

CORRECTED TRANSCRIPT

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into 2004–05 budget estimates

Melbourne – 24 June 2004

Members

Mr W. R. Baxter

Ms C. M. Campbell

Mr R. W. Clark

Mr L. A. Donnellan

Mr B. Forwood

Ms D. L. Green

Mr J. Merlino

Mr G. K. Rich-Phillips

Ms G. D. Romanes

Chair: Ms C. M. Campbell

Deputy Chair: Mr B. Forwood

Staff

Executive Officer: Ms M. Cornwell

Witnesses

Mr J. Pandazopoulos, Minister for Tourism;

Mr P. Harmsworth, secretary, Department of Innovation, Industry and Regional Development; and

Ms L. Appleby, chief executive officer, Tourism Victoria.

The CHAIR — I declare open the Public Accounts and Estimates Committee hearings on 2004–05 budget estimates for the tourism, gaming and racing portfolios. I welcome the Honourable John Pandazopoulos, Minister for Gaming, Minister for Racing and Minister for Tourism, Mr Peter Harmsworth, secretary, Department of Innovation, Industry and Regional Development, Ms Lois Appleby, chief executive officer, Tourism Victoria, departmental officers, members of the public and the media.

I remind members of the public and in particular members of the media that they cannot participate in the committee proceedings. Members of the media are also requested to observe the guidelines for filming or recording of proceedings. All evidence taken by this committee is protected from judicial review and comments outside the precincts of the hearing are not protected by parliamentary privilege. Witnesses will be provided with proof versions of the transcript early next week. I ask if everybody could please turn off their mobile phones. The minister will now give us a 5 minute presentation on tourism.

Overheads shown.

Mr PANDAZOPOULOS — We will go to the first slide. Tourism is an integral part of the department relating to the portfolio of tourism, marketing and event facilitation and tourism industry and infrastructure development and because of the overlap of the programs and activities it was determined to roll these two outputs into one output group commencing 2004–05.

Whilst this makes for fairly simple comparisons of costs and performance between years, the format of the budget papers is such that the combined output is regarded as entirely new and is therefore not compared with the 2003–04 outputs in budget paper 3. The key additional activities leading to the increased cost of the tourism output are the preliminary development costs of the Melbourne Exhibition and Convention Centre plenary hall and the visitor information centre's online study. The next slide outlines the agencies that I have responsibility for, which are Tourism Victoria, the Australian Grand Prix Corporation, the Emerald Tourist Railway Board, the Melbourne Convention and Exhibition Trust and MECC.

In the next slide it is worthwhile to reflect that \$10 billion contributed to the state's economy through the tourism industry and that the Victorian tourist industry employs 148 000 of the total numbers in employment in Victoria. In regional Victoria the contribution to the economy was \$3.2 billion and 60 000 of those jobs were in regional Victoria. These points underline why we are in this business.

In the international arena among our achievements we had Australia's largest tourism trade show which brought the world's travel industry to Melbourne. I am happy to state that around 2000 interstate and international delegates from 50 countries attended, injecting about \$10 million into the Victorian economy and generating 13 000 visitor nights at hotels, motels and B & Bs. A trade mission was undertaken to four of China's new approved destination status regions, which have a combined population of 162 million people.

The government provided an additional \$1.5 million to the Melbourne Convention and Visitors Bureau (MCVB) which has assisted the bureau to establish a business events servicing unit to assist with bid conversion as well as continue the Think Victoria program to identify local hosts for international bids. It has also enabled the Victorian meetings and events service to continue and this has generated 60 events and 14 500-room nights. In the year to March MCVB won 94 business events estimated to be worth \$156.6 million in economic impact. Our international marketing activities in UK, Europe and New Zealand have also delivered some outstanding results.

The CHAIR — Can we take this as read?

Mr PANDAZOPOULOS — I am just highlighting these facts to you. You might be interested to know that expenditure by international tourists amounts to nearly \$6 million per day. It is not just spent on accommodation, car hire and food. That money reaches every corner of a community, particularly in regional areas. It is spent at the corner store, the bakery, fashion outlets, markets and at the petrol pump. The attraction of major events to Victoria is a key element of our marketing strategies, especially international marketing.

You can see these events contribute to a significant part of the \$10 billion, about \$1 billion of the \$10 billion spent in the tourism industry. The year 2003–04 has been an excellent year for participation in the Rugby World Cup, which was a national effort, the World Track Cycling Championships a few weeks ago at Vodafone Arena, and also for the attraction of future events, such as the surf lifesaving championships in 2006. The government intends to pursue future events with the same aggressive approach in the years ahead and has therefore committed

additional funding for this purpose. I particularly draw the attention of the committee to the strong attendance and economic results generated by the two events staged in 2003–04 by the grand prix corporation.

The effect of international tourism on Victoria and of international promotion and marketing is one of things the committee has been asking us about in the past and how we measure up. We need to look at the results in the context of a difficult international environment for tourism and a stagnant or even declining national tourism market. I think you will agree that against this backdrop Victoria has performed exceptionally well. Not only are we getting more visitors, but they are staying longer as well.

The next slide highlights to you what some of that is. That compares to four years ago. For international visitors in terms of visitor nights, Victoria's growth was 22 per cent of people were staying longer, and visitor expenditure increased 22 per cent — sorry, that is 2002–03 — and whilst we are seeing that Australia is declining, Victoria has been holding firm.

In the domestic marketplace we have clearly focused our efforts on tourism regions that have been mostly affected by bushfire and drought, and we have developed a number of highly targeted campaigns that have aimed to reinvigorate tourism in these regions. There have been a number of car touring campaigns that we have been running interstate and domestically. At the same time we have not been neglecting broader promotional efforts of regional Victoria's key tourist attractions. We have been focusing on events, on heritage, on food and wine and natural attractions as well as car touring. You have no doubt seen the successful Yarra Valley campaign which we have run interstate, but also the Run Rabbit Run campaign, and we have run it locally. That is to help build the profile of the Yarra Valley, but also build the profile of our food and wine brands.

We have also in the year launched a golf tourism action plan — the only state in Australia to do so. We are very competitive in that area with a new product that has been in the marketplace recently. It is a highly lucrative market interstate and overseas. That will lead to stronger growth of travel as a result of focusing on golf. I also want to mention the extraordinary success of our Visit Victoria web site, which you see here. This is nearly a 100 per cent improvement on the performance target last year, so a huge number of hits on the web site.

The final area of tourism which I want to cover quickly is aviation and our efforts to attract more direct flights and new carriers to Victoria. In 2003–04 the results are shown on this slide. I will not go through all of them, but they look quite impressive. Again, bearing in mind the international situation, Victoria is performing exceptionally well with passenger numbers growing by 11 per cent, but also new services. As for interstate tourism results, our domestic results have been strong and positive with the increase in interstate visitors well above the overall national increase and other indicators showing solid growth. The next slide does that comparison of interstate overnight visitors. We have been up 5.4 per cent over the year when Western Australia has been up 3.9 per cent. That is a positive course for the state.

You are aware of *Victoria — Leading the Way*. There were tourism initiatives in there I want to remind the committee about, particularly in relation to the Melbourne Convention Centre redevelopment and the cultural tourism strategy. One of the key initiatives for 2004–05 is the convention centre redevelopment. That will take a lot of our attention for the year. The economic benefits are highly important for Melbourne, and they are listed there in terms of when it is fully developed, and the benefits in terms of our international profile will keep that effort up as well.

Other key initiatives include the cultural tourism strategy which is being led by the Department of Premier and Cabinet, and Tourism Victoria will be involved in that. It lists there the development of a new Melbourne brand and also trying to get our cultural attractions stronger in the tourism game. We will also be undertaking a regional tourism development plan and statewide tourism infrastructure strategy. I highlighted the Melbourne brand before. We are also doing work with statewide visitor information services, trying to do a pilot study of how to integrate their visitor services on line. They have their own systems run by local councils, but they need to work closer together. The Commonwealth Games will take a lot of our attention because we start having to market those activities in the new financial year. We are also updating a food and wine strategy. I will leave it at that, and I am happy to answer any questions.

The CHAIR — Thank you for that comprehensive presentation. To the first question, Minister, page 150 of budget paper 3 shows a key government outcome of tourism growing and linking all of Victoria. Do you have any performance measures on how the department is achieving in that regard or otherwise?

Mr PANDAZOPOULOS — We have some data that compares 2003 and 1999 by all of our different Jigsaw regions. That is based on international visitor survey data that is conducted for all the states by the Bureau of Tourism Research. There are some outstanding results. That has been broken down into international visitation and interstate visitation. What it tells us, for example, in the Goldfields region, is that international visitation over four years has grown by 33 per cent and interstate visitation for that region has grown by 22 per cent, so we are tracking ourselves against those campaigns. The Great Ocean Road, for example, internationally has grown 31 per cent and 21 per cent interstate. We have all these figures for Victoria — Phillip Island, the Gippsland Discovery region. That highlights that there has been a slight drop there with the Asian market where SARS, et cetera, has impacted, but there has been a good interstate growth of 48 per cent replacing that. What we have done internationally is not only had more resource in the international marketplace, but also in times of crises we can shift our focus and resource interstate as well to try to attract some of that visitation. But what we have seen over four years is that 10 of Victoria's 12 Jigsaw regions have all seen growth internationally. There are only two areas that have received slight growth in considering the international marketplace. That is a pretty good result, so the two regions that have been down — Phillip Island, down 7 per cent, and Lakes and Wilderness down 1 per cent, so that is basically static — have been replaced by 9 of the 12 jigsaw regions having increased interstate growth, so that means in the end more dollars for Victoria. We will continue to track by region year by year and there will be some data that comes out for the 2004 year as well, so we are happy to share that information if the committee wants.

The CHAIR — That would be good. You have mentioned that you have figures for international visitors and what they spend. Do you have figures on what interstate visitors tend to spend?

Mr PANDAZOPOULOS — That is what I have referred to. We have two separate tables — one for interstate and one for international.

The CHAIR — If you wish to table them, that would be handy.

Mr PANDAZOPOULOS — We will table those.

Mr FORWOOD — Firstly, Minister, I would like to have a grizzle. I refer you to page 344 of budget paper 3, which is the discontinued measures, and to page 151 of budget paper 3. It seems to me that the discontinued measures as shown have in fact been included in the new output group and they are not discontinued. In fact they are exactly the same as they were the year before. So for the purposes of reading the budget papers, would it not have been better, rather than saying they are discontinued and hiding them up the back, putting them where they ought to be on page 151? The second point of my grizzle is that the slide you showed us shows that the total output — —

Mr PANDAZOPOULOS — Is this one question or two questions?

Mr FORWOOD — I have not got to the question.

The CHAIR — The topic is grizzles, obviously. I will limit the grizzle list.

Mr FORWOOD — The topic is the presentation of the budget papers and the information that is provided, not just to the committee, but to people who read the budget papers: \$38.3 million is the targeted outcome for this year, but I cannot find that in the budget papers. It is not on page 151 and it is not on page 344, and it should be in either place.

Mr PANDAZOPOULOS — Is that a question?

Mr FORWOOD — I am just making the point that that is the way it should have been done, and I do not think there will be any dispute from anyone else.

Mr PANDAZOPOULOS — We obviously follow Treasury guidelines. In relation to the — —

Mr FORWOOD — If you — —

The CHAIR — Let the minister finish. You were mid-sentence.

Mr PANDAZOPOULOS — We are following Treasury guidelines in terms of the second gripe.

Mr FORWOOD — No, look at page 341. There is another discontinued one for regulation reform. At the bottom it has total output cost. If you had wanted to discontinue, you would have had total output cost underneath the tourism one, wouldn't you, to be consistent?

Mr PANDAZOPOULOS — I will ask the head of the department to reply.

Mr HARMSWORTH — The whole regulation reform group has gone.

Mr FORWOOD — Yes, I know.

Mr HARMSWORTH — Whereas what we are saying is we are discontinuing four of a whole lot of measures and replacing them with new measures.

Mr FORWOOD — My first point is they have not been discontinued, they are continued.

Mr PANDAZOPOULOS — They are different, actually.

Mr HARMSWORTH — They are different measures.

Mr FORWOOD — Market awareness of advertising in Victoria and New South Wales; and market awareness of advertising in Victoria and New South Wales.

The CHAIR — Mr Forwood, the minister is about to answer. Let him finish.

Mr PANDAZOPOULOS — You are talking really about what has been termed awareness of advertising in Victoria compared to the new measures being target market awareness.

The CHAIR — Is that what you are talking about?

Mr FORWOOD — It is part of what I am talking about.

Mr PANDAZOPOULOS — In the end you have been asking us to make sure that we have a look at what our measures are. The first one, awareness of advertising, say, of Victoria in Queensland, would be really surveying Queenslanders about their awareness of marketing campaigns. That is one thing. The target market awareness is actually trying to drill down even more. But if we are targeting a certain key market — say young women in Queensland — in marketing campaigns, how do we meet that? In that target group, because that is what you do with marketing campaigns, how are you performing in relation to that awareness? We believe that is a better measure because that is how you organise your marketing campaigns. They are targeted at certain parts of the community, certain demographics.

Mr FORWOOD — Okay. So my question — —

Mr MERLINO — No, that is ridiculous. You have asked a couple of questions.

Mr FORWOOD — No, I have not. I am currently seeking clarification of the way the budget papers are laid out.

Mr MERLINO — That is ridiculous. How much slack do you want?

Mr FORWOOD — The spend this year is \$42.3 million. Could you provide the committee, on notice, with information of how the money will be allocated — across which programs?

Mr PANDAZOPOULOS — Across which programs?

Mr FORWOOD — Yes. I want a reconciliation of the \$42.3 million.

Mr PANDAZOPOULOS — I do not have a problem with that. We will take it on notice and give it to you.

Ms GREEN — Minister, in your presentation you touched on the allocation of \$367 million to the new proposed convention centre. Pages 31 and 262 of budget paper budget paper 3 refer to Partnerships Victoria

procurement costs for the redevelopment being funded in 2004–05. Could you outline the importance of this investment and of conventions to tourism and the performance of the convention market?

Mr PANDAZOPOULOS — That is a significant investment and something that the tourism industry has been seeking for a while. We have not been as competitive because we have actually got a dated facility and it is the smallest facility. There has been a lot of investment by competitor states but also from overseas, and we have had to have a look at this broad issue.

Having determined the previous government was looking at a site which was opposite the current convention centre, next to the current aquarium, we had a look at that model when we got into government and we thought for the investment that it was not worth looking at that site. If we were going to go through the process we needed to look at where the whole convention market is. There is a growing convergence between conferences and exhibitions. The reality is the marketplace has been telling us that having an exhibition centre on one side of the Yarra, a convention centre on the other side of the Yarra that is not big enough, and a plenary hall on the other side near the aquarium with a connecting footbridge is not as competitive as putting everything on the one site.

Analysis has been done in terms of benefit-cost ratio. The best model is to make in effect the current convention centre redundant, build a model next to the existing exhibition centre and as part of that maximise our competitiveness, not only then having the biggest centre but also a flexible build centre. The design of this, while it will be a 5000-seat plenary, means it will be able to grow out to 12 000 to 15 000 seats for super large conferences if we are bidding for world Rotary conferences, those sorts of things. Also you might be able to design it so that you can conduct two or three smaller conferences at the same time, and that would provide the best economic return to Victoria.

I can advise the committee of the additional visitors that this facility will attract, because it now means we will be able to bid for larger conferences, and because there is a limit in the number of facilities of this size around the world, those large conferences can only go to certain locations, so it means suddenly we can bid for extra activity. Over 25 years our analysis says \$3.3 billion in extra activity will be generated for Victoria.

The project will also be part of the Partnerships Victoria project, as highlighted in the budget papers. That will lead to some private sector investment. The site is big enough, with the hotels and other types of activities, to compete and link it up with the complete Southbank vision. So you will be able to go basically from the arts centre all the way to Docklands on the southern side of the river in an integrated way. That \$3.3 billion over 25 years is an extra delegate expenditure in Victoria of \$129 million a year resulting in GSP of \$5 billion over 25 years. That is why we are in this project. It will generate 2500 jobs each year.

You also asked about the Melbourne Convention and Visitor Bureau (MCVB) as part of that. I touched on this in the presentation earlier — I am sorry that it is a longer answer, but I am trying to do a complete answer on conventions. The Melbourne Convention and Visitor Bureau is a non-government organisation. It receives funding from government and from the industry itself to assist in bids. We have provided it with an extra \$6 million over four years to improve its competitiveness.

The good news is that total room nights secured by the MCVB for Victoria in 2003–04 was over 100 000, up from 64 600 a year ago, which is a very large increase indeed of extra activity. Of these, 2800 room nights were secured for regional Victoria. So we have changed its role as a resource provider and are asking it also to not only bid for Melbourne but bid and identify conferences that can be attracted to regional areas. They work closely with the regional conference group to achieve that.

As a consequence of the improved performance, the economic impact of their bids alone is nearly \$200 million. Certainly in terms of our state investment, for every dollar we have been putting in there is \$62 return on investment ratio, if you want to look at it that way. They have increased their capacity to bid for events. The new convention centre is allowing us to bid for things we could never bid for before, and in the end our success rate is based on our ability to bid and service those bids to pick up business for the state. The MCVB has been doing a good job, and we will see visitor growth grow when the new convention centre gets off the ground in 2008.

Mr FORWOOD — Can you give us the maths on the 62 to 1 at your convenience?

Mr PANDAZOPOULOS — That is data provided to us by the MCVB as a non-government organisation.

Mr FORWOOD — Can you get it for us?

Mr PANDAZOPOULOS — Yes. That is basically economic impact divided by the money we provide every year, but we will give you some of that detail.

The CHAIR — You mentioned that over four years there has been an increase in their funding of \$6 million. Is any component of that funding allocated to, for example, translation services if a particular conference comes in for, say, a government department?

Mr PANDAZOPOULOS — When they need translation services they obviously provide that. They do not do it themselves, but the conference organiser would do that. Those services are available at the convention centre and also at other private sector convention centres like the casino and Sofitel et cetera, and they can bring that service in where it is necessary. For some conferences it is obviously necessary to provide interpreting and translating. The conference organiser provides the interpreting and translating. The dollars we give them are about supporting their bids. We have increased by \$1.5 million what we give them, so basically it means they get out of Tourism Victoria \$3.1 million to bid for conferences for Victoria.

The CHAIR — Is any of that money used to help defray the cost of a conference that would make Melbourne a better cost-benefit analysis for those conference organisers?

Mr PANDAZOPOULOS — No, it is really about chasing up the business, so it is about bidding, and sometimes they provide small levels of incentives. They might offer \$10 000 worth of services or something like that.

The CHAIR — That is what I was getting at; so that is possible out of that?

Mr PANDAZOPOULOS — Yes.

Mr CLARK — As you know, a lot of caravan parks around Victoria, particularly those in country areas, are suffering because of the rise in land tax take in recent years. I understand the Victorian Caravan Parks Association believes its members will attain very little relief from the tax measures announced in the economic statement because those measures provide very little relief for small to medium-sized land-holders. As I mentioned to the Treasurer, an approximately 55 per cent increase in land tax is likely next year for a holder of \$800 000 worth of land, based on the Treasury's assumed 15 per cent increase in land values. The caravan parks association put a model for land tax relief to government back in March, as I expect you know. Can I ask whether you have responded to that model put forward by the caravan parks association? More generally, what steps do you and the government intend to take to ensure that these parks, which are very valuable for lower income Victorians among others who wish to enjoy a seaside holiday, are preserved?

Mr PANDAZOPOULOS — You know that I am not the Treasurer or the Minister for Finance, who consider these things, but I know that this submission and the submission made by the Victorian Tourism Industry Council were part of the consideration of the \$1 billion worth of land tax relief over five years provided for by the government. I know from discussions with the industry that they have welcomed that relief.

Mr CLARK — That is not what they are saying publicly in terms of its effect.

Mr PANDAZOPOULOS — What has been mentioned to me by caravan park owners is that they are very appreciative of that relief. A lot of it will kick in a little bit later on, but they appreciate the government taking on board these issues. Our predominant role in Tourism Victoria is as a marketing body. We produce a caravan and camping guide, and we work with caravan and camping product to ensure it is participating in our Jigsaw marketing brochures et cetera. That is our key role — to keep the product up in the marketplace to provide that awareness to people to use it as an option of travel. That is our key focus, but we are pretty supportive of the \$1 billion of tax relief and think that will service the caravan industry quite well.

Mr CLARK — So you do not consider that from a tourism point of view you have a role in actually supporting tourism providers other than in marketing?

Mr PANDAZOPOULOS — We do, but what we are saying is we are not responsible for land tax. While we obviously get submissions about the impact of other government policies in certain areas on tourism, we

consider those and forward them on to Treasury. From that consideration they have obviously made a decision to reduce land tax by \$1 billion, which is something not to cry about, that is for sure.

Ms ROMANES — At the bottom of page 150 of budget paper 3 there are two output performance measures for Tourism Victoria's Internet marketing strategy. Can you tell the committee more about the range of ways in which Tourism Victoria utilises the Internet to support its marketing strategy?

Mr PANDAZOPOULOS — Thank you for that, I will talk a bit about the detail of our web sites. I think the slide I showed earlier on showed we will record an increase of about 1 million visitors compared to last financial year — it is about 2.4 million visitors in the year to date. They are certainly well-performing web sites at visitvictoria.com and visitmelbourne.com, which is our international domain. There have been more than 19 million web pages viewed by visitors to the sites. Tourism Victoria is on track to exceed by more than 8 million pages the output measure of 11 million pages by the end of the financial year. That shows where the marketplace is going and that people in the marketplace are much more prepared to research information themselves. While printed material that we are happy to share with you here is very valuable for some parts of the market, other parts of the market are happy to research and/or download information.

We have different marketing campaigns. At the moment there is a skivic.com campaign as part of our ski industry campaign. There are campaigns we run in different languages: we have them in Japanese, simple Chinese, complex Chinese, Korean and German for the international and domestic marketplace. That is quite valuable. The visitvictoria.com domain is now used in all our collateral so people are aware that is another medium they can use and access. It means whether it is our B & B guide or the 'Golfing in Victoria' or 'Wine regions of Victoria' brochures, you can get access to all those in the different types of marketing campaigns by adding them to your domain. That is what we predominantly do.

You would also note in the budget papers that there is \$250 000 provided to find solutions to visitor information centre booking and destination information problems. I highlighted earlier on that one of the limitations we have with cross-promotion of regions is that, while visitor information centres are important, each council has done its own thing and the technology is not integrated. You can go to a place like Bright and say you want some information about Beechworth, which is not too far down the road but in a different local government area, and chances are you will not be able to find information in the same detailed way you could if you had a linked-up IT system through the visitor information centre. Because there is a market failure in that, we are looking at trying to do a pilot project. I think that will encourage people even more to use our IT systems as a very cost-effective way of promoting travel and the variety of travel and product right around the state.

The CHAIR — Mr Clark has a supplementary question on international marketing through the Internet.

Mr CLARK — Could you tell the committee when the revised estimates for 2003–04 — that is, the expected outcome figures — were determined and passed on to Treasury for inclusion in the budget papers? How far into the year would you have had to finalise them?

Mr PANDAZOPOULOS — They were all provided in about February. As you know, you have to do your forecasting a bit earlier.

Mr RICH-PHILLIPS — I would like to ask you about the Commonwealth Games tourism strategy. You touched on it briefly in your presentation and said it would get under way in 2004–05. Could you tell the committee what will be the nature of that marketing campaign? How will it be evaluated? What is the cost of it? Is the cost to be appropriated through Tourism Victoria or through the Department for Victorian Communities and the whole-of-games budget?

Mr PANDAZOPOULOS — The whole strategy will be going to cabinet very soon, so I cannot tell you the full details of it. However, obviously with less than two years to go we have to be out predominantly in the international marketplace very soon. We have been promoting through public relations activities like the Australian Tourism Exchange quite recently. There was a Commonwealth Games stand there which the international buyers of tourism were encouraged to attend. We promoted that in our different activities and print media through what we call free ink — free advertising — that we get from the media just to talk it all up. We have to get out there and sell packages very soon, because there is a lead time of at least a year when people are making the commitment to come from the United Kingdom or whatever. That strategy will lock into place predominantly after Athens. There are other sensitivities, and there will be some activities done by the Commonwealth Games themselves in Athens

and post-Athens trying to get to sports media in Athens in a sensitive way — they do not want to steal the thunder off the Greeks of course; we would not do that.

The CHAIR — Never!

Mr PANDAZOPOULOS — In a subtle way we will try to target the sports media. We will start working to lock in the trade over the year. I cannot give you the full details, but it is likely to end up starting in October, subject to cabinet approval. The budget allocation will be a key consideration for cabinet. It entails research, and some research has already been done by Tourism Victoria and the Commonwealth Games. It is about online marketing, and out of the budget we get what will be the mix of national marketing compared to international marketing. There are also all the other events and activities associated with it.

We want to build visitation. It will be a great opportunity for Australians, and you will get to see a lot of Australians, but the nature of the commonwealth means you have to target certain countries. The more likely responsive countries are the UK, New Zealand and Canada. In terms of secondary areas you are talking about South Africa, India because they have 2010 in Delhi, Malaysia and Singapore. They are the ones more likely to be responsive in terms of sports-related tourism, so that is where our international campaigns will be targeted. There is also a strategy about building business events and conferences around it, and there are opportunities to build sports conferences around it. We are looking at some of those opportunities in addition to what the Commonwealth Games will provide.

Mr RICH-PHILLIPS — When the appropriation is decided, will that come through the department?

Mr PANDAZOPOULOS — At the moment the Commonwealth Games have a global budget, and cabinet is going to let us now how much money is available for the tourism-related part of that.

Mr RICH-PHILLIPS — Out of the global budget?

Mr PANDAZOPOULOS — Out of that global budget.

Mr MERLINO — Minister, key performance indicators in tourism on page 150 of BP3 relate to increased international visitors, and you mentioned the aviation strategy in your presentation and listed the additional flights we have achieved this year. Can you inform the committee what activities have been undertaken to increase flights to Victoria?

Mr PANDAZOPOULOS — It is one of our key strategies, and having those extra airline services in combination with our marketing campaigns is essential to building that visitation. Of course it gets the airlines committing themselves more to the marketplace as well, and it makes it easier to do marketing campaigns with those airlines when they are flying here direct. It has been pretty difficult globally, as you know, with everything that has been happening since September 11, and of course we were hit by SARS as well. Since 1999 we have had an extra 11 000 seats per week into Victoria, which is great, and we have an additional 55 international services from when we got into government. We have been working hard to identify in which markets there are opportunities. Today, for example, Air New Zealand announced another five flights a week, which is great, and around 2 July Emirates is starting another six services a week. That just gives you an idea. Those extra 55 services and 11 000 seats combined are providing an extra \$385 million a year to the Victorian economy. That is obviously fantastic. It is also important for freight, it is important for business connectedness with the rest of the world and it is highly important for us to work on marketing campaigns.

The key success this year is that all carriers from China now fly here, with China Eastern Airlines having commenced services in December. It started with two flights a week, increased its service to three a week in April and will increase it to four a week in October. Air China is also increasing its services, and China Southern Airlines will be flying from Guangzhou. You will recall that the Premier on a trip to the Middle East a number of months ago also announced that Qatar Airlines will be flying here. The only destination in Australia will be Melbourne, and that will be commencing later this year. He also announced those extra Emirates services commencing next week.

There has also been a very large number of services to New Zealand, and with the introduction of Pacific Blue there and extra services by Qantas and Air New Zealand, that is very important for us in terms of extra capacity into New Zealand. It allows us to work a bit more creatively in the North American market, where there are

limitations for Australia in terms of flight capacity into that region given the poor performance of North American carriers like Air Canada and United Airlines, which have had their own financial problems. We have been able to work with New Zealand to allow integrated flights through New Zealand and New Zealand and Melbourne holidays, and that makes some marketing campaigns much more possible. There is no doubt that having an extra 11 000 seats a week, given that the last couple of years have been pretty horrific in terms of international travel, is a great success for aviation and tourism in Victoria.

The CHAIR — There are a number of supplementary questions from Mr Forwood and Mr Donnellan.

Mr FORWOOD — A good result, Minister. What resources were put into achieving that result, and how were they allocated?

Mr PANDAZOPOULOS — There are two areas: we have an aviation and infrastructure group that you are aware of, so part of that is the staffing, the administration and the strategy. I think Mr Rich-Phillips might understand that a little bit more.

Mr RICH-PHILLIPS — I have a vague knowledge of it.

Mr PANDAZOPOULOS — He vaguely understands it. That is what I heard.

Mr RICH-PHILLIPS — It was a long time ago, Minister.

Mr PANDAZOPOULOS — We also have a cooperative marketing program with some carriers, and we budget for half a million dollars a year. That allows us to work with new carriers to do cooperative marketing with them for the first two years of their period of service. That is matched by Melbourne Airport as a coordinated strategy with the airport, where it also assists in dollars, in marketing and in reduced landing charges for new carriers. This whole strategy is quite unique, and the commonwealth — Joe Hockey himself — has referred to other states having a look at what Victoria does. We hope they do not, but nonetheless it is a good strategy, and it is obviously showing that we are paying dividends. To get airlines to commit themselves in this climate is showing something positive about Australia, particularly about this part of Australia.

Mr DONNELLAN — Holiday visas are always a problem, as I imagine you would know from dealing with people in Dandenong and other places like those I deal with the whole time. How does the group travel visa you were talking about in your presentation help? You were saying there was group travel visa approval for four other provinces.

Mr PANDAZOPOULOS — Yes, for six other provinces. We had a roadshow to China that covered four regions that I participated in as well. Certainly the visa issue is a key issue, and often there are perception issues. I understand that in China, for example, 97 per cent of visas applied for are granted, but the problem is that there are perception issues and that a lot of people do not think it is worth while applying. So whilst there is a success rate, we have to look at providing the resources that are required to support visa processing and also encouraging people and giving them the confidence that, despite the myths, you can actually get a visa for Australia and work with the market.

There are key markets that we are concerned about, and just recently — I will wear my multicultural hat — at a multicultural ministers conference the commonwealth agreed to have a working party with the states and the tourism industry to have a look at resourcing issues about visas in China, India and the Gulf states, which are the fastest growing countries in the region, because there are issues of perceived barriers. We want to dispel any negative myths about visas being deliberately too hard to get. In some markets, unfortunately, there is a perception that Australia is deliberately discriminatory, and we have to tackle those sorts of issues head on.

We have to work with people in the travel industry and encourage them to learn to understand how a visa is processed, and when there is zero tolerance for good reasons in some markets we need to make sure that people are saying the right thing. There are cultural issues, and people sometimes put the wrong information in their visas and that gets checked out; if they say the wrong thing, they will not get a visa, and that is understandable. We need to resource that.

But the new approved destination status regions in China have been approved by the federal government. There are six new regions at the moment for group travel out of China which have a visa turnaround time of two or three

days, which is great. That currently occurs in Beijing, Shanghai and Guangzhou, but now they have six new regions — Tianjin, which is our sister city; Nanjing, which is in Jiangsu Province, our sister province; Hebei; Shandong Province; Chongqing; and Zhejiang Province.

That will obviously lead to opportunities to work together more with the travel industry there, and that is why we did the roadshow. We took nine tourism operators from Sovereign Hill, Puffing Billy and the Phillip Island nature reserve to get the travel industry to start learning about product, because they have not been travelling here. To the credit of the immigration department, it also sent personnel out of its Beijing and Shanghai offices with that roadshow for the first time ever, where they were talking directly to travel agents about what they need to do to apply for visas to get that turnaround time in two or three days.

One thing we have noted is that China has been offering this approved destination status to different countries around the world, and Australia and Canada are really the first cabs off the rank. China is now expanding that to other countries in Europe, but unlike other countries around the world where all of China has an approved destination status, our federal government has agreed only that nine regions of China will be ADS regions, which raises a perception issue in the rest of China, but we are really pleased about being able to work in those new regions nonetheless.

But it is something that we have to watch out for, because there is the potential for other parts of China to start developing travel patterns to other countries of the world, which then makes it much harder for us to break through. At the moment Victoria has something like 44 per cent of market share of all China travel to Australia. It is our fourth biggest market, and that is because we developed that early relationship. We want to maintain that, and the forecasts for the next 7 to 10 years are that the China market will be the biggest inbound market for Victoria, overtaking the UK.

The CHAIR — Thank you for that very comprehensive answer.

Mr FORWOOD — I want to return to visitvictoria.com.au. Can you tell us the total cost of operating that site and the sources of funds that keep it operational?

Mr PANDAZOPOULOS — We will obviously give you the details of the breakdown of the budget. Online marketing for the whole service including staffing and marketing is \$1.326 million.

Mr FORWOOD — Thank you for that. Do participants to visitvictoria.com.au not have to pay a fee to register, and do some have additional access to change their own pages and stuff like that, and is there a hierarchy of fees?

Mr PANDAZOPOULOS — We have chosen to make a very low entry point to participants of \$180, and free if it is an accredited product. Obviously, it is heavily subsidised; we have an interest in the product being online and people being encouraged to be online, so we are showing the complete picture. Our online data warehouse is part of the Australian Tourist Commission data warehouse; it is linked in with what the Australian Tourist Commission does.

Mr FORWOOD — You can take it on notice, but I am interested in knowing the total cost of running the Victorian web site. How much comes from government and how much comes from industry contributions?

The CHAIR — It is only \$183 — —

Mr PANDAZOPOULOS — It is \$180.

The CHAIR — It is sensational. How come everyone is not on it?

Mr PANDAZOPOULOS — I am happy to provide that breakdown. It has been designed in a way where operators can get on and modify their own web sites, so that if they are running seasonal campaigns — they want to reduce their prices over winter, or they want to use different photos so they can show something in spring rather than having a summer photo — we encourage that. We also encourage them to have an online booking service as well. If you talk to some small bed and breakfast operators or horseriding schools, you find the number of bookings they get from interstate and overseas is really amazing.

Ms ROMANES — Does that extend to transport operators as well?

Mr PANDAZOPOULOS — It extends to anyone who has a tourism business.

Mr DONNELLAN — Page 289 of budget paper 3 shows an increase of funding to major events. Can you explain the strategy, any outcomes and any economic impact to the state?

Mr PANDAZOPOULOS — I think I showed in the slide earlier on that major events provide about \$1 billion to the Victorian economy, so it is about 0.5 per cent of GSP on its own. We have tried to broaden out our events strategy, so we have locked in long-term events like the grand prix and the Australian Open, and then we have one-off events like the Rugby World Cup. We also have regional events like the world hot air balloon championships that start in Mildura on Friday.

We have also broadened out into arts events. The ones supported at the moment out of the major events cap include the Mel Brooks musical *The Producers*, which has been provided with \$250 000. We have not had to acquire the event, but the event's stakeholders are required to work with us in their marketing campaigns interstate and in New Zealand to induce travel from other parts of Australia. That is why we use it as a major event.

We also have the Impressionist Melbourne masterpieces at the moment. It was launched last week by the federal arts minister, Mr Rod Kemp. It is a cooperative venture with the commonwealth. For the next three years as part of our arts major events strategy in our cultural institutions, we will build over the winter period an additional reason for people to travel to Melbourne. Our strategy is about filling hotel rooms and getting economic activity during quieter times of the year, and winter is one of the key strategies. We believe arts events are very important for that. The Melbourne masterpieces are being underwritten by the commonwealth, including all the insurance issues — and touch wood, nothing happens. It is a three-year deal where we get the masterpieces of the world exclusively in Melbourne — like the French Impressionists at the moment — which allows us to build in marketing campaigns interstate and in places like New Zealand and Singapore.

If I can give you some of the highlights. The economic impact statement for the Rugby World Cup for Victoria alone was the equivalent of \$139 million pumped into the Victorian economy. Initially our bid estimate was \$108 million, so we have done a lot better than we thought when we made our bid. The ticket sales figures show that 32 000 interstate visitors and 53 000 international visitors came to Melbourne for the rugby. Recently at the Vodafone Arena we had the UCI Track Cycling World Championships — —

The CHAIR — If you have a long list — —

Mr PANDAZOPOULOS — No, not a long list; I just want to give a couple of — —

The CHAIR — If you do this one and one more, and then we will move to the next question.

Mr PANDAZOPOULOS — Thank you very much. The track cycling championships attracted 200 track cyclists from 40 nations and a \$5 million economic spend in Victoria and 3 million viewers overseas.

Mr CLARK — I want to raise with you the issue of Mount Buffalo. As you know it has faced a number of difficulties over recent years. I understand that it was only at the last minute that it was possible to secure operators for the ski tows, and the cheap lodge accommodation is not going to be open this winter. I also understand that the chalet is being run by an administrator. Can you tell the committee what your analysis is of the causes of the difficulties that have been faced at Mount Buffalo and what you are doing to secure the long-term future of Mount Buffalo as a tourist skiing destination?

Ms GREEN — You can ski for free there tomorrow, Robert.

Mr PANDAZOPOULOS — I was going to say that.

The CHAIR — You still can, Minister.

Mr PANDAZOPOULOS — You are aware that it is a Parks Victoria responsibility, but it is very important from a tourism point of view. The ski industry considers Mount Buffalo to be very important as a nursery where families and beginners learn snow play and try to get on skis.

I can tell you that Australian Alpine Enterprises is running the lift services and the visitor facilities this year. It has publicly expressed an interest in being involved in future years as well. The current lessees have had a number of

financial issues, and that has hit the press. I am also very conscious that the previous lessees ran the business very successfully. It is not for me to question how people run the business, but it has been run very successfully for a long time, although the current lessees have difficulties.

Australian Alpine Enterprises is running all the services, and if you can get up to Mount Buffalo tomorrow, it is a free day so you can go and use the lifts for free; no lift passes just for tomorrow. The ski season is open until 5 September. Obviously the lessees are retaining Mount Buffalo Chalet, and that is something that they have to work through with Parks Victoria. But certainly from a tourism point of view Mount Buffalo is a great destination not only during the ski season but really all the year round. It is an important conference venue in the region as well. Just to complete the picture, Mount Buffalo has also been used as part of our ski industry campaign.

The CHAIR — We are lucky to have such an enthusiastic tourism minister, but in the next two questions can you contain your answers and provide information that might be in great detail to the secretariat?

Mr MERLINO — In budget paper 3 on page 150 it states that one of the aims of the tourism outputs is to assist product development. I note in your presentation that you mention responsibility for the Emerald Tourist Railway Board, and Puffing Billy, as you know, operates in my electorate and in the electorate of Gembrook. Last Friday you and the Government Friends of Tourism visited Puffing Billy. Can you inform the committee how we work with the board and what support we have provided to assist this development?

Mr PANDAZOPOULOS — You are aware it is a statutory body run by a community board, and we certainly would provide assistance to the board but do not run it. The board relies on some capital grants from the government every now and then. As you are aware, and there is \$1.7 million out of the Community Support Fund to do various capital infrastructure and railway stock upgrades that the board has done. A new engine was launched by the Deputy Premier a few months ago. There is a new rail shed that they secure their trains in for insurance purposes. But what we have done, you will also recall we have had some updated legislation through the Parliament just recently trying and bring the different leases in together. It was well supported by the previous government. It started the process and we have finished it.

It has been very confusing for the Emerald Tourist Railway Board because it has had different lessees on the site that they manage, so if some have been managed by Parks Victoria, some by committees of management or some by local councils, it has been very complex in terms of bringing other parts of business in there, particularly private sector opportunities. They are looking at additional facilities in, for example, Belgrave and Emerald Lake. I think that that will be very valuable for the service. They are certainly appreciative of the extra capital dollars that we have given them. They attracted about a quarter of a million visitors last year. They are a key international tourism icon and are heavily visited, as you will probably have noticed with all the buses that go down there regularly. It is a great attractor for international visitors in to the region and the Dandenong Ranges tourist industry can try to leverage off that and try to get them to do other things in the different towns and villages. I will leave it at that.

Mr RICH-PHILLIPS — I would like to take you back to air services strategies. Could you tell the committee please which airlines group has a direct cooperative marketing program, and in your handouts you mention objectives for 2004–05 would be aviation links with key markets, particularly those with greatest potential for this state. Could you tell the committee please which markets TV will be targeting?

Mr PANDAZOPOULOS — So the question was which ones will do cooperative marketing and which ones are priorities. There is cooperative marketing, I am informed, with Singapore Airlines, Cathay Pacific, Emirates Airlines and China Eastern Airlines. That is about it for the half a million dollars that we have been budgeted for. In terms of priorities, the China market is still a priority — to continue growing that market. Whilst we have got carriers flying, we would obviously like to see the opportunity for them to fly more regularly. Priorities will be with the new services with Qatar, to support that airline, which commences later this year. China Southern Airlines is also cooperative marketing campaigns. The north American market is very important to see what opportunities there are and if anything emerges with north American carriers in particular, or if Qantas sees additional opportunities. There are limitations in seat capacities from that region to Australia and to Melbourne. They will be our key targets, but we are not going to drop the ball on any of the other airlines that we are working with.

Mr RICH-PHILLIPS — Does Korea remain an objective of Tourism Victoria?

Mr PANDAZOPOULOS — Korea certainly is an objective, and it is interesting as a marketplace as you are probably aware. I know it has been an objective of the government for a long period of time to get Korean services. We put a case to Korean Air and Asiana Airlines. At the moment Korean Air flies to Sydney and Brisbane. Brisbane has been flat for a number of years for them and Sydney is also declining. Asiana flies to Sydney and the same is happening for them. As a business case the growth of travel from Korea is actually coming to Victoria at about 12 per cent increase per annum. It tends to be a repeat visitor market compared to your leisure market that wants to go to Gold Coast theme parks. They are a high-spending market. We put that business case to them to consider but interestingly most people flying to Victoria from Korea are either using Cathay services, because the connection from Hong Kong in terms of travel time is very good, and also part of our cooperative agreement with China Eastern is using their services which are expanding into Korea, using Shanghai as hub to get that Korean market into Melbourne.

The CHAIR — Thank you very much. Minister I place on record my appreciation to those who are leaving us because they have concluded their responsibilities and to those who prepared the information for PAEC both today and beforehand. Thankyou very much.

Mr PANDAZOPOULOS — I can table the data on those two regional issues.

Witnesses withdrew.