

VERIFIED TRANSCRIPT

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into budget estimates 2008–09

Melbourne — 3 June 2008

Members

| | |
|------------------|---------------------|
| Mr G. Barber | Mr G. Rich-Phillips |
| Mr R. Dalla-Riva | Mr R. Scott |
| Ms J. Munt | Mr B. Stensholt |
| Mr W. Noonan | Dr W. Sykes |
| Mr M. Pakula | Mr K. Wells |

Chair: Mr B. Stensholt
Deputy Chair: Mr K. Wells

Staff

Executive Officer: Ms V. Cheong

Witnesses

Mr T. Holding, Minister for Tourism and Major Events, and
Mr D. Richter, Acting Chief Executive, Tourism Victoria.

The CHAIR — Just for the information of the committee, I welcome Don Richter, the acting chief executive of Tourism Victoria. I ask the minister to make a brief presentation of no more than 5 minutes on the more complex financial and performance information in respect of the tourism and major events portfolio.

Mr HOLDING — Thanks, Chair. I should say that Don Richter has joined me, filling in for Grey Hywood, who could not be here today. He has a personal issue that is being resolved.

Overheads shown.

Mr HOLDING — Just in relation to the performance of tourism and major events, I will not dwell on these statistics other than to say that all the members of the committee would be aware that tourism plays a major role in underwriting the state's prosperity. It employs a lot of people and it is an important employer in regional Victoria, and the government has a plan in place to grow not only the contribution of tourism as whole but the tourism and major events contribution to regional and rural Victoria as well.

I am sorry about how small the writing on this particular slide is.

The CHAIR — We have a copy.

Mr HOLDING — I would simply highlight the key achievements: the big increase in international visitor expenditure, which is very pleasing. We have always said that our major increases in visitor yield over the period of the 10-year tourism and major events industry strategy will come from international tourists, so it is great to see that increase occurring. Melbourne has overtaken Sydney for the first time as the most lucrative tourism destination. That is a great achievement and one we are very pleased about. On cooperative marketing activities connected with the launch of Tiger Airways, we have highlighted improving aviation services to Melbourne as an important part of our plan, so being able to celebrate the launch of Tiger Airways and have some cooperative marketing activities connected with that is fantastic.

On the tourism excellence program, the final modules of that have now been launched. That focuses on skills in particular and improving excellence, which has been a real focus of the industry plan. We have had marketing campaigns in some of our regional areas as well as a focus on international business events, and the success of our signage at some of our major events is helping to brand Melbourne and Victoria internationally.

You have asked what are some of our key priorities. It is a short presentation, so I will just touch on these. With regional Victoria, we want to see more visitors. It is challenge for us because a lot of our growth is coming from international visitor segments that are less likely to visit regional Victoria, so we need to redouble our efforts in that area. We have said that aviation capacity growth is important. We want to focus on our emerging markets, China and India, and in 2009 we will be hosting the Australian Tourism Exchange. It has been a few years since we last played host to that major tourism event. We also want to, with the opening of the convention centre, highlight Victoria's credibility and profile as a world-class business events destination. Consistent with those priorities are the initiatives contained within the budget: additional resources for regional tourism, for marketing campaigns particularly; \$8 million to market us internationally and also to put aside some resources for air services; business events; and finally the dollars for ATE (Australian Tourism Exchange).

Ms MUNT — Thank you, Chair. I would like to ask a question concerning the Melbourne Convention Centre, which is mentioned in budget paper 4, page 123 under 'Statement of administered items'. Can you please confirm for the committee that this project is on time and on budget?

Mr HOLDING — Yes, I can confirm to the committee that the project is on time and on budget. This is a very important project. Firstly, it is a facility for Melbourne that will fill a gap for us. We have been in temporary convention centre facilities for a long time. This has impeded our international competitiveness, our ability to attract major new business events to Melbourne. The new convention centre being built and co-located with the Melbourne Exhibition Centre will mean that Melbourne has the best and the largest integrated exhibition and convention centre space anywhere in Australia. The building itself is an environmentally sustainable building. It is a six-star rated building; the best of its kind anywhere in Australia, which is a fantastic achievement and one that will leave, I think, an environmental and social dividend for many, many years to come. As well as that, of course, it is a major boost for the state's infrastructure portfolio. It is on track, and it is on budget. Of course the City of Melbourne, I should acknowledge, is contributing \$43 million for the bridge for pedestrians and cyclists, which will

link the development to the Docklands, and there are also some municipal-type works which it is undertaking. They have made their first payment under the agreement in relation to that contribution.

We are also obviously seeing a great pipeline of conferences that have been won. I do want to focus on these, because some of these are quite amazing. We have things like the International Geomorphology Conference, which will bring 600 delegates to Melbourne and a net economic impact of \$3.6 million. We have got major conventions like the Parliament of the World's Religions 2009, which will bring 10 000 delegates to Melbourne and a \$71 million net economic impact — 52 000 room nights, that particular congress will generate. We have been able to identify about 15 or 20 major conferences or conventions so far that have been secured for use on the new site. That pipeline of convention activity will fill our hotel rooms and justify the investment that is being made in the facility.

Mr WELLS — Minister, I refer you to budget paper 3, page 158, in particular the number of visitors — domestic visitors. I am wondering why there are no key performance indicators recorded in the budget papers for the number of domestic visitors. Why has there been a decline in domestic visitors, if you take the figures that are reported in the Tourism Victoria annual reports? And what targets are you using for those domestic visitors — the number and the amount they spend when they go to regional Victoria?

Mr HOLDING — There are a number of different questions there. Just to address different elements of it — firstly, the question of domestic visitor numbers is a very important one, because the number of domestic visitors has been flat over a sustained period of time. This is not just an experience that we have seen here in Victoria, it is Australia wide. In fact the modest growth that there has been in domestic visitor numbers has been stronger in Victoria than it has been in other states. I think the growth rate has been about 0.5 per cent?

Mr RICHTER — Yes.

Mr HOLDING — I will get the actual figure in a moment for you, but the growth has been slightly above the growth for Australia more generally. What we have focused on and what the Commonwealth Government now increasingly focuses on in its compilation of data for both international visitors and domestic visitors is what the expenditure forecasts are, because it is the expenditure forecasts which actually generate the economic impact for the state, not the raw number of visitors. That is the direction the Commonwealth has gone in, and it is one that we are also happy to go on. Again, you can see there — if you go to budget paper 3, page 158, you will see the targets for domestic visitor expenditure, which have been broadened since 2007/08 and now include the overnight and day-trip spend. The reason why we are presenting the data in this way is that really for the first time the National Visitor Survey, which is what drives all of our data collection, has been able to be improved to the point where we could get a robust measure for day-trip expenditure. In the past the measures were not robust enough to be able to collect the data in that way.

That is particularly around the National Visitor survey sample size. The National Visitor Survey sample size has increased in 2005 from 80 000 to 120 000 respondents, which therefore increases substantially the reliability of the data that is provided to us. That change also is reflected in the focus of the Government's 10 Year Tourism and Events Industry Strategy, which focuses on intrastate visitation. If we look at the expected outcomes for domestic visitor expenditure 07–08, 11.8 billion — that is above the target. The target in 08–09 has now been increased to 12 to 13 billion. That is reflected in the domestic visitor expenditure targets that you can see there.

In answer to the first part of the question — or what I understood was the first part of the question — where is the focus on numbers of domestic visitors — —

Mr WELLS — Or why you have the numbers of visitors for international, but you do not have the number of visitors for domestic.

Mr HOLDING — The reason is the focus is now expenditure driven rather than numbers driven. You can see now that is consistent with the way the Commonwealth is increasingly presenting its tourism data. But we make it very clear that domestic visitor numbers have been flat.

Just to go over the question, 'What are the numbers?': 1999 to 2007, domestic overnight visitation to Victoria has increased at a rate of 0.5 per cent per annum. The national average has been 0.1 per cent per annum over the same period. We would say that domestic visitor numbers are flat. They are flat for Victoria — they are flatter for everyone else, if you can describe it that way. That is small comfort to us from a Victorian perspective. What we

need to do is to understand why. The reason why domestic visitor numbers are flat is because Australians are increasingly able to take relatively cheap international holidays, accessing cheap airfares, or expend their money on other things — for example, plasma screen TVs or whatever. The high cost of fuel obviously makes domestic travel for Victorian visitors less attractive than it would otherwise be. That is why our focus on regional expenditure — \$13.3 million for regional tourism — is so important, because without that expenditure we will not have the campaigns in place, the marketing campaigns, to attract the people to travel to regional locations.

Mr SCOTT — My question will relate to the same page on budget paper 3, the number of visitors international performance measure, which I note the forecast of 1.5 to 1.8 million, which is an excellent result, frankly. Aviation access plays an important part in getting these international visitors to Victoria. Can you detail some of the initiatives taken in this area in the budget period?

Mr HOLDING — This is an important question. My recollection is that Gordon asked a question about this issue last year. It is one that has occupied, I think, all of our minds in Victoria: what we can do to grow Victoria's share of direct aviation services into Melbourne and into Avalon. This is a real issue for us, particularly at the moment, and Melbourne with its status.

The challenge for us is that if we are going to achieve the targets that we have set ourselves in the 10 Year Tourism and Events Industry Strategy we need to improve our international visitor efforts. That means it needs to be easier for people to get here. At the moment something like 10 per cent of visitors to Victoria who fly in from overseas need to make a connection through another city. The corresponding number for Sydney is about 3 per cent. That is a major competitive disadvantage for Melbourne.

If you look on the trans-Pacific route, which is the most profitable route anywhere in the world, about 37 per cent of visitors to Melbourne from overseas who come on that route need to make a connection through a city other than Melbourne. That shows that in a sense we are discriminated against because of the way in which international air services are arranged. That is why it is so important for us to draw other carriers to Melbourne to provide those direct services.

We are very pleased that Cathay Pacific has increased its Melbourne–Hong Kong services from double daily to triple daily in October 2007, which adds something like 150 000 new seats between Hong Kong and Melbourne each year. Korean Air began direct services between Seoul and Melbourne three times weekly in October 2007. We forecast Korean visitor arrivals to Victoria to grow by something like 65 per cent by 2016. Qantas has introduced a new service between Melbourne and Shanghai in March 2008 offering two flights a week on the route, and also boosted its flights to Hong Kong from 7 to 10 services per week. Thai Airways and Philippine Airlines also increased the number of flights to Melbourne in the past 12 months, while China Eastern and Singapore airlines added supplementary seasonal services. We have obviously got the Tiger Airways announcements around additional flights secured there with their headquarters in Melbourne. Jetstar has introduced new daily international services from Melbourne to Singapore via Darwin, which expands its network out of Australia and Asia.

We are pleased with those things, but there is a lot more work that needs to be done. That is why we are very pleased that the Commonwealth has announced a review, the first major review, of aviation policy, which it announced a couple of weeks ago in Melbourne. This is really an opportunity for Victoria to have some input into the formulation of aviation policy in Australia and to make the strategic case for freeing up and liberalising air services so that Melbourne can share in what is a very important market for growing our tourism competitiveness.

The CHAIR — So Melbourne will benefit from open skies.

Mr HOLDING — We say so, and we want to see more of it.

The CHAIR — Absolutely.

Mr RICH-PHILLIPS — As a follow up, with the departure of Peter Keage, who is taking responsibility for that area now?

Mr HOLDING — We are in the process of appointing someone at the moment.

Mr RICH-PHILLIPS — Presumably somebody to do the submission.

Mr HOLDING — We are working on the submission at the moment. That will not be the sole responsibility of the person who takes up that appointment. But the submission will reflect the whole-of-government interest we have in securing additional air services to Melbourne.

Mr RICH-PHILLIPS — I would like to ask you about the exhibition centre. The government has provided funding for the business events program through the bureau to attract events to Melbourne. One of the issues that has been raised certainly by the Convention Centre Trust and also VECCI — Wayne Kayler-Thomson, as it happens — is the need to expand the exhibition centre allied to the work that is going on with the convention centre. What is the government's position on that? Are you in discussions or consideration of expanding and upgrading the exhibition centre while they are doing the convention centre?

Mr HOLDING — It is not in this budget. There is no funding in this budget to expand the exhibition space, but obviously we are alive to the representations that have been made on behalf of a number of users of the exhibition space who indicate that if there was more space available they would fill it. And particularly relevant in that context are the motor show and I think also the boat show, but certainly the motor show indicate that with additional space they could expand the variety of exhibitions and the array of exhibitors who are able to participate in that event. We will give consideration to that proposition when it is developed to a stage where government can actually make a judgement about whether it is something we can support, and obviously we will have to work on how that might be delivered within the footprint of the new convention centre and the existing infrastructure that exists on site.

Mr RICH-PHILLIPS — At this stage there is no work within government on such an idea?

Mr HOLDING — The trust is certainly doing some work and I appoint the trust, so to the extent that the trust represents work that is being done from a government perspective, that work is under way.

Mr NOONAN — I am also on page 158 of budget paper 3 and the first line item 'Investment projects facilitated' as a performance measure. I just wonder whether you could advise how the government is performing in this area and comment on the impact of growing tourism in Victoria as a result of these investment projects?

Mr HOLDING — This is a really important question. For many years a lot of the debate around tourism was a debate around the money spent on marketing. We recognise that as important as marketing funding is, in the long term one of the more constructive things that the Government can do is facilitate more investment, particularly investment that fills gaps. We have identified from time to time accommodation gaps in regional locations — the opportunity, for example, for regional locations to be able to host business conferences or those sorts of activities and in some cases major additional augmentation to our hotel supply in the CBD to meet the needs of things like the new convention centre and if we were to go down the path of expanding the exhibition centre, and those sorts of things.

In terms of examples of investment that has been facilitated as a consequence of this renewed focus on this activity within Tourism Victoria, I can point to several projects which have recently been facilitated and these are some of the projects which make up the delivery on the performance measure that is identified in the budget papers: a \$136 million serviced apartment hotel in Melbourne's Bourke Street by Devine Ltd, so a new serviced apartment complex there; \$5 million for the steam packet wharf accommodation at Port Fairy — this is private sector investment that has been leveraged off Victorian investment attraction activities by Tourism Victoria; \$40 million for the McLears Hill holiday retreat at Dromana; \$45 million for the Hotel Windsor redevelopment in Melbourne's Spring Street; \$65 million for the Cliff Top resort at San Remo; \$10 million for the Quest serviced apartments at Mildura; and a number of different projects across the state. I was recently at the Novotel in Creswick which is a recent addition to their offering. At Warrnambool I participated in the opening of the Mantra Deep Blue-branded facility, which is a geothermal spa facility with business facilities that have been built there to attract that sort of activity to Warrnambool. So there are a lot of different projects around the state worth hundreds of millions of dollars, generating jobs not just in the construction phase but, more importantly, ongoing jobs for those communities, building new industries around tourism, and often in communities where some of the traditional industries have changed or the employment profile of those industries has changed. Being able to facilitate approvals of and support for major projects like this in regional locations is a very important part of the 10-year strategy.

Mr BARBER — In relation to your presentation here, the achievements slide, Minister, on major brand Victoria signage and promotion undertaken during 2008 open and 2008 grand prix, I presume that means payments for signage rights from your department to the organisers of those events, and can you tell me how much that was for each event?

Mr HOLDING — In some cases it is and in some cases it is not. As to the reason why, sometimes the provision of the signage is an existing condition of the conduct of the event and in some instances it is a discreet sponsorship package where you could disaggregate the cost of the sponsorship for the signage from whatever other support is provided to the event. In terms of the specific question you ask, which is how much did we pay for the signage in instances where that has occurred, obviously we do not disclose the level of our sponsorship packages. We never have in the past. It simply creates a public expectation around what other corporate entities might then go and bid to get the equivalent level of signage and we are not prepared to put ourselves through that sort of a process, and that is consistent with the practice of previous governments.

Suffice to say that in both of the two instances that are mentioned in the slide presentation, the Australian Open Tennis Championships and the Australian Formula One Grand Prix, the badging benefits of having that Melbourne-branded signage there is immense. It was broadcast around the world to audiences of hundreds of millions of people and the branding that generates for Melbourne is huge.

Mr BARBER — I thought that was the point of those events, that everybody would know that they were in Melbourne, but if we have to pay extra for a billboard that says, 'This is in Melbourne'? When the grand prix runs on Japanese TV — —

The CHAIR — Have you got any clarification, or if you want to make a statement make it in Parliament?

Mr BARBER — Here is the question: when the grand prix runs on Japanese TV is there something that flashes up that says, 'This is the Melbourne grand prix'? Is it officially called the Melbourne grand prix?

The CHAIR — You might want to check with the Japanese with that one, but a couple more short questions.

Mr HOLDING — Is it called the Melbourne grand prix? It is actually called the Australian Formula One Grand Prix, and you would have seen the signage or you might not have, but let me answer the question, 'Do we have to pay extra?'. The answer is, 'No, we do not' in relation to the formula one grand prix. It is part of the existing suite of government support that exists for that event. In terms of where the signage is seen, does it pop up on screen? It does not need to pop up on the screen, it is at the start and the end point on the pit straight basically, and you could not possibly watch that event without seeing the signage and knowing that it is taking place in Melbourne. It would be impossible to watch it. It is Melbourne signage with 'Australia' written on each side of it and 'Melbourne' in the centre and it looks absolutely fantastic.

Mr DALLA-RIVA — Just to follow up on that — —

Mr PAKULA — I am going to follow up on that.

The CHAIR — Quickly, Mr Pakula and then Mr Dalla-Riva. We need to finish.

Mr PAKULA — I am glad Mr Barber asked that and I glad Mr Dalla-Riva wants to follow up because note (a) to the tourism table on page 158 of budget paper 3 says:

Due to continued investment in major events and tourism marketing, visitors and expenditure are anticipated to grow.

I think what Mr Barber touched on is that there is always a degree of controversy over whether the — —

The CHAIR — Is this a question or a statement?

Mr PAKULA — No, it is a question, Chair — whether the major events and investment strategy actually attracts investment and tourism. Minister, could you give us some detail about exactly how investment and tourism are enhanced by the major events strategy?

Mr BARBER — The Auditor-General covered that pretty well.

Mr PAKULA — I am asking the Minister that question.

Mr HOLDING — That would be a good rule: if the Auditor-General's covered it you are not allowed to ask about it.

The CHAIR — All right. We would like to finish, Minister. I have promised Mr Dalla-Riva a quick question.

Mr HOLDING — I would like to go to Mr Pakula's question because we calculate the current economic benefit of major events to Victoria at about \$1 billion annually, and the question that Martin asked was do these events bring visitors to Australia? Do they bring visitors to Melbourne? We think they bring something like 329 000 international visitors to Victoria, which is about 44 per cent of all international event visitors to Australia. What it shows is that Victoria is punching well above its weight in terms of attracting international visitors to our state connected with either major events or business events or regional events or whatever it might be. That is why we are such strong supporters of things like the Australian Open Tennis Championships, Australian Formula One Grand Prix, the Spring Racing Carnival, even things like the footy finals. They draw in international visitors; they draw in interstate visitors. These people come to Melbourne. They fill our hotel rooms. They fill our restaurants. They travel around in taxis, or whatever it is they might do, and it provides an economic spin-off to our State.

This is our competitive difference. In the same way that Queensland has the Great Barrier Reef or Sydney has the Opera House and the Sydney Harbour Bridge, we have our major events strategy positioning our State and branding us internationally. The branding that I talked about in answer to Mr Barber's question really does identify Melbourne with a whole raft of people who would otherwise not be exposed to Melbourne's lifestyle or tourism offerings. Those vignettes you see of Albert Park Lake during the grand prix or the vignettes you see of Melbourne along the Yarra River during the Australian Open tennis, whatever it is, these things are branding us internationally. It is a very important part of why we invest what we do in attracting major events to Melbourne.

Mr DALLA-RIVA — Very briefly, on page 331 of service delivery budget paper 3, in relation to positioning Victoria in the forward estimates there is 2.8, 1.8, 1.8 and 1.8. My question relates to the Australian Formula One Grand Prix; are part of those funds to be used for a night grand prix race?

Mr HOLDING — I know you are going to be so disappointed to hear this, Mr Dalla-Riva, but we have already ruled out a night grand prix on many occasions.

The CHAIR — Thank you for that. That concludes consideration of budget estimates for the portfolios of finance, WorkCover and the Transport Accident Commission, water, and tourism and major events. I thank the minister and departmental officers for their attendance today. It might be a good idea for someone to bring a calculator next time. It has been a very useful session. The committee has a couple of issues to follow up with you and some questions may be forwarded to you in writing at a later date. The committee requests written responses to these matters be provided within 30 days. Thank you.

Committee adjourned.