

# VERIFIED VERSION

## PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

### Inquiry into budget estimates 2012–13

Melbourne — 9 May 2012

#### Members

Mr N. Angus

Mr P. Davis

Ms J. Hennessy

Mr D. Morris

Mr D. O'Brien

Mr M. Pakula

Mr R. Scott

Chair: Mr P. Davis

Deputy Chair: Mr M. Pakula

#### Staff

Executive Officer: Ms V. Cheong

#### Witnesses

Ms L. Asher, Minister for Tourism and Major Events,

Mr H. Ronaldson, Secretary,

Mr L. Harry, Chief Executive Officer, Tourism Victoria, and Deputy Secretary, Tourism and Aviation,

Mr J. Strilakos, Chief Finance Officer, and

Mr J. Dalton, Director, Tourism Strategy and Policy, Department of Business and Innovation.

**Necessary corrections to be notified to  
executive officer of committee**

**The CHAIR** — I now welcome from the Department of Business and Innovation: Mr Leigh Harry, chief executive officer, Tourism Victoria, and deputy secretary, tourism and aviation; and Mr John Dalton, director, tourism strategy and policy. I now 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.

**Ms ASHER** — As all members of your committee would realise, tourism is a significant driver of the economy in Victoria. The tourism industry contributes \$15.2 billion to the state's economy, which is 5.2 per cent of gross state product. The tourism industry employs around 193 000 people, which is 7.2 per cent of those employed in Victoria.

If I can just perhaps use this very briefly to give a bit of an update on the state of play of Victorian tourism, in terms of the international visitor survey, the latest one, 32 per cent of all international visitors in Australia stayed overnight in Victoria. International visitors to Victoria spent \$4.3 billion for the year ending December 2011, and this represents a year-on-year growth of 9.4 per cent, which exceeded the national growth of 3.7 per cent. International visitor expenditure in regional Victoria was \$337 million for the year ended December 2011, which represents a 7.4 per cent per annum increase over the last five years.

In terms of domestic visitation, according to the latest national visitor survey Victoria experienced a 4.3 per cent growth in domestic overnight expenditure to \$9 billion, which is ahead of the national rate of growth, and Victoria has maintained its leadership position in domestic tourism, where more people are interested in coming to Melbourne for an overnight stay than they are anywhere else in Australia — and that includes the Gold Coast and that includes Sydney. We have had a very, very successful Play Melbourne campaign operating. Melbourne Airport has maintained its passenger growth, recording a 9 per cent growth in international passenger numbers.

The priorities in the budget are to put down some money for regional tourism, as we did last year. We want, obviously, to build on Victoria's leadership as a major events destination. We have allocated some funding for Puffing Billy. A lot of members and indeed the Emerald Tourist Railway Board had asked for substantial funding, but we have been able to give them a very, very base level of funding. We wish to increase international visitation by the air services attraction money, which is in the budget. It is \$4.4 million for Puffing Billy, for rail safety and infrastructure upgrades, \$2.6 million to attract air services from priority international markets — or to continue to attract, should I say — and \$13.3 million to raise awareness of regional Victorian destinations, because it is important that the spread of tourism goes from Melbourne to regional Victoria.

**The CHAIR** — In the remaining time for this session, which is about 24 minutes, I will ask members to put questions to you in regard to the tourism and major events portfolio. I ask: given the key growth and efficiency initiatives announced in the budget, can you please outline for the committee the likely impact of the budget on enhancing service delivery, promoting productivity and achieving efficiency gains within this portfolio, and in responding could you also indicate how you intend to monitor the portfolio's effectiveness in maximising improvements in these areas?

**Ms ASHER** — In terms of enhanced service delivery in this particular budget, it will be the three items that I referred to earlier, including air services, which is incredibly important in obviously getting people in. Basically internationals do not want to hang around Sydney Airport before they get on a plane to come to Melbourne, so the idea is to try to get as many air services direct into Melbourne Airport as possible. Successive governments have worked very hard on that. In addition, obviously, there is the individual upgrade for Puffing Billy for safety reasons and infrastructure reasons and the regional tourism item that I touched on, but I think it is fair to say that in terms of the international engagement strategy that I outlined at some length in discussion with my other portfolios, there will be some considerable benefits for tourism as well.

I can say that some tourism businesses came with us on the Indian delegation, and there were a number of tourism opportunities in my first Indian delegation and indeed in the Middle East. India is a growing market for us, and it requires a fair degree of expertise. You cannot just sit there and hope for the Indian middle class to choose Victoria; you actually have to go out and get it. So I think there are some opportunities for tourism in terms of gains from the funding from the other portfolio.

Productivity will be linked obviously with aviation, I would think. In terms of monitoring, which was the second part of your question, in many instances the monitoring for tourism ministers is very easy in that there is

adequate monitoring. There is the international visitors survey, which is quarterly, and there is the national visitors survey, which is quarterly, so I get a pleasant or a rude reminder every quarter about how Victoria is travelling. They are my key monitors. They are external. They are bulletproof, if you like. They are not subject to manipulation. They are the ones certainly that I use.

**The CHAIR** — Very briefly, could you inform the committee what you consider will be the likely impact on industry and community stakeholders in relation to these initiatives?

**Ms ASHER** — The tourism industry is pleased with what is in the budget. The Tourism Task Force, which is based out of Sydney, covers the much larger players, but the VTIC is based out of Melbourne. The tourism industry is pleased with what is there, but like so many lobby groups would have preferred the government to go further. That is understandable. They are a tourism industry lobby group, they are advocates for tourism and they want more. They would not be an efficient lobby group representing their industry if they stood back and said, ‘This is the most fantastic budget ever known to mankind’. Of course the tourism industry want more, and should economic circumstances improve, I will be the first one to try to get them more.

**Mr PAKULA** — I am mindful that I may only get one, so I will try to make it a good one. Minister, back to the page for performance measures on tourism, there is, as you have already alluded to, a measure for visitor expenditure in regional Victoria. Just before the election, as I think you would be well aware, there was the small controversy, I suppose, about comments you made at a tourism forum where you noted that, as the member for Brighton, you represent people on a high income who look for tourism experiences. You indicated that your constituents would be unlikely to stay in low-rate accommodation, and you said that if there was sufficient high-quality accommodation in regional Victoria, by way of example, some of these high-spending people in Melbourne would go there. I think your response to criticism was that it was not snobbery, it was realism. I want to know how that is coming along in terms of what your government has done to facilitate any new 5-star accommodation in regional Victoria since you have come to office to help achieve that performance measure in the budget.

**Ms ASHER** — I will not retrace history about how I was illegally taped, because that was not your fault on that day, but I am more than happy to stand by my comments. My greatest ally in this is in fact Martin Ferguson, the federal Minister for Tourism, because he too, and the tourism industry as a whole, are of the very, very strong belief that we need — that is not to say that there are not perfectly good 5-star examples of accommodation in Victoria; of course there are. There are some stunning examples of accommodation across regional Victoria. But on the whole, if we want the internationals or indeed we want the high-spending domestic tourists to stay for a long period of time in regional Victoria, there will have to be a standard of accommodation that these people wish for.

The states and the commonwealth at a tourism ministers meeting last week — in fact you may have seen some media coverage of it — agreed for the federal minister to release a booklet of investment-ready projects. That booklet has now been released. There are a number in Victoria that are investment ready, and some of them are in regional Victoria. I am looking forward to your support for some of them, because it is going to be important that, if we are going to get investment for tourism infrastructure in sites that perhaps could be controversial, like the Great Ocean Road, the Labor Party adopts the federal Labor minister’s view and is supportive of this.

But as I said, a booklet has already been released with a whole range of projects that are investment ready. There was some extensive media coverage. There are also a range of projects that a bit prior to being investment ready, and further discussion has to take place. These are, in the main, private sector investments — not exclusively so. My department has played a role in the extension of the existing restaurant at T’Gallant Winery, and that has increased or will increase capacity from 60 to 150 seats with accommodation for 40 people. Again, in terms of the peninsula, it is very, very important that that overnight accommodation is there to get people to stay that extra day and spend more money.

A lot of the focus of the government — again this is not my portfolio area; it is the Deputy Premier’s — is on the Marysville hotel and conference centre; again he has made announcements on that. We have played a facilitative role in the Quest Wodonga development of a 100-room, 4-star hotel and associated facilities. But there is no doubt that that is an item on my agenda. The big projects will be private sector projects, and obviously government needs to play its role to promote that private sector take-up.

As I said, at the tourism ministers' meeting on Friday there was very, very strong support among tourism ministers, both Labor and Liberal, for Martin Ferguson's approach of making sure that projects were bundled up and potential investors could see what projects were available for investment. He in fact asked us to make sure that these projects have got out and about and so on.

**The CHAIR** — Thank you. Deputy?

**Mr PAKULA** — No, that is fine, Chair.

**Mr MORRIS** — Minister, could I refer you to budget paper 3, page 15, and in particular the tourism and marketing section. Can you advise the committee what action the government is taking to grow international aviation access to Victoria?

**Ms ASHER** — As I said in my introductory comments, this is such an important area of work for any Victorian government — and I acknowledge that the previous government also put a lot of effort into this — because ultimately unless we get aeroplanes flying directly into Melbourne, we are going to disadvantage our tourism outcome. Melbourne Airport of course is a partner with us in this, and again I thank Melbourne Airport for the work they do with the government on this particular aspect. The airport is important to us and direct flights are important to us, not only for tourism but also for international education and trade in high-value, low-volume goods. The government has provided \$2.8 million over four years in this budget to attract and maintain direct air flights. Funding of \$700 000 per annum includes such activities as attracting direct air services from key inbound markets, strengthening aviation research and data collection and analysis, and most importantly strengthening Victoria's relationships with priority airlines through proactive targeting and negotiation.

Again, I am sure all members would be aware that we have cooperative marketing campaigns with airlines once they make the decision, or to put it out to get them to make the decision, to land directly in Melbourne. Just in terms of an update for the committee, some recent announcements on attracting international air services direct to Melbourne are Royal Brunei Airlines increased its Melbourne services from four times weekly to daily on 25 March 2012, China Southern Airlines increased its Melbourne–Guangzhou services in late 2011, and Garuda Indonesia has increased the frequency of Melbourne–Denpasar and Melbourne–Jakarta services, and that was increased in December 2011. Jetstar also commenced the new daily Melbourne–Singapore–Beijing service from November 2011. I was at a couple of those announcements and launches.

Melbourne Airport is of course going to expand to the tune of \$330 million. It is going to upgrade its international terminal, and it always has an eye out to making sure that its capacity remains relevant to the number of people it is expecting. So I am optimistic about that, and of course we have got our Avalon Airport promise for the second international airport for the state further down the track.

They are some of the efforts that the government has been putting into that very important area of getting planes direct into Melbourne. Our airport is 24-hour, curfew-free — we kill Sydney on that front — and the airport has a reputation for a reasonable regime of charges, so we have got a lot of product strength. We call it 'Club Melbourne' — it is my department, it is the airport and it is Melbourne City Council. Everyone bands together to try to encourage airlines to come directly, and we will continue to pursue that work with a fair degree of aggression.

**Mr SCOTT** — Minister, I refer you to budget paper 3, page 91. There are a number of performance measures under 'Tourism and marketing'. There are six, I believe, which are effectively continuing performance measures transferred from the previous tourism output. In all cases there seems to be a deterioration in the outcome, and I do note that the output cost rises, though not in line with inflation, I will say that, albeit a lower level of inflation. What impact are the mining states having on those performance measures?

**Ms ASHER** — I think the dollar is of more relevance. Again in the Treasurer's speech — I quoted it before, and I will not quote again — the dollar is having a keen impact on tourism from two angles. Firstly, we are now an expensive destination internationally, notwithstanding some significant successes in some areas. And in terms of domestic tourism Australians are wanting to travel overseas, and we are travelling overseas in record numbers. So while we are still holding our own on domestic overnight visits — Queensland is impacted far worse than we are — every state is being impacted by the fact that people are making choices that instead of

wishing to travel around Australia, and I do not blame them, because of the dollar they are now able to go overseas for a lesser price.

That is the first point, but I will also just make a couple of comments. Again I think I have been incredibly up-front in putting that there — they are conservative estimates. They are all down obviously, as you correctly pointed out. Indeed I note my shadow, the member for Essendon — I used to cheer him when he played for Essendon — but he put out a press release lifting those budget figures, and I would have done so in the same position. But nothing is ever simple in life, so I just make this particular comment. I read your Public Accounts and Estimates Committee report on the 2009–10 and 2010–11 financial and performance outcomes, which you tabled in the Parliament on April 2012. I did not read it from cover to cover; I read the elements of it that pertain to my portfolio. Let me clarify that, lest you think my life is completely lacking in excitement. I noted your comments, Mr Scott, on performance measures at page 178. The Public Accounts and Estimates Committee advised ministers that they did not particularly like targets given as ranges.

That is fair enough, because I have sat in this chair before, in the 1990s, and I can play games with ranges. You whack in a really large range — as I did, as previous ministers did, on your side of politics too — and then you achieve it and you say, ‘Look there, I achieved it’. So I understand why the Public Accounts and Estimates Committee in this report said the following, and I want to quote because this is your recommendation, Mr Scott:

The committee considers that setting a range as a target in situations where such an action is not clearly explained decreases the level of accountability of the responsible department. The committee therefore considers that setting a single number as a target is generally aligned with better practice.

As a consequence of these comments — —

**Mr Scott interjected.**

**Ms ASHER** — As a consequence of these comments — as I said, I have been a member of this committee, and I also hold the view that it is important to have scrutiny of departments and ministers, and this committee plays a fundamental role in that scrutiny. But as a consequence of this type of comment, what we have done is provide a figure, and the figure is at the lower end of the range because of the comments in the Treasurer’s speech where he particularly singles out tourism, on page 2, as being impacted by the dollar. And anyone with any knowledge can see, notwithstanding Victoria’s last very creditable performances in the international visitor survey and in the national visitor survey that I opened with, that you would realistically and conservatively expect times to be tough. So I have given a single figure, and I have given that in good faith. I completely understand why you asked me the question, and I would ask the same question myself. But I can tell you that the figures are at the low end of the range, and I can also tell you that if these figures are achieved, we are not going to stop. I am going to pursue this with considerable aggression. I personally hope we exceed these figures, and that is my personal aim.

**The CHAIR** — Thank you, Minister. Before I inquire of Mr Scott as to whether he has a follow-up question, I would like to acknowledge, Minister, that at least we have found one minister who recognises the useful function that this committee provides.

**Mr O’BRIEN** — The Premier acknowledged it as well in an answer.

**The CHAIR** — Indeed.

**Ms ASHER** — Steve Bracks used to always acknowledge the work of the Public Accounts and Estimates Committee, so I found a former member to add to that.

**Mr SCOTT** — By way of gratuitous comment I would say that most would think that the mining boom is related to the dollar’s change, but I will continue. There is a performance measure that is discontinued, on page 342, continuing on the theme of performance measures, specifically ‘Investment projects facilitated’. I am interested in your reasons for the abolition of this measure since it is perhaps the only measure that would address the issues around the development of new accommodation, perhaps to launch on from Mr Pakula’s question about high-value accommodation. Why was this performance measure discontinued?

**Ms ASHER** — The performance measure — sorry, Mr Chairman, I have not been called.

**The CHAIR** — Proceed, Minister.

**Ms ASHER** — The performance measure has been absorbed into the other performance measures on page 93, which are, ‘New investments facilitated’ and ‘New investment facilitated in regional Victoria’. We have included tourism investments in a broader investment category. So it has not been abandoned, if you like, it has just been incorporated into the broader category of investment.

**Mr ANGUS** — Minister, I refer you to budget paper 3, pages 11 and 15, under the tourism and marketing initiatives. Minister, can you advise the committee what the government is doing to attract visitors and leverage tourism opportunities from the China market?

**Ms ASHER** — Thank you, Mr Angus. This is a pivotal issue for Victoria, because in the latest figures, the international survey figures, released in December last year the Chinese overtook New Zealanders as our no. 1 market. The Chinese previously expended the most money in the state of Victoria but New Zealand had the greatest numbers of tourists. Mark December 2011 down in your diary as a change in that the Chinese became our most important international market. I would just like to give you some figures on this. As I say to anyone, just be incredibly nice to the Chinese because they are coming in droves and they are leaving their money, and it is very, very important that this market is made to feel welcome.

For the year ending December 2011 there were 265 300 Chinese overnight visitors to Victoria, which is almost a 29 per cent growth since 2010. As I said, they have taken over in terms of the numbers. It used to be New Zealanders; now it is the Chinese. The Chinese overnight visitor expenditure alone is growing at 19 per cent, and the latest figure, for the year ending December 2011, is \$816 million per annum. They are hurtling towards a billion dollars of expenditure; I have upped that a bit just to make it sound more positive given the dismal figures that Mr Scott has been highlighting. This is a huge, huge market.

Last year the government secured additional airline capacity from China Southern and China Eastern, and again you can understand why those direct flights are going to be so important for long-term tourism. We have in development a China tourism strategy, which will be announced later. Many members would be aware that the Premier will lead a delegation — one of the super trade missions, for want of a better name — to China. We are expecting there to be significant tourism representatives on that. I am obviously hopeful that the Premier will personally associate himself with our Chinese tourism strategy.

Previously there has been \$8 million allocated in the budget for a Chinese-specific communications strategy over three years. I suppose this is an example of where things are tight in budgetary terms. You need to target your advertising dollar to where it will get maximum effect. Of course all the growth projections were that the Chinese market would boom like this, but given those figures, it is absolutely clear to me that we need to make sure that we keep advertising in that market, promoting that market and develop good relationships with people in that market and promote our product strengths in that particular market.

I made reference earlier to my coalition friends the Premier of New South Wales and the now LNP Premier of Queensland. Victoria is ahead in growth for the Chinese market, ahead of our international competitors — and I guess they are competitors. I do not think we need to be silly about the level of competition; I think there are probably some things we can do together, But Victoria is ahead in growth in the national average, and we are ahead of Queensland and New South Wales. I think that this is something to be very, very excited about in terms of tourism to Victoria. It is a shift — December 2011 is the time the Chinese became our no. 1 visitor. There are other markets that are anticipated to grow, but at the moment this is the growth market. It is delivering the dollars now for the state of Victoria, and we need to make sure that we are spending our advertising dollars right there where we are anticipating even further growth.

**The CHAIR** — I regret very much that we are now out of time. I know that a couple of members did not have an opportunity to put a question to you, but your responses have been incredibly informative.

**Ms ASHER** — No grand prix?

**The CHAIR** — This does conclude the consideration of the budget estimates for the portfolios of innovation, services and small business, and tourism and major events. I thank the minister and departmental officers for their attendance today. It has been a very informative session. Where questions were taken on

notice — and there were a handful — the committee will follow up in writing, and we would like a response within 21 days. This concludes the hearing.

**Committee adjourned.**