

Pre-Budget Submission 2008-2009

***Submitted to the Treasurer of Victoria, The Hon. John Lenders MP
by VTIC Chief Executive Officer, Wayne Kayler-Thomson
16 November 2007.***

ABN 37 650 959 904
486 Albert Street
East Melbourne
Victoria 3002 Australia
GPO Box 4352 Melbourne
Victoria 3001 Australia
Telephone: 03 8662 5170
Facsimile: 03 8662 5462
info@vtic.com.au
www.vtic.com.au

This submission identifies the rationale for increased investment by the Government to develop Victoria's tourism industry. It outlines proposals for consideration and identifies strategic policy priorities.

Rationale for Investment

The Victorian Government released its 10 Year Tourism and Events industry Strategy in October 2006, which identified that the tourism industry is currently worth \$10.9 billion to Victoria's economy and employs 159,000 people, approximately 61,000 in regional Victoria. The strategy further identifies that by 2016, Victoria's tourism industry has the potential to become an \$18 billion industry with 66,000 new jobs.

VTIC understands that the tourism industry generates over \$560 million direct revenue to Government annually, without including GST revenue. This represents outstanding return on investment; given the direct annual appropriation by Government for tourism and events is approximately \$100 million per annum.

Tourism is therefore a major contributor to Victoria's economy, is a growth industry, has a diverse reach across all industry sectors, supports up to 90,000 predominantly small businesses and contributes to the economic and social health of communities across the breadth of Victoria. No other industry has this breadth and depth of capacity to contribute to Victoria's future.

Government is also directly involved in the industry as the custodian and manager of Victoria's natural estate and cultural assets and attractions as well as through its investment in marketing to maximise the economic return to the State economy and to enhance Victoria's brand awareness nationally and globally.

Tourism is a highly competitive domestic and international market, which responds directly to the level of marketing investment by destinations and businesses.

Victoria can continue to lead the way nationally by further extending the productive partnership between Government and the industry.

Innovative "dollar for dollar" funding of marketing (including product development) to boost Victoria's competitiveness and industry sustainability and development will deliver even better results.

Since the release of the Government's plan, significant challenges have emerged e.g. the strength of the Australian dollar has reduced Australia's international market competitiveness and it is now recognised that climate change will have a profound impact on the sector.

Investment Proposal

To increase Victoria's tourism competitiveness, meet the emerging challenges and to achieve or exceed the targets identified in the Government's 10 Year Tourism and Events Strategy, requires an increased strategic investment by Government to provide leadership and to encourage increased investment by the private sector.

In summary, the 2008-2009 Budget should incorporate the following initiatives:

1. **Increase Tourism Victoria's budget** appropriation to at least \$80 million per annum as a quantum leap to enable competitive international and domestic marketing and investment in industry development. This is necessary to arrest the decline of domestic tourism markets, ensure international market growth and continue to build Victoria's competitive brand nationally and internationally. This investment will not only improve Victoria's competitiveness, but will also stimulate private sector cooperative marketing and capital investment.

As indicated above, the capacity and willingness of the industry to respond to 'dollar for dollar' investments in marketing and industry development will follow if the Government commits serious funding to gain high return on investment.

Now is the time to accelerate Victoria's competitive advantage.

2. Continue to **invest in the attraction and development of major events** for which Melbourne leads the world as an events destination. The major events cap should continue and be increased to ensure Victoria's competitiveness is sustained. Investment in existing events to grow yield is vitally important.

Now is the time to accelerate Victoria's competitive advantage.

3. **Increase the appropriation to the Melbourne Convention and Visitors Bureau** by \$5 million per annum (note: current term funding ceases in 2008-09). Business tourism is high yield and this increased investment will ensure the capacity to attract business events necessary to capitalise on the capital investment in the new convention facility. This opportunity must not be left to chance – the return on investment in business tourism marketing is outstanding.

Now is the time to accelerate Victoria's competitive advantage.

4. Consideration should be given to the **establishment of a natural disaster tourism relief fund** to ensure that funds are readily available to support tourism industry recovery from natural disasters. The impact on regional economies and communities from loss of tourism has been demonstrated to be stark and highlights how tourism really supports communities. A fund of \$2 million would provide security for quick response – both for marketing and industry development

5. Implement and resource the Nature Based Tourism (NBT) strategy to increase Victoria's competitiveness and yield. Victoria can lead the way globally in NBT to deliver environmental sustainability outcomes.

Natural attractions are a key motivator for international visitors to travel to Australia, with 56% being influenced to come to Australia based on their intent to visit a natural attraction.

Victoria's national parks attract the highest park visitor numbers in Australia (28.6 million to protected area parks in 2004-05) but we are not capturing the appropriate level of tourism yield.

Linking and integrating NBT with Victoria's tourism product strengths of food and wine, history and heritage, events and touring are a way to value add to NBT experiences and further extend Victoria's competitive positioning.

6. Increase investment in resources to manage Victoria's natural and cultural tourism attractions managed by Government. Major tourist attractions such as Phillip Island Nature Park, Royal Botanic Gardens, Victoria Zoo's, Federation Square and cultural institutions require regular and periodic capital investment to refresh and build new attractions.

Cultural attractions such as the Arts Centre and Museum also need to inject funds and resources into tourism marketing. Other less prominent but significant regional tourism attractions and assets such as the Dandenong Gardens, Werribee Park and other public lands and particularly waterways such as Melbourne's bays also require investment in visitor facilities. Failure to invest will see declining visitation, viability and sustainability of these important public assets. A capital improvement fund could be established to provide an annual pool for investment in these assets. Melbourne's bays present an outstanding opportunity to develop new public and visitor infrastructure. The recent VECCI Victoria Summit highlighted this opportunity and gained widespread support.

7. The devastation of the bushfires and floods has highlighted the inadequate resources applied to manage the public land estates – especially National Parks. Increased funds are required for infrastructure and management.

Projects such as a world **class Visitor Centre at the Port Campbell National Park (12 Apostles)** are vitally important to increase tourism yield as well as enable better environmental management and improve the visitor experience.

An investment to deliver and accelerate this project and other priority visitor infrastructure projects is essential to improve Victoria's capacity to capitalise on the global nature based tourism trend. Victoria is being left behind and has very low market awareness of its natural assets.

8. Investment in industry development is required to facilitate the ability of the industry to capitalise on the growth potential of the industry. These strategic initiatives should be undertaken in partnership between Government and the industry and include: - Investment attraction facilitation - Infrastructure development - Destination development - Regional dispersal support (eg rail travel, tourist road signing, visitor information services) - Labour and skill development - Product development - Product and service standards

The Tourism Victoria budget has provided inadequate core marketing funding which has in turn resulted in limiting the capacity to facilitate industry development to underpin visitor experience delivery. This under-resourcing has also failed to capitalise on growth sectors such as caravanning, nature based and cultural tourism, which will be further driven by the burgeoning baby boomer market.

Strategic Policy Proposals

The Government 10 Year Tourism and Events Strategy outlines a range of strategic responses which now require accelerated commitment and investment if the potential industry growth is to be realised. The above mentioned budget proposals will contribute to the strategic initiatives identified i.e.: Build upon existing strengths; Develop new strengths; Focus on long term growth opportunities.

We have identified the following priority Policy imperatives to support these strategic responses:

1. Aviation – increasing direct international flights to Melbourne. An investment in co-operative marketing support with airlines via Tourism Victoria will contribute to Victoria’s competitive positioning and negotiation capacity.

2. Skills and Training - the industry is experiencing severe labour and skill shortages. However, the Government has not identified the industry as a priority for training investment. This continues to get worse and must be addressed via an urgent review of Tourism and Hospitality training and education policy, resourcing and programmes.

3. Infrastructure - public land and waterways are major tourism assets, requiring resource investment by Government and also policies to stimulate private sector investment. The availability of 50-100 year leases on carefully selected public land and waterways would stimulate private sector investment.

Priority projects to attract investment to public land and waterways appropriate sites must be identified and facilitated to remove barriers to investment. The investment climate is positive now, so resourcing to accelerate this initiative is imperative.

4. Climate Change and Environmental Sustainability – nature based tourism is a growth market, but Victoria lags competitively. Victoria’s natural and diverse landscape is a major attraction while serving to offset carbon emissions. Infrastructure investment, investment attraction and product development, plus advertising and promotion investment will increase Victoria’s positioning, competitiveness and response to Climate Change.

The draft Nature Based Tourism strategy must be confirmed with appropriation of resources to facilitate public/private sector investment is required as a priority.

5. Investment attraction, in addition to the above mentioned need to grow investment in natural attractions, is also needed to stimulate investment in accommodation attractions and services. Higher priority needs to be given to resourcing the attraction of tourism investment.

6. Government resourcing and support – the Government has a plan but needs to seriously invest to realise the identified opportunities. The above submission addresses this need. Incremental appropriation will not suffice – a quantum leap is required.

7. Industry structure and participation – VTIC with the support of the Victorian Employers' Chamber of Commerce and Industry has committed a substantive investment to increase tourism business participation and industry development. VTIC has demonstrated the capacity to partner Government to accelerate the development of the industry.

The establishment of the Victorian Events Industry Council as a sister peak industry Council to VTIC will lead to even stronger industry representation and development.

8. Product Development – the industry is dominated by small business with limited access to capital for product development. A product development funding programme to provide seed funding for cooperative ('dollar for dollar') product development investment would stimulate initiative and capital investment. A \$10 million fund over four years for small business and community projects would make a significant contribution.

9. Tourism Excellence – the joint industry and Tourism Victoria, Tourism Excellence programme to achieve competitive advantage through visitor satisfaction is an outstanding initiative. An investment (\$1m x 3 years) to accelerate the implementation of this programme would improve Victoria's competitiveness significantly. VTIC stands ready to partner Government to deliver this pivoted industry development initiative.

10. Extension of the Melbourne Exhibition Centre: Support for business events, including exhibitions, is vital to the growth of the Victorian tourism and events industry, as well as the broader State economy.

The expansion of the Melbourne Exhibition Centre is necessary in order to meet current and future demand for exhibition space, and attract and retain major state, national and international events.

CONCLUSION

An investment in Victoria's tourism industry growth will deliver jobs, regional development, investment attraction, return on investment to Government, small business development and brand awareness for Victoria – all positive and significant contributions to Victoria's economic, social and environmental future.

The Government has identified these opportunities in its 10 Year Tourism and Events Industry strategy and the industry and community has high expectations for a whole of Government commitment to realise the growth opportunities identified.

The 2008-2009 budget is the right time and opportunity to demonstrate this commitment. VTIC is ready, willing and able to partner Government to implement its plan.

***For further information regarding this correspondence please contact:
Bindi Gove, Deputy CEO, Victoria Tourism Industry Council, 03 8662 5438***