

30 March 2015

Project Director: Nick Foa
Project Team: John Dalton and Verity Harris
VVEsubmissions@ecodev.vic.gov.au

Dear Nick, John and Verity,

Thank you for the opportunity to contribute to the Review of the Victorian Visitor Economy (VVE).

The Victorian Tourism Industry Council (VTIC) welcomes this Review for formally bringing under scrutiny a sector of the economy which has been traditionally difficult to define, and whose value is therefore harder to quantify and demonstrate.

Improving our understanding of, and support for, the visitor economy will not only assist this vital sector, it will support the wider economy through substantial jobs creation and economic growth, particularly in areas most in need of economic stimulus in regional Victoria.

VTIC is the peak body for tourism and events in Victoria, representing over 700 tourism and events operators, businesses and organisations. VTIC provides leadership for Victoria's tourism and events industry through 'One Voice' advocacy and representation, and provides business services and networking opportunities to members, as well as leading industry development programs such as the Victorian Tourism Awards.

VTIC stands for and works to support a professional, sustainable and globally competitive tourism industry in Victoria. Around half of VTIC's members are based in regional Victoria, and we pride ourselves on our engagement with the regional tourism industry and our state-wide representation, which covers the six main segments of:

- Accommodation;
- Attractions;
- Destinations;
- Events;
- Tour and Transport; and
- Tourism Services and Hospitality

The majority of our members are private sector businesses; however, it is worth noting that all Regional Tourism Boards (RTBs) and 41 local governments are also members of VTIC.

The tourism and events industry is an essential part of the visitor economy. It has a history of growth, and the potential to continue growing, especially if we also recognise the many possibilities for collaborating with other sectors of the economy. By better understanding the nature and characteristics of the visitor economy, and more specifically the tourism and events industry, it is possible to adopt appropriate policy settings, and then develop the necessary strategies and programs, to deal with the challenges facing the sector and ensure it realises its potential.

The steps required to developing the appropriate policy settings, strategies and program include, but are not limited to: -

- understanding and recognising the significance of the Victorian visitor economy as a whole, and identifying the growth prospects of the sector;
- analysis of the strategies and management practices of Victoria's competitors, both in Australia and overseas;
- improving coordination of government and industry across the different segments which comprise the visitor economy for better leverage of branding and economic benefits;
- examining the ways in which the visitor economy can benefit other economic policy objectives; and
- identifying the most effective governance/institutional arrangements and funding models for Victoria, to further grow the benefits of the visitor economy to all of Victoria.

These points are all related to, and covered by the Terms of Reference of this Review.

This Review is a clear opportunity for government and industry to work together to overcome barriers to growth and to realise opportunities for the state that have to date remained unrealised due to a lack of a clear, overarching vision for the sector; a lack of appropriate policy settings; a lack of coordination within government, as well as between government and industry; and the resulting inefficiencies of poor execution, duplication of effort and missed opportunities.

The slowing in the rate of growth of the national economy, the declining value of the Australian dollar, the disruption in some traditional manufacturing sectors, the signs of economic recovery in Western markets, and the rise and rise of Asian markets mean that the Victorian visitor economy is at a critical juncture. We cannot risk policy inaction and we must approach how we structure, manage and service the visitor economy with a sense of urgency and purpose.

It is our hope and expectation that this Visitor Economy Review will lead to an improvement in the organisation, delivery and facilitation of investment, marketing, product development and industry development that will allow the private sector, in collaboration with the public sector, to realise what we believe is considerable potential for jobs creation and economic growth for Victoria.

For queries regarding this submission please contact Kristina Burke, Policy Manager, at kburke@vtic.com.au or me, at dsmith@vtic.com.au.

Yours sincerely,



Dianne Smith
Chief Executive



SUBMISSION BY
VICTORIA TOURISM INDUSTRY COUNCIL (VTIC)
TO THE VICTORIAN VISITOR ECONOMY REVIEW
MARCH 2015

Contents

Overview of Submission.....	3
Summary of Recommendations.....	4
Ensuring Aviation Access to Victoria.....	4
Growth Prospects for the Visitor Economy	4
Strategy and management practices – benchmarking competitors.....	4
Leveraging the tourism, events and creative industries.....	4
Areas of improvement to maximise the benefits from the visitor economy	5
Effective governance, institutional arrangements and funding models for Victoria	5
The Victorian Visitor Economy – Current State of Play	6
What is the role of government in the visitor economy?.....	7
I. Ensuring Aviation Access to Victoria.....	9
Recommendations	10
II. Growth Prospects for the Visitor Economy	10
1. Managing Capacity in Melbourne.....	11
Major Events	11
Business Events.....	13
‘Visitability’ of Melbourne	14
2. Increasing demand in Regional Victoria.....	15
Attracting investment and developing new products	18
Increasing length of stay	20
Leveraging Major and Business Events.....	20
Intrastate and interstate visitation	22
International markets	23
Visitor servicing.....	24
Skills and labour shortages	25
Recommendations	26
III. Strategy and management practices – benchmarking competitors.....	26
Recommendations	29
IV. Leveraging the tourism, events and creative industries sectors	30
Unfunded Strategies	32
The need for better policy development and implementation.....	33
Recommendations	35

Recommendations	37
VI. Effective governance, institutional arrangements and funding models for Victoria.....	38
Recommendations	39
Acknowledgements.....	40
Appendices.....	40

Overview of Submission

The Victoria Tourism Industry Council's (VTIC) submission focuses on the potential of the Victorian Visitor Economy. We describe the size, significance and complex nature of the visitor economy to demonstrate not only its current value, but the importance of this Review in focussing government attention on the Victorian visitor economy, with its significant potential for job creation and economic growth. This submission also aims to identify the gaps, inefficiencies and areas of improvement that must be addressed in order for the visitor economy to realise this potential.

We have focused primarily on the policies and strategies we consider necessary to achieving greater and better results within the visitor economy. Our overarching view is that quality, clarity of vision and purpose, and a focus on net benefits, returns on investment and genuine partnerships are essential elements for developing the governance and institutional structures necessary to lead and drive the visitor economy. This will, in turn, assist in determining the size and make-up of the institutional structures.

Each of the topics set out in the Terms of Reference is examined in detail, with case studies and examples provided to illustrate:

- what is currently working well;
- how these strengths can be better leveraged; and
- what requires improvement.

We have also included brief discussion on a topic fundamental to the visitor economy, namely aviation access and the importance of ensuring this in the long-term.

Recommendations addressing the many issues raised are provided for each topic and these are summarised in the following section.

The visitor economy, and particularly the tourism and events sector, is very much a part of what makes Victoria a great place to work, live and visit, adding to the vibrancy, diversity and social and environmental well-being of the state. It our hope and expectation that this Review will broaden the recognition of the value of the visitor economy to the extent that it is not merely the 'seventh pillar' of the Victorian economy, but the central pillar of the Victorian economy.

Summary of Recommendations

Ensuring Aviation Access to Victoria

- Maintain curfew free status of Melbourne Airport as it is a significant competitive advantage for Victoria.
- Increase dedicated efforts to secure more direct international flights from key markets to Victoria.
- Commit to construction of a rail link to Melbourne Airport from the CBD.
- Consider visitor as well as local needs in planning and managing Victoria's transport system (including integrated services, ticketing and regulations).

Growth Prospects for the Visitor Economy

- State Government to continue to play an active role in retaining hallmark major events and supporting Victoria's business events strategy by increasing investment in strategic infrastructure (such as the MCEC expansion) and funding to attract a broader range of major and business events.
- State Government to stimulate private sector investment and recognise genuine industry partnerships to fast track product development through appropriate and supportive policies by all levels of government.
- Invest in consumer research into visitors' information needs to inform a state-wide strategy to improve the service delivery model and the visitor experience.
- Improve visitor experiences, as well as efficacy of state-wide and destination marketing activities, with the aim of doubling the proportion of international visitor expenditure in regional Victoria compared with Melbourne by 2020.

Strategy and management practices – benchmarking competitors

- Government to establish a clear vision and goals for tourism and event priorities, endorsed by Cabinet, which is reflected in the strategies of all relevant departments to achieve coordinated outcomes across portfolios.
- Establish a 'Coordinator-General' or Commissioner function to oversight effective integration and implementation of visitor economy initiatives and strategies across departments.
- More coordinated engagement in tourism industry partnerships to leverage the benefits from Victoria's competitive advantages, specifically in events, nature-based and cultural tourism, agri-tourism and international education.
- Development and implementation of a state-wide visitor economy digital strategy to increase online representation of Victorian tourism products, experiences and services, and to enhance Victoria's online presence as visitor destination.

Leveraging the tourism, events and creative industries

- Review the 'Jigsaw' strategy and re-balance marketing efforts: increase investment in regional Victorian tourism, which is currently low compared to Melbourne.
- Development and implementation of state policies, and endorsement and facilitation of federal policies which support and enable the visitor economy.

- Ensure appropriate funding of strategies that will assist in the achievement of the Tourism 2020 goals.
- Increased government funding of RTBs and Destination Melbourne to be dependent on a commitment to increasing collaboration with complementary sectors, such as international education, sports, caravan, business events, agriculture, roads and public transport, appropriate to each region.
- Enhance the connection between government funded hallmark events and local Victorian producers, manufacturers and businesses.
- Generate the greatest marketing impact for Victorian destinations from the combined investment of state and local governments and industry. Specifically, ensure that local governments commit to a strategic endorsement of the visitor economy.
- Adopt the 'Visitability framework' across the state to increase visitor satisfaction and length of stays, and promote improvement of visitor services and experiences as an enhancement of community life as well.

Areas of improvement to maximise the benefits from the visitor economy

- Develop and implement campaigns and programs involving sectors complementary to the visitor economy (e.g. international education) to enhance the offerings in these sectors and to better leverage the associated benefits for the visitor economy.
- Facilitate labour attraction and improve the skills-base of existing labour pools; and increase interest and participation of the next generation of tourism and events professionals. For example, through the extension of career development programs, including in Vocational Education and Training (VET) in schools.
- Industry and government collaboration to enhance employer capacity to retain staff, recognising needs and opportunities arising from generational changes in the workforce.

Effective governance, institutional arrangements and funding models for Victoria

- Tourism and event functions and agencies work best when afforded an independent status. We recommend that the structure of Tourism Victoria to be reviewed in light of this to maximise performance and responsiveness to industry.
- Establish an annual ministerial forum, chaired by the Premier, for government and industry:
 - To discuss and identify priority tourism issues and projects ;
 - To consider strategic or policy-based responses to issues; and
 - To coordinate facilitation of priority projects.

The Victorian Visitor Economy – Current State of Play

By virtue of VTIC's membership and areas of expertise, this submission will focus largely on the tourism and events industries. VTIC welcomes this Review into the Victorian Visitor Economy (VVE) which encompasses:

- the tourism industry;
- the events sector in its entirety, from major events and business events (including meetings, incentives, exhibitions and conferences), through to regional, cultural, food and wine, and sporting events;
- hospitality;
- accommodation sector;
- retail; and
- transport.

It is also recognised that the visitor economy incorporates, to varying degrees, other sectors such as international education and agribusiness (in the form of food and wine production, farm gate, cellar door and retail sales, and other related experiences), and that the visitor economy can deliver positive impacts to many more sectors of the economy.

It is important to consider the VVE Review in the context of Tourism Victoria's 2020 Strategy, released in July 2013. The Strategy's aim is to grow overnight tourism expenditure in Victoria to \$24.7 billion by 2020. Reaching this goal would have a significant impact on the Victorian economy. By 2020-21 it is estimated that tourism will contribute approximately \$34 billion to Victoria's Gross State Product (both direct and indirect impacts) and generate an estimated 310,000 (direct and indirect) jobs.¹ Currently, the tourism and events industries employ around 205,000 Victorians and contribute \$19.2 billion per annum to the state's economy, accounting for approximately 5.8 per cent of Gross State product.² So if we are to achieve the 2020 targets, there is much work to be done in the next five years.

The job creation potential of this sector cannot be underestimated. With over 73,000 tourism-related businesses in Victoria³ the sector contributes significantly to part-time and casual employment, offering the flexibility sought by many employees, as well as providing a valuable entry point to the workforce for both skilled and low-skilled employees, and in particular, both youth and mature-aged workers.

The tourism and events industry traditionally works best in collaboration and partnership with government and we believe that government must adopt a more coordinated approach, both across government and with industry. This includes articulating the government's vision for the sector in Victoria; stronger and coordinated cross-portfolio leadership from government; and policy settings that encourage greater industry investment and involvement.

¹ Tourism Victoria, *Victoria's 2020 Tourism Strategy*, 2013, p.8

² 2011-2012 State Tourism Satellite Account by Tourism Research Australia, released July 2013

³ Tourism Research Australia, *Regional Tourism Profiles*, 2011 – 2012

As a destination, Victoria's competition is not only other Australian states, but destinations around the world. The Victorian visitor economy competes not only for share of market (domestic and international) but also share of wallet. Leisure travel in particular is entirely discretionary. The slowing in the rate of growth of the national economy, together with softening consumer confidence, will place further pressure on discretionary spending. As a destination, Victoria must present a compelling and high quality value proposition that is delivered as an excellent and memorable experience. This requires three key elements:

1. Ensuring aviation access to Victoria in the long term
2. Managing capacity in Melbourne to ensure an excellent visitor experience
3. Increasing demand in regional Victoria

All three elements are essential for the success, longevity and sustainability of the Victorian visitor economy.

Tourism is also a major source of tax revenue for the Victorian Government. VTIC's research found that taxes on products and services from tourism's direct economic contribution amounted to around \$681m per annum.⁴ As a comparison, the Victorian budget for Tourism Victoria and major events in 2013/14 totalled around \$163m⁵, including the \$50m licence for the Australian Formula 1 Grand Prix.

The benefits to the state of the tourism and events industry are not just financial. The sector also supports innovation, state branding, promotion and reputational benefits, regional development, environmental improvements,⁶ new infrastructure provision, social and community cohesion and pride.

An example is the indirect contributions to the health sector, with tourism-related programs such as Parks Victoria's "Healthy Parks, Healthy People" initiative promoting participation in outdoor activity for physical and mental well-being. The tourism and events sector is very much a part of what makes Victoria a great place to work, live and visit, adding to the vibrancy, diversity and social and environmental well-being of the state.

What is the role of government in the visitor economy?

Research commissioned by VTIC recognises that a market failure occurs in tourism marketing⁷. That is, when a firm undertakes marketing of its facilities a large share of the benefit accrues to other businesses in the destination – so the firm will under-invest from the viewpoint of society as a whole (and compared to investment in other industries).

Market failure is the key rationale for government support for particular industries. In industries other than tourism it is commonly limited to research and development and training, although there

⁴ Ibid. Note: This figure does not include taxes, in incomes, wages of profits.

⁵ Ibid.

⁶ An example is Phillip Island Nature Parks' success in increasing the penguin population from 18,000 in 1984 to 32,000 in 2010, including 2,000 penguins within the Penguin Parade area, through partnership with the World Wildlife Fund. Source: Phillip Island Nature Parks

⁷ Report from Karl Flowers, Decisive Consulting, to VTIC, 2014

are example where governments have funded a particular industry or project in order to support regional development. Initiatives such as support for improved transport access or attraction development also promise most of the returns to firms beyond the transport or attraction provider.

In its recent research paper from the Inquiry into Australia's International Tourism industry, the Productivity Commission stated:

The benefits arising from destination marketing and major events have 'public good' characteristics. The benefits from destination marketing (increased international visitor activity for tourism-related businesses) are able to be captured by any tourism-related business in that destination, and it is infeasible to exclude businesses that benefit from the campaign but do not contribute to the costs...The test for government involvement is whether it would generate net benefits to the community as a whole, relative to no government involvement.

Whether government support for international destination marketing and major events would provide net benefits to the community is strongly dependent on whether these activities would take place without government involvement. A business may have sufficient incentives to provide destination marketing or a major event if it can capture substantial private benefits from the activity, even where free riding exists. Governments should be mindful of this possibility and take care not to crowd out private provision of international destination marketing and major events.⁸

In Victoria, VTIC believes the state government has a role to play in leading a coordinated, public-private approach to growing and developing the visitor economy. In addition to developing and driving state-wide marketing initiatives, the state government can be instrumental in developing visitor experiences and facilitating investment, especially through development of appropriate policy settings across relevant departments that enable tourism infrastructure development and entice investors to the state. The outcome of this will be a 'return on investment' in increased economic activity and jobs.

In many cases, tourism business operations and service delivery takes place on public lands and whilst the government certainly has a role to play as the land manager, there are also examples where the government also provides and nurtures tourism services and products. Therefore consideration should also be given as to whether the government is the most suitable entity to do so, or whether private provision (or a public-private partnership model) would be a more commercially viable, or more effective and consumer-focused option. This is particularly relevant for government agencies where revenue generation and/or cost reduction is a priority. The same applies at local government level.

It is also worth noting that the introduction of productivity dividends may have led to tourism-related organisations such as Arts Victoria and Zoos Victoria not participating in some marketing and business development activities such as international trade missions. This results in an over-reliance

⁸ Productivity Commission, 2015, *Australia's International Tourism Industry*, Commission Research Paper, Canberra, pp. 9-10

on Tourism Victoria and other industry operators to undertake marketing activities on behalf of these organisations.

I. Ensuring Aviation Access to Victoria

The aviation industry is of strategic importance in both Victoria and Australia. It makes a significant contribution to metropolitan and regional businesses and communities, and plays a significant role in supporting the distribution of visitors to, from and within the state.

Australia's, and Victoria's aviation capacity needs to increase. Tourism Australia⁹ estimates that in order to meet national tourism industry potential in 2020, Australia's international aviation capacity will need to grow between 40 and 50 per cent, and domestic capacity between 23 and 30 per cent.

Whilst we understand that aviation policy is set at a federal level, the state visitor economy's reliance on aviation access makes it vitally relevant to this Review. Victoria must have an aviation policy setting that takes into account broader tourism objectives and allows the industry to adapt to change. This must also ensure aviation capacity to support international visitation targets, supported by a transport network that efficiently brings passengers from the airport to the Melbourne CBD (i.e. a rail link from Melbourne Airport to the CBD), as well as encouraging regional dispersal. There is a need for greater alignment between aviation, transportation and tourism policies, given the interrelationships between these three areas and the overall importance of the visitor economy.

It is imperative that Melbourne Airport maintains its curfew-free status, as it is a significant competitive advantage that plays a vital role in boosting airline services to the state, including passenger and freight services. It is important that regulations affecting air transport encourage industry growth by providing more direct international flights to Melbourne, including low-cost carrier services, with priority given to key routes, high-yield and growth source markets including China and India. There must also be support for greater regional air access.

Current expansion plans notwithstanding, Melbourne Airport will eventually reach capacity. VTIC supports the plans for the third runway at Melbourne Airport, which will allow for the forecast significant growth in arrivals to 2033. However, it is also important to plan and invest in Avalon Airport, including securing for it international airport status. In its recent report on Australia's International Tourism Industry, the Productivity Commission stated:

“Although Australia's international aviation policy settings have served Australia well, it is expected that further liberalising access to Australia's major gateway cities — Brisbane, Melbourne, Perth and Sydney — would provide net benefits to the international tourism industry and the Australian community.

It is difficult to see how restricting access to secondary airports serving the major gateways, such as Avalon and the proposed airport at Badgerys Creek, creates benefits for the Australian community. If any restrictions are to remain, the case for all restrictions, except

⁹ Tourism Australia (November 2020), 2020 Tourism Industry Potential, a Scenario for Growth

those at Sydney Kingsford Smith Airport, is quite weak, and open access could be extended accordingly.”¹⁰

Recommendations

- Maintain curfew free status of Melbourne Airport as it is a significant competitive advantage for Victoria.
- Increase dedicated efforts to secure more direct international flights from key markets to Victoria.
- Commit to construction of a rail link to Melbourne Airport from the CBD.
- Consider visitor as well as local needs in planning and managing Victoria’s transport system (including integrated services, ticketing and regulations).

II. Growth Prospects for the Visitor Economy

The current strengths of Victoria’s visitor economy include:

- Major and Business Events;
- Melbourne’s laneways and the city’s status as a shopping, food, sporting and cultural capital;
- Our major cultural institutions, such as Museums Victoria, which has an annual visitation of 1.7m, of which 324,000 visitors are from international or interstate; and
- Some key regional destinations and attractions, which include, but are not limited to:
 - Sovereign Hill;
 - Great Ocean Road;
 - Phillip Island Nature Parks;
 - the recent series of art and cultural exhibitions hosted in Bendigo¹¹;
 - music, food and wine festivals in the North-East;
 - food, wine and spa tourism in Daylesford and the Mornington Peninsula; and
 - Cycling events in Ballarat and Geelong and in the North-East and the Great Ocean Road regions.

However there are many more opportunities to expand or improve the visitor offering (particularly in the segments of nature-based and cultural tourism), to leverage current visitation, to improve service delivery, or to tap into under-developed market segments. Even within the existing strength areas, such as major events, there is still scope for developing partnerships, better coordination and greater collaboration to improve leverage. This is especially important for achieving the 2020 target of an additional 100,000 jobs generated from tourism and events.

Moreover, from a state-wide perspective, the visitor economy currently lacks an overarching vision or unifying theme. Despite its longevity and past success, it is important to note that the “Jigsaw” campaign, as its name suggests, is about the separate pieces of Victoria. It is emblematic of the

¹⁰ Productivity Commission, 2015, *Australia’s International Tourism Industry*, Commission Research Paper, Canberra, p.2

¹¹ For example, the White Wedding exhibition, the Grace Kelly exhibition and the Archibald Prize travelling exhibition

fragmentation that underlies some of the industry's biggest challenges. Successful though it has been for Victoria, after 20 years, the Jigsaw concept needs to be refreshed.

In exploring the growth prospects for the visitor economy, we separately examine Melbourne and regional Victoria and the respective challenges each faces.

1. Managing Capacity in Melbourne

Two key segments of the Victorian visitor economy are major events and business events. Major events contribute over \$1.8bn in economic impact every year (up from \$1.4bn in 2010)¹². Major events are important in maintaining Melbourne and Victoria's profile as a destination of choice, as well as enhancing our reputation as the most liveable city in the world and the global sporting capital.

Business events account for an estimated \$1.2 billion in economic contribution to Victoria, as well as generating 22,000 jobs each year.¹³ A high yielding component of the industry, this segment has been increasingly recognised for its important contribution to innovation, knowledge generation and collaboration. Business events bring together industry leaders and experts, creating an environment in which many business and investment decisions are made. Both segments represent significant growth prospects for the visitor economy but require careful planning and investment to manage this growth.

Major Events

The Major Events strategy introduced over 20 years ago is now the hallmark of Victoria's visitor economy. The strategy was developed on the understanding that because Victoria does not have a key iconic attraction such as a rock, reef, Harbour Bridge or Opera House, we would need to create our own equivalent of these. The Victorian Major Events Calendar was taken to a new level in the summer of 2014/15, with the program of 80 Days of Melbourne, which featured a series of regular and one-off major events over this period, including:

- AFC Asian Cup 2015 (seven matches) 9 – 22 January
- Fashion World of Jean Paul Gaultier @ NGV 9 January – 8 February
- Australian Open Tennis Grand Slam 19 January – 1 February
- Cadel Evans Great Ocean Road Race 31 January & 1 February
- ICC Cricket World Cup 2015 (five matches) 14 February – 29 March
- Chinese New Year Celebrations 19 – 22 February
- AIME 24 – 25 February
- White Night 21 February
- Melbourne Festival of Racing 21 February, 7 & 14 March
- Superbike World Championship 20 – 22 February
- Avalon International Airshow 24 February – 1 March
- Melbourne International Food and Wine Festival 27 February – 15 March
- Australian F1 Grand Prix 12 – 15 March

¹² Ernst & Young, 2014, courtesy of Victorian Major Events Corporation

¹³ Melbourne Convention Bureau, 2015

- Virgin Australia Melbourne Fashion Festival 14 – 22 March
- Melbourne International Flower and Garden Show 25 – 29 March
- Melbourne International Comedy Festival 25 – 29 March

The concentrated program of events was used in particular by the Victorian Government as an opportunity to host trade delegations and business leaders and showcase Melbourne and Victoria as a desirable destination to do business. It is a good example of how the visitor economy can be used to leverage growth prospects in other parts of the economy, as well.

It is too soon to assess the overall economic impacts of the 80 Days of Melbourne. Anecdotally, however, individual events have reported excellent patronage, visitation or participation. Over the weekend of February 20-21, which saw Chinese New Year celebrations in Melbourne, White Night and the Cricket World Cup pool game between South Africa and India at the Melbourne Cricket Ground, the general consensus from industry was that “Melbourne was full”. The accommodation sector reported particular strong occupancy throughout February overall.

This raises two key issues related to growth: first, the importance of retaining long-term events such as the Australian Open and the Australian Formula 1 Grand Prix, but also continuing to attract one-off events. Second, in order to do this, we have to maintain and continue to invest in the infrastructure necessary to continue hosting these events and leveraging the flow-on benefits, with the level of professionalism and amenity that audiences and participants have come to expect.

Case Study: Margaret Court Arena

The recently redeveloped Margaret Court Arena (MCA) is part of a \$700 million redevelopment of Melbourne Park that reaffirms Melbourne & Olympic Parks’ status as the home of entertainment and sport in Australia. MCA features a state-of-the-art retractable roof, opening and closing in under five minutes, making it the fastest retractable roof of its kind anywhere in the world. With a total of three retractable roof stadiums now in operation at Melbourne Park, the most of any Grand Slam venue in the world, the Australian Open is effectively weather-proof. Other improvements to the venue include increased seating capacity to 7,500 and sound-proofing, which now also make it a top-grade concert venue, improving asset utilisation and increasing return on investment, as well as stimulating other types of visitation to the venue.

In terms of growth prospects and managing capacity, events such as the Australian Open and Melbourne Cup Carnival provide some good examples.

Case Studies: Major Events and Cruise Ships – Melbourne Cup Carnival and the Australian Open

In 2006, 418,069 people converged to Flemington for the four day racing carnival. AAMI Victoria Derby Day alone attracted 129,089 patrons, the largest attended event in Flemington's history. Following this record attendance, the Victorian Racing Club (VRC) took the decision to cap capacity

and pre-sell tickets, shifting the focus from attendance numbers to customer satisfaction and improving the visitor and trackside experience.

In 2014, the Melbourne Cup Carnival attracted 121,881 attendances from interstate and overseas from a total of 325,519 visitors. The international visitation was derived from 42 countries, including a 92.8% increase in attendees from China.

More recently, the VRC has partnered with Carnival Australia (P&O Cruise Ships). 2014 saw 6,141 passengers from three cruise ships attend the Melbourne Cup Carnival. The largest group of passengers originated from NSW and Queensland, with strong numbers from New Zealand.

An additional (fourth) ship has been committed for the 2015 Melbourne Cup carnival, which will see in excess of 8,000 cruise ship passengers descend on Flemington, Melbourne and Victoria.

In 2015 4,482 P&O passengers attended the Australian Open in just a two-day period:

- 1,839 Wednesday 21st – Day Session
- 825 Wednesday 21st – Night Session
- 1,818 Thursday 22nd - Day Session

As well as showcasing innovative partnerships that increase visitation, these examples highlight the importance of considering the visitor economy when making decisions about future infrastructure investment such as type and the location of the next major cruise ship terminal in Victoria.

Business Events

Business events represent a significant sector within the visitor economy. It is arguably the sector with greatest impact on other sectors of the Victorian economy.

Case Study: How a conference leads to broader benefits of jobs, business partnerships and innovation

Victoria's medical technology and pharmaceuticals sector, one of the seven sectors recognised by the State government as having potential for extraordinary economic growth, has been a direct beneficiary of a conference that was won by the Melbourne Convention Bureau (MCB) and hosted at the Melbourne Convention and Exhibition Centre.

The 2008 International Conference on Functional Mapping of the Human Brain was the catalyst for forging new industry and academic partnerships that led to a success with a Victorian Science Agenda Grant. This in turn contributed to:¹⁴

- The creation of 15 new positions in biomedical imaging at Monash University
- \$3m of research funding for Monash University from competitive grants schemes in 2012 and 2013
- Establishment of R&D partnerships with major international companies in the field

¹⁴ Ibid.

MCB research from 2013 found that over half of all delegates surveyed (56 per cent) visited regional Victoria and/or other parts of Australia, whilst almost all (95 per cent) of international business delegates said they would recommend Melbourne as a place to visit, and 76 per cent intended on returning for a holiday.

With business events representing such a significant and potentially lucrative segment of the visitor economy, it is vital that the expansion of the Melbourne Convention and Exhibition Centre (MCEC) be approved and facilitated as a high priority. As with the Australian Open and its extensive redevelopment plans, it is imperative that there is appropriate and timely investment in the infrastructure necessary to support future business events, which are growing in terms of their size, scope, and both organiser and delegate expectations.

Melbourne's leading position in the business events space is steadily being overtaken by destinations such as Singapore and Seoul, as well as Sydney, thanks to significant investment in the exhibition and convention infrastructure in those cities.

The long lead time of the bid processes for international business events (sometimes up to ten years) is such that further delays to the MCEC expansion will mean Melbourne is missing out on opportunities for years to come. Without certainty regarding the MCEC expansion, the Melbourne Convention Bureau will not be able to bid for future large scale business conventions and exhibitions. Significant opportunities will be lost, not just for the tourism and events sector, but potentially for the transport, medical technology, energy, agricultural and education sectors. If the Victorian visitor economy – and the economy as a whole - is to grow and realise its potential, we must invest in the infrastructure that will allow Melbourne to remain 'open for business'. Without such investment, Victoria will be out of the running for many events before bidding even starts.

'Visitability' of Melbourne

In recent years, Destination Melbourne has elevated the concept of 'Visitability'¹⁵ as a catalyst for new thinking about planning for and delivering outstanding visitor experiences. Visitability is defined as the "sum of the parts that make for an outstanding and memorable visitor experience." In essence, it is about inspiring Melbourne's tourism industry to advocate, collaborate and influence every part of the visitor journey within their business and region. Visitability's overall strategic goal is to ensure our visitors have the best possible experience in Melbourne and Victoria, encouraging a perpetual cycle of ongoing endorsement and return visitation.

Destination Melbourne is leading the Visitability program with the aim to improve the visitor experience and to provide Melbourne's visitors with a seamless journey, from the moment they arrive to when they depart.

By investing in infrastructure, services and culture that support the visitor experience both government and industry can also support community life. Clearly these are connected with

¹⁵ www.destinationmelbourne.com.au/industry/visitability

'liveability' and Melbourne's status as the most liveable city in the world is recognised as a key element of its Visitability, too.

The key pillars underpinning the Visitability concept, which are important to both residents and visitors, are:

1. Sense of Welcome
2. Public Transport
3. Integrated messaging regarding Visitor Information
4. Digital Connectivity (Wi-Fi access and digital enhancements)
5. Ease of Access (visas)
6. Accessibility

Key issues and strategies in this framework are many and varied, and include, but are not limited to:

- Induction of taxi drivers (including the recently introduced Knowledge Test for drivers);
- Adequate provision of tram super stops;
- Wider provision of Myki ticketing information (e.g. on Skybus) and in multiple languages;
- Visas and passenger facilitation;
- Quality and consistency of visitor information;
- Broadening the provision of free Wi-Fi to visitors;
- Cruise terminal access and welcome experience; and
- Provision of a contemporary Rail Link to Melbourne Airport.

Planning for such a set of matters clearly lies outside the traditional tourism portfolio, and requires significant cross portfolio and whole-of-government consideration, as well as a commitment to be responsive to the needs of the burgeoning visitor economy.

Destination Melbourne has been effective in drawing together a multi-disciplined taskforce, comprised representatives from VTIC, Travellers Aid, City of Melbourne, Tourism Victoria and Tourism Research Australia, to further develop the concept. A similar cooperative model could be adopted across the state with the aim of continuous improvement of services and experiences that support both visitors as well as community life.

2. Increasing demand in Regional Victoria

The international and domestic visitation data for Victoria for the year ending September 2014 shows growth in overnight visitor numbers and expenditure.¹⁶ However, what is notable in this data is the difference in expenditure in Melbourne compared with regional Victoria, both for international and for domestic visitors.

¹⁶ International Visitor Survey and National Visitor Survey data for the year ending September 2014, provided by Tourism Victoria and Tourism Research Australia. <http://www.tourism.vic.gov.au/research/international-research/international-visitation.html> and Appendix A.

Although international expenditure in regional Victoria showed strong growth to reach record levels in the year ending September 2014 (+34.1% to \$372 million), this figure is only a fraction of the international expenditure recorded in Melbourne for the same period (+2.3% to \$4.5 billion).

Domestic overnight expenditure in Melbourne increased 10.1% to \$6.3 billion, from 7.5 million domestic overnight visitors. In comparison, regional Victoria experienced a 14.4% increase in visitors to 13.1 million, yet corresponding expenditure was recorded at \$4.9 billion.

The long-term disparity in visitor spending between Melbourne and regional Victoria is even more starkly demonstrated in the graph below, showing real international visitor expenditure in regional Victoria versus in Melbourne over a 12 year period (Figure 1 below):

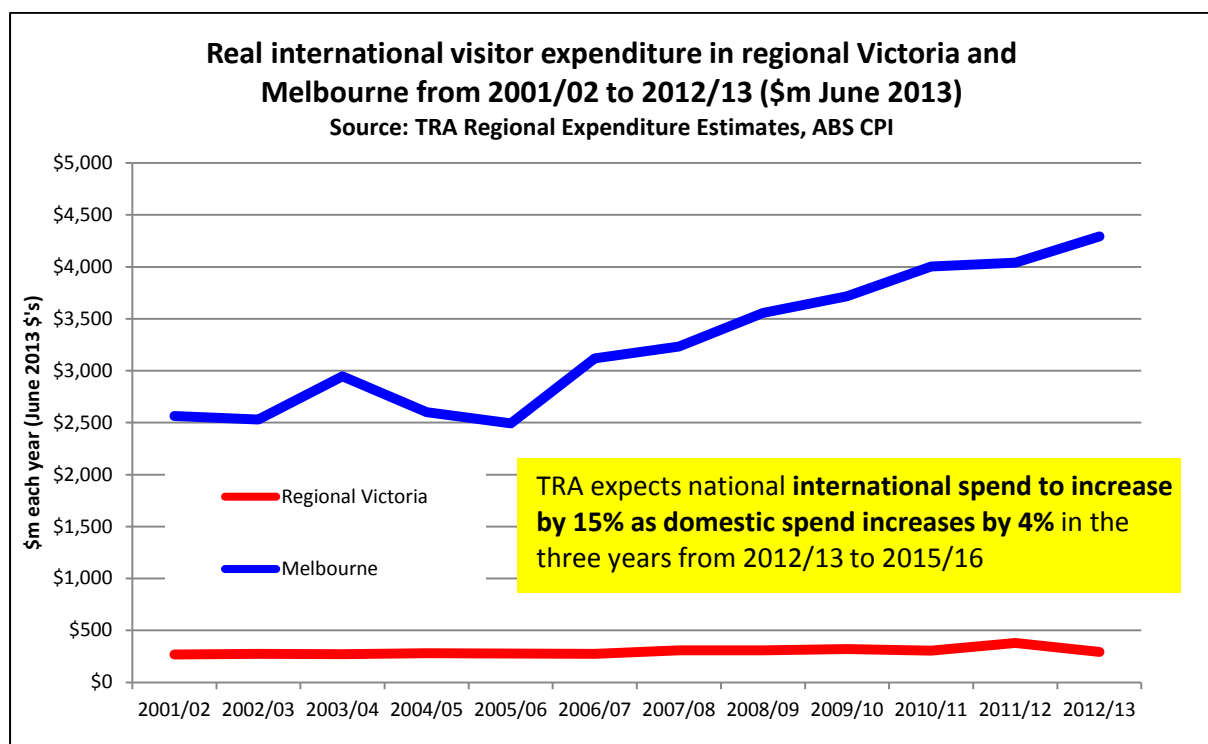


Figure 1: Real international visitor expenditure, regional Victoria vs. Melbourne, 2001/02 - 2012/13

The situation is no less stark when it comes to domestic visitation. Victoria runs a \$7.1bn annual trade deficit on domestic holiday travel,¹⁷ with many Victorians choosing to travel interstate or overseas, rather than travel within their home state.

VTIC-commissioned research also found that, despite receiving much less expenditure, regional Victoria is *more* reliant on tourism than Melbourne (Figure 2, over page):¹⁸

¹⁷ Report from Karl Flowers, Decisive Consulting, to VTIC, 2014

¹⁸ Ibid.

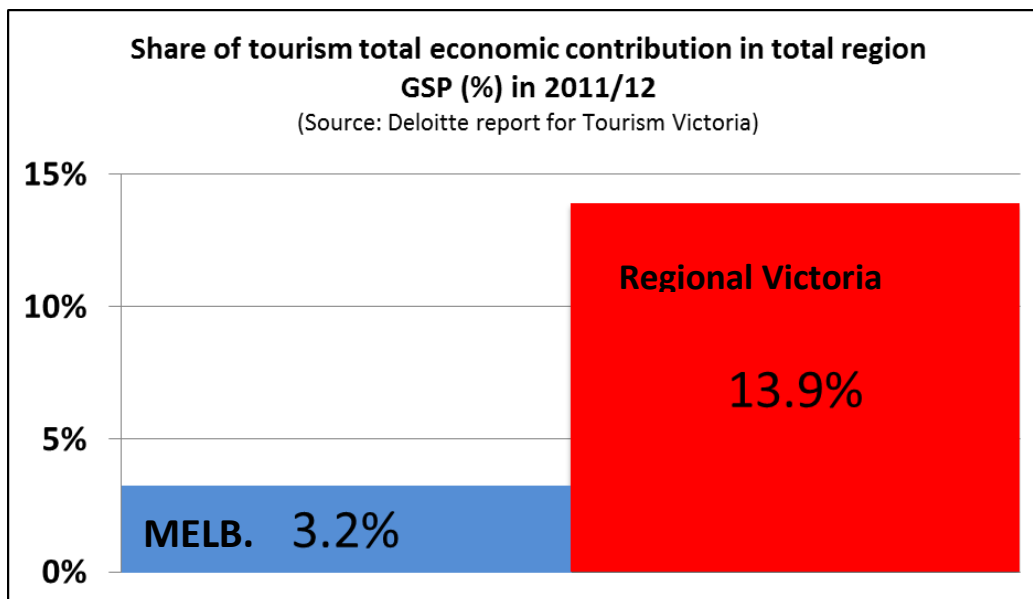


Figure 2: Share of Region GSP

Even with relatively low visitor expenditure, the fact that tourism remains a key driver of regional economic activity further highlights the need to grow both visitation and spending in regional destinations. Tourism’s contribution to employment is especially significant in regional Victoria, accounting for 6.3 per cent of jobs in regional Victoria in 2011/12, compared with 3.4 per cent of jobs in Melbourne in the same period¹⁹.

The significance of tourism in regional Victoria is well-illustrated by Phillip Island, the region with the greatest reliance on tourism.

Case Study: Phillip Island Nature Parks²⁰

Phillip Island’s key attraction, Phillip Island Nature Parks (PINP), enjoyed a record performance in 2013/14, with a total visitation of 1,224,057, including 575,476 visitors to the Penguin Parade alone. PINP’s visitation is 56 per cent international, 35 per cent of which is Chinese (170,000). Of the 46 per cent domestic visitation, the majority (82 per cent, or 319,000) is from within Victoria. PINP’s annual economic contribution to Bass Coast Shire is \$140.1m (direct and indirect economic activity, as at 30 June, 2014).

As at 30 June 2014, if PINP were to cease operations, the foregone economic impact to the Victorian economy would be:

- \$151.8m direct economic impact
- \$402.5m (direct and indirect economic activity)
- 1,753 full-time equivalent jobs (PINP is the largest employer on the Island, employing 250 employees directly)

The key challenges in addressing this fundamental issue of visitation and expenditure in regional Victoria include:

¹⁹ Ibid.

²⁰ Phillip Island Nature Park, “Overview 2013/14 and Key Projects”

- attracting investment for developing new product;
- increasing length of stay;
- leveraging major and business events;
- encouraging Victorians to (re-)discover their own state;
- attracting emerging segments of the international market;
- re-attracting traditional international markets;
- improving visitor servicing; and
- resolving the problems of skills and labour shortages.

Attracting investment and developing new products

Increasing visitor numbers and visitor expenditure is entirely dependent on providing visitors with reasons to visit, activities to do and goods and services to purchase. Therefore attracting investment and new businesses into regional Victoria is essential. Notable projects that are currently underway in regional Victoria include the Point Nepean development; Arthur’s Seat Skylift on the Mornington Peninsula; proposed Phillip Island Penguin Parade expansion; and the Wildlife Art Museum of Australia (WAMA) project on private land in the Northern Grampians.

The Point Nepean and Arthur’s Seat Skylift projects in particular have encountered some significant hurdles, including community opposition and regulatory barriers, which will be familiar to the VVE Review project team. What should be highlighted and applauded is the vision and determination of the proponents of these tourism developments to persevere with their projects. Similar stories and experiences are shared by many other tourism entrepreneurs in Victoria. One success story is Peninsula Hot Springs.

Case Study: Peninsula Hot Springs

Peninsula Hot Springs was founded by brothers Charles and Richard Davidson. The inspiration for the project began when Charles visited several hot springs while living in Japan in 1992.

In 1997 the two brothers formed a partnership and they bought the 42 acre site on which Peninsula Hot Springs now stands. It took several more years of hard work to design the facility, secure the water licence, obtain a planning permit and drill a bore 637 metres underground to a plentiful aquifer of 54 degrees Celsius natural hot mineral waters.

Together with investor Norm Cleland and his family, the Davidson brothers then proceeded to build the Stage One Spa Dreaming Centre facility, which opened in June 2005. In December 2009, the second stage Bath House Centre opened, vastly increasing the number of bathing experiences on offer and providing an area for families.

Peninsula Hot Springs now receives 420,000 visitors per annum and employs 248 staff. It is open all year and has very little seasonality, with no more than 20 per cent variation in visitation between the busiest and slowest months of the year.²¹

²¹ Courtesy of Charles Davidson, founder Peninsula Hot Springs; also sourced from <http://www.peninsulahotsprings.com/home/about-us/our-story-so-far>

Peninsula Hot Springs is now a hero attraction in Victoria that is largely the result of private investment, great personal and financial commitment, and sheer perseverance - eight years from initial purchase of the site to the opening of the first stage facility is a long time! This is the calibre of tourism product development and investment that is required throughout Victoria to assist in achieving the 2020 targets. But based on the Davidsons' experience, even if similar tourism projects were to be commenced this year, none would be completed or operational until 2023. Tourism may well be unique in that it does seem to attract entrepreneurs who are not only interested in a commercial return, but also genuinely passionate about their projects; it is this passion that allows them to persist in the face of hurdles, barriers and delays that undoubtedly deter other investors. But the industry cannot rely on enthusiasm alone. Tourism entrepreneurs must be supported by appropriate government policies that recognise the value and potential of the visitor economy and that enable suitable projects to proceed efficiently.

Agricultural tourism, or 'agri-tourism', also represents a growth opportunity for new product, but it still lacks recognition as a legitimate and lucrative supplement to more traditional farming activities. VTIC believes that recognition of tourism as a major economic driver should also be reflected in planning policy language. The transition of the Victorian economy from a goods-based economy, reliant on manufacturing and primary produce, to a services-based economy has seen traditional sectors such as farming evolve into niche segments such as farm-gate tourism, and led to initiatives such as 'Wine Food Farmgate' on the Mornington Peninsula, which links the Mornington Peninsula's food and wine offer with its growing agri-tourism businesses.²² This initiative helps drive off-peak visitation and is an effective collaboration featuring 64 regional producers and tourism businesses.

A study into agricultural tourism and food tourism by the Australian Bureau of Agricultural and Resource Economics – Bureau of Rural Sciences highlights the economic impact for farmers who have diversified their business to incorporate tourism:

"Agritourism and food tourism enterprises can allow farmers to increase their farm-related income, through various forms of enterprise. Enterprises may feature or add value to traditional food and fibre products. Alternatively, some may have little to do with agriculture directly and provide recreation, nature-based, or educational experiences and products. Some can be labour and resource intensive, while others require few inputs. They can operate seasonally or year-round. They all have a common theme: they help farmers stay on the farm... [The survey findings revealed that] income from agritourism was generally 'supplementary' rather than fully supportive; however, 21 per cent of survey respondents reported earning over 90 per cent of their income from agri-tourism."²³

This demonstrates the impact of tourism at both a micro- and macro-economic level. At a time when income from primary industry is declining and depopulation of rural and regional areas around Australia is creating pressures on capital cities and regional centres, agri-tourism provides a means for farmers to stay on the land, as well as an opportunity for local employment.

²² www.winefoodfarmgate.com.au

²³ Ecker, S, Clarke, R, Cartwright, S, Kancans, R, Please, P and Binks, B., p. iii, 2010, *Drivers of regional agritourism and food tourism in Australia*, Australian Bureau of Agricultural and Resource Economics – Bureau of Rural Sciences

Related to agri-tourism is an initiative undertaken by the Melbourne Food and Wine Festival, called “Put Victoria on Your Plate”, which simply encourages the use of locally grown and produced food and beverages at MFWF events. VTIC, together with the Victoria Events Industry Council, has been working to encourage the adoption of a similar policy across more major events, understanding that implementation may be limited in some cases, such as the Australian Open, when significant long-term commercial arrangements are in place. Nevertheless, the initiative merits further consideration by government, as it would certainly boost engagement with the Victorian agricultural sector and could lead to new avenues of business for local farmers.

Another area for developing new products and experiences lies within the events sector. Whilst Victoria is known for its calendar of major events, the industry sees a sizeable opportunity in securing and nurturing unique, home-grown small to medium sized events for Victorian communities. Medium scale sporting, cultural and special interest events help draw visitors to Victoria’s regions. Such events are often overlooked due to our focus on ‘major events’ but would generate significant spending and create jobs for communities across Victoria. VTIC’s research shows that such a strategy, coordinated and conducted by a dedicated sales team and supported with an annual budget of \$2 million, would generate over \$50 million in visitor expenditure per year²⁴.

Increasing length of stay

Investment in new accommodation stock is especially important, as increasing length of stay requires high quality accommodation options with a range of price points. There has been some new accommodation stock opened in regional Victoria in recent years; however these have only been accomplished due to some mitigating circumstance. The Schaller Studio, an Art Series Hotel in Bendigo opened in May, 2014, as part of the \$640 million Bendigo Hospital redevelopment. The Vibe Hotel Marysville also opened in 2014, funded in part through bushfire recovery funds. The RACV Torquay Resort opened in 2013 and like other tourism developments, the project encountered many hurdles in the process but is now operating with high occupancy, reflecting demand for such a facility in that location.

Other accommodation projects currently in planning include Edgewater Yarra Valley at Warburton and the expansion of RACV Cape Schanck Resort. Again, these are experiencing some delays and challenges. If an industry stalwart such as the RACV, which is well-resourced and has a well-established brand, experiences difficulties with its projects, what chance do smaller enterprises have of establishing or expanding businesses?

A facilitative approach can be seen in Corangamite Shire, which has recently launched its ‘C30’ masterplan, identifying areas within the Shire deemed suitable and approved for tourism development. It is too soon to assess the success of this approach, but it is hoped that it will be a catalyst for tourism infrastructure development in the region and potentially a model approach that other local governments can adopt.

Leveraging Major and Business Events

Melbourne’s major events program is strong but there is considerable scope to leverage this strength to drive visitors into regional areas, or to host related events in regional destinations. Some

²⁴ Report from Karl Flowers, Decisive Consulting, to VTIC, 2014

good examples include the Australian Grand Prix Corporation staging the Moto GP at Phillip Island; the hosting of international teams in regional centres for the Asian Cup tournament; and the Melbourne Food and Wine Festival (MFWF).

Case Study: Melbourne Food and Wine Festival²⁵

Now over 20 years old, the Melbourne Food and Wine Festival has become a truly state-wide affair, with events taking place throughout regional Victoria. It achieves significant leverage from its \$1.6 million funding, with its economic contribution valued at an average of \$7 million per year over the past 5 years.

A significant amount of regional content is included within the program, however MFWF do not currently receive funding to create a dedicated marketing and communications plan to promote these events. In 2014 MFWF met with all the Regional Tourism Board CEOs to establish an ongoing relationship. Key development areas identified as a result of the meeting included:

- Developing year round events and 365-day programming;
- Supporting existing large scale regional events and ensuring Melbourne Food and Wine is profiling a program of excellence to its audience, with a focus on quality control, to ensure the integrity of the Festival overall;
- Event evolution, exploring ways in which can support Regional Tourism Boards and regional businesses through knowledge, research, creative concepts, product development and event mentoring.

It is understood that having community support is especially important to the success of regional events. However, more needs to be done to raise community awareness of the benefits of major and business events, in terms of the flow-on effects to local communities. For example the Melbourne 2006 Commonwealth Games resulted in a legacy of facilities throughout Victoria.

There are also many opportunities to better leverage in business events to increase regional visitation. There are two main aspects to this: first, driving business events to be hosted regional Victoria; and second, encouraging business events delegates attending Melbourne-based conferences to visit regional Victoria.

Business Events Victoria (BEV) was specifically created for the purpose of bringing business events into regional Victoria. The Melbourne Convention Bureau also receives inquiries for regional conferences and works with BEV to facilitate these inquiries.

Case Study: Business Events Victoria

Business Events Victoria (BEV) is a not for profit, membership-based organisation that has been operating since 1996. BEV represents a collective group of conference venues, accommodation

²⁵ Source: N O'Brien, Melbourne Food and Wine Festival and <http://www.melbournefoodandwine.com.au/about-us/the-festival>

providers, local councils, regional tourism organisations and service providers which have identified the need for a coordinated and cooperative industry approach to the marketing and promotion of business events for regional Victoria. BEV's current membership as of 31 December 2014 is 90 businesses, representing approximately half of all active business events venues in Victoria.

In 2010, and again in 2014, BEV was successful in applying for a four year state government grant 'The Regional Victoria Business Events Program', which has enabled support for a business development role, marketing activities and increasing dispersal and yield. The funding for the current program is \$1.2million over four years. The program is funded by Regional Development Victoria (RDV) through the Regional Growth Fund and is administered by Tourism Victoria.

Estimated economic benefit to the Victorian economy: \$7.9 million, based on total leads confirmed (based on \$336 per delegate).²⁶ Business events in regional Victoria are important in addressing seasonality and low mid-week occupancy. They can also be a catalyst for return and repeat leisure visitation.

Room for Improvement: Funding was secured in May 2014 Budget but an agreement between BEV and Tourism Victoria was not finalised until October 2014, due to delays with the internal funding agreement between RDV and Tourism Victoria. This in turn delayed the commencement of programs in the 2014/15 financial year²⁷.

The second aspect, encouraging business events delegates attending Melbourne-based conferences to visit regional Victoria, certainly takes place but there is scope for improving the processes around this. For international conferences, central coordination through Melbourne Convention Bureau would be sensible as, through the lengthy conference bid processes (typically 6-9 years), MCB develops strong relationships with their clients, the conference organisers. On the supply-side, pre- and post- conference touring options, which are currently offered, could be better coordinated and the opportunity to participate in such programs could more widely communicated to industry.

Intrastate and interstate visitation

From a state marketing perspective, there has been a lot of focus on Melbourne as a destination, attracting regional visitors to the city; for example the 'Red Ball of String' and the 'Play Melbourne' campaigns. However, the reverse proposition – enticing Melburnians to regional Victoria – has great potential for the Victorian visitor economy, given the size and composition of the Melbourne market.

The potential of the intrastate market is significant and recent immigrants to Victoria (whether from interstate or overseas) in particular, present strong market potential for regional visitation. VTIC-commissioned research found that diverting just 10 per cent (or \$300 million) of the \$3 billion spent

²⁶ Tourism Research Australia 'State of the Industry 2012'

²⁷ Courtesy of C. Porter, Business Events Victoria

by Victorians each year on interstate holiday travel back into Victoria would lift overnight domestic tourist spend in regional Victoria by 7 per cent²⁸.

At VTIC's Program Launch on 20 February 2015 we were pleased to hear Minister John Eren confirm that Tourism Victoria is developing a \$7.5m campaign promoting regional visitation, based on the research undertaken by Tourism Victoria and presented at VTIC's Victorian Tourism Conference in July 2014. We look forward to seeing the campaign when it is launched in September 2015. However, broadly speaking, the industry would like to see a greater sense of urgency in the delivery of such campaigns, as delays result in missed opportunities. For example, the execution of a regional campaign ahead of the 80 Days of Melbourne program could have capitalised on the extraordinary volume of visitors to the state in this period.

VTIC research shows the value of expenditure in this kind of intrastate marketing. In 2014, we estimated that investing in such a campaign at a cost of \$12 million a year would generate over 2,300 jobs at the end of the two year period²⁹.

International markets

There are two aspects to international markets in relation to regional Victoria. The first is the well-documented opportunities presented by the booming Asian visitor economy. The industry is presented with a significant opportunity to prosper following the recently negotiated Free Trade Agreements with China, Korea and Japan. But although large in terms of visitor numbers, expenditure and growth projections, this market, and in particular the China market, is relatively immature, with a current predominance of group visitation and short itineraries that are reasonably limited in scope. Regional destinations such as Sovereign Hill, Phillip Island and the Great Ocean Road attract considerable China market visitation (albeit largely day trip), but the same cannot be said for regions further afield such as Gippsland, Grampians and the Murray.

The tourism industry generally is conscious of not repeating the mistakes made in Queensland with the Japanese group visitor market in the 1980s and understands that the China market in particular will mature much more quickly than did the Japanese market. Thus it is important to treat the China market with respect and develop itineraries, products and experiences outside of Melbourne that will appeal to this market, as a means of encouraging, and in anticipation of, repeat visitation as free independent travellers in the future.

The second aspect relating to international markets is the recent and ongoing recovery of traditional Western markets following the Global Financial Crisis. Western European and North American markets are crucial for growing visitation in regional Victoria because of their preference for nature-based tourism experiences and ability to travel for longer periods of time, relative to the new Asian markets. Simply put, in terms of international markets, Victoria should not put all its eggs in to the China basket.

In terms of international marketing, some members of the Victorian tourism industry have expressed concerns that Tourism Australia appears to be reverting to more traditional imagery of 'Reef, Rock and Harbour', meaning that Victoria as a destination is under-represented and under-

²⁸ Report from Karl Flowers, Decisive Consulting, to VTIC, 2014

²⁹ Ibid.

sold in the international market. If this is the case, it is essential that Tourism Victoria, as the State Tourism Organisation, is equipped to ensure that Victoria is appropriately represented in international campaigns. Tourism Victoria's international team has worked closely with industry to grow international tourism to the state, and this could be further expanded to include greater collaboration with the Regional Tourism Boards and potentially with other southern states.

This further highlights the need for Victoria to have a fresh and compelling visitor proposition and an accompanying whole-of-state campaign that sells our unique and differentiated visitor experience.

Visitor servicing

Great service underpins a great visitor experience. In the context of an accredited Visitor Information Centre (VIC) it can also help increase visitor expenditure.³⁰ Currently there are 72 accredited VICs throughout Victoria, typically staffed and funded through local government, although there are variations to the operating model. The accreditation is supplied via the Australian Tourism Accreditation Program, which also accredits a wide range of tourism businesses and is a national accreditation program. The yellow italicised "i" logo on the blue background is the symbol used by accredited VICs nationally and in Victoria that trademark is owned by Tourism Victoria and currently managed by VTIC, along with a VIC Reference Group.

Recently the VIC model has been come under scrutiny, particularly from local governments who bear the operating costs, and in light of the predominance of and increasing consumer preference for sourcing destination and visitor information online, from a range of mobile devices.

VTIC believes that VICs play an important role, not only as part of the visitor experience, but also within the local communities they service. VICs are also now recognised as a key part of the communications network in the event of emergencies and natural disasters, particularly in regional Victoria. In some instances VICs could be better utilised in engaging local communities with events and other tourism activities and in terms of engagement with both destination and state-wide marketing activities. They are also a useful source of front-line visitation data.

In 2012-13, the City of Melbourne undertook research into the "Visitor Information Journey", to better understand visitors' information needs, including their preferred timing to receive and consume information, and their preferred channels of information technologies, ranging from traditional face-to-face services, word-of-mouth, and printed collateral through to standard online sources and emerging digital channels.

A key finding was that prior to undertaking their journey, visitors preferred to use digital sources of information (e.g. Google searches, TripAdvisor, government websites, etc.) but on arrival at their destination, visitors then sought traditional sources such as face-to-face (whether in VICs or staff in their accommodation), maps and other printed material³¹.

It may be useful for the state government to replicate this research in regional destinations to gain a better understanding of visitor information and servicing needs to regional Victoria that could

³⁰ Urban Enterprise, *VIC Futures Report*, commissioned by VTIC, 2013

³¹ Nitty Gritty Insights and Research, *Visitor Information Journey Insights*, courtesy of City of Melbourne, 2013

inform a strategy to improve the service delivery model, the visitor experience, and the leveraging opportunities for the visitor economy more broadly.

Skills and labour shortages

As the tourism industry continues to grow and businesses compete within the Australian and international markets, it is clear that skilled staff can make the difference for business in terms of productivity and the customer experience. In Victoria, many tourism, events and hospitality professionals have come through the TAFE and VET systems, but recent reforms in the sector have now seen some significant declines in tourism enrolments. If this trend continues it will exacerbate the already long-standing skills and labour shortages experienced by the tourism, events and hospitality industries. Despite some proposed reforms to the skilled migration visa program, and mooted changes to the Working Holiday Maker visa program, these cannot and should not replace high quality local education and training.

In 2012 the Federal Government instigated a pilot project called Tourism Employment Plans, examining employment needs in destinations highly reliant on tourism. In Victoria the chosen destinations were Mornington Peninsula and Phillip Island. It was found that by 2015 there would be a projected shortfall of over 450 tourism and hospitality workers in the region³². The research also found that challenges facing tourism and hospitality businesses in the region include:

- Housing affordability;
- Penalty rates;
- Working Holiday Maker visa restrictions;
- Challenges with Jobs Services Australia employment service providers; and
- A lack of public transport options³³.

It is fair to assume that other regions of Victoria face some, if not all, of the same challenges, to varying degrees. Ideally, the TEP program would be rolled out across all of Victoria to accurately ascertain the skills and labour issues specific to each region. However, the National Tourism Alliance has expressed concern that there is no industry oversight of, or input to, the roll out of the remaining TEPs (two were scheduled to commence this year in Canberra and Tasmania). There are also concerns about the sustainability of the program overall without funding support. At the time of writing, VTIC is uncertain what actions, if any, have been taken to address the shortfall of 450 workers projected for this year.

At a State level, Tourism Victoria developed a Workforce Development Plan; however, as noted in the 2013 Victorian Auditor-General's Report on Tourism Strategies, this was significantly delayed in its implementation³⁴.

³² Austrade, *Tourism Employment Plan: Developing a sustainable tourism and hospitality industry workforce for the Mornington Peninsula and Phillips Island*, 2014 via <http://www.austrade.gov.au/Tourism/Policies/National-long-term-strategy/Working-groups/Labour-and-Skills/Tourism-Employment-Plans#MPP1>

³³ *ibid*

Recommendations

- State Government to continue to play an active role in retaining hallmark major events and supporting Victoria’s business events strategy by increasing investment in strategic infrastructure (such as the MCEC expansion) and funding to attract a broader range of major and business events.
- State Government to stimulate private sector investment and recognise genuine industry partnerships to fast track product development through appropriate and supportive policies by all levels of government.
- Invest in consumer research into visitors’ information needs to inform a state-wide strategy to improve the service delivery model and the visitor experience.
- Improve visitor experiences, as well as efficacy of state-wide and destination marketing activities, with the aim of doubling the proportion of international visitor expenditure in regional Victoria compared with Melbourne by 2020.

III. Strategy and management practices – benchmarking competitors

The diverse composition of the visitor economy is reflected in its governance structures. Although primary responsibility for tourism and events sits within the relevant ministerial portfolio and with Tourism Victoria, the areas of Education and Training, Creative Industries, Transport, Environment, Planning, Local Government Infrastructure, Major Projects, and Sport and Recreation all play role in the visitor economy and must therefore be considered in the overall governance structure of the sector.

VTIC advocates for greater recognition of the visitor economy within these areas, as well as improved coordination across relevant departments and more independence, flexibility and responsiveness for functions within Tourism Victoria. Previous efforts for whole-of-government reforms in Victoria, in relation to tourism have struggled. As noted by the Victorian Auditor-General’s Office (VAGO), “the lack of a comprehensive whole of government plan or an overarching body to manage cross-government implementation meant that [Tourism Victoria] did not make as much progress on broader-based multi-agency³⁵.” Practical examples of this include the ongoing challenges of getting new investment in national parks (despite the 2013 changes in legislation) and the issues of the Myki system for visitors.

Developments in Queensland in the last two years highlight how co-ordinated industry and government action can change the tourism policy framework, with tourism becoming one of the four economic pillars in that state. The following is an example of one strategy arising from the elevation of the importance of tourism within government:

³⁴³⁴ Victorian Auditor-General’s Report – Tourism Strategies, 2013, p. 23, via www.audit.vic.gov.au/publications/20131212-Tourism-Strategies/20131212-Tourism-Strategies.pdf

³⁵ Victorian Auditor-General’s Report – Tourism Strategies, 2013, p. x, via www.audit.vic.gov.au/publications/20131212-Tourism-Strategies/20131212-Tourism-Strategies.pdf

Case Study: Nature-based tourism in Queensland

Queensland Parks and Wildlife Service (QPWS) is partnering with the tourism industry to ensure nature-based tourism continues to thrive. As a demonstration of desire to engage with the tourism and broader business community they invited suitably experienced individuals and organisations to submit proposals for developing privately owned, low impact, purpose-built ecotourism infrastructure on national parks through a competitive [expression of interest \(EOI\) process](#)³⁶

Queensland recognises that its parks and forests underpin the state's thriving nature-based tourism industry, attracting millions of international and domestic visitors each year and contributing billions of dollars to the Queensland economy. Tourists visiting Queensland's national parks spend \$4.43 billion annually—28 per cent of all total tourist spending in Queensland.

Over 400 licensed tourism operators provide opportunities, through their products and services, for visitors to experience the outstanding natural and cultural heritage values of Queensland parks and forests. Queensland's protected areas also support many popular tourist resorts and a wide variety of businesses that rely on tourism.

In comparison, Victoria currently attracts a higher level of visitation to our parks than Queensland and has permits with over 350 tour operators and activity providers; however our visitors spend less while having this experience, due to a lack of on-park infrastructure and supporting amenities and facilities in surrounding areas. For example, the Great Ocean Road, and specifically the 12 Apostles, attracts in excess of 2 million visitors per annum. However the lack of facilities and attractions in the vicinity of the 12 Apostles means that there is little to no leverage of this remarkable visitation. Day-trip visitors to the area spend on average 34 minutes viewing the 12 Apostles before returning to Melbourne.

Work is currently underway on the Shipwreck Coast Masterplan to address this, but there are strong concerns from parts of the tourism and transport (coach and tour bus) industries that the Masterplan does not adequately utilise the long-established brand name of the 12 Apostles, and that portions of the Masterplan will in fact diminish the visitor experience at the 12 Apostles.

There is without doubt significant scope for the Victorian government to work in partnership with industry to nurture and deliver outstanding new visitor experiences, particularly in the area of nature-based tourism.

Another interesting Australian example of partnership strategies include the Western Australia Department of Sport and Recreation and Lotterywest partnership to deliver grants for trail planning, construction, upgrades to existing trails, and promotion and resources³⁷. This funding source, generated partly from outside of government assists in developing trails with grant amounts of \$25,000 available for projects, which generally result in visitor and local benefits.

³⁶ <http://www.npsr.qld.gov.au/tourism/ecotourism/investments.html>

³⁷ <http://www.dsr.wa.gov.au/funding/trails>

Another area in which other states have led the way is improving the digital presence of tourism businesses. The Australian Tourism Data Warehouse (ATDW) is the central content and distribution platform for the Australian tourism industry and lists more than 35,000 tourism products.

VTIC research undertaken in 2013/14 found that New South Wales had more than double the number of tourism listings on the ATDW than Victoria³⁸. Victoria is one of only two Australian states that do not subsidise the cost for operators to get listed on the ATDW. For a relatively modest investment of \$2 million per annum, funding this initiative VTIC estimates that this would generate \$50 million in additional visitor expenditure³⁹.

A useful international example of a national tourism structure can be found in the United States. The following case study is drawn from an article by Darren Walls, of VTIC member the Grollo Tourism and Leisure Consulting⁴⁰.

Case Study: Brand USA

Key insights into a nation's tourism development can be drawn when using the United States as a case study. In the late 2000s, the US faced declining market share, largely because of the focus on security after September 11. Unlike Australia, the US did not have a funded national tourism marketing organisation, although it did have some of the world's most recognised products – New York, Las Vegas and the Disney theme parks to name a few.

The US economy was devastated by the GFC and, due to necessity, the US rediscovered tourism as a key economic driver, implementing the *Travel Promotion Act* of 2009 that created the public-private partnership Brand USA⁴¹. In 2012, to ensure a balance between promotion and product, government and industry, President Obama implemented an interagency taskforce, comprised of Brand USA and the industry member committee the Tourism Policy Council. The results of these initiatives have been outstanding, with tourism adding an additional \$US7.4 billion to the US economy in 2013 alone and the US becoming a global leader in travel visa processing.

The lessons from the US model are clear – leadership must come from the top to ensure there is a whole-of-government approach, industry partnerships, understanding and support for tourism. The United Nations World Tourism Organization (UNWTO) and World Travel & Tourism Council (WTTC) are unequivocal on this point and have communicated it through their open letter to heads of government.

A diagram of the USA tourism structure is included in Appendix B.

So far we have highlighted gaps in Victoria's current strategies to the visitor economy and offered examples of alternative approaches to driving tourism planning and investment that have been

³⁸ Report from Karl Flowers, Decisive Consulting, to VTIC, 2014

³⁹ Ibid.

⁴⁰ The article was originally published in VTIC's *Tourism Excellence* magazine, Vol. 4, No. 2, summer 2015, p. 13

⁴¹ Brand USA is currently entitled to receive a maximum of \$100 million per year in matching funds through September 30, 2015, with these funds coming from a \$14 fee paid by international visitors as part of the [Electronic System for Travel Authorization](#) program.

successful elsewhere to illustrate there is a better way. But what evidence is there to suggest that the current strategies are inadequate?

When considering tourism investment, the best, recent example we can find is in the Conde Nast Traveler (US) Readers' Choice Awards 2014. With over a million votes from nearly 77,000 readers, the following six Luxury Lodges have appeared in the Australia and New Zealand Top 10.

- #1 [Southern Ocean Lodge](#). Kangaroo Island, South Australia
- #2 [qualia](#). Hamilton Island, Queensland
- #3 [Saffire Freycinet](#). Coles Bay, Tasmania
- #7 [Capella Lodge](#). Lord Howe Island
- #8 [Lizard Island](#). Lizard Island, Queensland
- #9 [Longitude 131](#). Yulara, Northern Territory

Similarly, in the Conde Nast Traveller UK Readers' Choice 2014 Awards, there were also six Luxury Lodges appearing in the Top 20 for Australasia and South Pacific:

- #2 [qualia](#). Hamilton Island, Queensland
- #3 [Southern Ocean Lodge](#). Kangaroo Island, South Australia
- #6 [Lizard Island](#). Lizard Island, Queensland
- #7 [Saffire Freycinet](#). Coles Bay, Tasmania
- #15 [Longitude 131](#). Yulara, Northern Territory
- #17 [Emirates Wolgan Valley Resort and Spa](#). Blue Mountains, New South Wales

Notwithstanding that these are just two subjective consumer surveys, Victoria is notable for its absence of top ten or top 20 representation, and there is one simple explanation for this - we do not have any comparable properties in our state.

Recommendations

- Government to establish a clear vision and goals for tourism and event priorities, endorsed by Cabinet, which is reflected in the strategies of all relevant departments to achieve coordinated outcomes across portfolios.
- Establish a 'Coordinator-General' or Commissioner function to oversight effective integration and implementation of visitor economy initiatives and strategies across departments.
- More coordinated engagement in tourism industry partnerships to leverage the benefits from Victoria's competitive advantages, specifically in events, nature-based and cultural tourism, agri-tourism and international education.
- Development and implementation of a state-wide visitor economy digital strategy to increase online representation of Victorian tourism products, experiences and services, and to enhance Victoria's online presence as visitor destination.

IV. Leveraging the tourism, events and creative industries sectors

Specifically, point (iii) in the Terms of Reference for this Review seeks to:

Examine and recommend how to better leverage Victoria's current best practice approaches to co-ordinating the branding and economic benefits across the different segments of the tourism, events and relevant elements of the creative industries sector, taking into account related marketing activities such as Study Melbourne.

This would assume that there is currently coordination of branding and economic benefits across sectors of the visitor economy, and that this is taking place at the level of best practice. The experiences and observations of industry stakeholders suggest otherwise.

Much government-based activity relating to the visitor economy has taken place without sufficient cross-departmental coordination and there is still a need for improved coordination between government and industry. This has led to missed opportunities, inefficiency and duplication of effort without achieving maximum benefits.

Examples include investment of time and effort in the development of strategies that are unfunded and therefore had no possibility of being delivered, sometimes leading to repetition of the same efforts by industry in order to fill the gaps; inefficient execution of programs requiring cross-departmental participation; development of policies in one portfolio, without appropriate consultation, leading to unintended negative consequences in another sector; and duplication rather than streamlining of effort in industry development initiatives.

As already noted, the visitor economy operates best through the joint efforts of both the public and private sectors. Victoria has had a reputation for successful collaboration in delivering major sporting and cultural events. Examples include Melbourne 2006 Commonwealth Games, the 2007 FINA World Championships, international movie projects filmed in Victoria, many theatre productions including *Wicked*, *Lion King*, *Dirty Dancing*, *Les Miserables* and *Strictly Ballroom*, 2010 UCI Road World Championships in Geelong, Bruce Springsteen at Hanging Rock in 2013, White Night, 2014 AIDS conference, and ICC Cricket World Cup 2015.

But there is still room for improvement, especially with regard to the engaging with 'non-traditional', unrecognised or under-appreciated contributors to the visitor economy. The following case studies provide insights into three such examples.

Case Study: Great Victorian Bike Ride

The Great Victorian Bike Ride (GVBR) is run by Bicycle Network and is now over 30 years old. In recent years the event has attracted 4,000 – 6,000 participants, taking them through an extensive route through different parts of regional Victoria – a great example of regional visitation en masse. After so many years, the GVBR is now returning to regions previously travelled and visited. The nature of the rides means that Bicycle Network must work closely with several local councils for each ride.

According to the organisers, the rides which have worked best are those where the councils already have good working relationships with their neighbours. Recent examples include:

2012 – The ride through Gippsland went smoothly because the participating councils had a working group formed. Those councils that had previously been involved in the event helped the newcomer councils to work through the processes and approvals required and eased concerns as they arose.

2014 – Tourism North-East, a regional tourism board, was very helpful, working together with the participating local governments to promote the event. Funding from each was pooled to promote not just the GVBR but cycling generally in the North-East, including the 7 Peaks Ride and the Great Victorian Rail Trail.

This year, the local governments in Ballarat and Bendigo are working together and co-funding the GVBR in their regions, recognising the marketing and visitation opportunities of the event.

Where this coordination and cooperation does not exist, Bicycle Network has to work individually with each council in the event region (i.e. duplication of effort) and the results for the host destinations are mixed, due to lack of coordination and collaboration⁴².

Bicycle Network does not receive state government funding for this event and, whilst it has some good relationships with the regional tourism boards in the relevant GVBR region, there is currently no formal relationship with Tourism Victoria to promote this event.

Similarly, the Australian Football League (AFL) does not have a formal relationship with Tourism Victoria. It does, however, have a partnership with Virgin Holidays and through this has developed the “Any Game, Anywhere” campaign, encouraging fans to travel to interstate games. The AFL is one of the largest drivers of intra- and interstate visitation in Victoria and therefore, arguably one of the largest players in the state’s visitor economy.

Case Study: Australian Football League

In 2014:

- The AFL’s total economic contribution to Victoria in 2014 was \$2,866,249,000.
- The economic impact of Grand Final day was \$34.8 million
- The AFL industry provided employment for 2,334 full time staff, 1,738 part time staff and 7,407 casual staff, a total of 3,343 jobs.
- The net-economic contribution to Melbourne from the attendance of the interstate teams, interstate visitors and intrastate visitors was \$224.7 million
- Melbourne received 95,991 travellers directly related to football and they took a total of 248,858 bed nights⁴³.

The third example comes from the manufacturing sector.

⁴² Source: Bicycle Network

⁴³ Source: Australian Football League

Case Study: The Caravan Manufacturing Industry

Victoria hosts the largest proportion of the nation's caravan manufacturing. The importance of this sector is demonstrated each year when 120,000 people attend huge annual caravan and camping shows, of which two are held in regional locations.

In March 2015, Victoria hosted the world and national recreational vehicle conferences in Melbourne, attracting more than 400 international delegates. These events profiled Victoria's reputation more broadly, as well as the jobs generated in the sector.

The caravan manufacturing sector contributes very strongly to tourism; however in reality it engages more closely with, and receives more support from the transport sector. The caravan manufacturing sector would appreciate the opportunity to engage more closely with the tourism and events sector.

Traditionally, tourism has engaged more with the Caravan Park sector, but less so with the caravan manufacturing sector, which is one of Victoria's primary manufacturers and which also plays a role in connecting people in Melbourne with regional destinations⁴⁴.

Unfunded Strategies

There is no better example of missed opportunity than the strategies developed by Tourism Victoria, which have been developed but lack the funding necessary to enable their delivery. These unfunded strategies include the Victorian Trails Strategy (launched in July 2014 with a brochure and later, a website, but with no funding for actual trail planning and construction); the Motorcycle Tourism Strategy; the Nature-Based Tourism Strategy which was very promising, but not funded beyond Phase One; and the Accessible Tourism Plan. Although in the case of the Motorcycle Tourism Strategy, the rationale for its development remains unclear.

In addition to the unfunded strategies, there are implemented strategies which require assessment, review and/or renewal. For example, the VAGO found in 2013 that "[Tourism Victoria] has not completed a full review of the 2006 strategy and needs to do so to adequately inform government about how to best manage the risks for the 2013 strategy."⁴⁵ This process of assessment and review must be timely and efficient, or we risk falling further and further behind, at a time when visitor and consumer expectations and trends, and digital-based business models are already developing and changing with increasing speed.

In the same vein, VTIC is concerned about the lack of progress around some tourism initiatives introduced via the now-defunct Office of the Red Tape Commissioner. As an example, prior to the 2014 State election, changes in relevant legislation were being drafted to facilitate the recommendation to permit Segways in certain public areas; however it is now not clear whether these changes will proceed. VTIC understands that a second tranche of recommendations had also been worked through and were due to be announced, however the timing coincided with caretaker

⁴⁴ Feedback to VTIC from R Lucas, CEO, Caravan Trade & Industries Association of Victoria (CIA Vic.), VTIC member

⁴⁵ Victorian Auditor-General's Report – Tourism Strategies, 2013, p. 42, via www.audit.vic.gov.au/publications/20131212-Tourism-Strategies/20131212-Tourism-Strategies.pdf

mode and no further action was taken. We believe the regulatory reform work undertaken by the RTC was valuable, not just to tourism, but other industries and sectors and do not wish to see this become another example of missed opportunities.

The need for better policy development and implementation

Current regulation and regulatory structures in Victoria were largely developed prior to the tourism and events industry reaching its current level of maturation. The paradigms used to develop many of the current regulatory settings did not include consideration of the impact on the Tourism and Events sector due to the industry's relatively recent emergence as a key driver of Victoria's economy.

Tourism is an industry that has unique spatial characteristics in terms of land use and must be recognised as such by all levels of government and in particular as part of all planning and zoning regulation.

Tourism infrastructure development facilitation cannot be achieved via project funding alone. It requires a whole of government approach to real reform of regulations, systems and processes that currently create blockages to private and public sector development.

Government at all levels must adopt a 'Why Not' approach to the development of tourism infrastructure by both the private and public sectors. Too many government agencies currently have an effective right of veto over tourism infrastructure development, particularly in areas close to 'icon' natural landscapes.

Tourism regions, sub-regions and precincts must be established with regulatory structures in place that are empowered and primarily focused on the development and management of the tourism industry within these regions, sub-regions and precincts. The aforementioned Corangamite Shire 'C30' plan is an example of this. In particular, we must ensure that Local governments commit to a strategic endorsement of the visitor economy.

Furthermore, public land assets (upon which at least one strategy, the Nature-Based Tourism Strategy, relies) are deteriorating rapidly and the Parks Victoria funding level suggests that this will continue to occur. VTIC believes there is scope to examine how public land assets can be better leveraged to generate the funds necessary for public land assets to be maintained to an appropriate level and priority assets require investment to ensure both longevity and the best possible asset utilisation. The recent increase in camp fees indicates there is within government some recognition of this need also.

Red tape reduction is critical, particularly in nature based tourism sector. This also includes improving implementation of regulatory reforms and better facilitation of the processes associated with the development of tourism infrastructure, attractions and experiences on public lands and in regional Victoria more generally. The reforms to the Licensed Tour Operator regulations, which took a very long time to achieve, continue to cause difficulties for operators due to inconsistencies between the policy intent versus policy implementation.

Case Study: Licensed Tour Operators and multiple land managers

Local councils are required to follow the state government legislation which requires the licensing of all tour operators. There is currently a situation where one local council now issues licences to six tour operators (who are already deemed 'Licensed Tour Operators' through the scheme administered by Parks Victoria). Land managers can either choose to provide licences on application or via a competitive process.

This end result is a situation where a single tour operator can potentially pay five times over for a single passenger on a Great Ocean Road tour if they visit other sites en route that also require a licence, e.g. Bells Beach and other crown land sites. This also creates a lot of paperwork, five times over, for both the operator and the land managers.

Despite all the administration, it is still difficult to police unlicensed operators, and this in turn results in increased congestion at popular sites and other problems such as disturbances to parking and more litter.

Another instance where a policy initiative has had unintended consequences in the Myki Free Tram Travel Zone, introduced on 1 January 2015. This was initiated to relieve the problems experienced by visitors, in particular, relating to the purchase and use of the Myki card. And indeed, anecdotal feedback from VTIC accommodation sector members has indicated that guests have responded well to the free tram zone. However, the cost of this initiative has led to a proposed reduction in the iconic City Circle Tram service (also free), with services to Docklands to be reduced. This has raised concerns from VTIC members located in Docklands. It also puts to waste the work done to create the Myki Visitor Pack, launched in 2012, which was designed by government in conjunction with the tourism industry, specifically for visitors.

As well as developing and implementing state policies which support and enable the visitor economy, the Victorian government can also play a role in supporting federal policies which would benefit the Victorian visitor economy. An example is the Tourist Shopping Reform proposal (see case study below) which requires the support of all states and territories in order to proceed at federal level.

Case Study: Tourist Shopping Reform (TSR) Proposal

VTIC is part of a nation-wide group that supports a proposal to transfer the administration of the Tourist Refund Scheme (TRS) from Federal Customs to private providers. Doing so would bring Australia up to a service level similar to many destinations in Europe and Asia, and would be an incentive for retail spending. It would also complement other proposed streamlining initiatives such as the simplification of visa processing for Chinese visitors – easing and improving the travel experience at either end of the journey.

Retail shopping is particularly important to Victoria's economy, and is a popular activity for visitors to our state. The enhancements brought about by TSR proposal would further cement Victoria as a premier shopping destination. This is especially important as competitor destinations such as

Singapore offer increasingly sophisticated systems that put shopping at the centre of the visitor experience.

Furthermore, the scheme applies not only to the Goods and Services Tax (GST) but also the Wine Equalisation Tax (WET) for purchases of over \$AUD300.00. This is of great significance to Victorian wine growers who are heavily engaged in tourism and could certainly leverage this administrative change to the benefit of their cellar door sales. This would also have positive impacts across regional economies. We believe the TRS proposal would both complement and augment the Victorian Government's Wine Tourism and Cellar Door Strategy. Furthermore, better-integrating the TRS into the retail visitor experience will enable greater utilisation of payment options such as *Union Pay*, recently rolled out to many small cellar doors and other retailers across Victoria.

Recommendations

- Review the 'Jigsaw' strategy and re-balance marketing efforts: increase investment in regional Victorian tourism, which is currently low compared to Melbourne.
- Development and implementation of state policies, and endorsement and facilitation of federal policies which support and enable the visitor economy.
- Ensure appropriate funding of strategies that will assist in the achievement of the Tourism 2020 goals.
- Increased government funding of RTBs and Destination Melbourne to be dependent on a commitment to increasing collaboration with complementary sectors, such as international education, sports, caravan, business events, agriculture, roads and public transport, appropriate to each region.
- Enhance the connection between government funded hallmark events and local Victorian producers, manufacturers and businesses.
- Generate the greatest marketing impact for Victorian destinations from the combined investment of state and local governments and industry. Specifically, ensure that local governments commit to a strategic endorsement of the visitor economy.
- Adopt the 'Visitability framework' across the state to increase visitor satisfaction and length of stays, and promote improvement of visitor services and experiences as an enhancement of community life as well.

V. Areas of improvement to maximise the benefits from the visitor economy

The visitor economy is well placed to contribute significantly to broader policy objectives of investment attraction and export growth. The power of the visitor economy is that new services continually evolve from existing services, driving competition, improving quality and encouraging innovation. The tourism and events industry has many multipliers. It supports and contributes in many ways to other industries – education is just one example, and there are many others.

An example of this is the relationship between international education and tourism. It is now well-understood that the international education sector, another significant service export for Victoria, stimulates a significant amount of visitation by the friends and relatives (VFR) of foreign students who choose to study in Victoria. As well as the additional international visitation, there are now some programs designed to improve the international student experience of Victoria and provide opportunities for cross-cultural exchange and further expenditure in our state. These include the AFL's programs to introduce Aussie Rules to international students; the City of Melbourne's Welcome to International Students Program; and the State Government's Study Melbourne and Culture Card programs. And there is further scope to market to the international student segment and their VFR and engage them in intrastate travel. The recognition that international education and tourism are not only related, but also mutually complementary, is vital to realising potential in both sectors.

The same flow-on and reciprocity of benefits can also be observed within the operations of a private sector business. VTIC member FH Hospitality provides a job placement service for Asian students in the tourism and hospitality sector. On a small scale, this business demonstrates how a coordinated and facilitated approach produces benefits to students, employers, and the visitor economy as a whole.

Case Study: A virtuous circle of learning and service within the visitor economy

FH Hospitality was founded in 2001 and offers a job and internship placement service to students from South Korea, Taiwan, Japan and Hong Kong. The benefits of its programs are that:

- Students gain vital experience in leading local tourism and hospitality businesses. They experience living and working in Victoria, and gain new professional and social skills.
- Victorian tourism and hospitality employers receive the benefit of dedicated bilingual staff, whose language skills and cultural insights enable the business to better cater to the needs of visitors from Asian markets.
- The Victorian visitor economy benefits from the visitation and employment of the students, the improved service provided to other international visitors, and the positive word-of-mouth generated by the students who act as ambassadors for Victoria when they return to their home country.

This model of coordination and facilitation to achieve multiple benefits across the visitor economy is one that could be adopted on a much broader scale, with government playing a pivotal role.

The 2013 VAGO report on Tourism Strategies and industry experience and observations have indicated the need for better coordination and communication both within state government and between levels of government, in order to effectively progress broader-based or multi-agency initiatives. There must also be adequate resourcing to enable the effective implementation of strategies relating to the visitor economy, whether these program originate at state or federal level.

An example is the Federal Government's Demand Driver Infrastructure Programme. At the July 2014 Tourism Ministers' Meeting, Ministers endorsed a set of overarching principles and a funding mechanism for the new Tourism Demand-Driver Infrastructure (TDDI) Program. The Commonwealth

will provide \$43.1 million over four years to the states and territories⁴⁶ to implement the DDI program, with the aim that projects will align strategically with relevant state, regional and destination plans. The roll-out of the DDI program has been delayed due to disagreement between state and federal governments on the formula for allocating the funds. The program funding was to be spent in the 2014/15 financial year, with no provision to roll it over to the next financial year. At this stage, it is still not clear if this program can or will proceed. Furthermore, with the change of responsibility for the implementation process now placed with the states and territories, there is now no avenue for national programs, such as National Landscapes⁴⁷, to seek development funding.

Also at a federal level, the continued funding of research programs relating to the visitor economy is essential. In addition to the funding of Tourism Research Australia, this also includes programs delivered by the Australian Bureau of Statistics, such as the Survey of Tourist Accommodation (STA) and the cultural statistics programs. The STA came under threat in 2014, but was re-instated following strong industry advocacy, though only for the 2014/15 financial year. Without this data, it is very difficult for industry and government alike to assess the success of tourism marketing campaigns, or for potential investors to assess market conditions.

Recommendations

- Develop and implement campaigns and programs involving sectors complementary to the visitor economy (e.g. international education) to enhance the offerings in these sectors and to better leverage the associated benefits for the visitor economy.
- Facilitate labour attraction and improve the skills-base of existing labour pools; and increase interest and participation of the next generation of tourism and events professionals. For example, through the extension of career development programs, including in Vocational Education and Training (VET) in schools.
- Industry and government collaboration to enhance employer capacity to retain staff, recognising needs and opportunities arising from generational changes in the workforce.

⁴⁶ Austrade, *Tourism Demand Driver Infrastructure Program* (online) <http://www.austrade.gov.au/Tourism/Tourism-and-business/tddi>

⁴⁷ In 2006 Tourism Australia and Parks Australia formed a partnership between tourism and conservation to identify Australia's iconic landscapes, which capture and promote areas of outstanding natural beauty and cultural significance. Since then, sixteen National Landscapes have been created, building a unique system where new high quality nature-based tourism product has been developed and marketed to the world. In 2014 the federal government agencies withdrew from the administration of the program and federal funding has decreased significantly.

VI. Effective governance, institutional arrangements and funding models for Victoria

Examples of government funded organisations that are performing well include Victorian Major Events Corporation (VMEC), Melbourne Convention Bureau (MCB), and Business Events Victoria (BEV). In each case, the purpose and remit of the organisation is clearly defined and their position at arm's length from the bureaucracy enables them to be nimble and responsive in their operations and execution of their duties. VTIC firmly believes that each of the above-named should be maintained and a more independence given to tourism responsibilities in the overarching bureaucracy to ensure effective outcomes and enhanced industry responsiveness. In the case of Melbourne Convention Bureau, we believe their funding should be increased, given the demonstrated benefits of their work, both to the visitor economy and the Victorian economy as a whole.

Consideration should also be given to expand the remit of VMEC to encompass broader coordination of Victoria's ever-growing events program, as well as a greater operational function. This would need to be accompanied by an appropriate increase in funding.

At a regional destination level, the longer-established Regional Tourism Boards (including Destination Management Organisation, Destination Melbourne) have also grown in professionalism, established important partnerships and collaboration with local government and their local industry, and delivered successful destination marketing campaigns and regional events. RTBs that have only recently been formed must be afforded more time to establish their programs. The recent review of the RTBs, and the recommendations made, should be also given due consideration.

Currently the ten Regional Tourism Boards (excluding Destination Melbourne) receive a total of approximately \$3 million per year in core government funds total to assist them in their crucial role in driving the benefits of the visitor economy. We recommend that this funding be increased on the basis of the demonstrated reliance of regional economies on tourism as well as the considerable job creation potential of tourism in regional Victoria. VTIC also recommends an examination of the role of local government in the visitor economy, to determine if better coordination and collaboration with the state government will lead to better outcomes (visitation numbers, economic benefits), particularly in regional Victoria.

VTIC also recommends re-visiting the Tourism 2020 Strategy, to assess progress to date; to re-confirm that the targets set are realistic, or to re-set these based on latest market data; to identify what policy settings and actions are required to ensure we achieve the targets set.

Lastly VTIC re-iterates our view that clarity of vision and purpose, and a focus on net benefits, returns on investment and genuine partnerships are the essential elements in developing a visitor economy strategy for the state.

Recommendations

- Tourism and event functions and agencies work best when afforded an independent status. We recommend that the structure of Tourism Victoria to be reviewed in light of this to maximise performance and responsiveness to industry.
- Enhance existing structures which function well.
- Review and, where appropriate, consolidate existing strategies and ensure adequate funding and accountability of implementation.
- Establish an annual ministerial forum, chaired by the Premier, for government and industry:
 - To discuss and identify priority tourism issues and projects ;
 - To consider strategic or policy-based responses to issues; and
 - To coordinate facilitation of priority projects.

Acknowledgements

VTIC would like to acknowledge the contributions of its Board and its members in the preparation of this submission. Member organisations that provided case study material have been referenced and cited throughout the submission. VTIC would also like to acknowledge the support of the Victorian Employers Chamber of Commerce and Industry.

In the preparation of the submission, VTIC also met with representatives of the review project team; their interest and guidance is much appreciated.

Appendices

A. National Visitor Survey Data, courtesy of Tourism Victoria

B. USA Tourism Structure, courtesy of D Walls, Grollo Leisure and Tourism Consulting

Victoria's National Visitor Survey results

Year ending September 2014

IMPORTANT NOTE: CHANGES TO THE NATIONAL VISITOR SURVEY METHODOLOGY & SERIES BREAK

The National Visitor Survey methodology has changed to include interviews on mobile phones as well as landlines as of January 2014 to accommodate the growing incidence of households without landlines, particularly among younger segments of the population.

The inclusion of mobile phones in the survey has resulted in **a break in the time series**, as respondents interviewed on mobile phones differ in their travel behaviour. Specifically, mobile phone respondents:

- Reported more domestic overnight trips, daytrips, and outbound trips
- Had a shorter average length of stay
- Had a lower per trip expenditure for overnight trips, but a higher per night expenditure
- Have higher rates of overnight Visiting Friends and/or Relatives (VFR) and Business travel
- Have higher rates of intrastate overnight travel

Comparisons of 2014 results with previous years should be undertaken with caution due to these behavioural differences.

Preliminary analysis of the landline sample against the total sample reveals some differences for Victoria. Specifically:

- Visitor growth of 5.4% year-on-year using the landline sample compared to growth of 10.7% using the combined sample
- Nights growth of 10.9% year-on-year using the landline sample compared to growth of 12.4% using the combined sample

This suggests that the previous methodology has underestimated the number of overnight trips to/within Victoria. Further analysis suggests that regional Victoria, in particular, has been impacted. However, comparisons with the landline sample also suggest that there was strong growth between year ending September 2013 and 2014, albeit at a lower rate than reported using the combined sample.

The implications of the methodology change will become clearer as more quarters of data become available. It is important to note that the extent of the impact on results may differ for individual destinations due to differing underlying visitor profiles (e.g. regions that attract younger vs older visitors).

The changes to the methodology are expected to improve the accuracy of the survey and reduce variability, as the sample of respondents interviewed will more closely match the population.

Further changes may have also impacted results, including the revision of population estimates following the Australian Bureau of Statistics 2011 Census and re-based Estimated Resident Population (used to weight survey results).

The results presented should be used with caution. Interpretation of these results should focus on comparisons of relative performance against other states (particularly New South Wales), rather than absolute rates of growth.

Due to methodology changes, interpretation of results should focus on relative performance against other states/regions rather than absolute rates of growth

Victorian Highlights

Comparisons below are years ending September

Expenditure in Victoria

Victoria	Spend (\$b)	% change 13/14	% change 13/14			% AAG 10/14	% change 13/14		
			NSW	Qld	Aus		NSW	Qld	Aus
Overnight	11.3	12.4%	●	●	●	5.0%	●	●	●
Intrastate	4.4	14.1%	●	●	●	5.4%	●	●	●
Interstate	4.8	16.8%	●	●	●	6.0%	●	●	●
Daytrip	4.6	4.5%	●	●	●	4.1%	●	●	●

Visitors to and within Victoria

Victoria	Visitors ('000s)	% change 13/14	% change 13/14			% AAG 10/14	% change 13/14		
			NSW	Qld	Aus		NSW	Qld	Aus
Overnight	19,983	10.7%	●	●	●	5.3%	●	●	●
Intrastate	13,668	11.8%	●	●	●	6.1%	●	●	●
Interstate	6,315	8.3%	●	●	●	3.7%	●	●	●
Daytrip	42,931	-0.1%	●	●	●	1.3%	●	●	●

Visitor nights in Victoria

Victoria	Nights ('000s)	% change 13/14	% change 13/14			% AAG 10/14	% change 13/14		
			NSW	Qld	Aus		NSW	Qld	Aus
Overnight	61,714	12.3%	●	●	●	4.6%	●	●	●
Intrastate	36,118	13.8%	●	●	●	5.7%	●	●	●
Interstate	25,596	10.2%	●	●	●	3.1%	●	●	●

- Vic growth 0.5%+ higher than competitor
- Vic growth in line with competitor (within 0.5%)
- Vic growth 0.5%+ lower than competitor

AAG: Average Annual Growth

Refer to page 3 for detailed analysis of Victoria and competitors

Victoria experiences growth in visitors, nights and expenditure ahead of competitors

In the year ending September 2014, domestic overnight expenditure increased 12.4% to \$11.3 billion, following increases in visitors (+10.7%) and nights (+12.3%). Growth in expenditure was ahead of the national average (+3.9%), New South Wales (+1.6%) and Queensland (-1.5%). The increase in expenditure was driven by both Melbourne (+10.1%) and regional Victoria (+15.5%). There were increases in both interstate (+16.8%) and intrastate (+14.1%) expenditure in Victoria.

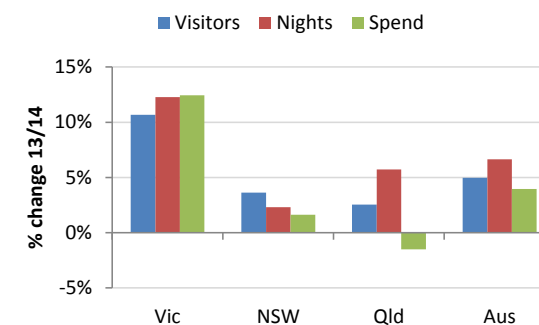
Domestic overnight visitors to and within Victoria increased 10.7% to almost 20.0 million, ahead of the national average (+5.0%) and key competitors. The increase in overnight visitors was driven by both the interstate (+8.3%) and intrastate (+11.8%) markets, with both ahead of the national average and competitors.

Visitor nights in Victoria increased 12.3% to 61.7 million, ahead of the national average (+6.7%) and key competitors. The growth was from both interstate (+10.2%) and intrastate (+13.8%) markets, with the interstate growth contrasting with declines for key competitors.

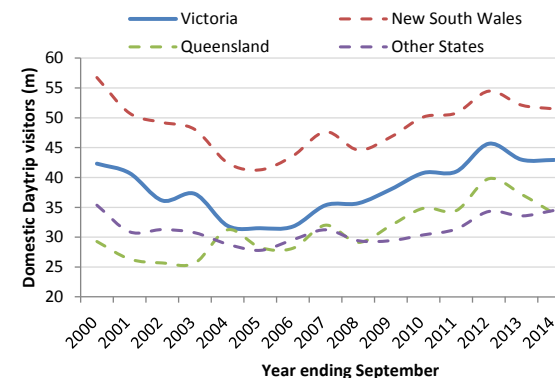
Daytrip expenditure in Victoria increases despite flat visitor numbers

Daytrip visitors to Victoria declined marginally (-0.1%) compared to a 1.8% decrease nationally. Despite this, daytrip expenditure in Victoria increased (+4.5%), while national expenditure declined (-4.1%). The small decline in daytrips to Victoria was driven by regional Victoria (-0.4%), while Melbourne increased slightly (+0.3%).

Visitors, nights, expenditure: % change 13/14



Domestic daytrips to Victoria, New South Wales, Queensland and Other States



Melbourne and Regional Victoria Highlights

Melbourne vs Sydney visitors, nights, expenditure

		Visitors		Nights		Spend	
Melbourne vs Sydney		('000s)	% change 13/14	('000s)	% change 13/14	(\$b)	% change 13/14
Overnight	Melb	7,572	6.2%	21,428	4.9%	6.3	10.1%
	Syd	8,521	6.8%	23,381	10.5%	6.1	6.9%
Interstate	Melb	4,808	8.1%	16,177	2.9%	3.7	15.7%
	Syd	4,105	6.0%	13,196	14.5%	2.7	10.7%

Melbourne % average annual growth 2010 to 2014

	Visitors		Nights		Expenditure	
	% AAG 10/14		% AAG 10/14		% AAG 10/14	
	Melb	Syd	Melb	Syd	Melb	Syd
Overnight	4.2%	3.9%	3.1%	3.0%	5.0%	4.8%
Interstate	3.6%	3.1%	2.7%	1.8%	6.0%	4.3%

Regional Victoria visitors, nights, expenditure

Regional Victoria	Visitors		Nights		Spend	
	('000s)	% change 13/14	('000s)	% change 13/14	(\$b)	% change 13/14
	R. Aus	R. Aus	R. Aus	R. Aus	R. Aus	R. Aus
Overnight	13,062	14.4%	40,286	16.6%	4.9	15.5%
Intrastate	11,054	15.0%	30,867	14.1%	3.5	16.1%
Interstate	2,008	11.5%	9,420	25.6%	1.1	20.9%
Daytrip	26,722	-0.4%	N/A	N/A	2.7	8.5%

Regional Victoria % average annual growth 2010 to 2014

	Visitors		Nights		Expenditure	
	% AAG 10/14		% AAG 10/14		% AAG 10/14	
	R. Vic	R. Aus	R. Vic	R. Aus	R. Vic	R. Aus
Overnight	5.9%	3.8%	5.5%	3.6%	5.0%	3.8%
Intrastate	6.4%	4.2%	6.0%	4.6%	5.6%	5.0%
Interstate	3.7%	2.2%	3.8%	1.4%	5.7%	2.2%
Daytrip	1.2%	-0.1%	NA	NA	4.6%	2.4%

- Vic growth 0.5%+ higher than competitor
- Vic growth in line with competitor (within 0.5%)
- Vic growth 0.5%+ lower than competitor

Refer to page 4 for detailed analysis of Melbourne and page 5 – 6 for detailed analysis of regional Victoria

Interstate visitors, nights and spend to Melbourne remain ahead of Sydney

There were 4.8 million interstate overnight visitors to Melbourne in the year ending September 2014, who spent \$3.7 billion in destination and accounted for 16.2 million nights, with all three measures remaining ahead of Sydney. The year-on-year increase in visitors (+8.1%) and expenditure (+15.7%) were both ahead of Sydney, although growth in nights trailed.

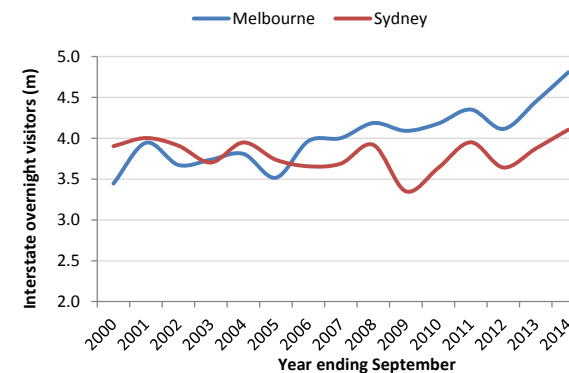
Melbourne's experienced increases in Business (+16.1%) and VFR visitors (+6.6%), while Holiday visitors declined slightly (-2.0%). In comparison, growth Sydney was stronger for the Holiday (+9.5%) and VFR (+17.3%) segments. VFR nights in Melbourne increased marginally (+0.2%); however, Holiday (-3.4%) and Business (-0.1%) nights declined. Nights in Sydney increased for all segments ahead of Melbourne.

Growth to regional Victoria outperforms competitors

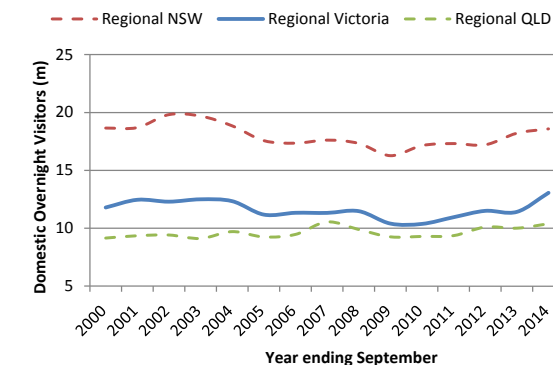
Regional Victoria recorded an increase in overnight visitors (+14.4% to 13.1 million), above the national regional average (+5.9%), regional New South Wales (+2.1%) and regional Queensland (+3.8%). Increases in expenditure (+15.5% to \$4.9 billion) and nights (+16.6% to 40.3 million) were also above the national regional average (+4.8% and +7.1% respectively) and key competitors.

The growth in overnight visitors to regional Victoria was driven by both the interstate (+11.5%) and intrastate (+15.0%) overnight markets. There were increases in visitation from both Melburnians (+16.2%) and regional Victorians (+13.3%). Overnight expenditure growth in regional Victoria was driven by both the interstate overnight market, up 20.9% year-on-year and the intrastate market, up 16.1%. Promoting travel to regional Victoria by the intrastate market has been the subject of a renewed focus in the past 12 months.

Interstate overnight visitors: Melbourne vs Sydney



Domestic overnight visitors to regional Victoria, Queensland and New South Wales



Although these year-on-year changes are likely to have been inflated by the methodology change, regional Victoria's strong performance relative to regional New South Wales and the national regional average indicates genuine increases underpin these results.



USA Tourism Structure:

Unlike Victorian structure it has defined process & bodies to manage private sector inputs and whole of government involvement

