

17<sup>th</sup> December 2010

Victorian Tourism Inquiry  
Victorian Competition and Efficiency Commission  
GPO Box 4379  
Melbourne, Victoria 3001

Dear Commissioners

The Victoria Tourism Industry Council (VTIC), the Victoria Events Industry Council (VEIC) and Victorian Employers' Chamber of Commerce and Industry (VECCI) together with all of its related partner associations welcome the opportunity to respond to the Inquiry into Victoria's Tourism Industry.

The partner associations include: Tourism Alliance Victoria (TAV); the Hotel, Motel and Accommodation Association, Victoria (HMAAV); the Backpacker Operators Alliance of Victoria (BOAV); the Cultural Tourism Industry Association (CTIG); and Business Events Victoria (BEV).

The tourism industry makes a significant contribution to Victoria in terms of economic output, employment, exports earnings, geographic dispersal of wealth, infrastructure investment, social cohesion, pride in 'brand Victoria' and Victorias confidence is a progressive and desirable place to visit, work or live. The tourism industry has great potential to make an even more significant contribution to Victoria in the future; the state is well positioned with a diverse range of unique characteristics that provide a set of enduring competitive advantages not enjoyed by other states of Australia or competitor destinations world wide.

It is our hope and expectation that this Inquiry will lead to a reduction in regulation, and an improvement in the facilitation of investment and industry development that will allow the private sector, in collaboration with the public sector, to overcome barriers to growth and realise opportunities for the state that have to date remained unrealised due to protracted, complex and unrealistic regulatory settings or processes.

Kind Regards



Todd Blake  
Chief Executive

## Submission Detail

### Guiding Principles

- Tourism in Victoria is an industry of the future, with significant growth potential based on the state's enduring competitive advantages in relation to key forms of tourism activity including leisure, business, events, Visiting Friends and Relatives (VFR), education and health.
- 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 setting did not include consideration of the impact on the Tourism and Events sector due to the industries relatively recent emergence at a key driver of Victoria 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 can not 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.

## Structure of the Submission

VTIC's submission has been written in the context of the potential of the Victorian tourism industry. The size, significance and complex nature of the tourism industry is provided to demonstrate not only its current value, but the importance of this inquiry in driving the regulatory reform that is required in order for the industry to realise its full potential.

Each of the topics set out in the Terms of Reference is examined in detail, with case studies providing practical examples of how the current regulatory environment is impacting on the growth potential of the industry. Recommendations addressing the numerous issues raised are provided accordingly for each topic. Specifically, the structure of this submission is as follows:

- i. Summary of Recommendations
- ii. VTIC's Vision for Victoria's Tourism Industry
- iii. Industry Overview
- iv. Barriers to Realising Industry Vision
- v. Management State Assets (including the roles of government agencies)
- vi. The Current Licensing System for Tour Operators and Activity Providers on Public Land
- vii. Commercial Leases on Public Land
- viii. Other Licensing Issues: Liquor Licensing
- ix. Planning (including Accommodation and Key Issues for Investment Attraction)
- x. Aviation
- xi. Skills and Labour
- xii. Other Areas of Regulation of Relevance and Concern to the Tourism Industry
- xiii. Concluding Comments

## Summary of Recommendations

### Barriers to Realising Industry Vision

**Recommendation:** A new regulatory culture must be adopted to understand business processes and the burden created by regulatory compliance. There must be a commitment from all levels government to provide a 'tourism industry- and business- friendly' operating environment within Victoria.

**Recommendation:** Government must develop and resource an ongoing regulatory reform authority to assist in the management of regulation as it applies to the Tourism & Events industries. This authority must have overarching terms of reference that allow it to review all proposed legislation to assess its impact on the sector and to progressively investigate existing regulation with a view to progressing reform over time.

### Recommended Principles for Enhanced Private Sector Investment

- Planning policies should not discourage, unduly delay or render unviable appropriate investment, including tourism investment on or adjacent to public land.
- Regulations must be appropriately aligned and effectively implemented to ensure clarity, certainty and transparency. Planning and approval processes must be simple, low in cost and executed in a timely manner.
- There must be ongoing efforts to reduce red and green tape, including a reduction in the complexity and costs associated with planning and approval processes.
- Planning and licensing applications must be processed in an efficient and timely manner. There is a need to improve the transparency and timeliness of applications and reduce administration and related business 'search' costs.
- Potential investment opportunities must be identified and promoted. There must be a single agency focused overcoming supply side challenges faced by the tourism industry including the promotion of tourism as an investment opportunity, the management of advice on investment assistance and incentives and to act as a single point of entry for potential investors in the sector.
- A central authority to coordinate investment approvals is vital in areas where multi-agency involvement is currently proving a hindrance. This includes investment around Melbourne's bays, coastal areas, alpine areas and locations close to 'icon' natural landscapes. Here, an overarching Tourism Investment Authority could coordinate investment approvals, and facilitate private sector investment.
- Priority action must be given to ensuring that the planning system and commercial leasing system is conducive to tourism investment, taking into account the nature of the industry and characteristics of investments in the industry.
- Government should encourage strategic investment in the sector which complement industry development strategies and support industry growth targets. Assessment tools and performance measures should be used to ensure investment projects contribute to industry long-term growth and sustainability.
- Investment needs to occur across a range of areas including infrastructure, products and services. Investment should be facilitated in existing industry activity areas, as well as new or emerging growth areas. It should incorporate new investments, maintenance to existing investments, and investment in supporting infrastructure.
- While the private sector has a major role to play in underpinning new investment, there is also an important role for public sector investment in strategic assets and their maintenance in order to facilitate industry growth and competitiveness.

- Barriers to investing across regions, on public land or in the developments that involve multiple agencies, and/or multiple land use categories must be addressed as a matter of urgency.
- There must be regular, structured and effective collaboration and communication between industry, government and the community.
- There must be a relaxation of Export Market Development Grants regulations to allow for a dedicated three year access to entitlements for new market development in India and China.

### **Management State Assets (including the Roles of Government Agencies)**

**Recommendation:** That consideration be given to splitting the tourism role of Parks Victoria from the conservation role. The role of Parks Victoria should be redefined in line with their motto “Healthy Parks, Healthy People”. In doing so Parks Victoria should become an agency primarily focused on the facilitation of activity either recreation or tourism related within all public lands identified as having a predisposition toward such activities.

**Recommendation:** Parks Victoria’s ‘reporting line’ within government should then be realigned from within the Department of Sustainability and Environment to the Department of Business and Innovation.

**Recommendation:** Parks Victoria should focus on two primary areas of activity:

1. The facilitation of recreation and tourism activities on public lands in a manner that is sustainable and protects natural ecosystems or landscapes.
2. The licensing of the private operators to deliver all commercial activity on public lands.

### **The Current Licensing System for Tour Operators and Activity Providers on Public Land**

**Recommendation:** Policy and new regulation should have an implementation timetable as a KPI.

**Recommendation:** That Tour Operator Permits be recognised as a genuine ‘licence’ and consideration for the spatial component of the licensed activity is clearly articulated as the foundation of the licenses itself.

**Recommendation:** That transferability of Tour Operator Licences from one enterprise or firm to another enterprise or firm be clearly established as an allowable practice, in consideration of the spatial component that has been shown to be attached to current licenses; and in consideration of the commitment set out in the 2008 Policy Statement that its emphasis would be the development of a “Licensing System for Tour Operators and Activity Providers on Public Land”

**Recommendation:** Introduction of a reward system, such as that used for driver’s licences, to recognise good behaviour or compliance; for example, not attracting demerit points in a given period is rewarded with a lower renewal fee, or other incentives. Accordingly a more strongly enforced penalty system for non-compliance should also be implemented.

**Recommendation:** Public lands in tourism regions, sub-regions or precincts must come under the licensing authority of one regulator with a single integrated system of licensing.

**Recommendation:** Committees of management as the licensing authority should be abolished in all regions, sub-regions or precincts identified for tourism development.

**Recommendation:** A regulatory entity with the primary focus of facilitating tourism and recreation on public lands should take control of all public lands licensing in regions, sub-regions or precincts identified for tourism development.

**Recommendation:** Recognition of compliance with other relevant licensing regimes; for example, as part of the EOI for the surf school and sea kayaking licence, applicants must provide

proof of current public liability insurance (PLI) and submit an emergency management plan, both of which are also a requirement of the Parks Victoria LTO Permit.

Consideration could be given to a tiered approach to licensing, using the Parks Victoria LTO Permit as the foundation or entry level upon which additional requirements or conditions could be built to gain permission for other commercial activities on public land. This would account for requirements common to all licences, such as PLI and emergency management plans, once; rather than require them to be produced or provided multiple times for each activity licence. This approach could potentially streamline the application process and create a significant saving in time and application fees for business.

**Recommendation:** That consideration should be given to the viability of enhanced 'series licences' to reduce the need for and cost of multiple licences for single activities or events, and where repeat licences are needed for regular events or activities.

**Recommendation:** That the guidelines on Competitively Allocated Licences for land managers be completed as a matter of urgency so that mechanisms to help achieve greater transparency and consistency in the CAL process can be implemented.

**Recommendation:** That the conditions for Competitively Allocated Licences be reviewed to ensure that they do not inhibit competition and allow the licensee to operate in a financially viable manner.

**Recommendation:** That the RIS process for setting fees for licences and competitively allocated licences and use fees, and the subsequent implementation of the public land licence reforms take place as a matter of urgency.

**Recommendation:** Implementation of consistent and transparent processes for the setting of fees for commercial activities taking place on public land, including application and use fees.

**Recommendation:** Consideration should be given to developing a license 'clearing house' similar to the Plumbing Industry Commission – eToolbox that allows practitioners the ability to purchase and lodge all compliance certificates online at a central location.

### Commercial Leases on Public Land

**Recommendation:** The commercial operation of, and commercial operations within, tourism assets that are partly or wholly owned by Government must be undertaken primarily by the private sector. This must extend to commercial operations on public lands of all forms. Government and or government agencies charged with asset managers must remain at arms length from all commercial operations and focus solely on the activities of lease management, or land management

### Other Licensing Issues: Liquor Licensing

**Recommendation:** Regulatory settings must encourage behaviours that focus on the moderate consumption of alcohol while providing structure that allow operators to provide such moderate service of alcohol in a commercial sustainable fashion.

- It is vital that liquor licensing systems provide a commercial benefit (reduced license fees, reductions in compliance costs etc.) in recognition of a strong track record of operating with the requirement of a given licenses.
- Rather than the imposition of increased license fee or compliance penalties being the only mechanism available to motivate behavioural change among non-compliant licensees. Government must implement systems that identify repeated breaches of licenses conditions and lead to a periodic licenses suspension or eventual cancelation of licenses should non-compliant licensees continue to breach the conditions of the license.
- Negative social impacts from the consumption of alcohol are contributed to by both licensees and the consumers themselves.

- Regulatory settings with regard to moderating the behaviours of consumers in relation to alcohol are important; licensees and consumers have a shared responsibility. Regulatory settings must support licensees in their endeavours to deter or manage anti-social behaviour amongst patrons. Tools such as on-the-spot fines, banning notices and empowering licensee to ban troublesome customers must all be leveraged to a point where consumers are in no doubt that anti-social behaviour that is related to the consumption of alcohol has serious, lasting and significant consequences.

### Planning (including Accommodation and Key Issues for Investment Attraction)

**Recommendation:** A vision for the Victorian tourism must be considered during the development of Victorian and key regional planning policy frameworks. Tourism industry development strategies must be considered as the market context of the sector changes over time.

**Recommendation:** Engagement of Tourism Victoria, Invest Victoria, Parks Victoria, regional Development Victoria and the Victorian Tourism Industry Council in the development of a State-wide tourism development master plan.

**Recommendation:** the development of a strategic vision across regions to attract and facilitate tourism investment.

**Recommendation:** The provision of more specific guidelines regarding what types of development are acceptable and not acceptable in a given zone or land area.

**Recommendation:** Recognition of tourism activities and the economic realities of operating commercially viable tourism business in all relevant Victorian planning policies.

**Recommendation:** Greater understanding and appreciation of the value of tourism and the ability for tourism investment and development to grow local economies.

**Recommendation:** A significant reduction, if not removal, of remaining barriers to complementary private sector investment, in nature based tourism infrastructure and supporting services, and more broadly investment on or adjacent to public land (including State and National Parks).

**Recommendation:** The creation of a state-wide tourism development master plan that identifies key regions and sub-regional locations that are predisposed to commercially sustainable tourism infrastructure development.

**Recommendation:** The Victorian planning policy framework must acknowledge that tourism developments have specific spatial characteristics in terms of land use and orientation to natural features, utilities access and transportation nodes.

**Recommendation:** Recognition of key tourism infrastructure types (such as short-term accommodation, tourist facilities, tourist attractions or visitor interpretive facilities) as a legitimate and specific land use type under the Victorian planning policy framework.

**Recommendation:** That Victorian planning policy specifically articulate a \$5 million investment threshold to trigger the 'calling in' of tourism infrastructure development applications to a dedicated VCAT approvals panel, with a requirement for engagement with key stakeholders during the approvals process including:

- Relevant local government authorities
- Tourism Victoria
- Parks Victoria
- Regional Development Victoria
- The Developer
- Relevant tourism industry business organisations

**Recommendation:** Require project proponents and planners to consider ways in which tourism infrastructure can contribute positively toward the achievement of broader regional objectives such as localised employment opportunities or economic growth.

**Recommendation:** A review of planning and zoning regulations in Interface Councils to recognise that tourism developments can provide a meaningful connection between rural and urban areas that can also have economic and environmental benefits to local economies.

**Recommendation:** A requirement that planners engaged in the approvals process within regions, sub-regional or precincts identified as predisposed to commercially sustainable tourism infrastructure development engage with key tourism industry stakeholders such as Tourism Victoria, Parks Victoria, Regional Development Victoria and the Victorian Tourism Industry Council with a view to understanding the state-wide context within which a particular development application is set.

**Recommendation:** Streamlining of the planning and development approvals process in order to reduce unnecessary development costs and avoid delays.

**Recommendation:** Provision of regular progress reports on the status of applications from local government and VCAT to applicants.

**Recommendation:** Regions, sub-regional or precincts identified as predisposed to commercially sustainable tourism infrastructure development must enshrine “as-of-right” use provision in the relevant planning framework

**Recommendation:** Enhanced accommodation offerings in or near icon locations, including high quality, nature-based accommodation

**Recommendation:** Enhanced facilitation of investments, particularly those with a combination of functions, e.g. retail, accommodation, hospitality, and recreation.

### **Support for Specific Tourism Industry Infrastructure and Investment Projects**

**Recommendation:** Public sector funding towards the completion of the Melbourne Exhibition Centre extension.

**Recommendation:** Public sector development funding for the Geelong Convention and Exhibition Centre, and assess the viability of an additional facility in other regions, e.g. Bendigo/Ballarat.

**Recommendation:** Support for the timely implementation of projects identified by Parks Victoria within the ‘Public Land Tourism Infrastructure Case’ (Natural Icons) to enhance the promotion of Victoria as a destination rich in nature-based experiences.

**Recommendation:** Place a greater emphasis on high-yield nature-based tourism as well as Melbourne’s Bays. This includes construction of the Great Ocean Road Interpretive Centre and supporting the construction of safe harbour marinas in our Bays.

**Recommendation:** Improved visitor ‘welcome’ infrastructure as key points of entry including airports, public transport points and ports.

**Recommendation:** Improved aquatic based infrastructure to boost associated sporting activities.

**Recommendation:** Development of Federation Square East, including the rail yard extension.

**Recommendation:** Transport infrastructure, including road, rail and ports particularly those that facilitate increased regional dispersal of visitors.

**Recommendation:** Appropriate investment along the Yarra, including river transport infrastructure.



## Aviation

**Recommendation:** The existing international system of bilateral Air Service Agreements (ASA) is fundamentally anti-competitive and inefficient, and harmful to the competitiveness of air service users.

**Recommendation:** The international ASA system should be brought to an end as soon as possible, being replaced by a multilateral agreement on aviation operating under the auspices of the World Trade Organisation.

**Recommendation:** Greater transparency in the negotiation and amendment of bilateral Air Services Agreements which affect Australia's national interests.

**Recommendation:** Provide greater alignment between aviation, transportation and tourism policies.

**Recommendation:** Secure international airport status for Avalon.

**Recommendation:** Ensure appropriate land use planning and zoning is in place to allow for future development and expanded airport use.

**Recommendation:** Regulation to facilitate greater competition in the provision of car parking facilities for travellers within or directly adjacent to airports must be developed as a matter of urgency.

## Skills and Labour

**Recommendation:** Engage the Commonwealth to undertake meaningful Workplace Relations reform for the Tourism, Hospitality & Events sector that recognises the unique working patterns of the sector and acknowledges the 24 hour, 7 day per work nature of operations for many businesses.

**Recommendation:** Develop structures that engage the VET sector in ensuring an employment outcome is a core goal of the training system. Reward VET providers that are able to demonstrate a measurable connection between the attainment of skills via the VET system and the attainment of an employment outcome in an industry that is related to that training.

**Recommendation:** Recognise industry accreditation, including ongoing engagement in professional development when assessing relevant business licensing or permit applications or renewals. Provide commercial incentives to businesses that maintain accreditation through ongoing engagement in professional development of key personnel.

**Recommendation:** Greater support for small business in professional development and accredited training investment.

**Recommendation:** Investigate impediments to the national recognition and portability of training qualifications and certification in tourism occupations. (WFDP)

**Recommendation:** Examine the taxation arrangements applied to second jobs noting the findings of Australia's Future Tax System Review.

**Recommendation:** Investigate opportunities to negotiate with the Commonwealth on labour agreements to secure appropriately skilled overseas workers to fill identified labour gaps.

**Recommendation:** ensure high demand tourism occupations are considered under the Victoria Government's State Migration Plan 2010-2014 and reviewed annually.

**Recommendation:** Engage the Commonwealth, through the Department of Immigration and Citizenship to:

- Improve tourism businesses' access to sponsored skilled migration visas, including the processes and timing relating to lodgement and assessment; and
- Include high demand tourism occupations on the General Skilled Migration Skilled Occupation List.

**Recommendation:** Evolve Victoria's Tourism Excellence Program to increase the involvement of tourism businesses focusing on staff recruitment and retention strategies.

### **Other Areas of Regulation of Relevance and Concern to the Tourism Industry**

**Recommendation:** Ongoing review and reduction in taxes and charges, particularly for SME's in the tourism sector.

**Recommendation:** When considering the impact of regulation, special consideration must be given to the impact on SME's the tourism sector.

**Recommendation:** Review OH&S regulations as they relate to event construction to ensure that only relevant events or event staff are incorporated in the definition of 'construction'

**Recommendation:** Any consideration of taxi prices or regulation of this industry must have as its primary focus the provision of high quality services that provides value for money.

**Recommendation:** Community engagement is important, and should be recognised as such, but local development should not be determined by it alone. Investments should strategic, and complement local strengths.

**Recommendation:** That decision-making on approvals for tourism infrastructure in regional areas consider the economic, social and societal benefits of the development.

### **Recommendations to Support Enhanced Private Sector Investment**

**Recommendation:** Develop a Tourism and Events Investment Development Strategy and Fund to deliver the top 10 'investment ready' infrastructure projects across the state.

**Recommendation:** Develop a Tourism and Events Investment Action Plan that maps regional Victoria's tourism and natural asset advantages against complementary new business opportunities in the manufacturing and service sectors.

**Recommendation:** Implement a coordinated Investment Support Services Strategy that incorporates tourism and events industry investment ready projects, investor information, planning and regulatory assistance. Incorporate relevant transportation, accommodation, land and employment links.

**Recommendation:** In support, develop a centralised, standardised and accessible Business Assistance Information Portal, providing accurate and up-to-date information on all Government grants, services and other assistance available to tourism and events industry businesses.

**Recommendation:** Secure increased support across core economic portfolios for the tourism and events industry, recognising tourism and events as a key driver of state economic development.

## **Victorian Tourism Industry Council's Vision for Victoria's Tourism Industry**

VTIC has a strong vision for the future of Victoria's tourism industry. This vision is one where:

- The private sector drives investment and industry development, through:
  - A positive investment environment that includes a whole of Government approach to investment facilitation.
  - Strong, economically sustainable enterprises that have sufficient capacity and scale to make strategic investment.
  - Skilled and experienced operators and employees who demonstrate leadership and excellence, and provide visitors with high a quality experience.

By 2020 Victoria's tourism and events industry will be internationally competitive, profitable, sustainable and innovative, and an increasingly significant and acknowledged contributor to the state.

VTIC and VEIC recently prepared an industry Strategy<sup>1</sup> outlining a vision for industry over the next decade. Through this process, a series of *industry vision statements* were developed, outlining a vision across four key pillars; leadership, industry development, investment and infrastructure, and marketing

### **Leadership – Vision Statement**

By 2020, Victoria will lead the nation in providing an effective model for industry leadership and will have doubled the current participation level of tourism and events businesses and organisations in representative bodies. The industry will provide leadership in tourism and events through effective and results oriented advocacy and representation, supported by industry and business development services.

### **Industry Development – Vision Statement**

By 2020, Victoria's tourism and events industry will realise a competitive advantage on the basis of its high quality and high yield tourism and events products, services and experiences, delivered with superior levels of service by skilled and competent staff. The industry will embrace a culture of business and service excellence, with an increase in participation in relevant industry-based business excellence, skill development and training programs.

### **Investment and Infrastructure – Vision Statement**

By 2020, Victoria's tourism and events industry will be supported by innovative, efficient and sustainable infrastructure and supporting services on both public and private land. Victoria will attract more domestic and international investors, who will benefit from a significant reduction in regulatory and other barriers to investment.

### **Marketing – Vision Statement**

By 2020, Victoria will have an increased number of high yield visitors. This will be a result of strategic and well coordinated marketing strategies, delivered by Tourism Victoria in collaboration with industry, which effectively communicate Victoria's key tourism and events assets and offerings. This strategy will be supported by industry and Government through appropriate product development of high yield tourism products, world class infrastructure and supporting services, along with excellent visitor services and experience delivery. Victoria will remain a world class leader in major events and enjoy significant growth in business events. It will have an international reputation for innovative and creative cultural and sporting events across the state.

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<sup>1</sup> Victorian Tourism Industry Council & Victorian Events Industry Council, Victoria's Tourism and Events Industry Strategy 2020, 2010,

## Industry Overview

### *Economic Context*

Similar to many other advanced economies, the service sector has now become the most substantial sector in both the Australian and Victorian economies. Over recent decades the relative importance of the sector has grown, dominating both economic activity and job creation. This can be expected to continue into the future. Today services account for more than 75 per cent of Australia's output; more than one quarter of the nation's total exports; and almost four in every five jobs created in the economy.<sup>2</sup>

Improving our understanding of, and support for the service sector will not only assist this vital part of the economy, it will support the whole economy, as the level of goods embedded within services, and the level of services associated with the provision of goods, continues to expand.

The tourism industry is an essential part of the service sector. It has a history of growth, and the potential to continue growing. By better understanding the nature and characteristics of the service sector, and more specifically the tourism industry, it is possible to adopt appropriate policy settings to deal with the challenges facing the industry and ensure it realises its potential. These policy settings include, but are not limited to, regulation, management of state owned assets, and aviation policy – as covered by the scope of this Inquiry.

While traditional industries such as manufacturing will always play an important role, the structure of the economy is in transition. While some sectors of the manufacturing sector remain vibrant, in general, traditional manufacturing is in decline. Much of Government policy and support has been developed over time around a framework applicable to traditional industries. It is time for a paradigm shift in the way public policy, regulation and Government support is provided. In short, the time has come for policy-makers to recognise the importance the service sector (including tourism), understand its characteristics, and provide support to maximise its potential.

### *Significance of the Tourism Industry*

The tourism industry is a major economic driver for Victoria. It contributes \$15.8 billion<sup>3</sup> to Victoria's economy (or 5.9 per cent of total Gross State Product) and employs an estimated 184,800 people (7.1 per cent of employment in Victoria). As well as full-time employment, it also contributes significantly to part-time and casual employment offering the flexibility sought by many employees, and additionally provides a valuable entry point to the workforce for both skilled and low-skilled employees.

The benefits to the state of our tourism and events industry are not just economic. The sector also supports regional development, new infrastructure provision, state branding and promotion, social and community cohesion and innovation. It is very much a part of what makes Victoria a great place to work, live and visit, adding to the vibrancy and diversity of the state. In addition, business events, a high yielding component of the industry, are increasingly recognised for their 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.

Tourism and events industry investment has many multipliers and supports complementary industries including manufacturing and other segments of the service sector, and is a key driver of regional economic activity.

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<sup>2</sup> Australian Chamber of Commerce and Industry (2010), *Services: The New Economic Paradigm*

<sup>3</sup> Tourism Satellite Account 2007/08, Sustainable Tourism Cooperative Research Centre.

Tourism directly contributes \$8.6 billion to the Victorian economy and accounts for 3.2% of GSP. Tourism indirectly contributes an additional \$7.2 billion to the Victorian economy. Therefore, tourism is worth \$15.8 billion in total or 5.9% of total Victorian GSP.

The industry has achieved much over the past decade. As a state, we enjoy an impressive reputation as a provider of world class business, sporting and cultural events. We are a sought after tourism destination rich in activities and attributes that attracts millions of visitors each year. Much of this success can be traced to the endeavour of individual tourism and event operators who have met the challenges presented by strong competition, a volatile economic environment and changing environmental conditions.

While this effort continues, it is important that the Government builds on the process of strong collaboration with industry to cement a new platform for tourism industry growth into the next decade and beyond. Vision, strategies and actions will need to sharpen if this important sector is to develop new competitive edges in increasingly demanding markets at home and abroad.

### *Current Visitation*

According to the September 2010 International Visitor Survey, conducted by Tourism Australia, growth in international overnight visitors, visitor nights and expenditure in Victoria for the year to September 2010 exceeded the national average and outperformed key competitor Queensland in all areas. Despite the challenges over the past year, including the ongoing effects of the global financial crisis (GFC) and swine flu, the number of international visitors to Victoria reached the highest level for the state on record.

In total, Victoria received 1.60 million overnight international visitors for the year ending September 2010<sup>4</sup>. 1.49 million of these visited Melbourne (up 5.9% year-on-year), the highest recorded number of international visitors on record. International visitor expenditure increased 3.4 per cent, to reach \$3.59 billion. While there was a small decline (-1.1%) in the number of international visitors visiting regional Victoria, visitor nights increased by 19.2% to 4.76 million, with the average length of stay increasing to 15.3 nights. This increase in nights was influenced by year-on-year increases by the VFR (+35.0%) and Holiday (+26.0%) segments. However, international overnight expenditure in regional Victoria decreased year-on-year (-9.9%) to reach \$274 million, well behind New South Wales (+10.2%), the regional average (-3.7%) and slightly behind Queensland (-7.9%).

Victoria experienced growth across all the purpose of visit segments. Leisure visitors (Holiday and VFR) to Victoria recorded a year-on-year increase of 4.2%, with both Business (+16.7%) and Education (+6.3%) segments showing the strongest increases. Importantly, for year ending September 2010 compared to year ending September 2009, international overnight visitor expenditure in Victoria increased 6.6% in the Business segment and 4.3% for Education visitors.

The growth for the Business segment (which includes a 42.8% growth for Business Events) indicates a strong recovery from the global economic crisis. This growth can be attributed to most Tier One markets showing strong growth in business visitation: the UK (+44.5%), the USA (+28.6%) and China (+25.2%). The new Melbourne Convention Centre has already secured more than 60 international business events. Continued growth in this area will be further supported by an extension to the Melbourne Exhibition Centre.

For the year ending September 2010, international overnight visitation among the Tier One markets grew from China (+18.2%), USA (+5.1%) and New Zealand (+4.0%), with China recording its highest ever visitors and nights spent in the state. These countries also experienced growth in September quarter 2010 compared with the same quarter in 2009: China (+56.3%), New Zealand (+5.3%) and USA (+3.8%).

The UK was the only Tier One market to experience a decrease in visitors (-3.2% to 194,400), with a decline (-9.4%) also experienced over the September quarter, the lowest UK overnight visitation to Victoria since year ending September 2002 (194,000). As general economic conditions in the UK continue to be poor, the past year has seen travel companies in the UK reduce prices of peak season packages by as much as 30 to 35%, and a few operators have ceased trading. Nevertheless, the UK VFR (-13.5%) and to a lesser extent the Holiday (-3.1%)

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<sup>4</sup> International Visitor Survey September 2010 quarterly results, Tourism Research Australia

segment have under-performed for the year ending September 2010. The UK is also the largest source of backpackers to Victoria (52,900), a segment that is particularly price-sensitive.

Results of the National Visitor Survey for the year ending September 2010 show that domestic overnight travel continues to remain flat or negative. This is in the context of continued strong growth in outbound travel, due to increased competition provided by low cost carriers and the high Australian dollar, and switching from overnight to daytrip travel.

Victoria recorded an increase in visitor nights (+1.1% to 50 million) and expenditure (+2.0% to \$8.6 billion), despite a decrease in domestic overnight visitors (-1.4% to 15.7 million). The increase in expenditure was driven primarily by Melbourne (+4.1% to \$4.7 billion). The growth in interstate overnight visitors to Victoria over recent years has been influenced by growth for Melbourne. For the year ending September 2010 Melbourne received 4.1 million interstate overnight visitors (+1.9% year-on-year) compared to 3.5 million to Sydney (+9.3% year-on-year). Melbourne's continued marketing activity, combined with major events and theatre productions has contributed to the greater number of interstate overnight visitors than Sydney.

Victoria recorded a decrease in intrastate visitors (-2.3% to 10.3 million) and the overall intrastate overnight visitation to and within regional Victoria also decreased 1.8% to 8.3 million overnight visitors. Travel trends for all of Australia indicate an increased preference for domestic daytrips with Victoria increasing 6.3% for the year ending September 2010 compared to the same period in 2009, and in line with the national trend. Melbourne was a key driver for the increase, up 11.0% in daytrip visitors, as well as Yarra Valley and Dandenong Ranges (+31.6%), Grampians (+28.0%) and Daylesford and the Macedon Ranges (+18.8%). This reflects a continuing trend over recent years (from year ending September 2006 to 2010) of shifting behaviour from domestic overnight trips to and within Victoria (-2.5% per annum) to domestic daytrips (+5.4% per annum). This presents a significant challenge for the tourism industry, which seeks to increase yield through increased length of stay.

In addition to this, outbound travel by Australians continues its increase, with Overseas Arrivals and Departures data for year ending September 2010 showing 7.0 million residents travelled overseas for short-term visits, a 15.9% increase year-on-year, and an average annual growth of 9.5% per annum from year ending September 2006 to 2010. Discounted airfares and the increasing number of airline services continue to contribute to this strong growth in departure numbers.

### *Industry Definition and Characteristics*

There is always much debate around the definition of the tourism industry. It does not fit into the Australian and New Zealand Classification (ANZSIC) system neatly, and can mean different things to different people.

However, we believe it is valuable to talk about tourism in its broadest sense. The advantage of this approach is that all sub-sectors that make a contribution, directly or indirectly, are recognised. To this end, we believe it is important that the definition extends beyond holidaymakers and leisure travel and should certainly include business travellers and students.

For practical purposes, the Tourism Satellite Account (TSA), which is designed to fit in with the Australian Bureau of Statistics compilation of the National Accounts, provides a good base and allows for consistent comparisons to be made over time.

According to the TSA the following industries are considered to be part of the tourism industry – either through their direct contribution (i.e. tourism characteristic industries) or their indirect contribution (i.e. tourism connected industries). They are:

Tourism characteristic industries:

- Travel agency and tour operator services
- Taxi transport
- Air and water transport
- Motor vehicle hiring

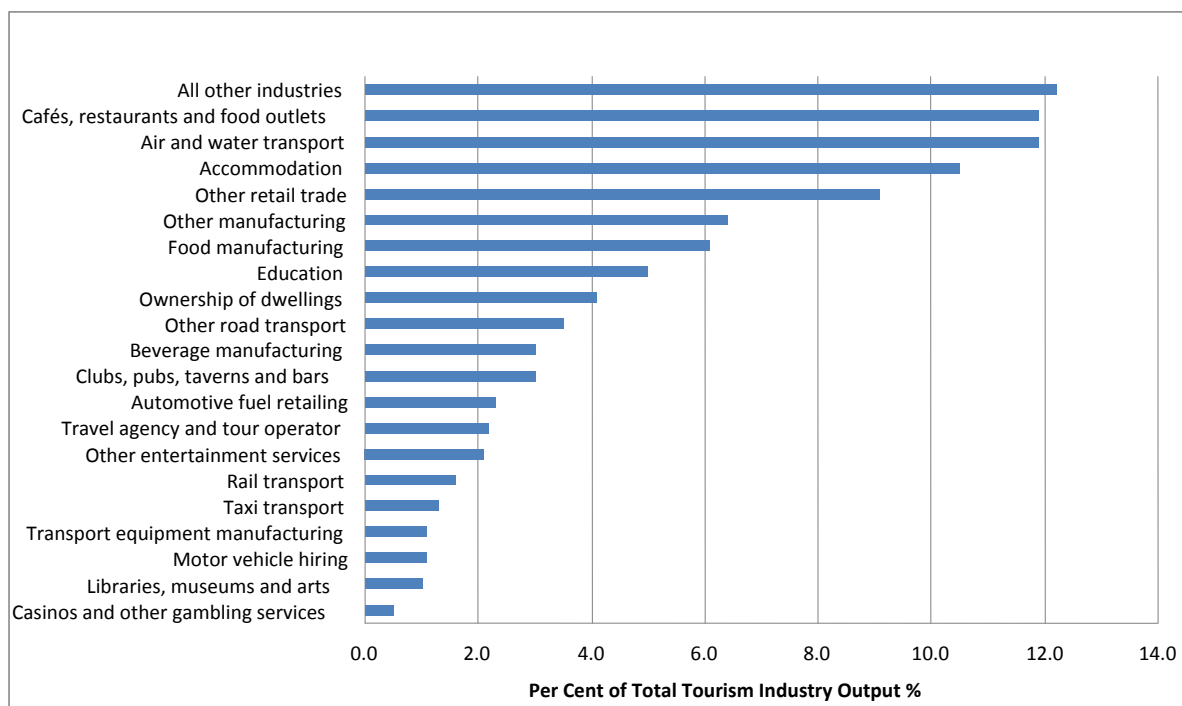
- Accommodation
- Cafés, restaurants and food outlets

Tourism connected industries:

- Clubs, pubs, taverns and bars
- Other road transport
- Rail transport
- Food manufacturing
- Beverage manufacturing
- Transport equipment manufacturing
- Other manufacturing
- Automotive fuel retailing
- Other retail trade
- Casinos and other gambling services
- Libraries, museums and arts
- Other entertainment services
- Education
- Ownership of dwellings

The graph below outlines the relative contribution of these industry segments, to total tourism output (for 2006-07). Almost half (43.3%) of total output is generated by four main industries; air and water transport (11.9%); cafés, restaurants and food outlets (11.9%), accommodation (10.5%) and other retail trade (9.1%).

**Graph 1: Victoria's Tourism Industry Output (TSA 2006-07)**



The 2006/07 Tourism Satellite Account<sup>5</sup> also identifies the main tourism and tourism-related products, and their relative contribution to visitor consumption. Over 60 per cent of total consumption is derived from shopping, long distance travel, meals and food products, and accommodation services.

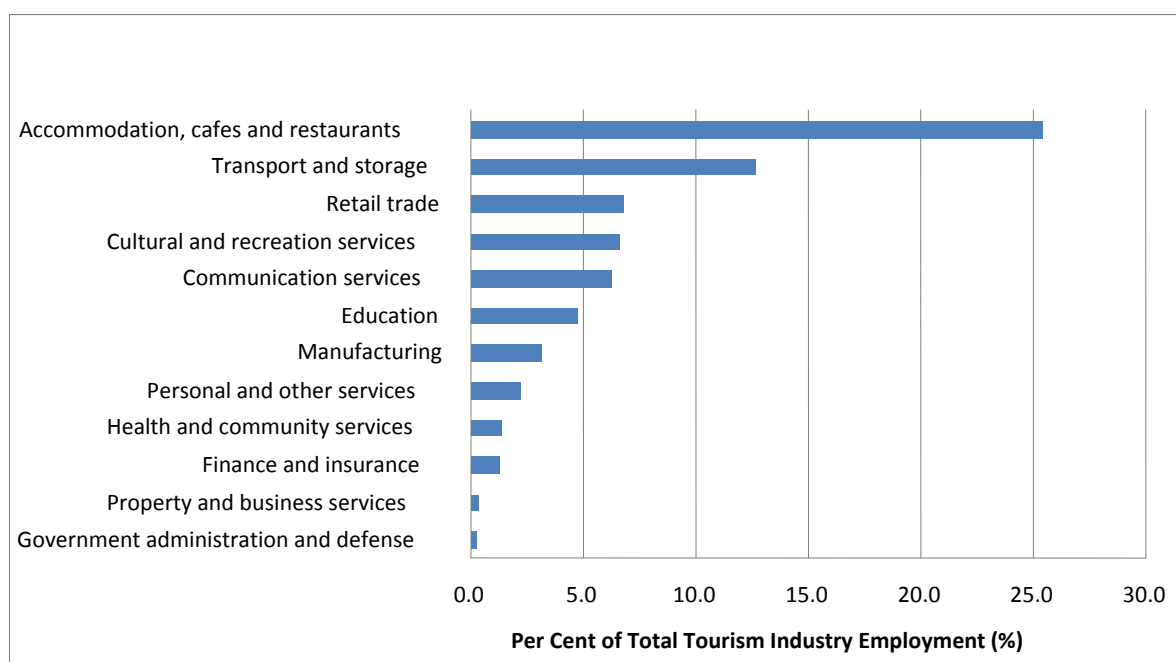
<sup>5</sup> Ho T.V., Spurr R., Pambudi D., Forsyth P., Dwyer L., and Hoque S., (2008), Tourism Satellite Accounts 2006-07: Victoria, Sustainable Tourism Cooperative Research Centre - Centre for Economics and Policy

The distributions of tourism and related products include:

- Shopping (15%)
- Long distance travel (15%)
- Takeaway and restaurant meals (15%)
- Accommodation services (10%)
- Food products (8%)
- Fuel (7%)
- Beverages (5%)
- Education (5%)
- Rent on holiday houses (4%)
- Recreation, culture and sports (3%)
- Gambling and betting (2%)
- Travel agency services (2%)
- Motor vehicle maintenance (1%)
- Motor vehicle hire (1%)
- Local transport (1%)
- Taxi fares (1%)
- Vehicles (1%)

Employment within the industry is dominated by the accommodation cafes and restaurants industries (25.4%), followed by transport and storage (12.6%), with retail trade (6.7%), cultural and recreation services (6.6%), and communication services (6.3%).

**Graph 2: Victoria's Tourism Industry Employment (TSA 2006-07)**



As mentioned previously, we believe it is important to incorporate students within the definition of the tourism industry. Education services provided to international students make a significant contribution to Victoria's export earnings. Although education visitors comprise only a small proportion of inbound arrivals, their average length of stay is considerable. As such any movements in their visitation patterns can be significant for international visitor nights and consumption.<sup>6</sup>

<sup>6</sup> Tourism Forecasting Committee, Forecast Issue 2, November 2010, p.6



Many of these students spend time visiting Victoria's attractions and destinations during their residence. There is also a close link to the visiting friends and relatives (VFR) market, and it is common for students to be visited by family and/or friends while in Australia. Many of the factors that impact Victoria's brand appeal for visitors (including safety, cultural awareness and quality of goods and services) also impacts on Victoria's potential to attract students. And in turn, factors influencing Victoria's reputation as an educational destination also impact on the reputation of Victoria as a visitor destination. When the students, families and/or friends return home, they share their experiences and impressions with other potential visitors.

In addition to sporting and cultural events, we believe it is important to incorporate business travel within the definition of the tourism industry. Business travel includes travel for meetings, conferences and exhibitions, together with incentive based travel. In addition to the primary event participant, it is not uncommon for a partner to also attend, many of whom seek to undertake tourism related activities during their stay.

While the events sector has many unique characteristics, there is a significant level of overlap with the broader tourism industry. Many event participants seek similar products and services to those travelling for the purposes of traditional tourism. For example, they often require accommodation, make use of transportation services, and undertake retail and hospitality purchases. There is significant overlap in terms of the issues and challenges faced by the sectors, including those that relate to regulation, investment and aviation.

### *Characteristics of Tourism Businesses*

As outlined above, the tourism industry incorporates enterprises in a wide variety of industries. As such there is a degree of variation that exists between one business and the next.

At one end of the scale there are large, growth driven, successful and innovative enterprises (government and privately owned), who employ a significant amount of staff. These may include large hotel chains, major transport service providers, major tourism attractions, and large venues and event organisers.

However, the majority of enterprises within the broader industry are not large. Many are small, if not micro enterprises. Around 93% of tourism businesses throughout metropolitan and regional Australia are small to medium enterprise<sup>7</sup>. These enterprises are often characterised by a relatively high degree of turnover (of businesses and employees) and often operate on thin profit margins.

The following table outlines the typical business characteristics of the three most significant tourism industries; transport; cafes, restaurants and food outlets; and accommodation. It outlines the proportion of 'non-employing' businesses within the industry; the proportion of small businesses (i.e. employing less than 20); the proportion of businesses with annual turnover of less than \$200,000; the exit rate (the proportion of businesses who exited the industry over the period); and the entry rate (the proportion of businesses who entered the industry over the period)<sup>8</sup>.

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<sup>7</sup> Tourism Forecasting Committee, Forecast 2010 Issue 2, November 2010, p. iii

<sup>8</sup> Australian Bureau of Statistics, Counts of Australian Businesses, including Entries and Exits, Jun 2003 to Jun 2007

**Table 1: Business Characteristics for Key Tourism Industries**

	Employment	Turnover \$	Exits Rate % (2006/07)	Entry Rate % (2006/07)
<b>Air and water transport</b>	78% non-employing	73% enterprises have annual turnover up to \$200,000	Exit Rate 0% - 24% (varies across sub-industries)	Exit Rate 4% - 26% (varies across sub-industries)
	96% employ 0 - 19		99% of exits employed 0 – 19	100% of exits employed 0 – 19
<b>Cafés, restaurants and food outlets</b>	25% non-employing	44% enterprises have annual turnover up to \$200,000	Exit Rate 23%	Entry Rate 20%
	62% employ 0 - 19		93% of exits employed 0 - 19	95% of exits employed 0 – 19
<b>Accommodation</b>	50% non-employing	53% enterprises have annual turnover up to \$200,000	Exit Rate 14%	Entry Rate 14%
	89% employ 0 - 19		92% of exits employed 0 - 19	95% of exits employed 0 – 19

Understanding the typical characteristics of tourism and related businesses, highlights the need for further reduction in the regulatory burden, particularly for SMEs, together with support for investment that enables profitable and successful businesses.

### *Industry Drivers, Challenges and Opportunities*

The tourism industry faces many internal and external pressures. While a number of issues have been accentuated in recent times, many reflect underlying trends that have existed for some time.

The recent economic downturn has in many ways changed the landscape within which the industry now operates. The downturn has not only affected the outlook for domestic tourism, but has significantly changed the expectations for international tourism.

The relative strength of the Australian dollar over the past five or so years, compounded by the more recent sharp appreciation, is a major challenge. The appreciation, and therefore affordability of overseas travel, has driven growth in the significant Australian outbound travel segment, and has in turn reduced the competitiveness of domestic tourism.

In addition, the strong growth in international air capacity, together with the expansion of low cost carriers, and an increase in packaging and quality offerings by international competitors has presented consumers with a wide range of choices. The most recent forecasts from the Tourism Forecasting Committee indicate that at a national level the expectations around domestic visitor nights has been revised downwards from an average 0.6% per year to 2010, to 0.3% per year.<sup>9</sup> Operators in Victoria face strong competition from international destinations, as well as domestic destinations including Queensland, New South Wales and Tasmania.

In the events industry, Victoria faces strengthening competition from Asia and the Middle East, not only for major events but also for business events.

Operators also face competition from substitute products and services, such as technology, home entertainment, hobbies and pets. While tourism was once a top choice for discretionary expenditure, research indicates it is now ranked 10th.

Regional Victoria has been particularly impacted by the downturn. While the metropolitan area and regions within one and a half to two hours drive from Melbourne have experienced a level of recovery following the GFC, many parts of regional Victoria continue to struggle. The dispersal of metropolitan based visitors to regional locations remains a major challenge, particularly in

<sup>9</sup> Tourism Forecasting Committee, Forecast Issue 2, November 2010

relation to the dispersal of international visitors who often have limited time and specific interests and expectations.

Regardless of the uncertainty over the introduction of an Emissions Trading Scheme and other regulatory measures, climate change remains a challenge for the sector. Changes to weather patterns and temperatures have the potential to have a significant impact on many of Victoria's nature-based tourism experiences and natural attractions, including the coastal environmental, the alpine country and forested areas. With these changes come increased incidents of floods, storms and bushfires and associated damage. It is not only the physical threat that poses a challenge, but also the associated media and messaging that can have a significant impact on Victoria's reputation and ability to attract visitors.

In addition, consumers are increasingly demanding environmentally sustainable options, including carbon neutral events, carbon offsets for travel, and environmentally friendly accommodation options. To add to the challenge, many still demand a 'special' experience, and still want to enjoy the comforts that make a holiday relaxing.

In reference to the hotel industry a recent Deloitte's report states; *"It will not be long until major corporations, as part of their corporate social responsibility policies, will demand that hotels comply with minimum environmental standards as part of their contract review process. Be prepared!"*<sup>10</sup> Despite environmental sensitivities, value for money remains a key influence on decision making. "Values-plus-value is likely to become a growing consumer mantra."<sup>11</sup>

Changing demographics and household structures represents both a challenge and an opportunity. The increase in double income households often provides higher disposable income. However, this is regularly offset by greater financial pressure from higher house prices, rising interest rates and rising family care expenses. Work commitments can lead to stockpiling of annual leave. Other trends such as 'back to basics', 'cocooning' and entertainment and expenditure choices all have market implications.

The aging population is also a significant issue that is having an impact on the availability of skill and labour, and increases the need (and opportunity) to tailor products and services to suit this large cohort of potential holiday-makers.

Other demographic issues include varying generational expectations. For example, generation Y has grown up taking international holidays and continue this pattern into adulthood. Traditional domestic holidays, at the beach or visiting friends and relatives are increasingly rare. In addition, with almost one quarter of the population born overseas, holiday times are often reserved for visiting relatives. The flow on of this is the growth opportunities in the VFR market when overseas families visit Victorian based relatives.

Social issues remain an ongoing challenge and include anti-social behaviour, alcohol and drug related incidents, as well as associated safety and reputational risks. While some issues have become more prominent as a result of regulatory changes and policy decisions regarding policing resources, many have been apparent for some time. However, increasing globalisation and technological developments mean that what was once an isolated local issue can instantly be broadcast globally. There is a particular concern about the impact on the international student market, and the flow on impacts to tourism including the VFR market.

The industry continues to face many employment challenges. It is dominated by small operators, has a high proportion of casual and part-time positions, and attracts many young people. As such, it can be a challenge to both attract and retain a sufficiently skilled and flexible labour force. Regional Victoria faces particular challenges in this area.

Technology continues to play a significant role. The prevalence of the internet and wireless technology means potential customers are seeking readily available information. Customers expect prompt (if not immediate) information regarding availability and are increasingly using the internet to research and secure bookings. Through social media and digital technology, customers expect to gain an understanding of what the experience will be like, while in the

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<sup>10</sup> Deloitte, Hospitality 2015 The Australian Perspective p.8

<sup>11</sup> Ibid.

comfort of their own home. The business sector is increasingly turning to technology in order to reduce travel expenditure.

*“There are currently more than 1.5 billion people around the globe with access to the internet. With this forecast to increase by around 50 per cent by 2015, operators need to embrace the world online and ensure they deliver their brand through multiple (and ever-changing) channels.”<sup>12</sup>*

The nature of the industry itself is a challenge. It is not considered an industry by conventional means but combines activities across many traditional industries. This presents a challenge in understanding and promoting the importance and needs of the industry to decision makers, as well as engaging industry operators in shaping the industry’s future. While by international comparisons, Victoria and Australia have a reasonably well established set of regular and occasional statistical and research releases, more can be done in this area.

While there is no doubt many challenges facing the industry, there are also many opportunities for growth that should be capitalised on now and into the future.

Many opportunities exist within the events sector in Victoria. Melbourne has a well-established series of major sporting, cultural and business events, but there are opportunities to further leverage off these and increase yield by promoting complementary tourism products and services. The business events sector is an increasingly important area, with potential to not only attract and retain events, but also to collaborate more closely with broader industry players to develop new events around Victoria’s key industry strengths.

Regional Victoria, with its wide array of natural, cultural and physical attractions, has an opportunity to leverage off these and enhance differentiation in the meeting and conventions market. There are also many successful regional events that have the opportunity to grow further, together with new events. The UCI Road Cycling World Championships, held in Geelong in late 2010, is an excellent example of a high quality event attracted to regional Victoria.

While some areas have struggled of late, the tourism industry as a whole has many opportunities before it. A well thought out and implemented strategy to meet the needs of the Chinese and Indian markets, two of Victoria’s projected growth areas, has the potential to bring significant benefit to the state.

The VFR market also remains largely untargeted, with enormous potential to tap this through improved connection with the host, including those linked to international education. The tourism industry has much to gain from greater coordination and collaboration with the events industry, maximising visitor yield and encouraging repeat visitation. Nature-based tourism remains a well-recognised area of future growth potential.

The long running and successful destination marketing ‘Jigsaw’ campaign which promotes Victoria’s diversity and accessibility has considerable ‘life’ and relevance to meet the changing market. Increasing cooperative marketing between the industry and Government will build on this sustainable marketing platform.

In order to overcome these challenges, and maximise opportunities for growth, it is important that all unnecessarily regulatory and other cost burdens on operators are removed, and that ongoing investment is supported and facilitated in a strategic and coordinated manner.

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<sup>12</sup> Deloitte, Hospitality 2015, Game changers or spectators? p.3

## A Vision for the Future

### *Industry Potential*

At a national level, the Tourism Forecasting Committee (Forecast 2010, Issue 2, November 2010) sets out forecasts to the period 2020. While broadly accepted among industry, these forecasts are derived largely from current demand and supply projections, and assume a 'business as usual' approach to industry growth.

The forecasts estimate that over the period 2009–2020, total national tourism consumption is forecast to rise by an annual average growth rate of 1.4%, with much of this growth forecast to come from stronger international visitation. By contrast, national domestic visitor nights are forecast to rise by an annual average growth rate of 0.3%, with a similar profile expected for domestic overnight trips<sup>13</sup>.

Outbound departures are expected to rise by an average rate of 4.5% per year between 2009 and 2020, exceeding the growth rate for inbound visitor arrivals (3.9% per year) over the same period. The Asia and Pacific region remains a popular outbound travel destination, most recently including Indonesia, Fiji, China, Thailand and Malaysia. Asia is also a significant growth market for inbound arrival, with the share of inbound arrivals from Asia expected to increase from 38% to 42% over the period to 2020.<sup>14</sup>

Business travel remains a growth segment. Expectations around business travel in the most recent issue of the tourism forecasts have been revised upwards, and are now expected to record an annual average growth of 1.7% out to 2020.<sup>15</sup>

Victoria's 10 Year Tourism Plan sets out expectations for Victoria's tourism industry potential by 2016. That is, to grow the industry to \$18 billion and employ 225,000 people. Compared to the current estimated industry contribution of \$15.8 billion and 184,800 employees, to meet this goal the industry is required to grow by a further 32,000<sup>16</sup> direct employees and \$2.2 billion in economic contribution.

However, all of these forecasts and projections are largely based on the principle of what can reasonably be expected to occur under the assumption that the underlying factors will remain unchanged; that is, considering past and current conditions, supply side factors, and domestic and international demand.

In order to realise the industry's *full* potential, it is important to have a vision that goes beyond business as usual. Business as usual has seen Australia fall behind competitively, recording a decline in international market share. To achieve the industry's full potential we need to challenge the underlying assumptions and create a long term vision to which the industry can aspire.

Tourism Australia<sup>17</sup> has outlined forecasts for tourism industry *potential* to 2020 that consider a scenario that goes beyond the current trend growth. While the forecasts have been prepared at a national level, the underlying growth projections and associated implications are very much applicable to Victoria.

Here, growth will be driven by inbound visitors. Domestic tourism expenditure, which currently accounts for 62% of all overnight expenditure, is forecast to account for only 55% in 2020. International tourism expenditure is expected to increase from 38% to 45% in 2020. China in particular is expected to be a significant growth market, followed by a number of traditional growth markets such as the United Kingdom, USA, South Korea, New Zealand and Japan. While growth in the India market is also expected to be strong, overall expenditure is expected to be lower than China and key traditional markets.

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<sup>13</sup> Tourism Forecasting Committee, Forecast 2010 Issue 2, November 2010

<sup>14</sup> Ibid.

<sup>15</sup> Ibid.

<sup>16</sup> Victorian Tourism Workforce Development Plan 2010-2016

<sup>17</sup> Tourism Australia; 2020 Tourism Industry Potential; November 2020

If the upper range targets outlined by Tourism Australia are achieved, there are many national economic benefits that can be expected including:

- A doubling of overnight expenditure from \$70 billion in 2009 to as high as \$140 billion in 2020.
- An increase in tourism's contribution to GDP from 2.6% in 2009 to up to 3.0% in 2020.
- An increase in tax revenues from tourism from \$9.3 billion in 2009 to as high as \$14.5 billion in 2020.
- Increased net exports of up to \$6.7 billion<sup>18</sup>.

Regardless of the forecast chosen, the message is clear. Our current infrastructure and investment levels are not sufficient to realise industry potential. Even meeting 'business as usual' or trend forecasts will require significant supply side investment. There are a number of key areas of 'supply side' investment required, including accommodation, aviation and labour/skills.

### **Barriers to Realising Industry Vision**

Government, working with industry, has a vital role to play in supporting infrastructure development, and further enhancing investment through appropriate planning and regulatory settings.

Central to achieving the industry vision is the need for consideration of, and a purposeful reduction in regulatory and other barriers to industry growth, and an increase in strategic investment across a range of areas.

A number of the external barriers have been identified above through the consideration of key industry challenges. These include; the high exchange rate, social and demographic change, climate change and environmental considerations, domestic and international competition, and the economic downturn.

Many of these relate to external trends and influences, which can be managed, but are largely beyond the influence of industry participants. The other type of barriers relate to those that **can** be influenced, largely by Governments. These include impediments resulting from current regulation, investment processes and other policy settings to achieve the growth potential of the industry, its productivity and its development. These impediments may be explicit or implicit.

As outlined above, the structure of the economy continues to evolve and the service sector has become increasingly significant. Any consideration of public policy, regulation and Government support must recognise the importance and characteristics of the service sector (including tourism). A touchstone issue for the tourism sector, which highlights the specific characteristics of the sector, is labour regulation. Specifically, the current paradigm for labour regulation being founded in the concept of an 'ordinary' working week based on the hours of between 9am and 5pm, Monday to Friday. For many businesses in the tourism sector their ordinary operating hours are predominantly outside this period yet 'ordinary' hours of work for the majority of industrial instruments that regulate the sector are confined to the hours of 9am and 5pm, Monday to Friday.

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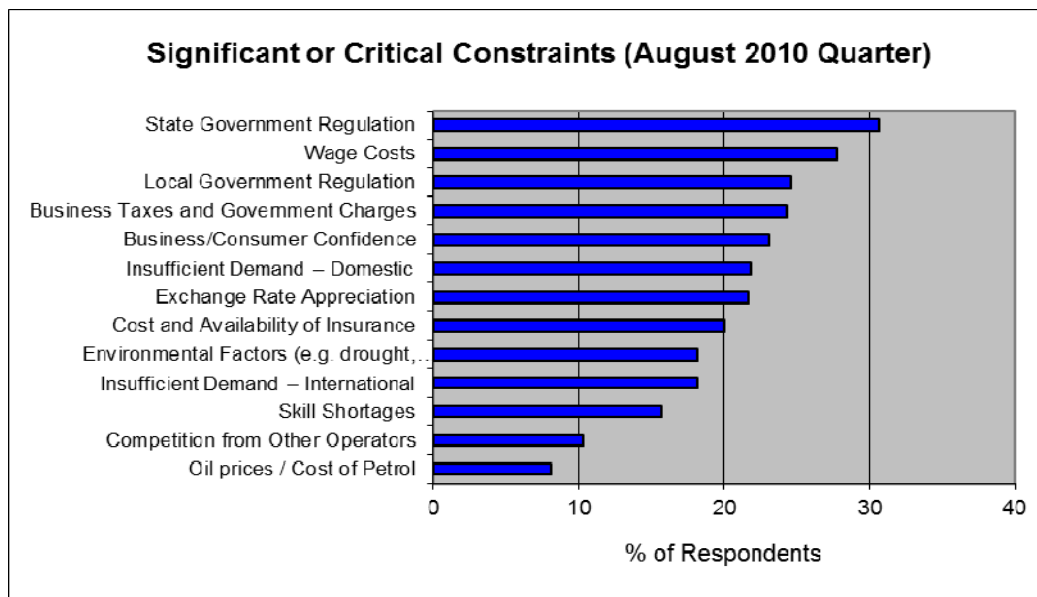
<sup>18</sup> Ibid.

## Regulatory Barriers

In the first instance it is important to consider the regulatory barriers that add both a cost and administrative burden on businesses, putting increased pressure on the viability of businesses and discouraging investors. Tourism is a highly competitive domestic and international market. Regulation must not compromise the competitive advantage of this important sector, dominated by SMEs.

The quarterly VTIC Survey of Tourism Industry Performance and Outlook invites industry participants to outline what they consider to be the key constraints to industry growth. In the August quarter 2010 survey State Government regulation was considered the most significant constraint, followed by Local Government regulation in third place.

**Graph 3: Extract of Results From the August Quarter 2010, VTIC Survey of Tourism Industry Performance and Outlook**



Respondents were then invited to provide further comments. Extracts from this section of the survey collected over the past year highlight the level of frustration over regulatory barriers. Comments include:

- *“Amount of paperwork required. Not knowing what and how to meet the requirements for registration because VRQA does not seem to be able to explain what’s needed to small business.”*
- *“Food handling licence costs.”*
- *“New modern award has increased wages by 9.4% 2010-2011. It makes me nervous and the conditions and restrictions are unworkable for the employer in the hospitality industry.”*
- *“New Work Choices will end up costing people jobs; we will end up leaving rooms uncleaned till Monday hence the tourist travelling will miss out on weekends. You can not increase the rate of a room and site to cover this higher rate that is applying at present.”*
- *“Payroll tax - general bureaucracy and the volume of time spent wading through it.”*
- *“Residential Tenancies Regulations 2010”*
- *“1. Lack of proper regulation in backpacker market. 2. Illegal workers. 3. illegal contactors.”*

- *“Increased liquor licensing fees totally out of proportion to the revenue generated by liquor sales.”*
- *“Liquor Licence expense a major factor to my business. Expense of fees to local council for food handling, licence fees have increased on a yearly basis.”*
- *“Liquor license fees increasing means we are no longer able to provide a service to our guests. We would like to be able to give away a free bottle of wine to our guests, but can not afford the increases in fees to make this viable any longer.”*
- *“Pathetic service from the local shire [name removed] e.g. failure to return phone calls, failure to reply to correspondence, delays in any applications. This costs us an enormous amount of money and is detrimental to tourism.”*
- *“Local, State and Federal Government regulations into issues in particular Planning Permits (2 months for minor basic requests and 12 months to get a liquor licence for a small cafe), land tax, and another ...wages system. We no sooner get close to finalising one system and then a whole new one starts.”*
- *“Small local council fees for food permits, cost of hard wired fire alarms, and now an accommodation permit as a result of poor conduct of other businesses not related to B&B's.”*
- *“Tenancy Act is getting too hard for owners of business. Some people need to live in Caravan Parks and we generally are happy to have them.”*

While these comments cover a variety of issues, one comment sums up the concerns well: *“The overall level of regulation, taxes and levies imposed by all levels of government are collectively restrictive and expensive.”*

### *Regulatory Principles*

VTIC supports the principles found in the Victorian Guide to Regulation<sup>19</sup> that states that *“Government should not resort to regulation unless it has clear continuing evidence that: a problem exists, government action is required, [and] regulation is the best option.”* We support the characteristics of best practice which include; effectiveness, proportionality, flexibility, transparency, consistency and predictability, accountability and subject to appeal.

More specifically, VTIC supports six principles of good regulatory process. They are:

1. ‘Problems’ should not be addressed through regulation unless a case for action has been clearly established. Consideration should be given as to whether regulation is the most appropriate way in which to address the concern, and regulation should be applied as a last resort after other options have been fully assessed and judged to be ineffective.
2. A range of feasible policy options, including self-regulatory and co-regulatory approaches, need to be assessed within a cost-benefit framework.
3. Only the option that generates the greatest net benefit for the community, taking into account all the impacts, should be adopted.
4. Regulators and regulated parties should be well aware of the policy intent of the regulation, as well as what is needed to be compliant. Primary consideration must be given to ‘outcomes’; that is, ensuring regulation addresses the problem that exists.
5. Mechanisms such as sunset clauses or periodic reviews need to be built into legislation to ensure that regulation remains relevant and effective over time.

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<sup>19</sup> Government of Victoria (2007), Victorian Guide to Regulation, Section 3 - [http://www.dtf.vic.gov.au/CA25713E0002EF43/WebObj/VictorianGuidetoRegulation2007/\\$File/Victorian%20Guide%20to%20Regulation%202007.pdf](http://www.dtf.vic.gov.au/CA25713E0002EF43/WebObj/VictorianGuidetoRegulation2007/$File/Victorian%20Guide%20to%20Regulation%202007.pdf) - see Appendix 1



6. The regulatory decision-making processes must be transparent, lead to a fair outcome and involve effective consultation processes that are accessible and responsive to business and other stakeholders.

We recommend that a new regulatory culture should be adopted to understand business processes and the burden created by regulatory compliance. There must be a commitment to provide a 'business friendly', and more specifically a 'tourism friendly', operating environment.

In addition, no new business regulation should be contemplated without a thorough and independent cost benefit analysis and no regulation should be introduced without full consultation with the tourism sector.

**Recommendation:** A new regulatory culture must be adopted to understand business processes and the burden created by regulatory compliance. There must be a commitment from all levels Government to provide a 'tourism industry- and business- friendly' operating environment within Victoria.

**Recommendation:** Government must develop and resource an ongoing regulatory reform authority to assist in the management of regulation as it applies to the Tourism & Events industries. This authority must have overarching terms of reference that allow it to review all proposed legislation to assess its impact on the sector and to progressively investigate existing regulation with a view to progressing reform over time.

### *The Investment Environment*

Barriers to private sector investment remain a real challenge. Disincentives resulting from complicated planning processes and regulatory impacts, particularly for private sector investors seeking to invest across regions, on public land or in a development that involves multiple agencies are a concern and must be addressed to ensure opportunities are not lost.

Extracts from the VTIC Survey of Tourism Industry Performance and Outlook collected over the past year highlight the level of frustration over the current investment environment. Here respondents were invited to make comments about key constraints faced by industry. Comments included:

- "Free or low cost subsidised entry to taxpayer-funded attractions - competitors in market for the private sector."
- "Free Entry into National Parks. Lack of funding to meet the needs this revenue was used for in Tourism Information services in National Parks."
- "Local government zoning deficiencies."
- "International air access is being constrained by not negotiating increased air rights with in particular Asian Countries well ahead of the demand curve."
- "Local Government regulations could be relaxed for VERY small business serving minimum amounts of food instead of treating as cafe or similar."
- "Melbourne has had a good number of new hotels open in the last few months; this is good as it lifts the overall standard of hotel facilities for guests. It is now time to formalize the definition of what is a 'hotel' and a 'serviced apartment' as against a 'residential' building! We are the last state without this definition."
- "Need for concerted focus on visitor transport in Melbourne."
- "Third world communications infrastructure."
- "Broadband – speed and coverage."
- "Being a permit-based operator, it is hard to invest in the business on a long-term basis when there is no long-term guarantee that we will always have access to the permits. This is currently being reviewed by DSE."

- “Heritage over lay - re signage, new cabins.”
- “The Government needs to release more land along coastal foreshores within two hours drive from Melbourne. We turned away approx 6000 people this year wanting caravan and camping sites over the January holiday period. The same applies to other holiday weekends. There are three parks either closed or will be in this Shire alone and they are not being replaced.”
- “Affordable access for outdoor education / tourism operators to public land / state / national parks.”
- “Lack of tourist infrastructure. Local government’s focus and funding of a tourist facility that has no ongoing tourist-flow momentum and its inability to move emphasis from a failing theme park to alternative tourist related activity which has the potential of generating sustainable tourist visitation - year round.”

Improvements are needed to ensure there is greater transparency, improved timeliness in applications and a greater understanding of the value tourism and events related investment can provide to the wider community in order to ensure greater support for such developments.

There is currently a considerable gap between tourism policy objectives and Victoria’s planning system. Not only must the regulations be appropriately aligned, but they must also be effectively implemented and interpreted to ensure clarity. Uncertainty around regulations and timeframes for approval is discouraging investment in Victoria. This is exacerbated by the inability or unwillingness of local government to approve substantial tourism developments which end up in VCAT. Examples include the proposed development of the Sanitarium Factory in Warburton (see case study below) and the RACV Torquay Resort development<sup>20</sup>, both of which have experienced unnecessary and costly delays including deferred job creation.

Many of the experienced around tourism related planning and investment is associated with the fact that ‘tourism’ by its nature can incorporate multiple land use categories/planning zones. For example, an investor seeking to establish a high quality golf course may also seek to provide accommodation and supplementary retail facilities. For example, in a rural zone it is acceptable to develop a golf course; however it is not acceptable to develop accommodation. Similarly, it is acceptable to develop accommodation in a residential zone, but not a golf course.

In order to remain competitive and capitalise on future growth markets, there must be significant and strategic investment by industry and Government in tourism infrastructure and the sector’s product and service offering over the next decade. In order to encourage private sector investment in Victoria’s tourism industry, it is necessary to ensure that the policy environment is conducive to providing confidence, certainty and clarity.

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<sup>20</sup> RACV are also preparing a submission to this Inquiry.

### **Case study - The Crockett Group**

The Crockett Group is the umbrella company of 11 separate commercial entities forming a diversified Property Development, Property Investment, Tourism, Consulting and Management Company. Since its inception in 1979 the Group has been lead by Managing Director Garry Crockett. Tourism properties and projects the Mountain Heritage Hotel and Spa and the Falls Mountain Retreat in the Blue Mountains, NSW.

The Crockett Group is seeking to re-develop the heritage-listed site of the Sanitarium Factory in Warburton, Victoria. The plans for the 4500sqm heritage site, designed by the Buchan Group, includes the Yarra Valley Wine and Food Centre; hotel reception, two restaurants, a bar, fitness centre, and terrace overlooking river and National Park; conferencing facilities; an art gallery; a health and well-being centre; and a rooftop terrace. The six wheat silos would be retained as a base for adventure activities including abseiling and rock-climbing. An air-bridge would connect the factory building to the silos. There would be four levels of accommodation plus underground parking on either wing of the factory building. Each room of the 186 rooms would be 32sqm plus balconies, all north facing and all with river views. The development would provide Warburton with a much-needed attraction - a high quality resort, combining accommodation with activities.

The Group first entered negotiations for the site in 1997 and applied to Yarra Ranges Shire Council to have the site re-zoned in 2000. Despite having experience in other states of Australia in planning and development, the Group was advised to use Victorian consultants, recommended by Council, to assist with the application. Consulting firm Connell Wagner (now known as Aurecon) was engaged. In the early stages, the Crockett Group believed it had strong support from Yarra Ranges Shire Council. This support was largely based on the employment generation potential of the proposed project, estimated at 150 jobs for the \$50 million project.

The Council coordinated a public meeting for consultation and the project evolved as a development by consensus. The project reached the approval stage in 2006 but attracted objections from two (2) non-residents. The matter was referred to a planning panel hearing at the direction of the Planning Minister, with the developer incurring \$220,000 in legal costs; however, even after the panel hearing no changes were made to the plans that had been approved by Council.

A building application was made but there were certain clauses in the planning permit, such as a Section 173 agreement. This involved the Crockett Group purchasing land from the Crown as freehold for the purpose of developing a 217-space car park; the Crockett Group would then return the developed car park to Council after three months as a public contribution under Section 9. The Group undertook a decontamination of part of the site and, per the Section 173 agreement, also paid the Council's legal costs and minor amendments to the planning permit. In all, the Group has spent around \$1.2 million building the car park. However, after a change of personnel within Council, the Crockett Group has since been asked to manage the car park in perpetuity, which was not part of the original agreement. This situation is at a stalemate.

In addition, the Group lodged a permit application with Council for the subdivision of the accommodation component of the development; despite a number of meetings with Council over a 10 month period, there has been no outcome and the matter has been referred to VCAT, with a hearing prioritised and scheduled for May 2011 (this has been scheduled for December 2011).

The Crockett Group has now spent approximately \$5 million over 10 years, as well as the cost of building, land and maintenance. Nevertheless, Mr. Crockett has indicated that he may still walk away from the project if the issues cannot be resolved satisfactorily in the foreseeable future.

Mr Crockett cites a fast-track process available in New South Wales, whereby a development may be declared a 'major project' to be assessed under Part 3A (Major Infrastructure and Other Projects) of the [Environmental Planning and Assessment Act 1979](#). These projects, which are ordinarily assessed by the Department, require the Minister for Planning's approval because they are of a particular type or are within a state significant site or other specified site. He suggests that a similar system should be considered in Victoria, as local governments do not have sufficient resources or capacity to manage large and complex projects. Tourism is a dynamic

market that changes quickly - the current market is very different to the market of a decade ago, or even to that of three years ago. Timing is everything and the ongoing delays with this project have resulted not only in holding costs but also significant opportunity costs.

### **Recommended Principles for Enhanced Private Sector Investment**

The following principles and policy directions would enhance private sector investment in the tourism industry:

- Planning policies should not discourage, unduly delay or render unviable appropriate investment, including tourism investment on or adjacent to public land.
- Regulations must be appropriately aligned and effectively implemented to ensure clarity, certainty and transparency. Planning and approval processes must be simple, low in cost and executed in a timely manner.
- Planning and licensing applications must be processed in an efficient and timely manner. There is a need to improve the transparency and timeliness of applications and reduce administration and related business 'search' costs.
- Potential investment opportunities must be identified and promoted. There must be a single agency focused overcoming supply side challenges faced by the tourism industry including the promotion of tourism as an investment opportunity, the management of advice on investment assistance and incentives and to act as a single point of entry for potential investors in the sector.
- A central authority to coordinate investment approvals is vital in areas where multi-agency involvement is currently proving a hindrance. This includes investment around Melbourne's bays, coastal areas, alpine areas and locations close to 'icon' natural landscapes. Here, an overarching Tourism Investment Authority could coordinate investment approvals, and facilitate private sector investment.
- Priority action must be given to ensuring that the planning system and commercial leasing system is conducive to tourism investment, taking into account the nature of the industry and characteristics of investments in the industry.
- Government should encourage strategic investment in the sector which complements industry development strategies and support industry growth targets. Assessment tools and performance measures should be used to ensure investment projects contribute to industry long-term growth and sustainability.
- Investment needs to occur across a range of areas including infrastructure, products and services. Investment should be facilitated in existing industry activity areas, as well as new or emerging growth areas. It should incorporate new investments, maintenance to existing investments, and investment in supporting infrastructure.
- While the private sector has a major role to play in underpinning new investment, there is also an important role for public sector investment in strategic assets and their maintenance in order to facilitate industry growth and competitiveness.
- Barriers to investing across regions, on public land or in developments that involve multiple agencies, and/or multiple land use categories must be addressed as a matter of urgency.
- There must be regular, structured and effective collaboration and communication between industry, Government and the community.
- There must be ongoing efforts to reduce red and green tape, including a reduction in the complexity and costs associated with planning and approval processes.
- There must be a relaxation of Export Market Development Grants regulations to allow for a dedicated three year access to entitlements for new market development in India and China.

## *Key Regulatory Issues As They Relate to the Tourism Industry*

The tourism industry recognises the important role that regulation plays in helping achieve social, economic and environmental policy objectives. Regulation helps provide confidence and certainty to business and consumers. By improving economic stability and operating and governance arrangements, regulation can help create an attractive environment for innovation, investment and trade. In turn, any level of uncertainty or lack of enforcement is an impediment to industry growth.

The cost of regulation on the economy is significant. Regulation affects all facets of business including inputs, prices and output. Unnecessary, complex and poorly designed regulation contributes to the administrative burden and constrains the ability of business to provide the best product or service at the lowest cost. Similarly, the effects of numerous changes to regulations - or the prospect of changes - can also be damaging, leading to lost confidence, lost markets and a disincentive to risk-taking and entrepreneurship.

Feedback from industry suggests there is also significant frustration around the level of uncertainty, and the lack of transparency and timeliness that exists in some areas of regulation and licensing. This presents both a financial cost and an emotional cost, as well as a time burden, on the business, and for many actually prevents them undertaking further business development.

Where regulation is necessary, it should aim to facilitate compliance through better risk management and the adoption of systematic and methodical approaches to business planning and management. Regulation should also have a strong focus on encouraging – even rewarding – good behaviour, as part of an overall system of fair and effective enforcement.

In particular, the multi-sectoral nature of the tourism industry means that operators are regularly required to comply with multiple regulations and licensing processes, particularly where operations cross physical or Government boundaries, and where a variety of service offerings are provided (e.g. accommodation, tours, retail, food/beverage). While the operator needs to provide a variety of offerings in order to meet the expectations of the visitor and make their business viable, this can also create a greater administrative and compliance burden.

As the example below illustrates, while each process in itself may be appropriate and manageable, it is the layering of elements or activities, and the resulting volume and complexity of these requirements, that present a significant burden – a burden that incorporates time, money and human resources.

### **Case Study: Bunyip Tours**

Bunyip Tours has been operating since 1997 under current owner and Managing Director George Josevski. The business has gradually expanded to include the Penguin Island Tour and Otway Discovery Tours. In 2006 the premises next door to the Bunyip Tours office on Flinders St. was purchased and renovated into a café, adding a food and beverage component that complements Bunyip Tours' product offering. The café provides the catering for the picnic options now offered on some tours.

Bunyip Tours is required to hold a range of licences and certifications in order to run the business (see Table 2 below). Bunyip Tours employs a full-time book-keeper who spends one (1) day per week on compliance-related work (record-keeping, maintenance of manuals, payment of various licence and accreditation fees, etc.). This ongoing compliance includes maintenance of an emergency management plan, training of staff, and the quarterly submission of trip return documentation to Parks Victoria. Bunyip Tours also contacts VicRoads every week to verify the licences of its driver, to ensure that none of its drivers have exceeded the allowable number of demerit points or been otherwise fined or penalised for driving offences that may occur when the drivers are off-duty.

**Table 2: Licences Required by Bunyip Tours**

<b>Licence / permit / accreditation</b>	<b>Issuing body</b>	<b>Cost</b>
<b>Food Safety registration, permit and plan</b>	City of Melbourne	\$300 per annum
<b>Liquor License</b>	Department of Justice	\$560 per annum
<b>Bus operator accreditation required for vehicle with 12 or more seats</b>	Public Transport Safety Victoria	\$1000 per annum to cover all vehicles
<b>Accreditation to drive passenger vehicles</b>	Victorian Taxi Directorate	\$24.50 per person for 3-year accreditation <sup>21</sup> .
<b>Parks Victoria LTO permit - 3 year permit.</b>	Parks Victoria	One-off application fee \$165.00; 3 year permit fee \$165.00; Bunyip Tours pays a single capped use fee of \$5,500 rather than a per head fee.
<b>Eco-Tourism accreditation</b>	Ecotourism Australia	\$770 per annum

As industries evolve due to consumer demand and technological innovation, regular and ongoing regulatory review and reform is necessary, and must be carried out by Governments at all levels with input from stakeholders. Regulations with the most significant impact on the economy, and industry, should be given priority.

It is important that regulations across all states be reduced, and/or simplified, to help overcome the problems faced by businesses operating across state boundaries and their need to deal with multiple and often inconsistent regulatory approaches. In the case of tourism, greater consideration should be given to the multi-sectoral nature of the tourism industry, and ways in which common regulations and applications could be streamlined.

Some of the reasons for the complexity and inconsistency of the regulations relating to tourism (in particular, licensing) are due in large part to the structure of the management authorities charged with the task of managing such assets.

In most cases the management authority for state tourism related assets has a primary function outside the facilitation of tourism development. These primary functions include protection of the environment, protection of natural landscapes, protection of built infrastructure with heritage etc. There is an inherent conflict between the management or regulation of tourism related state assets and the primary purpose of both authorities charged with this task.

<sup>21</sup> For details of application process see <http://www.transport.vic.gov.au/doi/internet/vehicles.nsf/AllDocs/FEFCF82BA0CAAECECA256F3200205E90?OpenDocument#Fees>, accessed 12.11.10

## **Management of State Assets**

The management of state assets is of particular interest and concern to the tourism industry because key tourism infrastructure and many iconic tourism attractions are either partially or fully owned and/or managed by the state. These include natural assets such as Victoria's national parks and marine parks and reserves (e.g. Wilson's Promontory National Park and the Twelve Apostles) and built assets such as airports and stadiums, Federation Square, the Melbourne Convention and Exhibition Centre, Phillip Island Nature Park, Melbourne Museum and the National Gallery of Victoria.

It is important that these existing assets be managed in a sustainable manner (both environmentally and commercially), and where appropriate, further developed (for example, the proposed extension of the Melbourne Exhibition Centre and the ongoing upgrade of Phillip Island Nature Park), so that they retain their intrinsic, natural and/or commercial values, as well as continue to meet and service the needs of both the Victorian public and visitors to the state, well into the future.

It is also important that planning for new, state-owned built assets take tourism into consideration as much of the state's infrastructure - roads, airports, telecommunication networks and transport systems - will also be used by visitors to the state. Planning for major infrastructure takes into account population growth but does not necessarily consider growth in visitor numbers to the state.

### *Role of Tourism Victoria*

Tourism Victoria has, and is expected to continue to play, a vital role in supporting Victoria's tourism industry.

Over some periods during the last three decades the industry has experienced both market failure and market weakness. Market failure relates to the fact that no private sector operator has the capacity (or incentive) to provide marketing services promoting the state to domestic and international visitor markets. Market weakness relates to the fact that in the past, the private sector has not had sufficient coordination or leadership to drive its own development. This is no longer the case as the sector now has a well structure and industry leadership structure through the Victorian Tourism Industry Council.

In the past, it has been appropriate for Tourism Victoria to be involved in industry development, and it has successfully done so in many areas including the strong and effective support for the development of the Tourism Excellence program. This program is now at a stage where it can, and is, being handed over to industry, which is well placed to effectively deliver this service to business.

The industry is continuing to evolve and strengthen, and is now in a position to take over much of the industry development role, in partnership with Government. One potential area for ongoing Government support as a result of any potential remaining market weakness is in the area of supporting the initial start up of SMEs.

There is a very clear and strong mandate for Tourism Victoria to continue its marketing focus. This remains an area of market failure and there is an ongoing need for a promotional agency whose core focus is destination marketing. In order for the tourism industry to prosper, we need a strong Tourism Victoria, with a strong marketing focus, that works in partnership with industry to maximise strong cooperative marketing and development.

It is the contention of this submission that Tourism Victoria should be more market and outcomes focused than it currently is. Tourism Victoria plays an important role in the broad market position

of Victoria. However, it is often challenging to link this role back to quantifiable and measurable commercial outcomes for private sector operators on the ground.

Tourism Victoria has been a national performance benchmark, which was gained when it was a wholly integrated statutory authority. Its primary role should be, as a destination marketer, to create demand and work with industry to convert demand into visitation, yield and dispersal.

### *Role of Department of Sustainability and Environment and its Associated Agencies*

The Department of Sustainability and Environment (DSE) is the Government agency with the overarching responsibility for the entire public land estate<sup>22</sup>. DSE is responsible for setting the strategic direction for the use and management of Victoria's parks, reserves, state forests and other public lands. DSE also coordinates the activities of the various public land management agencies – Parks Victoria, Committees of Management, Alpine Resorts and Phillip Island Nature Park.<sup>23</sup> Within Victoria there are approximately:

- 1,300 reserves managed by local committees of management
- 2,800 reserves managed by municipal councils as committees of management
- 3,000 reserves managed by statutory bodies or government agencies.<sup>24</sup>

The DSE role includes the direction, management and delivery of recreation and tourism in state forests, as well as responding to tourism interests in public land. However, the Department does not have a promotion role.

The delegation of the Department's land management role to these agencies may be an organisational solution to managing the vast area of the public land estate. However, as many of the state's natural assets are also tourism attractions, it is also vital that the tourism value of these assets is recognised and managed accordingly, along with the conservation and education elements that are intrinsic to such assets. For example, Phillip Island Nature Park's mission "to conserve and enhance the Nature Park environment for current and future generations whilst achieving a balanced environmental, economic and social outcome", and its vision to be a "world leader in environmental, economic and socially sustainable nature-based and ecotourism experiences' as well as to be a great place to visit..."<sup>25</sup> clearly recognises and embraces tourism as a necessary and valuable part of the Nature Park's activities, whilst still maintaining its role of conservation.

In other cases, however, DSE's delegation of land management to other agencies appears to create significant inefficiencies, such as duplication of functions and inconsistency of operation between the various land management agencies. It could be argued that there is even some duplication with the activities of other Government agencies. This is evident in the make-up of the various agencies, and the scope of their activities and functions.

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<sup>22</sup> *Policy Statement - Licensing System for Tour Operators and Activity Providers on Public Land in Victoria*, 2008, Department of Sustainability and Environment

<sup>23</sup> From presentation made to T Blake and K Burke, VECCI by B Bunting, Public Land Division, DSE, September 2010

<sup>24</sup> <http://www.dse.vic.gov.au/DSE/nrenptm.nsf/LinkView/9D023EECC08C6920CA256D340081B2EF4201D1B34D4D08194A256DEA0022F6D5>, accessed 06.12.10

<sup>25</sup> [http://www.penguins.org.au/images/stories/pinp\\_annual\\_report\\_09\\_10\\_web.pdf](http://www.penguins.org.au/images/stories/pinp_annual_report_09_10_web.pdf), accessed 06.12.10



### *The Role of Parks Victoria*

Parks Victoria is a Government agency within the Department of Sustainability and Environment, which describes itself as "the custodian of a diverse estate of significant parks in Victoria and of the recreational management of Port Phillip Bay, Western Port and the Yarra and Maribyrnong rivers. Specifically this estate includes:

- 45 national parks
- 13 marine national parks
- 11 marine sanctuaries
- 3 wilderness parks
- 25 state parks
- 30 metropolitan parks
- 60 other parks (including regional and reservoir parks)
- More than 2,000 natural features reserves and conservation reserves
- 10,412 formally registered Aboriginal cultural heritage sites
- More than 2,500 non-Indigenous historic places.

These assets total more than 4 million hectares (about 17 per cent of Victoria) – total area of parks and reserves."<sup>26</sup>

As the agency dedicated to preserving the natural and heritage values of the parks, bays, and waterways, including full protection of sensitive areas through effective environmental and visitor management, *preservation is Parks Victoria's highest commitment*<sup>27</sup> (our emphasis).

This notwithstanding, Parks Victoria also plays a significant role in tourism in Victoria, working in partnership with industry, government and the community to facilitate appropriate and sustainable tourism on and for public land. This includes activities such as:

- Protecting the recreation and tourism values of public land for the long term through sound policy, planning, management and governance.
- Providing and maintaining appropriate visitor facilities and services on and for public land. (Parks Victoria maintains an asset base of over \$1 billion).
- Effectively communicating and promoting the role public land areas play in tourism.<sup>28</sup>

In addition to its custodial role of the public lands and waterways Parks Victoria operates some major tourist attractions and products including William Ricketts Sanctuary, Werribee Mansion, Great Gardens of the Dandenongs, Coolart Wetlands and Homestead, Buchan Caves, Great Ocean Walk, The Yarra River Shuttle Service and Tidal River Village.

As well as playing a major role in the delivery of major state tourism projects, Parks Victoria works with partners and lessees in the management of a number of tourism venues, including Queenscliff Harbour, Mount Buffalo Chalet, Twelve Apostles Visitor Centre, Mount Dandenong Observatory, Brambuk the National Park and Cultural Centre, St Kilda Kiosk and Cape Otway Lightstation. Parks Victoria is also responsible for the Licensed Tour Operators licensing system and program, Visitor Services and Marketing and Promotions.

Parks Victoria's motto is "Healthy Parks, Healthy People" and the agency actively promotes visitation to the Victoria's parks, gardens and reserves in both a recreational and tourism context. While this philosophy is welcomed by the tourism industry, it could also be perceived to be in conflict with Parks Victoria's stated purpose of protecting the environment and the nature and heritage values of the state's public lands, as well as overlapping with the role of Tourism Victoria, which is primarily a marketing, promoting and demand generating agency. The Parks

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<sup>26</sup> <http://www.parkweb.vic.gov.au/1aboutus.cfm>, accessed 09.11.10

<sup>27</sup> Ibid.

<sup>28</sup> [http://www.parkweb.vic.gov.au/1process\\_content.cfm?section=134&page=18](http://www.parkweb.vic.gov.au/1process_content.cfm?section=134&page=18), accessed 09.11.10

Victoria conservation and tourism/visitation roles are often in conflict and exacerbated by the departmental role of DSE.

**Recommendation:** That consideration be given to splitting the tourism role of Parks Victoria from the conservation role. The role of Parks Victoria should be redefined in line with their motto “Healthy Parks, Healthy People”. In doing so Parks Victoria should become an agency primarily focused on the facilitation of activity either recreation or tourism related within all public lands identified as having a predisposition toward such activities.

**Recommendation:** Parks Victoria’s ‘reporting line’ within government should then be realigned from within the Department of Sustainability and Environment to the Department of Business and Innovation.

**Recommendation:** Parks Victoria should focus on two primary areas of activity:

1. The facilitation of recreation and tourism activities on public lands in a manner that is sustainable and protects natural ecosystems or landscapes.
2. The licensing of the private operators to deliver all commercial activity on public lands.

### *The Role of Committees of Management*

Victoria has over 12,000 Crown land reserves, which is public land that has been set aside for public purposes for the enjoyment and benefit of the people of Victoria. Crown land reserves support a whole range of amenities and uses such as halls, libraries, theatres, showgrounds, gardens, bushland, zoos, foreshores, sports ovals, tennis courts, playgrounds, swimming pools and rail trails. The principal legislation dealing with the reservation and management of Crown lands in Victoria is the *Crown Land (Reserves) Act 1978*.

Crown land reserves have historically been managed by committees of management, a system of administration that has evolved to include community groups, councils and statutory bodies. All committees appointed under the *Crown Land (Reserves) Act 1978* manage their reserve on behalf of the Minister for Environment and Climate Change<sup>29</sup>, and have responsibility and authority to manage, improve, maintain and control their reserve. Committees of Management can consist of locally elected or appointed citizens, a municipal council, statutory bodies or trustees. All members of committees of management participate in a voluntary capacity and are not remunerated. However the Act does provide for incorporation of committees to enable them to employ staff, hold bank accounts and issue leases and licences, enter other contracts, or apply for grants, which often require the recipient body to be incorporated.<sup>30</sup>

Whilst many Committees of Management are neither a municipal council nor a government agency their activities appear to replicate many of the functions of such organisations. For example, the Great Ocean Road Coastal Committee (GORCC) is a small group comprising a committee of 12 volunteers and 27 or so employees, responsible for managing 37 kilometres of coast along the Great Ocean Road<sup>31</sup>. Its key tasks include:

- building and maintaining coastal facilities, assets and infrastructure;
- operating caravan parks in Torquay and Lorne, and managing the leases for two others which are privately operated;
- issuing leases, licences and permits for various commercial and one-off activities and events on the coast;
- undertaking weed eradication and other programs to protect the sensitive coastal environment; and

<sup>29</sup> Refers to the ministry under the Brumby Labour Government.

<sup>30</sup>

<http://www.dse.vic.gov.au/DSE/nrenptm.nsf/LinkView/9D023EECC08C6920CA256D340081B2EF4201D1B34D4D08194A256DEA0022F6D5>, accessed 06.12.10

<sup>31</sup> <http://www.gorcc.com.au/about-us/110/>, accessed 06.12.10

- contributing to the area's overall amenity in any number of ways, including removing rubbish from beaches and coastal reserves.<sup>32</sup>

GORCC describes itself as “a small community-based, not-for-profit organisation with big aspirations – we want everyone to love, protect and enjoy our beautiful coast as much as we do!”<sup>33</sup> The sentiment is admirable and the work performed by such Committees of Management is important but it is not clear why separate organisations have been established to carry out these specific tasks. Local government, Parks Victoria and DSE between them conduct all of the activities carried out, in this instance by GORCC, and are arguably better resourced to do so.

In a tourism context, the multiplicity of agencies and groups responsible for land management in Victoria becomes problematic when a tourism operation or activity takes place across a number of jurisdictions. This does not necessarily mean that the activity covers a large area. Along coastal areas, for example, it is not uncommon to have three or four different land management agencies whose borders coincide in a relatively small area - the Mornington Peninsula alone has 16 Committees of Management<sup>34</sup> as well as land managed by Parks Victoria. This fragmentation of land management creates a complex situation for tourism businesses operating across multiple jurisdictions of public land. This is highlighted in the area of licensing for tour operators and activity providers on public land. The following case study illustrates the practical implications of differing land management and licensing policies for a small business.

#### **Case Study: Southern Exposure**

Operating for around 15 years, Southern Exposure is an adventure tourism and activity provider based in Torquay, owned and managed by Mick and Bindy Sheehan. It offers surfing lessons, kayaking and mountain biking. In order to conduct these activities Southern Exposure requires a Licensed Tour Operator Permit from Parks Victoria; and separate licences from GORCC to conduct a surf school, sea kayaking and mountain biking. The licences issued by GORCC are 3 year licences which are competitively allocated, meaning that Southern Exposure must prepare Expression of Interest (EOI) documents every three years, one for the surf school and sea kayaking licences (combined into a single EOI) and one for the mountain biking licence.

The Sheehans estimate that each EOI takes a month of preparation and emphasise the care and pride they take in preparing their submission to ensure the best outcome for their business. As there is currently no submission template provided, they cannot judge whether or not they really need to spend this much time and effort, or if a less substantial submission would still provide the same outcome.

Notwithstanding that past performance of previously licensed applicants is taken into account by the Committee, with each EOI process comes uncertainty as to whether or not they will be granted the licences that enable them to run their business.

As outlined the case study above the current poor design the various permits systems to access public lands is a significant limitation on investment by the private sector in activities that rely on permits of some form. Not only is the re-application process onerous, time consuming and expensive it provides operators with very limited certainty of access.

As a result operators remain small, relatively inefficient commercial entities that have limited capacity and create only limited capital value due to the lack of certainty provided by current permit systems.

<sup>32</sup> Ibid.

<sup>33</sup> Ibid.

<sup>34</sup> <http://www.foreshore.net.au/index.php?id=2>, accessed 07.12.10

## The Current Licensing System for Tour Operators and Activity Providers on Public Land

Persons who carry on a trade or business (i.e. that are business entities), or conduct commercial activity on public land, are required by legislation to hold a licence. Under agreement with the Department of Sustainability and Environment, Parks Victoria administers the licences for tour operators and activity providers that operate in state forests, as well as those that operate on any public lands managed by Parks Victoria.

There are approximately 300 commercial tour operators and activity providers licensed by Parks Victoria to operate on land managed by Parks Victoria or the Department of Sustainability and Environment (DSE). An additional (small) number of licences are issued independently by Committees of Management.

More specifically, licensing allows Parks Victoria and DSE to:

- Provide legal access for appropriate use of public land for business;
- Protect natural and cultural values of public land by managing access, use and environmental impacts;
- Protect general visitor enjoyment;
- Ensure the safety of visitors by specifying appropriate skills, insurance cover and risk management procedures for operators;
- Obtain a return for the State Government for the use of public land that provides a private benefit;
- Potentially provide information to assist the strategic allocation of resources;
- Know the range and diversity of tourism businesses and related activities on the land they manage; and
- Develop a relationship with licensees.<sup>35</sup>

From an operator or business perspective, a tour operator licence provides:

- The opportunity for the LTO business to legally gain access to some of the state's most highly valued scenic and attractive areas;
- Compliance with legislation;
- Marketing value of advertising the LTO business' services to park destinations (through Parks Victoria's "Parks Discovery" magazine);
- Free marketing of the LTO business with contact details listed on Parks Victoria's website;
- Vehicle/vessel and personal identification (a sticker) which indicates to the public, other operators and Parks Victoria and DSE field staff that the operator is licensed;
- The option to attend professional development, information and networking opportunities at Parks Victoria regional tour operator workshops;
- Information and liaison with field staff for detailed local information; and
- Revenue raised from licence fees reinvested in parks estate.

In 2008 the Victorian Government released the *Policy Statement: Licensing System for Tour Operators and Activity Providers on Public Land*, proposing a number of reforms to the licensing system which aimed to improve environmental performance of tour operators and outdoor activity providers; create a more efficient operating environment for licensees and administrators; and ensure appropriate and sustainable use of public land. From an operator's perspective the key reforms were:

- An increase in licence terms;
- The transferability of licences;
- Encouragement of higher operating standards; and
- Improvement in compliance

At the time of writing this submission, the reforms recommended in 2008 had still not been implemented. This was due to a number of factors, including: the legislative changes required to

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<sup>35</sup> *Policy Statement: Licensing System for Tour Operators and Activity Providers on Public Land* (DSE, 2008)

several Acts of Parliament to facilitate the proposed reforms; the Black Saturday bushfires in 2009, which drew Parks Victoria and DSE resources away from the reform project for an extended period of time; and advice provided by Parliamentary Counsel to the Public Land Licence Reform Project Control Board in March 2009 that the licence fees must be set through regulations, rather than being set by the Parliamentary Secretary as had been done previously. In addition, the Regulatory Impact Statement (RIS) process required in order to set the licence fees was not approved prior to the State Government going into caretaker mode ahead of the 27 November 2010 State Election.

At this stage, the RIS will not be approved for release until early 2011. Assuming the RIS can be completed satisfactorily in the first quarter of 2011, the new licence fees can be set and implemented on 1 July 2011, more than three years after the release of the Government's Policy Statement on tour operator licence reform and eight years since the review of the licensing system was established.

This, however, does not take into account the Policy Statement's original commitment to giving the industry around 18 months notice of a fee increase, so that operators can factor this into their pricing structures accordingly. This is especially important for operators dealing with large international groups, which require prices to be set well in advance.

This process is a stark illustration of the lack of commercial sense exhibited by regulators in this area. The glacial pace of reform is a clear demonstration that agencies in control of the process are not seeking to facilitate development of the sector but are begrudgingly allowing tourism activities on public lands. Agencies engaged in this process appear to have no commercial awareness and only limited interest in the commercial implication of their decision and process.

Reform of the public lands licensing systems appears to be a low priority and the regulator appears ill-equipped to focus on 'create a more efficient operating environment for licensees and administrators the management of natural assets'.

<b>Recommendation:</b> Policy and new regulation should have an implementation timetable as a Key Performance Indicator.
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*Definition: Licence or Permit*

It is important to note that the Public Land Licence Reform Project Control Board was also advised in March 2009 that "Parliamentary Counsel prefer to use [the term] 'permit' rather than 'licence' in the Bill [as] 'licence' has a spatial component, whereas 'permit gives access to undertake an activity". Furthermore, it was not considered appropriate to allow for the transfer of permits, due to concerns of a value being attached to the permit which then raised the potential for profiteering. The LTO permits do, however, have a spatial component in that permit applicants are asked to stipulate the areas in which they intend to operate, be it a National or State Park, and even the particular track or river they intend to use. Committees of Management are empowered to issue licences and these are also linked to specific sites/beaches. It is therefore difficult to differentiate between the 'permit' issued by Parks Victoria and the 'licence' issued by a Committee of Management. This is another inconsistency in the current licensing regime relating to commercial activities on public land.

<b>Recommendation:</b> That Tour Operator Permits be recognised as a genuine 'licence' and consideration for the spatial component of the licensed activity is clearly articulated as the foundation of the licenses itself.
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### *Transferability of Licences/Permits*

This remains a vexed issue amongst LTOs and is particularly important in the context of selling an LTO business. Transfer of a tour operator licence as described in the Government's 2008 Policy Statement was not included as part of the legislative changes that were made in 2009 to facilitate the Public Land Licence Reforms, for the reasons explained above. However, given that an LTO permit is fundamental to an LTO business' ability to trade, non-transferability of LTO permits makes it difficult for an LTO business to be sold as a going concern.

Unless the LTO permit is issued under the business name, upon the sale of that business, the permit cannot be transferred. Furthermore, the LTO permit can only be transferred if the business name under which the permit was issued continues to be used<sup>36</sup>. However, if the business name changes, the new owner must apply for a new permit; and where fifty per cent of the shareholder members of a company or fifty per cent of the members of an incorporated association change, any existing tour operator licence will be revoked and a new application for licence will be required.<sup>37</sup>

There are, however, existing license regimes, such as liquor licensing which, like an LTO permit, grant the licensee the right to operate in a particular sector and area, but provide greater certainty of operation over time to licensees by permitting transfer of the licence. As a result, liquor licences are considered to be an asset of, and therefore of value to, the business. This places a greater importance on compliance; liquor licences are therefore strictly regulated with clear and consequential penalties for non-compliance.

The operation of Victoria's current liquor licensing provides an environment within which commercial investments can be made for the long term with certainty. Investors are able to commit capital to a business venture reliant on a liquor license with relative certainty that should their operating practice comply with the requirements of that license it will be reissued or renewed in perpetuity.

**Recommendation:** That transferability of Tour Operator Licences from one enterprise or firm to another enterprise or firm be clearly established as an allowable practice, in consideration of the spatial component that has been shown to be attached to current licenses; and in consideration of the commitment set out in the 2008 Policy Statement that is emphasis would be the development of a "Licensing System for Tour Operators and Activity Providers on Public Land"

### *Lack of Enforcement of Compliance*

A key commitment within the *Policy Statement: Licensing System for Tour Operators and Activity Providers on Public Land* was to improve compliance activities undertaken by Parks Victoria in the LTO sector. Many LTOs have long been frustrated by the presence of unlicensed tour operators, who operate on, and profit from the use of public land, without paying their dues or adhering to the numerous requirements and conditions of a Licensed Tour Operator Permit. Licensed Tour Operators can report this activity to Parks Victoria but would prefer to see greater compliance activity by Parks Victoria. Without proper policing or monitoring of compliance, the value of the LTO permit is perceived to be limited or reduced. Since the Policy Statement was released, there has been only a slight increase in compliance activity, due to limited resourcing.

**Recommendation:** Introduction of a reward system, such as that used for driver's licences, to recognise good behaviour or compliance; for example, not attracting demerit points in a given period is rewarded with a lower renewal fee, or other incentives. Accordingly a more strongly enforced penalty system for non-compliance should also be implemented.

<sup>36</sup> Tour Operator Licences - Fact Sheet, Department of Sustainability and Environment, [http://www.dse.vic.gov.au/CA256F310024B628/0/3FAE5078C8E26BBCCA2577BC007F51ED/\\$File/Fact+sheet+-+Transferability+of+licences.pdf](http://www.dse.vic.gov.au/CA256F310024B628/0/3FAE5078C8E26BBCCA2577BC007F51ED/$File/Fact+sheet+-+Transferability+of+licences.pdf), accessed 11.11.10

<sup>37</sup> [http://www.parkweb.vic.gov.au/resources/16\\_0696.pdf](http://www.parkweb.vic.gov.au/resources/16_0696.pdf), accessed 07.12.10

## Licence/Permit Terms

The Policy Statement confirmed the introduction of a 10-year permit, in addition to the current 1-year and 3-year permits currently offered by Parks Victoria. Increasing the permit term to include a 10-year option is vitally important to business continuity and planning. It is very difficult for a business, whose entire operation relies on having access to public land, to undertake any long-term planning or to consider their future with any certainty when the permit to access that public land is only granted for a few years at a time.

However, for Committees of Management, the recommendation in the Policy Statement was simply to “consider a competitively allocated licence term of up to ten years”, depending on the management objectives for the site/species/resource.<sup>38</sup> Although this allows each Committee of Management to assess the needs of its particular jurisdiction, it also means that the terms of the licences issued by these Committees may not be consistent with those issued by other land managers. Furthermore, the conditions of some licenses offered could be considered to inhibit competition and be financially unviable. For example the Surf School License 2 for Torquay Surf Beach offered by GORCC stipulates a maximum of five (5) participants in both peak and off-peak periods<sup>39</sup>. Clearly the current licensing or permit system is not founded in the commercial realities of running a business that is reliant on access to public land.

Furthermore, there is currently no publicly available advice to guide public land managers on appropriate, equitable and transparent processes for offering and allocating competitively allocated licences. To address this, work is currently underway within the Public Land Division of DSE to provide greater guidance to land managers in the area of competitively allocated licences, but is yet to be completed.

Tourism regions, sub-regions and precincts must be established within which regulatory bodies are empowered to and primarily focused on the development and management of the tourism industry. Support for taking this type of high-level, strategic approach is demonstrated in the following example and can also be seen in the work already underway in the South Gippsland Shire<sup>40</sup>.

### Case Study: Gippsland Lakes

The Gippsland Lakes are one of Victoria’s iconic tourism locations and is recognized as one of the state’s flagship areas with significant natural assets providing important environmental, economic and social values to Victoria. Economic growth in the Gippsland Lakes area, however, has been limited due to the plethora of government agencies and authorities (more than 15), with varying missions and/or strategic priorities. These make for a level of complexity and bureaucracy that is hard to navigate when undertaking development projects. The end result has been an inability to achieve exemplary outcomes for this key regional asset.

The establishment of a single entity, in the form of a statutory authority to oversee the preparation and implementation of a sustainable development framework for the Gippsland Lakes, is therefore recommended.

A Gippsland Lakes Sustainable Development Framework is critical to enable appropriate and sustainable development with respect to the Gippsland Lakes and would address a number of key issues:

- Existing population pressure and projected growth;
- The challenge to the health of the waterways by improving catchment management activities; and

<sup>38</sup> Policy Statement: Licensing System for Tour Operators and Activity Providers on Public Land (DSE, 2008)

<sup>39</sup> Appendix 2: GORCC Expressions of Interest – Surf School & Sea Kayaking Activities – Information Kit for Applicants

<sup>40</sup> [http://www.southgippsland.vic.gov.au/files/SOUTH\\_GIPPSLAND\\_SHIRE\\_RURAL\\_TOURISM\\_DEVELOPMENT\\_STRATEGY\\_FINAL\\_REPORT\\_2010.pdf](http://www.southgippsland.vic.gov.au/files/SOUTH_GIPPSLAND_SHIRE_RURAL_TOURISM_DEVELOPMENT_STRATEGY_FINAL_REPORT_2010.pdf)

- Maximise the potential value of tourism by facilitating greater levels of private sector investment and public boating infrastructure
- Improve the ecological health of the Gippsland Lakes
- Build the functionality of the tourism and recreation infrastructure
- Identify nodes appropriate for long-term settlement development and form appropriate planning mechanisms to support such development

The population of towns such as Bairnsdale, Paynesville and Lakes Entrance are expected to increase by 13,000 by 2026. Population pressures are increased when an additional 45,000 people stay in the lakes region in peak times contributing to the annual visitation figure of over one million visitors to East Gippsland.

Such a framework is needed to clarify where future settlement and development is appropriate, foster appropriate tourism development, prioritise infrastructure investment including wastewater management, water supply and identify other actions to improve the health of the asset.

**Recommendation:** Public lands in tourism regions, sub-regions or precincts must come under the licensing authority of one regulator with a single integrated system of licensing.

**Recommendation:** Committees of management as the licensing authority should be abolished in all regions, sub-regions or precincts identified for tourism development.

**Recommendation:** A regulatory entity with the primary focus of facilitating tourism and recreation on public lands should take control of all public lands licensing in regions, sub-regions or precincts identified for tourism development.

**Recommendation:** Recognition of compliance with other relevant licensing regimes; for example, as part of the EOI for the surf school and sea kayaking licence, applicants must provide proof of current public liability insurance (PLI) and submit an emergency management plan, both of which are also a requirement of the Parks Victoria LTO Permit.

Consideration could be given to a tiered approach to licensing, using the Parks Victoria LTO Permit as the foundation or entry level upon which additional requirements or conditions could be built to gain permission for other commercial activities on public land. This would account for requirements common to all licences, such as PLI and emergency management plans, once; rather than require them to be produced or provided multiple times for each activity licence. This approach could potentially streamline the application process and create a significant saving in time and application fees for business.

**Recommendation:** That consideration should be given to the viability of enhanced 'series licences' to reduce the need for and cost of multiple licences for single activities or events, and where repeat licences are needed for regular events or activities.

**Recommendation:** That the guidelines on Competitively Allocated Licences for land managers be completed as a matter of urgency so that mechanisms to help achieve greater transparency and consistency in the CAL process can be implemented.

**Recommendation:** That the conditions for Competitively Allocated Licences be reviewed to ensure that they do not inhibit competition and allow the licensee to operate in a financially viable manner.



### *Trip Returns, Use Fees and Licence Fees*

As part of the LTO permit conditions, Tour Operators must pay a public land use fee of \$1.10 per person, per day for all tours and provide data to Parks Victoria regarding the number of customers the business takes on each tour. There is the option of paying a single capped use fee of \$5,500 (this will be increased to \$12,500 once the LTO licence reforms are implemented) rather than a per head fee, however the trip returns (number of persons per tour, per day) must still be provided to Parks Victoria on a quarterly basis. This can be time-consuming and labour-intensive process.

Through the provision of trip returns and the payment of use fees, the LTO sector effectively provides Parks Victoria with primary research data; however, the sector does not receive any direct benefit relating to this research. For example, reports based on the trip return data are not made available, although this type of longitudinal data – long-term, year-round tracking of visitation levels in different National Parks - would arguably be valuable not only to LTOs, but also to other tourism stakeholders such as local government (for tourism planning purposes), and potential tourism investors and new operators seeking to develop a business involving activities on public land. This process seems to be unnecessary and could be simplified or done through periodic spot surveys.

With regard to setting fees, the RIS process that forms part of the LTO licence reforms will eventually provide land managers with regulated guidelines for setting licence fees and provide operators with a more transparent process. Committees of Management, however, would still be able to use their discretion to set fees, as is currently the case (although it is not clear why they would continue to have discretion with regard to fee setting). Hence at present there are differences between the fees set by Parks Victoria and those set by Committees of Management. For example, under GORCC's fee structure for licences for the 2008-2010 period the use fee for adults is \$2.00 per person per day and \$1.50 per school student per day. Parks Victoria, however, currently charges a public land use fee of \$1.10 per person, per day for all tours; while the use fee payable for school groups led by a licensed tour operator is 75 cents per person per day<sup>41</sup>. An increase in these fees was flagged in the 2008 Policy Statement but has not yet been introduced.

Similarly, the 3-year permit issued by Parks Victoria currently costs \$165, with an application fee of \$165 (there have been no fee increases in the past two years in anticipation of the new fees being set through the new regulations). A 3-year licence issued by GORCC for the 2008-2010 period cost \$500 with an application fee of \$200.

**Recommendation:** That the RIS process for setting fees for licences and competitively allocated licences and use fees, and the subsequent implementation of the public land licence reforms take place as a matter of urgency.

**Recommendation:** Implementation of consistent and transparent processes for the setting of fees for commercial activities taking place on public land, including application and use fees.

**Recommendation:** Consideration should be given to developing a license 'clearing house' similar to the Plumbing Industry Commission – eToolbox that allows practitioners the ability to purchase and lodge all compliance certificates online at a central location.

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<sup>41</sup> [http://www.parkweb.vic.gov.au/resources/16\\_0696.pdf](http://www.parkweb.vic.gov.au/resources/16_0696.pdf)

## Commercial Leases on Public Land

Commercial leases on public land are managed by a range of land managers who are appointed as a committee of management or trustees under the Crown Land (Reserves) Act 1978. Land managers include local government, statutory bodies or government agencies such as Parks Victoria. The *Leasing Policy for Crown Land in Victoria 2010* provides a consistent approach to commercial leases on Crown Land. However, with so many different land managers it seems inevitable that there will be differences in the practice and implementation of that policy.

### Case Study: The Mansion Hotel at Werribee Park

The Mansion Hotel and Spa at Werribee Park is an example of a privately owned commercial tourism (accommodation) business operating under a lease agreement with Parks Victoria. The Mansion Hotel is managed by the Lancemore Group, which also owns and operates three other accommodation and conferencing properties in regional Victoria. The property is under a 50 year lease which the Lancemore Group took over in mid-2010. The residual lease period is approximately 39 years, with a percentage of turnover paid by the Lancemore Group to Parks Victoria. At the end of the lease period the property title will transfer to Parks Victoria.

Mr. Clark identifies the following key elements for achieving best practice in the area of commercial leasing on public land:

- Standard lease agreements - provides for a uniform approach
- Lease related to performance - provides incentive to comply and therefore a basis for a good working relationship
- Capital investment by lease, offset where possible with rent reduction - recognises and rewards capital investment by the lessee
- A commercial mindset from the land manager side - acknowledges the commercial nature of the lease agreement
- Ongoing communication and commitment to the relationship by both sides, facilitated through regular meetings

Standard leases are stipulated in the Government's Leasing Policy and Mr. Clark also describes his lease as a standard Parks Victoria lease, indicating a uniform approach by Parks Victoria to all its leasing arrangements. However, discussions with other Parks Victoria lessees<sup>42</sup> indicate that whilst the approach may be uniform, the reality of the implementation and operation of the lease, and the experience of the lessee, varies considerably.

Inconsistency and uncertainty are again raised as real and ongoing issues for businesses operating on public land, as is the inherent conflict between the land manager's dual purpose of protecting and conserving public land and facilitating visitation on it.

In Victoria many tourism assets are partly or wholly owned by Government. In addition to the initial investment, there is a need for the ongoing maintenance and upgrade of these assets, together with the provision of supporting services. Failure to prioritise this maintenance will create an impediment to industry growth.

The commercial operation, maintenance and upgrade of many tourism related state assets can most efficiently and effectively be managed via the private sector either through the development of commercially realistic lease structure or via various forms of Public, Private Partnerships.

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<sup>42</sup> For example, anecdotal evidence heard at the VCEC Roundtable meeting held in Mornington on 30 November 2010.

**Recommendation:** The commercial operation of, and commercial operations within, tourism assets that are partly or wholly owned by Government must be undertaken primarily by the private sector. This must extend to commercial operations on public lands of all forms. Government and or government agencies charged with asset managers must remain at arms length from all commercial operations and focus solely on the activities of lease management, or land management

## Other Licensing Issues: Liquor Licensing

The sale of liquor is a fundamental element of business within the tourism industry. Liquor is more often than not sold as an accompaniment to other products or services such food or accommodation.

Victoria has almost 19,000 licensed premises of various types; the consumption of liquor by visitors is an important element of the many tourism related activities. Over 25 per cent of total consumption by visitors is derived from meals, food and beverage products in a range of settings from restaurants and cafe's to accommodation providers, wineries or hotels.

Recent changes to Victoria's Liquor Licensing system that focus on a narrow brand of 'risk factors' have license fees increases for the vast majority of operators in the tourism sector. In some cases license fee increases and aligned requirements for the provision of security staff have lead to the closer of some venues, the scaling back of operating hours and the constriction of operating procedure in an attempt to avoid very large increase in licensing fees.

Current legislative setting for liquor licensing fee, which are based on a risk of alcohol-related harm model, have resulting in fee increases for almost all business types. In addition the current regulator settings have established a set of punitive feedback loops within the system that may result in very significant increases in license fees.

It is acknowledges that alcohol related violence and social disorder is a real issue that sometimes leads to tragic consequences. However, current regulator settings for license fees have a one size fits all structure with little capacity to moderate poor operator performance in one business while rewarding strong operator performance in another.

Given the diversity of licensed premise in Victoria the liquor licensing system must be more nimble and able to establish punitive systems that discourage non-compliance with licensing law in addition to rewarding the types of behaviours, operating systems and business models that contribute positively toward the health consumption of alcohol in a manner that presents a low risk of community harm such as alcohol related violence.

Current regulation in the area of liquor licensing is burdensome for many operators and fails to recognise the positive impact that alcohol has on society. Further, current settings also fail to recognise and reward the types of operator behaviours that encourage the moderate consumption of alcohol.

**Recommendation:** Regulatory settings must encourage behaviours that focus on the moderate consumption of alcohol while providing structure that allow operators to provide such moderate service of alcohol in a commercial sustainable fashion.

- It is vital that liquor licensing systems provide a commercial benefit (reduced license fees, reductions in compliance costs etc.) in recognition of a strong track record of operating with the requirement of a given licenses.
- Rather than the imposition of increased license fee or compliance penalties being the only mechanism available to motivate behavioural change among non-compliant licensees. Government must implement systems that identify repeated breaches of licenses conditions and lead to a periodic licenses suspension or eventual cancelation of licenses should non-compliant licensees continue to breach the conditions of the license.
- Negative social impacts from the consumption of alcohol are contributed to by both licensees and the consumers themselves.

- Regulatory settings with regard to moderating the behaviours of consumers in relation to alcohol are important; licensees and consumers have a shared responsibility. Regulatory settings must support licensees in their endeavours to deter or manage anti-social behaviour amongst patrons. Tools such as on-the-spot fines, banning notices and empowering licensee to ban troublesome customers must all be leveraged to a point where consumers are in no doubt that anti-social behaviour that is related to the consumption of alcohol has serious, lasting and significant consequences.

## Planning

Planning issues within tourism are numerous and varied, reflecting in the complexity of the Victorian Planning Scheme itself. Whilst there are many examples of individual, site-specific problems that have been experienced by tourism businesses, some of which are provided as case studies in this section, it is also important to take a broad view of planning and consider basic land use and zoning.

The current planning legislation reflects land uses that were predominant at the time the legislation was written. 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 or agritourism. A recent study into agricultural tourism (agritourism) 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 agritourism."<sup>43</sup>

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 Victoria is creating pressures on the capital city and regional centres, agritourism provides a means for farmers to stay on the land, as well as an opportunity for local employment. However, the opportunities presented by agritourism are not being fully realised, due in part to the current land use and zoning regulations, in particular those relating to Green Wedge Zones.

Whilst VTIC recognises the purpose of Green Wedge Zones, the blanket approach that has been adopted ignores the commercial realities of businesses operating in these areas. The case studies below describe the perspectives of both a private operator and a local government on Green Wedge zoning and demonstrate the opportunities lost due to the overly restrictive nature of these regulations.

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<sup>43</sup> 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

### **Case Study: Rayner's Stonefruit Orchard**

Len Rayner's Stone Fruit Orchard in Woori Yallock was established 30 years ago on a 17 hectare property in what is now a Green Wedge Zone. Len sold his produce wholesale until approximately 2003, when it was becoming an unviable business. He then diversified into retail selling at farmer's markets around the greater metropolitan area, which proved to be more profitable than selling wholesale. Len soon discovered that customers wanted to see the produce source (the orchard) and even had requests from people wanting to experience working on the orchard for a day, and generally experience 'farming life'.<sup>44</sup> Len took the opportunity to diversify his orchard business into an agritourism business, gaining planning permission to open up his property to the public to pick their own fruit and running tractor tours of the orchard.

In December 2008, Mr. Rayner secured further planning permission to build a large scale commercial kitchen and sales display area for his rural produce store from the Shire of Yarra Ranges. This building was approved by Council with plans showing a café and commercial kitchen. This was an investment of around \$500,000. However, despite the plans showing the intended use as a café operation, Mr. Rayner is legally not able to obtain planning permission for use of the café. This is because under State Government's planning legislation, the use of land for a Café or Restaurants is a Prohibited Use in a Green Wedge Zone on any lot that is less than 40 hectares in area. Mr. Rayner's business otherwise meets all the official policy terms for a café/restaurant in a Green Wedge Zone; for example, the café is used "in conjunction with Agriculture [and] Rural industry". In the meantime, with the assistance of a planning consultant, the business has submitted an application for a site specific planning scheme amendment with the Shire of Yarra Ranges.

Food and beverage service is a key component of many tourism offerings. Current planning controls stipulating an arbitrary 40 hectare minimum land size for restaurants and cafés in a Green Wedge Zone clearly discourages new agritourism development because they limit or do not allow diversification of farming business to include cafes and restaurants. This case demonstrates that where farming alone is no longer a viable business, tourism is a means of allowing farmers to remain on their land and generate a higher income that makes their business viable once more. It also demonstrates how this opportunity is being denied or restricted through current planning regulations. There is the strong likelihood that many smaller agricultural producers will simply close down orchard production from their land as it becomes unviable. This is contrary to Council's detailed planning policies which seek to maintain and protect agriculturally productive land within the Shire's framing areas.

The next case study is an extract from the VTIC submission to the Productivity Commission inquiry into Performance Benchmarking Australian Business Regulation - Planning, Zoning & Development Assessments. It outlines local government views on some of the key issues around planning, zoning and development assessments and demonstrates that it is not only the private sector that is frustrated by planning and zoning regulations.

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<sup>44</sup> Experiential tourism is an increasingly recognised trend, whereby visitors seek to actively participate in new experiences, particularly those which are unique to the destination.

### **Case Study: Experience of Local Government in Interface Areas**

Tourism development in many of the eight Interface Councils<sup>45</sup> surrounding Metropolitan Melbourne is problematic as these Councils also manage Green Wedge areas within their local government area, which are set aside to help conserve rural activities, significant natural landscape features and resources between metropolitan Melbourne's growth corridors.

Despite in-principle support for tourism industry development, feedback from one Interface Council indicates that meaningful and significant tourism development in their local government area cannot be achieved with this zoning overlay and the associated planning restrictions.

Tourism developments, by their nature, are often 'mixed business', comprising a combination of functions including hospitality, accommodation, tourist attractions, recreational activity and retail. Where these functions do not directly contradict the land use permitted in a Green Wedge area, the scope of the function is heavily restricted, such that the business is no longer commercially viable. Business diversification is restricted, limiting value-adding products such as retail outlets (with the exception of wineries) and current planning rules dictate that tourism needs to be "in conjunction" with structured agricultural activities. Another related issue is that the current preoccupation with agriculture as the sustainable use in Green Wedge area ignores the significant environmental benefits of allowing tourism and other economic activities that could link their operation with specified environmental benefits on the ground.

One example is a multi-million dollar tourism investment in Melbourne's outer north-west, which took place prior to the Green Wedge zoning of the area. The business now operates under certain conditions. For example, the current capacity of the cafe on the premises is limited to 25 people, severely restricting the ability of the business to attract large groups.

Whilst these restrictions can be lifted with a Planning Scheme Amendment submission, the amendment is site-specific only, meaning a case-by-case approach is currently undertaken rather than a consistent, regional view. Another example from the same region is a proposed development for a lavender farm with accommodation. Whilst the farm itself meets the agricultural requirements of the zone, extra evidence is required by the landowner to prove that the agricultural component will not be overshadowed by the commercial aspects of the business. The landowner is required to work harder in providing a strong business case.

More work is needed to help facilitate investments that result in sustainable tourism development that realises the economic potential of these Interface Council areas without compromising their liveability and amenity.

The planning and development approvals process must be streamlined in order to reduce unnecessary development costs and avoid delays. There is currently a considerable gap between tourism policy objectives and Victoria's planning system. Not only must the policies and regulations be appropriately aligned, but they must also be effectively implemented and interpreted to ensure clarity. Uncertainty around regulations and timeframes for approval is discouraging investment in Victoria.

The ABARE-BRS study cited above also notes that "Regional areas that are successful in agritourism and food tourism tend to display a common set of features, including access to accommodation, appropriate infrastructure and proximity or easy access to nearby urban areas"<sup>46</sup>, highlighting the importance of accommodation as part of a successful regional tourism destination. Accommodation is currently lacking, in both quality and supply, in many parts of Victoria. Reasons for this can be traced to planning regulations and public policy, which pose significant barriers to investment for this sector of tourism. This is particularly the case in Green Wedge zones where development of commercially realistic accommodation businesses (120 rooms plus) has proved extremely challenging.

<sup>45</sup> Cardinia Shire Council; Hume City Council; Melton Shire Council; Mornington Peninsula Shire; Nillumbik Shire Council; Whittlesea City Council; Wyndham City Council; and Shire of Yarra Ranges.

<sup>46</sup> Ibid.

## *Accommodation and Key Issues for Investment Attraction*

The challenge around accommodation is multi-faceted, but at the most basic level is simple. The accommodation offering must be of sufficient quantity and appropriate quality to meet, if not exceed, the needs and expectations of current and future visitors – including new international growth markets.

In order to extend visitor stay and maximise visitor yield, accommodation must be available near key visitor destinations, including near natural icons, in agritourism landscape or rural centres. At present there is a lack of accommodation in or near icon locations, in particular, high quality accommodation that has been designed in a manner sympathetic with the local natural landscape. Current barriers to investment in high quality accommodation adjacent to natural icons, in agritourism landscape or rural centres are limiting the sector's capacity to extend the length of stay for interstate and international visitors. Barriers to investment on or adjacent to public land are considerable and are contributing to ongoing under-investment in infrastructure for the growing nature based tourism sector. In order to achieve the vision set out in Victoria's Nature-Based Tourism strategy 2008-2012 these barriers must be overcome.

Complementary to the challenge around the quality and quantity of accommodation offerings, is the requirement for accommodation providers to be commercially viable. At present, "yields (revenue per available room; Rev-PAR) remain under pressure"<sup>47</sup> in regional Victoria.

Although it could be argued that the absolute volume of accommodation in regional Victoria is adequate for current and near term demand, the locations and characteristics of existing accommodation stock are not adequate to achieve the critical objective of extending the length of stay which leads to increased Rev-PAR and yield.

Further, current regulatory settings tend to facilitate the development of accommodation at a scale that is of questionable long term economic viability. Accommodation infrastructure of more than 120 rooms is a key commercial tipping point, at which a business case for the development and operation of regional accommodation becomes more attractive. Current regulatory settings have seen a proliferation in smaller 'bed & breakfast' type accommodation businesses, which by their very nature do not have the carrying capacity, economic resources, marketing, communications capacity or infrastructure to drive the development of a given destination.

Victoria's public land policy prohibits private sector investment in National Parks and current zoning setting have made it difficult to develop on private land adjunct to natural icon sites. As a result, much of regional Victoria's existing accommodation stock is located in a rural urban setting with only very limited four and five star accommodation available directly adjacent to key icons such as The Grampian, Wilsons Promontory, the 12 Apostles or along the route of the Great Ocean Walk. In comparison, at other iconic nature-based tourism destinations in Australia, such as the Coconut Beach Rainforest Lodge in the Daintree Rainforest, Queensland, accommodation is located within the National Park itself.

The Wilderness Retreats available within Wilson's Promontory National Park are one example of high quality accommodation available in a Victorian national park; however the Retreats were funded and built by Parks Victoria. Similar retreats have been proposed on public land sites along the Great Ocean Walk. This raises the issue of competitive neutrality and is of great concern to the tourism industry, especially when the public land policy has resulted in considerable efforts and expenditure by some private sector investors to find alternative and arguably less than ideal sites for their businesses. The case study below is one example.

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<sup>47</sup> Tourism Forecasting Committee, Forecast 2010 Issue 2, November 2010, p. 7

### **Case study: bothfeet walking lodge**

As promoted on their website, **bothfeet** combines tranquil lodge luxury with world class hiking along Victoria's stunning Great Ocean Walk, with only 10 hikers at a time enjoying access to the eco-chic sustainable lodge set in a rainforest amphitheatre. In 2005 Gavin and Dana Ronan began searching for a site on which to realise their business concept. An initial approach was made to Parks Victoria; however the State Government policy, which still stands, stipulated no private sector development in national parks. With encouragement from Parks Victoria, the couple instead focused their search on private land and identified a site 2 kilometres from Johanna Beach, west of Cape Otway.

The site is in a rural conservation zone, which does not allow for commercial building unless associated with agriculture, rural industry or winery. However, the Ronans deliberately chose land which already had commercial buildings onsite, which provided the possibility of "existing use right" that overrides the zoning designation. In order to obtain the "existing use right" Gavin and Dana then had to prove and substantiate 15 years of continuous use of those buildings.

The couple spent around 12 months (all of 2007) conducting their own research to obtain the appropriate zoning approval for the site and worked closely with the Colac-Otway Shire, informing the Shire of their plans and ensuring that all was in order before they purchased the land. In all, costs of \$20,000 were incurred in obtaining the zoning approval, which included engaging consultants to assist with research and preparation of the planning application.

The Ronans took possession of the site in December 2007 and submitted their planning permit application to Colac-Otway Shire in January 2008. Their planning permit was approved in March 2008 - a relatively quick turnaround time, thanks to the 12 months' preparation, research and time they invested in working with Council. Whilst the Ronans are happy with the site of their lodges, they still would have preferred to be located within the Park, on the coast.

The limited availability of high quality accommodation on or adjacent to natural icon sites tends to drive 'day trip' visitation from Melbourne, which results in limited opportunities for visitor spend in regional Victoria. This is often due to tight scheduling and limited opportunities to engage with local communities or businesses. If this trend continues it will have significant impact on yield and result in a much reduced visitor experience, which then has implications for future repeat visitation and word-of-mouth recommendations.

One key feature of the current accommodation offer in regional Victoria is a large seasonal variation in demand. In part this is due to the small entity size of many accommodation providers who find themselves as 'price takers' rather than 'price makers' in the market place and have very limited capacity to manage the occupancy versus yield equation in the face significant seasonality.

In order to meet the requirements of potential visitor forecasts, accommodations needs to be further improved, through a combination of increased room numbers (particularly in Melbourne where capacity is already a challenge in peak periods), together with improved quality (particularly in regional areas). The quantity of rooms will be less of a concern, if yield and occupancy rates increase. Victoria's accommodation offering needs to reflect the visitor type and expectations.

As well as demand from international visitors, the accommodation offering for domestic visitors is also important. In particular, short term accommodation is a vital driver of tourism expenditure as it underpins expenditure in a range of other business types including restaurants or cafes, retailer, attractions or tour operators. Good quality budget accommodation remains in demand for intrastate and interstate visitors – including families. A lack of provision of this type of accommodation may see domestic visitors opt for more affordable international destinations.

Investment in accommodation can be suppressed by an economic 'spillover effect' where expenditure flows into other segments of the economy.<sup>48</sup> It has been estimated by Access

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<sup>48</sup> National Tourism Planning Guide, Tourism & Transport Forum, October 2010 P.6



Economics, 2010 that accommodation developments in CBD areas will, on average, capture only one-quarter of the associated tourism activity, including expenditure and jobs that the accommodation supports.

In mid-June 2010 the Sustainable Tourism Cooperative Research Centre (STCRC) published a timely report on tourism investment in Australia<sup>49</sup> to which a number of our members provided evidence for research case studies. The scoping study found that impediments to tourism investment in regional destinations included:

- the complexity and length of project assessment processes, particularly in areas of high environmental, cultural and/or historic value; and
- lack of, or uncertainty about, supply of suitable land in some locations.

These findings are reflected in the case studies provided in this submission and relate to the processing time of planning and development applications through a number of local councils and the Victorian Civil and Administrative Tribunal (VCAT); and the need for more specific guidelines about what types of development are feasible and acceptable in the context of local planning and zoning overlays.

Our findings and recommendations align with those of the STCRC study, in particular, a Public Private Partnership approach to tourism infrastructure investment; better facilitation of project assessment of land for development, as well as release of land ready for low-impact tourist development, particularly in areas culturally and or environmentally sensitive; and improvements in the efficiency of the project assessment process and information available to project proponents.

In addition to the recommendations below, VTIC also supports the draft recommendations relating to planning processes contained in the Draft Overview and Recommendations of the recent VCEC Inquiry into Streamlining Local Government Regulation.

**Recommendation:** A vision for the Victorian tourism must be considered during the development of Victorian and key regional planning policy frameworks. Tourism industry development strategies must be considered as the market context of the sector changes over time.

**Recommendation:** The provision of more specific guidelines regarding what types of development are acceptable and not acceptable in a given zone or land area. Ultimately we recommend the development of a strategic vision across regions to attract and facilitate tourism investment.

**Recommendation:** Recognition of tourism activities and the economic realities of operating commercially viable tourism business in all relevant Victorian planning policies.

**Recommendation:** Greater understanding and appreciation of the value of tourism and the ability for tourism investment and development to grow local economies.

**Recommendation:** A significant reduction, if not removal, of remaining barriers to complementary private sector investment, in nature based tourism infrastructure and supporting services, and more broadly investment on or adjacent to public land (including State and National Parks).

**Recommendation:** The creation of a state wide tourism development master plan that identifies key regions and sub-regional locations that are predisposed to commercially sustainable tourism infrastructure development.

**Recommendation:** The Victorian planning policy framework must acknowledge that tourism developments have specific spatial characteristics in terms of land use and orientation to natural features, utilities access and transportation nodes.

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<sup>49</sup> *Tourism Investment in Australia - A Scoping Study*, Drimi, S., Robinson, J., Tkaczynski, A., & Dwyer, L. (2010)

**Recommendation:** Recognition of key tourism infrastructure types (such as short-term accommodation, tourist facilities, tourist attractions or visitor interpretive facilities) as a legitimate and specific land use type under the Victorian planning policy framework.

**Recommendation:** Require project proponents and planners to consider ways in which tourism infrastructure can contribute positively toward the achievement of broader regional objectives such as localised employment opportunities or economic growth.

**Recommendation:** A review of planning and zoning regulations in Interface Councils to recognise that tourism developments can provide a meaningful connection between rural and urban areas that can also have economic and environmental benefits to local economies.

**Recommendation:** A requirement that planners engaged in the approvals process within regions, sub-regional or precincts identified as predisposed to commercially sustainable tourism infrastructure development engage with key tourism industry stakeholders such as Tourism Victoria, Parks Victoria, Regional Development Victoria and the Victorian Tourism Industry Council with a view to understanding the state-wide context within which a particular development application is set.

**Recommendation:** Engagement of Tourism Victoria, Invest Victoria, Parks Victoria and the Victorian Tourism Industry Council in the development of a state-wide tourism development master plan.

**Recommendation:** That Victorian planning policy specifically articulate a \$5 million investment threshold to trigger the 'calling in' of tourism infrastructure development applications to a dedicated VCAT approvals panel. With a requirement for engagement with key stakeholders during the approvals process including:

- Relevant local government authorities
- Tourism Victoria
- Parks Victoria
- The Developer
- Relevant tourism industry business organisations

**Recommendation:** Streamlining of the planning and development approvals process in order to reduce unnecessary development costs and avoid delays.

**Recommendation:** Provision of regular progress reports on the status of applications from local government and VCAT to applicants.

**Recommendation:** Regions, sub-regional or precincts identified as predisposed to commercially sustainable tourism infrastructure development must enshrine "as-of-right" use provision in the relevant planning framework

**Recommendation:** Enhanced accommodation offerings in or near icon locations, including high quality, nature-based accommodation

**Recommendation:** Enhanced facilitation of investments, particularly those with a combination of functions, e.g. retail, accommodation, hospitality, and recreation.

## *Support for Specific Tourism Industry Infrastructure and Investment Projects*

In addition to enhanced investment in accommodation, aviation and labour, there are a number of other infrastructure and investment projects that are vital to supporting industry potential. Many of these projects, which are outlined below, rely on public sector contributions.

**Recommendation:** Public sector funding towards the completion of the Melbourne Exhibition Centre extension.

**Recommendation:** Public sector development funding for the Geelong Convention and Exhibition Centre, and assess the viability of an additional facility in other regions, e.g. Bendigo/Ballarat.

**Recommendation:** Support for the timely implementation of projects identified by Parks Victoria within the 'Public Land Tourism Infrastructure Case' (Natural Icons) to enhance the promotion of Victoria as a destination rich in nature-based experiences.

**Recommendation:** Place a greater emphasis on high-yield nature-based tourism as well as Melbourne's Bays. This includes construction of the Great Ocean Road Interpretive Centre and supporting the construction of safe harbour marinas in our Bays.

**Recommendation:** Improved visitor 'welcome' infrastructure as key points of entry including airports, public transport points and ports.

**Recommendation:** Improved aquatic based infrastructure to boost associated sporting activities.

**Recommendation:** Development of Federation Square East, including the rail yard extension.

**Recommendation:** Transport infrastructure, including road, rail and ports particularly those that facilitate increased regional dispersal of visitors.

**Recommendation:** Appropriate investment along the Yarra, including river transport infrastructure.

## **Aviation**

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 dispersal of visitors to, from and within the state.

Australia's, and Victoria's, aviation capacity needs to increase. Tourism Australia<sup>50</sup> estimates that in order to meet tourism industry potential in 2020, Australia's international aviation capacity will need to grow between 40% and 50%, and domestic capacity between 23% and 30%.

Even under business as usual assumptions, further investment is needed. "Despite the GFC, there was a 5% increase in Australia's international seat capacity in 2009. This growth ... is expected to continue in 2010 and 2011 with growth of 6% and 7% respectively, driven mainly by an increase in direct flights from Asia and in particular China (40% growth expected in 2011). Over the longer term, international aviation capacity is projected to grow at an annual average rate of 3.9% between 2009 and 2020..."<sup>51</sup>

It is essential that Victoria has the aviation capacity to support international visitation targets, a transport network that encourages regional dispersal, and an aviation policy setting that allows the industry to adapt to change.

In order to achieve industry growth, there needs to be a coordinated approach to aviation policy, which gives appropriate consideration to the long-term vision for tourism development. It is important that regulations affecting air transport encourage industry growth by providing more direct international flights to Melbourne, as well as support greater regional air access.

<sup>50</sup> Tourism Australia (November 2020), 2020 Tourism Industry Potential, a Scenario for Growth

<sup>51</sup> Tourism Forecasting Committee, Forecast Issue 2, November 2010, p. 7

Any aviation policies must take into account broader tourism objectives. There is a need for greater alignment between aviation, transportation and tourism policies. This is important given the interrelationships between these three areas and the overall importance of the tourism industry to the economy.

In order to enhance tourism industry competitiveness, there must be further liberalisation of international air access arrangements. Priority must be given to increasing direct inbound services to Melbourne, including low-cost carrier services. Priority should be given to key routes, high-yield inbound destinations, and growth areas including China and India. In addition Victoria, must support policies to increase direct flights into all Australian airports, and recognise the significant benefits of the tourism industry nationally.

It is imperative that Melbourne maintains its curfew-free status, as this plays a vital role in boosting airline services in the state, including passenger and freight services. In addition to Tullamarine, it is important that Avalon secures international airport status.

The privatisation of airports has contributed to the acceleration in airline and aviation terminal investment. However, it is important that there is a balanced approach, one which gives consideration to the impact of growth. We also support a deregulated domestic airline market, with greater competition and pricing flexibility, and believe this has, and will continue to, lead to greater economic efficiencies for both industry and end-user customers.

It is important that appropriate land use planning and zoning is in place to allow for future development and expanded airport use. There should be coordination between the leased federal airports and privatised airports, to ensure the long-term requirements for infrastructure are met, including the provision of safe and reliable services. There must be consultation with state and local authorities and the community to ensure a coordinated and considerate approach to investment and development.

It is imperative that there is transparency and certainty surrounding aviation policy to ensure investment is encouraged.

**Recommendation:** The existing international system of bilateral Air Service Agreements (ASA) is fundamentally anti-competitive and inefficient, and harmful to the competitiveness of air service users.

**Recommendation:** The international ASA system should be brought to an end as soon as possible, being replaced by a multilateral agreement on aviation operating under the auspices of the World Trade Organisation.

**Recommendation:** Greater transparency in the negotiation and amendment of bilateral Air Services Agreements which affect Australia's national interests.

**Recommendation:** Provide greater alignment between aviation, transportation and tourism policies.

**Recommendation:** Secure international airport status for Avalon.

**Recommendation:** Ensure appropriate land use planning and zoning is in place to allow for future development and expanded airport use.

**Recommendation:** Regulation to facilitate greater competition in the provision of car parking facilities for travellers within or directly adjacent to airports must be developed as a matter of urgency.

## Skills and Labour

While investment in accommodation and aviation is important, it is the availability, or lack, of labour and skills that represents the greatest supply side challenge. This is particularly important given the labour intensive nature of the industry, and the need to increase employee number to achieve industry potential.

In order to remain competitive the tourism industry must improve productivity and service excellence, and increase capacity by creating new jobs. Tourism Australia estimates that nationally “jobs growth of between 12% and 32% will be needed for the industry to grow; that is ... between 1 and 3 times the... long run average [jobs] growth.”<sup>52</sup>

The key issue in delivering excellence and meeting visitor expectations is having the right employees. In relation to the hospitality industry specifically, a recent report by Deloitte states that; *“Key to the brand promise is the talent delivering it. However average staff turnover in the industry is still at 31 per cent. With staff costs accounting for 45 per cent of operating expenses and the strong correlation between staff retention and guest satisfaction, operators need to consider how best to recruit, reward and retain talent to ensure consistent guest satisfaction.”*<sup>53</sup>

Research commissioned by Tourism Victoria indicates that in spite of the recent slowdown in the global economy, and a number of other crises which have impacted on growth of Victoria’s tourism industry, “up to 32,000 new direct jobs will still be required if the industry is to reach the forecast target by 2016.”<sup>54</sup>

Appropriate regulatory reform is required to enable industry to overcome the skills and labour shortage, including in the area of training, workplace relations, migration and short stay working visa recipients. Consideration must be given to the nature of the work, and the characteristics of its employers and employees, in order to ensure that regulations and other requirements are not creating a disincentive to growth.

With a comparatively low unemployment rate and strong growth in other sectors of the economy, tourism industry operators continue to report difficulties in attracting appropriately skilled and experienced staff. The demand for labour is also influenced by the seasonal nature of many tourism and event operations.

The Victorian Tourism Workforce Development Plan 2010-2016 highlights some of the challenges present; “... the tourism workforce is distributed across a range of industries that have very different employment characteristics. From a workforce development perspective, accommodation and food services are among the most challenging areas as employment is characterised by a high proportion of part time and casual work, high turnover, young employees and a large number of small employers.”<sup>55</sup>

Skill development remains a priority, and reflects the changing market and future growth areas. For example, meeting the needs of international visitors will require cultural understanding and visitor services education and development. There is also a need for enhanced specialist skills to complement generalist skills currently being provided by training providers. Both industry and Government need to support high quality training. In particular, industry must continue to work with training providers to identify training gaps and ensure training is relevant.

The recent launch of the Discover Tourism careers program, being implemented by the National Tourism Alliance, is a positive step towards promoting tourism and events as a career of choice. However, skill and labour needs are much broader.

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<sup>52</sup> Tourism Australia (November 2020), 2020 Tourism Industry Potential, a Scenario for Growth

<sup>53</sup> [Deloitte, Hospitality 2015, Game changers or spectators? p. 2]

<sup>54</sup> Victorian Tourism Workforce Development Plan 2010-2016, p.5

<sup>55</sup> Victorian Tourism Workforce Development Plan 2010-2016, p.7

There is a range of training needs present within the industry, including but not limited to:

- Increased access to appropriate and affordable training, particular for SMEs.
- The development of generational networks for future leaders including mentoring and the development of career paths in both the private and public sector.
- Continual up-skilling of existing workers, through training that is focused on developing specific skill-sets, relevant to the current and future needs of the industry
- Ongoing support for business clusters to enhance opportunities to share skills, knowledge and experience.
- 'Train the Trainer' programs that enable business owners and operators to better impart knowledge to employees.
- 'Real' work experience programs and placements supported and recognised by industry.
- Structured employer education programs, specific to the tourism and events industry, supported by manuals and guides to assist with:
  - Staff retention and succession planning.
  - Implementation of workplace aptitude tests.
  - Facilitation of career development, up-skilling and multi-lingual staff development.
  - Identification of preferred training providers.
  - Encouragement of flexible work arrangements.
  - Understanding generational differences.

The tourism industry requires two main types of employee – semi-skilled employees (permanent and casual) and higher skilled career-oriented employees. Due to the nature of the industry there is greater demand for semi-skilled employees, compared to higher skilled employees. However it is often the semi-skilled employees that have the greatest level of direct visitor interaction, and therefore play a very important role in meeting the expectations of visitors, and influencing the quality of experience they receive.

There are many issues in this area including: the provision of training places; the quality of education providers; the need for both specialist and generalist skills; opportunities for retraining and re-skilling; the uptake of business excellence programs; employer and employee incentive programs; the engagement of mature aged workers in light of the aging workforce as well as labour shortages in regional Victoria.

The recently released Victorian Tourism Workforce Development Plan 2010-2016 covers many of these issues and concerns. There are clear responsibilities for both industry and Government. Many of the challenges however, do require action by Government, and represent a potential barrier to industry growth and investment. Some of the recommendations below are sourced from the Victorian Tourism Workforce Development Plan 2010 – 2016, in which VTIC was heavily involved. It is important to note, however, that there is a disconnect between the Workforce Development Plan and the policies of Victorian Education and Training (VET) sector and Skills Victoria, for which tourism and hospitality training remains a low priority.

Regulations and other requirements surrounding international students also have an impact. Recent measures to improve the integrity of processing of student visa applications, together with other economic and social factors such as safety concerns and slower economic conditions, have contributed to a decline in international education visitation<sup>56</sup>. The longer term annual average growth forecast for education arrivals to 2020 is expected to be 5.1% per annum<sup>57</sup>, revised down from 6.4%.

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<sup>56</sup> Tourism Forecasting Committee, Forecast Issue 2, November 2010, p. 6

<sup>57</sup> Ibid.

Not only does this have a direct impact on education exports and tourism (including the VFR market), it also has an impact on the availability of labour and skills. As the number of international students is decreasing with the emergence of better education facilities overseas, whilst the government is clamping down on work permits and employment visas, this transient labour pool [required to assist with seasonal employment] will potentially get smaller and thus more expensive. This may have a significant impact on already struggling leisure operations.<sup>58</sup>

**Recommendation:** Engage the Commonwealth to undertake meaningful Workplace Relations reform for the Tourism, Hospitality & Events sector that recognises the unique working patterns of the sector and acknowledges the 24 hours, 7 days per week nature of operations for many businesses.

**Recommendation:** Develop structures that engage the VET sector in ensuring an employment outcome is a core goal of the training system. Reward VET providers that are able to demonstrate a measurable connection between the attainment of skills via the VET system and the attainment of an employment outcome in an industry that is related to that training.

**Recommendation:** Recognise industry accreditation, including ongoing engagement in professional development when assessing relevant business licensing or permit applications or renewals. Provide commercial incentives to businesses that maintain accreditation through ongoing engagement in professional development of key personnel.

**Recommendation:** Greater support for small business in professional development and accredited training investment.

**Recommendation:** Investigate impediments to the national recognition and portability of training qualifications and certification in tourism occupations.

**Recommendation:** Examine the taxation arrangements applied to second jobs noting the findings of Australia's Future Tax System Review.

**Recommendation:** Investigate opportunities to negotiate with the Commonwealth on labour agreements to secure appropriately skilled overseas workers to fill identified labour gaps.

**Recommendation:** ensure high demand tourism occupations are considered under the Victoria Government's State Migration Plan 2010-2014 and reviewed annually.

**Recommendation:** Engage the Commonwealth, through the Department of Immigration and Citizenship to:

- Improve tourism businesses' access to sponsored skilled migration visas, including the processes and timing relating to lodgement and assessment; and
- Include high demand tourism occupations on the General Skilled Migration Skilled Occupation List.

**Recommendation:** Evolve Victoria's Tourism Excellence Program to increase the involvement of tourism businesses focusing on staff recruitment and retention strategies.

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<sup>58</sup> Deloitte Hospitality 2015 The Australian Perspective, p. 9

## *Other Areas of Regulation of Relevance and Concern to the Tourism Industry*

### Taxi Regulation

We hold some concerns around regulation in the taxi industry. The Victorian Taxi Industry Association recently advocated<sup>59</sup> the need to increase cab fares by up to 30 per cent in order to help offset the increase in the value of license agreements and support reasonable income for drivers.

In principle, we share some of these concerns and are keen to ensure that drivers are remunerated in a manner that supports an economically sustainable industry that provides high quality service for patrons. However, we believe that any consideration of taxi prices or regulation of this industry must have as its primary focus the provision of high quality services that provides value for money.

We acknowledge that the issue is complex and incorporates regulation of the licensing process, skill and labour requirements, as well as the remuneration and working conditions faced by those within the industry - including but not limited to drivers.

VTIC considers the provision of high quality taxi services as an important part of Victoria's transportation system, and an important part of an integrated transportation service for visitors.

Taxis are one transportation option, together with public transport, private or hired vehicles, rail and other modes of transport. Taxis are of particular importance to city visitors, many of whom will arrive without personal transportation. A quality taxi service should make up part of the integrated transportation service. One that links transport services, information provision and customer services to visitors.

Visitors to the state quickly form views on their experience and readily share these with family, friends and colleagues. Victoria's reputation as a destination of choice for visitors relies on the provision of high quality products, services and experiences. For many visitors, their 'taxi' experience is their first and last experience in Victoria. It is particularly important therefore, that this service in all dimensions - price and non-price - demonstrates excellence.

We are concerned that Melbourne's taxi service does not align with the quality of other visitor experiences that Melbourne has to offer from both a cost and more importantly a quality perspective.

**Recommendation:** Any consideration of taxi prices or regulation of this industry must have as its primary focus the provision of high quality services that provides value for money.

### Taxes and Charges

Regulatory review and reform must continue in the area of the remittance of state taxes and charges. Improvements could include; the introduction of a single payment return that includes most state financial obligations (e.g. payroll tax and land tax payments, WorkCover payments and TAC premiums) and greater alignment of the payment frequency of the taxes, premiums and charges to be included in the single payment return.

**Recommendation:** Ongoing review and reduction in taxes and charges, particularly for SME's in the tourism sector.

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<sup>59</sup> <http://www.victaxi.com.au/news-and-downloads/2010/9/23/taxi-industry-regulation-and-fares.aspx>; 23

September 2010



### Occupational Health and Safety

There is a need to review OH&S regulations as they relate to event construction to ensure that only relevant events or event staff are incorporated in the definition of 'construction', therefore reducing the regulatory burden on organisers of low risk events. It is not necessary for employees that are involved in low risk events, or non-construction elements of a large event, to undertake OH&S construction training. This is an unnecessary cost and administrative burden.

**Recommendation:** Review OH&S regulations as they relate to event construction to ensure that only relevant events or event staff are incorporated in the definition of 'construction'

### Small and Medium Sized Enterprises (SMEs)

Ongoing regulatory review and reform should have special regard to the impact on small business within the tourism industry. SMEs add to the diversity and vibrancy of the industry and frequently operate on thin profit margins with little capacity to absorb unnecessary costs and burdens. They also do not have the resources (capital, human or other) to manage time consuming or complicated processes.

**Recommendation:** When considering the impact of regulation, special consideration must be given to the impact on SME's the tourism sector.

### Collaboration and Community

Industry and local business organisations must collaborate to encourage investment in local communities by demonstrating a vibrant, supportive and progressive environment, and providing support for specific projects in both financial and non-financial terms. Industry should seek to involve and inform the local community, raising awareness of the potential benefits of new investment and gaining community support.

The development of local attractions should be conscious of community interests, although not determined by them alone. Ultimately tourism offerings resulting from investment must provide an authentic, local experience to visitors, and be sustainable over the long-term. Infrastructure development must begin with an understanding of the drivers of visitation to an area.

**Recommendation:** Community engagement is important, and should be recognised as such, but local development should not be determined by it alone. Investments should strategic, and complement local strengths.

### Metropolitan-based Investment versus Regional-based Investment

Tourism represents a significant part of the economic development process, particularly in regional Victoria. However, the strategies for investment differ between metropolitan and regional Victoria. In particular, investment in regional Victoria requires strong local and state government support and incentives in order to attract investors.

**Recommendation:** That the decision-making process for approvals for tourism infrastructure in regional areas consider the economic, social and societal benefits of the development.

## *Recommendations to Support Enhanced Private Sector Investment*

Specific recommendations to further enhance support for private sector investment include:

**Recommendation:** Develop a Tourism and Events Investment Development Strategy and Fund to deliver the top 10 'investment ready' infrastructure projects across the state.

**Recommendation:** Develop a Tourism and Events Investment Action Plan that maps regional Victoria's tourism and natural asset advantages against complementary new business opportunities in the manufacturing and service sectors.

**Recommendation:** Implement a coordinated Investment Support Services Strategy that incorporates tourism and events industry investment ready projects, investor information, planning and regulatory assistance. Incorporate relevant transportation, accommodation, land and employment links.

**Recommendation:** In support, develop a centralised, standardised and accessible Business Assistance Information Portal, providing accurate and up-to-date information on all Government grants, services and other assistance available to tourism and events industry businesses.

**Recommendation:** Secure increased support across core economic portfolios for the tourism and events industry, recognising tourism and events as a key driver of state economic development.

## Concluding Comments

Tourism in Victoria is an industry of the state's future, with significant growth potential based on the state's enduring competitive advantages in relation to key forms of tourism activity including leisure, business, events, VFR, education and health.

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.

This concept of tourism as an industry with spatial characteristics in relation to land use must become a fundamental principle in relation to the management of public lands, tour operator licensing and planning and zoning systems.

Government at all levels must adopt a 'Why Not' approach to the development of the tourism industry. Many current systems consign tourism development to the 'too hard basket', in large part because the industry is not specifically recognised as an industry in many regulatory frameworks or systems.

Regions, sub-regions and precincts must be established with regulatory structures in place that are empowered to, and primarily focused on, the development and management of the tourism industry within these regions, sub-regions and precincts.

Business-as-usual will see Victoria fall short of these aspirations to become a premier regional and global destination for tourism. Governments must decide if tourism is an industry of the future for Victoria; if so, they must take bold action to realign structure and develop systems that facilitate and promote tourism development as a priority industry.

Failure to achieve a whole of government engagement in tourism will see the sector continue to under perform given the iconic natural landscapes, dynamic culture and world class built infrastructure already exists in Victoria.

## Appendix 1

### 3.1 Characteristics of good regulatory systems

While government regulation is sometimes necessary to achieve certain economic, social and environmental goals, excessive or poorly developed regulation can impose costs on society that outweigh the benefits of this regulation. These costs can have negative implications for overall economic performance, including employment and investment opportunities.

To avoid the problems caused by poorly designed regulation, the Victorian Government has given a high priority to regulatory reform. This is based on the premise that government should not resort to explicit regulation unless it has clear, continuing evidence that:

- a problem exists;
- government action is justified; and
- regulation (i.e. in the form of primary or subordinate legislation) is the best option available to government, and the regulatory model chosen is best able to deal with this concern in the most effective and efficient manner.

Once a positive argument for government regulation has been established, it is important that the nature of the regulation meets the following key characteristics:

- **Effectiveness.** Regulation, in combination with other government initiatives, must be focused on the problem and achieve its intended policy objectives with minimal side-effects. The regulatory system should also encourage innovation and complement the efficiency of markets.
- **Proportionality.** Regulatory measures should be proportional to the problem that they seek to address. This principle is particularly applicable in terms of any compliance burden or penalty framework which may apply. This characteristic also includes the effective targeting of regulation at those firms/individuals where the regulation will generate the highest net benefits.
- **Flexibility.** Government departments and agencies are encouraged to pursue a culture of continuous improvement, and regularly review legislative and regulatory restrictions. Where necessary, regulatory measures should be modified or eliminated to take account of changing social and business environments, and technological advances. All subordinate legislation must be reviewed regularly and systematically under the *Subordinate Legislation Act 1994*. The Act mandates that subordinate legislation ‘sunset’ after ten years. This should be considered as the *maximum* time period at which the legislation is reviewed. Best practice would require more frequent review periods (although *overly* frequent changes in the law can place burdens on the community).

Flexibility should also be taken into account when drafting legislation, to ensure that it does not unnecessarily constrain future government responses. For example, if primary legislation requires prices to be specified in subordinate legislation, it makes it illegal to adopt other less prescriptive options (e.g. price monitoring), even if such less prescriptive approaches become more appropriate over time.

- **Transparency.** The development and enforcement of government regulation should be transparent to the community and the business sector. Transparency can promote learning and information-sharing within the regulatory system, and can also help to build public trust in the quality of regulation and the integrity of the process.
- **Consistent and predictable.** Regulation should be consistent with other policies, laws and agreements affecting regulated parties to avoid confusion. It should also be predictable in order to create a stable regulatory environment and foster business confidence. The regulatory approach should be applied consistently across regulated parties with like circumstances.
- **Cooperation.** When appropriate, regulation must be developed with the participation of the community and business and in coordination with other jurisdictions, both within Australia and internationally, to ensure that it reflects the interest of Victorians and takes into account Victoria’s

major trading relationships. Regulators should also seek to build a cooperative compliance culture.

- **Accountability.** The Government must explain its decisions on regulation and be subject to public scrutiny. The same is true of its enforcement agencies. As such, the development and enforcement of regulation in Victoria should be monitored, with the results being reported to the public on a systematic basis.

- **Subject to appeal.** There should be transparent and robust mechanisms to appeal against decisions made by a regulatory body that may have significant impacts on individuals and/or businesses.

**Appendix 2** *(see over page)*



# **EXPRESSIONS OF INTEREST**

**SURF SCHOOL & SEA KAYAKING  
ACTIVITIES**

**INFORMATION KIT FOR APPLICANTS**

**Applications will be accepted until 4:00 pm, Thursday 24<sup>th</sup> April 2008**

## INTRODUCTION

The Great Ocean Road Coast Committee (GORCC) seeks Expressions of Interest from operators wishing to conduct surf school and sea kayaking activities on Crown Land Foreshore Reserves in Aireys Inlet, Fairhaven, Jan Juc, Lorne and Torquay.

Successful applicants will be granted a license to allow the operation of approved commercial operations for a period of three years, starting on 1<sup>st</sup> September 2008.

## DISCLAIMER

Each applicant must make their own independent assessment and investigations of the matters mentioned in the Information Kit and should not rely on the significance, adequacy or accuracy of the information provided herein.

The purpose of the Information Kit is to provide applicants with information to assist in the formulation of expressions of interest.

The Great Ocean Road Coast Committee, its employees and consultants make no representation or warranty as to the accuracy, reliability or completeness of the information.

The Great Ocean Road Coast Committee, its employees and consultants shall have no liability to any applicant or any other person under the law of contract, tort, the principles of restitution or unjust enrichment or otherwise for any loss, expense or damage which may arise from or be incurred or suffered as a result of anything contained in the Information Kit, any matter deemed to form part of the Information Pack, any information supplied by or on behalf of the Committee or otherwise in any way from the selection process.

GORCC reserves the right not to appoint any applicant.



## **PROCESS**

The Great Ocean Road Coast Committee will assess all Expressions of Interest.

Applicants will be assessed on the basis of their demonstrated ability to meet the specified selection criteria (see below), which are designed to ensure the highest levels of professional conduct for safety and instruction.

A written submission must be provided, addressing each of the criteria and indicating which area/s the application relates to. Applicants may also include any other additional information in support of their submission.

Please note: Additional clarifying information may be sought in writing from applicants or through a short interview process.

## **SELECTION CRITERIA – SURF SCHOOLS & SEA KAYAKING**

### **1. Qualifications in surf rescue, first aid and surf school instruction**

All surf school staff who are involved in either supervision or instruction of students must possess current accreditation in one of the following:

- Surf Life Saving Association of Australia Bronze Medallion; or
- Surf Life Saving Association of Australia Surf Rescue Certificate; or
- A statement of attainment from a National Training authority.

In addition, for every group of between one and twenty four students participating in a surf school, one staff member must possess a current:

- St John Ambulance Level 2 First Aid certificate.

One staff member must possess one of the following qualifications:

- Surfing Australia Level 1 Surfing Coach/Instructor course; or
- VETEC Adventure Training Instructors Course – Surfing Instructor; or
- Qualifications outlined in the Adventure Activities Standard Guidelines AAS for such activities.

### **2. Ability to meet the requirements for teacher: student ratios and agency requirement**

A ratio of one surf school staff member to every eight students in a surf school is required. This ratio, which is in accordance with the Department of Education, Employment and Training's *Safety Guidelines: Swimming Based Activities*, for school groups will apply to both adults and school students. The Activity must be in accordance with "Outdoor Recreation Centre Inc. Adventure Activity Standards", for further information please go to [www.orc.org.au](http://www.orc.org.au).

### **3. Possession and use of safety equipment**

Applicants must possess the following safety equipment:

- Wetsuits of a length and thickness suitable for the prevailing conditions should be worn by all staff and students; and
- Distinctive clothing, such as brightly coloured shirts or tops, are to be worn by all staff, instructors and students. The colour worn by staff should be distinguishable from that worn by students, so that staff and students can be easily identified; and
- Flags or markers to be placed on the beach to highlight the surf school area for the participants and the general public. They should not restrict public access to the foreshore and can not to be used to indicate an area of exclusive use by the surf school; and
- Suitable first aid and rescue equipment to be available on the beach and instructors to be properly trained in its use; and
- All staff to be equipped with mouth whistles to attract student's attention for safety and instruction; and
- Soft boards with soft fins to be used, to reduce the likelihood of impact injuries; and
- Each item of the equipment must comply with any standards prescribed by law for that item, be in a safe and useable condition and of the quantity stipulated in the Risk Management Plan.

### **4. Current public liability insurance**

Applicants must be able to provide evidence that they possess current public liability insurance to the value of \$10 million:

### **5. Previous experience in surf school operations & sea kayaking operations**

Demonstrated previous experience in surf schools and/or other water based outdoor recreation activities would be considered an advantage. The past performance of any previously licensed applicants will also be taken into account.

### **6. Business Quality and Stability**

Applicants must provide a business plan and/or the ability to demonstrate a good financial and business history. In addition, please provide copies of any current relevant certification.

**7. Submission of a Risk Management Plan which must include:**

- Participant Safety; and
- Protection of the Environment; and
- Other User Safety; and
- Submitted a plan of the Site; and
- Submitted a Statement of Experience; and
- Submitted the required Insurance Certificate/documentation; and
- Provided an Emergency Management Plan.

**8. Environmental awareness and protection**

Applicants should demonstrate their awareness of the local natural environment and the strategies they intend to employ to reduce the potential impact of surf school & sea kayaking activities on that environment.

**NUMBER OF SURF SCHOOL LICENSES TO BE ISSUED**

GORCC has specified the number, type and location of licenses to be issued at each location. The table below outlines proposed licenses for surf schools.

AREA	ACTIVITY	NUMBER OF LICENSES TO BE ISSUED	NUMBER OF PARTICIPANTS OFF PEAK/PEAK
<b>TORQUAY FORESHORE</b>			
<b>Torquay Surf Beach</b> License 1 License 2  (Should conditions be unfavorable at this location, the alternative options are Jan Juc and Torquay Front Beach)	surf school surf school	2 2	32/24 5/5
<b>Jan Juc Surf Beach</b> License 1 License 2  (Should conditions be unfavorable at this location, the alternative option is Whites Beach)	surf school surf school	1 2	24/24 8/8
<b>Whites Beach</b> License 1	surf school	2	32/24
<b>ANGLESEA FORESHORE</b>			
<b>Anglesea Main Surf Beach</b> License 1  (Should conditions be unfavorable at this location, the alternative option is Point Roadknight)	surf school	3	50/32
<b>FAIRHAVEN &amp; AIREYS INLET FORESHORE RESERVE</b>			
<b>Fairhaven Surf Beach</b> License 1 License 2  (subject to risk management plan)	surf school surf school	2 1	8/8 16/16
<b>LORNE FORESHORE</b>			
<b>Lorne Surf Beach</b> License 1 License 2 License 3	surf school surf school surf school	2 1 1	50/32 24/24 8/8

Off Peak is defined as being from 1<sup>st</sup> April to 30<sup>th</sup> November.

Peak is defined as the summer school holidays, weekends between 1<sup>st</sup> December and 31<sup>st</sup> March, Easter and all Public Holidays. The license holder may only conduct classes in the water from sunrise to 12 noon during peak periods

**NUMBER OF SEA KAYAKING LICENCES TO BE ISSUED**

GORCC has specified the number, type and location of licenses to be issued at each location. The tables below outlines proposed licenses for sea kayaking activities.

AREA	ACTIVITY	NUMBER OF LICENCES TO BE ISSUED	NUMBER OF PARTICIPANTS OFF PEAK/PEAK
Torquay Foreshore	sea kayaking	3	28/28
Anglesea Foreshore	sea kayaking	3	28/28
Fairhaven / Aireys Inlet Foreshore	sea kayaking	2	28/28
Lorne Foreshore	sea kayaking	3	28/28

### **FEE STRUCTURE**

The fee structure for licenses for the 2008 - 2010 period is as follows:

License application fee to be submitted with application	\$200.00
License fee for three years to be paid prior to issue of license	\$500.00
User fee (charge per person per day) - adults	\$ 2.00
User fee (charge per person per day) - school students	\$ 1.50

Annual returns are to be supplied to the land manager for the full license period, indicating the number of classes held and students taught during the license period.

### **LICENSE TERMS AND LIMITS**

A limited number of licenses will be considered, offering a range of operators of surf schools and sea kayaking activities on the Great Ocean Road Coast Reserves for a period of three years, starting on 1<sup>st</sup> September 2008.

The licenses being allocated are not automatically renewed. Upon expiry of the license, previous holders will be required to apply through a new Expression of Interest process, along with all other interested parties.

Licenses may be transferable but cannot be traded on the open market. The Great Ocean Road Coast Committee may decide to assign the remainder of the three year license to a prospective purchaser of a surf school business, providing they meet all of the selection criteria, or may choose to re-advertise for Expressions of Interest.

### **SUBMISSION OF APPLICATION**

Applications should be submitted in writing, along with the application fee of \$200.00, by 4:00 pm on Thursday 24<sup>th</sup> April 2008 and marked for the attention of:

David Clarke  
Executive Officer  
Great Ocean Road Coast Committee  
PO Box 53  
Torquay  
Vic 3228.

Applications will be treated in strict confidence

### **FURTHER INFORMATION**

For further information about this Expression of Interest Process, please contact Rod Goring, Coast Manager on ph. 03 5220 5055.