

TRANSCRIPT

LEGISLATIVE COUNCIL ECONOMY AND INFRASTRUCTURE COMMITTEE

Inquiry into the impact of the COVID-19 Pandemic on the tourism and events sectors

Melbourne—Wednesday, 19 May 2021

MEMBERS

Mr Enver Erdogan—Chair

Mrs Bev McArthur

Mr Bernie Finn—Deputy Chair

Mr Tim Quilty

Mr Rodney Barton

Mr Lee Tarlamis

Mr Mark Gepp

PARTICIPATING MEMBERS

Dr Matthew Bach

Mr David Limbrick

Ms Melina Bath

Mr Andy Meddick

Dr Catherine Cumming

Mr Craig Ondarchie

Mr David Davis

Mr Gordon Rich-Phillips

WITNESS

Ms Madison Fitzgerald, Director, Communication and Branding, Destination.

The CHAIR: I declare open the Economy and Infrastructure Committee public hearing for the Inquiry into the Impact of the COVID-19 Pandemic on the Tourism and Events Sectors. Please ensure that mobile phones are switched to silent and that background noise is minimised.

I wish to begin by acknowledging the traditional owners of the land, and I pay my respects to their elders past, present and emerging. I wish to welcome any members of the public that are watching via the live broadcast.

My name is Enver Erdogan, and I am Chair of the committee, and I would like to introduce my fellow committee members present here with us today: Mr Barton, Mr Tarlamis, Ms Lovell, Mr Davis, Mrs McArthur, Mr Quilty and Mr Gepp.

I would like to call our next witness. To witnesses presenting: all evidence taken at this hearing is protected by parliamentary privilege as provided by the *Constitution Act 1975* and further subject to the provisions of the Legislative Council standing orders. Therefore the information you provide during the hearing is protected by law. However, any comment repeated outside the hearing may not be protected. Any deliberately false evidence or misleading of the committee may be considered a contempt of Parliament.

All evidence is being recorded. You will be provided with a transcript following the hearing. Transcripts will ultimately be made available and publicly posted on the committee's website.

We welcome your opening comments but ask if you could keep them to a maximum of 5 to 10 minutes to allow time for discussion. Could you please start by stating your name for our Hansard team, and then begin your presentation. Over to you.

Ms FITZGERALD: Hello, and thank you for having me here today. My name is Madison Fitzgerald, and I am representing Destination.

The CHAIR: Thank you, Madison. Please start your presentation.

Visual presentation.

Ms FITZGERALD: Thank you. I thought I would start off by talking about our business and our company. We always go under the radar and keep quiet with what we do, so I would like to discuss what we do so that you have a broader scope of different areas of business events. Our company is called Destination, and we have been in operation for 20 years. It is privately owned by my husband, Glenn Fitzgerald. He is interstate today, so I am here on his behalf today to represent our company as well.

We are the largest privately owned full-service event agency in both servicing Australian and global corporate clients. We create unforgettable experiences that incentivise, engage and reward people, and we do that anywhere in the world. From conception to production and staging, we bring programs to life seamlessly, all with our unique personal touch.

One key point that we are known for with our reputation is that we have extraordinary attention to detail in the events that we do. A few statistics, which we all love to hear: every year we manage and create over 230 events. The majority of those were worldwide—in excess of 200—15 000 delegates, 35 000 travel sectors, and we would run and create over 20 online reward programs. We have many divisions within our company. We are the largest, as I said, in Australia—privately owned. Our only other competition is Cievents with Flight Centre. We have many divisions that we have been building up over the years, which get broken down into incentives and engagement, business insights, specialised events, conferences and exhibitions, online reward programs and our creative services team.

There is a lovely picture, if you want to follow through: we are the team with the special touch. We are famous for being committed to and understanding the needs of our clients, and we have never lost a client in 20 years, so once we get them they are very happy with the way that we look after them.

We do world-class leading incentive and business insight programs. This is a new area that we have started in Australia. We have been researching it for the last five years, and we are very proud of the fact that we are the first in Australia and in the world to be running these programs out of Australia. It is a unique position that we have within our business. We handcraft our employee experiences, and we give imaginative programs that engage, reward, retain and educate. That is the way that the market is moving now—more from the incentive side to one of education. So we have gone and scouted out the world's best thought leaders, from Caltech to Stanford to tours at Boeing to movie houses to NASA, and we do programs that educate and also reward employees in the top corporate arena.

Our business insights program is global. We take them to destinations, but we also have been able to set some of those programs up in Australia, which I have in some of the paperwork that is coming around there.

So our work, just in a little bit more detail—we also do creative ideation and prototyping workshops, which is a groundbreaking approach that aligns large teams within organisations and manages end-to-end delivery of employee workshops that align strategic areas for employees to focus on within their company. Using that methodology within organisations helps prioritise collective ownership and vision, so we love to work in this space of strategy, and that is a lot of the work that we have within the corporate arena.

The incentive business study program is the first service of its kind involving a complementary blend of reward, experience and actionable learning and insights. How that works is we have executives who are taken to key destinations around the world and in Australia and also in Victoria, as with some of the programs that have been passed around as well, to engage in extensive world best practice workshops in marketing, design and innovation fields and to receive experiential learning inspired activities.

One of the key factors that we make sure we do is we incorporate world-class thought leaders within our programs, which is what the companies are looking for these days. To do that it has taken many years of research and in excess of \$300 000 of our own money to invest in that program. We have always been a forward-thinking agency with a strong belief that businesses can evolve and thrive through inspirational education. We approached Professor Farrelly from RMIT University here. He was engaged to conduct a capability audit to strategise and innovate our service offerings, and that is how we came up with the programs that we run today. We also bring on board some other world thought leaders. One of those I have included in my presentation is Bryan Mattimore. He is the chief idea guy from the Growth Engine, which has a worldwide reputation. He works also and instructs at Caltech. When we took programs overseas, a lot were in America just prior to COVID, and we had Bryan come and present at our programs. We also have our own in-house strategy director, Sam, who was top of RMIT in marketing, and he is involved in an RMIT grant that we have. RMIT enabled a grant within our business to look at disruption within the automotive industry. Sam has been working on that with us, and that has been published worldwide.

Just briefly, I have got our engagement business incentive programs. I have got a few here to talk about. We do one in Adelaide with R.M. Williams. So we take some of our clients. They go in. They look at the bespoke services and the marketing capabilities within those organisations, and they are able to take that back and learn how they can adopt that back into their workforce to make them a more engaged and better employee. We have also had programs to Tokyo, based on the future and tradition, or Queenstown, inspiring adventure, innovation, culture and heritage.

So COVID comes. It is March. By the end of March 2020 our doors shut. We were the first to close and we have been the last to open. Our business has been still running 18 months on with zero funding from any government authority besides JobKeeper. Maybe you might like to ask questions later about the effects of that, but I have just got a brief analogy here. There were business grants that were available—\$50 million in the business grant area. Now, they were preapproved buy-in programs for exhibitions, conferences and conventions with a hub-approved panel that had two from tourism, one from the convention bureau and zero representing the events division. To date, there have been 350 programs approved out of that \$50 million grant from the federal government and funding has been allocated of \$8 million. So you might ask: why is there no further pick-up? Because the model is wrong. The model is based around convention bureaus, which is within the area of tourism. Events are not tourism, and that is why I am here today—to discuss with you very clearly that all the packages that have been going out have said events, yet they have been tourism-based. So the convention bureaus are managed by the tourism board as well and all of those programs relate to that, so we were unable to get any grants from those business grants.

Then there was a boost program overseen by Tourism Australia as well, for events. It focused on the domestic market, and it also helped companies to facilitate online marketing and distribution with creativity. However, due to the COVID shutdown, the date for that to be qualified was the end of September—for you to get things running—and we were in shutdown for 112 days. We were not able to qualify for any money.

There has also been some state government funding that was put out in regard to travel. Now, we have a travel agency within our business. When the borders closed we had funds in excess of \$250 000 in deposits just for hotel accommodation and destination management companies. We still have not had those deposits returned to us. However, we had to return that money to our clients. So within two weeks of shutdown we had to pay out \$4 million out of our bank account to pay back clients for deposits for programs that were cancelled. So there has been a big financial impact of that.

We thought that we had to keep staff who work with airlines to get refunds back in for some of the programs. When the funding criteria came through, our company was considered too large to qualify for funding. Our turnover was \$36 million; the funding cut off at any company over \$20 million. We had a staff of 60 and staff of around eight that were qualified in travel, and they worked non-stop to get refunds for our clients yet we were ineligible for 1 cent of the travel aid funding because our company was considered too large. We are not a corporate company. We are not Flight Centre. We are a company owned by me and my husband, who have five children and expenses. We had loans to pay. We had overheads. We also had a lot of staff that did not qualify for JobKeeper, so we took on the financial burden to keep our team together because they are our family. Some of them have been with us for in excess of 20 or 30 years, so we took on an excess of another quarter of a million dollars out of our own money to pay to keep staff on.

I would just also like to say whilst all that was going on—banks. Yes, all the funding came out for you to get loans from banks. Because we have worked smart and we have worked hard we have been a business that has never owed any money or had debt and we never operated on an overdraft. So we would have up to a few million dollars in the bank at a time to secure a flight or to secure programs because we have to forward book them three to four months in advance, and then when the client pays 90 days prior we can get our reimbursement. So we have always had a wonderful cash flow, but we have funded ourselves. To this day we still have had zero loans from our bank. We have had a private banker and we have never defaulted on one loan in 20 years. We are the role model for business clients within our bank.

However, I am not sure whether you are aware but banks have classed anyone working in events as a high-risk area, and they are still stalling it. So how have we kept open? They put our loans on hold. We had to then fund and sell our assets to fund ourselves personally, to fund our school fees for our children, to fund our home expenses, to fund business expenses, because the banks have not come to the party and have not authorised one loan to date. So there has been all this money out there even with government approval. In reality the banks have not done that; it is still up to their discretion. So it has been a huge financial impact.

My husband and I had to hit the ground running, working 16 hours a day, and we had to do an asset list of what can we keep, what do we get rid of, how do we keep our doors open, so that we are not another statistic that goes under? How do we care for our employees? We pay payroll tax. We had a payroll of nearly \$5 million. When the pandemic hit all of our staff did not want to take their annual leave, they did not want to take their long service leave, so we have had all of that accrued. To date our 60 staff are down to 15, and with the 45 that have left we have had to also sell assets to pay for their entitlements when they left. So some of them had entitlements up to \$100 000. Again, as I said, we had no loans because we worked, so we did not have an overdraft. So we have had to fund those ourselves personally as well. It has been at great expense to my husband and I stress-wise and to our family. We are just very fortunate that we had a little bit there.

The main take out that the bank said is that, 'We see that you have had some personal savings', because we do not take off anyone. We have never had a handout in our lives. We do not get any money at all from handouts. They have said, 'You need to use every dollar in your account, so do not keep any for a rainy day, for your kids' school fees'. They want to drain our bank accounts before they will even look at giving us a loan. That is the attitude of the banks at the moment—and that is to a customer that has been loyal to them for 20 years, who has never defaulted on a loan and has always had an excellent credit rating with the bank.

There is just one final part I would like to talk about, a bit of strategy. What we do best is we think we could really assist in helping the events industry move. I know that Simon Thewlis is coming from Save Victorian

Events. We work in a totally different space and we look at things a bit differently, so I would like to share my thoughts. But perhaps you might want to ask me some other questions now—or would you like me to continue?

The CHAIR: Like I said, it has been fantastic to hear from you. First, I want to congratulate you and your husband for building such an innovative business. I think it is fantastic to see—

Ms FITZGERALD: Thank you.

The CHAIR: because obviously you have taken counsel from your story. You have put in all your heart and effort and also come up with something fresh and new for the sector. That is why you were so successful before COVID. What we might end up doing is actually hear from you, Madison, but because of the time constraints with other witnesses scheduled today we might put the questions on notice, if that is okay by the committee, because I think your perspective is different to some of the others we have heard.

Ms FITZGERALD: Yes, it is.

The CHAIR: As a family business owner, the personal impact it has had on you and your children, I think it is different from some of the other witnesses.

Mr DAVIS: Chair, there are just a couple of things I just wanted to—

The CHAIR: But the problem is that everyone has got a question, Mr Davis.

Mr DAVIS: Yes. I just want to understand something.

The CHAIR: Mr Tarlamis has a question, Mr Barton does, and I do not want to allow only one or two questions when we may have a number of questions. So I am happy for you to conclude or even if you have a solution or a proposal or an idea that you would like to put to the committee—finish on that note.

Ms FITZGERALD: I would love to. Yes, thank you.

The CHAIR: And then I might write to you in due course and then hopefully you can answer some of those questions, because it has been a very different presentation to some of the other peak bodies we have heard from, and other organisations. So, Madison, please continue.

Ms FITZGERALD: Thank you. I have been advised that—I am not too sure if it is correct—to date we are the only business event company that has presented at this inquiry.

The CHAIR: No, that is not correct.

Ms FITZGERALD: Well, that is good. That is a relief.

The CHAIR: A number of different events sector witnesses have appeared.

Mr DAVIS: Business events?

Ms FITZGERALD: Business events, yes. Yes, great. I am not too sure whether you are aware: business events make up 80 per cent of the \$12 billion income into the state's economy. Being the sole representative here for the majority of the income coming in, I think it is really important to be heard and for the committee to really take in what we are saying, because our strategy is to come in and say 'Let's rebuild' rather than 'We can't change what has happened'—but we can certainly move forward and strengthen the industry.

As I said, the financial impact to our business since our doors closed on 30 March 2020: our income in the 2018–19 year was \$36 million; in the 2019–20 year it reduced to \$21 million because we had those three months where COVID hit, so instantly, with refunds, a third of our income for that year stopped—we lost \$15 million in turnover; and in the 2020–21 financial year we have been down to \$5 million. Now, that \$5 million has not been to do with any event; there have been zero events and zero travel programs, and we know that we will not get any international travel programs for at least another two to three years. We worked very hard to start some more in-depth domestic programs, and that was also made difficult because of the shutdowns. And it is still incredibly difficult because of the shutdowns, where corporate confidence is very low

because companies cannot take the financial risk of travelling and getting caught at an airport if there is a sudden COVID attack. Taking all of that on board, how we have got our \$5 million is that we are lucky enough to be a full-service agency, so we hire app builders, web designers and we do a lot of KPI builds for some of the large companies like Mercedes-Benz, Nissan and Izuzu. So we have been solely surviving on our tech savviness to keep some income—just the minimum—to pay the benefits of our employees. It was a total reduction of 95 per cent.

So with all that said, I would just also like to add that because I was not on the books as an employee, I got a dividend at the end depending upon how successful we were. With a family of five and expenses of around \$300 000 to \$400 000 in loans a year, we were only able to qualify for one JobKeeper payment, for my husband. I will not go into detail about how much we have had to sell to just keep afloat. So that is the impact.

Now, I have had a good look at the Victoria *Visitor Economy Recovery and Reform Plan* for the next four years, and if you would like to turn to that page, what is very evident to me is government stakeholders. Under the government stakeholders we have a big list here of the Melbourne Convention Bureau, Visit Victoria, Regional Tourism Boards and Business Events Victoria. Under the plan there is \$633 million allocated to government stakeholder agencies. Again I would like to say: of the \$12 billion that comes in from events, 80 per cent of that is from business events. So if you have a look at the business events side that brings in that income—the other 20 per cent is made of public and community and charity and festivals—zero dollars have been allocated. That is very disheartening. When I put all the facts together I was quite shocked.

The next page I have is what I think is at least a basic framework to work with, or to look at. Because I think the big problem has been a lack of full knowledge and understanding. Like, I am certain that, with no disrespect, you probably were not aware of the kind of programs that our business ran and the event space that we work in. And the event space that we work in is not major events, like festivals and charities, it is business events. So I am not surprised that there has not been any representation, and I am not surprised that the convention bureaus and the tourism boards have been the go-to, and have been the advisers to the government to spend on events, but I would like to clearly say there is a clear distinction between events and tourism. Business events are not tourism. They help assist tourism to fill hotel rooms and to put seats on planes, but they are not bringing that income in for the corporate sector, which is where the majority of the money does come in. So we need to fix that problem, or we are going to have an industry that has very, very few surviving.

So we put our heads together and what we thought would be good would be to have an events division within Victoria that would come under the honourable minister. I know his title at the moment is ‘sports, tourism and major events’, so I would like to just have that as ‘events’. And within ‘events’ we actually have some industry practitioners that work within that industry, that understand that industry, that can advise the minister and at least have a say so that it is not filled again with already government-backed and funded agencies like the convention bureaus and tourism boards. So it needs to be ones with events. So I have thought about it being fair and having a really broad scope of advisers so that everyone is represented, because at the moment there is zero representation for events.

So just a little example is that, because there is a crossover, having maybe one allocation of tourism, because there is a lot of crossover and a lot of beneficial relationships between the two. Someone from an experiential and staging agency, two from business events—because business events do bring 80 per cent of the money into the state. And one of those positions could be brought in with BECA. They actually are underneath the tourism board as a semigovernment authority already. Not-for-profit and public could have a representation, and charities. And Destination would really like to, if we get the invitation, help assist in that framework, to set up something that is really going to be workable and beneficial for the state so that we can move forward and take up the opportunity to be groundbreaking in this events department. I have been sending through some of the other programs that we have adapted.

Victoria says that it is the ‘events state’. We would like Victoria to go a step further and say also, ‘We run the best business programs in the world out of Victoria’. So we would really like to have that platform within the events Victoria—hopefully—department set up so that it can be showcased. Not only do you showcase your major events, but we can showcase our business events, because with thought leaders from around the world they have a wonderful reputation, and they are groundbreaking, and no other company or state in Australia is doing that. We have been loyal to stay in Victoria. We considered moving interstate and opening our company

there, but our heart is in Victoria, and we would really like to stay here and platform our business out of that, still. And we would really like to be given a chance to help with that framework.

To do that, though, I think there is some urgency in putting together a little task force, and we would again be happy to advise, give advice in any way that is asked of us, to talk about grants, support, working capital and COVID insurance. Now, I understand that there are other interested parties that are already talking about that, so I will not go into that, but I have finalised a proposed crisis fund with a turnover. I know what might be considered if the government was to come in and help save the events business. There has been zero funding. Like I said, there is \$633 million allocated to tourism and zero to events. I have got a little table of what might help keep the doors open, with funding to help keep some businesses that do business events open. I know that Save Victorian Events had a scale as well, but it did not represent any businesses our size. So I have put a different scale in just for your perusal.

The CHAIR: Thank you very much for that, Madison—like I said, quite a comprehensive take and a different perspective from a business events side on how COVID has impacted. I want to thank you and Destination for your quite detailed submission and presentation. I have a lot of questions on my mind. I know fellow committee members do—they are all itching. So what we might do is, following this meeting, prepare a list of those questions to send to you. Just so you know, whatever you answer will be listed next to the transcript of your evidence, so it will be made public. Whatever you respond will be public. It will not be confidential—just letting you know that.

Ms FITZGERALD: I understand, thank you. That is good.

The CHAIR: So keep that in mind when you are preparing your answers, because there will be a number of questions. I am very sorry to hear of your experience and the real human impact of COVID-19 but also definitely of how the business events sector has been disproportionately affected.

Ms FITZGERALD: And it is still there.

The CHAIR: And it is still affected and it will probably be one of the last sectors to recover from this pandemic. So thank you to you and to Destination for all your work and for putting in the time—I can see it is quite a detailed presentation—and for your ideas and input.

Ms FITZGERALD: You are welcome. Thank you for having me here today. Thank you, everyone, and I hope I hear back from you.

The CHAIR: You will hear from us shortly. On that note the committee will go into a short break.

Witness withdrew.