

REVISED CORRECTED TRANSCRIPT*

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into budget estimates 2005–06

Melbourne — 9 June 2005

Members

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Witnesses

Mr J. Pandazopoulos, Minister for Tourism;
Ms F. Thorn, secretary, Department of Innovation, Industry and Regional Development; and
Ms L. Appleby, chief executive officer, Tourism Victoria.

*Corrections to the transcript by one or more of the witnesses have been received and accepted after the initial publication date.

The CHAIR — I declare open the Public Accounts and Estimates Committee hearings on the 2005–06 budget estimates for the tourism, gaming and racing portfolios. Welcome to the Honourable John Pandazopoulos, Minister for Gaming, Minister for Racing, and Minister for Tourism; Ms Fran Thorn, secretary, Department of Innovation, Industry and Regional Development; Ms Lois Appleby, chief executive officer, Tourism Victoria; departmental officers; members of the public; and the media.

In accordance with the guidelines for public hearings, I remind members of the public that they cannot participate in the committee's proceedings. Only officers of the PAEC secretariat are to approach PAEC members.

Departmental officers, as requested by the minister or his chief of staff, can approach the table during the hearing. Members of the media are also requested to observe the guidelines for filming or recording proceedings in the Legislative Council committee room. All evidence taken by this 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 telephones please be turned off and pagers turned to silent.

Thanks, Minister. You have up to 10 minutes for your overhead presentation. Thank you for circulating it to us beforehand.

Overheads shown.

Mr PANDAZOPOULOS — Thank you, Chair. I appreciate the annual opportunity. I am surprised we do not have a full house. I guess some people are getting out of their Driza-Bones and hats, but I will move on to the presentation.

You see basically what the department does. I know you have done that or had a look at that before, but basically it works collaboratively with all ministers on the innovation business agenda. Tourism is a key part of that and it is the Marketing Victoria output group that we are focusing on.

The next slide focuses on the agencies and responsibilities. Tourism Victoria, the state's marketing body, has two outputs there: marketing and aviation and infrastructure. The Australian Grand Prix Corporation delivers the motorcycle grand prix and Formula One grand prix. There is the Emerald Tourist Railway Board — which means I am the Minister for Puffing Billy! — and also the Melbourne Convention and Exhibition Trust, which includes the exhibition facilities and the convention facilities and, of course, the new convention project in Melbourne. The Marketing Victoria output group obviously is a key part and ensures the effective marketing promotion of Victoria in a global economy, and we will share some information with you. The slide also shows the output figures of \$39.1 million for 2005–06.

Tourism and the economy in 2004: the tourism industry contributes \$10.6 billion to the state economy, or 5.5 per cent of GSP. This represents a 45 per cent increase on that of 1997–98, so it is a much bigger industry than it was a few years ago. It employs 156 000 people — 6.7 per cent of all employment in Victoria, representing a 16 per cent increase since 1997–98. It contributed \$650 million in tax revenue; in regional Victoria it contributed \$3.3 billion to the regional economy, a 27 per cent increase since 1997–98, reflecting a significant focus on regional Victoria, as well employing 61 000 people — again, a 13 per cent increase. Of course tourism also contributes to community wellbeing, providing jobs in regional communities and local communities, helping them shape their own future. We have some brochures about what tourism means to you which we are happy to circulate and which cover some of those economic figures.

Internationally visitor numbers have increased to 1.3 million in the year ending December 2004, which is an 8.7 per cent increase on 2003. The length of stay has also increased. The length of stay in Victoria is quite high at 21.8 nights. Expenditure has increased to \$2.6 billion, an extra \$200 million above that of 2003, and regional dispersals are also high, with 4 million visitor nights in regional Victoria or 14.1 per cent of all international visitor nights in Victoria, which is up from 3 million in 2003, so we have seen big growth there in regional Victoria

I refer to some of the key achievements in 2004–05. Internationally we hosted, as we mentioned in the past, over the previous two years the Australian Tourism Exchange, which is the biggest tourism trade fair in the southern hemisphere with the world's tourism buyers coming to Australia. It was a Victorian opportunity to host

750 international travel industry, media from about 50 different countries and 1800 delegates from across Australia. Perth is hosting it this year and we will have a good presence there as well. Interestingly Melbourne was recently named the no. 1 destination in Australia for international meetings by the International Congress and Convention Association. Victoria hosts a quarter of Australia's 316 000 business events. There is a brochure here for all of our major events. You can see our marketing information highlighting our regular events and the one-off events that we have. Interestingly next year we have more major events than we have ever had at any time in our history and anywhere else in the world. Also the new convention facilities have meant that we are bidding for more events and we are on the map a bit more. What it really means is that this new convention centre is providing new business and we have been able to win around eight new international conferences valued at \$62 million. There will be 12 000 delegates to Melbourne, 46 000 room nights in city hotels and that is bringing the world's business to Melbourne. A couple of wins recently include the new International Congress of Internal Medicine in 2010 which will bring 4000 delegates to Melbourne. Very recently we also won the right to host the World Youth and Student Travel Conference in 2006 which will bring a \$5 million boost to the state's economy. This is the difference — we have taken business events as seriously as major events. The World Expo in Aichi is also providing us a big opportunity to promote ourselves in that key market in Japan where the Victorian government including Tourism Victoria is having a key presence.

Key achievements in 2004–05 are a 17 per cent growth in year to date international passengers through Melbourne Airport; new services and increased capacity were introduced by several carriers — Mr Rich-Phillips will be interested in this — Air New Zealand's Melbourne to Auckland-LA services, Qantas Airways extra services to LA, Singapore Airlines going out triple daily and extra services from Air China and China Eastern. There has been a gross increase of 7433 seats per week over the last year and a 14 per cent increase in year-on-year growth in international seat capacity to Melbourne, compared with an increase of 7 per cent for Sydney and an increase of 8 per cent for Brisbane, so we are very competitive in that area.

We have developed campaigns with China Southern Airlines with three major Chinese wholesalers packaging Melbourne to the South China market. China is our fastest growing market. We also had a 32-page supplement in *Modern Weekly* distributed in 25 major cities in China with a circulation of just under 500 000. Our Commonwealth Games taxi promotion in the UK was underpinned by several Commonwealth Games-related events held in London. I was also involved in the March into Melbourne launch in Toronto with Commonwealth Games Canada as well as launching the games to the travel industry in New Zealand at OzTalk, so there is a lot of excitement around the games activity.

The next slide shows some of our marketing activity that we see internationally. We do not often see this stuff over here, but we wanted to share that with you because a lot of our dollars are spent overseas promoting Victoria. Every day international visitors spend an average of \$7.1 million in the state. International visitor expenditure generates 39 000 jobs in Victoria. Interstate tourism has also been good news. There were 5.2 million interstate visitors, which is an increase of 0.5 per cent coming off a record year. Let us not forget that after September 11, the Bali bombing and bombings in hotels in Indonesia there was a very big growth in domestic travel. Now confidence has come back internationally — more people are going out and we have been able to hold and improve the ground interstate. Length of stay is 4.2 nights, which is a slight drop, but that is a national trend. There was expenditure of about \$3.1 billion and regional dispersal continues to grow at 8.8 million visitor nights — 40 per cent of all interstate visitor nights are in regional Victoria.

The CHAIR — Minister, you have 1 minute.

Mr PANDAZOPOULOS — The key achievements: visitvictoria.com, which is growing phenomenally in hits, received a number of awards recognising that it is the best-used Internet site. The Melbourne winter masterpieces Impressionists exhibition was the biggest gallery exhibition in Australia's history. There was the launch of regional tourism development plans. We have a Melbourne Surrounds one here as an example of our industry development.

The key activities: we have been rolling out a number of our campaigns that have been funded by the Community Support Fund — Run, Rabbit, Run, Grampians, Mornington Peninsula, Phillip Island and the Goldfields. They have seen increased growth. Major events is a \$1.2 billion industry for Victoria. They are growing and the economic impact of the grand prix and the Australian Open continue to grow.

Priorities: we are developing a 10-year tourism and events strategy which is about thinking ahead about where we need to be in 10 years time and acting on it now; delivering on the Commonwealth Games tourism marketing program; starting work for our next Victorian tourism industry strategic plan; developing different plans for Aboriginal and nature-based tourism; and launching a \$100 000 adventure tourism marketing campaign.

Our key focus is on the Commonwealth Games, delivering a new convention centre, the Australia club as part of the Commonwealth Games, continuing international marketing and building on international airlines and the continuation of our approach our international marketing and branding. I will leave it there.

The CHAIR — Thank you for the shorthand over the last couple of slides. Minister, I want to take you to adventure tourism. The Alpine National Park is really quite a topical issue today. Can you outline to the committee what you are doing to maximise tourism opportunities including adventure tourism in the Alpine National Park?

Mr PANDAZOPOULOS — The Alpine National Park is a great opportunity for us. In that part of north-east Victoria, what we call Legends, Wine and High Country, tourism has been growing. The Alpine National Park package and the cattle grazing issue have provided a significant boost in a lot of tourism opportunities. Some areas have been much more developed than others. The area from Omeo and beyond towards the Murray has needed more support from a tourism point of view. They are less developed than Mansfield, Bright and the ski resort areas which are our biggest single tourism investment in regional Victoria. There is an opportunity now of moving to the next stage of national and world heritage listing for the Alpine National Park. Nature-based tourism is growing very fast. Victoria is well placed with great and unique nature-based experiences. The reality is that cattle grazing in the national park contradicts being able to get these heritage listings. As has been seen by the federal government's own submission and the Australian Heritage Council, the natural heritage of the site has to supersede other heritage issues. Cattle grazing continues but not in the alpine park. We believe the tourism infrastructure that is going in as well as the \$100 000 adventure tourism marketing campaign that I announced in Mansfield at the adventure tourism forum last Monday week are an important part of growing tourism in the region. You can grow adventure tourism activities in the national parks — about 50 per cent of adventure tourism operators are in the high country. We want people to use the parks system and we want to be able to move forward in growing tourism. An important part of that is getting the natural heritage listings we need.

There has been transitional funding to cattlemen whose leases are not being renewed. They are expiring only in the alpine park — 10 000 other cattle are in other Crown land. We are providing or putting money into the tourism infrastructure with support for the Bogong High Plains Road to link Falls Creek with Omeo — and that is immensely popular in the region. It will open up the whole region to tourism, economic activity and opportunities. There will be more investors coming in because suddenly it is accessible when it never really was before unless you had a four-wheel-drive. A tourist from overseas who had a hire car just could not enter that great area. There is huge potential. In order to expand that, \$265 000 has been allocated to help develop the Omeo tourism destination plan which is being developed with the Omeo Tourism Business Association. It has identified a number of strategies. Now we are at the stage where we can fund a number of those. Also, there is interpretative signage and restoration of some huts in the Alpine National Park. The signage interprets the heritage of the region including the cattle heritage because it is an important part of the story. As the Australian Heritage Council said, you can interpret that heritage through other means. Often it is done through tourism as well as through the different festivals and events in the region. We are putting in \$200 000 over four years to fund heritage retention through event activity. They are some of the big investments and this is going to be very good news for tourism in north-east Victoria.

Mr CLARK — You mentioned rebuilding some of the huts that were destroyed during the 2003 bushfires. How many of those 40 or so huts will the government rebuild and, if not all 40, why not?

Mr PANDAZOPOULOS — You have had the opportunity to talk to the Minister for Environment. This package is restoring some of those huts. Our role is in marketing and industry development. I am referring to what the overall package is that supports tourism. Restoring a number of those huts and providing access to existing huts is a very important part of the tourism experience.

Mr CLARK — My question relates to cruise ship visits to Victoria. I have not been able to find whether that is still reported as a performance indicator. Perhaps you could let me know if it is. I understand the number of cruise ship visits is less than it was two seasons ago. What are the reasons for that and what plans are you making to try to boost the number of cruise ship visits in future?

Mr PANDAZOPOULOS — On cruise ships we work together cooperatively with the Department of Infrastructure which takes the lead in it. The reality is that for the 2005–06 season it is good news. In 2004–05 there were 24 cruise ships, which is a bit less than normal. You are aware that there were a number of world crises and scheduling of cruise ships operation occurs certainly more than one year ahead. With SARS the scheduling for this region was not very good, but this year the number will grow from 24 to 32 ships, which is great. But even with the 24 ships there were more regional visits than there were in previous years. It is an important part of the economy. Every time a ship lands in a port it means \$1 million. P & O Cruises announced on 24 January 2004 that it would base *Pacific Sky* in Melbourne for a series of cruises. There will be three round-trip cruises from Melbourne. Having a ship ported in Melbourne is very important. The *Diamond Princess* will take over from the *Sapphire Princess* for next year's season and be a regular visitor. We work together not only with the Department of Infrastructure but also the City of Melbourne as part of growing that. We have been building the profile of cruising at Station Pier with upgraded facilities and the Port Melbourne area which is very attractive. We have also been building on opportunities around Phillip island and Geelong as separate destinations for cruise ships which have been taken up by the cruise ship sector. It is a good news story and we expect to be doing more.

Ms ROMANES — Minister, in budget paper 3 on pages 138 and 139, the output group 'tourism' is outlined, and under the heading 'Marketing Victoria' one of the key objectives is for more quality jobs and thriving innovative industries across Victoria. The output group has an allocation of \$39.1 million for this coming financial year, and a subset of that is the regional marketing and regional renewal funding, which I understand was at the level of about \$2.5 million over the past financial year and again will be at that level in this coming financial year. Could you tell the committee how funds have been spent and what is proposed for 2005–06, also what have been the demonstrated benefits for country Victoria through the tourism industry and whether you intend to conduct a formal evaluation of outcomes for this initiative and major initiatives such as Marketing Victoria?

Mr PANDAZOPOULOS — I highlighted in the slides earlier on that a key part of our work is growing regional tourism as well. Victoria is well positioned in that because we are the second smallest state, so we are very compact, and we have many diverse tourism experiences, which suits travellers very well. The investment we are making means that we can grow tourism in regions, and as I said we have seen that that has occurred — so more visitors and more visitor nights, and that is good. That is reflected in the campaigns we have done, and the regional renewal is \$10 million over four years, funded out of the community support fund. We have been able as part of that to develop the regional tourism development plans like those we have circulated to you, and plans have been developed for all the regions of Victoria which say, 'Where do we need to go for the next stage?'. It is an industry development perspective; it is about what all the different players need to do — at the state level; different parts of government; local government; the tourism industry at the local level; what are the gaps in what we are doing; where do we need to be targeting? It is important that we focus on where the best effective spend is, and that is really based on what those plans are saying, to take us to the next stage.

It is also underpinned by marketing campaigns, and that is where most of that \$2.5 million a year is going — and I want to be able to share with you some of the campaigns that have been running over 2004–05 and will grow. I know that these are displays and it is hard to record, but there is 'Melbourne's Yarra Valley — You'll never want to leave'. There is a new campaign on the Mornington Peninsula, showing it as being almost European, but part of Australia —

The CHAIR — Can I remind you that this is our last significant hearing for the estimates period. We are happy to be briefed on this!

Mr PANDAZOPOULOS — Very good. We cannot help ourselves. We encourage you to take a holiday! That is why we are doing so well, because we do not stop.

We have ads in the *Weekend Australian* magazine about the Great Ocean Road campaign — 'Unburden Yourself'; ads in the *Australian Country Style* magazine, again the Great Ocean Road; the 'Interesting Grampians'; a cinema campaign — cinemas have had their own lifts showing the outdoors and specifically the Grampians; and even 'Thinking space in lavatories' worked very well in cinemas; and visitation has increased in the Grampians as a result of that ad campaign. The Alpine region has been advertised in *The Bulletin*, with some quirky ads that Tourism Victoria is known for; and in the *Good Weekend* we have advertised the north-east region, focusing on Beechworth; and one last one to share with you — it is ski season, and I reckon snow will fall this weekend, and this poster I am holding now is for the ski campaign 'Your head's already there', which I launched at Federation Square a few days ago. So that is an indication of some of the campaigns we have been rolling out. They include

the ongoing Yarra Valley Run Rabbit Run campaign, the Grampians campaign, the Mornington Peninsula campaign, Phillip Island, the Goldfields, the Great Ocean Road, and the Great Alpine Road. But the question you also asked concerned 2005–06. We will run the development of the Murray ad campaign, and the Gippsland and Daylesford campaigns, which we will roll out and also there will be further work on the Goldfields campaign; so that is what it is really doing. And evaluation, at the end of the day, means following what the data tells us about visitation from regions.

There is currently evaluation of all programs that Tourism Victoria undertakes. Of course we have also an industry-based board that is an important part of the whole exercise on performance, and we ad test, we do advertising awareness and brand health results. And at the end of the day we also have that, as part of the regional tourism development plan, which was well researched in terms of where we need to be, and these campaigns emanate from that, so we will continue to track those. I think the data that we have shared with you shows that what we are doing in regional Victoria is actually having a big positive effect. It is good to see some of the clippings we get from regional media, where local communities, councils and the tourism industry are all saying they are getting record numbers. If we take the Yarra Valley Run Rabbit Run campaign, they saw a 50 per cent increase in New South Wales visitors, year to year, so that is an indication. We apologise for the extra numberplates from New South Wales and Queensland coming across the border, but that is tourism.

Ms ROMANES — Thank you, Minister, for that information and the publication. Looking through it I am reminded of what I look for when I go on holiday in Victoria, and that is a rail trail. I took 12 friends on the March long weekend up to the north-east rail trail. Some of the bus operators along there said that without the rail trail a lot of the restaurants and accommodation places would not have survived over the last year or two. I am wondering whether you would like to comment on where the cycling and rail trails fit into this strategy. I cannot pick up anything on it by just quickly looking through the publication. Is it a determined strategy?

Mr PANDAZOPOULOS — I think Minister Thwaites soon will be launching a Tracks and Trails strategy that we have been working with them on. Of course, you are right about the north-east, cycling tourism is growing a lot. There is good dispersal, because you get to experience the little towns and coffee shops, and the industry has set up bike hire and moving gear and equipment around, so it is a new part of tourism. There is the Lilydale rail trail and there are extra rail trails that we funded out in the South Gippsland area, and more dollars are going into trails all the time, including one around the Yea area in the Shire of Murrindindi as well — so it is a big growth area. We are conscious of that, and there are good opportunities in cycling tourism as well as in cycling events.

Mr RICH-PHILLIPS — Minister, you spoke in your presentation about the importance of continuing to grow air service links to Victoria from key markets. What is the Victorian government's position with respect to the Singapore Airlines bid for trans-Pacific rights to the United States, and has the government made a formal submission to the commonwealth about that bid by Singapore Airlines?

Mr PANDAZOPOULOS — The Victorian government makes regular presentations about air service issues to the commonwealth. It is our view that, like everything else, competition is very important, so we take a strong view on effective competition, and we take the opportunity on services being able to originate out of Melbourne and go direct, which is much more important in terms of yield and opportunity. I note reports today in the media saying that federal cabinet's position might mean it will approve Singapore Airlines to fly Melbourne to Los Angeles — I would welcome that, but our submissions to the commonwealth have been that we believe competition is good, that there is more opportunity and capacity in North America. Having said that, I believe Qantas does a pretty good job, but I am also conscious that, when I have been to the States and when North Americans have travelled here, at certain times of the year it is harder to find aircraft, but I am also conscious that Qantas says that at other times of the year it has capacity and it has to run a plane all year round. We believe in competition. There are opportunities available, and we welcome any extra services from Melbourne to North America.

Mr MERLINO — You mentioned in your presentation and announced recently the development of a 10-year tourism and events strategy. Could you provide the committee with some details of this strategy? For example, what are the objectives of the strategy? Who is involved? What progress has been made in the development of the strategy? Will this form the basis of future funding initiatives? How do you see this strategy providing an economic benefit to the state?

Mr PANDAZOPOULOS — Normally when governments do 10-year tourism strategies they do it because there is a crisis situation where they have been under pressure. The federal government tried one as part of a green paper and a white paper. Basically they were undertaking a strategy because they were seeing a divesting in international marketing at a considerable level. They were doing it off a low and we have decided to do it off a high. We have seen that, with the information I have shared with you, between 1997–98 and 2002–03 tourism was 45 per cent bigger for Victoria's economy. There has been a moderate increase in investment — on average annually since 2000 about an extra \$10 million available for tourism. We have also more than doubled our major events budget which adds to tourism effort. From that modest investment we have seen very big growth.

This 10-year plan is about saying if we actually think about where we need to be we will identify in a whole-of-government way key strategic moves that we need to make to grow tourism. It is one of the fastest growing segments globally, but you are not going to get it by standing still or assuming it is going to happen; you have to position yourself to make it happen. This is really about identifying strategies. The first stage is how well are we organised. Is what we are doing the most effective thing? Are there other ways to do things? Are there things we are missing out on? What are the impediments to growth? Are there any impediments in governance, in legislation or in other government policies that restrict growth? It is also about creating opportunities for extra linkages at the local, state and commonwealth levels because at the end of the day we are all partners in this. It is important that government takes a strategic approach across all of our state agencies because a lot of agencies, as some of the questions have reflected, impact on tourism and tourism outcomes. If we are kicking in the same direction and have a common view, we are going to do much better. In addition, if we have a common view and a longer term view, it allows our other partners to be thinking ahead as well so that they can position themselves as well. Where does local government position itself? This plan will tell us where the market growth will come from in the next 10 years, and that will tell us how we need to organise ourselves. Are jobs gaps and skills gaps appearing if tourism is growing and what do we need to do to achieve all of that?

As to the people involved, there is a project team within Innovation, Industry and Regional Development. There is also a high-level reference group chaired by Fran Thorn who is assisted by older statespeople and broader tourism industry people. People like Bob Annells, who is well-known in tourism, Chris Brown from the tourism task force, John Haddad, Janine Kirk from the Committee for Melbourne, Steve Vizard and others are involved. We want them to help steer and test because these guys have been involved in tourism for so long that they have good insights into where we need to go. They have the mix between tourism, major events, business events, local government, national bodies and international focus to try to bring all of that together with a government group.

Where do we go? There will be a discussion paper coming out for public consultation on 1 July for a month. We will be wanting feedback from industry. From that process I intend to develop the 10-year tourism and events industry strategy with some announcement to Parliament later in the year. At the end of the day it is all about growing the size of tourism. We have seen we have grown it from about a \$7.6 billion industry to a \$10.3 billion industry. If we maintain the effort in real spend, I think within 10 years it will be an \$18 billion industry. There are good opportunities in tourism and it is our job to maximise them and make them happen.

The CHAIR — Just by way of supplementary, Ms Romanes asked a supplementary question in relation to the rail trails which are a more active type of tourism where the tourist is walking or cycling. Listening to your last answer and looking at these booklets, is there much in your events strategy that links into the C Great Victoria Bike Ride, the Melbourne marathon or the Great Ocean Road marathon held recently? In quickly looking through here it is a more sedentary than active approach.

Mr PANDAZOPOULOS — That is really around events. Some of the destination plans focus on their events. These plans are done by us in conjunction with local government and the tourism industry in the region and other government departments where relevant to say where the focus is. Events are part of that, but about half of the events that Tourism Victoria funds — it has a \$1.5 million budget — are in regional areas and a number of them involve cycling. Just recently I have ticked off on cycling tours of the Murray and Gippsland, which are just cycling enthusiasts getting together on regional cycling trips as an event. We also fund events like the Bendigo Madison which is a more serious competition, but we are moving into events like the Great Victorian Bike Ride at a more regionalised level. This is really about people who like getting on their bikes but like somewhat competing with others in a bit of fun atmosphere and getting out to regions to cycle during the day and have a good time at night — if you can keep up with it. The Great Victorian Bike Ride was a state tourism award winner at our last state tourism awards so we work very closely with them.

The CHAIR — So marathons and cycling are included?

Mr PANDAZOPOULOS — The marathon received support from us. Cycling tourism and those active but non-professional-type activities are some of the things we are encouraging.

Mr CLARK — I refer you to page 383 of budget paper 3 which is the page of discontinued performance measures and in particular to the measures of ‘non-hallmark events assisted’, ‘number of consultative industry forums’, ‘visitor nights (domestic)’, ‘visitor nights (international)’, ‘visitor nights to regional Victoria (domestic)’ which have been dropped. All of these seem to be worthwhile indicators either of the performance of your output group or the performance of tourism in Victoria. Can you tell the committee why those indicators have been discontinued?

Mr PANDAZOPOULOS — Performance measures are normally reviewed annually and the changes made are consistent with reforms previously recommended by the Public Accounts and Estimates Committee, Treasury and Finance and Innovation, Industry and Regional Development. A number of the measures have been deleted through a shift from output to outcome measures, which is one of the things you have been asking us to do. In relation to the number of industry consultative forums conducted, non-hallmark events assisted and international marketing expenditure as a proportion of total campaign expenditure, you have asked us to focus on the outcomes and that is what we are trying to do here. The primary focus of us is really about yield and measures of visitor expenditure have been included for regional events in international markets. The previous measures of visitor nights have been deleted as that is only one influence of yield. We have also taken out the performance measure of annual page impressions to visitvictoria.com — —

The CHAIR — Could you speak up please?

Mr PANDAZOPOULOS — We have changed the visitvictoria.com output which was really about annual page impressions and replaced it with annual site visitation which is a more accurate reflection of outcomes. It is really just trying to keep pace with what you have asked us to do and whole-of-government strategies in these areas.

Mr SOMYUREK — Mine is almost a follow-up question from that, Minister. I notice on page 138 of budget paper 3 under the tourism output you have a performance measure of unprompted interstate awareness of Commonwealth Games. I notice the target there is 35 per cent to 45 per cent for 2005–06. Can you inform the committee of what activities are being undertaken in relation to this indicator?

Mr PANDAZOPOULOS — A lot of our focus in the new financial year will obviously be around the Commonwealth Games. Interstate they will help our brand development. Basically our marketing campaigns reinforce the brand knowledge that people have of Victoria — that is, of events, a cultured city, the food and wine in our city and our regions being so close. That is the focus of what we are doing. A good measure for the new financial year will be people’s awareness of the Commonwealth Games compared to awareness of Victoria. They will be aware of Victoria because it is hosting the games, but I think a more important measure is how aware they are of the Commonwealth Games being held in Melbourne. That is the rate that we set — as you suggested, about 35 to 45 per cent.

I think I have reported to the committee in the past that we have \$7.6 million that we are spending both nationally and internationally on delivering tourism outcomes for the Commonwealth Games. We are expecting about 90 000 visitors — 40 000 from overseas, 50 000 from interstate. There has been a huge amount of work that has been done as part of that in partnership with Melbourne 2006. I think I referred earlier to some of the international campaigns, like the taxis in London — 25 taxis are done up; they will be driving until the end of this year under full livery promotions about Melbourne as the host city. On the sides of the vehicles are the Twelve Apostles and Go for Gold, which refers to our goldfields as well as obviously to events. What we are trying to do through that international marketing is focus on not only the event but also on regional dispersal, with things to do before, after and during the games — if you do not have tickets or you want to go and do something else. We are also focusing on Victorians inviting friends and relatives over, because it is a good time; there is nothing like events for coming over and bumming it with the rellies for a while, go and see the events together and go out and have a look at the state later on. We know from some of the ticket packages that have been part of the process that a fair number have involved Victorians putting in bids on behalf of their relatives both interstate and overseas, because we have asked

them to talk to their relatives before they put their bids in. As well there are holiday packages that available through Qantas holidays interstate and other travel packages from overseas.

The Queen's baton relay that started at Buckingham Palace is obviously providing a whole lot of global opportunities. We are seeing some of the photo images that are appearing in our daily papers as they get to different destinations. There is really good coverage and promotion occurring globally out of that. The reality from a tourism point of view is that obviously heaps of Australians are going to come from interstate, but our key markets overseas are the UK, New Zealand and Canada predominantly, and secondary markets are Singapore, Malaysia, India and South Africa. I referred earlier to a launch of the bats in London; there was the baton relay launch of the games activities in Canada; there was a launch in New Zealand; and there will be a launch very soon — I think it is next week — in South Africa. There has been activity undertaken in India. There have been promotional campaigns. As we speak at the moment there are billboards in public transport in Kuala Lumpur, Malaysia and Singapore. They are in India as well, Lois?

Ms APPLEBY — They are coming.

Mr PANDAZOPOULOS — They are coming soon. The interstate campaigns have really been focusing on that. The first phase is the ticketing: invite your relatives, talk to your relatives. But the second phase is really one of celebrating the party in Melbourne. It is focusing on Federation Square, which is the One Year to Go strategy. So we are going to start seeing a bit more of this activity as we continue to grow tourism interstate. I am very confident that we will achieve that figure. That is a reasonable output figure to measure, seeing a lot of our activity next financial year is really about marketing the Commonwealth Games around Australia and overseas.

Mr RICH-PHILLIPS — Minister, I would like to ask you about cooperative marketing support for airlines. The appropriation bill which was introduced last month shows that for the 2003–04 financial year Tourism Victoria sought Treasurer's advances totalling \$1 million for cooperative marketing activities. Can you provide the committee with a list of the airlines that received money from those Treasurer's advances. And within your current appropriation of \$39 million for the new financial year do you have a budget for cooperative marketing with airlines, or are all your cooperative marketing activities funded through the Treasurer's advance, and, if so, why, given that it is an annual event, do you not fund it through the budget?

Mr PANDAZOPOULOS — Actually we do. We have an output measure of \$10 million over four years for extra international marketing, and \$500 000 a year of that is airline cooperative marketing. I think it was the first time that a dedicated airline cooperative marketing budget has ever been made available in Tourism Victoria's budget. In the past it always relied on Treasurer's advances. I think what you are specifically referring to is the Treasurer advance for Jetstar. Jetstar was a new thing that was not really predicted in that previous financial year when budgets were being set. There has been very good cooperative marketing activity being undertaken by Jetstar. We have seen through Melbourne Airport an 8 per cent increase in domestic visitors, and we are also expecting in the first full year of the new Avalon Airport 450 000 people, which makes it one of the biggest regional airports anywhere in Australia. As part of that cooperative marketing campaign we have wanted Jetstar, being home based here in Victoria, to work with them to maximise yield for the state, building on Melbourne's profile but also building on, particularly through Avalon, encouraging people to visit the Geelong and Great Ocean Road region. I understand about 40 per cent — I think my notes say — coming out of Avalon Airport go basically west of Avalon to Geelong and the Great Ocean Road. So 40 per cent of 450 000 is a heck of a lot of people suddenly accessing a region that was not being accessed as much.

Also as part of the cooperative marketing at Avalon we have been able to showcase a number of the events of the region. I know that some of the events that have been promoted in recent times are the Queenscliff Music Festival and the Rip Curl Surf Classic. So we want to use it not only to promote exploring the Great Ocean Road but also as a motivation to attend events when suddenly they become accessible out of Brisbane and Adelaide where the aircraft operate. Also at the moment Jetstar through Melbourne Airport is joining with us in the tourism industry on a key campaign about shopping in Melbourne. It is about our key product strengths — it is focusing on theatre, arts, culture, shopping events, coffee, dining and all the key brands that we have got. It is pretty good. The figures I have from Avalon Airport for May 2005 reveal the following: the average passenger is an 18 to 30-year-old female, 52 per cent of passengers flying to Avalon are from interstate, 48 per cent of passengers travel as a couple, 82 per cent of passengers are holiday travellers and 40 per cent of interstate passengers visit Geelong and the Great Ocean Road. That is 120 commercial weekly services out of Avalon alone, not including all the extra activity out of

Melbourne. Of course Jetstar is now looking at expanding services to other destinations such as to Townsville very soon. Newcastle — it was Newcastle?

Ms APPLEBY — Yes, it is Newcastle.

Mr PANDAZOPOULOS — And it is looking at some cross-Tasman services as well. So we think Jetstar has been a very good investment for us. I do not think we would want to mess up opportunities for cooperative marketing. Whilst we are spending dollars on it, they are spending a lot more than we are. All we are doing with our investment is guiding their marketing to sell the things we want them to sell about Victoria.

Mr RICH-PHILLIPS — Their cooperative marketing activities are quarantined from their Qantas activities?

Mr PANDAZOPOULOS — They are just Jetstar activities.

Ms GREEN — Budget paper 3, page 41, indicates a \$7.6 million funding increase to attract major events. Could you explain the strategy, any outcomes and the economic impact for the state?

Mr PANDAZOPOULOS — We have been able to grow major events significantly from about \$22 million when we came into government to now about, with this latest allocation, to \$57 million or something. That is part of growing our events calendar. There are a number of things that we wanted to do. The flyer that I have shown from major events, which is a good marketing tool, lists the regular events. There are things that we have to do as regular events that are locked in on a long-term basis. We have had to help some of those events, like the Australian Open, expand because of the environment changes — it did not receive funding in the past but now it does. Take the Australian Open, for example. We had Melbourne branding on every court, for the first time ever, televised all over the world. With some of those great photos that went around the world, you knew the event was on in Melbourne.

Then there are other one-off events that we have, which are also very significant. Obviously, we have got the Commonwealth Games next year, but if we take later this year, we have got the Federation Internationale de Gymnastique world gymnastics championships; we have got the ICC Cricket World series again later this year; and we have got the Volvo Ocean Race Melbourne stopover at Docklands in February next year before the Commonwealth Games. I think in March we have got the world surf lifesaving championships in Geelong and the Surf Coast shire. What we try to do is support our existing events, grow in the gaps where we have got gaps as one-off events finish, and also grow the time of the year that is slow, which is basically the cooler times, with other events, indoor events. So we have got a Melbourne winter strategy, which is about three activities: Melbourne Winter Masterpieces — and last year of course we had the French Impressionists exhibition, which was the most successful gallery event ever in Australia. This year we have got the Dutch Masters from the Rijksmuseum exhibition, which opens in a couple of weeks time on the 24th. But the French Impressionists last year brought 380 000 visitors — 78 000 came from interstate or overseas — and a \$25.7 million economic impact. Also last year we had *The Producers*, the musical, a first in Melbourne. One of our activities is to have a major indoor gallery event and a major theatre event, and last year we also had a food and wine festival that goes into winter. That is our strategy, to have three big events happening over the whole winter period in Melbourne. Of course the theatre productions go longer than that, but the objective is to get them starting around winter to complement our other activities. We also had last year the Australian Dancesports Championships — it used to be known as ballroom dancing — and the IDSF World Ten Dance championships, and that was really good. It provided about \$10 million economic impact to the state; 40 per cent of ticket sales were interstate and 11 per cent overseas.

The CHAIR — Thank you, Minister. Very comprehensive. Could you conclude.

Mr PANDAZOPOULOS — I will. I thought you would be interested in this one. So they are not only around those, but there are also regional events like the Commonwealth Youth Games, which is a \$9 million boost to the Bendigo region, but also other events like the Deaflympics, which are about supporting other parts of events and sending a very important message to the community. The Deaflympics was about a \$30 million benefit to the Victorian economy and was held both in Melbourne and in Ballarat. So that is the strategy. Don't let anyone else know about it.

Mr CLARK — Can I refer you to budget paper 3, page 139, and to the line showing the total output cost for tourism within the Marketing Victoria output group. As you will see, the actual output cost for 2003–04 was

\$40.7 million; the budget for current year was \$42.3 million; expected outcome for this year, \$38 million; budget for next year, \$39.1 million. Can I ask how much of the 2005–06 budget is a carry forward of funding that was originally provided for 2004–05 but has not been able to be expended that year, and why is it that the budget for 2005–06 is lower than the 2003–04 actual expenditure?

Mr PANDAZOPOULOS — It is all committed dollars. You said a figure for 2004–05 was what, sorry?

Mr CLARK — Quoting from page 139, the target figure for 2004–05 is listed as \$42.3 million and the expected outcome is \$38 million.

Mr PANDAZOPOULOS — What we had in 2004–05 is that to do some of the preliminary work there was \$2 million allocated to Tourism Victoria for the convention centre, so that was in there in 2004–05. But the convention centre is done as part of a whole-of-government strategy now that the whole convention centre project has been funded. So it is a reflection of that, predominantly.

Mr CLARK — Well, that explains \$2 million of the shortfall between expected outcome and target, which would leave \$2.3 million. Then, overall, how much of that has been carried forward to 2004–05 and why is 2005–06 still lower than 2003–04 actual?

Mr PANDAZOPOULOS — So we had the convention centre. There was half a million from Living Regions Living Suburbs, a special grant that does not appear there later on. There were carryovers from 2003–04 of 0.761 into the 2004–05 budget initially, so 2004–05 was initially, I guess, inflated by some carryovers. Then there are basically internal adjustments of corporate overheads for the agency within the department, so that all balances out.

Mr SOMYUREK — A supplementary to that: wouldn't you have reduced expenditure too, just so that you do not crowd out the Commonwealth Games? Would that have an impact on that too?

Mr PANDAZOPOULOS — Our expenditure would vary on different areas year by year, depending on need. We also want to be efficient, so we might reduce expenditure in some areas, but generally it was basically inflated by the convention money, by a carryover from the previous financial year and by department reallocation on corporate overheads.

The CHAIR — Minister, could I take you to BP3, page 138. In relation to performance measures for international markets there: China, we have heard, is a big potential tourism market. How much is being spent on the China market, and how will you assess the performance of that strategy?

Mr PANDAZOPOULOS — China is our fastest growing market, having grown 56 per cent over the previous year, and Chinese visitors are now spending \$337 million in Victoria as part of that growth. There has been a phenomenal growth of 417 per cent since 1999. Our strategy in China is about growing airline services and increasing our marketing campaigns in a very tough environment. We do not have media like in Australia, where you can do something on Channel 9 and you can show it all over the country. In China, TV stations, even though they are often government-owned, operate differently.

Each big city has its own newspaper, so your advertising buy is very hard. It is driven predominantly through airlines, cooperative marketing with airlines, and relationship management with our travel agents and travel media. We have seen growth of services from Air China, China Eastern, China Southern and Qantas into China — that is, Qantas out of Melbourne and same-day services out of Sydney. We are expecting increased airline services out of China and out of Hong Kong as well from southern China. We have had regular trade missions for the last two years in China, taking a number of our tourism operators. I was there earlier this year in April with eight of our tourism operators from around Victoria, meeting a large number of travel agents and travel wholesalers in Hong Kong and Guangzhou. That is really all about showing them that we are serious about tourism.

We got, I think, a 44 per cent market share out of China, which is one of the best market shares out of any country. So they like Victoria. The sorts of products and services we offer are ones that Chinese travellers find they want to experience. I am advised that the China budget for 2005–06 is \$1.19 million, and we have been working in new ADS regions. The federal government has designated regions, and I spoke about those last year. There are nine ADS regions now. I think it is very important, though, that the federal government makes all of China an ADS region, which is approved destination status for the group travel market. The reason I say that is that every visit to

China, every communication with Chinese officials here, they find it, to put it bluntly, offensive that Australia has chosen only certain parts of China.

We were the first country to be given ADS out of China because of what they thought was a special relationship, Australia having been the first Western country to recognise China back in the 70s. Whilst we have had a lot of growth, we are not seen in much of a positive way because now that they have given other ADS destinations into Europe we are seeing phenomenal growth in travel from China to Europe. All other countries, apart from Australia and New Zealand, which has a similar system, have ADS for all of China, and you can understand if they are offended by our only choosing some bits of China — it is a message to them that we are not necessarily committed to China as a country. It is daunting; it is a very large place, and it is very expensive, but they say: if other countries can give that status to all of China, why can't Australia and New Zealand? It is important that the feds give ADS to all of China — sooner rather than later. If we want to be in the China market, we have got to commit the resources.

China is going to be our biggest inbound market within the next 10 years, if not sooner. Within 10 years we will be expecting 1 billion visitors from China; they will be our single biggest market at 44 per cent. We are talking about 500 000 visitors from China to Victoria in 10 years time, so it is a very important part of our tourism. At the moment the 116 000 visitors are adding \$3.37 million to the Victorian economy. Obviously that can grow if that number quadruples as expected, but we need to work pretty hard. The feds fly the main flag with Tourism Australia. We are so dependent on Tourism Australia in large markets like China, but we are doing well and will continue our own efforts where we can. But I must say a word of caution in that we need to think carefully about a whole Australia–China tourism strategy that we can work with at a state level. It is very important that we deal appropriately with the officials who are demanding that we provide ADS status to all of China's provinces.

Mr RICH-PHILLIPS — I would like to ask you about tourism investment projects — budget paper 3, page 138, your performance measures — and a measure for the value of investment projects facilitated. Last year's budget paper reported that for the 2002–03 financial year investment facilitated was \$524 million; for 2003–04 it fell to \$350 million; and you are predicting that for the current year, 2004–05, it will fall further to between \$200 million and \$250 million. In the space of two years the level of investment facilitated by your agencies has halved. Given that you have talked about the buoyant tourism market, can you explain why investment facilitated by the department has halved in the last two years?

Mr PANDAZOPOULOS — I think you would well know that the whole investment area is very much a cyclical market and there are long lead times. What we have done in our destination plans is to identify a range of infrastructure that could be provided by either the public or the private sector. A lot of new infrastructure has come on stream, and a lot of our effort is about delivery of that coming on stream compared to proposals. But interestingly there has also been — and it would not be measured as part of this — infrastructure that already exists that has been taken over by others. I will give you some examples. There is the Pinnacle Valley resort, having been bought only recently — a week ago it changed hands — Accor and Becton Corporation. It is a great resort just outside of Mansfield that is now part of the Accor brand.

Mr RICH-PHILLIPS — But it does not represent an increase.

Mr PANDAZOPOULOS — But what I am saying is that there is a lot more serious — —

Mr RICH-PHILLIPS — Stock.

Mr PANDAZOPOULOS — Well, there is stock and then there is stock that others buy. There is actually a lot more branded hotel development, not only in Melbourne but in regional Victoria. That is obviously very effective, because you become part of their global network or their Australian network. They are buying existing facilities and doing them up. So you are not facilitating an investment proposal, they are just transacting, so it is not appearing in these sorts of figures, but I think that is a very good sign that investors are taking tourism infrastructure investment in Victoria seriously. There is obviously a difference between facilitation and what happens with existing infrastructure. If we have a look at the reinvestment that has even gone on in Melbourne in existing hotels that have been bought up by other branded entities, that positions those hotels at a very good level.

In going through the regional tourism development plans — and these are new — we have also identified where the infrastructure gaps are in each region. That is part of the next facilitation stage, to focus on those areas, and to guide local government, if it is local government that is the owner of sites or the potential investor, and also to identify the potential investors in the private sector in regional Victoria. The reality is that there is always a lag

impact in these things, but if we look at what has come on stream, it has actually been very good. I noticed in the papers just the other day, I think, the Mirvac group and Sebel at the golf course development in Torquay. That was in the facilitation figures. It is actually going to be delivered now by the investors and owners of that site. Even in my own electorate of Dandenong, the new Radisson hotel is part of that. A 4-star hotel in Dandenong is not something people would have expected years ago. The reality is that there is more investor interest, and with the regional tourism development plans we will be doing more of that in the future.

Mr RICH-PHILLIPS — Given that the plans have been put in place, when do you expect to see that increase flow through? Your target for next year is no higher than the outcome for this year. When do you expect to see that increase in facilitated investment?

Mr PANDAZOPOULOS — Obviously over the next couple of years. I will just share with you recent examples of private sector investment. There is stage 2 of the Melbourne Aquarium, \$50 million — the overpass is starting to come down; a 96-room hotel at Barwon Heads, \$35 million; the Ramada in Dandenong is \$45 million on its own; the Balgownie wine resort in the Yarra Valley, \$45 million; Ferguson vineyards will start its development later this year; the Lake Federation Resort just west of Ballarat is a \$450 million development. There have been a whole lot of private investments both in Melbourne and in regional Victoria, so I think that is some of the good news that is happening. There are lags, there are different cycles, there are international things that scare off investors, and you know that at the tourism investment level bankers are much, much more conservative. I think what we have shown them in Victoria, because we are taking tourism much more seriously, is that tourism is bigger, the yield from international markets is bigger and they can be much more serious players in Victoria, so I would expect things to improve over the next few years.

The CHAIR — Thank you, Minister. I thank the witnesses for their attendance and I also thank the departmental personnel who have provided such obviously useful notes, and we look forward to following up with a number of questions in matters you have taken on notice.

Witnesses withdrew.