

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into budget estimates 2009–10

Melbourne — 15 May 2009

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Mr T. Holding, Minister for Tourism and Major Events; and
Mr G. Hywood, Chief Executive Officer, Tourism Victoria.

The CHAIR — I welcome Mr Holding, Minister for Tourism and Major Events. I call on the minister to give a brief presentation of no more than 5 minutes on the more complex financial and performance information relating to the budget estimates for the tourism and major events portfolio.

Mr HOLDING — I welcome the CEO of Tourism Victoria, Mr Greg Hywood, who has joined me as part of the presentation. I will go now to the slides.

Overheads shown.

Mr HOLDING — This slide makes the self-evident point that tourism is a major part of the Victorian economy and contributes a large amount in terms of the value to the economy and the state's gross state product, but it also employs a lot of people, and obviously in these difficult economic times an industry that is capable of generating new jobs and providing jobs for people across a wide range of skill categories is a very important part of the Victorian economy, and that is exactly what tourism does. Going to the next slide: what is happening at the moment?

Firstly, we can say that Victoria, from a tourism perspective, is doing remarkably well. Our tourism industry is holding up in these very difficult economic times. What we have seen, firstly, is that our share of international visitors is strong. In fact it is stronger than it has ever been. Melbourne is outpacing Sydney as the destination in Australia where Australians spend most of their money.

Ms MUNT — Beauty! Well done.

Mr HOLDING — This is the first time this has happened.

Mr NOONAN — It won't be the last.

Mr HOLDING — For those of us who live in Melbourne, it is no surprise that people would want to come here and spend money and generate economic activity. For those of us who have been to Sydney, it is no surprise as to why Melbourne would be doing so well.

Also we are seeing domestic, overnight and daytrip visitors spending in regional Victoria — that is very important. I also want to say just one thing about the airport. Melbourne Airport at Tullamarine has been doing an extraordinarily good job at attracting more direct international services to Melbourne. This has always been a priority for the government, but seeing it growing its passenger numbers has been very important. The pace of growth there has well and truly outstripped Sydney and Brisbane, and that is also fantastic.

What have we achieved? We launched the regional tourism action plan in this financial year — the one we are in at the moment; we have just launched it. The new elements of the regional marketing program have been released. The tourism modules for the tourism excellence training program have been launched. That has been well received by the industry. We will shortly open the new convention centre. If you have not been down to have a look, you ought to — it is awesome. It is another one where we are now setting the Australian benchmark in terms of a building that is 6-star energy rated and environmentally rated. It will draw visitors from interstate and from overseas. We have secured a large number of events to hold in that convention centre, and I mentioned before that we have increased direct flights.

What are the key priorities going forward? Bushfire recovery is critical. I would be happy to take questions on some of the bushfire activities. We have provided a package, in conjunction with the commonwealth, of \$10 million to support bushfire-affected communities from a tourism perspective. We have ongoing marketing campaigns. Investment attraction continues to be very important to us. It is a new and growing focus for Tourism Victoria. We launched, as part of that, the nature-based tourism strategy in the financial year we are in currently.

I launched the tourism investment guidelines. Major events and business events continue to be important to Victoria. Business events, with the convention centre, but also major events more generally are our key point of difference with our interstate competitors. We continue to do very well in that area. When we look at why our tourism numbers are holding up while other states are struggling, I think you need go not much further than the outstanding calendar of major events that we maintain here in Victoria as an explanation for that.

What is in the budget? There is the bushfire money, which is joint commonwealth and state money. There is money for marketing Melbourne. Whilst it is not embedded in the new money in the budget — it is part of the major events cap — I can say that we have *Jersey Boys* starting its Australian premiere. This is a multi-award winning Broadway classic which we think will be fantastic when it starts in Melbourne. The Winter Masterpieces this year will be the first major Salvador Dali retrospective held in Australia and *A Day in Pompeii*, which will be fantastic. We have got a World Cup qualifier, Japan against the Socceroos, and the Australian Masters golf.

Mr NOONAN — Minister, I might add that the western suburbs of Melbourne are also going through some great periods of growth in tourism, which I know you know about.

Mr HOLDING — Yes.

Mr NOONAN — My question relates to tourism investment in Victoria. I note on page 138 of budget paper 3 that the first line item is about investment projects facilitated. My question is regarding those investment projects and whether the minister can explain what the Victorian government is doing to facilitate investment in Victoria's tourism industry.

Mr HOLDING — That is a key question. Historically Tourism Victoria's focus was on marketing the state. In recent years that focus has changed and evolved to have a much greater emphasis on supply-side product development and on investment attraction. To attract new tourism investment to Victoria, both public sector investment but particularly private sector investment, you need to have a whole-of-government approach. That is exactly what we have been doing here in Victoria. That is the focus of the 10-year tourism and events industry strategy, which my predecessor launched.

It is the focus particularly of the tourism task group, which is a cross-government group chaired by Greg Hywood, which draws in government agencies that have tourism developments and proposals coming across their desks or that have some interface with the planning system or whatever it might be. It makes sure that the importance of securing more tourism investment is understood across government.

We have seen also the launch of the tourism investment guidelines, which I launched a few months ago. These things, specifically along with funding from RIDF — the Regional Infrastructure Development Fund — which Jacinta Allan uses to leverage regional tourism infrastructure projects, have seen many projects supported across the state. We have seen things like upgrades to the Mildura airport so that regional jet services can continue to access that airport, the Goulburn River high country rail trail and the Bendigo Chinese tourism and cultural precinct. They are all projects that Regional Development Victoria has supported through RIDF.

Projects that have already been completed of a tourism infrastructure nature include the Melbourne Convention Centre, with \$370 million worth of investment; the \$45 million redevelopment of the Grand Hyatt Hotel, which I had the pleasure of opening about a month or so ago; the Melbourne Recital Centre, \$74.5 million; the Ibis hotel in Glen Waverley, which I opened with the Kuwaiti sovereign fund investors in that project; the Mantra at Tullamarine, which is a \$30 million development I opened there last week; and the Hepburn Bathhouse and Spa.

These are key projects that are already completed, but the encouraging thing is the pipeline of projects going forward. There are big projects in Melbourne, such as the third Crown hotel — \$300 million. That will be the biggest hotel in Australia when it is finished. I just opened the Hilton Melbourne South Wharf as well, which is another major development in Melbourne as part of the convention centre development. I also had the pleasure of opening a few weeks ago the InterContinental at the Rialto redevelopment.

Dr SYKES — You have been doing a bit of a pub crawl, Minister!

Mr HOLDING — Other projects that are in the pipeline are the Wyndham Cove marina development — that is \$30 million worth of investment — and the Melbourne Yacht Club Hotel and marina.

In regional Victoria there is the Nagambie Lakes resort, which I know will be of great interest to the member for Benalla — a \$150 million development that is part of a larger residential development — and the RACV Torquay Golf Club and hotel development, which is an \$80 million development down at Torquay. There are some fantastic developments right across the state. There are things already finished and new things coming.

Those investments will generate jobs, but they will also create a fantastic environment to attract more visitors to a survey.

Mr DALLA-RIVA — Minister, I refer you to budget paper 3 at pages 138 and 139. It talks about tourism and total output costs, and then footnote (f) says:

Variance between the 2008–09 to 2009–10 target reflects the transfer of funding for major events funding to the Department of Planning and Community Development ...

There are a couple of questions in relation to the reasons for the transfer, but I am trying to get some clarity as to where major events fit in, because if you go to page 124 in the same budget paper you will note under ‘Ministerial portfolios’ for DIIRD that it references that major events are the department’s responsibility and the ministerial portfolio fits within there. Then if you go to page 304, it talks about funding under DIIRD’s tourism output. I am just trying to get clarification of where the total funding for major events occurs. Is it split between two departments, because it appears that it has ended up in sport and recreation within the Department of Planning and Community Development as well as within DIIRD. I just wonder if you can answer: what is the total funding per year for major events specifically for 2009–10?

Mr HOLDING — To the extent that the question asks if I am the only minister for major events in Victoria, let me assure Mr Dalla-Riva that I am. The transfer of money that he refers to in relation to the Department of Planning and Community Development pertains to track works at Albert Park Lake as part of the grand prix and some other ancillary works that are occurring there as part of the redevelopment and enhancement of the facilities. That is why there is a transfer to reflect the agency that actually has the responsibility for the delivery of those works.

You mentioned a number of other budget references, but you seem to be asking who has responsibility for major events. It is me, as the major events minister. Obviously other ministers from time to time have responsibility for specific events, because they might be the minister for sport and recreation, the Minister for the Arts or ministers with other departmental responsibilities — for example, the Minister for Innovation takes particular responsibility for the AFI awards and the Minister for Industry and Trade is responsible for the international airshow and the fashion festival specifically. Whilst I have an engagement with a lot of those major events and all of those events are funded from the major events cap, individual ministers may have actual responsibility for the delivery of the event with the event organisers.

Mr DALLA-RIVA — On notice perhaps, what is the total funding per year for major events, because it is broken up a bit and I would just be interested in the forward estimates to work out specifically what it is?

Mr HOLDING — I am actually happy to answer the question. The major events cap in Victoria is just over \$80 million per annum, and the Premier and I referred to that figure at the time that we announced the securing of Tiger Woods for the Australian Masters. We spend just over — a little over — \$80 million per year out of the major events cap. Having said that, a number of agencies provide funding for events that you would not necessarily describe as major events, but it is event funding. Tourism Victoria has a regional events funding program, which is done on a grant basis on the back of applications. Regional Development Victoria also from time to time provides event funding for different events, frankly as do other government agencies.

The CHAIR — Multicultural events.

Mr HOLDING — Multicultural events, Arts Victoria et cetera. So there is other funding for events across other areas of government, but the major events cap within the understanding of the question that you are asking, Richard, is predominantly within that cap.

The CHAIR — You can provide any more information. I also point out to the committee footnote (ah) on page 177 in the other department’s outputs section.

Ms HUPPERT — Minister, I want to return to the subject of bushfire recovery, which is clearly a key theme through the budget for this year. You mentioned in your presentation earlier some of the devastation of snowfields and other tourist attractions within Victoria. I have to admit to an interest in this, as I am a frequent visitor to the snowfields at Lake Mountain. Could you please outline what steps are being taken to assist in increasing immediate visitation to assist the bushfire-affected regions in their recovery?

Mr HOLDING — Thanks very much for the question. The Premier and I announced on 17 March, with the federal government, the \$10 million package that I referred to in the earlier presentation. Six million dollars of that funding will go towards cooperative marketing and brand rebuilding; \$1 million will go to the bringing forward of postponed events and the marketing of existing events, so \$1 million to support events; and \$3 million will go towards the enhancement and redevelopment of tourism and visitor facility infrastructure in national, state and regional parks adjoining bushfire-affected areas. That was, if you like, a key step — \$10 million to support bushfire-affected areas themselves and to provide the best possible framework so that visitors could return and understand that the state is open for business.

The second element of bushfire assistance was the \$51 million package to business that was a shared commonwealth-state response. That will go towards providing support for businesses that were directly burnt or damaged in the fires. There are, as you have mentioned in your question, some businesses that fall into that category that are tourism businesses. They will be able to access that funding support — those grants and the financial counsellors and the business support network — to assist in the recovery.

I am pleased to say that, in partnership with VECCI — or really by VECCI, but with a seed grant from the Victorian government — a private-sector trust fund was established to provide businesses that had cash flow problems as a consequence of the bushfires with direct support. This is a very problematic area. It is obviously very difficult for government to compensate businesses for a loss of cash flow, particularly when the bushfires coincided, as they did, with the general economic downturn that was experienced around the world.

It is difficult sometimes to unpick what is the consequence of the general economic environment and what is the consequence of bushfire, so that fund is very important in enabling the private sector, through VECCI, to make judgements about those issues and not the government being put in the invidious position of trying to determine some of those issues.

The other point that I would make is that the response from Victorians and people from interstate to returning to bushfire-affected areas has been overwhelming. I have been either in the north-east of Victoria, the Gippsland area or the Yarra Valley over the Labor Day long weekend; since then the Easter period; and then more recently with the Grape Grazing Festival and even on Mothers Day, and the visitation in those areas has been absolutely staggering. Some businesses have been reporting record turnover. That is very encouraging.

I did an event in Sydney two nights ago. Whilst we have the horseplay or the backwards and forwards with Sydney, we do appreciate the support that Sydneysiders and people from around Australia have provided to our bushfire recovery efforts. That was for a food and wine promotion, which over the next month will see Victorian produce from the Yarra Valley and from north-east Victoria showcased in some of Sydney's best eateries. I think that is a great way of getting across that message that, even if you cannot come to Victoria and visit the bushfire-affected areas, you can eat Victorian produce in outstanding restaurants in Sydney. That is another great way of showing your support for these affected communities.

Mr RICH-PHILLIPS — Minister, I would like to ask you about the expected decline in international visitation this year as reported in the budget papers. What strategies or plans is the government putting in place at an international level to mitigate the affect of the global financial situation on international visitation?

Mr HOLDING — You are right. The budget papers do anticipate a decline. This is a very challenging environment for us. Despite the fact that Victoria last year enjoyed a 29 per cent share of international visitors to Australia, which is the highest share we have ever achieved, we would be foolish if we did not acknowledge that the outlook over the next 12 months will be particularly challenging. International visitor numbers are likely to be particularly hard hit, and the budget performance measures reflect that.

The question is then: what do you do about it and how do you respond? Firstly, we are going to reaffirm our commitment to securing more direct services to Melbourne. This is very important. It provides greater choice for people who would like to come to Melbourne if they can fly from a greater variety of locations. Our ability to sell Melbourne as a destination that is easy to get to is very important.

We are also looking again at the way in which we market and promote Victoria offshore. China is going to be particularly important to us. We have entered into a partnership with China UnionPay, a very large provider of debit and credit cards in China, therefore they have a vast customer base of consumers with high or medium discretionary incomes who are a good target market for us for securing more visitors to Victoria. China is one of

our fastest growing international visitor markets, and being able to access new arrangements to promote Victoria in those markets is very important.

We are also looking at the way we promote Victoria in new or emerging locations, such as India. We have in recent years appointed a new manager of our promotional activities in India — a Mumbai-based company — so that we can more forcefully promote Victoria in a destination which is very important to us, another destination with a rapidly emerging middle class with access to disposable income and discretionary time for the first time to travel extensively, and Victoria is a location that is well placed to capitalise on those markets.

In other markets we need to look again at where we might have had a focus in the past as to whether or not that is desirable. A particular market that has been challenging for us from an international visitor perspective is Japan. Our numbers have declined in Japan over a number of years now, over more than a decade, and we would be foolish if we continued to resource Japan at the same way that we have historically without freeing up resources or not accessing the opportunity to free up some of those resources to promote ourselves in India and China in newly emerging markets.

They are not easy decisions to make, but you need to go where the greatest growth potential and opportunities are, and that is how we are rejigging our offshore promotion activities so that we are focusing our efforts in the markets that are likely to grow the fastest.

Mr RICH-PHILLIPS — Are there any additional resources into those international activities, in those international offices?

Mr HOLDING — We are providing some additional resources — reprioritisation from within Tourism Victoria, partly to reflect the exchange rate changes — so that we are able to continue our existing effort with the adverse changes in the exchange rate.

At the same time I would point to the \$5 million in Melbourne marketing funds that I pointed to in the presentation. We have done an outstanding job of marketing regional destinations in recent years and relaunching or committing to brand campaigns right across the state. It is fair to say that we have probably been a bit underdone in the Melbourne marketing and marketing Melbourne is very important for drawing in visitors for the rest of the state as well. The \$5 million that we have committed there, whilst not specifically designed exclusively to go to international marketing, will have a benefit more generally just because of the quantum of the resources.

The CHAIR — Thank you very much, Minister. That concludes the consideration of budget estimates for the portfolios of finance, WorkCover and Transport Accident Commission, water, tourism and major events. I thank the minister and departmental officers for their attendance today. Where questions were taken on notice the committee will follow up with you in writing at a later date. The committee requests that written responses be provided wherever possible within 30 days. Thank you, Minister. We will reconvene at 2 o'clock.

Dr SYKES — Chair, I have a very brief and specific question on notice for the Minister. I am sure he will be able to answer it.

The CHAIR — All right.

Witnesses withdrew.