

VERIFIED VERSION

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into budget estimates 2014–15

Melbourne — 22 May 2014

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Witnesses

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

Mr H. Ronaldson, Secretary,

Mr J. Strilakos, Chief Finance Officer, and

Mr L. Harry, Deputy Secretary, Tourism and Air Services, Department of State Development, Business and Innovation.

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

The CHAIR — We will resume the estimates hearings with the tourism and major events portfolio, hearing no. 39. I welcome back Minister Asher, Mr Ronaldson and Mr Strilakos, and welcome from the Department of State Development, Business and Innovation the Deputy Secretary, Tourism and Air Services, Mr Leigh Harry.

The minister now has an opportunity for a brief presentation of no more than 5 minutes on the budget estimates for the tourism and major events portfolio.

Ms ASHER — Tourism is a very significant economic driver. As I mentioned earlier, it is our no. 2 export, and we have done particularly well in domestic tourism. In fact Melbourne is the preferred destination for overnight visitation still, ahead of Sydney, ahead of the Gold Coast — we are the no. 1 international destination. It is a very, very significant achievement, and we are going to protect that very jealously.

The latest figures show that the tourism industry contributes \$19.6 billion — that includes day trips — annually to Victoria's gross state product and provides jobs for more than 200 000 people. In other words, it accounts for 5.8 per cent of employment in the state of Victoria. Our forecasts are tracking well. Our forecasts indicate that overnight tourism expenditure will increase from \$14.9 billion in 2013 to \$18 billion in the year ending June 2023 and over the next 10 years the share of overnight tourism expenditure coming from international markets will grow from 32 per cent to 38 per cent. The airport, as you would be aware, had more than 30 million passengers passing through it, which is a 4 per cent increase on 2012. Of these, more than 7.4 million were international passengers, which is an increase of 7 per cent on 2012.

We have a number of key priorities as a government. We want to continue to build Melbourne as a premier destination for domestic visitors — no. 1 now; we want to keep it that way. We want to deliver on the government's commitment to regional tourism through the development of an intrastate campaign to encourage Melburnians to travel to regional Victoria and the development of an interstate campaign. We want to increase international visitation by air services attraction, and we want to increase and build on Victoria's reputation as a business events destination.

You will see under 'Tourism and Marketing' that there are budget allocations for Melbourne marketing, regional tourism, air services attraction and business events. All of that funding will go to our objectives in that particular area: \$17 million for Melbourne marketing, \$14 million for regional tourism marketing, \$13 million for air services attraction and \$25.7 million for business events.

Business events are particularly important. They are worth \$1.2 billion to the state of Victoria. Air services I have spoken about on many occasions here. It is a constant challenge to get planes to land in Melbourne on direct flights and the government has to manoeuvre significantly to make sure that people understand that it is a great place to fly to. It is a curfew-free airport, it is a great city once you are here and our regions are close by.

They are broadly the key indicators in terms of the budgetary allocations for tourism and a bit of context for it.

The CHAIR — Thank you, Minister. We have until 11.30 for questions, and again I will start. Could you outline to the committee the budget initiatives in this portfolio which will contribute to the growth of Victorian jobs, both in the coming year and over the forward estimates period?

Ms ASHER — These four items on the budget paper will directly flow through to jobs for tourism. I think when you think of tourism a lot of people think of big hotels and big airlines, but the bulk of the tourism industry in Victoria is small, so it is very, very important that we keep up our advertising campaigns, our marketing campaigns, our social media campaigns, our promotion internationally to make sure that our visitors keep coming.

As I said, tourism is worth \$19.6 billion annually to the Victorian economy, it is the no. 2 export and it provides for over 200 000 jobs. We have released a 2020 tourism strategy where we realistically think that we can grow the industry to a \$34 billion industry. This document was based on extensive consultation with the industry itself and obviously looking at the tourism forecasting figures that are available nationally. The basis of our tourism strategy is our international promotion, our interstate marketing, the Jigsaw campaign, our business events strategy and our major events strategy — business events, \$1.2 billion worth; major events, \$1.4 billion worth.

I have outlined where the new funding is coming from. I probably do not need to go through that again, but just to add: interstate overnight business event visitors accounted for 1.5 per cent of all interstate overnight visitors to this state, and for year ending December 2013 156 600 international overnight business event visitors visited Australia, and of these, 31.7 per cent visited Victoria, so it is a really important component of the tourism industry.

As I said, under the 2020 tourism strategy, again Mr Scott was looking for some specifics, we are aiming for an estimated 310 000 jobs by 2020 in terms of tourism, and this represents a growth of 6.6 per cent per annum. That is our aim, but obviously an aim is an aim and one could go past that aim, as indeed Victoria has on a couple of occasions previously. People can see for themselves, as the line items of Melbourne marketing, regional tourism, air services attraction and business events have all received increased funding in this budget to create jobs in the tourism industry.

Mr PAKULA — Minister, I just want to ask you about regional tourism funding, which I note is found on page 48 of budget paper 3. And I just want to ask you about Tourism Greater Geelong and the Bellarine, which is the responsible authority for the promotion of tourism in Geelong and the Bellarine, funnily enough. That area was formerly covered under Geelong Otway Tourism, which stretched from Geelong all the way to the border. Geelong city council last year voted to form a new body to better focus on Geelong and the Bellarine, but my understanding is that that body will not receive Tourism Victoria funding; it has to instead find support from within the industry. As the Premier has made clear, and as we all know, Geelong is facing a very difficult time with the loss of jobs in manufacturing, and tourism has been promoted as one of those sectors which is going to help play a role in providing jobs for Geelong and the Bellarine. Can you outline to the committee why Tourism Geelong and Bellarine is not considered appropriate for funding as a stand-alone regional tourism board?

Ms ASHER — Your question is not accurate, and you probably should ask your shadow minister to provide you with a letter I have sent him about this particular matter which indicates that I am considering it, but can I just provide some background.

Mr PAKULA — So you are considering it?

Ms ASHER — I will just provide some background to this, because this is not just a simple issue — it never is in tourism. This issue has been raised extensively with me. Obviously Andrew Katos, as the local member, has raised it; David Koch has raised it; the mayor of Geelong, Darryn Lyons, has raised it; the shadow minister has raised it. For the benefit of the committee, the Jigsaw campaign started in Victoria in the 1990s, and the idea was to promote the regions. A lot of effort was put into actually trying to get people to visit regional destinations and not just stay in Melbourne. That is still a challenge, but we now have the world's longest running advertising campaign, I am told.

If you take this to its logical conclusion, if every town had its own regional tourism authority, none of the money would be spent in marketing. You could have a Brighton tourism authority instead of having a Melbourne and regions; you could have a Portland tourism authority and whatever. So if you take this, 'Everyone wants their region' to the logical conclusion, then everyone will have one and taxpayers money will get diluted. So regions were devised, and there are many regions that are very disparate. Obviously Geelong and the Otways was put in with the Great Ocean Road because it is geographically in that area. Many towns along the Murray think they are different, and the Murray region is still the Murray region. In the goldfields region Bendigo and Ballarat often ask me to have a separate regional tourism board. The government set up these bodies, and then the government provided funding to the Great Ocean Road and Geelong to be a regional tourism board, and the funding was granted.

What has happened subsequent to that is that Geelong have now decided they do not want to be part of the Great Ocean Road, and I understand that. I had a recent meeting with Roger Grant, who heads that tourism board and who is heading this push, if you like. He has a whole range of good arguments about why you cannot market — he tells me that I cannot market Geelong and Bellarine differently from the Great Ocean Road. That is his view, but from my perspective I have allocated the funding to a tourism board to cover the Great Ocean Road and Geelong, and now Geelong, after the event, has decided they would like to split. And not only would they like to split, which is their call, they would like me to give them an equivalent amount of funding. I am not a magician and I cannot pull money out of a hat.

As I have indicated to a number of people — including a very long meeting I had with Roger Grant recently, and I have spoken to Darryn Lyons about this and I have spoken to others — one solution is to take the money out of the Great Ocean Road board and say, ‘Geelong has now split, so I am going to take this money and give them what the locals would regard as their fair share’. But then there will be another problem, obviously, because people have accepted funding in good faith, they have got budgets, they have allocated funding and whatever. Another problem in trying to accommodate this is that I suspect then a number of other councils all over the state will say, ‘I want to split from my board too and I want the government to give me a separate funding allocation’.

I understand the imperative to support Geelong, as any member of Parliament understands in the current environment that Geelong needs to be supported, but what I have been presented with is a council that has made its own democratic decision to break away from the group and the funds that have been allocated to it. Notwithstanding that, I have had representations — I can call them representations — from my colleagues, from Andrew Katos in particular, and they want me to resolve this issue. I have written to a number of people saying I am considering the matter, and I am trying to work out, given the Jigsaw campaign in Victoria overall, how I can deal with this issue in the context of the money that Geelong is now asking for after the event of the allocation. To say we are not interested in Geelong or Bellarine is nonsense.

There was a recent article in the *Geelong Advertiser*, which was wrong. It said that I had made up my mind that we would not have it, and then went on to quote me saying I am considering the matter. I am genuinely considering the matter, but we have a range of programs for regional tourism including in Geelong. We have supported events in Geelong, and to say that this regional tourism funding is somehow discriminating against Geelong is not accurate. There is a whole historical context associated with this, and I am just going through a process of consulting with a range of people. I had meetings with Roger recently. It was a very long meeting. I have asked for further documentation. The council has passed various resolutions still wanting to work with the Great Ocean Road. I am considering the matter. To say that I have said no is wrong.

Mr PAKULA — Just a follow-up. I was waiting, Minister, for the bit where you revealed the great inaccuracy in my question; I am still waiting for it.

Ms ASHER — The inaccuracy of your question was that you said I had made up my mind to not do it.

Mr PAKULA — No, I did not, actually.

Ms ASHER — You implied it.

Mr PAKULA — In any case, you make the point about if every council did this. I think most members of the committee would concede that Geelong has some particular challenges right now in a job sense, given the impact of the Ford closure and other things that have occurred in Geelong. We have just had the 2014–15 budget handed down, so I suppose my question is: if you do make up your mind to fund a stand-alone Geelong tourism board, can that occur between now and the next budget, and, if so, can you give any indication of when a decision is likely to be made?

Ms ASHER — I do not think the Public Accounts and Estimates Committee is to forecast what may happen from this point on, but what I am saying is that I am considering the matter in the context of the budget I have available to me. The history of this is that money was allocated to a region and an element of the region wants to break away. I am not going to say what I might do in next year’s budget, and I am not answering a hypothetical question, but we as a government have supported a lot of things in the Geelong region. We supported in 2012 the Davis Cup between Australia and China, and that attracted 9500 people to Geelong over three days. We have the Geelong annual Festival of Sails, which attracts up to 120 000 people each year. In 2013 we had the Australian Masters Games, which was Australia’s largest multisport participation event and, of course, we have the annual Rip Curl Pro at Bells Beach. We support a range of other events through the Country Victoria Events program. We have had representatives from Geelong on our trade missions, and we are trying to develop Avalon Airport, as you would be aware.

Those vigorous opponents of this particular idea that Geelong should be a separate region and have separate funding — and I am not saying you are in this category, but those very vigorous opponents — are trying to say that the government is not doing anything for the Geelong region, and that is not accurate. We have funded a range of tourism initiatives in the Geelong region and we have allocated funding for a combined Great Ocean

Road and Geelong region board. As I said, I bring my goodwill to the table. I believe Roger Grant has put out a statement recently indicating that he is genuinely of the view that I am trying to resolve a problem. But taxpayers money is not spent ideally when you have little entities all over the place. That is why Tourism Victoria over many years — under the previous Labor government and under the Kennett government — has looked to fund larger regions that have some critical mass to try to get tourism marketing programs that get visitors in.

Mr ANGUS — Minister, I refer you to budget paper 3, page 48, the output initiatives under ‘Tourism and marketing’ and in particular ‘Melbourne marketing’. Can you outline to the committee the importance of this initiative?

Ms ASHER — Notwithstanding the importance of trying to get the spread of visitation into regional Victoria, Melbourne is the gateway of course, pending the development of Avalon. That is where the internationals land and it is where a lot of the interstaters come in, although not exclusively so. The government has allocated \$17 million over the next four years. We want to make sure that our next phase of the Jigsaw campaign is vibrant in Melbourne. We are going to continue to roll out the highly successful Play Melbourne campaign. Some of you would be aware that we ran an innovative digital campaign called the Remote Control Tourist, trying to get international attention being built on Melbourne.

We have a lot on offer. Obviously marketing internationally is hugely expensive, and we have a degree of dependence on Tourism Australia in this. But it is very important that people realise what we have in Melbourne. We have obviously a range of major events. Some of them market themselves: the tennis markets itself, the grand prix markets itself, and the Spring Racing Carnival is now almost marketing itself. We have a range of major events which people come to see us for, but we need to market Melbourne so that we keep up as the no. 1 domestic destination, and we need to keep up that growth in internationals that we have had for some time.

Obviously the marketability of the city rests around not only events but also the compact nature of the city. It is easy to move around and it is easy to get out into the regional areas. We have a great shopping experience and we have a great food and wine experience. I have been very critical over many years of Tourism Australia not profiling enough of what Melbourne has to offer. They have now embarked on a Restaurant Australia campaign, which plays directly to the strength of Melbourne insofar as our food and wine is a very important component of what we offer. This money is going to be used to market Melbourne. We had some success with the Remote Control Tourist, and we are going to continue to do that.

I also wanted to refer to an article in the *Age* — I will be the first Liberal to quote the *Age*, I think, for some time — of 8 March 2014. This is actually a quote from someone commenting on tourism, Tony Griffin, who is an internship director and senior lecturer in tourism management at the University of Technology, Sydney, business school. His comment is as follows:

It’s widely accepted that Tourism Victoria has been the most successful state marketing authority. Its Jigsaw campaign, You’ll love every piece of Victoria, and the promotion of Melbourne have been extremely successful. Melbourne has managed to charm the rest of Australia.

It is very important that we keep funding that. Again the Jigsaw campaign and the importance of that have been mentioned; it is a very important campaign. That funding is to continue to position Melbourne right at the forefront of domestic tourism and to continue that growth in international tourism.

Mr SCOTT — Minister, I will take you to budget paper 3, page 239, and the performance measure ‘Visitor expenditure — regional Victoria (international)’, which is at the top of the page. It shows a decline from the actual in 2012–13, which was \$307 million, to 280, whereas the target for 2013–14 in fact was set at a much higher figure of 370. This is obviously a very concerning trend, considering the increasing importance of international tourism to the Victorian economy. Can you outline to the committee what information the government has on why this has occurred, given — and I will be kind and say — some of the advantages that regional Victoria has in terms of great tourism locations?

Ms ASHER — Yes, and we have made this very easy for the opposition by actually writing on page 239 that the expected outcome is lower than the target ‘due to a decline in international visitor expenditure in regional Victoria’.

Members interjecting.

The CHAIR — Order! Mr Scott, if you want an opportunity for a supplementary question, then interrupting the minister is not the best way to encourage that.

Ms ASHER — The information I have available to me as to why this has occurred is that the old, traditional markets of the UK and Europe were prepared to go to regional Victoria. The new markets that we are cultivating, the Asian markets — and the Chinese market is our no. 1 market — do not wish to go to regional Victoria at the moment. I think it is something like 3.5 per cent of the Chinese visitors, our no. 1 international visitor market, go to regional Victoria.

It is an enormous challenge for us, and this is why there is an extra allocation in the budget to try to deal with this. It is why we ran the Open Up to More campaign in China, which was a series of doors to indicate that the city — it is hard to explain an ad — was here and that it was very quick, like going through a door, to get into regional Victoria. It is why a whole series of regional businesses like the penguin parade and like Sovereign Hill, which has an office in China, have been very vigorous in marketing in China. It is why such effort is being put into trying to convince our new sources of markets that they should go to regional Victoria. It is why there is additional funding in the budget to address this particular concern for me as the minister for tourism. We want to try to get the Chinese to the Great Ocean Road; that is part of the whole Open Up to More campaign. We will spend some time looking at tactics to get our new Asian markets to go to regional Victoria.

Can I just add that one of the government strategies for dealing with this — obviously advertising and marketing is one — is that we have taken a whole range of regional businesses on our trade missions where they have, if you like, a mini ATE, Australian Tourism Exchange, where they can actually sell their product directly to wholesalers in Asian markets. I come along and say, 'It's a great place, and these are all the attractions', and then they have meetings and conduct business and whatever, so the government is trying to do everything possible to support this. That is the second strategy.

Another strategy that the government has devised, which the opposition oppose, is that we need to look at upmarket accommodation in regional Victoria. We have a lot of people visit our national parks; they look at it, and then they go home. Regional Victoria does not get the yield. One of the reasons expenditure is down is that, if you have this whole heap of international visitors going to look at the Great Ocean Road and then coming home or looking at the Mornington Peninsula and then coming home, they are not triggering the overnight stay and may not be triggering the restaurant meal. That gives the yield and the expenditure that is reflected in these figures.

One of the strategies government has embarked on is to allow, under very limited circumstances, development in national parks — in very limited areas of national parks, in very limited circumstances. This is not a panacea, but our view is that if we can offer a quality accommodation experience in an area of natural beauty — regulated and controlled and not in the wilderness areas, and subject to environmental controls — that may be a way of getting high-income Asian guests to stay in regional Victoria. It is multipronged. It is about advertising, it is about marketing, it is about supporting our businesses through our trade missions and their marketing endeavours and it is about supporting a whole range of groups.

Cruise ships, I might add, are an important category as well. We are trying to get cruise ships to go to country Victoria. Indeed, the Premier I know when in opposition made me aware of the fact that he would like cruise ships in Portland. Portland is going to receive three cruise ships between February and March 2015. The Mornington Peninsula is going to see during the 2014 season the first ever large cruise ship, called the *Pacific Pearl*, anchored off Mornington.

The CHAIR — Hear, hear!

Ms ASHER — You will be very pleased to learn that. That will bring over 2000 passengers to experience the peninsula. At this stage, we have advice that three cruise ships in 2014–15 will visit Geelong. They are small luxury international ships, and again they are high-yielding visitors to Geelong, the Bellarine Peninsula and the Great Ocean Road. That is another strategy in what the government is trying to do. A lot of work has been done with Tourism Victoria and with cruise companies, because these are high-yielding visitors. They come along, they drop a lot of money and, if the circle can be pinned completely, they often pick up local product on the way through.

All of these are strategies that the government is embarking on to address this concern about expenditure in regional Victoria. There is a budget allocation, and that is the reason why there is a budget allocation.

The CHAIR — The time available for questions has now concluded. There were no questions on notice in this session. I thank the minister, the secretary and departmental staff for their attendance today. That concludes the hearings.

Witnesses withdrew.