



## Achieving Tourism's Growth Potential

**Victorian State Election Position Paper**

**Tourism Alliance Victoria**

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## VICTORIAN TOURISM PRIORITIES IN 2006

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Tourism in Victoria is a \$10.9 billion dollar industry.

Tourism employs 159,000 Victorians, 60,000 of which are regionally based.

Tourism generates \$658 million in tax revenue.

Tourism is an industry which is dependent on an effective partnership with government.

As we approach the State Election on 25 November 2006, Tourism Alliance Victoria highlights the critical role tourism plays in the Victorian economy; its importance to regional Victoria and its part in conserving Victoria's unique natural and heritage environment.

Tourism Alliance Victoria is a peak industry body advocating for and supporting the development of a professional and sustainable tourism industry across Victoria. The organisation represents the interests of our 670 strong member network which is made up of tourism attractions, tour operators, adventure and nature based tourism businesses, local and regional tourism organisations and visitor information centres. We work actively with our industry partners- Accommodation Getaways Victoria, Regional Victorian Conference Group and the Young Tourism Network.

Combined we reach over 3000 Victorian businesses.

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## REACHING ITS POTENTIAL

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Tourism makes a significant contribution to the Victorian economy. It is a growing labour intensive industry. Tourism provides opportunities for regional Victorians. Tourism is an export industry with international visitors purchasing services on shore. These services and their economic return are state-wide.

Tourism is extremely competitive and is an attractive small business industry as it has low barriers to entry. Tourism competes with other goods and services for support in household budgets.

### *Tourism is about the Victorian economy*

- ⊕ In 2003/04 tourism injected \$10.9 billion into the economy making up 5.3% of Victoria's Gross State Product.

### *Tourism is about regional Victoria*

- ⊕ In 2003/04, tourism was worth \$3.4 billion to regional Victoria's economy. This level has increased by 31% from \$2.6 billion in 1997-98.

### *Tourism is about jobs for Victorians*

- ⊕ In 2003-04, tourism accounted for 159,000 Victorians workers, or 6.6% of all people employed in Victoria, a 19% increase from 134,000 jobs and 6.2% in 1997-1998. 61,000 of tourism jobs are in regional Victoria

### *Tourism is about revenue for Government*

- ⊕ For a \$44m investment the State Government receives \$658m in State taxes revenue from Tourism. This sound investment assists the Government's commitment to health, education and police

## **ISSUES AFFECTING THE INDUSTRY**

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Maximising Victoria's tourism potential requires acknowledgement of the issues it faces and presenting appropriate solutions for achieving sustainable growth. Tourism's competitiveness in Victoria is adversely affected by external influences - many of which are global. Focus is required on those factors which are controllable and able to affect positive changes.

### *Flat domestic market*

- ⊕ Domestic tourism has been relatively flat, a trend which is echoed nationally and internationally. This highlights the need for increased funding to support growth and to view tourism as both a dynamic industry and multifaceted system.

### *Strong growth in outbound tourism*

- ⊕ Australians are preferring to travel overseas than to holiday at home. In 2005, 24% of Australians' holiday nights were spent overseas.

### *Petrol prices*

- ⊕ Petrol prices impact on the tourism industry. Petrol has gone from less than 70c a litre in 1999 to over 130c a litre in 2006.

### *Visitor Dispersal*

- ⊕ It is essential that strategies are considered to ensure visitation in Victoria is as widely dispersed as possible, particularly beyond two hours drive of Melbourne.

### *Value of Government contribution*

- ⊕ Tourism Alliance Victoria commends the Government on its continued and growing support for Tourism Victoria (\$35m in 2000/01 up to \$44m in 2004/05). Additional funds are essential for tourism to remain competitive in the current climate. Growth of the industry is not automatic.

### **TOURISM ALLIANCE VICTORIA IS SEEKING:**

- ⊕ A clear commitment to increase Tourism Victoria's resources with an additional \$10 million per annum in the first three years and an additional \$10 million in years four and five. This is crucial in growing Melbourne and regional Victoria.
- ⊕ Increase the levels of funding for international and domestic tourism marketing against measurable outcomes which seek co-operative industry buy in to maximise investment, leverage and exposure.
- ⊕ Enable forward planning for all co-operative marketing programs to be at least two years in advance to support business planning and buy in.

## **ENCOURAGING BUSINESS SUCCESS – SKILLS FOR YIELD:**

The skills shortages issue is national and affects Victorian tourism businesses. Recent research undertaken by Tourism Alliance Victoria clearly shows it is a critical workplace challenge for the Victorian tourism industry.

### **Issues:**

- ⊕ Skills and labour shortages particularly affect small Victorian tourism businesses which are rural or regionally based.
- ⊕ Contractors e.g. tradespeople, cleaners, IT are the most difficult positions to fill (31.6%), along with Guides (21.1%), Front Office/Reception (19.3%) and Customer service staff (17.5%);
- ⊕ Casual vacancies are the hardest to fill (69%) followed by full time jobs (41.4%), part-time jobs (34.5%) and volunteer roles (19%);
- ⊕ For all businesses the skills shortage issue (60%) is greater than the labour shortage issue (21.7%) and seasonality issue (18.3%);
- ⊕ Most businesses do not use Government training or employment schemes (70%);
- ⊕ Those that use Government training or employment schemes are most likely to be regionally based Tourism Attractions employing 20-99 staff;

### **TOURISM ALLIANCE VICTORIA IS SEEKING:**

- ⊕ An increase in funding for Tourism and Hospitality industry training in line with industry skills needs.
- ⊕ The State Government re-alignment of the low priority rating of tourism and hospitality to reflect the need for further funding.
- ⊕ A commitment from State Government to work with industry to close the access divide to training for owner operators and their staff working within small and micro tourism businesses.
- ⊕ Greater encouragement for businesses to invest in themselves, considering both the skills issues and the tighter market, and to value training and professional development.

## **GROWING EXPORT POTENTIAL**

The tourism industry has changed dramatically in the last 20 years. Many owner operated small businesses lack the capacity to re-engineer the business through capital investment and staff development is limited.

In Victoria in 2004 the numbers of visitors to drought affected areas were drastically reduced primarily due to the perception of visitors that a lack of water meant that there is little to do and no reason to visit.

### **Issues:**

- ⊕ Government has successfully supported the agricultural sector with the re-engineering of the farm business focus and growing new markets. Funding has tripled for the State Government programs such as the Future Family Farm (FFF). There is a need and the potential to do the same in the tourism industry.
- ⊕ Programs to support business mentoring are crucial to foster sustainable tourism businesses. In response to the 2004 drought resources were provided through DIIRD to support a business planning workshop and mentoring program. An independent assessment of the program found that:
  - 93% of respondents stated that the workshops helped them to develop a business plan.
  - 82% of respondents said that business planning/mentoring helped improve their business.
- ⊕ Tourism Alliance's response to the downturn in domestic tourism relates to the importance of effective, efficient and innovative business practices in a changing market (see also eCommerce).
- ⊕ In times of drought it is important that professional assistance is provided to assist rural and regional tourism businesses to survive and achieve long term sustainability.
- ⊕ We support professionalism and sustainability and the need for tourism businesses to meet industry standards.

### **TOURISM ALLIANCE VICTORIA IS SEEKING:**

- ⊕ Provision of access to low interest capital to support renewal of ageing infrastructure to enable it meet export market needs for the next 30 years.
- ⊕ Increase the level of funding provided through business assistance and support programs to enable tourism businesses to become sustainable and to develop and grow their export potential in the international market.
- ⊕ Support from the Government to promote and provide substantial incentives to those businesses that meet industry standards (in terms of accreditation, code of ethics and insurance).

## IMPEDIMENTS TO THE GROWTH OF A SUSTAINABLE TOURISM INDUSTRY

The Tourism industry is dominated by small businesses. They are burdened by regulations which have a negative impact on business productivity and costs, and exposes lost opportunities.

### **Issues:**

- ⊕ **Land Tax:** The State's land tax is comparatively expensive as Victoria's top rate is 3% above \$2.7 million, twice that of Queensland's top rate of 1.5% above \$2 million. The actual revenue gained by the State Government due to land tax has increased by almost 50% in the last 5 years whilst property valuations are significantly higher. The current reforms are not sufficient to alleviate the weight of land tax and encourage future investment in Victoria.
- ⊕ **Business Red-tape:** According to Treasury estimates, Victorian regulation costs businesses around \$3.3 billion per annum. There are a total of 69 state business regulators in Victoria, administering 26,000 pages of rules and regulations. Whilst Tourism Alliance Victoria supports the Government's announcement of reducing the red tape burden by 15% over 3 years, more reforms are needed to drive business growth.
- ⊕ **Food & Hygiene Licensing:** Food safety regulation is a key issue particularly in the economic development of regional Victoria. This matter needs a consistent approach to licensing across industries, across Local Government areas and across businesses to encourage and support business compliance.

### **TOURISM ALLIANCE VICTORIA IS SEEKING:**

- ⊕ A clear commitment from the State Government to minimise the impediments to business growth in tourism. The Government's initiatives outlined in its "Time to Thrive- Supporting the changing faces of small Victorian businesses" statement go some way to reducing the costs of compliance to business. This is a significant start to a process which requires an on-going commitment.
- ⊕ The Government do more to ease the burden for businesses by reducing land tax further.
- ⊕ Further business red-tape reduction through co-ordination between all levels of Government for streamlining and rationalisation.
- ⊕ Government strengthening of the food safety regulatory framework for consistency in interpreting and enforcing licensing in food & hygiene. An integrated partnership between State and Local governments is required

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## **GROWING INTERNATIONAL AIR ACCESS**

Over the next 10 years, 70% of market growth will come from the international market. Direct international flights growth to Melbourne is critical.

### **Issues:**

- ⊕ In the last 12 months Melbourne Airport has seen a drop of 500,000 international seats, or 13% from the previous year, reduced through re-alignment of flight paths. Qantas now offers 17% fewer international seats out of Melbourne than it did in 2000. Several separate airlines were denied access.
- ⊕ This is despite recent spending increases for tourism promotion in both the Victorian and Federal Budgets. In a year with no major international health or security crises, international passenger growth to Victoria has slowed significantly.
- ⊕ When Government is restricting growth in seats, it reduces the effectiveness of any marketing campaign. Growth in airline seat capacity is essential for tourism growth. In six years, the Government has signed one full open-skies agreement (with New Zealand) and one cargo-only open-skies agreement (with the US). In contrast, the US has signed 40 in the past six years and New Zealand has 11 in place. Australian and overseas airlines need to be encouraged to put more flights into Victoria.

### **TOURISM ALLIANCE VICTORIA IS SEEKING:**

- ⊕ A commitment from the State Government to actively support increased international air access for Victoria.
- ⊕ Alignment of Government aviation policy with the Government tourism policy

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## **ENERGY BLACKSPOTS AND E-COMMERCE**

In order for businesses to grow, they need regular and consistent electricity supply, they need mobile phone coverage and they need broadband access for the IT capacity to flourish. Tourism Alliance Victoria supports energy and communications infrastructure proposals that create local business opportunities and support business capacity to utilise eCommerce to maximise business opportunities.

### **Issues:**

- ⊕ In 2005 Tourism Alliance and Restaurant & Catering Victoria were supported by Multi Media Victoria to undertake a series of business development workshops on eCommerce. The independent evaluation of the program found that:
  - 60% indicated that they had improved their website or utilised e-commerce more in their business.
  - 71% indicated that their confidence in using eCommerce had improved, 89% indicated that they still needed additional training.
  - 92% indicated that they would attend future sessions particularly if they covered the topics of website Development and Internet Marketing.
- ⊕ The Cape Otway Region recorded power outages totalling 77 hours from June 04-Feb 05. Johanna recorded power outages totalling 79 hours in the same period.

**TOURISM ALLIANCE VICTORIA IS SEEKING:**

- ⊕ The State Government's commitment to continue programs that encourage and enable small businesses in tourism to adopt and drive their business success with eCommerce technology.
- ⊕ Energy and communication services in remote and rural areas must be aligned with the level of service provided in urban areas.

**SUSTAINABLE NATURAL HERITAGE – ALIGNING SUSTAINABLE ENERGY WITH SUSTAINABLE TOURISM**

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Energy and communications infrastructure must be achieved without a significant adverse impact on a region's natural and cultural environments and where community views have been taken into consideration. This is particularly pertinent to the development of wind farms in Victoria.

**Issues:**

- ⊕ The process of developing renewable energy sources must ensure that generation methods are economically as well as environmentally sustainable.
- ⊕ Tourism Alliance believes that the planning guidelines for wind farm projects do not sufficiently take account of the opportunity cost of individual projects in terms of their impact on other local industries such as tourism, and on the landscape values of the surrounding area.

**TOURISM ALLIANCE VICTORIA IS SEEKING**

- ⊕ All wind farm proposals should be required to go through a formal planning process, including an independent assessment of relevant landscape values, full public consultation and appeal rights. There should be support for best practice guidelines for the siting and development of wind farms.
- ⊕ In considering wind farm projects, the opportunity cost to tourism relative to the market and brand values of regional Victoria by key markets are considered.

**SUSTAINABLE ADVENTURE TOURISM – RECREATIONAL WATER FLOWS**

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There is recreational demand for utilizing the flows from hydropower dams in areas such as West Gippsland and the High Country. Furthermore, environmental flows already exist on several Victorian rivers from which recreational flows can be created by altering flow. Often no extra water is required, so it is resource and cost neutral. This provides sustainability for outdoor adventure tour operators, adventure race organisers, recreational paddlers and associated tourism organisations, as well as calendared events for regional areas.

**Issues:**

- ⊕ The natural assets of Victoria could be used more effectively for recreational and tourism opportunities. The experiences of both New Zealand and North America demonstrate the economic and tourism value of this approach.

## **Adventure Tourism – The Overseas Experience**

### **New Zealand**

- ⊕ Water releases from hydro-electric dams are provided in compensation for loss of natural recreational resource
- ⊕ Scheduled releases on 9 different rivers on both North and South Islands with about 68 river days per year
- ⊕ In excess of 100 river users during release days

### **USA**

- ⊕ Scheduled releases on 51 rivers as part of the Federal approach to resource usage licensing with over 100 million visitor days for recreation spent at hydropower projects nationwide
- ⊕ Significant demonstrated economic benefit, whitewater recreation on the South Fork American River in El Dorado County is estimated to generate up to \$33million pa by attracting up to 150,000 commercial and whitewater boaters annually.
- ⊕ Schedule release days generate upwards of \$400,000 revenue a day for the surrounding area of the Gauley River in West Virginia

#### **TOURISM ALLIANCE VICTORIA IS SEEKING:**

- ⊕ A commitment to sustainably maximise the potential of Victoria's nature-based experiences.
- ⊕ State Government support the protection of recreational opportunities in resource usage licensing decisions, allowing access to Victorian rivers for all, by ensuring that hydro-electric power companies and catchment management authorities offer scheduled recreational flows on some rivers for a certain number of days a year.

## **LICENSING FOR LONG TERM ENVIRONMENTAL AND BUSINESS WINS**

Tourism Alliance has played an active role in the licence reform process and has been working closely with Department of Sustainability and Parks Victoria to better inform State Government of industry views on this important issue.

### **Issues:**

- ⊕ The reform of Public Land Tour Operator and Activity Provider Licences involves issues such as conditions, terms, enforcement & compliance which in turn improve the professionalism of the industry.
- ⊕ A three year consultation and review process has taken place and it is time to progress the unified responses received by government.

#### **TOURISM ALLIANCE VICTORIA IS SEEKING:**

- ⊕ The State Government provide 10 year public land licences that support a stable business climate for long-term business investment, growth and profitability. Strong, overt and well-publicised enforcement that will encourage compliance, professionalism and long term investment.
- ⊕ That legislation implements these reforms be passed in the autumn 2007 session of State Parliament.

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## VICTORIA'S UNIQUE HIGH COUNTRY TOURISM EXPERIENCES

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Tourism Alliance is supportive of the Victorian Government's allocation of a \$765,000 package to support High Country tourism. However, there needs to be clarification about the long term future of operating licence agreements.

### Issues:

- ⊕ Tourism Alliance members are concerned that the banning of cattle grazing in the Alpine National Park could be the start of a gradual phasing out of all complementary land uses in the Park such as Horse Trail riding and mountain bike riding etc.

### **TOURISM ALLIANCE VICTORIA IS SEEKING:**

- ⊕ The State Government builds on its statement of support for commercial high country horse trail rides within the park, through supporting the enhancement of existing access and the use of cattlemen's huts and guaranteeing a minimum licensing period of 10 years for licensed tour operators providing uniquely Victorian tourism experiences in Victoria's high country.

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## UNIQUE VICTORIAN WILDERNESS EXPERIENCES

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Victoria has the potential for a competitive advantage based on its wilderness and adventure based activities. The Government recently launched the Adventure Tourism Brochure which was a critical step towards unearthing the diversity and depth of product in Victoria. However, the capacity to attract high yielding customers is severely limited by a lack of quality investment in wilderness based accommodation experiences. The private sector is ripe, the restrictions in Victoria result in investment in other states of Australia and New Zealand.

### **TOURISM ALLIANCE VICTORIA IS SEEKING:**

- ⊕ Proceed with urgency the Land Bank project which seeks to identify a limited number of suitable investment locations for unique high quality nature based accommodation investments;
- ⊕ A whole of Government approach to the provision of suitable investment locations;
- ⊕ The capacity to capitalise on existing natural assets and nature based accommodation such as cattleman's huts through the encouragement of high yielding consumers

## **BUSINESS EVENTS AND GROWING REGIONAL VICTORIA**

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Tourism Victoria's Strategic Plan 2002 – 2006 identified two strategies specifically for tourism in regional Victoria: 1. Encourage the dispersal of business events activity throughout regional areas of Victoria in co-operation with the Regional Victoria Conference Group (RVCG) and 2. Develop the capacity and co-operative marketing of regional business events.

Business events is a high yield sector for the industry. In Victoria average daily expenditure by an interstate delegate is \$534 and for an intrastate delegate is \$372.

The RVCG in partnership with Tourism Alliance Victoria represents all regional tourism associations, all major regional conference organizers and 67 regional conference venues.

Development of this sector has been principally undertaken by the RVCG through co-operative member funded activities.

### **Priorities:**

#### **Investment in research and strategy**

- ⊕ The National Business Events Study (NBES) has found that Victoria has the second highest amount of direct business events expenditure (\$3.4 billion) into its economy following New South Wales (\$7.0 billion) of all the states and territories in Australia. What is unclear is the value of business events to regional Victoria compared to other regional areas in New South Wales or Queensland.
- ⊕ In the next four years the RVCG through its programs will invest over \$1m on a number of projects including research to evaluate the value of regional Victorian business events, to undertake a market perception survey and regional conference benchmarking, as occurs in the USA.

#### **Investment in a regional specialist program:**

- ⊕ A Regional Specialist Program will be developed by the RVCG, in collaboration with Tourism Alliance Victoria, to maximise new business opportunities. The program will be marketing orientated in order to build and maintain a profile for regional Victoria, maintain quality information and images on regional Victorian product, and build the capacity of co-operative marketing.

#### **TOURISM ALLIANCE VICTORIA IS SEEKING:**

- ⊕ An investment of \$510,000 for RVCG to ensure regional industry potential can be maximized through the following initiatives:
- ⊕ **Part One:** "Improving Our Market Knowledge": a suite of three projects seeking to build market knowledge for the sector.

- ⊕ **Part Two:** "Regional Specialist Program": a resource to grow the regional conference and business events market through building new business including a dedicated advocate with regional business and conference expertise based at Melbourne Conventions & Visitors Bureau.
- ⊕ State support for a significant regional conference venue- leveraging the Governments investment in Melbourne's Plenary Hall.
- ⊕ Support to ensure that a strategic assessment is undertaken of Regional Victoria's business events compared with infrastructure needs and associated community benefits.
- ⊕ Provide resources to support growth and development of regional business events and conferencing activities to ensure complimentary dispersal beyond Melbourne.

### **LOCAL GOVERNMENT UNDERSTANDING THE VALUE OF TOURISM.**

Local Government is a key agent in sustainable tourism management through a variety of direct and indirect roles, through its investment of \$31 million into tourism and its role as land steward.

#### **Issues:**

- ⊕ In Victoria, the capacity of local government to sustainably manage tourism may be limited by isolation, access to resources, relationships with industry and other levels of government, training and skills of key staff and communication within council.

#### **TOURISM ALLIANCE VICTORIA IS SEEKING:**

- ⊕ The State Government support to further develop partnerships based on mutual respect and understanding with Local Government, particularly regarding Sustainable Tourism Destination Planning and Development.
- ⊕ The State Government support to further leverage their partnership with Tourism Alliance in assisting Local Government to understand the value of tourism to their local community.
- ⊕ Encourage ongoing investment in sustainable local level tourism and events by State Government

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## WHOLE OF GOVERNMENT APPROACH TO TOURISM

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Sustainable growth and development of the tourism sector in Victoria is dependent on a whole of government approach. By its nature, successful and sustainable tourism affects operations and functions across Government including:

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|-----------------------|--|
| Infrastructure        | Training and Education                 |
| Environment           | Forestry                               |
| Parks                 | Local Government                       |
| Communities           | Transport                              |
| Planning              | Regional Development                   |
| Multicultural Affairs | Ports                                  |
| Arts                  | Police & Emergency Services            |
| Sport & Recreation    | Energy Industries                      |
| Small Business        | Information & Communication Technology |

The systematic nature of tourism requires a whole of Government approach with clear collaboration between Government Departments and Agencies over time.

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## SOURCE DOCUMENTATION

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For further information on these issues, please see Tourism Alliance Victoria's Representation Papers available online at [www.tourismalliance.com.au](http://www.tourismalliance.com.au)

The Right Person for the Job – Skills for Yield in Victoria's Tourism Sector  
Submission to House of Representatives Committee Inquiry into Workplace  
Challenges in the Australian Tourism Sector August 2006

Energy & Communications Infrastructure  
Position Paper July 2005

Public Land Tour Operator & Activity Provider Licence Reform  
Position Paper July 2005

Victoria's Tourism & Events Industry: Building a 10-Year Government Strategy  
Response Discussion Paper July 2005

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