hepburn Springs bathhouse, and also we are contributing \$300 000 to the ARC Indoor Recreation Centre which will provide us with a double-stadium, multipurpose facility which will be the largest single space we will have in the shire. It has been set up also to run events in with three-phase power on one side. It has got seating for 500 people in it on one side and so on.

Product strengths, and this is the reason why you will be coming here, are mineral water, mineral springs, health and wellness, boutique accommodation — the research shows that people's perception of our area is very much centred around bed and breakfasts, self-contained accommodation — fine food and wine, and nature-based tourism. Our icons include the Hepburn Springs bathhouse, Lake House, Convent Gallery, Peppers Springs Retreat, the Chocolate Mill, Tuki, Lavandula Lavender Farm, Daylesford Spa Country Railway — I had to put that in for you, Bill — the Wombat Hill Botanic Gardens, and there are quite a few others I have not mentioned. I have copies of brochures for our major towns — Daylesford, Hepburn Springs, Creswick, Clunes, Trentham.

I would finally like to leave you with two issues which are certainly of concern to us. Transport is a major issue for us. We have very little public transport. If a visitor wishes to come to Daylesford, it is very difficult for them to get here by public transport, so transport is a major issue for us. Secondly, yes, we are a small council fighting in a large, very competitive area. The councils surrounding us are able to spend \$1 million, \$2 million or \$3 million on tourism and because of the size of our council and our overall budget we are not able to do that. That is an issue for us. We certainly would encourage state government to continue to provide matching grants and seeding grants for a range of initiatives, which you are currently doing. We would love to see more of that.

The CHAIR — Thanks very much, Geoff.

Ms DARVENIZA — Thanks very much for that. I am particularly impressed with this brochure — the first one that you handed out — that has the walking tour in it. With this, when you were putting it together, you have highlighted a variety of different stopping points, which are obviously businesses that are owned by people. Do they have to buy in to be included in the brochure?

Cr McCLENAGHAN — No, it is all provided free of charge. The brochure is being produced by volunteers, but it is using money that has been allocated by the state government to assist with issues related to bathhouse closure. Nobody who is being promoted in that brochure has paid 1 cent.

Ms DARVENIZA — You talked about the bathhouse and the fact that there were was a lot of concern. First of all, you talked about how good it is that you are getting this upgrade, but there was concern being caused through the community at what sort of impact it was going to have — tourists who would normally come to bathhouse would not be coming. What has the impact been like?

Mr RYAN — As Bill said before, it has not been as bad as first thought. In fact a number of businesses foresaw the closure. Places like Peppers Springs Retreat, Lake House and others have developed facilities to take up that slack. In addition there are a number of extra restaurants

that have opened up in Hepburn Springs. A representative from Tourism Victoria was attending a meeting there recently and said, 'What is going on in Hepburn Springs? There are people everywhere'. What we think has actually happened is that, because of the proactive work of the community and the committee that Bill chairs, the pie has actually grown a little bit. When the new centre opens and there is a lot of marketing I think we will see the pie grow even further. It is not to say that some businesses have not suffered a bit, but it has been nowhere near as bad, and there has been a lot of really good stuff happen.

Ms DARVENIZA — Excellent.

The CHAIR — I am mindful of the time, so if we could get through the questions.

Ms LOVELL — Prior to the closure of the bathhouse last year I met with the manager of the bathhouse and also with some of the local accommodation operators and some retailers who were very concerned about the closure. They were also concerned about what would happen to the staff who were there. I notice on your list it says 160 staff, full time and part time. Have they been able to find other employment in the region or have they left the region? Again, the skills shortage was raised with us yesterday by a major operator in this area. If their staff has left the region, how do you envisage filling those positions at the bathhouse when it reopens?

Mr RYAN — Generally I think that pretty much everybody has been able to find a job locally. If they have chosen to move somewhere else, they have. Most people have been able to find employment. There is a concern that we need we need to train more people and have more people able to provide that service, because there is going to be a greater demand when the new centre opens. I know that some of the new businesses took up a lot of the slack. The HRTA has endeavoured to advertise for any jobs and tried to get people jobs. I am sure Mr Dempster will be able to add further to that.

Ms TIERNEY — I was actually going to ask a question about the skills shortage. But moving on, in terms of the hard data that is required to try and target the most effective way to get the most out of the tourist dollar, I suspect, I am quite impressed with this. In fact I do not think we have had this amount of detail from anyone else so far, so congratulations on that. I am just wondering how you are collecting this information, because a number of people are saying that they just do not have the resources to get that data so that they can tailor the appropriate tourism packages.

Mr RYAN — The data that I have given you in terms of the profiles is from Roy Morgan, so we have not actually gathered that data. He has done some research that looks at the different target segments. There are more segments than we have provided there, but they are the main ones that come here.

Gathering data is an issue for us too. Tourism Victoria does do quite a bit of collection of data. On the Tourism Victoria website there is quite a lot of information about markets. But from a council point of view, through our visitor information centre we are trying to gather more details about where the visitor is from, where they are going, what they are spending and so on. There is a thing called the TIM, which is a tourism measurement that the federal government has set up. We are intending to use that to do some better measurement of the economic impact, the visitor behaviour and so on. I am not saying that we have all the answers on that either, but there is some detail there. If operators are having trouble with that, often it is a matter of talking to a manager or Tourism Victoria, and they can often provide assistance. We often have Tourism Victoria come out and give us a lot of detail about who the visitor is.

Cr McCLENAGHAN — If I could just add to that, council has a tourism advisory committee. There are some people on that who are not directly involved in tourism, but a lot of local tourist operators are, not just from Daylesford but elsewhere in the Hepburn shire. We get specific information relayed to us directly from some of these people, including the effects of the

bathroom closure as well as the location of the clientele and the trends within the market. We think that what we are getting is pretty accurate information directly from the coalface.

Mr EREN — Just in relation to the bathroom, and obviously that is the main attraction that Daylesford has, it is good to see that state government has \$8 million towards that and the federal government has contributed some \$550 000. What is the total cost of the project?

Cr McCLENAGHAN — It is roughly \$10 million.

Mr RYAN — Sorry, can I just correct something. Whilst it is the most significant tourism icon, it would not really be accurate to see that as being the main one. There are a lot of reasons why people come here.

Mr EREN — Just in relation to your clientele, it is 86 per cent from Victoria and 76 per cent from Melbourne. With petrol prices increasing, mortgage rates obviously getting higher and disposable income being reduced, how do you think councils, tourism organisations and the state government can combat some of those problems that would obviously have an effect on your major clientele, who are probably day visitors.

Cr McCLENAGHAN — We are severely challenged by a series of specific issues here. Petrol prices is one, but we see ourselves as being at an advantage to places that are further out like Swan Hill. Daytrippers will come here, but they will not go to Swan Hill. A number of people turn up every weekend at the Daylesford Sunday market, for example. There are literally thousands of visitors every weekend at that market. You cannot walk in a straight line.

The main threats we have identified with cheap airfares and the condition of the Australian dollar is that a lot of people are jetting off to South-East Asia where they can get a five-day holiday for \$1000 plus travel backwards and forwards. Rather than come to Daylesford and spend \$1000 on the best of the best here for the weekend, they may elect to do that. Not only are we fighting the overseas market, cheap airlines and the buoyant Australian dollar, but we are also fighting stiff competition from other regions such as the Mornington Peninsula and the Yarra Valley. We are very conscious of that.

Mr RYAN — But the trend when the price of petrol has gone up has in fact been that our numbers have gone up not down.

Mr NORTHE — Geoff, you alluded earlier to the fact that in your shire the visitor information centres are all run by volunteers.

Mr RYAN — Correct.

Mr NORTHE — What is the distinction between accredited and non-accredited visitor information services? What are the advantages and disadvantages of each?

Mr RYAN — An accredited centre does have to have paid staff support. At Daylesford we have somebody working full time with the volunteers, but it is the volunteers who are the front-line people. An accredited centre is required be open 9 to 5, 7 days a week. It is required to have standards in terms of the range of information and the way that is presented. A non-accredited centre could be open, as some of ours are, two days a week and from 10 to 4, for example. The Daylesford centre is only shut on Christmas day.

Mr NORTHE — Are you able to take bookings through your visitor information centre?

Mr RYAN — We have chosen not to. Many accredited centres do. We have five booking agencies in town, and council does not see its role to be competing with them. We provide a vacancy service, but the visitor has to actually book themselves. We do not actually do it.

The CHAIR — Geoff, do you think the future of this region is going to be best found by building on your existing strengths such as building on that 70 per cent you already have out of Melbourne, or do you see the region picking up additional clientele by actually targeting some of the areas that you not so strong in, such as your regional Victoria customers, your interstate customers and also your overseas customers? Where do you see your main growth coming from.

Mr RYAN — It is not really council's role, but the campaign committee's view of that — and I would support that — is that they are now moving towards marketing more towards Sydney and South Australia. So they are still doing a lot to support the Melbourne base and regional Victoria, but they have been doing a lot of marketing in Sydney and we are now starting to see quite a lot of evidence of a lot of Sydney numberplates in town. I know of a person from Melbourne who was in Sydney bumped into a friend from overseas, and the Sydney marketing was what triggered him to come to Daylesford, even though he was from Melbourne.

Cr McCLENAGHAN — There is one other thing that characterises this region over and above everywhere else in Australia for its particularly unique nature, and that is mineral water.

Ms DARVENIZA — It is mineral water?

Cr McCLENAGHAN — Yes, I think over 80 per cent of all the mineral springs in Australia are concentrated in this region. It is truly the spa centre of Australia.

Mr RYAN — They are not hot springs.

Cr McCLENAGHAN — No. We could possibly drill down through the geothermal layers and tap hot springs like they have on the Mornington Peninsula, but because of a volcanic basin created by three extinct volcanic cones at Mount Franklin, Wheelers Hill at Musk and the Wombat Hill, which is right behind us up there — it is the hill behind the town — there is a volcanic basin created in which water percolates through volcanic rock, picks up minerals and comes out at the centre of the basin in the Hepburn Mineral Springs Reserve. It is a formation that is totally unique in Australia and has branded this whole area as one apart from all the others in Australia and, for this reason, it is almost of world significance.

Ms LOVELL — Just very quickly back to skill shortages, I am aware that the previous operators of the bathhouse had a training college attached to the bathhouse and they were able to fill some of their 160 positions plus assist with skill shortages for the region through that training facility. Do you know if that has been considered in the new tender process — whether the new operation will have a training facility attached to it?

Mr RYAN — No, I am not aware. I am not involved with the tender process at all. Bill may be able to answer that.

Cr McCLENAGHAN — I can answer that question, Chair. Every operator of the Hepburn mineral springs bathhouse will be able to take people on for work experience and to provide training. However, because of the Crown Land Reserve Act, state government act, a mineral springs reserve can only be used for two things. One is the bottling of mineral water and the other is the provision of spa therapies and auxiliary activities, such as sale of refreshments and the like. It would not be possible to put a school on a mineral springs reserve, but whoever is running the bathhouse, I am quite sure, would be involved in the training of additional people, because if any industry — and it does not matter what industry you are talking about — does not train people to fill the voids, that industry is planning its own demise. If it fails to plan, it will plan to fail.

Ms LOVELL — Was it a requirement of the tender process?

Cr McCLENAGHAN — Specifically I could not quote, but I would say it would be very, very favourably looked on if any of the prospective tenants were to offer training. But, as I

said, if you fail to plan, you plan to fail. If you do not train staff to fill the voids created in the future, your industry will not survive, and currently there is a shortage. Even in the *Daylesford Advocate* this week I see there are advertisements seeking spa therapists for local businesses.

Mr RYAN — Chair, if your committee has detailed questions about the tendering process, if you wanted to give them to us, I am sure we can pass them on and get the answers for you.

The CHAIR — That would be fine. And Gayle has one more to finish off.

Ms TIERNEY — Just one quick question in relation to Clunes, just moving a little bit away from Daylesford and Hepburn Springs. I am highly aware of the book town activities and attended them myself and enjoyed the experience very much. I am just wondering what council's position is on developing Clunes and making Clunes more of a tourist destination?

Mr RYAN — We met with the committee that planned that event and talked to them about how it would go. We have had a number of discussion since then to talk about how we can build on that. We have been meeting with them from time to time talking about other events which I think are now on the backburner because with the book town concept they thought they might get 1000 or 2000, and they got somewhere between 6000 and 9000. Our understanding is that the food ran out in all neighbouring towns and everywhere, so, yes, we are keen to work with them to build Clunes. As has been the case across the shire, often it is a leadership issue. It is fortunate that now there are a number of people in Clunes who are coming forward to do it. Whilst council is keen to promote tourism everywhere, it needs to be done in consultation with the community and be owned by the community. If it is not, then problems can occur, and that is important.

Cr McCLENAGHAN — Chair, could I just introduce you to one more important concept here when we are comparing Daylesford, Clunes, Creswick and Trentham. Daylesford is regarded as a very high-yielding destination, which means that people come here and spend big dollars. They spend big dollars because they want to and because they can. There are many places where they can go where they can spend big dollars. In Clunes it is not a high-yielding destination because there is not the same number of, for example, accommodation houses where they can go and stay. The whole place was booked out, so was Creswick, so was Talbot. They ran out of food — not enough shops. So when you are talking of high-yielding destinations, you have to have the tourism product in order to satisfy the demand that is coming in, and that is the difference in these other towns. We are never going to build them up to the level that Daylesford is now, but certainly the idea is of a dispersal. Bring them to Daylesford and then disperse them out into the hinterland, into the other towns around.

The CHAIR — We have run out of time, Geoff and Bill, but the evidence will be made available to you within a couple of weeks, and you will be able to make any typographical changes, make those corrections. Thanks very much for the evidence.

Witnesses withdrew.