

VERIFIED TRANSCRIPT

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into budget estimates 2006–07

Melbourne — 16 June 2006

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Mr J. Pandazopoulos, Minister for Tourism;

Ms F. Thorn, secretary; and

Mr G. Hywood, Tourism Victoria, Department of Innovation, Industry and Regional Development.

The CHAIR — I declare open the Public Accounts and Estimates Committee hearings on the 2006–07 budget estimates for the tourism, gaming and racing portfolios. I welcome the Honourable John Pandazopoulos, the Minister for Gaming, the Minister for Racing and the Minister for Tourism; Ms Fran Thorn, Secretary of the Department of Innovation, Industry and Regional Development; Mr Greg Hywood of Tourism Victoria; departmental officers; members of the public and media.

In accordance with 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 requested to observe guidelines for filming or recording proceedings. All evidence taken today 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 and you will be provided with transcripts via email, this year, with two working days' time to peruse them. Then they will go up on the net.

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, could all mobile phones please be turned off and any pagers put to silent. Minister, it is over to you for a 5-minute presentation, and then we have until 10.35 a.m. for questions.

Mr PANDAZOPOULOS — Thank you, Chair, and members of the committee.

Slides shown.

Mr PANDAZOPOULOS — The first slide shows the key objectives of the department as part of the Growing Victoria Together focus. All the ministers work collaboratively across the whole innovation and business agenda, of which tourism is an integral part. Tourism operates as a specific output within the Marketing Victoria Output Group, and the tourism portfolio aims to maximise employment and the longer term economic benefits of tourism to Victoria by developing and marketing the state as a competitive tourism destination of both domestic and international tourists.

It also provides product development support, industry leadership and coordination. Services also contribute to encouraging and supporting the development of innovative, internationally integrated and competitive industries and businesses for Victoria; working to create a competitive business environment and capabilities for the innovation economy; and strengthening Victoria's regional economies, infrastructure and communities. It is worth noting that tourism contributes to every output group across the department. For instance, there are flow-on benefits from tourism for small business — such as in the food and wine industries, amongst others.

You will see in our output figures there is a difference between the 2005–06 output allocation of \$39.1 million and the 2006–07 target of \$46.2 million; it is predominantly due to the allocation of new funding of \$12.4 million over four years to help boost the domestic market to growth through major brand activity. A new TV, Internet and press campaign are to be launched nationally in September.

The government has also demonstrated its commitment to attract business events to Victoria with additional funding of \$8.1 million over two years. These funds will help position Victoria nationally and internationally to attract conventions, particularly with those with more than 1500 delegates. The increased funding forms part of the government's \$72.7 million funding commitment for tourism over four years and includes the allocation of an additional \$52.2 million to maintain and build Victoria's major events calendar.

The next slide shows tourism and its economic benefits. Figures are based on the 2005 study by Access Economics, entitled *The Economic Contribution of Tourism to the State of Victoria*. The study uses accepted industry-wide standards to measure the contribution of tourism to the economy, and results are based on the 2003–04 financial year.

In terms of its economic contribution, tourism currently outperforms many other traditional industries in Victoria, including agriculture, forestry and fishing, gas and water and mining. As a major contributor to the Victorian economy, tourism also generates many interrelated benefits, including bolstering local economies, job creation, facilitating community capacity building particularly in regional Victoria, and strengthening Victoria's reputation and confidence.

International visitors offer significant potential for Victoria and are predicted to contribute over 40 per cent of total tourism expenditure by 2014. Currently it is 23 per cent. Victoria has outperformed the national growth rate on key international indicators. The most significant result has been Victoria's strong performance in sustaining high yield from international visitors, outperforming all other states.

The number of international holiday visitors to Victoria also increased by 3 per cent to 675 700. Initial holiday visitor nights in Victoria increased by 7 per cent to reach 7.7 million, outperforming key competitors: New South Wales, which grew at 3; Queensland, which grew at 2; and the national average at 3 per cent. Victoria has remained focused on attracting visitors from the markets which offer the best return on investment to the state. For the year ending December 2005 the top five international markets in Victoria were, in order, New Zealand, the UK, China, USA and Japan. China has emerged as Victoria's strongest market growth, with visitation levels up 222 per cent from 2000 to 2005, and the market will be a major focus for activity in the future.

In the domestic market, over the last six years domestic visitor numbers to Victoria have remained stable, although interstate visitor numbers have grown. Since 1999 Victoria's market share of domestic visitors increased from 23 per cent to 24 per cent in 2005. Victoria has maintained visitation levels despite volatility in the market which has caused decline in domestic visitation nationally, and for key competitor New South Wales. Despite the recent slowdown of the domestic market, Victoria has grown domestic visitor expenditure almost 6 per cent to \$10.5 billion in 2005 from \$9.9 billion in 2004. This is significantly higher than the national growth rate of only 1.1 per cent. Over the period 1999 to 2005, domestic visitor expenditure in Victoria has increased at an average annual rate of 2.5 per cent, outperforming New South Wales, up 1 and the national total up 2.1.

The CHAIR — You are talking very rapidly, Minister, but we have about half a minute. If you wish you can give us the headers for your slides and we can put the slide presentation on the Internet together with your transcript.

Mr PANDAZOPOULOS — There is just so much good news!

The CHAIR — I know. Would you like to give us the headings and one sentence from each slide?

Mr PANDAZOPOULOS — We are working more aggressively overseas. We have done some really innovative stuff with India with the *Salaam Namaste* movie that was filmed here. We cooperated with them. There has been extra work in China. In the domestic market we have been rolling out regional campaigns — a new ski campaign, a new alpine education program with schools, a new Daylesford campaign. Melbourne Winter Masterpieces worked really well for us. Last year we had a record winter visitation period as part of our major events agenda. Our consumer websites have been rated as the best tourism websites in the country. Heaps of achievements!

The CHAIR — Do you want to have these on the Internet?

Mr PANDAZOPOULOS — We are happy to hand them out.

The CHAIR — Thanks, Minister. Could I take you to developing tourism in regional Victoria. If you look at BP3, page 156, it shows the key government outcome of tourism is more quality jobs and thriving innovative industries across Victoria, and BP3, page 19, outlines funding from the Provincial Victoria statement to support tourism in regional Victoria. How do you plan to allocate the funding? How will this funding assist tourism businesses in regional Victoria?

Mr PANDAZOPOULOS — Moving Forward was announced in November and what is taken into account is that there are a number of opportunities for growth in regional Victoria, but also a number of challenges. In tourism we have been affected by things like petrol prices, low-cost carriers; for a long period of time people have been accruing their annual leave; insecurity of work. We want to get a stronger message to Victorians to have a look around their own backyard. We will put in \$11 million over four years with the initial allocation for this financial year being \$1.5 million. We have not committed all the resources for the outlying three years because we were waiting to see what our budget allocations are, but that is predominantly money to be spent in non-metropolitan Melbourne to support campaigns. To give you an example of the current \$1.5 million, the way it has been spent in marketing: in addition to the other \$16 million that is available for capital programs, like the All Seasons Gateway at Falls Creek and Provincial Pathways programs et cetera, there are ecotourism opportunities that we are looking at as part of the provincial statement. A lot of the focus is on marketing, and that allocation has

been for an extensive campaign that is being rolled out to food and wine tourism promotion, about a \$600 000 campaign which will showcase the diverse wine regions we have in Victoria. One of the campaigns will be with the *Age* newspaper over an 18-week period where different regions of Victoria every second week will be shown, where there is a buy-in from local tourism and food and wine regions as part of that allocation. There are also *Herald Sun* press campaigns.

What we are trying to do is motivate Victorians to look at some of those areas that may be less known to them. Certainly if you look at the wine regions, the Yarra Valley is known and the Mornington Peninsula is known. Let's explore some of the other opportunities because there has been a huge growth in wine production in Victoria and a huge growth in cellar door production. We have put dollars into supporting a Geelong–Bellarine campaign; the Great Ocean Road region, which this region is part of, has been growing very fast. It is our biggest tourism product outside of Melbourne. Geelong–Bellarine has seen additional new investment in accommodation attractions and opportunities, so we are developing a separate brand campaign for that region. These are just some examples of motivational activity that we are wanting people in Victoria to do to help lift the profile of regions, but we have some good projects to proceed with in relation to Provincial Pathways and in relation to ecotourism projects that we want to get off the ground in regional Victoria as well.

The CHAIR — Thanks, Minister.

Mr FORWOOD — Just a quick follow-up. Did you say that you have a 18-week program with the *Age*? Why would you choose the *Age* which — —

The CHAIR — And the *Herald Sun*, he said.

Mr FORWOOD — Yes, but I am just trying to get the balance right.

Mr PANDAZOPOULOS — For food and wine we have got a program. All our money is not going to the *Age*. Some of it is going to *Postcards*, a TV campaign, some specials that we are running. We are a sponsor of *Postcards*, the Channel 9 program. We are running some 1-hour specials focused on food and wine et cetera. We are trying to build up that demand, but the *Age* has been assessed. We will have nine separate weeks of every second week, so it is going to be a 18-week period. The reason for the *Age* is that in terms of all the surveys, our food and wine consumer is more likely to have a look at the Saturday edition of the *Age*, and the *Age* is putting in a lot of resources itself, so the buying that we are providing is actually generating extra revenue; we are getting more than dollar for dollar out of the extra resource that the *Age* is putting in with its own writers as independent writers going up to regions, talking about the tourism product, but incorporating the local wineries, the local food producers as well as the local accommodation attractions.

Mr FORWOOD — Minister, what I am interested in doing is getting some figures on the table, if possible, or, if not, you can take it on notice. What I would like to know is for 2005–06 and for 2006–07 — so one will be a sort of anticipated action and the other is the budget — out of Marketing Victoria which, according to budget paper 3, page 157, is \$47.8 million expected outcome this year and \$46.2 million next year, how much is going to be spent in total on advertising, and in which regions? You run a regional program, I know, so what I would like to have is a sort of schematic diagram that says, 'This is how it is going to look and this is the total amount that we are spending on advertising by region'.

Mr PANDAZOPOULOS — You want advertising as compared to marketing or — — ?

Mr FORWOOD — Yes, if I could, or if you can do both, that would be better.

Mr PANDAZOPOULOS — In different segments?

Mr FORWOOD — In segments, yes.

Mr PANDAZOPOULOS — The way that we break up our — —

The CHAIR — Do you want to run us through that?

Mr PANDAZOPOULOS — Basically what we do is run a marketing — —

Mr FORWOOD — Campaign, of which advertising is one component?

Mr PANDAZOPOULOS — Correct, and the marketing effort is not just direct dollar spends in advertising. The marketing effort could be our international offices overseas.

Mr FORWOOD — I want to tie it back to the Marketing Victoria output group. I do not know how you would do that if you are going to add in the extra stuff, that was all.

Mr PANDAZOPOULOS — Obviously because we work internationally, interstate and in Victoria, we measure things in a different way. We can clearly give you the domestic stuff, which is a lot easier to do. We know we are rolling out Gippsland campaigns and Murray campaigns in the new year and the Geelong–Bellarine campaign later this year. We know what we have done so far to make comparators, but we do not say that is the dollars we are spending for Gippsland overseas.

Mr FORWOOD — No.

Mr PANDAZOPOULOS — We are selling what we can sell as a concept, but we will take that on notice and give you what available data there is. You want it over a two-year period, do you?

Mr FORWOOD — I think the actual of last year compared with the budget for this year, if you know what I mean.

Mr PANDAZOPOULOS — We will get those details to you.

Mr MERLINO — If you could stay on page 157 of budget paper 3, note (b) on that page refers to the emergence of low-cost carriers and their effect on domestic tourism in Victoria. Can you inform the committee how this has affected tourism in Victoria and what the government is doing to maximise opportunities from those low-cost carriers?

Mr PANDAZOPOULOS — Certainly low-cost carriers provide opportunities for us. Certainly the challenge in the short term is the way that our regions respond. We know that there are a lot of other destinations for Victorians. We are the second-biggest population base, so where we had a lot of Victorians that had less choices in that there are less flights available at an affordable price who might have then looked at more of Victoria as their option, the reality is now that a lot more people have got as affordable options to go to other parts of Australia. That is what low-cost carriers do.

There is certainly potential for those that are close to airports, within an hour of the airports. If we just look at Avalon Airport, for example, it has just had its millionth passenger a few weeks ago. It is actually the fastest-growing regional airport in Australia — Avalon. We know that about 40 per cent of those visitors going to Avalon head west towards the Great Ocean Road; we know that interstate visitation has increased quite dramatically in that region from airline travel, highlighting the accessibility, and the other 60 per cent head off east towards Melbourne and other parts of Victoria, as well as Melbourne airport. The challenge for us is how we support our further flung regions in regional Victoria that are more than an hour away from those airports, and we have been working with Jetstar predominantly to allow ourselves to highlight other brands that Melbourne and Victoria are known for and try to leverage off that.

Low-cost carriers, unlike other carriers, are not as big investors in cooperative marketing as, say, other international airline carriers, but we do leverage where we can. So, for example, with Avalon, we have encouraged Jetstar to run campaigns that highlight not only the Great Ocean Road, but the Queenscliff music festival and Scandia Week, which is a big yachting event in Geelong in January, as an example; but what we are trying to do is lift the capacity of regions that are further away to build their interstate profile so that they are competitive. That is some of the investment that we have made in some of our resources, but local councils are big drivers of tourism when you look at world's best practice and local councils are working through us to say how can they build up their profile interstate. If it is just as easy for Victorians to go somewhere else, it is just as easy for people from Queensland, Sydney and Adelaide to come here. We have seen big growth, though, in low-cost carriers flying to the Melbourne destinations, which is good, so we are getting good strong interstate growth.

How we get that dispersal beyond Melbourne is a key challenge in a marketing sense and we are still working through those, although we have some resources. Low-cost international carriers start flying later this year so it is going to change the landscape again, so a whole lot of routes to places like Thailand, Hawaii, China and Japan, and wherever they end up flying, are suddenly also going to be as competitive. So this is just part of the regular moving

feast that we have seen and what we need to do is have the resources and flexibility to respond to those different changes. Of course the last few years we have seen it is really no different. We have had 9/11, the collapse of Ansett, those sorts of shock waves. Petrol prices do not help in the short term. but overall we are getting a good growth. Jetstar is working for us. One of the reasons we worked so hard to get Jetstar here, home based in Melbourne was that it allows us to work more closer with that carrier being in effect Melbourne-based and I think we have had better outcomes out of Jetstar than maybe some other states have been able to leverage off.

We have invested through Regional Development Victoria to support upgrades like the one at Avalon, et cetera. We are considering looking at other regional airports to see if there are ways we can support other regional airports. Regional airports like Mildura have been looking at expansion plans in the future and having the capacity to land larger aircraft; that is part of their local positioning. Will that work from a low-cost carrier point of view? These are some of the things that need to be assessed over a period of time but clearly we are getting more interstate numbers. We need to lift the capacity of regions, though, to build their profiles interstate.

Mr MERLINO — Thank you.

The CHAIR — This is by way of a supplementary question, Minister. You mentioned petrol costs. Has tourism been working with transport in terms of combining public transport and the initiatives that have been announced by the transport minister?

Mr PANDAZOPOULOS — Well, I mean, in terms of regional rail but also expansion of V/Line buses, they — —

The CHAIR — It is just that I have not seen any. If it has occurred I have not seen it.

Mr PANDAZOPOULOS — Yes, obviously as a Victorian you would know where to access those services, I guess, and I think it worked really well during the Commonwealth Games. Those \$10 passes, if you went to Spencer Street station any time during the Commonwealth Games you would have seen how that worked. When the new trains roll out further, there are opportunities. I know that on the Ararat extension the local tourism community and the council there have been looking at how they leverage off that. Because the Ararat train service, for example, has extended there is a trial bus service running now between Ararat and Warrnambool, along through the Grampians area, to build that capacity. So as these things expand and roll out and confidence in the product continues, you will get more domestic travel. As well, other travellers like backpackers are looking at it as an option. Certainly, the proximity of Federation Square with Flinders Street station across the road where V/Line tickets are sold, the visitor information centre is the busiest visitor information centre in the state. They work well with each other: you can catch the train to go out to Ballarat, just go across the road and get the tickets, sort of thing. But Fran Thorn also has something else to add.

Ms THORN — We have been having some ongoing discussions with V/Line in respect of the new services you are having run out about the different possibilities for the department as a whole, including tourism possibilities. The Commonwealth Games showed some element of that. I think it was last year they ran a special train down to the Warrnambool Cup that showed it would be possible to do some services around special events, but V/Line itself is showing a great deal of interest in seeing it as a service and services designed around what will be a variety of passenger needs, and it is certainly thinking of tourism as well.

Ms GREEN — Just have to make sure Parliament does not sit then.

Mr CLARK — Minister, could I turn to yet another example of disappearing performance measures, and in this instance I refer you to page 399 of budget paper 3 and the performance measures on target market awareness of advertising in Victoria, New South Wales, Queensland and South Australia, which, as you will be aware, have been combined into a single measure that now appears on page 156 of BP3. Now in each of those measures there has been a big decline compared with say, 2001–02: New South Wales, 21 per cent to 13 per cent; Queensland, 23 per cent to 17 per cent; South Australia, 22 per cent to 13 per cent. My question is threefold. First of all, would you agree that this is yet another example of where inconvenient performance measures are being dropped or covered up; secondly, what is the reason for this big fall in target market awareness in those states; and thirdly, did you seek the approval of the minister for finance for discontinuing these performance measures?

Mr PANDAZOPOULOS — Treasury and Finance has been involved in these performance measures, yes.

Mr FORWOOD — We have Mr Lenders this afternoon.

Mr PANDAZOPOULOS — What we want to do with these measures is have a holistic approach. We are not measuring a whole lot of other states. We are not measuring Western Australia in the past, we are not measuring Tasmania, and at the end of the day it is your overall numbers that you are building up in interstate travel that matter, and there are different mediums rather than just focusing on, let us do some research on, say, what is the impact in New South Wales versus Queensland. At the end of the day you have got a national marketplace and we believe that these measures are much more responsive and focused on all of Australia. With low-cost carriers flying in out of WA, et cetera, we need to be able to measure overall our performance rather than singly in one market. I think you asked the target of 16 to 21 — —

Mr CLARK — For all of these states the measures have dropped from the low twenties into the mid teens since 2001–02 and then lo and behold, all of these measures disappear and they are combined with the replacement of a new measurement that has got no measurement history. There does seem to be both a serious factual problem in terms of how well your marketing is working but also a cover-up by dropping these measures.

Mr PANDAZOPOULOS — It is not a cover-up.

The CHAIR — By way of clarification, on page 399, you referred back to — how far back?

Mr CLARK — I have also picked up figures from the 2003–04 budget estimates which have the actuals for 2001–02.

The CHAIR — Right, because it was not on page 399.

Mr FORWOOD — Done the homework.

Mr CLARK — For the record, these further figures are from page 191 of budget estimates 2003– 04.

Mr PANDAZOPOULOS — What I wanted to highlight was that Public Accounts and Estimates itself has asked us in the past to have a look at — —

Mr FORWOOD — That is a cop-out, too.

The CHAIR — Just finish, Minister.

Mr PANDAZOPOULOS — Has asked us to provide more simplified measures as well. You have in effect asked us to change our measures on different things, and we have done that. If you are now saying that by changing a measure you are hiding things, even though you asked us to do so — —

Mr CLARK — I do not think we asked you to drop these three.

Mr PANDAZOPOULOS — No, you asked us in target market advertising awareness in the past for greater simplicity, accuracy and accountability of measures, and the reality is measuring state-by-state does not provide you with that same sort of vigour or accuracy or simplicity that you are after. Overall what we are after is building up overall awareness about Victoria as a brand and building visitor numbers. They are the key things at the end of the day that you measure. We believe it is a better measure than simply targeting what is the awareness of Victoria in Queensland or New South Wales. I can agree to differ with you, but you asked us to relook at performance measures; you asked us to change performance measures. We do consider those, and where we believe there is a reasonable argument about that we change them.

Mr CLARK — Why has the performance fallen so sharply over the last few years?

Mr PANDAZOPOULOS — Well, one of the things that would get measured is a whole lot of different brand strengths. In the last 18 months or so a lot of the focus has been on a very big event called the Commonwealth Games. We did change our target awareness. In that period we were not selling to the same level shopping in Melbourne or cultural attractions in Melbourne. We were certainly selling car touring as part of our other campaigns, and they have been working quite well. We have been selling a lot of the focus. In a normal marketing campaign you cannot just go and run television commercials, ‘Come down to Melbourne’, while also running television commercials saying, ‘Be part of this biggest event in your lifetime called the Commonwealth

Games'. I think last year in our measures we did say that there would be a change and that is why the key thing to measure last year was the Commonwealth Games. Of course, we have taken that out now because we actually exceeded our targets in relation to awareness about Melbourne and the Commonwealth Games. We have exceeded our targets on that, so now we are measuring more appropriate targets, which is our performance as a state in the interstate market.

The CHAIR — And the DTF approval, you have got the answer to that. That was taken into account.

Mr BAXTER — This is a follow-up. Minister, you have referred to holistic measures instead of state measures. If you define the nation as a whole, how do you know where to target your campaign, because it would be like just firing a shotgun into the wide blue yonder and hoping that you will hit something?

Mr PANDAZOPOULOS — We have different ways of analysing that are not part of budget performance measures. I mean, we run an annual brand health survey that tells us in each state how we compete. I will tell you the brands that we own in each state. We own the shopping brand, and we measure that every year. We want to track what people in New South Wales say about what is the no. 1 destination for shopping; what do people in Queensland say. That is a much more meaningful measure. In terms of budget outputs, it is not a budget output area. It is a big survey that gets done as part of tourism agencies in the marketplace where you track performance.

We own shopping; we own food and wine as a state; we own food and wine in regions; we own bars, restaurants and night-life; we own shopping; we own culture/theatre; and we own sports events. They are the brands that we have. They are the things the market responds to — the sorts of things that you want to buy as a traveller. We measure those year by year and track our performance. Those measures are out very soon. I think we have shared them with you in the past and we are happy to make them available. It is really good to be able to say that consumer surveys in New South Wales are saying that Melbourne is a better place for shopping than Sydney. They are the sorts of things that are real, true measures, but are they actually budget measures? They are not budget measures, but they help measure our performance. In terms of budget output, the way we spend public dollars, it is really about, not just the awareness, but how many bums on seats do we get coming into our state. That is the biggest measure, and that is what we are trying to track with this.

Mr FORWOOD — I have a quick follow-up on that. Could you please make available to the committee that research on shopping, food, wine and so on?

The CHAIR — He just said he would.

Mr FORWOOD — I am sorry, I must have missed that.

Ms GREEN — Minister, I would like to take you to the topic of major events. Budget paper 3, page 16, indicates that major events will receive \$1.9 million over the next four years. Will you tell the committee how Victoria is performing in terms of major events and what is the expected outcome for the state in the future?

Mr PANDAZOPOULOS — We have been increasing our investment in major events and have reported this in the past. The budget we just handed down is about maintaining that performance. We have been able to grow expenditure on major events from about \$20-odd million to a core now, roughly, of about \$55 million a year. The strategy has been to plug a number of gaps in the events calendar. Certainly we saw a lot of focus on Melbourne and not enough on regions. This year we have had the world life saving championships in Geelong and Lorne; we had the Commonwealth Youth Games in Bendigo, just as some regional examples.

We also had periods of the year where Melbourne was not so busy from the events activity point of view, and we have had to create events, what we call Melbourne Winter Masterpieces; this year we have the Picasso exhibition. It is about building on our existing brand reputation that I was talking about, and events is a good way of motivating people to turn up so that they can experience the shopping, the dining and the nightlife. An event like Melbourne Winter Masterpieces motivates people to come down to Melbourne because this year you will only see Picasso here or in France, and while here you can do the cultural strengths, you can do your shopping, you can do your dining and you can do your touring around wineries if you want. We have broadened that out, and we have seen that we have had a record winter visitation last year in terms of occupancy. Last year we had — and it just finished recently — not only the Dutch Masters, but we also had the *Lion King*.

We have developed these sort of brands and have moved beyond sport because in the winter period the reality is only some sporting events will work. The Australia versus Greece soccer match sold 15 000 interstate tickets. With the State of Origin third game decider, we took a punt that the decider would be in Melbourne so that has paid off. We already know that 20 per cent of people going to the Telstra Dome on 5 July will be from interstate.

Mr FORWOOD — Is that sold out?

Mr PANDAZOPOULOS — It sold out yesterday — too late! You should have had confidence in us. We have tried to find the right sports events that work in winter, but the reality is it is really cultural events that work stronger in winter for us from a visitation point of view. That has been our strategy, but of course we have a whole lot of new opportunities available because a lot of events have to be renewed. The Melbourne Winter Masterpieces was a three-year agreement; we really need to renew that concept. We have had one-off events like the Commonwealth Games and the soccer game with Greece, and we need to renew those.

We have been able to lock in some more winter events with the Football Federation of Australia. We will see from this year onwards to 2009 the biggest games that Australia has based in Melbourne as part of our partnership with the Football Federation of Australia. We have also done the same with Rugby League. We want to highlight that Victorians love all sorts of sports, all sorts of football, and the reality is we have so many Victorians who have come from Queensland and New South Wales — since 2002 about 50 000-odd Queenslanders have moved to Melbourne and about 80 000-odd people from New South Wales have moved to Melbourne. If you have a game they recognise, let us celebrate that as well. We have more events, including a tri-nations game with New Zealand later this year which we are marketing in New Zealand.

They are strategies we have got, and we have the dollars now to replace events that have been one-off. There is a big focus on the next big event, which is the World Swimming Championships in March. We have existing events coming up for renewal that we are working through at the moment like the motorcycle grand prix and the world superbikes — big events in regional Victoria. The great thing is clearly we own the major events brand for Australia. In effect we are one of the few events cities in the world that has this reputation.

As a post-Commonwealth Games strategy we have deliberately sought and have learnt from the experiences of other cities such as Manchester, the Sydney Olympics and the Athens Olympics, that unless you have an events and tourism strategy after that you go from a high to a low. We have not seen that in our economy; we have not seen that in terms of our reputation. Events is a good way to continue to build that visitation — about \$1.2 billion to the Victorian economy. This year we have a record number of international major events in Victoria — there are 24. This is more than any other city in the world has ever had. That is a great reputation we have.

Mr RICH-PHILLIPS — Minister, I did not have the benefit of hearing your presentation this morning.

Mr PANDAZOPOULOS — Sorry mate, do you want me to do it again?

The CHAIR — There are a couple of slides he did not get to.

Mr RICH-PHILLIPS — I was surprised to note that there was very little mention of the Commonwealth Games, certainly in your slide presentation. The one slide you do have contains no quantitative data on the benefits of the Commonwealth Games. On 29 March you issued a press release just after the games indicating that the government was confident that the target for tourists would be reached and that direct expenditure from the games was estimated at \$270 million.

I take you to BP3 on page 156, where you have a measure for visitor expenditure domestic and visitor expenditure international. The domestic expenditure estimate for the current year, i.e. the Commonwealth Games year, is \$7.2 billion, and for the previous year it was \$7.1 billion. It is only an increase of \$100 million. The expected outcome for international expenditure this year is \$2.4 billion and for last year it was \$2.4 billion, so there is no increase at all. You may be aware that last week the ABS released the national accounts. The figures for state final demand, or spending in the state, showed an increase of only 0.1 per cent — that is roughly \$67 million for the whole March quarter. How do you reconcile the figure you quoted of \$270 million for the direct tourism impact of the games with the fact that your budget papers only show an increase for the whole year of \$100 million and the ABS is only giving a figure of around \$67 million?

Mr PANDAZOPOULOS — As you know about events, you do not actually measure the immediate event visitation period of those 11 days — and I will just remind you, the accommodation division of the Australian Hotels Association put out a press release that said that they have just had a record occupancy of close to 94 per cent just in the games period.

Mr RICH-PHILLIPS — They did not put a dollar figure on it, though.

Mr PANDAZOPOULOS — Well you cannot sit there and say that a record occupancy of 94 per cent of the hotels in Melbourne, which has never been done before, indicates that there is less visitor activity, which is what you are implying. The reality is that the marketing campaigns around Commonwealth Games and Melbourne and the induced visitation that occurs — we have been running those campaigns and effort over 18 months now. It allows you to get a Commonwealth Games message in places like Canada, but it does not necessarily mean they are going to turn up to the Commonwealth Games. But that means that if suddenly they turn up after the Commonwealth Games, what was the inducement or incentive or the awareness that they had to come to Victoria? We know that with the profile promoting the Commonwealth Games around Australia we have seen good visitor numbers with a lot of other major events and activity over the year, because it reminds people about that core brand that we own around major events and sports events.

We are very confident that we have achieved the visitor numbers. We have had that feedback and third-party endorsements from tourism operators in regions where they have had to put on more buses to go out to wineries. There were a lot more visitors to visitor information centres. They are some of the indicators of what the tourism industry has been telling us. Fed Square has had a huge new increase in numbers to the visitor information centre. That place broke two visitor records in one week. Of course that was a centre of a lot of activity. The broader analysis data comes out, as you are aware — as the Minister for Commonwealth Games has informed you in the upper house — and as I will let you know, and is available later this year. I would ask you to have a look at maybe the international visitor survey data that also just came out that shows in our core markets, like New Zealand, I think we saw a 15 per cent growth in New Zealand visitors in that quarter, which is another indicator that people have been not only turning up to the games but turning up to Victoria simply because of the increased profile the games have given us. I think when that latest economic assessment comes out it, it will be very good. We do know from airport data that we had a very large increase in domestic visitor airport numbers. That did not even include Avalon Airport. With that visitor data, with the hotels accommodation data, that clearly tells me we are well ahead of any record benchmark we have achieved in visitation. That is why we are confident that the things we have been saying about economic benefit have happened and will continue to happen post-Commonwealth Games.

Mr RICH-PHILLIPS — Your press release said \$270 million of direct expenditure. People would read that to mean expenditure during the duration of the event? Are you saying the \$270 million figure you refer to is not direct expenditure during the event, but is long term, and the direct expenditure is the \$100 million shown in the budget paper?

Mr PANDAZOPOULOS — No, direct expenditure is what the event provides for Victoria, but the event is not just the physical 11-day period. How do we measure people who came to Victoria earlier or stayed longer because they came to the event?

Mr RICH-PHILLIPS — Over what period is this \$270 million you are referring to?

Mr PANDAZOPOULOS — Well, that is over — —

Mr RICH-PHILLIPS — 2006, 2006–07?

Mr PANDAZOPOULOS — That is an independent assessment that has been done. I am happy to give you some advice when I have a look at the period that they measure. My understanding is that that measure is over a period of time, predominantly from when Com Games marketing and advertising has commenced.

Mr RICH-PHILLIPS — So the budget paper figure, which in total is only an increase in expenditure of \$100 million for both domestic and international for the 05–06 year, being the Commonwealth Games year, is indicative of the direct impact of the games for the 11 days — visitation during that period? The actual impact of Com Games plus everything else in tourism expenditure was only \$100 million for the current financial year, as your budget paper shows?

Mr PANDAZOPOULOS — That is not what that implies, but as I said, I will give you some other information based on your question and hope to clarify it for you.

Mr RICH-PHILLIPS — The figures go from \$7.1 billion to \$7.2 billion, which is \$100 million, and they show no change in international expenditure, so either the figures are not accurate or they do show that there was only a \$100 million increase in visitor expenditure for the current financial year.

Ms THORN — If I may, Minister. In the setting of performance targets year on year you hope to achieve increase over time, not massive volatile shifts. In setting those performance targets we were not going to be making any — what would have been at that stage — wild guesses about what the impact of the games may be. The minister has referred to an independent study that will be done to look at the direct impact of the Commonwealth Games. That has not been completed yet.

Mr RICH-PHILLIPS — But these are not the targets, these are expected outcomes.

Ms THORN — Yes. We may well find the outcome is higher.

The CHAIR — Thank you. That is a very full explanation. Minister, I would like to take you to BP3, page 16, where mention is made of \$12 million over four years for the Marketing Melbourne and Victoria campaign to help deliver growth from interstate and key international markets. Could you outline to us the themes that you intend to use at a domestic level and the themes you intend to use at an international level?

Mr PANDAZOPOULOS — Okay, one of the things — —

The CHAIR — And if you have got figures assigned to each of the themes, that would be helpful. If you do not — —

Mr PANDAZOPOULOS — We can get you the international spend versus domestic spend on Melbourne if you want.

The CHAIR — Okay.

Mr PANDAZOPOULOS — I think they would probably be inclusive of some of the regional questions that you had — —

The CHAIR — Info we requested earlier; okay, thank you.

Mr PANDAZOPOULOS — We will break down Melbourne as part of the region's data that we have got. We have put an extra \$12-odd million into Marketing Melbourne and Victoria. Predominantly this will be a domestic campaign. What we are wanting to do is build on the reputation that Melbourne does have interstate, as I said, as a core brand. For so much product in Victoria — whether it is the Yarra Valley or the Mornington Peninsula or the goldfields — the reality is that the interstate markets perceive that as Melbourne. The message you want to portray is that the strengths that you know of Melbourne happen in regions as well. Food and wine — we are one of the few places that have the same consistency of food that you have in the capital city. You can find it in Mildura, you can find it in Daylesford — —

Ms GREEN — The Yarra Valley.

Mr PANDAZOPOULOS — In the Yarra Valley. You can find it in Walhalla, in Gippsland.

The CHAIR — Next year we are going to bring you on on a Friday afternoon, not Friday morning. It is too hard to sit here.

Mr PANDAZOPOULOS — We could have brought some Victorian wines, but you would choose to have the finance minister on in the afternoon.

A lot of people understand what are the brands of Melbourne. The challenge is to get people to realise that the brands that they like and enjoy about Melbourne also exist in regional Victoria, and so maintaining the health of the Melbourne brand is so important. Pre-Commonwealth Games — I think we shared it with you a few years ago — there was the black-and-white romantic Melbourne TV commercial. I did not say we were the romantic city;

everyone else said that, but maybe we were all missing out on something. It is a good brand that we have. We have been focusing on the Commonwealth Games for an 18-month period. Now we have to go back and focus on our brand again because it is just so important for the health of the tourism economy in Victoria. We have been working on what will be new TV commercials that we plan to launch here in September and in New Zealand in the new year. We will continue to work on the international brand that Melbourne is known for. The reality is, for good or bad, people do not know Victoria. All our work tells us when we focus on Victoria, people think of other places in the world, so we are a bit lower down the rank. Overseas, Melbourne means Victoria. So we are selling Melbourne but the thing you see is the Twelve Apostles — minus one — on the Great Ocean Road.

Mr FORWOOD — Minus how many?

The CHAIR — Minus the latest.

Mr PANDAZOPOULOS — We have new photos to sell the destinations.

Mr FORWOOD — You are digitally enhancing the Twelve Apostles?

Mr PANDAZOPOULOS — We are selling all the other destinations as well. This campaign is really building on our current successes, maintaining the brand. We are clearly miles ahead — when we give you the brand health data, you will see that we are way ahead in terms of other competitors. Our main competitor is Sydney. Sydney is second to us in most of those things, which is quite interesting. It does annoy them. The reality is that everyone is investing more in tourism. Because of the growth of low-cost carriers everyone has to do more interstate tourism. This is part of that effort is well.

We do have some deficiencies in the way our tourism industry is structured over here. I touched on local government earlier in the presentation. Best practice globally is that local government is a big investor in tourism and tourism marketing. That is not the case here in Victoria. There are regional councils in Victoria that spend more money on tourism marketing than councils in Melbourne that benefit from tourism. We have some challenges there to encourage the work cooperatively. I hope with these campaigns we can trial some new things with inner-city councils that are big beneficiaries of our tourism effort. We are certainly going to have to work harder to showcase regional Victoria interstate. We need to lift the capacity. That is one of the reasons we are doing the 10-year tourism and events plan to say where the growth is going to come from, what the impediments are to growth and what the strategies are to deal with those impediments. If we can lift the capacity of Melbourne councils to be better contributors, we can all contribute to support solidly that Melbourne brand while we showcase other parts of Victoria as well.

Mr BAXTER — Sticking to the topic of branding, the name of the north-east tourism region, ‘Legends, Wine and High Country’, has recently been changed to a name that I cannot recall at the moment.

Mr PANDAZOPOULOS — It is called Victoria’s High Country.

Mr BAXTER — Yes, ‘Victoria’s High Country’ does not seem to do much to include the great wineries of Rutherglen and Milawa or the legends of Kelly and so on. Why was the change made? What research was done? How much is in the budget to inculcate in the public mind this new name?

Mr PANDAZOPOULOS — It is not Tourism Victoria that decides the new names. North East Victoria Tourism, which is the name of the body that has been called the Legends, Wine and High Country’s campaign region, has been saying that all the surveys that they have done indicate that when you say ‘Legends, Wine and High Country’ the consumer does not actually know what that means. In the Yarra Valley or Dandenong Ranges, that is obvious. Daylesford, the Macedon Ranges or the Murray region are all identifiable names of campaign regions. What is called ‘Legends Wine, and High Country’ was a reasonable attempt in the 1990s to try to bring through the different themes — the legends of bushrangers and Kelly and the wine country; King Valley, the Milawa region, Rutherglen and the wine region near Mount Beauty, encompassing all that diversity of wine experience in those areas as well at the high country. They have tried to create a name and build awareness of that name so that hopefully over time people will associate north-east Victoria with it.

The reality is that they do not. There is a flood of information out in the marketplace around a whole lot of other destinations. Tropical North Queensland is tropical North Queensland; it is not the Great Barrier Reef; it is not

Daintree; it is tropical North Queensland. You have to work on the brand and include that in your marketing in a way that best gets a response from your potential visitors.

They, themselves, have come up with the name Victoria's high country. I went to one of their full-day workshops just a few weeks ago. There were people from Indigo shire that covers some of the region you are talking about, and I can assure you that no-one raised it with me. Ken Jasper has raised it with me, and I have read some of the comments in the local media, but certainly the tourism reps who were there from that region did not raise it with me personally. It is not something that we have imposed. We will continue to invest in that region. We will continue to showcase that the legend is part of the high country experience and wine is part of the high country experience. I can understand people in Rutherglen maybe saying they feel left out, but there are other parts of the wine region as well, and they say that one of the characteristics about that area is its proximity to the high country, that the reason for the type of product they are producing is really about the topography of that area. The topography is really not about the mountains but is really about the communities below the mountains that are also known as part of the high country. It is part of that experience, and I can assure you we are not going to drop the ball on that. These are decisions made by those local communities.

North-east Victoria has already had about \$5 million-odd in marketing campaigns directly out of Tourism Victoria to support the marketing of the region and marketing of events in that area. So what is that? Divided by six years, we are talking about \$900 000 a year. We have been investing a huge amount of money in that region and will continue to do so. At the end of the day boundaries are artificial. They are only a working concept. There are great opportunities for the communities around Rutherglen, with the great product they have, also to work with the new Murray brand campaign, because the Murray region starts at Albury-Wodonga which they are also close to and also benefit from. So there are opportunities and synergies. I am really keen to work closely with them about the markets that work for them and with the right concept. I think that the great Rutherglen wine brand working with the Murray region adds something of strength to the whole Murray campaign but then working with Victoria's high country campaigns in the markets that suit them. At the end of the day every locality has to determine where it fits in what marketing campaign, because not all marketing campaigns will work. The wineries are not involved in any of the ski campaigns, because that is the ski resorts and ski communities. The wineries do get involved in the broader north-east wine campaigns, though, and Rutherglen is included in those.

Mr BAXTER — It always causes confusion when you change a well-established name, so have we got any specific allocation in the budget to cater for the fact we have got to inculcate a new name — and a fairly vague name, in my opinion, just talking about location? It is not very descriptive, as far as the people who talk to me say, anyway.

Mr PANDAZOPOULOS — The concern that I would have and what you would expect of me, I guess, as a public accounts and estimates committee, is that we have spent more money on this region than any other region except — —

Mr BAXTER — Part of that was the bushfire recovery, of course.

Mr PANDAZOPOULOS — Part of it, but still it is part of that effort, and I acknowledge that. But it has been a significant spend. At the end of the day we do not run tourism. We provide grants to the regions and support their marketing efforts in a collaborative way. They tell us that they have identified a low level of consumer awareness, so we do have to sit there and say, 'Is there a better way to do that despite the record investment?'. We do have more dollars, as I said at the start, with the \$11 million from Provincial Victoria. The north-east will get a significant continued effort from us. There is a good opportunity — if this is the brand that works, which I think it will — that we will put resources. Of course the north-east tourism community has got to come up with the concepts of what it wants to sell and the types of campaigns, because we do not run the whole campaign. As you know, it is cooperative marketing. We have had good buy-in from different communities in that area to support the campaign, but we will continue to put in those resources. That \$5 million figure I mentioned does not even include the ski campaigns. If we include the ski campaigns, it is a significantly bigger investment for north-east Victoria.

The CHAIR — We have got time for two very quick questions and two very quick answers.

Ms GREEN — Minister, I would like to take you to the topic of nature-based tourism. Budget paper 3 on page 19 includes some commentary about a package of tourism initiatives, one of which is a new program to create

rail trails and walking tracks. How important is nature-based tourism to Victoria, and what specifically will be done to create new rail trails and walking tracks?

Mr PANDAZOPOULOS — First of all, our nature-based tourism product is the biggest tourism product in the state. When we think about the Great Ocean Road, it is predominantly a national park region. When we think about the penguins, it is a state reserve. Nature is the fastest growing international product. It is our biggest single tourism product. It is what people associate with a lot of regional experiences, whether it is the Dandenong Ranges, or whether it is the Grampians. But there are good ways to build our visitor experiences on what visitors want, to build the visitor numbers and leave the right yield behind, and tracks and trails is part of that. We have put some of that investment in as part of the *Provincial Victoria* statement. We are working on a new 2006–10 nature-based tourism plan between Tourism Victoria, Parks Victoria and the Department of Sustainability and Environment, because we are aware that out of all the states in the country we have the biggest parks visitation. That tells us we have got opportunities to have low impact on parks but to get better return on investment. The reality is we are very conscious that if there are people going, tracks and trails are a very important part of the visitor experience. We have seen a big growth in tracks and trails investment in the last few years, not only in Melbourne but in regional Victoria. There are extra resources available in that area. We have seen the Great Ocean Walk done, which is giving us some great coverage overseas in terms of media and guide magazines.

Ms GREEN — Yes, I have done part of it.

Mr PANDAZOPOULOS — Parks Victoria is looking at putting in, and has put in, some hut accommodation, and the tourism industry is working on how to leverage off that. We are building the opportunity around the Victorian coastal walk that can potentially go from Mallacoota to Portland, providing another unique product. We are also working with Bicycle Victoria around some of those trails that can work not only from a local community point of view but also from the tourism point of view. There are new rail trail proposals that take you from Seymour through to Yea and Mansfield. There are opportunities there. We have seen the investment in the rail trail in north-east Victoria that has been working quite well, and there is more capacity to do things in the future. We can be a great bike travel destination; we need to build the right infrastructure to make it work.

The CHAIR — Could you take on notice that the committee would like information that would allow people with mobility issues or people with disabilities to participate in those trails and tracks, because I know Parks Victoria has done a lot of good work on that. Do not answer it now; could you take it on notice?

Mr PANDAZOPOULOS — Okay.

Mr RICH-PHILLIPS — Minister, I would like to ask you about international visitation during the Commonwealth Games. Page 156 of budget paper 3 shows 1.3 million visitors are expected for 2005–06 and 1.3 million was the figure for 2004–05 — that is to say, no change. Ms Thorn in her previous answer suggested these things are basically made up anyway and are subject to change unless you have something better to go on —

Mr MERLINO — That is not what was said.

Mr RICH-PHILLIPS — I refer you to the figures released by Melbourne Airport on visitation during the March quarter which showed that international passenger traffic through Melbourne for the March quarter this year was 1.14 million and for the previous year was 1.154 million, so there were 14 000 fewer international passengers through Melbourne Airport this March quarter compared to the previous year. Given those traffic figures for Melbourne Airport international passenger traffic, are you confident of the target of 40 000 international visitors for the Commonwealth Games? If you are — and presumably they came through other ports: Brisbane, Sydney et cetera — does that represent a failure of Tourism Victoria's strategy on attracting international air services to Melbourne?

Mr PANDAZOPOULOS — No, and I can tell you that Melbourne Airport is actually annoyed at the way you have misconstrued their figures because they take into account —

Ms GREEN — He could not work out his own figures.

Mr PANDAZOPOULOS — Honestly, it is disingenuous because those figures measures outbound and inbound.

Mr RICH-PHILLIPS — Yes, presumably the visitors are going to leave. I am not suggesting they are all staying here.

Mr PANDAZOPOULOS — The reality is that we do know that the big events — —

The CHAIR — Excuse me: Minister, you have the floor — no-one else.

Mr PANDAZOPOULOS — Thank you. The reality is that we do know that for big mega-events like the Olympics and the Commonwealth Games people do stay back, so we expect less Victorians would have gone on international travel because this is where the action is. That data reflects Victorians leaving their state to go overseas, as well as people coming in. As I have said, you just cannot have 94 per cent accommodation in Melbourne's hotels and have less international visitors; it just does not work. That data does not include domestic arrivals through Melbourne Airport.

Mr RICH-PHILLIPS — No, they were up.

Mr PANDAZOPOULOS — Domestic arrivals through Melbourne Airport were significantly up, and they do not even include Avalon Airport now. In terms of international arrivals, roughly 50 per cent of international aircraft arrivals come through Sydney.

Mr RICH-PHILLIPS — How much — —

Mr PANDAZOPOULOS — Most Qantas flights predominantly —

The CHAIR — Minister, you have the floor.

Ms GREEN — If you listen, Gordon, you might learn something.

Mr FORWOOD — We don't need your help.

Mr PANDAZOPOULOS — I do not let anyone say that.

The CHAIR — You might want to get to the wine regions, but we are concentrating on Melbourne Airport at the moment.

Mr PANDAZOPOULOS — Predominantly for Qantas services, the largest share of their international flights come in through Sydney, so if you are buying Qantas holiday packages — and like a lot of internationals —

Mr RICH-PHILLIPS — Through Sydney.

Mr PANDAZOPOULOS — Through Sydney, that is right. The largest share of Qantas international arrivals go through Sydney, so if you are purchasing Qantas holiday experiences Sydney is one of the places you want to come to. If you are going to come from the UK all the way to Australia, or from Canada via Los Angeles on a Qantas service, chances are you are going to want to land in Sydney and have a look at it before you come down to Melbourne for the games. So we have had a three-pronged approach, and one is international. International visitors can fly into any port in Australia and make their way down to Melbourne. They can fly direct down to Melbourne or they can fly to another port and drive to Melbourne, so the fly/drive focuses we have are on the Sydney–Melbourne coastal drive — —

What are you laughing at?

Mr RICH-PHILLIPS — That is your answer.

Ms GREEN — You are the joke, Gordon.

Mr PANDAZOPOULOS — All I can say — —

The CHAIR — He has kept smiling. He is probably very happy with your answer and we have run out of time.

Mr FORWOOD — It is just a joke

Ms GREEN — He is just embarrassed, again.

The CHAIR — We have run out of time, thank you.

Mr PANDAZOPOULOS — All I can say is that Melbourne Airport is happy with the numbers.

The CHAIR — Thank you very much. I want to place on record my appreciation to the witnesses and to the departmental officers who prepared the briefing folders. We will now take a short break while the next witnesses come to the table.

Mr PANDAZOPOULOS — There are tourism show bags available for you as usual, so that Bill knows which wineries to visit.

Mr FORWOOD — Good. Thanks, that is excellent.

Witnesses withdrew.