

VTIC 2017-18 STATE BUDGET SUBMISSION

Introduction

The Victoria Tourism Industry Council (VTIC) is the peak body and leading advocate for Victoria's tourism and events industry. Our vision is for a globally competitive visitor economy, where Victoria is the leading destination for domestic and international visitors, with must-see attractions, must-do experiences, and an unrivalled calendar of major events.

VTIC works to develop and support a professional, profitable and sustainable visitor economy. By improving the business environment, we make it easier for our industry to deliver high quality experiences, products and services to all visitors to Victoria.

The Budget Context: “Business As Usual” is not an option

International visitors to Victoria spent \$6.7 billion in the year ending June 2016, representing year-on-year growth of (+18.9%) or \$1.1 billion more than last year, exceeding the national average growth (+14.2%). Victoria also experienced year-on-year growth in international visitors to reach 2.6 million (+12.8%) and nights (+7.5%) to reach 58.8 million above the national average and key competitors.

Melbourne experienced strong year-on-year growth in international spend (+19.7%) and visitors (+12.6%), outperforming the national capital city averages on these measures in the year ending June 2016. However, growth in visitor nights in Melbourne (+7.4%) lagged behind visitor nights' growth in the Gold Coast and Sydney (+17.1% and 8.6% respectively). Adelaide and Hobart both also out-performed Melbourne in terms of international visitor spend with increases of 21.9% and 21.1% respectively. International visitor spend in Melbourne represents 93.5% of total international overnight expenditure in Victoria.

International visitors to regional Victoria increased strongly by 21.2% in the year ending June 2016. International overnight expenditure increased by 8.4% year-on-year to reach \$440 million. International visitor nights in regional Victoria also increased by 8.5% compared to the previous year to 6.9 million.

For the same period, domestic overnight expenditure was \$12.0 billion. Growth in expenditure in Victoria (+3.3%) was ahead of New South Wales (+2.8%) but **behind the national average** (+6.4%) and Queensland (+7.0%). Expenditure growth was driven by intrastate overnight visitors' spend in Victoria (+6.3%).

Total domestic overnight visitors to and within Victoria increased 4.6% to 21.6 million. The year-on-year growth was **behind the national average** (+6.8%), Queensland (+5.7%) and New South Wales (+5.1%). Visitor nights in Victoria grew (+3.0%) to reach 64.0 million. Growth in visitor nights was **behind the national average** (+4.8%), and New South Wales (+3.7%) but ahead of Queensland (+1.0%). Visitors from the intrastate market, which makes up the majority, grew strongly (+7.5%) to 14.8 million visitors while the interstate market declined (-1.2%) to 6.8 million. Interstate visitor nights in Melbourne remained stable (+0.1%) but **behind the national interstate average** growth for cities (+3.5%).

Overall, Victoria and Melbourne are performing well, but there are signs that, relative to other states and capital cities, we are starting to fall behind. Therefore there is a real risk of falling even further behind if a 'Business As Usual' approach is maintained. Early interventions and increased State Government spending will help arrest any downward trends and provide some insurance against potential shocks.

Anticipating disruption

The need for pre-emptive action is clear when tourism is considered in the context of the most significant and potentially disruptive infrastructure project the State has seen in a generation – the Melbourne Metro Rail Project. VTIC is supportive of the project and understands that the ageing existing rail infrastructure, combined with the projected population growth for Melbourne, makes this project critically important for Victoria's liveability and, therefore, its visitability, too.

Nevertheless, an engineering project of this scale will inevitably impact on Melbourne CBD businesses, residents and workers. In particular, tourism businesses whose customers and guests stay in the CBD and those whose operations rely on the CBD as an integral part of their service offering, such as walking tours, will directly feel the effects of the disruptions necessitated by the construction of Melbourne Metro Rail. The closure of the Melbourne Visitor Centre at Fed Square in 2017 as a result of the works for CBD South Station will also have implications for visitors and tourism businesses alike. The slowing in growth of domestic visitor expenditure in Melbourne will only be compounded by the effects of the Melbourne Metro Rail Project.

It is vitally important that all visitors to Melbourne (international, interstate and intrastate alike), and the businesses that serve them, are informed in a timely manner of the works going on, and how these will impact the visitor experience and business operations. Equally important is a clear message that Melbourne is open for business and open for visitors.

VTIC acknowledges that the 2016/17 State Budget contained several funding packages for the visitor economy, such as the Regional Tourism Infrastructure Fund, the Regional Events Fund, and funds for Business Events and for Visit Victoria marketing activities. Nevertheless, there is will be significant lag time before the infrastructure projects and regional events assisted by this funding come to fruition. In the meantime, the visitor data tells us that we are losing interstate market share, and even growth in daytrip numbers and expenditure is behind the national average. A more concerted domestic marketing effort is required to address this downturn.

Urgent boost to product development and marketing needed

VTIC calls for a substantial boost of funding to support the Victorian Visitor Economy Strategy and respond to the competitive pressures resulting from under-investment in the sector in recent years. The growth statistics mask a real decline in competitiveness. We do not want to see growth in “profitless volume”. Increased visitor numbers combined with under-investment in product and services leads to a poor visitor experience and this poses a significant risk to Victoria’s visitor economy.

With the recent announcement at the 2016 Victorian Tourism Conference of revised targets for the state’s visitor economy, this State Budget – the first since that announcement - is about laying the foundations for achieving these new targets. With these new goals determined, we know what success should look like, but how we get there will depend a lot on the priority this government places on the visitor economy as a driver of the state’s economy overall.

Key Measures	2014/15	2024/25**
Visitor Gross State Product (GSP)	\$21.7 billion*	\$37.0 billion
Visitor Expenditure	\$23.1 billion (2015) **	\$36.5 billion
Employment	210,000 jobs*	320,700 jobs

*Source: http://tra.gov.au/documents/Economic-Industry/State_summaries.pdf

**Source: *Victorian Visitor Economy Strategy*, State of Victoria, 2016

Investment in a range of tourism products and experiences, as well as in education and training in the tourism, events and hospitality sectors, is urgently needed if we are to meet the new target of \$36.5 billion in visitor expenditure by 2024/25. For example, in recent years the Puffing Billy Railway has experienced significant growth largely due to increased international visitation. A masterplan designed to ensure long term sustainability of the railway together with improved passenger amenity is currently being finalised and will be presented to Government in the near future. Investment such as this is vital and must be supported by a substantial boost to Visit Victoria’s marketing war chest so that Victoria can effectively compete with and challenge ascending interstate rivals across the country.

VTIC's Recommendations: Foundations for Success

Aligning with the VTIC's vision for the Victorian visitor economy, outlined in our 2016/17 Policy Agenda, VTIC makes the following recommendations for the 2017-18 State Budget:

Vision	Priority Recommendations
<p>1. <i>Victoria will be a great place to do business and to invest in the visitor economy.</i></p>	<ul style="list-style-type: none"> ● \$1.5 million for the establishment of consistent and robust economic modelling to measure the economic impact of events across the state, as well as qualitative research into the value of events. This should encompass medium sized regional events, as well as business events and major events, to gain a true picture of the value of the events sector for the state. The preferred model could also then be used for the consistent assessment and monitoring of grant and funding applications. ● Ongoing support of the Red Tape Commissioner's Office in order to continue the valuable work done to reduce the red tape burden for the tourism industry, including the streamlining of licensing process for tour operators and easing the burden of doing business across multiple land management areas. This would be of great benefit not only for tour operators, but also for the development of new attractions such as Melbourne Cable Park. Proponents have already committed \$15.5 million in private funds and the project is estimated to attract at least 150,000 visitors p.a. and create 556 new jobs. What's now required is support and facilitation relating to access of different public lands. ● Building on the Tourism Investment Pipeline of the previous State Budget, a further \$2 million to continue to progress new investment projects identified in 2016/17, on the basis that the number of projects put forward exceeded the funding available to assess and develop the necessary plans and business cases.
<p>2. <i>Visitability, connectivity, accessibility – it will be easy to get here and easy to get around Victoria.</i></p>	<ul style="list-style-type: none"> ● Maintain curfew free status of Melbourne Airport and support Melbourne Airport Masterplan, including third runway. ● A Mass Transit System between Melbourne Airport and Southern Cross Station. ● Faster broadband and reliable phone connections in regional areas, including Wi-Fi on regional trains ● Support for getting tourism SMEs online

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	<ul style="list-style-type: none"> • Clear policy and funding support to enable the carriage of bicycles on V/Line trains and coaches • Ongoing support for the Changing Places Program, to improve accessibility in high-use locations and key visitor destinations and attractions across the state.
<p>3. Capitalise on Melbourne’s liveability to enhance its reputation as a vibrant visitor destination</p>	<ul style="list-style-type: none"> • Additional \$18 million p.a. for domestic and regional marketing campaigns (interstate and intrastate) • \$10 million for mitigation strategies to alleviate or offset negative impacts of Melbourne Metro Rail Project to Melbourne’s extensive events program. • Support for the Fed Square master plan, including the building façade screen design concept and digital interaction as a key component. Refreshing the heart of Melbourne will positively impact the city’s visitor appeal. • Extend the CBD Free Tram Zone to include the Melbourne Convention and Exhibition Centre and the Southbank Arts Precinct. • Ongoing funding commitment for Greater Melbourne destination planning and marketing campaigns • Funding for a long-term plan for the sustainable activation of the Yarra River precinct (Southbank and Northbank), including the development of a Winter Festival. • Support for the partnership proposal for the LaTrobe Sports Park, for which substantial funding has already been secured. The project will support Victoria’s major events program by providing state-of-the-art training and sport science testing facilities for visiting international teams and a destination for state and national championship events, providing 650 new jobs and supporting more than 2,500 tertiary students. • Support for greater coordination of Chinese New Year festivities across various precincts in Melbourne.
<p>4. Victoria will be the leading destination for international visitors to Australia</p>	<ul style="list-style-type: none"> • Additional \$5 million p.a. for international marketing campaigns. • Coordinated international engagement with the other key sectors of the Victorian economy, including an Australian Tourism Exchange-style meeting or networking function with all Commissioners for Victoria and

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<p><i>and for business events.</i></p>	<p>Executive Directors of VGBOs with the tourism and events industry, as part of the Commissioners and VGBOs annual briefing in Melbourne.</p> <ul style="list-style-type: none"> • Timely completion of the expansion of the Melbourne Convention and Exhibition Centre. • Ongoing commitment of \$5 million p.a. to the Business Events Fund for event acquisition. • \$8 million to establish an Indigenous Tourism Fund for the development of Indigenous tourism enterprises, attractions or events. • \$300,000 p.a. for industry development support programs to encourage excellence across the tourism sector to enhance the current Victorian Tourism Awards and Australian Tourism Accreditation Program. • Investment in language and cultural training for the tourism and hospitality sectors in order to meet the needs of the growing emerging markets, such as China and India, and other priority markets.
<p>5. <i>Regional Victoria will have a compelling tourism and events offering that attracts more visitors to stay longer and travel further.</i></p>	<ul style="list-style-type: none"> • \$20 million p.a. for urgent maintenance and ongoing development of the Great Ocean Road. This could be sourced through the Enabling Infrastructure Program Stream of the Regional Infrastructure Fund. Due to recent weather events, the Great Ocean Road will be closed for at least six months for structural repairs. This will have major implications for the state’s visitation overall, as well as the region itself. • Ongoing commitment of \$100 million p.a. to the Regional Tourism Infrastructure Fund • Ongoing commitment of \$5 million p.a. to continue the Regional Events Fund beyond the current 4 years, and a policy to roll-over unallocated funds to the following financial year. • Establish an \$11 million strategic fund for product innovation and development for Regional Tourism Boards. • \$174 million for the implementation of the Shipwreck Coast Masterplan, plus \$12 million for visitor facilities at the 12 Apostles site. • \$50 million for completion of Budj Bim – Stage 2. • Finalisation of the Point Nepean National Park Masterplan. • Development of a state-wide Drive Strategy that encourages regional visitation and longer stays.