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VICTORIA TOURISM INDUSTRY COUNCIL

**2016 - 2017 State Budget Submission**



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## Preamble

The visitor economy is recognised as one of the key pillars of the Victorian economy as it contributes more than \$20.6 billion to the Victorian economy each year and employs over 206,000 people. The State's Tourism 2020 Strategy aims to grow overnight tourism expenditure in Victoria to \$24.7 billion by 2020 so that tourism and events will contribute approximately \$34 billion to Victoria's Gross State Product (direct and indirect impacts) and generate an estimated 310,000 (direct and indirect) jobs.

The State Government's review of the visitor economy has acknowledged the importance of the sector in driving prosperity in Victoria in the years to come and the creation of Visit Victoria as the new umbrella organisation for the tourism and events industry to harness the opportunities, is a step in the right direction. However, significant challenges remain in terms of maintaining the strong competitive position of Melbourne and Victoria as a tourism and events destination compared to other states and capital cities in Australia, encouraging dispersal to greater Melbourne and regional Victoria and addressing the impact of the recent fires along the Great Ocean Road at Wye River.

Key findings from research undertaken by VTIC<sup>1</sup> also highlighted a new era of challenges the tourism sector is facing. These include:

- The Victorian economy will be more reliant on tourism and events in the next four years as jobs and the economic sustainability of regional Victoria become bigger issues;
- State Government investment in regional tourism assets and infrastructure is urgently required to maintain, protect and sustain the quality of the visitor experience around Victoria's key natural tourism assets;
- "Business as usual" simply won't work for Victorian tourism in the next four years: Victoria's approach has been ineffective with a continual reduction in baseline marketing spend. It has not evolved significantly to take into consideration new challenges of changing consumers, a more technologically driven tourism and events landscape, and the increasing importance of integrating Victoria's natural assets into a broader tourism experience for the national and international marketplace;
- Market failure affects the tourism industry far more than other industries in terms of destination marketing, attraction development, improved transport linkages and access to mobile connectivity for tourism businesses in regional Victoria; and
- Ensuring staff and attractions are "China literate" requiring new approaches on food, displays, visitor information, cultural awareness and literacy, which is the predominant risk in growing and servicing the China inbound market.

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<sup>1</sup> Report from Karl Flowers, Decisive Consulting, to VTIC, 2014

## Tourism's Value to the Economy

### Australian backdrop

The Australian tourism industry continues to grow, with the 2014-15 year being one of records for the industry. International arrivals, international visitor expenditure, domestic trips and domestic expenditure all performed with strength to underpin an industry that contributed \$107 billion in total visitor expenditure to the nation's economy in 2014-15.

Australia's tourism industry continues to play a significant role in the nation's economy through continued contribution to national income, international trade and employment.

In 2013-14 the industry directly contributed 2.7 percent to national GDP, accounted for 8.2 percent of national exports and 4.6 percent of total jobs to be positioned to play an increasingly important part in Australia's future economic prosperity.<sup>2</sup>

In 2013-14, direct tourism GVA increased 3.4 percent (or \$1.3 billion) to \$39.9 billion. The increase in direct GVA was driven by the following visitor economy industries:

- Education and training – up 7.8 percent to \$2.7 billion
- Cafes, restaurants and takeaway food outlets – up 5.7 percent to 4.4 billion
- Clubs, pubs, taverns and bars – up 4.9 percent to \$2.5 billion
- Air, water and other transport – up 3.5 percent to \$5.8 billion.

***Tourism contributed an additional \$42.2 billion indirectly, bringing tourism's total contribution to national GVA to \$82 billion.<sup>3</sup>***

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<sup>2</sup> Tourism Research Australia, State of the Industry Report, November 2015.

<sup>3</sup> Tourism Research Australia, State of the Industry Report, November 2015.

## The budget context - tourism and events, the 7<sup>th</sup> pillar of the Victorian economy

Tourism is a super growth industry of the Victorian economy and is vital for Victoria's continued prosperity. Tourism in Victoria was estimated to be worth \$20.6 billion to the economy and employed approximately 206,000 people in 2013-14.<sup>4</sup>

Major events are worth approximately \$1.8 billion to Victoria's economy<sup>5</sup> and the major events industry provides 2,617 full time equivalent jobs<sup>6</sup>, with event tourism representing 20 per cent of all international overnight visitors to the State.<sup>7</sup> The Government's commitment to funding for Major Events as a significant drawcard for the inbound market is to be applauded as it provides a strong base upon which to build a positive image of Melbourne and Victoria as tourism destinations. A similar platform can be built on the back of the development of significant regional events which could increase visitor dispersal to regional areas with appropriate funding for development, marketing and co-ordination.

During a period of economic transition from the conclusion of the peak mining construction boom to a diversified services economy for the nation, the tourism and events sector has been a stand out performer with remarkable growth figures well above the national average. Similarly, Victoria's visitation and visitor expenditure growth figures have been well above the national average.

However, the growth in the visitor economy currently being experienced in Victoria has been built on the strength of work undertaken over the last two decades, not the last few years. Victoria was once a leader in the tourism destination marketing space but has lost significant ground over the past decade. Government has indicated that the new entity Visit Victoria will "*embark on the most ambitious marketing campaign in our state's history,*" and this must occur within the context of a responsive and focused strategic plan to guide the activities of the Government's tourism body and how it works with industry, or the state will continue to lose ground to competitors on the domestic front.

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<sup>4</sup> Tourism Research Australia, State Tourism Satellite Accounts 2013-14, April 2015.

<sup>5</sup> An Eventful Year: Economic Impact of the Victorian Major Events Calendar, Ernst & Young/Victorian Major Events Company joint research project, September 2014

<sup>6</sup> Victorian Events Industry Council 2014 primary data

<sup>7</sup> International Visitor Survey, December 2014, Tourism Research Australia

## Latest domestic visitation results

For the year ending December 2015, total domestic overnight visitors to and within Victoria increased 6.5% to 21.6 million compared with the previous year. **This growth was behind the national average of 6.9%.**

Domestic visitor night estimates to Victoria increased 0.9% year-on-year to 63.4 million nights over the same period, which was significantly behind the national average of a 4.2% increase. Total domestic tourism expenditure in Victoria over this period grew by 2.1% to \$16.6 billion.

Breaking these figures down further, we see that domestic visitor nights to Regional Victoria declined by 0.5% and domestic expenditure in regional Victoria declined by 1.7% in year ending December 2015 over the previous year, compared with an increase of 5.6% for Melbourne. **Therefore length of stay and expenditure of domestic visitors travelling to regional Victoria needs to be increased.<sup>8</sup>**

## Latest international visitation results

The number of international overnight visitors to Victoria increased by 13.6% for the year ending December 2015 over the previous year. For the year ending December 2010 to 2015, Victoria has experienced growth of international overnight visitors of an average rate of 8.7% per annum.

Regional Victoria also experienced strong growth in the number of international overnight visitors, increasing in the year ending December 2015 by 20.8% over 2014. Victoria as a whole, regional Victoria and Melbourne all had positive increases in international visitor nights in year ending December 2015, receiving a 16.6%, 10.2% and a 17.5% increase respectively over the previous year.

In terms of expenditure, Victoria attracted \$6.5 billion from international visitors in December 2015, up 30.4% over the year ending December 2014. Metropolitan Melbourne's international visitor expenditure increased by 31.4% to \$6.08 billion from \$4.6 billion the year previously. Regional Victoria also experienced an increase in international visitor expenditure up 17% to \$440 million from \$375 million for the year ending December 2014. However, the international visitor expenditure spent in regional Victoria for the year end December 2015 is only 6.7% of Victoria's total, which is down from 7.5% the previous year, which is a concern.

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<sup>8</sup> National Visitor Survey, December 2015, Tourism Research Australia

## **The impact of destination marketing**

As a State, the negative impact of the lack of investment in destination marketing (particularly interstate) will be felt in the coming years. This will be compounded by the fact that our competitor states have invested significantly in tourism and destination marketing, brand and tactical activity and campaigns in the past few years, at a time when Victoria has continually reduced its investment in this space.

South Australia, New South Wales and Queensland are all currently very active in broad-based media vying to be top-of-mind with Australian travellers. Victoria needs to catch up to compete effectively.

The job creation potential of this sector cannot be underestimated. With over 70,300 tourism-related businesses in Victoria<sup>9</sup> the sector contributes significantly to part-time and casual employment, offering the flexibility sought by many employees, as well as providing a valuable entry point to the workforce for both skilled and low-skilled employees, and in particular, both youth and mature-aged workers.

Victoria's ambitious target is to grow overnight visitor expenditure to \$24.7 billion by 2020.<sup>10</sup>

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

The tourism and events sector is very much a part of what makes Victoria a great place to work, live and visit, adding to the vibrancy, diversity, social and environmental well-being of the state. However resources are needed to ensure the State's destination profile is high in the minds of our markets.

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<sup>9</sup> Tourism Research Australia, Tourism Businesses in Australia (June 2010 – June 2013)

<sup>10</sup> Tourism Victoria, Victoria's 2020 Tourism Strategy, July 2013

## **VTIC's priority recommendations**

In this context, and to reach our shared vision, VTIC urges the State Government to act immediately and support the following fifteen recommendations to maintain and increase our tourism and event competitiveness and success.

These projects are designed to 'up-the-ante' to ensure that Victoria builds on it's strong position as a leader in relation to competitor states, stays ahead in this fast moving and economically significant sector and does not lose market share.

These priorities have been driven by industry intelligence and input and are aligned with the strategic response themes identified to address the sector's challenges moving forward.

### **GROW DEMAND FOR TRAVEL TO VICTORIA AND INCREASE VISITATION AND VISITOR SPEND IN REGIONAL VICTORIA**

- 1. Increase the baseline marketing funding for interstate and international campaigns to \$20 million per annum over three years to capitalise on the compelling competitive positioning of Melbourne and Victoria by promoting a distinctive and diversified visitor experience.**
- 2. Continue to provide funding for the Melbourne Food and Wine Festival which strongly positions Melbourne as the Food & Wine capital of Australia and is planning to expand further out into regional Victoria.**
- 3. Commit to funding of \$3 million in 2016/17 for phase two of the 'Wander Victoria' Intrastate Marketing Campaign for Regional Destinations to build upon the exposure and traction achieved in phase one.**
- 4. Commit to funding of \$3 million over three years for the development (including operations and marketing) of a properly coordinated and supported program of home-grown, medium sized events in regional Victoria.**
- 5. Increase the funding for RTBs to be able to implement a range of strategic co-operative projects identified in destination management plans and leverage additional industry and local government funding.**

## **BOOST INVESTMENT IN TOURISM ASSETS AND INFRASTRUCTURE TO ENHANCE THE VISITOR EXPERIENCE, LIVABILITY AND ACCESSIBILITY**

6. A commitment to fast-track \$100 m in funding over the next two years for critical maintenance and development of the Great Ocean Road region public visitor assets (GOR and Shipwreck Coast Masterplan funding); and \$48.2 million over the next three years for the Phillip Island Nature Parks upgrade.
7. Develop a 'fourth generation' 21st century rapid transit link from Melbourne Airport to Southern Cross Station/ CBD providing a world-class visitor experience for domestic and international visitors.
8. Maintain funding and timeframes for the widening of the CityLink-Tullamarine Freeway (project identified as a high priority in the Australian Infrastructure Plan February 2016).
9. Commit to staged timely investment in a third runway at Melbourne Airport.
10. Increase funding in real terms for Parks Victoria to develop nature-based tourism product and facilitate the delivery of visitor infrastructure in partnership with private operators, industry and Government.
11. Provide funding support for the redevelopment of the St Kilda Triangle site, the draft Masterplan for which has been developed through a co-design engagement process involving community, industry, Council and government.
12. Continue to support development of Victoria's icon walks and rail trails as part of Victoria's Trails Strategy 2014-2024 including completion of the Falls to Hotham Alpine Crossing Master Plan, the Coastal Wilderness Walk Masterplan in Gippsland's Croajingalong National Park and Lilydale to Warburton Rail Trail.
13. Improve skills, education and training in the visitor economy sector to build tourism, events and hospitality capabilities now and into the future.
14. Improve digital connectivity and capacity in Regional Victoria.
15. Stimulate public and private sector investment and recognise genuine industry partnerships to fast track product development through appropriate and supportive policies by all levels of government.

## **GROW DEMAND FOR TRAVEL TO VICTORIA AND INCREASE VISITATION AND VISITOR SPEND IN REGIONAL VICTORIA**

**Recommendation 1** – Increase the baseline marketing funding for interstate and international campaigns to \$20 million per annum over four years to capitalise on the compelling competitive positioning of Melbourne and Victoria by promoting a distinctive and diversified visitor experience.

### **Benefits**

- Raise awareness of Brand Melbourne and Victoria's destinations, experiences and attractions in interstate and international markets.
- Strengthen Brand Melbourne and Victoria's competitive positioning around product strengths of food and wine, shopping, art & culture and natural attractions to be "top-of-mind" with Australian travellers.
- Increase length of stay and expenditure with high yield interstate and international markets.
- Consistent with the long term national tourism strategy, Victoria's aim is to grow overnight tourism expenditure to \$24.7 billion by 2020. Reaching this goal would have a significant impact on the Victorian economy. By 2020-21 it is estimated that tourism will contribute approximately \$34 billion to Victoria's Gross State Product (both direct and indirect impacts) and generate an estimated 310,000 (direct and indirect) jobs.<sup>11</sup>

**Recommendation 2** – Continue to provide funding for the Melbourne Food and Wine Festival which strongly positions Melbourne as the Food & Wine capital of Australia and is planning to expand further out into regional Victoria.

### **Benefits**

- Events and food & wine are both key drawcards for high yield interstate and international visitor segments and the Melbourne Food & Wine Festival.
- Since 2007, the festival worked on strategies to enhance the longer-term economic impact of the festival through collaboration with the food and wine industries to brand Melbourne and attract out-of-state visitors.

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<sup>11</sup> Source: Modelling undertaken for Tourism Victoria by Deloitte Access Economics, 2012

**Recommendation 3 – Commit to funding of \$3 million for phase two of the ‘Wander Victoria’ Intrastate Marketing Campaign for Regional Destinations to build upon the exposure and traction achieved in phase one.**

### **Benefits**

- Reduction in the holiday trade deficit which sees Victorians spending more on holidaying outside Victoria, than what they spend holidaying within the state.
- VTIC-commissioned research found that diverting just 10 per cent (or \$300 million) of the \$3 billion spent by Victorians each year on interstate holiday travel back into Victoria would lift overnight domestic tourist spend in regional Victoria by 7 per cent.<sup>12</sup>
- VTIC research shows the value of expenditure in this kind of intrastate marketing. In 2014, we estimated that investing in such a campaign at a cost of \$12 million a year would generate over 2,300 jobs at the end of the two year period<sup>13</sup>.

**Recommendation 4 – Commit to funding of \$3 million for the development of a properly coordinated and supported program of home-grown, medium sized events in regional Victoria.**

### **Benefits**

- Medium scale sporting, cultural and special interest events help draw visitors to Victoria’s regions. Such events are often overlooked due to our focus on ‘major events’ but would generate significant spending and create jobs for communities across Victoria.
- Ensuring value for money and improving coordination to ensure benefits from Victoria’s events calendar flow throughout the State and across the year.
- VTIC’s research shows that such a strategy, coordinated and conducted by a dedicated sales team and supported with an annual budget of \$2 million, would generate over \$50 million in visitor expenditure per year<sup>14</sup>.

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<sup>12</sup> Report from Karl Flowers, Decisive Consulting, to VTIC, 2014

<sup>13</sup> Ibid.

<sup>14</sup> Report from Karl Flowers, Decisive Consulting, to VTIC, 2014

**Recommendation 5** – Increase the funding for RTBs to be able to implement a range of strategic co-operative projects identified in destination management plans and leverage additional industry and local government funding.

#### **Benefits**

- RTBs will be empowered to lead the development, marketing and management of the regional visitor economy in partnership with local government.
- Reduction in the seasonality of visitation in regional areas as promotions encourage visitors in off-peak seasons.

### **BOOST INVESTMENT IN TOURISM ASSETS AND INFRASTRUCTURE TO ENHANCE THE VISITOR EXPERIENCE**

**Recommendation 6** – A commitment to fast-track \$100 m in funding over the next two years for critical maintenance and development of the Great Ocean Road region public visitor assets (GOR and Shipwreck Coast Masterplan funding); and \$48.2 million over the next three years for the Phillip Island Nature Parks upgrade.

#### **Benefits**

- Ensuring Victoria's strongest attractions continue to deliver 'best of class' visitor experiences.
- With full implementation of the Shipwreck Coast Masterplan and with private investment coming online there is a potential for a 38% uplift in visitation by 2034, 2,334 jobs and \$214 million per annum added to the regional economy.
- Stage 1 priorities include: \$10 million to improve the interpretation facilities and amenity at the Twelve Apostles kiosk site and \$100 million over two years to commence infrastructure improvements throughout the masterplan region, such as:
  - Establishing both a Visitor Experience Centre and Park and Ride Transport Hub in Port Campbell;
  - Upgrading the Port Campbell, Princetown and Peterborough townscapes;
  - Commencing construction of the Twelve Apostles Trail, linking to the Great Ocean Walk trail;
  - Establishing Visitor Hubs at Princetown and Peterborough; and
  - Planning for the proposed Glenample Visitor Experience Centre.

- This funding will attract private sector investment in walking trails, eco-lodges and larger scale accommodation, as well as adventure, and health and wellness developments in appropriate areas within the region.
- The Phillip Island Nature Parks upgrade would allow the attraction to cater for an estimated 100,000 visitors per annum by 2020 leading to broader benefits for the regional and State economy including increase in recreational visitation, regional dispersal and regional employment.
- It provides for a precinct wide vision that encapsulates the potential of the site for more diverse and layered eco-tourism and recreation experiences, and better integrates environmental management, education and research within the visitor experience
- The project is expected to deliver the following benefits:
  - An average increase of 695 jobs each year, primarily in regional Victoria
  - Increased Gross State Product of close to \$1 billion over 25 years
  - An overall restoration and net gain of approximately 8.2 hectares of critical penguin habitat
  - 25% growth in paid visitation to 600,000 visitors per year at the Penguin Parade and more broadly, regional Victoria
  - Retention of the Nature Parks as the largest employer on Phillip Island.

**Recommendation 7 – Develop a ‘fourth generation’ 21st century rapid transit link from Melbourne Airport to Southern Cross Station/ CBD providing a world-class visitor experience for domestic and international visitors; and**

**Recommendation 8 – Maintain funding and timeframes for the widening of the CityLink-Tullamarine Freeway (project identified as a high priority in the Australian Infrastructure Plan February 2016)**

### **Benefits**

- Business, leisure and event visitation forecasts are strong for Victoria and with the curfew free airport status this will continue to be positive as additional airline services are added to Melbourne. In 2033 approximately 64 million passengers (up from 30 million in 2013) and 348,000 aircraft (up from 210,000 in 2013) are expected to land at Melbourne Airport annually, bringing nearly 14.5 million overseas and interstate visitors through the airport.
- Improved public transport linkages between the airport and the CBD will ensure the long-term sustainability of Melbourne Airport as an international airport and the Air Services Attraction Strategy as part of Victoria’s 2020 Tourism Strategy.
- Reduction of traffic congestion and delays for airport traffic on the Tullamarine Freeway which impacts on first and last impressions of Melbourne and the city’s livability.
- Better public transport and road connections to Melbourne Airport will benefit the visitability and livability of the city and state as a whole. Supporting the future growth in the population and increased volumes of interstate and international visitors is critical in ensuring a high quality visitor experience and maximising broader economic benefits.

**Recommendation 9 – Commit to staged timely investment in a third runway at Melbourne Airport**

**Benefits**

- Provide sufficient capacity to accommodate projected aircraft movements until around 2040. By 2033 the airport anticipates facilitating 64 million passengers and 348,000 aircraft movements as identified in the Australian Infrastructure Plan (February 2016). With its existing two-runway system, Melbourne Airport is expected to reach capacity during peak periods between 2018 and 2022.

**Recommendation 10 – Increase funding in real terms for Parks Victoria to facilitate the delivery of visitor infrastructure in partnership with private operators, industry and Government.**

**Benefits**

- Funding for continued improvements to Parks Victoria booking systems for camping, events etc. to improve the customer experience and drive increased demand.
- Upgrading of Parks Victoria's business systems to allow for on-line access for LTO licence and trip return payments, education and compliance activities, collection of data to feed into visitor economy research projects.

**Recommendation 11 – Provide funding support for the redevelopment of the St Kilda Triangle site, the draft Masterplan for which has been developed through a co-design engagement process involving community, industry, Council and government.**

**Benefits**

- The design aims to deliver a cultural precinct to complement the Palais Theatre and support St Kilda's continuing contribution to the cultural life and vibrancy of Melbourne and Australia. St Kilda currently attracts 1.3 million visitors annually, however there is a need to arrest a decline in domestic overnight visitors from 156,000 per annum in 2010 to 125,000 per annum in 2013.
- The draft Masterplan identifies a series of uses for the St Kilda Triangle, including public open space, cultural facilities (this could be range from art galleries, music and performance venues to artists' studios), ancillary uses (this could include appropriate visitor facilities, retail, food and beverage, live music and opportunities for cultural artisans) and hotel (visitor accommodation). Development of this premium piece of beachside real-estate opens Melbourne up to the bay/beachside.

**Recommendation 12 - Continue to support development of Victoria's icon walks and rail trails as part of Victoria's Trails Strategy 2014-2024 including completion of the Falls to Hotham Alpine Crossing Master Plan, the Coastal Wilderness Walk Masterplan in Gippsland's Croajingalong National Park and Lilydale to Warburton Rail Trail.**

### **Benefits**

- Whole-of-government approach and clear vision to the planning, management and promotion of walks and trails in Victoria.
- Strengthen Victoria's brand positioning around nature-based tourism to drive visitation and spend to regional Victoria.
- Commercial trail-based businesses, including guiding services, equipment and passenger transport and equipment hire, create local jobs and provide opportunities to package and promote regional products to establish destination experiences. Trail-based events, such as mountain bike competitions and adventure races, are gaining in popularity and can attract significant visitor numbers to regional locations. Competitors and their families, spectators and organisers can boost the demand for accommodation, food and beverage, and other services.
- Enhance the livability of communities and providing prospective visitors with a reason to visit and stay.

**Recommendation 13 - Improve skills, education and training in the visitor economy sector to build tourism, events and hospitality capabilities now and into the future, particularly around entry level occupations.**

### **Benefits**

- Increase the supply of labour to the tourism industry to deliver high quality service standards which meet visitor needs and expectations. Tourism contributes to employment in a number of industries, including transport, retail trade, communication, culture and recreation, and education. Most importantly, tourism is responsible for over 25 per cent of employment in the accommodation, cafes and restaurants industry.
- Address a portion of the accumulated shortfall in skilled labour in Melbourne which is projected to be 7,094 tourism workers over 2015-2020 or 7.9% of the current workforce. Fulfilment of a proportion of the 31,898 *new* tourism workers (through direct and indirect employment) identified as projected accumulated demand for *new* tourism workers between 2015 and 2020 resulting from projections of strong growth in visitor nights for Victoria going forward.<sup>15</sup>
- Ensure education and training systems deliver the skills and knowledge required to accommodate the needs of both individuals and businesses in the tourism industry. A strong vibrant tourism workforce is critical in supporting high quality experiences.

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<sup>15</sup> Deloitte Access Economics, Australian Tourism Labour Force Report 2015-2020, October 2015.

- Address labour and skill shortages common to regional Victoria, where competition for labour is high and staff retention is difficult. Increased labour in the food services sectors, including chefs, cooks, service staff, baristas, supervisors and kitchen hands as well as in the accommodation sector including front office, housekeeping and hotel/motel operations skilled employees.
- Support the provision of sustainable employment conditions which, in aligning with the relevant awards, offer packages that will attract and retain individuals with the relevant qualifications and experience and ensure that tourism is seen as a long-term career opportunity.

#### **Recommendation 14 – Improve digital connectivity and capacity in Regional Victoria**

##### **Benefits**

- Regional Victoria would be in a position to realise the growth potential of (particularly) interstate and international tourism expenditure and be able to promote and book its experiences, attractions and businesses to potential interstate and international markets with the same speed, capacity and reliability of digital infrastructure (fixed and wireless) that Melbourne businesses have access to.
- A combination of fixed and wireless infrastructure will be important to support both business websites, email, social media and skype for teleconferencing, as well as visitor access to these tools while on their travels. Visitors having access to mobile reception is important, to encourage them to stay longer and spend more, contributing to the economic growth of regional areas.
- Areas with high visitation at peak times in summer and during regional events are able to deliver highest possible economic impact for their regional economies.

#### **Recommendation 15 - Stimulate public and private sector investment and recognise genuine industry partnerships to fast track product development through appropriate and supportive policies by all levels of government.**

##### **Benefits**

- Providing visitors with new reasons to visit, activities to participate in and goods and services to purchase will increase visitor numbers and expenditure and facilitate repeat visitation. Leveraging private sector investment with government seed funding and paving the way for appropriate development of new and refreshed attractions will position the State as an innovative and responsive destination.
- Investment in new quality accommodation stock at a range of price points in regional Victoria will increase visitor dispersal, length of stay and expenditure throughout the State.

## Headwinds to growth

- **Need to renew our infrastructure** - historically European tourists were attracted to Victoria by our natural scenery historical attractions. While these drawcards remain, new volumes of tourists from Asia also seek high-end experiences and entertainment. Unfortunately though, some of Victoria's tourism infrastructure hasn't always kept pace with this changing demand and is in need of upgrades to refresh the visitor experience.
- **Trouble getting about** – by 2033, Melbourne Airport passenger movements are expected to more than double and airport-related jobs to grow to 23,000 employees. However the lack of a direct rapid transit link to the CBD continues to exacerbate congestion problems on road and bus access.
- **Scarce skills and labour** – there is currently a serious lack of workers available to fill tourism and hospitality positions. Reduced productivity has the potential to reduce the global competitiveness of destination Victoria and/or reduce the visitor experience. There is a critical challenge of ensuring we have a tourism workforce capable of giving visitors a world-class experience. The recent TAFE funding increase is welcomed however more must be done to ensure that the skills obtained by graduates across the vocational education and training sector match the requirements of the hospitality and tourism businesses across the sector.
- **Ability to service China market** - of particular importance is ensuring that Victoria's attractions and their staff are "China ready" in terms of cultural awareness and literacy, adjustments to food, signage, brochure material and interactions with this, the largest and most valuable inbound market. Attracting staff with language skills for this market and being able to cater for them culturally, poses a significant risk for the industry in continuing to service and grow this market.
- **Industry cost structures** - the emergence of international competitors, particularly throughout Asia, will challenge the State's ability to attract and grow its share of high-yield visitor markets. Pricing pressures brought about by competitors' ability to provide tourism products at lower prices due to cheaper labour cost structures, combined with greater access through the increase in low-cost carriers servicing the Asia-Pacific region, will make it difficult for Victoria to compete on price alone. Managing the seasonal nature of the tourism industry and balancing the resources of a business during peak and off-peak periods are also ongoing issues for tourism businesses.

## **Growth opportunities**

### **Proximity to Asia:**

- Regional destinations such as Sovereign Hill, Phillip Island and the Great Ocean Road attract considerable China market visitation (albeit largely day trip), but the same cannot be said for regions further afield such as Gippsland, Grampians and the Murray.
- The tourism industry generally is conscious of not repeating the mistakes made in Queensland with the Japanese group visitor market in the 1980s and understands that the China market in particular will mature much more quickly than did the Japanese market. Thus it is important to treat the China market with respect and develop itineraries, products and experiences outside of Melbourne that will appeal to this market, as a means of encouraging, and in anticipation of, repeat visitation as free independent travellers in the future.

### **Beautiful natural assets:**

- Natural attractions influence 56 per cent of all international visitors to visit Australia. There has been strong growth in international nature-based tourism visitation however there is an opportunity for international visitors to spend more time and money in Victoria's nature based destinations.
- There is an opportunity to focus on growing Victoria's offerings of nature-based tourism experiences that will attract high yielding visitors. For example, Victoria's key natural attractions have opportunities for self-reliant nature-based tourism visitors, but have limited experiences for high yield visitors.

### **Education as a drawcard:**

- The calibre of our educational sector encourages foreign students to become 'education tourists' who in turn encourage friends and family to visit.
- Teaching foreign students is Australia's fourth-biggest export earner, generating \$15 billion a year in income and employing about 100,000 Australians.<sup>16</sup>
- Facilitate labour attraction and improve the skills-base of existing labour pools; and increase interest and participation of the next generation of tourism and events professionals. For example, through the extension of career development programs, including in Vocational Education and Training (VET) in schools.

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<sup>16</sup> Research Snapshot, Australian Education International, May 2013.

## **The budget, the visitor economy and Victoria's livability**

Economic strength and visitability are critical to Victoria's livability. The interdependence of livability and visitability are such that strengthening the characteristics that make Victoria a fantastic place to visit, will continue to strengthen Victoria as a great place to live, work and invest.

High levels of customer service, seamless modes of transport to facilitate visitor movement and dispersal and high quality visitor experiences around events, culture, entertainment, retail and dining activities all contribute to a vibrant community as well as a dynamic destination for travellers.

Moving forward, Victoria's capacity to grow its livability credentials will depend on how well we can manage larger volumes of visitors and residents alike in comparison to other parts of the world.

Stronger competitiveness as a visitor destination and growth of the visitor economy is key to ensuring Victorian livability remains high and continues to elevate.

## **Concluding comments**

A balance of marketing and supply-side funding is urgently required to build and increase demand whilst simultaneously maintaining market share, improving and expanding supply.

Pipelines for future tourism investment and infrastructure projects and prioritising high level strategic projects matched to state and industry needs will be required.

In addition to rolling out effective marketing campaigns, the sector needs to be investing in the tourism infrastructure, hotel capacity and people skills that will be required to comprehensively support larger numbers of tourists with more diverse tastes.

High workforce participation and productivity within the service industries will be critical to a strong Victorian economy.

The decisions that are taken in the 2016/17 Budget will dictate the success of the visitor economy in the next few years as a key sector for economic growth and job creation over the next few decades.