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The Secretary
Economy and Infrastructure Committee
Parliament House, Spring Street
EAST MELBOURNE VIC 3002

Dear Economy and Infrastructure Committee

PARLIAMENTARY INQUIRY INTO THE IMPACT OF THE COVID-19 PANDEMIC ON THE TOURISM AND EVENTS SECTORS

Please find Frankston City Council's submission for the Parliamentary Inquiry addressing the impacts of the COVID-19 pandemic on the tourism and events sectors.

Should you have any questions, please don't hesitate to contact _____, Coordinator Tourism and Campaign Marketing, on _____ or email _____

Yours faithfully

Cr Kris Bolam JP
MAYOR – FRANKSTON CITY

Cc: *Paul Edbrooke MP, Member for Frankston
Sonya Kilkenny MP, Member for Carrum
Neale Burgess MP, Member for Hastings
Members for South Eastern Metropolitan Region
Members for Eastern Victoria Region*

PARLIAMENTARY INQUIRY INTO THE IMPACT OF THE COVID-19 PANDEMIC ON THE TOURISM AND EVENTS SECTORS

Executive Summary / Introduction

Frankston City Council (Council) appreciates the opportunity to contribute to the Legislative Council Economy and Infrastructure Committee's Inquiry into the impact of the COVID-19 pandemic on the tourism and events sector.

Responding to the Terms of Reference agreed to by the Legislative Council on 18 February 2021, this submission focuses on a local perspective of key issues and areas of concern for the sectors and includes, recommendations for support measures to assist in their recovery.

Local context

The coronavirus (COVID-19) pandemic triggered shock to the tourism and event sectors in our region. With the closure of our international border, volatile lockdowns of our domestic borders and an extended lockdown in Victoria, the immediate impact was significant. Businesses experienced a sudden halt in trading, bookings and events, jobs were furloughed or lost and the uncertainty of how long the pandemic and its effects would last became evident.

Ongoing restrictions on travel, business operations and people-to-people interactions throughout 2020 and early 2021, caused severe disruptions to the feasibility and demand for tourism and events placing significant financial and emotional strain on businesses in these sectors, with many local businesses experiencing substantial losses in revenue, financial capital, and market share.

Industry Survey Data

In May/June 2020 council conducted the Annual Business Survey which was heavily slanted to address the downturn in the economy due to social restrictions imposed during the first lockdown.

Out of 437 respondents, 85 were businesses in the Tourism sector (accommodation and food services industry). Some key statistics reported in the survey included:

Change to work hours:

- 60% of businesses in the sector stated they were forced to reduce working hours for staff
- 52.9% had to lay off or stand-down staff
 - 27.1% of businesses surveyed stood down permanent workers
 - 24.7% of businesses laid off casual workers

Business turnover

Prior to COVID-19, 43.5% of businesses in the sector were expecting business turnover to increase in the 2019-2020 financial year (from the previous financial year). After the first lockdown, 89.4% of those same businesses surveyed expected a decrease in revenue from the previous financial year.

55.2% of businesses surveyed had recorded a more than 50% reduction in revenue when compared against the same time in previous years. Of which, 30% recorded being more than 80% down than at the same period the year before.

Adapting to change

Businesses in the sector noted making significant changes to the way they operated including:

- 42.4% changing their service delivery models
- 35.3% expanding their online presence
- 28.2% diversifying to include new products or services
- Whilst 29.4% did not make any changes

54.1% of businesses in the sector who were surveyed requested contact with Council’s Business Concierge service to access Council’s support services. Frankston City Council offered free business mentoring to all Frankston City businesses.

It is too early to determine the long term effects the pandemic will have on the viability of businesses in these sectors, however it is anticipated that losses will continue until such time as consumer confidence in travel is regained. Additionally, containment measures - such as capacity limitations and restrictions on holding public events – will need to be lifted, and travel restrictions on the flow of interstate and international visitors return to pre-COVID levels.

Tourists and Event Attendees

In 2019, Frankston City reported 1,069,000 tourists (Tourism Research Australia, Local Government Area Profile) contributing \$155 million to the local economy. Importantly, 54% of overnight stays within Frankston City were attributable to international visitors.

Historically, events have been a key drawcard for attracting visitors to Frankston City. In 2019, events attracted 196,139 attendees, contributing \$27.136 million to the local economy and generating 125 new employment opportunities. In contrast, in 2020, only five events were staged with attendances reduced to only 21,669, contributing \$2.925 million with just 13 employment opportunities. Although Council invested significantly in re-imagine events to meet COVID restrictions in 2020, the digitised and deconstructed versions met with limited engagement success, attracting just 9,361 attendees.

Council’s direct revenue from venues and outdoor events have also been impacted by COVID restrictions. Event venues like the Frankston Arts centre - a popular visitor destination - was forced to close during lockdown resulting in job and revenue losses of over \$2.5 million.

Consumer Confidence

The demand-side for tourism and events has also suffered significantly due to the pandemic. The ongoing closure of our international border, domestic travel restrictions, containment measures and snap event cancellations, have all contributed to a new environment of instability and uncertainty, negatively impacting consumer confidence and changing travel behaviour.

Consumers have become more cautious about making travel arrangements. Accommodation providers in particular, are seeing a trend towards shorter-lead time bookings. The sentiment from travellers is that they do not want to commit too far in advance from travel dates for fear of COVID restriction changes and the potential inconvenience of having to re-book accommodation, change leave arrangements and suffer the possibility of financial loss.

Accommodation

State industry trend data indicates accommodation bookings in 2020 were averaging 30% below 2019 figures. The loss of the corporate market having the most profound impact on revenue certainty, particularly from the stabilising mid-week market. While ongoing capacity limits on ancillary services and

experiences such as food and beverage services, are restricting further revenue generation opportunities for the industry.

At present, demand for accommodation is being driven by government contract opportunities, long-stay bookings (limited to serviced apartments) and the transient leisure market - confined to weekends with a short-lead time - predominantly from intrastate locations.

Employment and Investment

Discussions with local accommodation providers highlight that the impact of reduced revenues due to low occupancy rates, have further knock-on implications on staff numbers and employment opportunities. One provider has reported a 21% decline in staff numbers and a reduction of hours the equivalent to 6.3 full-time employees.

While sector businesses are keen to invest in the development of experiences, packages and events to attract visitors, they are hesitant to do so due to the unstable environment and the significant financial risk. Those willing to take on the risk are doing so at reduced levels, thereby negatively impacting the potential for creating long-term employment opportunities. Some service providers have stated they would not have survived if it wasn't for Job Keeper, State and Federal grants and rent reductions from landlords.

It is anticipated that financial risks associated with events, ongoing low occupancy rates and reduced visitor numbers will continue in the short to medium term. And with Job Keeper ending and rents slated to return to normal levels, cash flow certainty for businesses in these sectors will continue to be negatively impacted leaving staff and employment opportunities further at risk.

Emerging Trends

Given the uncertain outlook for international travel, domestic tourism is expected to play a key role in leading the initial recovery for the sectors. With restrictions slowly easing in 2021, confidence in the day-trip market is already showing signs of recovery in the region. In addition, some local attractions are reporting that long-lead bookings from nearby catchment areas are starting to increase particularly for functions and special events.

To further stimulate demand, Council has been proactively working with event management companies and community groups to reignite events for the city in 2021 and beyond. Discussions although positive, have further highlighted sector vulnerability. The ongoing uncertainty of potential snap lockdowns present an untenable financial risk for event organisers who have smaller start-up funds due to forced closures in 2020 and early 2021.

Unfortunately, the events sector has not been provided with the same level of grant funding or the same financial support to recoup lost revenue resulting from changes in restrictions compared to other industries during lockdown. The sector's vulnerability is further heightened by insurance providers failing to provide cover for any losses resulting from changes to restriction levels, leaving event organisers responsible for much of the financial risk.

Council is also partially exposed to this risk with support agreements in place with event organisers pledging financial and in-kind support. Some councils are willing to take on more risk in terms of event support than others by pledging funds regardless if events take place or not. The result, a new level of competition between event localities based on Councils' appetite for taking on financial risk.

Recommendations

Council submits the following recommendations to assist in the recovery of the tourism and event sectors and to support their structural transformation in order to build a stronger, resilient and more sustainable industry:

1. Standardise clauses relating to the disbursement of funding and support in grant/funding agreement templates.
Inconsistencies in council event funding agreements across local governments have created a new level of competition between event localities based on Council's appetite for taking on financial risk. By standardising clauses relating to the disbursement of funding and support in grant/funding agreements we will mitigate competition based on risk appetite and reintroduce a level playing field between local government areas
2. Introduce a State Government Event Gap fee grant.
The events sector has not been provided with the same level of grant funding to recoup costs due to changes to restrictions compared to other industries. By introducing a State Government Event Gap grant, government will bring the event sector in line with other industries like hospitality who received this kind of financial support during the latest February snap lockdown.
3. Improve communication and transparency around upcoming guideline changes to the COVIDSafe Public Events Framework and status of proposals.
Poor communication relating to the ongoing status of proposals and timings of Framework guideline changes has created undue pressure and disappointment for sector businesses who have inadequate time to mobilise finances and resources to take advantage of positive changes for pre-programmed events.
4. Introductions of grants for Council's to run events.
Transfer the risk of holding events according to the COVIDSafe Public Events Framework currently carried by event management companies to Local Government which may be more appropriate.
5. Introduction of grants for privately run community and commercial event operators.
Implement a tiered program that incentivises businesses to reactivate significant events – that draw in international and interstate visitation - and local events that stimulate local and intrastate visitation.
6. Introduction of a State Government grant programs to support businesses to innovate and invest in the growth of their business through the creation of value-add experiences or the activation of nearby spaces.
7. Provide better access to and inclusion in Visit Victoria and associated programs and services for businesses not linked to a regional tourism board.
8. State Government to consult with insurance providers in relation to extending cover for event companies and attractions in situations where snap lockdowns occur.
9. Drive market segments such as conferences, sporting, leisure and visiting friends and relatives to fill the void left by the corporate market to support the accommodation sector.

Conclusion

Thank you for the opportunity to provide input into this inquiry and for your consideration of this submission.

As we move more confidently into COVID recovery it is clear that the tourism and event sectors across Victoria and more broadly Australia, will require a bespoke program of support which engages all levels of government and the private sector to restore losses, build confidence and reinstate these vital industries to their critical role within local economies.

We look forward to working with the Victorian Government to continue to develop and deliver programs to help in the recovery and rebuild for a resilient and stronger sector.