

VERIFIED VERSION

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into budget estimates 2013–14

Melbourne — 15 May 2013

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Witnesses

Ms L. Asher, Minister for Tourism and Major Events,
Mr H. Ronaldson, Secretary,
Mr L. Harry, Chief Executive Officer, Tourism Victoria,
Mr J. Dalton, Director, Strategy and Policy, Tourism Victoria, and
Mr J. Strilakos, Director of Finance, Department of State Development, Business and Innovation.

The CHAIR — We will resume the hearings, turning on the tourism and major events portfolio. I now welcome Mr Leigh Harry, Chief Executive Officer, and Mr John Dalton, Director, Strategy and Policy, at Tourism Victoria. 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 tourism and major events portfolio.

Ms ASHER — Thank you, Chair. I just want to give a brief overview of this portfolio. Tourism is a significant driver of economic growth, as I think everyone around this table would realise. It contributes \$15.9 billion annually to Victoria's gross state product and provides jobs for 204 000 people, which is 7.1 per cent of employment in Victoria. Major events have been vibrant branding for Victoria for a very long time. They are worth \$1.4 billion. We have significant challenges, as you always do in government, but obviously there are some global economic challenges, there are international air capacity challenges and we have a strong Australian dollar, all of which we are trying to deal with as best we can.

The end result of all of this is that we are performing very well on domestic tourism. Melbourne is still the preferred destination for overnight domestic stays, more popular than Sydney and the Gold Coast, and I think that is something of which Melbourne has been proud for a very long time. In terms of the internationals, our international overnight expenditure has increased, and that is positive, but obviously there are other markets that receive more international visitors, and we are constantly trying to increase that.

What the budget seeks to do is to deliver on the government's commitment to regional tourism, to promote Victoria internationally and to look at what we can do to try to get more air services directly into Melbourne, which is an ongoing issue which is handled by every minister for tourism, because we need more direct air services. We need to build on our China strategy — they are our biggest market at the moment, and we need to keep it that way — and we need to build on Victoria's leadership as a major events destination. I think that broadly covers the introductory comments, and I am again more than willing to take questions.

Mr ANGUS — Minister, in the context of the 2013–14 budget, can you outline to the committee examples of capital infrastructure projects in your portfolio which will be either commenced or completed in the next financial year?

Ms ASHER — Thank you, Mr Angus. The first one is the exhibition centre, where an amount of \$2 million has been allocated. But again, if one looks at the capital budget, one can see that there are some moneys left over from the previous year which are for site acquisition. Indeed the secretary has put into place a number of procedural things, one of which involves the Attorney-General, to ensure that the site acquisition that we need to allow this project to continue is able to continue. We expect possession of the site by September 2013, and further work will be done on this particular project. There is also a reference in BP 4, page 39, to Puffing Billy. That relates to last year's budget, and that safety upgrade is continuing.

The point that I would make in response to your question is that investment in tourism is largely private. What my department has is a section of the department that facilitates investment, and so to directly answer your question, we are expecting the Quest Wodonga project to be completed by July this year; the RACV Torquay resort and golf club by mid-2013; Oaks on Flagstaff Melbourne, August 2013; Tune Melbourne, December 2013; and Sheraton Melbourne, November 2013. Again I emphasise this is private — absolutely, utterly private — but my department will do what it can to facilitate investments in Melbourne.

Can I also — and this is why I am so pleased you have asked me this question — just draw the committee's attention to the enormous support from the commonwealth Labor government, certainly in terms of the previous minister, Martin Ferguson, for private tourism investment. The Australian government, along with Tourism Australia — with the support of the states — issued the Australian tourism investment opportunities in May 2012. This document actually looked at investment opportunities — for example, in WA, a niche ecotourism development opportunity in the Francois Peron National Park. The document also highlighted a Wharncliffe Mill small ecotourism development located in the Bramley National Park, which is very close to Margaret River; and again in WA, the Cape Le Grand National Park, an ecotourism development, was floated in that. So you get my drift: the commonwealth government is incredibly supportive of all tourism investment opportunities but has been particularly supportive of investment opportunities in national parks.

Again, I refer to, if I may, the tourism ministers meeting that was held in November 2012. The commonwealth drove a red tape reduction program for tourism investment across the states. According to that document, one of

the three things tourism ministers have been working together on — it is factually correct — is to create a regulatory environment more supportive of tourism developments in high natural amenity areas. Of course, you would be aware — all members of this committee would be aware — that Victoria was the last state to say that we would allow tourism developments in national parks. Indeed, we were seen as the laggards. The commonwealth Labor minister regarded Victoria as the laggards in this.

We then had in this overview an acknowledgement, under point 3, ‘Supply of tourism in high natural amenity areas including national parks’, and I quote:

The Victorian government has committed to appropriate private sector tourism investment in national parks, as well as longer maximum lease terms.

I think that is a very, very important question. I pay credit to the commonwealth Labor government and the former commonwealth minister that he has pushed all tourism ministers in all states to ensure that there is appropriate tourism development in national parks and longer lease terms. I think that is absolutely fundamental to the opportunities for tourism investment in Victoria in the future.

Mr PAKULA — Minister, I want to ask you about the formula 1 grand prix.

Ms ASHER — No!

Mr PAKULA — I know you are shocked. The next one, I think, will be the fourth of the five in the current contract, which means we are getting close to having to make a call about post-2015.

Ms ASHER — Yes.

Mr PAKULA — For those Victorians who are strong supporters of the grand prix, are you able to give any comfort about the contract being renewed? In your answer, I would appreciate it if you could give us some indication of how certain you are that it will remain a day rather than a night race.

Ms ASHER — There is no change to my response to this committee two years ago, and that is: the contract has been signed to 2015, and the 2015 race will run, obviously. Whilst clearly there are ongoing discussions, at the government’s request, by Mr Walker with Mr Ecclestone, and there has been a potential float before which did not happen, which is a complicating matter, the government is not yet at the table, but there are still two races to go. I take your point that you would like it resolved now, but the fact of the matter is that there are still two races to go.

In terms of your request over a night race, we have already indicated that we are not looking for a night race. A night race would involve a significant additional capital expenditure to put lights in, and the government is not in a position to do that, and that obviously has been conveyed. Also, importantly, the government is very happy with the scheduling, because again in terms of the international engagement matters that we were discussing this is scheduled well for South-East Asian markets, the Indian market and the China market. It is not scheduled so well for a European market, but our biggest tourism patronage is now out of China; India is a very fast growing, much smaller in numbers, market; and again the South-East Asian market is growing. So it actually suits us to run a grand prix at a time that is timed well for the international markets that we are seeking to penetrate even further. So no night race.

I do note that the previous member for Lyndhurst urged us to sign this contract and he wrote in an article in the *Herald Sun* that a lot of effort had been gone to to have the contract signed. I accept that point of view. However, the member for Albert Park is actively collecting petitions to ask us to move the grand prix to a purpose-built location. That would cost \$300 million. So there is division within the Labor Party about an approach to this particular event.

Mr ONDARCHIE — There is in Canberra as well.

Ms ASHER — I know. I commend the member for Albert Park. At least he put on his petition that it is authorised by the member for Albert Park. He has a divergent view; so be it. The answer to your question is that we still have — —

Members interjecting.

The CHAIR — Order!

Ms ASHER — Do you want the answer?

Mr PAKULA — Yes.

Ms ASHER — I am trying to give you a full answer. If you want to talk over me, I can just cease giving you an answer.

Mr PAKULA — No, no. Carry on.

Ms ASHER — The direct answer to your question is that there are still two races to go, and we will let this committee know when we have something to say in terms of renewing the contract. My own personal view is that I think the grand prix has been terrific in terms of major events. The tourism industry strongly supports it, but all approaches to this negotiation will be on the basis of value for money for the Victorian taxpayer.

Mr PAKULA — I have a brief supplementary. Last year — and I make no comment about how this occurred — as you know, some figures that were purported to be the figures for the contract found their way into the public domain.

Ms ASHER — They did.

Mr PAKULA — Would it be your intention that, if a new agreement were signed, those figures that relate to the new agreement would be made public?

Ms ASHER — Again, there were some figures that were handed to the *Herald Sun*, and I do not know where they came from. I am not in a position to know, but I have to say that your question is purely speculative.

Mr PAKULA — Not really.

Ms ASHER — At the moment the contractual obligation is that nothing shall be disclosed, and there is a specific clause in the agreement that says that nothing shall be disclosed. I will come to the negotiating table with an open mind. However, previously that was a clause, and the foremost consideration for me will be whether any future contract is of value for taxpayers.

Mr O'BRIEN — I would like to take you to another aspect of this portfolio that I know you are passionate about and dedicated to, and that is regional tourism, and you touched on this in your opening. I refer you specifically to budget paper 3, page 41, under the output initiatives for regional tourism, and I ask: can you please outline what these initiatives involve? What has the coalition government done to assist tourism in regional Victoria?

Ms ASHER — Thank you very much for that very important question. One of the challenges for any tourism minister is to get that spread — for the visitors who come to Melbourne to actually go out into regional Victoria. Indeed, one of the thrusts of our marketing campaigns in China is the Open Up to More campaign, which tries to emphasise how closely located regional Victoria is to the city of Melbourne. Again, just in terms of China, I might add that in terms of the dispersal of that huge visitor cohort only a tiny number of them — I think it is about 3½ per cent — go to regional Victoria out of Melbourne. The Chinese are spending close to \$1 billion per annum in Victoria, so it is obviously a vital economic tool to try to get the Chinese to travel more into regional Victoria.

The funding that you referred to is for specific regional campaigns. You may be interested to know that the combined spend of international overnight, domestic overnight and domestic daytrip visitors to regional Victoria was over \$7.3 billion in 2012, and this equates to \$20 million a day being spent in Victoria's regions. Again, members of this committee may know the current intrastate campaign that we have. We are actually trying to get Melburnians to go to regional Victoria. We have the Spotted By Locals campaign, and what we have — and I am sure you have made commentary on this in your own electorate — is prominent locals with an affinity with a regional area marketing that particular area.

The greatest economic value is with the internationals, then the interstaters and then the intrastaters, but obviously we are trying to get Melburnians to have an overnight stay in country Victoria. I have detailed in the

house who is going into which areas, and I will not occupy this committee's time doing that. In essence the funding will be for campaigns to get people to holiday in regional Victoria or stay overnight in regional Victoria, seeing that short stays are so popular these days, and to support regional events. It is our aim to try to boost that spread into regional Victoria.

As I said, in the China campaign — and this is separate from the China campaign; this is specifically for regional marketing — we are trying to market regional Victoria as well, as indeed we are in India with the Melbourne Now campaign, but this money will be for marketing of regional Victoria in terms of promotion and also for events.

Mr SCOTT — Minister, in some ways following up from the previous question, I take you to budget paper 3, page 41. Reference is made there to the \$2 million in the next financial year for both international marketing and increasing Victoria's China tourism strategy. The question I ask is: what proportion of these funds will be devoted to attracting new airline services, and what are the government's priorities for allocating this funding?

Ms ASHER — International airline services come under the line item 'International markets', and the bulk of it will be for international airline service attraction. In terms of the framework under which we are operating, our short-term goals are to get airlines from China, India, Indonesia and the USA, and our medium-term goals are to have direct flights from Singapore, Malaysia, Hong Kong, the UAE in the Middle East, South Korea and Japan. That is the actual framework, if you like, for this.

Again, the fundamental challenge for any tourism minister is that airlines tend to land in Sydney, and it is a pain in the neck, if I can put it like that, for both businesspeople and tourists themselves to hang around in Sydney, so we need to get more flights here. We have 25 international airlines flying directly in and out of Melbourne, and in 2012 international seat capacity increased by over 320 000 seats, which was an increase of 3.5 per cent. If I can just go through and provide you with a bit more information, the increases of recent times have been Qantas has got a new daily A380 service between Melbourne and Dubai. Sichuan Airlines, in which you will be interested, launched its inaugural flight to Australia in February 2013. That airline is going to operate up to three flights a week between Melbourne and Chengdu, and that will provide an additional 44 200 seats every year. AirAsia X will increase to nine services per week, from daily, between Melbourne and Kuala Lumpur from May 2013. Garuda Indonesia is going to increase to daily services between Denpasar and Melbourne from April 2013.

Singapore Airlines will introduce a fourth daily into Melbourne from June 2013. Etihad Airways — and again this was announced on the last trade mission — are upgrading their Abu Dhabi–Melbourne flights to a larger aircraft from December 2013, providing an additional 13 000-plus seats per year for the state. Jetstar has increased to three services per week Melbourne–Honolulu from March 2013. Jetstar has also increased its Melbourne–Denpasar services to daily. Emirates have introduced their first Airbus A380. That is a triple daily Melbourne service from October 2012, creating more than 40 000 additional seats per annum for Victoria.

The fact of the matter with this funding is that all airports provide incentive funding for aircraft to land, and we are in a game where the market practice is that incentive attraction money is offered. Aircraft have to backfill, and that is the reality of it. So the bulk of that funding will be available for air services.

Mr SCOTT — Just by way of follow-up, and you touched upon it in part of your answer, how does Victoria's funding in this area compare to activity in some of our competitor states like New South Wales and Queensland?

Ms ASHER — It is fair to say that New South Wales is more aggressive over this and they have got Sydney Airport, but that is their problem. Yes, of course they get more flights, but we can advertise that we have Melbourne Airport. It is curfew free 24 hours, and I understand that the landing fees regime is broadly more competitive in Melbourne than it is in Sydney. Yes, New South Wales has got a much larger budget to be aggressive, but it has to counter the fact that it has a curfew. Please do not expect me to have the Queensland budget figures at my fingertips; I have the New South Wales figures. I am more than happy to get the figure for the Queensland budget for you, but it is probably not a reasonable expectation to expect me to have it. They are aggressive, but again in terms of New South Wales, we have got a curfew-free airport, which is a great product stream for us.

Mr O'BRIEN — And Avalon.

Ms ASHER — And just about to have a second one.

Mr ONDARCHIE — They can land in the world's most liveable city as well.

Ms ASHER — I will have you doing my job soon, to go and do the pitch.

Mr ONDARCHIE — We did not really afford you enough time in your introduction today to talk about the China tourism strategy. In budget paper 3, page 41, under 'Output initiatives' you talk about Victoria's China tourism strategy. I wonder if you could outline for the committee and for those listening how important that strategy is to our markets in Victoria.

Ms ASHER — As I said, the Chinese market is huge for us. It is our largest visitor market. It became our largest visitor market in December 2011 when they overtook the New Zealanders, who spent a whole lot less. We had around about 280 000 visitors for the year ending December 2011. The Chinese spend \$986 million now, and I would anticipate on the next lot of figures they will be spending a billion. The Chinese market to Victoria spent more than the next three largest markets combined, which is New Zealand, Malaysia and the UK.

We launched a tourism strategy. It was launched by the former Premier in Shanghai on the trade mission last year. Again we have got a five-point strategy in the Chinese market. We want to develop airline connections; we have had some success with that already. We want to develop investment opportunities. We want to develop a market positioning where clearly people will know Victoria rather than just Australia. We want to improve the Chinese visitor experience, and obviously we want to build on Victoria's strong education, migration and business links with China.

Can I say that when the federal government first issued their Chinese ad there was enormous disappointment in the tourism industry that we had one shot of Victoria, which was Crown Casino. I will give credit to the previous minister, Martin Ferguson. When I went to him and said, 'This is not fair, to only have one shot of Victoria and multiple shots of New South Wales, and my tourism industry is very aggressive about this', he did intervene to make sure that the Great Ocean Road received coverage as well. That has been an ongoing battle for us, making sure that the feds actually market us. We took matters into our own hands and launched an \$8 million strategy last year, and obviously there is an additional \$2 million over four years in this particular budget.

The thrust of what we are trying to do in China is to appeal to younger Chinese, free and independent travellers, people obviously with a bit of money to spend. The Open Doors to More campaign, which I touched on in my answer on regional tourism, basically is able to present all of the excitement of Melbourne as a vibrant capital city with gambling opportunities, with retail opportunities, with food and wine opportunities, which appeals to the Chinese market. We have all of those superb opportunities as a capital city, but then such a preponderance of regional attractions like the penguins, the goldfields and the Great Ocean Road. I will try and cover everyone's electorate because I cannot cover all the attractions.

Mr ONDARCHIE — Puffing Billy.

Ms ASHER — Yes, Puffing Billy. All of those.

Members interjecting.

Ms ASHER — The Peninsula food and wine experience. This is regional, so the idea is that these regional experiences are a very short drive for the Chinese. That is the basis of it. I will add that it is very important that the quality of the visitor experience for the Chinese is high so they go back and recommended it to their friends, and we have a real shortage of Chinese language expertise. The member for Preston over here ridicules my Chinese pronunciation every time I stand up in Parliament. We are obviously trying to put in place other policies that would increase that particular expertise. Perhaps you might be able to suggest how we can get them into the tourism industry. That would be terrific.

Mr SCOTT — I could, actually.

The CHAIR — I think we have time for one quick question.

Ms HENNESSY — Very quickly, Chair. Minister, the Red Bull air race — is it dead, buried, cremated as a Liberal Party election commitment, or is there life in the old girl yet?

Ms ASHER — Life in the old girl?

Members interjecting.

Ms HENNESSY — I am using euphemisms for the sake of brevity.

Ms ASHER — All right, fair question. The election commitment focused on a \$4 million expenditure, and the government has been unable to secure the Red Bull race for the amount of money that was set down in the election commitment.

The CHAIR — Thank you, Minister. That concludes consideration of budget estimates for the tourism and major events portfolio. I thank the minister and departmental officers for their attendance this afternoon. There was, I think, one question on notice in the employment and trade area. We will of course write to you on that in any case. We do ask that we have a response within 21 days, if possible, to enable a timely response to the Parliament.

Ms ASHER — We will get you a response within 21 days of that breakdown. And Mr Pakula wanted this expenditure category, Mr Chairman. If I can — —

Mr PAKULA — The innovation one?

Ms ASHER — Yes.

Ms ASHER — Is it through you?

The CHAIR — We will table it and circulate it.

Ms ASHER — Yes, through you, I am more than happy for him to have that document, which does not have my scribble on it.

The CHAIR — That concludes the hearing. Thank you.

Committee adjourned.