

VERIFIED TRANSCRIPT

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into budget estimates 2007–08

Melbourne — 31 May 2007

Members

Mr G. Barber

Mr R. Dalla-Riva

Ms J. Graley

Ms J. Munt

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Witnesses

Mr. T. Holding, Minister for Tourism;

Mr W. Hodgson, secretary; and

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

The CHAIR — I welcome Mr Warren Hodgson, Secretary of the Department of Innovation, Industry and Regional Development and Mr Greg Hywood, chief executive officer of Tourism Victoria.

A total of 30 minutes has been allocated to the portfolio of tourism, and I call on the minister to give a brief presentation of not more than 5 minutes, or even less, on the more complex financial and performance information that relates to the estimates for the portfolio.

Mr HOLDING — Never let it be said I can't take a hint, Chair — I will go as quickly as I can. I should say by way of introduction that I am joined by Warren Hodgson, the Secretary of the Department of Innovation, Industry and Regional Development and also Greg Hywood, the CEO of Tourism Victoria. I would like to acknowledge and welcome them both.

Overheads shown.

Mr HOLDING — The first slide simply underscores the importance of tourism to the Victorian economy. It drives a lot of economic activity. It employs a lot of people. It is very important in regional Victoria. It contributes a lot in state tax revenue. I also just note that every international tourist who visits Australia and who visits Victoria and every dollar they spend has an impact on the national accounts as if it were an export. In a sense any strategy that is built around promoting exports, which is unambiguously the focus of the Victorian government, must include a strong tourism element to it and an international tourism element to it also.

We can see here some of the key achievements in 2006–07. There has been a launch by the previous minister of our 10-year Tourism and Events Industry Strategy. You can see that we have had some success in recent months on aviation access. I am happy to talk more about that; that is a very important issue to Victoria. You can see also a significant increase in international visitors. I talked about international visitors being important from an export perspective; it is good to see some strong numbers there. Our Tourism Excellence program is important. Also there has been the success of the Victorian tourism operators at the Australian tourism awards. We won eight awards, which is a record. That was more than any other state or territory.

The CHAIR — Excellent.

Mr HOLDING — Don't think we are not competitive! We have key priorities going forward. There is an ongoing focus on aviation capacity and the development of a nature-based tourism strategy which we will be releasing later this year. Obviously we had very significant bushfires earlier this year. Assisting communities recover from that from a tourism perspective has been very important. Our ongoing efforts to increase visitation to regional Victoria are significant. I know if Dr Sykes had been here, he would have asked me about that.

The CHAIR — I'm sure.

Mr HOLDING — Maintaining Victoria's position as the events capital of Australia is also very important. I am happy to take questions on that. There are some key budget initiatives. You can see there was a significant investment in the budget. Some of that is around major events, but also there is a very significant investment in regional tourism as well as our ongoing efforts to promote our brand offshore. That is it.

Ms MUNT — You have outlined the importance of tourism to the state's economy; it is a billion-dollar contributor to the state's economy. It is of course very important to keep those tourists coming. I actually noticed a lot of buses out the front here every day — international tourists who have come to Melbourne.

Mr HOLDING — Or protesters; one or the other!

The CHAIR — No, they're tourists.

Mr BARBER — Some are both.

Mr HOLDING — True — they are!

Ms MUNT — I know that they are interested in not only looking around the state but in the excellent facilities we have to offer. I noticed a line item on budget paper 3 page 266, under 'Excellence in service standards'. There has been money allocated for this program 'Excellence in service standards'. I was wondering if you could explain what that is. Does that support the provision of excellent tourist services?

Mr HOLDING — It is recognised that as much as we work to promote Victoria interstate and offshore and bring tourists and visitors here, it is important that when people come they have a positive tourism experience. It is no good attracting them in huge numbers if people come and have a lousy experience. That is reflected in the work that the Victorian government is doing to attract new investment in our tourism industry — that is, to attract new hotels, to attract new investment in infrastructure, to improve the nature-based tourism experience, to improve walking tracks in national parks or interpretive centres at different assets. But it is also reflected in the support that we can provide for tourism operators who are seeking to improve their standards. There is a range of things that the government is doing in this area. I just wanted to draw attention to a couple of them.

The first is our Tourism Excellence program. We launched a Tourism Excellence strategy in April 2006. We were the first jurisdiction anywhere in Australia to do this. An important part of this strategy is a set of modules which are gradually being released across Victoria which provide tools for tourism operators to use to improve their standards, to work on the sorts of things they do to improve and encourage excellence in the industry, to encourage best practice, to encourage tourism operators to look at what others are doing and to incorporate those innovations into their own businesses. We put aside \$1 million in the most recent budget to support this initiative, and that is an important part of the resources that we are providing to tourism operators.

Other things that we do to promote tourism excellence include the strong support that we provide tourism operators who seek to compete in statewide or national awards. I mentioned before the eight awards that Victoria won at the Australian Tourism Awards earlier this year in Sydney. I know it is easy to scoff at these things. Sometimes from time to time people say the tourism industry is littered with different award schemes in place, but these national awards are the nationally recognised Australian awards for tourism. They carry with them significant prestige, and the companies and the tourism operators — some of them are government agencies, but most of them are private sector organisations — that are recognised by them achieve significant status from that. Their employees certainly take great pride in having their product recognised in that way, and the process of going through the awards evaluation has an impact on the product that these tourism operators provide. In order to be successful at the national awards you must have won the state-based award for that sector, so all of these organisations and operators have won their relevant state-based award before they go onto the national awards. All of them have gone through a very, very rigorous process of having their tourism product tested and considered by their peers, effectively, in identifying the excellence of the product.

We think there are a lot of things the Victorian government can do. We have been doing some things in terms of supporting greater skills acquisitions, working with OTTE and others to improve skills in our tourism industry. We have been working on the Tourism Excellence strategy — the rollout of those modules across Victoria. We have been working with tourism operators to improve their performance in terms of tourism awards, tourism excellence in Victoria and interstate, and we are very, very pleased with the quality of the product that we are seeing and the results that our tourism operators have achieved across Australia.

Mr BARBER — Hopefully I am addressing the minister for the grand prix?

Mr HOLDING — Yes.

Mr BARBER — Obviously the losses from that event have been rising, and I am interested in what the government's stop-loss position. But maybe you could just tell us in relation to this proposal for a night race who have you talked to about this proposal, what estimate is there for the cost of running a night race, and who is expected to pay for that?

Mr HOLDING — Firstly, we have not received a proposal for a night race.

Mr BARBER — That was not the question I asked. I said: who have you spoken to about it?

Mr HOLDING — Not having received a proposal, it is not surprising therefore that we have not had extensive discussions

Mr BARBER — But there have been some.

Mr HOLDING — We have not received a proposition which says this is what we would like to do. Obviously I have had some informal discussions with the grand prix corporation itself, with the Australian Grand Prix Corporation. We have not received any proposition internationally from the international organisers of the

grand prix, but there has been media speculation around it, and the government has said throughout that process two things. One is that we are yet to receive a proposition so it is very hard for us to ascertain a cost or to reflect on the infrastructure that would be required to support a proposition like that.

The second thing that we have always said in relation to a night grand prix is that we will make a decision on whether or not to have a night event in Victoria based on what is in the best interests of Victorians. That is the test that we will use. Whilst we will listen carefully to whatever representations and presentations are made to us, you would expect us to make a judgement based on the best interests of Victorians, and that is what the government will do.

Mr BARBER — So there are no estimates on costs that have been developed?

Mr HOLDING — We have not received a proposition, so we are not in a position to know what would be proposed, and therefore what it might potentially cost. It is very hard to cost what you have not received.

The CHAIR — We understand that, Minister.

Mr PAKULA — Minister, on page 146 of budget paper 3 I note that the target for international visitors has risen over the forward estimates period, I think, since the 2006–07 target. I would imagine that a key factor in growing national visitor numbers is increasing the direct flights into Melbourne, so I am interested in what initiatives are being undertaken to open up our skies, particularly in regard to the key target markets that we might have.

Mr HOLDING — That is a very good question, and it is a question which has occupied the mind and the attention of not only the Victorian government in recent years but also the Victorian tourism industry more generally. We know there is a point at which we cannot grow our industry any further if we do not get access to more direct flights. There is a point at which the benefit that flows from things like the significant investment that the government is making in the new convention facilities at Southbank will not be realised if we are not able to significantly increase Victoria's aviation access arrangements in relation to direct international flights.

We know in recent years there were some very challenging developments. We saw a reduction in direct-flight services to Melbourne by Qantas, and we have seen other operators either reduce or remove services that had been provided. Austrian Airlines has been a more recent case in point, but there were other airlines as well. So the Victorian government has embarked on a strategy of endeavouring to attract more direct flights to Melbourne, and we have seen in recent years some very considerable success in that area.

The first is the announcement by Qatar Airways, which we are very pleased about. It has recently been granted air rights allowing it to fly daily to Melbourne, whilst Emirates has been granted an additional 35 services per week from Dubai to Australia, allowing it to build upon its existing double-daily Melbourne services.

We saw the announcement that I made with the Premier on Tuesday — that Qantas would be providing two additional direct flights from Melbourne to Shanghai each week — and we welcome that. It is an important reinstatement of a service which existed previously.

We have also seen an announcement by Indian Airlines, who will be flying from Delhi via Singapore to Melbourne later this year, initially with services coming in from four other Indian cities to support that flight through Singapore. It is a very important development in a rapidly growing market for us. In fact looking at India as a market alone, we have seen huge increases in recent years. It is a market that is estimated to grow 17 per cent per annum over the next 7 to 10 years. It is our fastest-growing market. It is predicted to grow faster than China, so having those direct services coming into Melbourne from India is very important if we are to capture the benefit of that and see as many of those visitors as possible coming to Victoria as part of their Australian tourism experience.

We are going to continue to work in this area. We were obviously pleased to see the announcement by Tiger Airways to establish a presence in Victoria. Although this relates more to domestic services than it does to international services, there is significant scope and potential there. We are continuing to work with Qantas on opportunities to increase their direct services, and we see this as an area where we need to do more work on the federal government.

Essentially the federal government has the key to unlocking international air service agreements. To date there have been some routes that it has protected, we think, quite significantly to the detriment of Victorians, and we will continue to put pressure on the federal government to open up those air routes to Victoria, to make it easier for people to come and visit our state and, frankly, also to provide greater choice for Victorians who wish to travel overseas.

They ought not have to travel through Sydney to access other locations. It adds cost, time and inconvenience to them, and opening up these services is important, not only from our tourism industry's perspective but also in terms of our international competitiveness, investment, promoting trade and promoting our international student activities, which are considerable.

This is an area that the Victorian government will continue to prioritise. We have achieved some success in recent months, and we will continue to put pressure on the federal government to open up Australia's skies and to provide more direct services into Victoria. We have got carriers that want to fly here; they should be allowed to do so.

The CHAIR — Thank you, Minister. We share your concern about the Sydney-centric nature.

Mr DALLA-RIVA — Minister, I refer you to budget paper 3, page 146, under the heading 'Marketing Victoria'. Under 'Tourism' it shows the total output expenditure for 05-06 to be \$53.7 million, which is a blow-out of \$14.6 million on top of the original target of \$39.1 million as referenced in the 06-07 budget paper 3 at page 157.

Minister, last year's budget paper said the target for 2006-07 was \$46.2 million. In this year's budget paper this target is shown as \$48.5 million, with an expected outcome of \$72.1 million — a blow-out in excess of \$25.9 million or 56 per cent. Is the dramatic increase in the budget — this follows on from Mr Barber's comments — the result of the government's anticipating the cost of a night grand prix?

In particular I refer back to the question — you did not answer it — does the government support a night grand prix? We did not get a definitive answer, yes or no. You said you had had 'not extensive discussions' in relation to the night grand prix. Specifically, who have you or the Premier spoken to regarding the night grand prix or the future of the grand prix in Victoria; has any investigation taken place, preliminary or otherwise into the safety of holding this grand prix at night; and do you think it is worth the money meeting Mr Ecclestone's demands, given that the Auditor-General has found that the 05-06 grand prix produced a net loss to the state of \$6.7 million?

The CHAIR — I find the question a little confusing, I must admit. You started off talking about output costs and you ended up repeating a previous question. Minister, to answer insofar as it relates to the estimates and your previous answers.

Mr HOLDING — I will have a go, Chair. There has been a whole series of questions that Mr Dalla-Riva has asked in relation to this, and it is all premised on government having received a proposition for a night grand prix — what is it going to cost, what are the safety implications and who have we met with. I have made it clear that the government has not received a proposition for a night grand prix.

Mr DALLA-RIVA — But you said 'not extensive discussions', so there must have been some discussions, Minister.

Mr HOLDING — No, I did not say 'extensive discussions'.

Mr DALLA-RIVA — I wrote it down.

The CHAIR — I think you used the word 'informal' discussions.

Mr HOLDING — Precisely. Saying 'extensive discussions' is absolutely putting words in my mouth, because I never used those words; I said 'informal discussions'. You would be surprised, there having been speculation in the newspapers and in the media about a night grand prix, if I had not raised it with the chairman and said, 'What is the situation in relation to this?'. He made it clear that no proposition has been received by the international grand prix organisation, and on that basis it makes it very difficult for us to cost a proposition that we have not received, and it makes it very difficult for us to consider what safety implications, amenity implications or whatever there might be for a proposition which has not been received by government.

You are asking what discussions we have had. Those discussions which I have described are the discussions that I have had in relation to a night grand prix. They are the only discussions I have had in relation to a night grand prix.

Mr DALLA-RIVA — Those discussions you have had with the other people, have they been threatened by Mr — —

The CHAIR — He mentioned a particular discussion.

Mr HOLDING — I mentioned that I have had a discussion with the chair of the Australian Grand Prix Corporation.

Mr DALLA-RIVA — Right. So you do not support a night grand prix; is that fundamentally where you are at?

Mr HOLDING — Your having said that I have had extensive discussions, to which I said ‘No, that’s not right’, you now turn around and say, ‘So you don’t support a night grand prix’ — based on what?

Mr DALLA-RIVA — I am asking: do you support it or not?

Mr HOLDING — The government has said we have not received a proposition. Until we receive a proposition, it is very difficult for us to evaluate whether or not a night race is in the interests of Victorians. What I have talked about is the criteria we will use to make a judgement when and if we do receive a proposition, and it is possible that we may never receive a proposition. But when and if we do receive a proposition, the judgement we will use and the criteria we will use to make an assessment is whether or not it is in the best interests of Victorians.

Mr DALLA-RIVA — But you must be anticipating some loss, because the forward estimates in the budget are far in excess of previous years.

Mr HOLDING — This has got absolutely nothing to do with a night grand prix, and I am stunned, Richard, that do you not understand this.

Mr DALLA-RIVA — No, just the grand prix in general, given the — —

Mr HOLDING — We have re-signed the agreement for 2007, we have re-signed it until 2010, and the costs connected with that re-signing are embedded in the forward estimates, like you would expect them to be.

Mr WELLS — Can I ask, just to clarify very briefly — —

Mr HOLDING — And, I might add, they have nothing to do with a night race. We have re-signed until 2010, and I am amazed that everyone wants us to renegotiate our grand prix the year after us re-signing it, the very year we have just re-signed it for a further four years.

Mr BARBER — No, we want to make sure you are not doing that.

Mr HOLDING — There are a range of different views.

Mr WELLS — The only issue I want to clarify is this: do you as minister support a night grand prix?

Mr HOLDING — I have not received a proposition yet.

Mr WELLS — No, that is irrelevant. It is whether you support the concept of a night grand prix.

Mr HOLDING — I am not in the business of saying I support or do not support something, sight unseen. It would be an extraordinarily foolish person who said that. Let us wait for a proposition. We may get one; we may not. If we get one we will evaluate it and make a judgement based on whether or not it stacks up for the Victorian people. If it does not, then we will not be supporting it.

The CHAIR — Thank you, Minister, and we are into good governance as well.

Mr SCOTT — The question I have for you, Minister, is regarding the visitvictoria.com website and online tourism marketing. Again in budget paper 3, at page 146, there is an anticipated increase in the hits to the

website, reflecting an increase in online marketing activities. What sorts of activities will be undertaken in online marketing, and how are they expected to benefit the Victorian tourism industry?

Mr HOLDING — Thank you very much for that question, Robin, and you identified visitvictoria.com. Quite appropriately it is a leading-edge destination website. We have seen it outperform all the other state tourism websites in terms of the share of the Australian internet audience over the last three years, so we are very pleased to see the success that the visitvictoria.com website has already achieved.

We see in 2007–08 an aggressive performance target in relation to this, and that is because we have seen its success and it highlights the confidence the government has, as well as the importance that online marketing activities have in terms of providing a marketing platform and a research tool for travellers. So we see this as a very important tool and that is the reason why it has been afforded such significant focus in terms of our performance measures going forward. But it also takes the investment of resources if that is to be achieved. That is why, in order to maintain our competitive advantage, we have allocated an additional \$1 million over four years as part of the 2007–08 budget to assist in that area. That funding is an important part of the recognition that was given to the importance of online activities in the 10-year strategy which my predecessor launched in October last year. It is an important set of tools and it is important therefore that it is appropriately resourced.

Tourism Victoria, through the board, has also developed an online strategy, which looks at visitvictoria.com, but also all the activities that are occurring from a marketing perspective to support our online and internet-based activities. We think the funding we are investing here will have a significant impact on regional tourism operators. We know there will be a benefit also from a training skills perspective, and this will ensure that our regional operators are keeping pace with the rest of the industry and their competitors interstate.

We know the e-marketing program, which is part of the \$6.5 million that we have allocated to support regional tourism, will be an important part of that initiative as well. We think we will see our regions providing better online campaign integration, more sophisticated e-marketing packages and a range of other opportunities that can be price-consolidated by campaign committees directly to tourism businesses, and we think these are an important way also of supporting regional tourism operators to access and utilise online activities in the work they do to promote their businesses.

The CHAIR — Thank you very much for that, Minister. I have a question on notice for you here regarding a breakdown of tourism output funding which I will provide to you.

Mr HOLDING — Okay.

The CHAIR — I thank the witnesses who have appeared in this segment of the hearings.

Witnesses withdrew.