

CORRECTED VERSION

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into 2003–04 budget estimates

Melbourne–30 May 2003

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Mr J. Pandazopoulos, Minister for Tourism;

Mr P. Harmsworth, Secretary; and

Ms L. Appleby, Chief Executive, Tourism Victoria, Department of Innovation, Industry and Regional Development.

The CHAIR — I declare open the Public Accounts and Estimates Committee hearings on the 2003–04 budget estimates for the tourism, gaming and racing portfolios. I welcome the Honourable John Pandazopoulos, the Minister for Tourism, Minister for Gaming and Minister for Racing; Mr Peter Harmsworth, Secretary of the Department of Innovation, Industry and Regional Development; Ms Lois Appleby, chief executive of Tourism Victoria; departmental officers; members of the public; Hansard; and members of the media.

All evidence taken by the committee is taken under the provisions of the Parliamentary Committees Act and is protected from judicial review. However, any comments made outside the precincts of the hearing are not protected by parliamentary privilege. All evidence given today is being recorded. Witnesses will be provided with proof versions of the transcript early next week.

Before I call on the minister to give a brief presentation on the more complex financial and performance information that relates to the budget estimates for the portfolio of tourism, I ask that all mobile phones be turned off and pagers turned to silent. After the minister has finished presenting his overheads presentation we will have 55 minutes allocated for questions.

I tender an apology on behalf of Ms Romanes, and Mr Baxter from 10 o'clock, who are both to attend the state funeral of the late Governor of Victoria, Richard McGarvie.

Minister, I ask you to keep your presentation to about 6 or 7 minutes.

Overheads shown.

Mr PANDAZOPOULOS — Tourism is part of the Department of Innovation, Industry and Regional Development, as you said, Chair, and I will quickly go through five key areas of the department: innovation; all the business functions including investment, manufacturing, export, financial services industry, small business and regulation reform; regional development; industrial relations; and tourism, which I have the key responsibility for. It works with ministers on an innovation and business agenda.

The objectives of the department are to encourage and support development — —

The CHAIR — We have all seen this, Minister, and I am very pleased that you have the same priorities as other ministers who have appeared.

Mr PANDAZOPOULOS — We have to put the context of the whole-of-department approach. I remind you that its key function is to encourage and support the contribution of tourism to Victoria's economic and social development. Tourism services also contribute, for example, to encouraging and supporting the bigger development of innovative international integrated competitive industries. We need to realise that is not just about marketing. It is about economic development, working to create a competitive business environment and capabilities about the innovation economy, and strengthening Victoria's regional economy's infrastructure and community. There is a whole-of-department strategic approach.

In the slides you will see we have listed the tourism output groups. Tourism marketing, event facilitation at \$35 million, industry infrastructure development at \$3.3 million, totalling \$38.3 million, but that is topped up by regional renewal funding of \$10 million over four years from the Community Support Fund.

The CHAIR — That is 10 — —

Mr PANDAZOPOULOS — That is topped up by \$10 million over four years for what we call regional renewal and \$3.6 million over two years for the Australian Tourism Exchange's, and also in terms of the election commitments, an increase of \$15 million over three years for major events facilitation, increasing the major events cap to \$40 million.

I will give some information about tourism and the economy. It directly and indirectly affects about 147 000 jobs, 59 000 of those jobs being in regional Victoria. In terms of employment, tourism is the seventh biggest industry sector in the state, with a \$8.9 billion contribution to gross state product, with 90 000 tourism-related businesses in the state, 32 000 of which are in regional Victoria. Of course we are seeing a current downturn predominantly as a result of the effects of SARS, which is creating a whole lot of challenges to the industry.

Turning to achievements, international visitation was growing at 7 per cent per annum prior to SARS, which was better than New South Wales at 2 per cent and Queensland, which had flat growth. International visitation to Australia has dropped since SARS, as you would expect, but Victoria is the least affected of any of the states.

Domestic visitation remains strong, and there has been a 6 per cent increase in domestic visitor nights spent in regional Victoria.

As to further achievements, positive results were generated from Operation Recovery funding, which was the \$10 million funding after the collapse of Ansett and the 11 September crisis. That was topped up by government. Some indicators are interesting. In the December quarter 2002 tourism accommodation figures show an increase of 5.7 per cent on guest arrivals and a 4 per cent increase on room nights occupied compared with December 2001. The national visitor survey results for the year ended September 2002 indicated that the interstate market increased by 4.7 per cent, which indicates extra growth dollars.

We have also provided \$2 million to stimulate tourism activity impacted by the bushfires in the north-east and in Gippsland. We also provide \$750 000 to top up campaigns in drought-affected areas, and on an annual basis we provide about \$5.5 million worth of grants to a variety of different tourism bodies, which include the regional campaign committees, the Melbourne Convention Visitor Bureau, the Country Victoria Tourism Council, the Victorian Tourism Operators Association, et cetera.

There has also been an increase in international media exposure to Victoria to the value of \$240 million, which I think is a record in terms of free exposure due to working with the international media. A major campaign was undertaken in Japan in 2002–03 to launch the direct Tokyo–Melbourne Qantas flights. Visitation to the visitvictoria.com.au web site has doubled to 1 million over two years, and we have completed the 2002–06 arts, theatre and cultural heritage plan and the 2003–06 alpine resorts tourism business plan, which is this particular brochure which the committee can have copies of later if it wishes.

On international marketing, key initiatives for 2003–04 include an additional \$10 million over four years to top up international campaigns. That focus will include cooperative marketing with airlines to maximise services from key markets. We have to rebuild after SARS in terms of airline services. Also, extending Romantic Melbourne, which is the black and white television campaign, into New Zealand. We have run those advertisements in the past, but we will do them again. We will target backpackers campaigns in Western Hemisphere countries such as Germany, Switzerland, the United States of America, the United Kingdom, Italy, the Netherlands and Scandinavia.

The government successfully attracted the Australian Tourism Exchange to Melbourne for 2003 and 2004 — that is \$3.6 million over two years from the Community Support Fund. It is Australia's premier international travel industry event and is the third largest travel industry trade show in the world.

In terms of regional renewal initiatives for 2003–04, the aim is to raise the level of regional Victoria's tourism performance. An amount of \$10 million has been provided in the budget over four years as part of this, and the regional partnerships program has been established, which I launched last week and which doubles current regional marketing funding.

As part of regional renewal the focus is what we call, for marketing purposes only, the Melbourne surrounds focus. It is working on campaigns in the Yarra Valley, the Mornington Peninsula and Daylesford. A touring focus is working on campaigns in the goldfields, along the Great Ocean Road, in the high country, and in Gippsland, the Grampians and the Murray. We have also been producing statewide infrastructure development plans and regional tourism development plans working with local government and the tourism industry at a local level.

In terms of Melbourne marketing we have funded the Melbourne in Winter campaign — \$700 000. There is a brochure on the table, which again is available to you, which is an indicator of the Melbourne in Winter campaign. There are four seasonal campaigns, and that has had a big boost. Melbourne has been doing it quite tough — the accommodation sector — because of SARS. Also the Romantic Melbourne TV ad is to continue in Sydney, Brisbane and New Zealand. The biggest ever ski campaign has started, and it has been topped up by extra bushfire funding. We are sure it is going to be a great start to the ski season — the following weekend.

In conclusion, we are providing the stimulus for growth of the tourism sector through the provision of additional funding, stimulating tourism growth in regional Victoria, continuing innovative successful Melbourne marketing and facilitating appropriate infrastructure and industry development. We have been able to generate about \$750 million in new private and public sector investment. Despite the environmental challenges confronting the industry the government remains committed to tourism, and we see that through the extra \$40-odd million available over four years.

The CHAIR — Thank you very much, Minister. Before I ask my question I think I need to declare that I have taken your tourism advice to heart and recently enjoyed some of the great spots Victoria has to offer. If you go

to budget paper 3, page 173, at the bottom of the page you outline the importance of the tourism industry to Victoria. I note that \$4.6 million was allocated in the budget to help the industry withstand the effects of SARS and other factors that you have just outlined. Can you give us some more details on the strategies that are undertaken by the government to respond to the crises. You have given us a brief overview with the overheads but we would like more details.

Mr PANDAZOPOULOS — There have been a few crises that we have confronted, and you would think, ‘What else can you have?’. I mean we have had 11 September, we have had the Ansett collapse, we have had drought, bushfires and the Iraqi war, and in more recent months, SARS.

Our general approach in responding to crises has been rather than withdrawing from markets we have developed a lot of relationships with our overseas markets; rather than walking away we are working with them and providing confidence to the industry that invests. We know that through whatever crisis people will still travel, and it is a matter of trying to minimise the negative impact by thinking through a strategy to respond to it and also by topping up dollars.

We have increased \$10 million for operation recovery as part of 11 September and the collapse of Ansett. I gave some indicators of our performance in that regard. We gave an extra \$750 000 for drought-affected areas and \$2 million for bushfire-affected areas; and the \$40.6 million that is part of the budget is really about an understanding, certainly as minister in the first term, that if you have growth dollars in the budget then you have a greater level of flexibility not only in the plan to grow the business but also a greater level of flexibility to be able to respond to the circumstances as they change around you.

Two years ago who would have thought that we would have gone through all these crises. We have been affected by the impact of SARS — the SARS impact has been much greater than the impact of the war in Iraq, as you would probably be aware. Our general attitude has been to have the resources to respond, to provide the confidence to the community, whether it is a large-scale thing like SARS or whether it is a large-scale thing like bushfires. Also in small areas like last summer when the meningococcal scare was on in Portland along with the Glenelg shire we came up with \$50 000 to top up its marketing campaign because it was a critical time of the season. We understood that the marketing dollars that it had been spending would have been wasted as a result of people turning off that area and there was a need to be able to suddenly find resources to rebuild visitation. That has been our general response to how we deal with crises. The good thing is that we have growth dollars to build on, to deal with other unforeseen circumstances. Hopefully, we will not get any more crises. We will be allowed to plan ahead to build properly on the existing marketing campaigns and strategies.

Mr FORWOOD — I refer you to page 191 of budget paper 3 and pages 55 and 48 of the annual report of Tourism Victoria. The first issue is that if you look at the actual expenditure in the output cost for 2001–02 it says \$22.9 million but on page 55 of the annual report it says total government grants of \$43 million. What I would like to know is what makes up the other \$22 million? I guess some is Community Support Fund or whatever and perhaps you could tell us what that is. If you look at the next column it says that the budget for 2002–03 was \$35 million and the expected outcome is only \$20.9 million, so the next question is what happened to the \$50 million that was to be spent in this current year and did not get spent and what will happen to it next year?

Mr PANDAZOPOULOS — The matter you raise — about \$35 million in target 2002–03, as well as target 2003–04, and then you have figures of about \$15 million difference — is explained in the budget papers as a machinery of government change. Money was transferred across to this department on 1 January, into the Department of Innovation, Industry and Regional Development from the Department of Tourism, Sport and the Commonwealth Games — —

Mr FORWOOD — What was the total amount spent then? Was it \$35 million?

Mr PANDAZOPOULOS — Yes, that is the amount. It is the machinery of government change. It is about half a year of spending.

Mr RICH-PHILLIPS — Where was it transferred from, Minister?

Mr PANDAZOPOULOS — The Department of Tourism, Sport and the Commonwealth Games, which does not exist any more.

Mr RICH-PHILLIPS — But it was the same output group wasn't it? A tourism output group.

Mr PANDAZOPOULOS — It was still tourism output, yes.

Mr FORWOOD — And the \$43 million?

Mr PANDAZOPOULOS — And the \$43 million would be — what year was that, sorry?

Mr FORWOOD — It is the actual for 2001–02.

Mr PANDAZOPOULOS — Obviously a key area of funding is that you have your core budget but you are often also chasing dollars from other areas like the Community Support Fund or other parts of the Department of Innovation, Industry and Regional Development.

Mr FORWOOD — Can you give us a reconciliation of where the \$43.1 million received that year from government grants came from?

Mr PANDAZOPOULOS — Yes.

The CHAIR — Do you have the page reference?

Mr PANDAZOPOULOS — Yes, we can do that for you.

Mr MERLINO — Minister, you mentioned the SARS crisis in your answer to the first question. Can you provide some information to the committee in terms of the federal budget and how it builds on the state budget initiatives in relation to the crisis?

Mr PANDAZOPOULOS — We are keen to work cooperatively with the federal government. The reality is that for international marketing campaigns we cannot work alone. There are really only two international markets in which Victoria can work alone, and that is the very mature markets of New Zealand and Singapore, which we can predominantly treat as domestic markets. They are high repeat visitors to Victoria and they understand us; therefore we can run Melbourne advertisements, as we have done in Singapore and New Zealand in the past.

But the reality is that for a lot of other campaigns little old us needs to be able to work with the Australian Tourist Commission. It certainly has been of concern to us that in real terms the Australian Tourist Commission is spending the lowest amount of marketing dollars attracting visitors to Australia in over two decades. It is spending less than that big boost of resources in the early 1980s with the Paul Hogan campaigns, and that makes it harder for Australia to compete in terms of its image overseas.

With the effect of SARS we have seen countries like Singapore increase their marketing to about \$220 million, according to the *Australian Financial Review*, which makes it a bit hard for Australia, when our total for marketing is \$88 million. This figure has remained, in real dollar terms, for a very long period of time.

Last year I reported to this committee that there was a cutback in the Australian Tourist Commission's budget, and there has been another \$700 000 cut back this year. We are severely concerned that whilst we are increasing our international marketing dollars, we need to do it in a cooperative way. What we normally do is seek dollars from other partners — from the airline industry, the travel trade and partnerships with the Australian Tourist Commission — and while we have a great relationship with them, and most of our overseas offices are co-located with the Australian Tourist Commission and there are good leveraging opportunities to work with them and build joint campaigns, in the end our ability to profile Australia, particularly off the back of the Sydney Olympics, has been lost.

There has been good growth for Melbourne and Victoria through Melbourne Airport in the last two years, predominantly with the boost in extra marketing dollars that we have received. We have therefore been able to leverage more off the Australian Tourist Commission, but that makes it much harder for it when it does not have growth dollars itself.

The federal government has been saying that it is working on a 10-year green paper. We are keen to see a document like that, but we are also saying that it needs to have some dollars attached to it otherwise it is just another great piece of paper that puts together strategies. Unless you have the dollars to do it, it means nothing. It needs to allow us to work better with each other and plan ahead. You cannot just suddenly go into international markets because you have a little bit of money, and spend it and walk away and re-establish those relationships with airlines and the travel trade two years after. You have to be there consistently, doing something.

Therefore the reality is that unless the ATC has more dollars in the future Australia, despite its potential as a safe, friendly and affordable country, will lose a lot of the opportunities while our key competitors boost their international marketing dollars; and it then makes it much harder on Victoria to do the things it wants to do. Our objectives are increasing international visitation and increasing airline services capacity to Melbourne, which is important not only for tourism but for business purposes in terms of that international connectedness; and unless the ATC does its bit, it is much harder. But at least we have some of the growth dollars to be able to work with the ATC in targeted campaigns, and we hope the federal government finds the resources to assist the ATC as part of this 10-year plan, whenever it might end up coming out.

Mr BAXTER — The banning of smoking in poker machine venues appears to have hit hard at some clubs along the Murray River on the Victorian side, with people now going to venues across the river. I expect that that will correct itself in time because New South Wales will probably ban smoking likewise in the next decade — or I hope it does — but in the meantime would be in serious trouble if clubs like Robinvale and Numurkah went under in terms of tourist numbers in that area. Do you have any handle on what effect that is having, and are there any steps in place to counteract it pending it being corrected by actions of the New South Wales government?

Mr PANDAZOPOULOS — I will just put on my joint Minister for Gaming and Tourism hat to answer that question. I understand you will not be here later, Bill, for the part of the evidence dealing with gaming, so I understand that and appreciate the question.

Obviously irrespective of what New South Wales does the gaming income for many venues in Victoria has been quite negatively affected in terms of their forward projections. In terms of where the industry is in terms of actual dollars, it is probably where it was about three years ago, which was still a growth environment, so we need to keep that in perspective.

The border areas are absolutely much more affected. According to local government area there has been a greater deterioration in revenues along the border, but the advice I have from the New South Wales regulator is that it has not necessarily translated into gaming dollars over the border, but it might be going to other parts of the economy. We have spoken with some clubs such as Robinvale about the opportunities for them to be more involved in tourism. They see that the gaming turnover helps them pay their bills and commitments, and as volunteer clubs, of course, there is the issue of how they plan ahead on forward income.

Some of the strategies that we are considering is how we can work with the club sector and Clubs Victoria; how we can help businesses better understand and manage their businesses; and how they can build up their tourism profile as businesses as well, to try to replace some of that lost revenue. The Robinvale Golf Club, in the meeting I had with them a few months ago, was saying that even with a big increase in tourism visitors it will not replace the gaming turnover in terms of cash for their organisation. So while we are keen for the club sector right across Victoria to be better focused on being a part of tourism — and many clubs are members of their local tourism organisations across the Murray — a more integrated approach in working with the tourism industry can be very valuable, as well as a stronger approach in helping these volunteer organisations better manage themselves. It is an issue that obviously many volunteer organisations see much stronger than I guess those in Melbourne do the difficulties of running volunteer-based organisations that also have to run professionally like businesses.

Mr BAXTER — It seems to me that in a lot of small towns the tourism dollar is a factor of critical mass. If you have enough numbers of people coming you will get a range of tourist opportunities. My concern is that if one of the biggest drawcards is not drawing as many people because of this we have to take other actions to compensate. I appreciate what you have said. I put on the record that I think we have a blip there that you might well profitably look at.

Mr PANDAZOPOULOS — Certainly there is a lot of work being done on cross-border cooperation on tourism marketing. There is Murray River Marketing, which is a cooperative venture between Tourism Victoria, Tourism New South Wales and the South Australian Tourism Commission, but the clubs that are involved are needing to be involved also with the local tourism industry and engaging with them. As you would know, Bill, many are impacted on and are tourism businesses but many are also not members of their local tourism groups, so they are not necessarily leveraging off what is happening locally in terms of marketing campaigns. I think there is an opportunity to work together to be able to do that, to grow the tourism profile of the whole Murray area.

Mr BAXTER — The minister wearing both hats is in the perfect position to get them involved in local tourism.

Mr DONNELLAN — Has the state budget delivered on the government's election commitments to date? I refer you to budget paper 3, page 120.

Mr PANDAZOPOULOS — There was a series of election commitments. It was a pretty big policy document. Some of the election commitments would be funded out of the extra dollars that were part of the election commitment of \$40.6 million extra, and some would be funded out of existing dollars — for example, the existing major events cap, or the existing dollars as part of the core funding of Tourism Victoria.

As I said, we did say we were going to increase international marketing by \$10 million over four years, and I highlight that that is about cooperative marketing campaigns with international airlines, increased activity in priority markets — those markets that respond better for Victoria — and backpacker marketing, which is a resilient area of the tourism industry. It is sort of saying, 'Crises — what crises?' But they stay for a long period of time, and they are big spenders, so that works quite well for us.

We have also said we want to secure additional airline services. We have been knocked about by the effect of SARS, no doubt, like everyone else has been, but it has been pleasing that whilst we are down we are not as bad as Sydney is, for example. Our increased focus on additional airline services is great airlines like Emirates, in terms of their increased capacity between Dubai and Melbourne and Dubai and London, and there is work on doubling that airline's service capacity over the 2003–04 financial year with its long-range aircraft flying non-stop Melbourne to Dubai. If we had had those sort of services to bypass Asian locations it would have been really valuable obviously in terms of minimising the effect of SARS.

But also we have worked on — and Mr Gordon Rich-Phillips will be very aware of this from his previous hat — improving bilateral agreements which we have been negotiating on behalf of airlines with the federal government, mainly from Malaysian and Emirates, in terms of those increased bilateral relationships.

Mr RICH-PHILLIPS — How is Korea going?

Mr PANDAZOPOULOS — You can ask your question later on. We see that increasing their relationships to be able to have rights to fly to New Zealand over Melbourne are very much important. It increases the opportunities, particularly depending on what happens with Qantas and Air New Zealand. If that airline alliance emerges we think it is very important to have competition along the Tasman. That creates more market opportunities for them, so they are the two key priorities for us in the short term.

We have said we want to increase major events dollars — an extra \$15 million over three years. That increases our major events cap from \$35 million to \$40 million each year. It has gone from \$20 million when we first were elected in 1999 — what was being spent on major events — to in effect now a doubling of the dollars available. That provides us with more opportunities to do more things.

Of course when we look at major events it is about a \$1 billion industry for Victoria. It is an Olympics every year combined, and there are events across regional Victoria as well — things like the hot air balloon championships in 2004, or the 2004 Commonwealth Youth Games in Bendigo. So again that allows us to be able to work on our major events strategy in more detail, to be more competitive.

There is \$3.6 million for the Australian Tourism Exchange. I think it is the third largest travel trade fair around the world. It is about 2500 people in Melbourne over a week from around the world and around Australia. It is a huge event for Melbourne, and it is basically the travel trade, travel journalists, those in the travel industry from overseas coming all the way down to Melbourne to see what Australia has to offer. I will tell you what, we are leveraging very much showcasing Victoria's part of that.

There is an extra \$2 million for regional events. We have been able to grow the amount of funding that Tourism Victoria provides to regional events from 35 per cent when we got into government to over 50 per cent. We listed a number of events that we want to develop long-term relationships with in terms of multiple year funding agreements across regional Victoria, and that will happen. There is an extra \$10 million for what we said is regional renewal. I highlighted some of those in the slides about doubling regional marketing campaigns, developing local tourism infrastructure plans and tourism strategies.

But there are also other areas of leveraging off other parts of the department — the Regional Infrastructure Development Fund, for example. We have been working quite well to get regional tourism-related infrastructure off the ground. We believe that one of the areas where regional Victoria can lift its performance is in being able to have upgraded infrastructure — for example, things like the Flagstaff Hill Maritime Museum in Warrnambool.

They have now got a sound and light show. In the past if you went to Flagstaff Hill there were only things to do during the day. Now there is a purpose to stay in town and see something different. It is working immensely well. We have about 55 overseas journalists booked to go to Flagstaff Hill as part of the Australian Tourism Exchange.

There is a stronger focus on the food and wine sector. That is a very big plus for Victoria. We are seen around Australia, through our research, as the food and wine capital, but we also know that whilst we are seeing that as a brand they are not necessarily interpreting that with any particular localities. We have just launched last week our phase 7 Jigsaw campaign, which is focused on the Yarra Valley and which I am launching out at the Yarra Valley this afternoon. That will build on that food and wine reputation but also showcase our pre-eminent food and wine region close to Melbourne.

It will promote food and wine right across Victoria, in effect, but we have to champion our own regions in the same way that people know the Barossa Valley and the Hunter Valley. The reality is they do not know much about the Yarra Valley despite its international reputation, despite its large visitation, despite the large investment in the area. This is an attempt to build on the food and wine profile on a location close on Melbourne.

It is also about boosting international conferences. We are one of the major business capitals. We are very well placed in the conventions market. They are the biggest spenders. Having the world's thinkers and leaders in business, science, law and the professions coming to Melbourne as part of conferences I think is very important, not only from a tourism point of view but from the department's point of view as a business leveraging opportunity. It is immense. Many of those people follow-up business opportunities in Victoria, or contacts, and certainly when we get to know that they are around as well there are opportunities to try to catch up with them. There are certainly benefits there.

There is a stronger focus on arts and culture. I mentioned that we have launched our business plan about that. We have great shows like *Mamma Mia*, and there is a new one based on *Queen Music — We Will Rock You*, is advertised in the papers. We are hoping that that is going to work very well for us in terms of people coming to Melbourne and staying in Melbourne hotels.

Mr FORWOOD — If you want to make a ministerial statement, make it in the Parliament, not at Public Accounts and Estimates Committee hearings.

Mr PANDAZOPOULOS — I was asked about election commitments, and I just want to highlight that they are very, very diverse.

Mr FORWOOD — You have taken 8 minutes. We can read it in the budget papers.

The CHAIR — If Mr Baxter were here, I am sure when those international conference delegates were here he would offer to take them to Robinvale for a game of golf. So in the spirit of bipartisanship, we will put that one in.

Mr CLARK — Minister, you may be aware of a news release put out by the Victorian Tourism Industry Council on 28 May which reported findings that 39 per cent of respondents to their survey considered that business taxes, government charges and government regulations were significant or critical constraints on the operation of their businesses. You will also be aware of press reports at the time of the budget suggesting that a number of fees and charges within your portfolio would be subject to indexation as a result of the government's policy, including bushwalking permits, camping fees, the use of picnic grounds or camping grounds, fishing licences, jet ski licences, et cetera. Do you support the indexation of fees and charges of that sort within your portfolio area? If those increases are going to go ahead, what will they amount to, and what studies has the department carried out on their likely effect on tourism operators and the tourism industry given the various difficulties under which the sector is now operating?

Mr PANDAZOPOULOS — You would be aware that the fees and charges that you refer to are not part of Department of Innovation, Industry and Regional Development (DIIRD) charges or Tourism Victoria charges. They are from public land managers or licensing bodies, so we do not have any influence over them. But in terms of a broad government policy of indexation, it is a clear government commitment.

You would also note that whilst Victorian Tourism Industry Council (VTIC) survey spoke of taxes and charges it was not just about state-based taxes and charges; it was about local government charges, the goods and services tax and the Ansett levy being kept. They were all discouraging or adding cost to travel. There were a whole lot of factors and that same VTIC survey was actually saying that there is very strong tourism business confidence in the

Victorian market. A lot of that is based on the marketing campaigns that we have put in place. We have been pretty pleased that VTIC does these regular surveys. I think that has been done for the first time in many years. It helps us monitor what the industry is saying. It is an important analysis and overall that VTIC document was a big tick for tourism in Victoria.

Mr CLARK — Minister, are you then saying that you support those increases and have you undertaken any studies as to what impact they are likely to have on Victorian tourism?

The CHAIR — He has already answered the first part. The second part?

Mr PANDAZOPOULOS — Indexed charges are at inflation, so it is not the same as increasing charges every few years at a high level which may impact even more severely. The government chose to index charges because it thought it a fairer way to go — that is, to index charges at inflation — in the same way that there are many commonwealth charges indexed at inflation. Around 1 January every year a whole lot of charges go up. Many local councils automatically index. My local council in Greater Dandenong automatically indexes its charges every year because the impost on people every year is much lower and more gradual than suddenly making very large rises every two or three years. That is the objective of the government. I do not expect it will have any negative tourism impact as a result.

Mr FORWOOD — Did you say that no fees or charges in your portfolio will be indexed?

Mr PANDAZOPOULOS — The ones that were mentioned, not through Tourism Victoria.

The CHAIR — Thank you, Minister. If you go to budget paper 3, page 190, you outline that in the budget \$15 million has been allocated over three years to maximise return on existing events and to secure new events. Can you tell us how successful Victoria has been in attracting new events and how you measure that? Is it by visitor numbers, the number of new events or both? What are the measures?

Mr PANDAZOPOULOS — I have highlighted that now we will have \$40 million, increased from \$35 million. Prior to getting into any contractual arrangements there are negotiations about economic impact. Obviously we have a focus on the economic return to the state from every dollar invested getting a big return for the state.

Many of the events provide very large returns. As I said, from our \$35 million investment we are getting close to about a \$1 billion in economic activity, so it is a very large multiplier.

Victoria has a very strong reputation in sports events which give us a very large profile to a world audience, if they are well televised. That gives us a huge boost internationally in terms of free marketing and additional exposure. We do negotiate as part of those international broadcast rights to have mini-ads or vignettes of Victoria, depending on the location of the event, to highlight the region that it is at.

We also focus on events not only in Melbourne but in regional Victoria. I highlighted a couple of those — the hot-air balloon championships next year and the Commonwealth Youth Games in Bendigo next year — as well as other great opportunities. There are many of those events across regional Victoria. We have changed the focus of the Major Events Company to be Victorian-focused as well. We are also broadening the events-type calendar, focusing a lot more on cultural events. We believe we have a great events reputation that we can build on even more. We certainly have a great culture reputation and building on cultural events in addition to sporting events helps fill the events calendar up even more. There are certain times of the year, like winter, which are less busy from an events point of view. Theatre is also a good way to help bring people into Melbourne.

When we look again at the type of events, we also want to make sure that they work well with all of our existing well-known events. We do not want to harm the existing events that have given us that reputation. We want to be able to nurture and support them and help them continue to grow whilst we fill the gaps in the rest of the calendar.

There are some events that are much more fixed in the long term, like the grand prix until 2010 and ongoing rights with the Australian Tennis Open. But other events are one-offs or are held over two or three years and we can only get them on a one-off basis. We try to replace those as well as plug the gaps.

I will quickly run through the events held in 2002-03, the last financial year. There has been the international cricket summer series, the Heineken Classic golf tournament, the Australian Open and the Australian Film Institute awards. I can highlight about 15 different major events that were held in 2002-03, and of course many of those events will run next year as well.

But there are also other one-off events that will be held as part of 2003-04. We have the Rugby World Cup in October. Not being a mad rugby state we are doing really well in terms of people knocking on our door wanting us to be able to host games, and sales are going really well. Next year we have the International Dance Sport Federation's World Youth Ten Dance championships as well a one-off event, the Federation Internationale de Gymnastique's world artistic gymnastic championship. There are diverse events that we are focusing on. All up, events make up about 0.5 per cent of our gross state product.

Mr RICH-PHILLIPS — Minister, I would like to ask you about the Commonwealth Games tourism marketing plan which is raised in Tourism Victoria's strategic plan. It states that Tourism Victoria has developed a comprehensive tourism marketing strategy specifically related to the 2006 Commonwealth Games.

I have two issues. Firstly, last year there was an allocation of \$600 000 for activities surrounding the Manchester Commonwealth Games. Can you provide or take it on notice to provide a breakdown of how that \$600 000 was spent? Secondly, with respect to this year, you indicated in the hearing last year that you had made a substantial budget bid for funding for the marketing plan to take effect from 2003. You made two references to it. You said that:

We will obviously need more dollars from year 2003-04 all the way out to the Commonwealth Games ...

And you also mentioned:

We have a bid in ... we need to be able to market the state from 2003 forward ... we are not in a position yet, because it has not gone through the ERC process, but there is obviously a considerable ask that we are calling on.

Given that that Expenditure Review Committee process has now been gone through, can you tell the committee please what funding has been secured this year for the Commonwealth Games marketing plan, how much the total spend on that marketing plan is going to be, and is that all going to be administered by Tourism Victoria?

Mr PANDAZOPOULOS — Your first question was about the \$600 000 that was available in 2002-03. There was an extra \$150 000 available in 2001-02 to help us start planning. Predominantly those dollars were spent on research to answer the question, 'Okay, we have got one of the world's biggest events; where are the tourism-related opportunities?'. I think I highlighted that at the Public Accounts and Estimates Committee hearing last year. In terms of international markets, visitors come from predominantly the United Kingdom, New Zealand, Canada, South Africa, India, Malaysia and Singapore.

Obviously there are also great opportunities because many Australians will be visiting Melbourne around that time. Dollars were also spent on material, on paying for our presence on the ground in Manchester at the media centre and for press kits that were developed as part of that. We also did some press advertising in the United Kingdom as part of the handover ceremony giving the rights to Melbourne to get people thinking about it, and there was a visiting program for journalists from relevant countries. That is where a lot of those dollars have been spent.

Mr RICH-PHILLIPS — Are you able to take on notice the actual breakdown on how much went into research, on-the-ground entertainment, et cetera?

Mr PANDAZOPOULOS — I do not have a problem with that. I think we have provided that in the past but I am happy to provide it again.

On the second part of your question about extra resources, I would love to be able to tell you about the extra resources, but I will not steal the Premier's thunder. There are significant resources to help us achieve those campaign objectives we have targeted.

One of our obligations to the Commonwealth Games is to ensure that, it being a world event, there are many international and interstate visitors. We want to get the best economic impact we can for the event so there will be a huge economic benefit for the state, not only a tourism benefit but also a business benefit. A whole lot of work has been done in relation to business partnerships and a significant announcement is not too far away.

Mr RICH-PHILLIPS — Are those resources in this Tourism Victoria budget?

Mr PANDAZOPOULOS — They are in the Commonwealth Games budget.

Mr RICH-PHILLIPS — Will the marketing aspect be administered by Tourism Victoria?

The CHAIR — In relation to the Commonwealth Games budget that is not — —

Mr RICH-PHILLIPS — That is what I just asked: is it going to be in the budget of Tourism Victoria?

The CHAIR — I am just saying the minister does not have to answer for the Commonwealth Games budget, only what relates to his portfolio.

Mr PANDAZOPOULOS — The dollars at the moment are allocated as part of the whole-of-government Commonwealth Games initiatives. The Commonwealth Games budget, as part of its budget dealing with other government departments, will pay those bills to it. A marketing plan has been developed. Obviously more work needs to be done to refine those plans. Substantial dollars are available and you will hear more detail over the next few weeks.

Mr MERLINO — You mentioned the Australian Tourism Exchange earlier. I note that \$3.6 million was allocated over two years in the budget to stage the exchange in 2003-04. Can you inform the committee what benefits this show will have for Melbourne and for Victoria?

Mr PANDAZOPOULOS — Absolutely. I am very excited by the Australian Tourism Exchange. It is a rare opportunity to showcase to the world travel industry our own state and capital. To provide \$3.6 million, roughly split evenly over two years, is a huge commitment.

Predominantly it is the third biggest travel trade fair anywhere in the world. Despite SARS and all the international shocks we have had, we expect about 2500 people to come to it. We expect record numbers of attendances at the ATE.

It is not only about getting those people into Melbourne. Over that week we expect about \$10 million worth of economic benefit for Victoria because it is not only the hotels, the restaurants and the bars, the taxis and all those add-ons; many of those people will be adding further economic impact because some are coming before the ATE starts and some are staying after ATE finishes. Therefore we have the largest ever focus on Victorian product.

Because we are normally in other locations and have to take our Victorian product interstate there are obviously many costs attached to that. This year we will represent 160 different areas of the Victorian tourism product here in Melbourne. Brochures on the ATE are available and will be passed around. In effect the ATE is licensed through the Australian Tourist Commission. We are being friendly to the federal government as well — we even have a quote from the federal tourism minister, Joe Hockey. But we are happy to pay the money for this great event because we think it is a good opportunity to showcase Victoria.

We will see 160 Victorian products at the front entrance of the exhibition centre in Melbourne, which is the area that most people will be walking through — all the international media, all the people involved with the travel industry — airlines, et cetera. In effect they will be the ones who create the travel packages for overseas visitors, and these are the people who will be coming to Melbourne.

As part of showcasing the state we have a very extensive visitation program — we call it Famils, familiarisations, where people from the travel trade and journalists are able to experience the Victorian tourism product. As of about two weeks ago about 55 people were booked in for Flagstaff Hill at Warrnambool and many visitors are booked for Sovereign Hill to look at the new Woh Hop Mine which I opened and which is funded out of the Regional Infrastructure Development Fund from last year. They can go to Daylesford and Hepburn Springs, down to Phillip Island, and to the Healesville Sanctuary, so they are not only going to come to Melbourne but they are going to experience the product.

We believe that is very valuable for us and for the journalists who visit. It is basically free advertising. These guys will end up writing good things about us. We will work with them — we will give them photos and footage, create the links for them to write their stories and all those things. In addition, those who are creating the travel package will also experience the state and hopefully will put up more Victorian products. That is why we are having this huge investment. On its own, in terms of buyers, the ATE brings about 2.5 million international visitors into Australia, so it is about improving our share of the action as part of that.

Many events will be held. The Premier will be there, I will be there for some of the time, a number of other ministers will be there and certainly our federal colleagues will be there as well. This is our opportunity to bounce back from the impact on the international community of the Iraq war and SARS and to create a great profile and reputation for Australia as well as get the maximum results for Victoria. That is what the ATE is all about.

Mr DONNELLAN — Will there be any focus on food and wine at the same time in that week? I know you said the Yarra Valley is launching something today, but I was interested to know if the ATE will have a particular focus on food and wine or will it be just in general?

Mr PANDAZOPOULOS — Many food and wine businesses will be represented by the 160 Victorian products to be showcased. The nature of tourism is about accommodation, travel, food and wine. We are holding our own events as part of working with the international travel trade and they will be experiencing Victorian produce, which is part of it all. There will be many functions across Melbourne through the industry itself. For example, the biggest Australian inbound operator, Australian Outback Travel, is based in Melbourne even though most of its business is interstate, and it will be showcasing Victoria. There will be a lot of that leveraging to build on that food and wine reputation.

Mr FORWOOD — I refer you to the Auditor-General's report of November 2001, which detailed the financial viability problems that Tourism Victoria was having at that time, and to page 46 of Tourism Victoria's annual report, which states that an operating profit of \$4.2 million was recorded and that the profit, according to note 1, was primarily as a result of accounting treatment of a net government grant of \$1.4 million. Note 2 underneath it talks about the \$8 million for operational recovery, and note 3 underneath that states that \$526 000 which was not treated in the accounts other than by way of a note is still due from Department of Tourism, Sport and Commonwealth Games support.

What is the ongoing viability of Tourism Victoria? How much of the \$8 million was used to prop up the department as opposed to being spent on programs for the recovery? What does note 1 actually mean? What is your relationship with Tourism Victoria's audit committee?

Mr PANDAZOPOULOS — I will have to have a look at what you are saying. My understanding of their accounting treatments is certainly that none of that \$8 million from Operation Recovery mentioned in note 2 — it all went direct to programs. Some of the unspent money was carried over, and I think part of that reflects the possibility that the \$1.4 million was not all expended in the one year. Treasury allowed us to carry that amount over but there are a whole lot of issues about how the accounting of employee entitlements was dealt with. I am trying to think about whether we raised it last year.

Mr FORWOOD — The Auditor-General's point was that once that had been done, he says, while the additional funding — that is for the employee entitlements — will improve, it remains important for the authority to clearly identify the key issues affecting its financial performance, implement strategies, et cetera. Part of the problem — —

Mr PANDAZOPOULOS — I do note that the Auditor-General's report was referring to a different way of dealing with employee entitlements which were not corrected when accrual accounting came in in June 1998. You asked me about my relation to the audit committee; I think this is something that the audit committee identified over a year ago, which I understand has now been corrected, and it will be shown as corrected in the next statements. But it was the Auditor-General identifying in June 1998, when the whole-of-government accrual accounting occurred, that staff entitlements for Tourism Victoria were not being done in the same way as the rest of other parts of government were instructed to.

Mr FORWOOD — That is part of the problem. What is your relationship with the audit committee? Do you meet with the audit committee?

Mr PANDAZOPOULOS — I meet with the chairman.

Mr FORWOOD — Of the audit committee?

Mr PANDAZOPOULOS — I meet with the chairman of the board. The audit committee reports to the board, and I have had a couple of discussions with the chairman of the audit committee on different issues. This is correcting a historical problem that occurred prior to us coming into government, and so I am pleased that it was identified and fixed up.

Mr FORWOOD — And the \$800 000 that the department gives free of charge to you each year, is that ongoing?

Mr PANDAZOPOULOS — All right, yes.

Mr FORWOOD — It has gone up, has it?

Mr HARMSWORTH — It was a one-off payment by the department, is my advice.

Mr FORWOOD — The \$800 000 was shown two years in a row. If you look at page 48 it shows 'Resources received free of charge' \$800 000 in 2000 and \$800 000 in 2001. It cannot be a one-off payment.

Mr PANDAZOPOULOS — We had better get back to you on that, if you want, Bill.

Mr FORWOOD — Thanks.

Mr DONNELLAN — What have been the government's tourism infrastructure investment achievements vis-a-vis how you actually measure whether they have been a success or otherwise in investment infrastructure and so forth?

Mr PANDAZOPOULOS — Tourism Victoria is covered by its own act of Parliament and one of its key objectives is investment facilitation. Now a lot of investment facilitation is private investment; some of it is public investment. We are very conscious that as part of the economy tourism is about 5.2 per cent of GSP, and as I said it has real opportunities to grow even further. Part of our objective is being able to attract that investment where there is a market interest. We have seen significant golf course development right across Victoria that we have been involved with — for example, Moonah Links on the Mornington Peninsula, where there is an 80-room hotel under development.

We are launching the Yarra Valley ads today at the Sebel Lodge down in the Yarra Valley. That again is another investment facilitation project. Facilitation is predominantly about working with the industry and trying to identify for it what is the tourism in a particular area; what are the key strengths; what is the growth potential; providing confidence about the government's treating tourism seriously; and linkages with other parts of government — local and state government agencies — in terms of approvals. So there is a whole lot of things we have worked on in the private sector.

But local councils also understand the importance of tourism in their own local areas, and if they want to make sure that they, like Flagstaff Hill, can convert something that is a bit run down to something more modern they can find out how to achieve it. They often do not have the expertise to do it, and they work with us to help achieve that. We help them with their applications, whether they are to the Community Support Fund or Regional Infrastructure Development Fund or the federal government's regional assistance program. We have been quite successful in that.

As I said, last year about \$750 million was facilitated for tourism-related infrastructure across the board. Consider the different regional tourism products. We have in our election policy document a commitment to work on a range of different projects which have been identified as part of the tourism regional infrastructure development plans. That has been worked on together with local government and the tourism industry at a local level to identify where the growth opportunities are for them — for example, the railway line going again to the port of Echuca was a RIDF application of a few years ago. That is bringing the train to where the public is. It is a very important part of the whole port of Echuca wharf precinct, and we worked with the local council and consultants to achieve that.

Among some of the things that are off the ground we have, for example, Sovereign Hill's sound and light show *Blood on the Southern Cross* up and running again. It is a new product. We have put in \$2 million out of RIDF to help upgrade that product, to help reposition it and help grow overnight visitation to Sovereign Hill. It is working immensely well. The Hepburn Springs bathhouse has been given \$6.5 million. It was last done up in the 1980s and has had a lot of wear and tear — that is the nature of bathhouses with steam and the impact of all that on the building — but now it is very hard to get into. People know much of the mineral springs in the Daylesford–Hepburn Springs area, predominantly because the bathhouse was built there as modern facility in the 1980s. Now it is very hard to book, and while international visitors are known in Daylesford they cannot book three months ahead or six months ahead to get in there, so there is a big expansion going on. The bath house will be able to better cater for people who are just turning up for the weekend or for any particular day.

We have put \$2.3 million from RIDF into the Lake Mountain day visitor centre. There has not been any place available at Lake Mountain if you wanted to go and find some shelter and get a cup of coffee. That money is available now. There is \$3.5 million for visitor facilities at Mount Baw Baw, upgrading the infrastructure on that great mountain that is so close to Melbourne. Also there is a \$500 000 from the RIDF for the Ballarat Eureka precinct project, again helping upgrade that much-visited tourist attraction. We have a whole lot of priorities. They are listed in our election policy and we will be working to achieve them because, as I think I said earlier on, one of the ways to grow regional travel is to upgrade the product, and some of that is public sector product. The majority

is private sector product and it is great that we have been able to work with the private sector and local government to help facilitate many of these.

The CHAIR — Thank you. I will call Mr Rich-Phillips. I think there is a clarification?

Mr RICH-PHILLIPS — Minister, I would like to ask you about the Visit Victoria web site, which I understand is one of the major projects undertaken by Tourism Victoria. Could you tell the committee how much has been spent on that development to date; how much remains to be spent; what the level of uptake among tourism operators has been; is it developed to the stage where tourism venues can be booked through the service; what stage of development is it at versus where it was supposed to be; and why have you dropped out the performance indicators from the budget paper relating to it?

Mr PANDAZOPOULOS — We will get to that later. That was a series of questions and I will answer that last one.

There was an initial grant of \$7 million provided by the previous government to set up the site and there is an annual operating cost of \$1.2 million. As I said, the number of hits or uptakes has doubled over two years. You see now the visitvictoria.com portal and the visitmelbourne.com is a main marketing tag for us as an initial entry point for information for people. We have got considerable leverage off television shows like *Postcards* and the *Discovery* program that all build off our tourism web site, and it appears now in all new collateral. The way the visitvictoria site was designed was to make it accessible to the user, so the user can log in on a user code, update their own information and change their prices if for discounts or use different seasonal photographs as part of their image.

Mr RICH-PHILLIPS — By ‘user’ do you mean tourism operator?

Mr PANDAZOPOULOS — Yes. In effect there is a template, and they create their web site with assistance. Training has been provided on the ground. Things like digital cameras have been made available to operators through visitor centres on the ground by local government in order for them to do that. Many have taken the opportunity not just to develop their own web site through this but create an online booking service. The feedback that I have is that those who have their own online booking service are really pleased with it. Not everyone is computer savvy and some people see it as a challenge to take bookings online rather than over the phone, but it is our objective to maximise that. That is a decision directly for the businesses themselves, but we think the site is going quite well. We promote it in a key way as part of our marketing opportunities because we think it is a good entry point for people to look at, explore and identify what sort of product they want to visit. It helps them plan their trips. Many people use it as an important way to contact local visitor information centres and talk to someone direct.

Mr RICH-PHILLIPS — How many operators are on the web site and how many are actual booking services?

Mr PANDAZOPOULOS — We can provide the information for you.

Mr RICH-PHILLIPS — With respect to the budget you said the allocation for development was \$7 million, has that all been expended on government?

Mr PANDAZOPOULOS — Yes, it was \$7 million over two years, I think.

Mr RICH-PHILLIPS — Why have the key performance indicators been removed?

Mr PANDAZOPOULOS — They have not been removed. We have provided them annually whereas they used to be monthly. The monthly figures fluctuate depending on the seasons, and we did not think that was necessarily a good indicator. A better indicator would be year by year, which is the new measure.

The CHAIR — Thank you, minister.

Witnesses withdrew.