

## State Budget 2010/11 - Tourism and Events Overview

VECCI, together with its tourism and events associations, has welcomed the release of the 2010/11 State Budget.

The Budget contains initiatives to cut business costs, strengthen infrastructure investment and support jobs growth. It also contains important measures to strengthen the State's investment in law and order, schools, health, education and transport, and tourism and events.

Many of the Budget outcomes were consistent with the recommendations advocated by VECCI in our pre-Budget submission and consultations.

There were a number of outcomes and initiatives announced as part of the 2010/11 State Budget that impact on the tourism and events industry. A summary of these is provided below.

### Reductions in Business Costs

Outcomes include:

- A **0.05 percentage point** reduction in the payroll tax rate effective from 1 July. The rate of payroll tax will reduce from 4.95 per cent to 4.9 per cent.
- A **3.5 per cent cut** to WorkCover premiums, taking the average premium rate to 1.34 per cent of an employer's rateable remuneration next financial year.

### Tourism and Events Infrastructure

The 2010/11 Budget provides support to boost tourism visitors, together with funding for infrastructure and related support facilities. Among the new initiatives are:

- **\$27 million** package over five years to boost Victoria's tourism industry, by encouraging visitors from other Australian States to visit Melbourne.
- **\$17.7 million** for the preparation for the expansion of the Melbourne Exhibition Centre.
- **\$363 million** for the first stage of the Melbourne Park redevelopment.
- **\$3.4 million** to complete rehabilitation work on the Summerland Estate buyback to enable further protection to Phillip Island's iconic fairy penguins.
- **\$3.4 million** for metropolitan and regional walking trails, for upgrades to trails, crossings, new signs and maps for 25 walking trails.
- **\$11.2 million** for the Parks Asset and Replacement program to upgrade infrastructure across metropolitan Melbourne and regional Victoria.

## Bushfire Preparedness

The Budget includes **\$136.6 million** in additional funding to boost bushfire preparedness and emergency response, including:

- **\$28.5 million** over four years to upgrade and improve bushfire warnings and upgrade intelligence capability.
- **\$3.1 million** for the Bushfire Information Line to assist in peak periods.

## Arts and Sport Related Initiatives

The tourism and events industry also stands to benefit from a range of other arts and sporting related initiatives including:

- **\$4.4 million** over four years to support the Melbourne International Film Festival.
- **\$4.4 million** over two years for the Docklands Film and Television Studios.
- **\$7.5 million** for Scienceworks.
- **\$1 million** for the Melbourne International Comedy Festival.
- **\$3.9 million** to create a new children's space at the National Gallery of Victoria.
- **\$2 million** over two years for sporting, community and event organisations to assist in the delivery of significant sporting events that lift the profile and provide economic opportunities in regional Victoria.
- **\$2.4 million** over two years for the State Library of Victoria.
- **\$2.6 million** for Victoria Rocks, a program supporting contemporary musicians and groups.
- **\$3 million** towards securing a new home for Circus Oz at Collingwood.
- **\$250,000** to support the establishment of a new peak body for music – Music Victoria.

## Support for SMEs and Industry

The 2010/11 Budget contains a number of initiatives to provide direct assistance to SMEs. These include:

**\$11.8 million** over four years on a range of initiatives for small and medium sized enterprises including:

- **\$4.5 million** for enhanced workshops and seminars in areas such as financial management, marketing and human resource management.;
- **\$2.2 million** to expand the small business mentoring program to 1 500 sessions per year for 600 businesses to access support and advice, including e-mentoring, to assist planning, employment potential, sales and profits.
- **\$1.6 million** in increased funding for the Energise Enterprise festival.
- **\$3.5 million** to fund forums, workshops and one-on-one business counselling to assist small businesses in regional Victoria to adapt to changing circumstances in the economy, population and environment.

**\$1.6 million** over two years for a new Masterclass for Growth program run in metropolitan and regional Victoria, on how to manage growth with tailored business coaching and advice to business.

## Transportation and Legal Infrastructure

The tourism and events industry will also benefit from many of the announcements made in regard to transportation and legal infrastructure, designed to provide a more efficient transportation system and safer community.

The 2010/11 State Budget delivers **\$6.4 billion** for better roads and public transport including new trams, more stations and road projects to reduce congestion.

- **\$4.3 billion** for the Regional Rail Link, in cooperation with the Commonwealth Government.
- **\$129.2 million** to upgrade regional roads, including \$76.9 million to continue the Geelong Ring Road project (Section 4C Surf Coast Highway Connection).
- **\$759 million** towards the construction cost of Peninsula Link.
- **\$22.8 million** to continue the Transport Connections program which links rural and smaller communities.

Policing services and an increased public presence are targeted through the 2010 Budget commitment to:

- **\$561.3 million** investment over five years to recruit, train and employ 1,700 additional frontline police.
- **\$73.9 million** over four years will enable the redeployment of 200 police to the front line.
- **\$38.4 million** to release 66 police officers into frontline roles.

## Economic Outlook

According to the Budget forecasts, the Victorian economy is expected to grow by 2.25 per cent in 2009/10 (real GSP). While this level of growth is a notable improvement on results in the previous year (0.8 per cent), it remains below trend due to the ongoing effects of the global financial crisis.

Following moderate growth in 2009/10, **economic growth** is expected to recover in 2010/11 at 3.25 per cent, and then settle at a trend growth rate of around 3.0 per cent in the forward years.

Higher growth in 2010/11 is likely to be attributable to high levels of consumer confidence and household spending, together with stronger dwelling investment. However rising interest rates may deflate some of this confidence and spending. While business conditions and confidence have improved, business investment levels remain an area of concern.

The Victorian **labour market** has been strong over the past year, generating the highest employment growth of all the States. Following low employment growth in 2008/09 (0.2 per cent), growth is forecast to average 2.25 per cent over 2009/10, and

2.00 per cent in 2010/11. Conversely **unemployment** is expected to average 5.5 percent over 2009/10 and 2010/11.

**Inflation** and **wage growth** forecasts are largely unchanged from that provided in the 2009/10 Budget Update, with inflation expected to average 1.75 per cent in 2009/10, and wage growth expected to be 3.0 per cent in the same period. Both inflation and wage growth are expected to increase in the following two years before stabilising at 2.5 per cent and 3.5 per cent respectively over the forward period.

While the domestic economy is recovering from the downturn, uncertainty remains and there are many **risks** to the outlook particularly given the uncertain rate and nature of recovery among our global trading partners. The upward pressure on exchange rates and interest rates will continue to pose a challenge for Victorian businesses. In addition, if stronger than expected growth does occur, it may contribute to stronger than expected inflation and wage growth, and may see the re-emergence of skills shortages.

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