

CORRECTED VERSION

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into budget estimates 2011–12

Melbourne — 16 May 2011

Members

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Mr D. O'Brien

Mr M. Pakula

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Witnesses

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

Mr H. Ronaldson, Secretary,

Mr M. Stone, Chief Executive Officer and Deputy Secretary, Tourism and Aviation, and

Mr J. Dalton, Director, Strategy and Policy, Department of Business and Innovation.

The CHAIR — I now welcome Mark Stone, chief executive officer and deputy secretary, tourism and aviation, Department of Business and Innovation; and John Dalton, director, strategy and policy, Department of Business and Innovation.

I call on the minister to give a brief presentation of no more than 5 minutes in relation to the budget estimates for the tourism and major events portfolio.

Ms ASHER — As I was reflecting on what I would say in my presentation for tourism — obviously I was Minister for Tourism from 1996 to 1999 and Labor had had Minister Pandazopoulos and Minister Holding in that portfolio — what struck me was the enormous similarity of what underpinned the tourism industry between the previous Liberal-Nationals government and the previous Labor government. I think if you ask people in the tourism industry, and certainly the tourism lobby groups, they believe that Victoria's success — and there is no doubt that Victoria is regarded as a tourism success — has been underpinned by two things: the Jigsaw campaign and the major events strategy, both of which have been adopted by governments of either persuasion.

There has been a lot of argy-bargy about this — do you embrace it enough and all of that. But nevertheless, if you ask industry people, they will say that Victoria's tourism success — and we are regarded as relatively more successful than the other states in terms of our delivery of a tourism product and tourism numbers and tourism marketing — will be predicated on the major events strategy and the Jigsaw campaign.

Tourism is worth \$15.8 billion to the state's economy, and it is the no. 2 export in Victoria. It is 5.9 per cent of gross state product and is a very important industry. It employs around 185 000 people, or 7.1 per cent of those employed in Victoria.

Most of tourism's businesses are small. Whilst people think of large aviation companies or large hotels or whatever, most of the businesses in the tourism industry, which is providing that amount of an economic driver for Victoria, are very, very small — which presents its own challenges.

At the moment we have a 30 per cent market share of all international visitors to Australia. Obviously that is a very significant spend for us. In terms of regional Victoria, the international visitor expenditure in the year ended December 2010 — so it covers the previous government — was \$288 million. I think there are some significant challenges for us, and there have been for quite a while, in getting visitation out of Melbourne and into the regions to disperse that much-needed economic benefit.

Melbourne also outperformed Sydney as the most lucrative destination. Domestic overnight visitors spent \$46 million more in Melbourne than in Sydney. That is the figure — I am conscious of it — applying to the year ended December 2010. I am more than happy to put these figures on the table because I think Victoria's success has been a consequence of consistent government policy across governments of different persuasions.

Melbourne Airport is such a big plus for us. It is curfew free, which means that we are a far more attractive destination than for an airline wanting to fly into Sydney, because they can fly at all hours of the night. Melbourne has maintained its passenger growth, recording a 12 per cent growth in international passenger numbers for the year ending March 2011.

I am conscious of the time and am happy to take questions and not take up a lot of the time of the committee with my presentation. In the budget there are a number of initiatives for tourism specifically and a number of initiatives which specifically respond to the floods, which impacted on so many tourism businesses. I am sure people will ask me about that, should they choose to do so. There are other initiatives that will impact on tourism in other portfolios such as Avalon Airport and the Mildura riverfront, but they are incidental to my responsibilities. I am more than happy to take questions after those initial comments.

The CHAIR — Thank you, Minister, for your presentation and for curtailing your comments. I wonder if it is possible to have a copy of your presentation at a later date?

Ms ASHER — Certainly.

The CHAIR — Thank you, Minister, in relation to this portfolio, how have predictions concerning population growth shaped the budget for 2011-12 and out years, specifically for the discharge of your responsibilities in tourism and major events?

Ms ASHER — Thank you, Chair. This will be a very interesting report you will do in the end. The population figures are itemised, as I said earlier, in budget paper 2 on page 9. Everybody is familiar with them. Population growth does have a significant impact on the tourism portfolio. If growth slows, as per these budget papers, there is likely to be an impact on domestic tourism. It may be that in the first couple of years it will be a larger impact, but there is no doubt that there will be an impact on domestic tourism.

We also think there will be some significant issues for the supply of tourism and hospitality labour. I touched on skills shortages in my response to you for my earlier portfolios. The tourism industry is one that needs a constant supply of labour. In regional areas there are some shortages too. Obviously these figures will impact on that. Migration plays a role in our tourism sector in the sense that one of the categories of tourism, VFR, visiting friends and relatives, is an important driver of our tourism. If there were to be a slowing of overseas migration, there would be a follow-on effect for that category, visiting friends and relatives, which is an important category for us. They would be the main areas that have framed the budget estimates.

Mr PAKULA — Thanks, Chair. I am going to seek your indulgence, Chair, because I am mindful that I am only going to get one question, given the time, so it will be a bit of a double banger.

Ms ASHER — A double banger?

Mr PAKULA — The minister could potentially take parts, if that is most appropriate. It is just about the formula one grand prix, which obviously is a key part of the major events strategy to which you referred in your presentation. I am interested in a couple of elements about the grand prix: first of all, whether you have ascertained whether there are any exit clauses in the contract and, if so, what you have discovered; whether you are looking at any alternative locations to Albert Park; and whether you have had any discussions about them; and particularly what the cost to budget would be if you were to move the event. Lastly, Mr Walker talked about a full audit of the grand prix being released within weeks of the grand prix. It has been about 50 days now, so I am just wondering where that might be.

The CHAIR — I think the minister understands the general question about the direction of the future of the grand prix.

Ms ASHER — Yes, I hope the 4 minutes do not apply to this one. To be fair, I think Joan Kirner was the person who set up a major events committee initially, although I do not think she would claim that it was a fully fledged policy. The major events policy was embraced by the previous coalition and embraced by the Labor government. Major events bring an estimated \$1.4 billion to this state. That is from an Ernst and Young study conducted under the previous government. There is no doubt that major events have been a huge driver for Victoria's success in tourism. Both governments, Labor and Liberal, have branded Melbourne as a destination to do things, including attend events. We have a range of sporting events and increasingly a range of cultural events, and all these things are good for the business of tourism.

I just want to provide that background to the answer, in that there is a complete commitment from this side of politics to the major events strategy. I think it would be fair to say probably former Premier Jeff Kennett would claim credit for the fully fledged strategy, and he should have that credit.

In answer to your question — are there exit clauses — the grand prix is contracted until 2015. I have said previously it is a contract that the Labor Party signed, and I do not think that is a contract that a coalition government would have signed, but I cannot unravel history. This is a contract that has been signed by the previous Labor government. Bernie Ecclestone saw an opportunity to access more money from the Victorian taxpayer and took it, and I understand that. I am operating under a contract — a very generous contract — that was signed by the previous Labor government, and it is a contract we obviously intend to honour.

The second part of your question related to: have I looked at alternative locations. The answer is I have not, because it is an event to be run at Albert Park.

The CHAIR — Can I just interrupt and clarify: you mean that the contract does not allow an alternate location?

Ms ASHER — The contract is to be — this says that it has got to be at Albert Park, but even so, I have not looked at alternative locations, because the purpose of the event is to showcase Melbourne. The idea is that the

event is run at Albert Park because it is close to Melbourne, so all the people who come to visit — the internationals and the interstates — can stay in city hotels and get ready access to Albert Park and, by way of example, when there is filming being done, or whatever, you have that whole showcasing of Melbourne and the city close by and so on and so forth. So I have not looked at other locations. Oddly enough, other locations have been flagged by the Labor Party. In fact John Brumby, when he was Leader of the Opposition, initially flagged the possibility of a grand prix at the Docklands.

Mr PAKULA — That is a long time ago.

Mr ANGUS — You asked the question.

Ms ASHER — You have asked me a question about alternative locations. I am just indicating to you that it is your party that has looked at alternatives. The Docklands option did not prove to be feasible, and to be fair to John Brumby, he backed off and ran the grand prix at Albert Park for all the sorts of reasons that I am talking about. The other person who has canvassed an alternative location was the member for Albert Park. In the run-up to the election he clearly decided that he would have a different policy to the rest of his party about where the grand prix should be held, and he canvassed a purpose-built — —

Mr PAKULA — So did the Lord Mayor, I think.

Ms ASHER — He canvassed a purpose-built location, and again my preliminary estimates on that — not that it has been costed in a thorough and diligent manner — are that a purpose-built location would cost something like \$300 million, which is capital we do not have. That is another of the reasons why the grand prix will be run at Albert Park.

In terms of the member's legitimate request over the outcome of the grand prix, I have done two things. I have said that instead of the grand prix results being tabled in the Parliament in the annual reports — and hundreds of annual reports are tabled on that day — I have said I will release the figures as soon as I practically can. The packing up of the grand prix track at Albert Park finished a matter of a couple of weeks ago. I am going to release the figures early; I said I would and I will, but obviously I do not want to release a figure and then have a different figure come out in the annual report, if you know what I mean, so I want to make sure that the figure is right and that the figure represents an absolute final cost. I will honour my commitment that I will release these figures substantially earlier than the previous government ever did.

I also have announced that we will have an economic impact study on the event, because the opponents of the grand prix always quote a lesser figure of the economic value and the government quotes one and whatever, so I will do a new one and I will release that, and it is my aim to release that as soon as possible. So the answer to your question is that we are contracted for this event to 2015; I have not looked at alternative locations, I think that it is going to be too expensive and it will lose the impact of Melbourne; and I will release the figures as early as I can possibly do so. In other words, I need to be absolutely sure that they are final figures. Otherwise you and others, Mr Pakula, will tell me I have released two sets of figures, and I do not want that to happen.

Can I just say in terms of the debate on the grand prix I think it is a great event for Melbourne. It has been very successful. We have had significant numbers of overseas visitors, significant numbers of interstate visitors and Melburnians who like motor racing have a great time, and that is good. That is not the primary purpose of having it; the primary purpose is as a tourism event, and we have significant branding opportunities as a result of having the grand prix. So, whilst I am always in favour of public debate, — it is a very good thing, free speech is important and the event has served Melbourne well — the reality I find myself in now is that I have inherited a contract that was signed by the previous government, it is a very expensive event and we have asked the grand prix to endeavour to make as many cost savings as possible as a consequence.

Mr MORRIS — Minister, can I turn to the subject of air services and in particular budget paper 3, page 164. Amongst the peak performance indicators there under the heading of 'tourism' is the 'Number of visitors (international)'. Can you outline for the committee the government's progress on attracting additional international air services to Melbourne?

Ms ASHER — International air services are critical to our tourism success. The international tourists are the high-value tourists, obviously domestic tourists to a lesser extent. Again, governments of all political persuasions are always chasing more direct services into Melbourne, because the more direct services we get,

the more tourists we will get and the more the tourism proportion of gross state product will be augmented, which is the aim of any tourism minister.

We have a strong relationship obviously with Melbourne Airport, and a lot of the work we do is in conjunction with Melbourne Airport. As I indicated earlier, Melbourne Airport is doing particularly well. Their international passengers increased by 2.8 per cent in March 2011, and they are seeing constant increases in patronage.

Overall in 2010 Melbourne Airport had a record year, with 27.7 million passengers, which was an increase of 9.8 per cent from 2009. We currently have 27 international airlines servicing overseas destinations, and this accounts for 336 weekly international services flying in and out of Melbourne Airport.

In terms of what we have achieved as a government so far, I am happy to say there has been a range of new announcements since we have formed government. China Eastern Airlines will increase their daily flights between Melbourne and Shanghai from June this year. Royal Brunei Airlines, you may have noticed in the press, commenced four weekly services from Melbourne and Brunei from March 2011. Vietnam Airlines has increased its Ho Chi Minh–Melbourne services to six weekly, which is up from five, from March this year, and we think they will increase to daily flights by mid June 2011; they have certainly announced that that will be the case. We have got a new international Australian carrier called Strategic Airlines, and it has commenced a twice-weekly direct service to Phuket from February. Jetstar has commenced three new international services from mid December 2010 — daily services from Melbourne to Singapore, daily services Melbourne–Auckland and twice-weekly services from Melbourne and Queenstown. Qantas, our carrier, has increased its A380 services in April 2011, with Melbourne–London moving to daily services and Melbourne–Los Angeles to six services a week. I cannot emphasise to you how important these services coming in are. We will be working very hard to build on those announcements we have already been able to make so far in our term of government.

Ms HENNESSY — Minister, I want to take you up on your previous answer to Mr Pakula's question in respect of the grand prix contract.

Ms ASHER — Yes.

Ms HENNESSY — You say you would not have signed the contract on those terms — that you would have let it go. I am wondering if you have some magical powers over Bernie Ecclestone.

Mr O'BRIEN — No, she did not say that.

Mr ANGUS — She did not say that.

Mr O'BRIEN — She would have got a better deal, as we did the first time.

Ms HENNESSY — If those are the terms of any future contract that is put, are you saying that you would give up the grand prix?

Ms ASHER — I advise Ms Hennessy: please do not put words into my mouth.

Mr ANGUS — Absolutely.

Ms ASHER — I said we would not have signed that contract, because what we would have done is negotiate another one.

Mr ANGUS — Absolutely.

Ms ASHER — Again, these discussions are all cabinet in confidence. I do not expect your ministers to reveal details of that, nor will I reveal details of what happened in the previous government, but I am on public record as saying that I think Bernie Ecclestone saw some bunnies coming at him.

Mr O'BRIEN — Wood ducks.

Mr PAKULA — So you would have done something — —

Members interjecting.

The CHAIR — Mr Pakula, let it go! Let the minister answer.

Mr PAKULA — Touchy! You would have let it go?

Ms ASHER — He knew who he was dealing with.

Mr ANGUS — That is right.

Mr O'BRIEN — Deer in the headlights.

Mr ANGUS — No commerciality.

Ms ASHER — And he has presented the previous government with a contract — —

Members interjecting.

The CHAIR — Order! Minister, when you are ready, proceed.

Ms ASHER — The previous government signed this contract. I am not saying that we would have let the event go; I am simply saying that a coalition government always plays hard ball on contracts — always plays hard ball. That is the style of the coalition government. We extract maximum value for the taxpayer. Again I am not going to answer some sort of hypothetical, but I can tell this committee that when we come to negotiating a new contract we will be negotiating from the perspective of getting maximum value for taxpayers.

Mr PAKULA — Like others did not?

Mr O'BRIEN — Like myki under your portfolio?

Mr PAKULA — Seriously? Are you really suggesting we did not?

Ms ASHER — As I said, I have the responsibility of dealing with a contract that the Labor Party signed in government. Of course the contract will be honoured.

Mr PAKULA — Apparently Ron Walker had no role.

Ms ASHER — As I said, when we come to negotiation we will play hard ball, because that is the way coalition governments operate.

Mr SCOTT — And Ron Walker is a bunny.

Ms ASHER — We have a sense of responsibility —

Mr PAKULA — With teachers' wages, maybe.

Ms ASHER — We have a sense of responsibility in our handling of taxpayers' money, and we would never simply sign up to something put in front of us.

Mr PAKULA — Who is suggesting anybody did that? Are you really suggesting that is what happened?

Ms ASHER — We simply will negotiate to achieve the best outcome for the taxpayers of Victoria.

Mr PAKULA — What a slur.

The CHAIR — Do you want to follow up, Ms Hennessy?

Ms HENNESSY — I do want to clarify that. I am interested as to whether or not the minister has expressed these views to Ron Walker.

The CHAIR — I do not know that that is a particularly relevant question.

Ms ASHER — I do not know whether my conversations with Mr Walker are part of the budget estimates.

Members interjecting.

Ms ASHER — The government took the responsibility.

Mr O'BRIEN — I take you to budget paper 3, page 102, 'Output initiatives', and I note that under Marketing Victoria you have 'Regional tourism' and 'Improve skills and service standards'. I ask you, Minister, can you please outline to the committee what these initiatives involve and what is the coalition government doing to facilitate new tourism investment in regional Victoria?

Ms ASHER — Regional tourism is an important priority for this government, as you would be aware, given that I have seen you on my travels and you have supported me on my travels.

Mr O'BRIEN — Thank you, Minister.

Ms ASHER — Melbourne has had significant success in tourism, and what we need to do is disperse that benefit to country Victoria, so there are a number of initiatives in the budget that I hope will assist in that regard. The first item you mentioned in your question was 'Improve skills and service standards', and there is \$1 million attached to that. These activities will support something that is called the tourism excellence program. I mentioned in my introductory remarks that so many of tourism's businesses are very small and the regional businesses are very small, so part of that funding will be to encourage regional tourism operators to embrace the internet — obviously a key way that many people are booking.

This will also implement a document the department has produced called the *Victorian Tourism Workforce Development Plan — 2010–2016*. The idea is to skill up a number of the operators and actually have them being completely and utterly on the ball. That is not to mean that they are not on the ball, because many of them are, but the idea is to provide a little bit of support for small regional businesses to skill up to allow them to participate in the tourism industry, hopefully to a greater extent.

There is another million dollars for regional tourism, and that is the continuation of the Tourism Victoria Events program. Again, we have very large city events, as you would be aware, but we also need to ensure that there are sufficient smaller events, or indeed larger events, in country Victoria. That funding will enable the continuation of that particular program. Indeed I have mentioned a number of those events in the Legislative Assembly of recent times — funding that has come through. I think it is very good value for taxpayers, because small amounts of funding are given to events, and obviously there is a huge capacity then for regional areas to have people come and stay. Once the overnight stay is triggered, obviously then there is a greater economic benefit.

We also have, in terms of regional tourism, funding of a further \$1.5 million in 2011–12 for the Tourism Flood Recovery program. That was in addition to the million dollars that the Premier announced as an immediate response to the floods. That, of course, is all about marketing, to let Victorians know that regional Victoria is open for business. I have not received the final figures, but I am told that Easter was a fabulous time for regional tourism operators. The initial bout of marketing money obviously was targeted to get visitation into the regions for Easter. There will now be this follow-up and ongoing backup to make sure that Victorians do not think that large slabs of Victoria are still under water or water affected but know that these businesses are ready and willing to take tourists.

Chair, as you obviously know, coming from regional Victoria, this is a critical industry for the regions — a critical industry. I am really pleased that there is some money in the budget. I have also made comments, in terms of the final part of your question, that we in Tourism Victoria, and indeed the department, do wish to facilitate private sector developments in regional Victoria. Tourism infrastructure is very important. There are some fabulous examples of accommodation in the regions, but we need more. There will be a facilitation role — not a funding role — from Tourism Victoria and DBI over the course of the term of government.

The CHAIR — Thank you, Minister. I am sure everyone will be disappointed, you in particular, that we have come to a conclusion of this segment. It is something that most ministers reluctantly accept. We conclude

the portfolios of innovation, services and small business, and tourism and major events. I thank the minister and departmental staff for their attendance. Where questions were taken on notice and where there are unasked questions, the committee will follow up with you in writing at a later date. The committee requests that written responses to those matters be provided within 21 days.

Witnesses withdrew.