

Madison Fitzgerald responses to Questions on Notice 19 May 2021

Question 1

Your submission advocates for a form of cancellation insurance for events that are cancelled due to the impacts of the COVID-19 pandemic, such as through a percentage payment by event organisers to the government that will enable creation of a cancellation fund. Could you elaborate on this idea in terms of overall cost, should it be through the Victorian Managed Insurance Authority or another body etc?

Covid Cancellation Insurance

The State Government, in its latest \$644 million dollar Visitor Economy Recover and Reform Plan “highlights“ Events are a core part of Victoria’s destination brand, and they drive visitation”. This statement, however, will not be able to be supported if events are cancelled last minute and the financial liability and loss for the event cancellation falls on private business owners who work on organising and staging these events to absorb. The single biggest barrier for events to return to pre COVID numbers within Victoria is the uncertainty of a late cancellation due to COVID restrictions and the financial burden falling on the event organiser. As it currently stands, Event Cancellation Insurance will not cover any risks associated with Covid.

If an event is cancelled very close to the event date - or during the event - the event organiser will be liable for almost all of the costs of the event but not be able to keep any of the event's income. We at Destination had a large financial loss last March when our event at the Melbourne Grand Prix, which had taken 6 months of planning and resources and set up costs, was cancelled within hours of set up on the first day. As a business we wore the financial loss and still had to honour and pay suppliers and staff for their contribution over many months and on the day.

The actual costs worn by Event companies could be vastly minimised and confidence to open up returned, with a viable model being supported and implemented by the State Government. The Insurance could be called “Covid Cancellation Insurance”.

Creative industries within Australia have already received such backing on a Federal level, with the A Federal Government providing COVID Interruption Insurance to the Film Industry. In addition, the Federal Government set up the \$14 billion Australian Reinsurance Pool Corporation, following 9-11, to underwrite terrorism insurance risks within its borders.

The State Victorian government could, through the Victorian Managed Insurance Agency (VMIA), provide the proposed Covid Cancellation Insurance for unforeseen COVID restrictions resulting in an event being cancelled and underwrite these losses. This could be through replicating the VMIA COVID Insurance model taken up by building surveyors, offering insurance directly and would be the simplest model to roll out.

Alternatively, Event Industry could self-fund COVID Cancellation Insurance basing the Insurance on a model that is currently being used for the film industry - where film

productions pay a premium equivalent to 1% of their total production budget to obtain coverage. This has done with the two main film industry insurers - SURA and Allianz - adding Covid coverage to their policies and federal government underwriting or reinsuring the Covid specific risks. This could easily be adopted with an “event” replacing a “film” and the State Government underwriting the policy.

Covid Cancellation Insurance Cost: It is hard to “quantify” this cost as a whole, given the Events sector is in disarray with over 70% of the businesses dormant or closed down. Take up would therefore be from the remaining Event businesses with the cost would be minimal to the Government as it would be self-funded on an event-by-event basis. Therefore the only costs would be Admins that would be carried by the State Government in the facilitation of administration.

Business Interruption Insurance

One step further would be for the State Government to also underwrite Business Interruption Insurance for the Event Industry. With heavy investment of \$633 million by the State Government in its 4 Year Recovery plan, the State Government could provide the same Business Interruption Insurance that was offered when it rescued the building industry and provided coverage for building surveyors when commercial insurers withdrew coverage.

This insurance is equally essential to the survival of Victoria, as the “Capital of Events in Australia” due to Covid risks for the event industry going beyond event cancelled with interstate costs. Many Event businesses, including ours, have lost considerable amounts of work and have had numerous events cancelled by clients because we have been unable to move freely between states due to border closures. Very few events of any size are completely contained in one state. Most events of any real size involve people and businesses from multiple states. For example, a lot of business events that happen in Melbourne are organised by businesses that are based in Sydney - and vice versa. Similarly, an exhibition will involve stand suppliers from right across Australia.

Currently this is an uninsurable risk which places great uncertainty and a lack of confidence to book conferences with convention bureaus, hotels and the hospitality sector. Business Interruption Insurance could assist Event Planners to mitigate substantial losses should these circumstances occur.

Business Interruption Insurance Cost: I would recommend these costs be carried directly with the Event Company paying the premium directly to the Insurer.

Question 2

Why doesn't the private events sector feel represented by bodies such as Visit Victoria, Business Events Victoria and the Melbourne Convention Bureau?

Asked why the private events sector doesn't feel represented by bodies such as Visit Victoria (VV), Business Events Victoria (BEV) and the Melbourne Convention Bureau (MCB)? I can answer this, as we recently approached Business Events Victoria (BEV) with a collaboration proposal titled “Developing the Incentive and Insights Market: A Business Tourism Rebound

Opportunity for Victoria” to partner us in our new EBIP program. This EBIP program was endorsed by both Visit Victoria (VV) and the Melbourne Convention Bureau (MCB) and letters of recommendation were written by the CEO’s both recommending this business program and model.

As stated in my opening address, Destination leads the market in the provision of business and incentive and programs, both in Australia and internationally. We bring people to exciting destinations to connect, engage and learn with world-class thought leaders. Our Engagement and Business Insights Program (EBIP) is a first-of-its-kind service involving a complementary blend of rich reward experience with actionable learning and insights, offering significant FBT savings and advantages of which have been recognised at the Australian Marketing Institute's Awards for Marketing Excellence. The Fundamentals of this program has been taken up by the top tier corporates within Australia and we have created a new area within business events that the market is embracing with experiential growth.

Our program highlighted the increased pressure from the Business Events Sector to reinvent for growth in reaction to the significant and prolonged economic downturn, increased safety concerns, increased international competition and the rapid adoption of technology, innovation and market development. An area I am confident the Minister would be interested in as it aligns with the ideas, aims, deliverables and key market strategies identified in the represented bodies planning documents, especially the need for “product development and differentiation, market growth, regional tourism development and investment, contribution to research, innovation and best practice.

We have worked closely with the above industry bodies for the past 20 or more years, bringing events to Victoria and have a healthy working relationship built on mutual respect, hence the willing of VV and MCB to endorse our business program. With these recommendations in hand, we approached BEV (a department of Victoria Tourism Industry Council (VTIC) which represent regional venue members) with our award winning program and submitted a proposal to work in collaboration with BEV utilising some of their facilities and locations including regional areas. We are Australia’s most successful and largest business events company wishing to form an alliance which could benefit tourism and events within Victoria and unfortunately our proposal was not taken up by BEV. We are however hopeful of the opportunity to meet with BEV in person and discuss the merits of our program to their visitor economy and a beneficial alliance with Destination.

I believe our new business event proposal wasn’t rejected on its merits but because it doesn’t fit within current frameworks for state business events within the governing authorities which focus on a tourism “visitor economy model” despite bringing tourism of up to \$12bn to the annual economy. I touched on this in my address to the Inquiry and recommended that Business Events from within the private sector with programs and outside of the convention bureau model be acknowledged and an opportunity open up work closely with the Victorian Government to establish a restructured Events Department with a framework that can facilitate our business model and other models that are not within the current limited framework.