

# VERIFIED TRANSCRIPT

## PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

### Inquiry into budget estimates 2010–11

Melbourne — 14 May 2010

#### Members

Mr R. Dalla-Riva  
Ms J. Graley  
Ms J. Huppert  
Mr W. Noonan  
Ms S. Pennicuik

Mr G. Rich-Phillips  
Mr R. Scott  
Mr B. Stensholt  
Dr W. Sykes  
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,  
Mr H. Ronaldson, Secretary of the Department of Innovation, Industry and Regional Development,  
and  
Mr G. Hywood, Chief Executive Officer, Tourism Victoria.

**The CHAIR** — I now welcome Tim Holding, MLA, Minister for Tourism and Major Events; Mr Howard Ronaldson, secretary, Department of Innovation, Industry and Regional Development; and Mr Greg Hywood, chief executive officer of Tourism Victoria. I call on the minister to give a brief presentation of no more than 5 minutes on the more complex financial and performance information relating to the budget estimates for the tourism and major events portfolio.

**Overheads shown.**

**Mr HOLDING** — Thank you, Chair, and I too welcome Mr Howard Ronaldson, the Secretary of the Department of Innovation, Industry and Regional Development, and Mr Greg Hywood, the CEO of Tourism Victoria.

By way of introduction, tourism is a very important part of the state's economy. The tourism industry is a very important driver of economic activity. It is an important part of our gross state product. It generates a lot of jobs and employs around 185 000 people, and for that reason the health of this industry is very important to all of us.

Having said that, it has been a very difficult time for our tourism industry, difficult times globally because of the global financial crisis, but also difficult because of factors that are particular to Victoria. Last year we had the catastrophic bushfires which impacted on our international reputation and brand. They also impacted directly on many regional locations, and they indirectly impacted on locations where people chose to stay away.

The swine flu outbreak also damaged Victoria. The proposition was advanced that there was a particular concern about Victoria as a consequence of that; the other states helped to feed that. I am very pleased to say that as a state we have actually bounded through that very strongly.

Some key statistics from last year: 30 per cent of international overnight visitors now come to Victoria. That is the highest share of international overnight visitors we have ever seen. I stress how important this is: our international visitors are our most lucrative visitors. Often we point to visitor numbers, but in truth it is the dollars they spend that really matters more, and driving up the yield is very important. Being able to increase that share of international visitors is very encouraging. Seeing their spend increase is also encouraging, but also seeing their spend increasing in regional Victoria is important. Getting people to visit regional locations, particularly when there has been protracted drought and severe bushfires, is challenging and so it is encouraging to see those figures.

The other statistic that is fantastic is Melbourne overtaking Sydney as the most lucrative destination for domestic overnight visitors. That is an incredible achievement for Melbourne. It is, I think, the first time that we have achieved that. Our industry is very encouraged by it. Also we have done very well in terms of international passenger numbers into Melbourne Airport. There may be questions about that; I know it is something that Gordon is particularly interested in.

**The CHAIR** — He's not the only one!

**Mr HOLDING** — He may wish to ask a question about it; I am not sure! The key priorities in 2009–10 — if you go back and look at the presentation that I gave in 2009–10, you will see that we were focusing on bushfire recovery, not surprisingly; new marketing campaigns; investment attraction, particularly in regional Victoria; and major events and business events. The progress against those priorities: we have the bushfire support package, which was jointly funded by state and federal governments — \$10 million. I am happy to provide the committee with more information about how we have spent that money.

We have the three-year \$7.3 million Daylesford Lead a Double Life campaign — a fantastic campaign; this has been a great success, not just for Daylesford. It is our effort to own the category of spa and wellness. Nobody in Australia owns that space, and it has been a great success.

We have facilitated a huge amount of private sector investment, and we also opened the Melbourne Convention Centre, which will bring many international delegates to Victoria. We saw the Australian Tourism Exchange hosted in Melbourne. Melbourne was voted the world's best sports city. Melbourne was voted the world's ultimate sports city. The formula one grand prix saw very encouraging crowd figures this year: 305 000 enjoyed the four-day event. The Melbourne Winter Masterpieces — Salvador Dali: Liquid Desire and A Day in Pompeii got great figures. Those who saw the Dali when the National Gallery opened all night — it was a sight to behold. People queued up all the way back across Princes Bridge. It was a really great endorsement of the

Melbourne Winter Masterpieces campaign and the appetite that exists in Melbourne for terrific exhibitions when we can secure them.

Increased aviation capacity — I mentioned that before. We also scuttled the ex-HMAS *Canberra*. I can personally attest to what a great site that is for divers to visit. I would be pleased to welcome any of my colleagues who wish to join me on a safe and secure dive — again, Mr Rich-Phillips; maybe you would be interested in that!

**Ms PENNICUIK** — You are on; I will come.

**Mr WELLS** — We are more interested in bushwalking!

**The CHAIR** — Do you have to wear budgie smugglers for that?

**Mr HOLDING** — Yes, I have an open invitation to any member of the opposition who wishes to dive with me.

**Ms PENNICUIK** — What about members of the Greens?

**Mr HOLDING** — Members of the Greens are welcome to come too, Sue.

**Ms PENNICUIK** — You are on; I will do it.

**Mr HOLDING** — That is a cross-party invitation. I think it is anyway; I want to see who takes it up first!

The key priorities for this year are increasing visitation in key international markets, and China and India are critically important there; continued marketing of Melbourne in interstate markets — we want to build on our success there; increasing the facilitation of investment projects in regional Victoria, delivering on the regional tourism action plan, which I launched with Minister Jennings last year; and finally, building on Victoria's success as a business events destination.

Consistent with those themes, what is in the budget this year? The \$27 million for marketing of Melbourne; the \$17.7 million for that land acquisition, which is a necessary precondition of the expansion of the exhibition centre; the regional tourism initiatives, which people will see in the regional blueprint; and finally, Aboriginal tourism initiatives, which our tourism industry will learn more about in the weeks and months ahead.

**The CHAIR** — Thank you, Minister. Once again, if you could just tell us what are the medium and long-term plans and strategies that you have in the area of tourism and major events, for that particular portfolio, and how this has changed from the previous year?

**Mr HOLDING** — Sitting beneath Growing Victoria Together is, firstly, our 10-year tourism and events industry strategy. This was a strategy that then Minister Pandazopolous launched. It was extraordinarily well-received by the industry. It was really the first formal declaration by the government that our tourism strategies were not just tourism strategies but were events industry strategies also. It was well understood in Victoria that that was the case, but it had not been reflected as formally as that in our tourism planning. That 10-year strategy is still in force, and we are actually going through a process at the moment of engagement with the industry as we report on progress against the plan.

Sitting beneath the 10 year tourism and events industry strategy are a number of documents. One is the nature-based tourism strategy. Sorry, I mentioned before that the regional tourism action plan was launched by Minister Jennings; it was actually the nature-based tourism strategy that we both launched. The nature-based tourism strategy is our effort to build on the fact that while we have the most visits to protected area of parks in Victoria of any state in Australia, we do not necessarily get the best yields. So there is a lot of work that is going into improving our yields from nature-based tourists through that strategy.

We have our regional tourism action plan, which seeks to disperse the benefits of tourism from beyond Melbourne to regional locations. That plan has been very well received by our regional tourism organisations and businesses. They are really the key parts of the policy planning framework that underpins our tourism strategy — it is a 10 year strategy — the review of that strategy that we are conducting, the nature-based tourism strategy and the regional tourism action plan.

**The CHAIR** — Thank you very much for that.

**Mr WELLS** — Minister, with the second dot point there — the money to facilitate expansion of the Melbourne Exhibition Centre — can you just give some more details in regard to the expected commencement date of that project, the expected completion date and what you expect to be the total cost of that project?

**Mr HOLDING** — This is a very important part of our business events strategy. It complements the work that has already been done in providing the exhibition centre originally and providing the convention centre since then, but we recognise that the existing exhibition space is not large enough to meet the needs of some of the blockbuster or iconic events and exhibitions that take place there.

We announced in this budget, if you like, the first tranche of money in that expansion. This is not the construction costs; this is the cost of land acquisition, which is the condition precedent to be able to proceed with the actual delivery of the expansion. It will be a decision for future budgets as to when the next element of that is funded and what level of resources is allocated to that.

**Ms GRALEY** — Minister, I am very pleased to see those amazing statistics on international visitors to Victoria in your presentation. My question is around the Victorian bushfire tourism industry. I would like to refer you to page 132 of budget paper 3. I note that in the 2009-10 budget, funding was provided to undertake tourism initiatives to offset the effects of the February 2009 bushfires. I would particularly like you to take note of the target set for 2010–11 for regional Victoria, and I ask: what are the key outcomes to date in the \$10 million Victorian bushfire tourism industry support package as well?

**Mr HOLDING** — Thanks for the question. We should not underestimate — and I know the committee does not underestimate — what a catastrophe for tourism the bushfires were. It was not just the fact that large sections of the state burned and the loss of life was significant and tragic; it was not only the fact that people stayed away from regional locations in the immediate aftermath of the fires — that was not surprising, and in those communities that are rebuilding it was, frankly, desirable — it was the catastrophic impact on Victoria's interstate and international brand.

We still have organisations contacting regional businesses and basically saying to them, 'I want to bring our business conference', or an event, or whatever, 'to a regional location, but I don't want to go to anywhere where there is a bushfire risk at all'. It is natural that people respond like this to a catastrophe after it has occurred, but we need to recognise what a difficult challenge that presents to our regional tourism economies as they rebuild.

The question for us was: what was the best use of that \$10 million? Obviously those businesses that had directly burned had access to the grant programs and the other business support programs that were in place anyway. This money was really about supporting the broader tourism industry. What we have been able to expend as at the end of February 2010 is over \$7 million of that \$10 million. We have seen, firstly, \$1.4 million from the package announced for events and marketing support for the Yarra Valley, Gippsland and high country regions. Supporting events was important to us. Events are one of the best ways of showing people that it is safe to return. If people either go themselves or they know someone who has gone to one of these locations and had a great time and it was safe, they are more likely to return themselves.

One of the other challenges we have had is people reluctant to return because they have felt that it was inappropriate to do so. They might have been reassured about the safety, but they have thought that to visit communities that had so recently gone through such a tragedy, they may not be welcome. These events have been a tool to say to people that towns are open for business, it is safe to return and it is appropriate to return. That is a very important message to get across.

In August Minister Ferguson and I were pleased to provide the final details of the allocation of that package of funding, including funding for the Yarra Valley and Dandenong Ranges, the high country, Gippsland, Daylesford and the Macedon Ranges, the Grampians and the goldfields region for marketing initiatives, regional events and infrastructure projects. In January this year I announced that \$600 000 in funding had been allocated to the Mitchell and Murrindindi shires for bushfire recovery activities. This included support for a range of events including the inaugural Marysville Marathon held in November last year. I was very pleased to participate in that marathon. I went in the half marathon, I have to say.

**Dr SYKES** — You did not get lost?

**Mr HOLDING** — It was a hot day. I note the interjection by Dr Sykes, and I know he will be joining me for this year's Marysville — —

**Dr SYKES** — I was there last year, Minister.

**Mr HOLDING** — So you will be there again this year, and I look forward to running with you in that event in November. That attracted 3000 participants and generated a lot of media attention.

We have also seen enhanced destination marketing campaigns, event development activities and industry development support. All of those things together are helping to drive the recovery of tourism in those fire-affected areas and also to maximise the understanding in those communities of the benefits of tourism to them and their futures.

The implementation and effectiveness of these tourism recovery programs are being monitored on a quarterly basis by the co-chaired state and commonwealth tourism bushfire task force and also by the Tourism Victoria board. In fact I spoke directly with the chair as well as the CEO after the bushfires and asked that they prioritise those bushfire recovery efforts in their work program over the coming year. I think I will stop there.

**The CHAIR** — Thank you very much, Minister. Mr Rich-Phillips?

**Mr RICH-PHILLIPS** — Minister, I would like to ask you about the \$27 million package for Melbourne marketing that was announced in the budget. Firstly, why is it targeted at Melbourne only and not at the regions? Secondly, given the phasing of the cash flows shows money flowing in the current financial year, 2009–10, what are the actual strategies, campaigns and target markets that those funds are being expended on, and given the description of the initiative is 'to deliver a new suite of marketing and promotional campaigns', how will these differ from existing campaigns that have been under way for the last decade?

**Mr HOLDING** — I might ask Mr Hywood to comment on some of the detail, but the first proposition was: why is it Melbourne and not regional Victoria? There will be a focus on our regions when the Minister for Regional and Rural Development delivers the regional blueprint. I think they have said that will be delivered by early June. I will not speculate on when they will deliver it, but I understand that is the public commitment they have made to the delivery of that program. That will provide further details about initiatives around regional tourism.

The announcement in the budget related specifically to the Melbourne marketing activities. It is not that there is no support for regional Victoria; it is just that the appropriate vehicle for identifying what form that support will take will be the regional blueprint so that Victorians are presented with an integrated package of initiatives around regional Victoria. In terms of the Melbourne marketing money itself I might get Mr Hywood to provide some further details.

**Mr HYWOOD** — This is in the context of extraordinary success over the last decade or so in Melbourne becoming the most successful tourism destination in the country for domestic tourists. The basis of that has been a number of Jigsaw campaigns, the latest iteration of which is phase 9, with a large ball of string, which has focused essentially on socially aware and visible achievers under the Roy Morgan brand health index. Those target markets are particularly in Sydney and other major capital cities.

We have a phase 9. These campaigns and the target markets are in an extremely competitive environment. We are moving into developing phase 10. Phase 10 will be focused not just on Australian capital cities, but for the first time we will be looking at moving that campaign offshore. The funding that is available in that Melbourne marketing will be used to build strategic work around focusing on the appropriate offshore markets. Quite clearly we can see in the regions that India and China are very important to us, but New Zealand is increasingly important to us as an offshore market. So the focus will be broadening. Traditionally we have tended to focus on interstate markets, but we will be going offshore based upon the success that we have had.

The minister mentioned earlier that international tourism is the most lucrative that we have: 9 per cent of our tourists come from overseas, but they provide 35 per cent of the dollars. You can see how lucrative they are. Another 30 per cent come from interstate, and they provide another 30 to 35 per cent of the dollars. Our focus as an organisation is to bring new money into the state, and the way we do that is to really focus on the interstate market where we have had great success. Phase 10 will still be focusing on those markets but also going

offshore so we can really drive that international market up, because the industry is interested in us delivering market that provides them dollars.

**Mr RICH-PHILLIPS** — You commented about the domestic success. Are domestic visitor numbers and domestic visitor nights not substantially lower than they were a decade ago in absolute terms?

**Mr HYWOOD** — It is an interesting question. Tourism is very much a dollars game not a numbers game. There has been a substantial structural change over the last decade in the way that people travel. As people with disposable incomes have increased, people travel offshore more and more. You can see through the offshore outbound numbers there has been a huge increase in Australians and Victorians travelling offshore. That has tended to come at the cost of local travel; there has been absolutely no doubt. While in absolute numbers, domestic numbers are down in Victoria, they are not as far down as they are in New South Wales, Queensland or the rest of Australia.

Our international numbers are extremely strong, way above the national average and way above our competitor states New South Wales and Queensland, and our interstate numbers — because domestic is both interstate and intrastate travel — are extremely strong as well. Again they are above the national average and our competitor states of New South Wales and Queensland.

**The CHAIR** — That is in terms of dollar value, you are saying?

**Mr HOLDING** — Just in terms of adding to the answer that Mr Hywood gave, the claim has been made that domestic visitor numbers are lower now than they were when the government came to office. That was the assertion that was made in a press release issued by the shadow minister and that was in a sense underpinned by the question that was asked by Mr Gordon Rich-Phillips. I make the point that it was quite a sneaky press release in that it compared the wrong base year with where we are at this year. The base that was compared was the 1998 figures instead of the 1999 figures. It is the 1999 figures that more accurately reflect the base year for comparison with the current government, because obviously we only came to office in September–October 1999. If you take that base year to the base year ended December last, then the figure is not correct. Domestic visitor numbers have not declined; they have increased modestly, but they have increased.

**Mr RICH-PHILLIPS** — I do not have those figures in front of me, so I cannot comment on the minister's comment — —

**The CHAIR** — We might end that one there, because we just have time for two more quick questions.

**Mr NOONAN** — Both the minister and Mr Hywood have referred to the value of international tourist visitations. I gather that critical to that are the international air services to Victoria and the capacity for airlines to fly directly to Melbourne as opposed to coming via Sydney. I wonder whether or not the minister can advise the committee what the government is doing to secure additional air services to Victoria.

**Mr HOLDING** — This has been something that I have reported to previous committees about. It is something that is very important to Victoria. It is certainly more important to our tourism industry than it is to New South Wales just because of the different structures of aviation services in Australia.

What I can report is that we now have 25 international airlines serving the state — that is up from 23 at the same time last year — with Qatar Airways and V Australia commencing new services. These new services have provided additional extra capacity from existing carriers as well and have seen 26 additional services per week added to the state compared to the same time last year. When you add all these things up you see a 12 per cent growth in international seat capacity year on year, which provides an additional 441 000 seats per annum into Melbourne.

It is fantastic for us. One of our great success stories of our tourism industry has been our ability to obtain extra services from Emirates, new services from Qatar, new services from Etihad, new services from V Australia, and a number of other airlines as well — I am just being reminded — like AirAsia X and Singapore Airlines, which added a daily airbus A380 service between Singapore and Melbourne in September last year. This has been a very encouraging feature of our tourism industry. If people cannot get here conveniently and cheaply from overseas, they will not come. If they have to transit through other airports, then it diminishes our competitiveness as a destination.

The huge investment we have made in the convention centre is only justified if you can get the delegate numbers in here to justify the capacity we have created through the convention centre. Those direct air services providing connections to more locations more often from other destinations not only makes it easier for people to get here but it also generates competition, and that competition puts downward pressure on airfares and makes it cheaper to get to Melbourne as well. That is a very important part of the success of our strategy to attract international visitors to Victoria.

What I can also say is that these international air services also take people from Victoria to other places. What it tells our tourism industry is that it is a competitive world that they live in, and all of us have to work harder if we are to make sure that people take their holidays around Victoria as well as travelling overseas. Naturally people are free to choose to travel wherever they would like to go.

Our tourism destinations and accommodation providers and tour operators have all had to sharpen their pencils in Victoria, because they know that Melburnians and Victorians have choice as to where they take their holidays. They can travel overseas if they want, because those connections can take them anywhere in the world. As well as putting downward pressure on international air prices and making it easier for overseas visitors to come to our state, we have also created an environment where our own industry has to work harder and pedal faster to survive in a competitive international climate.

**The CHAIR** — Thank you, Minister. A final question from Dr Sykes?

**Dr SYKES** — Minister, my question follows on from an earlier question about support for regional tourism post the bushfires. What are you as tourism minister doing to address the massive negative impact on tourism in north-east Victoria and other regional locations of the bushfire response strategy on catastrophic risk or code red days, in particular the advice to leave early on code red days?

By way of example, Bright had massive negative impacts there. When people got these code red day warnings in the caravan parks there was an air of panic — people going around saying, ‘Go!’, but where do they go to? There were no neighbourhood safer places in that community, because there had been no state government support to create them. It is a massive problem. What are you doing about it?

**Mr HOLDING** — I thank Dr Sykes for the question. Throughout the last bushfire season the Victorian government and its fire agencies rolled out unprecedented new fire-prevention measures, and people are aware of those. It was agreed at the national level that there would be a nationally consistent set of arrangements for identifying the risks posed by different prevailing weather conditions in the summer period when bushfires are prevalent.

Victoria did not necessarily agree with each and every component of that, but we did agree with the notion that there had to be a nationally consistent set of arrangements. I think there was a lot of debate around the use of the words ‘catastrophic code red’, and in the end we accepted the view that, regardless of the individual views of jurisdictions, having nationally consistent arrangements was better than letting each state go its own way.

I certainly appreciate the concerns that the tourism industry has expressed around the use of the moniker ‘catastrophic code red’, but also I think the tourism industry understands that the government’s highest priority has to be the protection of human life. We want all Victorians and we want visitors to our state to have a safe and enjoyable journey to regional Victoria. We appreciate there has been some confusion — there always will be with the introduction of any new system — and it will take some time, and we are working with the community and the tourism industry to make sure we get the balance right.

Tourism Victoria has been working with the fire agencies to better prepare tourism businesses and visitors for the bushfire season, including clearer advice on the fire danger rating system. During Fire Action Week in October last year the Premier and I launched the *Crisis Essentials* guide, which provides clear and decisive advice and information to help tourism businesses prepare for, respond to and recover from emergencies like bushfires.

In January I launched the Open for Business online tool, a comprehensive guide to crisis management for tourism businesses, which builds on the *Crisis Essentials* guide. The tool is available at [www.tourism.vic.gov.au](http://www.tourism.vic.gov.au). Over 600 tourism businesses have now attended a series of special bushfire

preparedness workshops that have been held across regional Victoria. This level of interest, I have to say, is unprecedented, and it reflects the high level of engagement by the tourism industry on this important issue.

The effectiveness of the Victorian government's bushfire preparedness activities was highlighted by a recent Victorian Tourism Industry Council survey indicating that many regional tourism businesses across Victoria are using the FDR system — the danger rating system — to inform their decisions during the fire season. Many are very proactive in discussing their extreme weather and fire plans with clients, and they take their duty of care very seriously. The national Ministerial Council for Police and Emergency Management has commenced a review of the fire danger rating system, and the Victorian government has requested that the Victorian tourism industry's concerns are included in the Victorian submission to that review.

**The CHAIR** — That concludes the consideration of the budget estimates hearings for the portfolios of finance, WorkCover, the Transport Accident Commission, water, tourism and major events. I thank the minister and departmental officers for their attendance today. Where questions were taken on notice the committee will follow up with you in writing at a later date. The committee requests that written responses to those matters be provided within 30 days. The committee will reconvene on Monday at 2.00 p.m.

**Committee adjourned.**