31 May 2007

The Convenor
Rural and Regional Committee
Parliament House
MELBOURNE VIC 3002

Dear Sir

Re: Parliamentary Inquiry into Rural and Regional Tourism

I am pleased to attach a submission to the above Inquiry and look forward to the opportunity of further discussing it with the Parliamentary Committee in due course.

We commend the initiative taken by Parliament in addressing this very important issue for rural and regional Victoria.

Yours sincerely

Jeremy Johnson
CHIEF EXECUTIVE OFFICER

Att. (1)
SUBMISSION BY SOVEREIGN HILL

PARLIAMENTARY INQUIRY INTO

RURAL AND REGIONAL TOURISM

MAY 2007

EXECUTIVE SUMMARY

Sovereign Hill has successfully established and operated one of Victoria’s iconic tourism attractions at Ballarat since 1970.

Sovereign Hill is an outdoor heritage museum, based on the fabulous first decade of the Goldrushes from 1851 to 1861. Within its Mining Museum precinct, it also presents the history of company quartz mining up until the 1918 closure of the last mine in Ballarat.

It attracts over 470,000 day visitors, with over 27% being international, and a further 85,000 visitors on the nightly sound and light show, “Blood on the Southern Cross”. Sovereign Hill also operates the adjacent Gold Museum Ballarat which draws over 170,000 visitors each year.

In 2005, it was adjudged as “Australia’s Major Tourist Attraction” at the Australian Tourism Awards, an Award it also won in 1992. Sovereign Hill is a member of the Victorian Tourism Hall of Fame.

It employs 370 staff (equivalent to 220 full-time positions) and enjoys the voluntary support of over 275 members of the Friends of Sovereign Hill and the Gold Museum Society.
Sovereign Hill is a major economic driver for destinalional tourism in Ballarat and regional Victoria. Its annual turnover is $20m with an economic multiplier for the local economy conservatively estimated to be $50m p.a.

There are over 76,000 bed nights alone created annually by attendances at “Blood on the Southern Cross” with a further 100,000 bed nights estimated to be generated through visitation to Sovereign Hill itself.

Tourism is a sunrise industry, with a “clean/green” reputation capable of being built upon to drive economic prosperity and employment levels.

There is an important role for Governments at all levels to support destinalional tourism in regional Victoria. Fairer access to Government subsidised transport schemes and Arts funding is necessary. Local Government support is vital

There are significant impediments facing the tourism, industry in regional areas and it is a higher risk industry when the impact of natural disasters is taken into account. Therefore there are special needs that should be acknowledged when Governments deliberate on long-term strategy and ongoing financial support.
Clear initiatives need to be identified and supported to help regional individuals, businesses and communities take maximum advantage of the growth opportunities that exist within the tourism sector.

Tourism Victoria's significant role requires review, but the JIGSAW brand has been very successful and should be retained. Accreditation and staff training improvements are essential.

There are also some leadership issues which need to be addressed. The role being undertaken by the Victorian Tourism Industry Council and VECCI should be supported. Eco-tourism opportunities, particularly near National Parks, should be facilitated.

Sovereign Hill is keen to play a role in helping this Parliamentary Inquiry with its deliberations and to develop recommendations that will enhance tourism’s potential in delivering economic benefit to rural and regional Victoria.

Jeremy Johnson
CHIEF EXECUTIVE OFFICER

May, 2007
1.1 BACKGROUND

Sovereign Hill was established as a not-for-profit company, limited by guarantee, in March, 1967.

Its Founding Fathers had as their aim to establish an outdoor heritage museum along similar lines to those which had been created overseas in North America (Colonial Williamsburg and Old Sturbridge Village, for example), and in Europe at places like Skansen in Sweden.

The theme of this museum was to be the first decade of the fabulous Australian Goldrushes, with particular reference to the Rush to Ballarat from 1851 to 1861.

The Master Plan also provided for a Mining Museum within this Outdoor Museum which would enable the story of the three major forms of gold mining – alluvial, deep lead and quartz or company mining – to be interpreted up until World War 1 when the last mine closed at Ballarat, in a living history styled museum. It also provided for a Gold Museum which would enable extension of the 1851 – 1861 time period to encompass what happened as a result of this fabulous decade’s impact on our society and on the economic development of Victoria and the nation.

The result has been an outstandingly successful museum, operating totally independently from Government and without call on any recurrent operating funds from local, State or Federal Government, other than for the delivery of State Government education services and an Arts Victoria programme.
1.2 **FINANCIAL OPERATIONS**

Sovereign Hill has always made a profit since its opening, reliant upon gate enhance income and revenues from commercial operations and initiatives associated with the museum’s presentation.

The Association occupies a Crown Reserve of some 26 hectares secured under legislation by a lease to it from the State Government. This lease commenced in 1970 and in 2000, was extended by further legal agreement and legislation until 2050.

All assets developed by the Association technically revert to the Crown, so the investment is an outstanding one for the community to have made.

Sovereign Hill’s asset base of $45m in historical cost terms, has been built up since its inception by equal parts of Retained Earnings (i.e. accumulated profits), fundraising and successfully applying for State and Federal Government capital grants.

The museum holds nationally significant collections of gold, photographic images and artefacts from the Australian Goldrushes.
2.1 ATTENDANCES AND BUSINESS CYCLE

Sovereign Hill has displayed a classic business cycle in its operations since opening in 1970. Combined attendances for Sovereign Hill, Blood on the Southern Cross (nightly show) and the Gold Museum Ballarat are as follows:

The Board and a professional Management Team have been able to generate the right actions and initiatives in capital investments and marketing to continually grow attendances and hence, regional economic activity.

There are for example over 76,000 bed nights alone in Ballarat generated by the nightly sound and light show "Blood on the Southern Cross" which was opened in 1993.
This has been a tremendous boost for the Ballarat region's accommodation and catering sectors. A major $3m upgrade in 2003 had to be undertaken over an 18-month period without closing the nightly show down at all to avoid a major detrimental impact on the region's tourism economy.

This is one example of how special State Government financial support is warranted in such situations to compensate the additional costs incurred by this requirement.
2.2 EMPLOYMENT AND THE ECONOMIC MULTIPLIER

Sovereign Hill has an excellent record of employment growth and maintaining jobs in such a volatile sector.

There are 370 employees at Sovereign Hill at present, with this equating to 220 equivalent full-time (EFT) staff members.

Sovereign Hill generates a wages bill of $10m p.a. into Ballarat's economy and a further $10m p.a. in purchases for consumables, supplies and services.
In 1996, a study by Brian Dermott & Associates conservatively estimated the economic multiplier generated by Sovereign Hill to be a factor of 2.5, making therefore a $50m driver for the regional economy.

Sovereign Hill has a policy of acquiring goods and services locally wherever cost-effective and practical.

The museum opens 7 days a week, 364 days a year and provides a very flexible work roster structure for casual, part-time and full-time employees. Most live within 30 minutes drive of Sovereign Hill.

2.3 "CLEAN AND GREEN" – TOURISM EXCELS

Sovereign Hill is a perfect example of tourism generating a clean and green business product.

Further investment in renewable energy projects, recycling, water collection and storage and waste minimisation with the assistance of State and Federal recurrent grants is supported. Programmes such as VECCI’s “Grow Me The Money” are essential elements in assisting tourism operators in contributing to actions that address global warming and environmental degradation.
CHAPTER 3  POTENTIAL IMPEDIMENTS

3.1 UNFAIR METROPOLITAN SUBSIDIES

Sovereign Hill's entrance price is $35 per adult as from 1 July 2007.

State and Federal Governments choose, for their own valid political reasons, to subsidise government cultural tourism facilities such as the Melbourne Museum, the National Gallery, Federation Square and Zoos Victoria.

There is a huge annual investment in both capital and recurrent terms in these institutions. It is much harder to get access to such large sums for regional projects.

For example, Zoos Victoria and the Museum of Victoria each receive $38m p.a. in recurrent grant funds (about $38 per visitor). The Gold Museum Ballarat's Arts Victoria programme funding remained at $315,000 from 1996 to 2007 (about $2 per visitor).

There are obvious differences in scale and operating costs but the fairness of access to State funding for high quality museums like the Gold Museum requires addressing.

Other examples are seen in public transport. On Sundays, for example, the Sunday Saver fare allows a user to travel anywhere in the metropolitan area on any combination of bus, train and tram for a $2.50 return ticket.

That does not extend outside the metropolitan network, so regional travellers are penalised with a higher fare regime.
In effect, a Melbourne resident can, for $2.50 get return transport on any Sunday to one of the subsidised entry cultural venues (e.g. the free entry National Gallery), while the same person would face a $35 entry charge and a $25 rail fare for a visit to Sovereign Hill at Ballarat.

This situation would be replicated for any Sunday visit to a regional destination. It represents unfair competition.

Another example is the V WRAP 9 and STAR 6 subsidised transport schemes for schools. Regional schools are eligible for one free coach trip to Melbourne for Year 9 and Year 6 to visit Melbourne’s cultural tourism attractions.

However, this is not able to be used by them to visit a regional attraction, such as Sovereign Hill.

Nor does the scheme operate in reverse, i.e. for metropolitan schools to be able to visit regional destinations.

Again, that is simply unfair competition and giving metropolitan institutions preference.

There are a number of other cost disadvantages such as petrol costs that should be subject to further consideration by this Inquiry as to their detrimental impact on regional tourism.
3.2 AGING INFRASTRUCTURE

There is a problem with aging infrastructure in regional Victoria, particularly with the accommodation sector.

The expectations of visitors for high quality accommodation are much higher as our domestic market has become more travel-wise and experienced.

Many regional areas are serviced by aged motel and caravan park facilities and will struggle to attract consumers.

Removal of caravan parks from foreshore areas and no replacement investment has left many localities without the opportunity to grow new accommodation options. This is particularly the case in coastal areas.

Dispersal of tourism into regional destinations for more than day trips requires this issue to be addressed.

3.3 SPONSORSHIP AND MARKETING

Major events in Melbourne receive support from Governments and its agencies while regional events struggle to get access to a fairer share of these financial and other resources.

For example, there appears to be strong support by agencies like Workcover and TAC in sponsorship of corporate entertainment and events or organisation sponsorship for football, racing and other major events.

The same level of support does not extend to major country events which struggle to gain major sponsorships.
A separate Resources Unit should be set up within Tourism Victoria or Regional Development Victoria to act as a catalyst to ensure regional Victoria gets equal access to Government support in financial sponsorships, marketing assistance and resources such as police and free public transport access.

3.4 SUCCESSION PLANNING

Many local organisations in Country Victoria rely on substantial volunteer input and a very thin professional management resource to run major regional events.

There is a real danger that succession planning is not being put in place to secure the long-term delivery of some of these very significant drivers of destination tourism.

It would be an advantage to have the Resources Unit referred to in Part 3.3 above also responsible for working with these key regional event organising bodies to help with development of succession plans.

This will assist in securing the various festivals, events and promotions that help provide critical mass for regional tourism product.

3.5 LOCAL GOVERNMENT SUPPORT IS VITAL

Municipal support for tourism is a vital component of the ultimate success of regional tourism. Councils need to be committed to developing and nurturing the tourism sector within their communities.

Accepting responsibility for destination marketing is the first pre-requisite.
Enhancing the resources available for tourism promotion and development through levying of special tourism rates and charges should be encouraged.

Ensuring Councils are required to develop Tourism Plans within their Municipal Strategic Plans should also be a requirement. These should include sections on signage, promotion and marketing and infrastructure development.

Finally, the current town planning processes can often mitigate against tourism developments to the point where projects simply do not get put forward by entrepreneurs and developers. The market-place is the best place to test many of these projects, but too often, they never even get to first base.

A review of planning zones and procedures to encourage, not deter, tourism development projects need to be considered by the State Government.
CHAPTER 4  EFFECTIVENESS OF CURRENT PROGRAMMES

4.1  SUPPORT EXISTING PROGRAMMES BUT EXTEND THEIR REACH

There are some excellent programmes that should be supported, such as the Tourism Excellence Programme being industry-driven with the support of Tourism Victoria. They will deliver results.

It is probably time to review the Campaign Committee structure which has been in place for many years now. The JIGSAW brand is an asset of immeasurable value – it has captured the essence of Victorian tourism's diversity and accessibility in one easy visual logo. It should still be the cornerstone of Tourism Victoria's marketing strategy.

More focus on individual attractions and events as drivers of regional destination needs to be considered.

This may be viewed as "picking winners" but these individual attractions and events clearly stand out and have the inherent business strengths to build a marketing message around within the overall JIGSAW brand.

4.2  AN INTERNATIONAL COOPERATIVE MARKETING SUGGESTION

An opportunity exists to seek a new cooperative marketing campaign for a combined New Zealand – Tasmania – Victoria product for international markets. This south-eastern Australasian zone has the best of every tourism experience that internationals seek out (other than a Reef, a Rock a Bridge and an Opera House!)
The eco-tourism and nature-based experiences, food and wine and skiing experienced, as well as cultural tourism products within this 3-member bloc are remarkable. Many are based in regional areas, so the dispersal of economic benefit would be worth the development of such an approach.
CHAPTER 5 INITIATIVES

5.1 EXPORT MARKET DEVELOPMENT GRANTS FOR NEW MARKETS

Some operators who have used their EMDG 7 year allocation would be advantaged by the reopening of access for them to EMDG for new markets.

Sovereign Hill for example has used its EMDG grant to develop the Chinese market in particular.

It has been spectacularly successful in that over 40,000 mainland Chinese now visit Sovereign Hill each year. A larger number also visit Philip Island Nature Park to see the Penguin Parade.

New markets in India and the Middle East could drive similar results for regional Victoria if EMDG access could be re-opened to assist with the costs of developing these inbound tourism opportunities. It is very costly to participate in Trade Shows and familiarisation visits.

5.2 BETTER SIGNAGE

Tourism Victoria is trying to improve tourism signage, but VICROADS is too focussed on engineering aspects, rather than taking a broader viewpoint.

There is a clear bias against signage on freeways which has limited justification only. A balance could be achieved with signage located on a limited number of freeway bridges throughout Victoria and at interchanges.
5.3 **REGIONAL RAIL ACCESS**

In 2007 Sovereign Hill initiated the Goldrush Special service which is the 9.07 a.m. train from Southern Cross Station, arriving in Ballarat at 10.30 a.m.. Visitors are met by a free coach transfer to Sovereign Hill and enjoy discounted entry and some other free benefits before being returned in time to catch the 4.00 p.m. return train to Melbourne. Arrival is at 5.30 p.m. to link in with the metropolitan rail service.

This initiative represents a $100,000 marketing investment per annum for Sovereign Hill.

Initiatives such as these should be further subsidised by the State Government to assist with getting cars off the road where practicable and people moving freely into regional destinations.

5.4 **ACCREDITATION**

Accreditation of tourism services, attractions, accommodation and restaurants should be a mandatory part of being a participant in the tourism sector.

Projects like QUALMARK in New Zealand and the Star Rating system in Scotland are outstanding exemplars of this initiative.

Regional Victorian tourism product will prosper when marketed under the JIGSAW banner and highlighted with an industry-wide and accepted accreditation system.
5.5 **STAFF RECRUITMENT AND TRAINING ESSENTIAL**

The greatest potential threat to Victoria's regional tourism not achieving its fullest potential is the lack of staff training and ensuring there are accredited career paths for employees recruited into the sector.

The TAFE sector needs to be worked closely with to ensure the focus is on delivering quality "people" outcomes, not just quantity outcomes (i.e. numbers generated).
CHAPTER 6    EXISTING MECHANISMS

6.1 LACK OF AN EFFECTIVE NATIONAL PEAK INDUSTRY BODY.

There is a failure with the lack of impact of the National Tourism Alliance structure which to some extent tried to fill the void following the Tourism Council of Australia's demise as the national peak industry today.

More work needs to be done to redevelop a stronger national body to ensure regional Victorian tourism's concerns on national issues are heard.

6.2 TOURISM VICTORIA & VTIC'S DEVELOPMENT

Tourism Victoria had led the way as Australia's most innovative State agency.

It is a different model to the similarly successful Queensland one which is far more private sector driven.

One of the downsides of the Victorian model is that the industry tends now to sit back and await the next iterations of the campaign strategies and strategic plans rather than taking a more pro-active role in their development.

Initiatives like the establishment and resourcing of a stronger Victorian Tourism Industry Council and the Victorian Events Industry Council by VECCI are to be welcomed and supported by the State Government, Tourism Victoria and the wider tourism industry.
VTIC can take a lead role in driving the industry to a more independent viewpoint and to make a more effective, stronger contribution to the planning and development of tourism as an economic generator for the private sector in Victoria.

The private sector should be encouraged to deliver accreditation and staff training programmes such as those currently available through VECCI.

Tourism Victoria's role as a provider where market failure has occurred has been a very legitimate one, but the industry needs to take on more responsibility for its own future rather than to continually rely on the Government to be the initiator, marketer and main financier of the State's tourism structure and administration.

6.3 NATURAL DISASTERS

Bushfire response by the State Government has been very good – Water supply management a disaster.

The State Government has responded exceptionally well to the recent years' natural disasters caused by bush fires. A whole-of-Government response has been very evident, together with extremely well-thought out and resourced recovery plans.

The situation with management of water supply has been the complete opposite.

There has been almost no recognition of the tourism sector's needs in this argument – industry, agriculture and residential needs are constantly referred to.
Water-based tourism has been ignored. A plan for recovery needs to be put in place to assist operators and communities affected by lack of water for tourism-related activities.
CHAPTER 7  PRIVATE INVESTMENTS

7.1  ECO-TOURISM OPPORTUNITIES IGNORED

There needs to be a focus on developing access to eco-tourism opportunities near National Parks.

This does not necessarily mean permitting tourism infrastructure such as accommodation within National Parks but the option should be explored. Certainly there needs to be more opportunities made available for private land near National Parks to be zoned and developed accordingly.

Much of this will be in regional Victoria, generating economic development for rural communities.

7.2  GOVERNMENT ASSISTANCE CRITICAL

Other financial incentives, such as Payroll Tax rebates, RIDF infrastructure assistance and employment and training grants are essential to giving regional projects a boost to get them established.

These existing programmes should be extended in high need areas identified in rural areas.