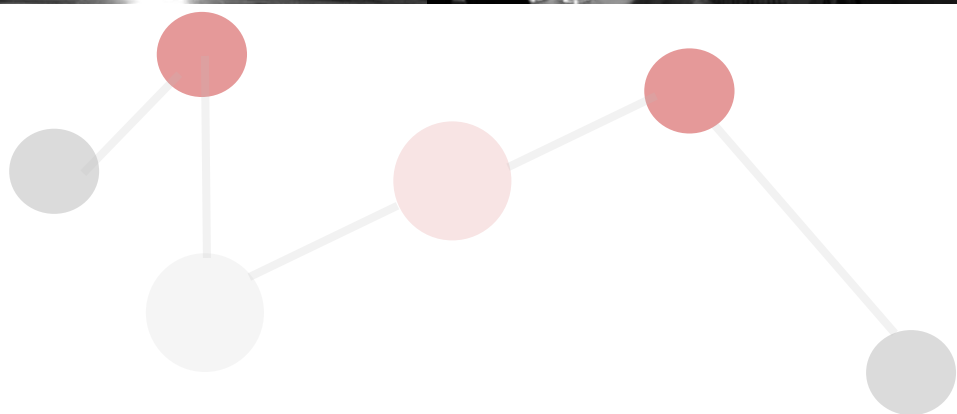


2016-17
VICTORIAN BUDGET
SUBMISSION

Future Economy Future Jobs



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Executive Summary

Tourism plays a critical role in the Victorian economy, supporting 70,300 businesses¹, directly and indirectly employing 205,800 people and accounting for 7.2 per cent of State employment². In partnership with the private sector, strategic investment by the Victorian government in tourism marketing, major events, business events and infrastructure provide a foundation for the growth of Victoria's visitor economy. Over the past five years, growth in international visitor arrivals to Victoria averaged 8 per cent, outstripping every other State and the national average of 4.7 per cent³.

Victoria has built a strong brand identity that has remained consistent over time and regardless of the Government of the day. This has enabled the State to capitalise on its strengths in major events, conferences, sport and cultural attractions, with Melbourne recognised as a national leader in these areas. Investment in visitor infrastructure has also enabled Victoria to facilitate industry growth.

However, Victoria is undergoing a transition as its tourism marketing, major events and business events entities merge into the newly formed Visit Victoria. The Government has also made some decisions that have concerned industry such as the cancellation of the Point Nepean National Park project as well as the reduction in national park lease arrangements to only 21 years.

This has occurred at a time when domestic and international competitors are strengthening their strategic focus on the economic development potential of the visitor economy and are matching this with a greater commitment to supporting the industry through an efficient regulatory and legislative framework as well as the provision of public funding for marketing and infrastructure. Victoria needs to maintain the momentum it has worked vigilantly to create and accelerate visitor expenditure growth if it is to achieve its 2020 objectives and maintain the competitive advantage it has strived to build.

The Tourism & Transport Forum Australia (TTF) is calling on the Victorian Government to make serious investments in the future of the tourism and transport sector to support more jobs and stimulate growth. The Victorian Government must ensure it does not lose momentum and builds on the State's success by delivering funding certainty for destination marketing, facilitating visitor infrastructure investment, continuing its investment in transport infrastructure and ensuring a competitive business environment. The Government has an ambitious visitor expenditure target that must be matched by policy and funding commitments and a partnership approach between Government and industry.

¹ Tourism Businesses in Australia (June 2010-June 2013), Tourism Research Australia

² Tourism Research Australia, State Tourism Satellite Accounts 2013-14

³ Tourism Research Australia, International and National Visitor Surveys, June 2015

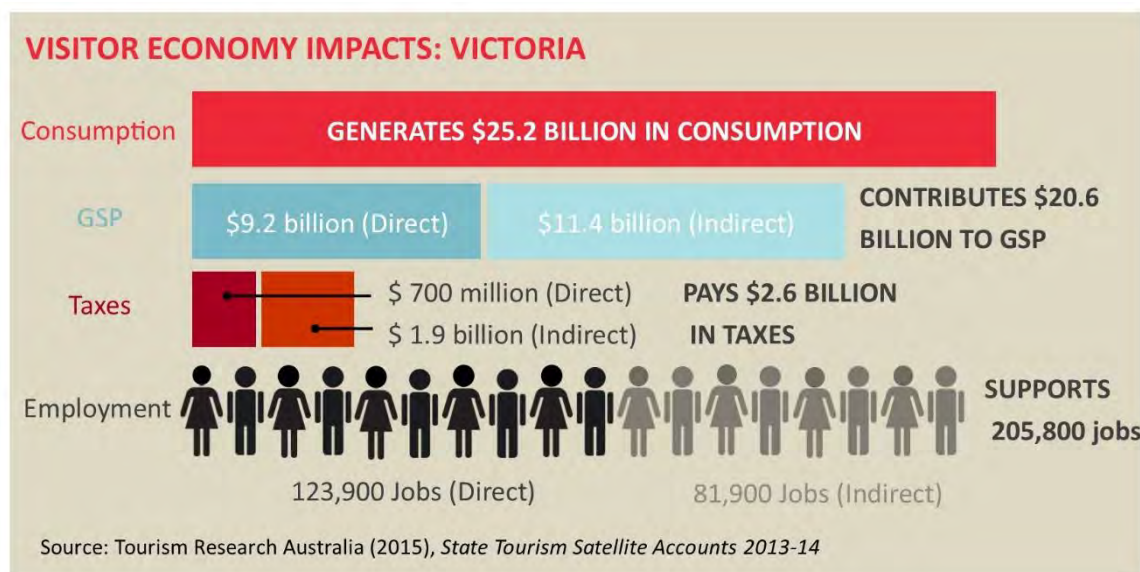
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Importance of the Victorian visitor economy

Generating jobs and growth

Tourism is one of our future economy industries that has the potential to collectively add hundreds of billions of dollars to the Australian economy over the next 20 years⁴. Tourism has the capacity to be more than a mere backfill for the jobs vacuum left by declining mining investment, the perennial slowdown in manufacturing and generates hundreds of millions of dollars in taxation revenue.

Like other future economy industries such as agribusiness, funds management, international education and technology-based services, tourism is well positioned to take advantage of the incredible growth in demand from Asia's burgeoning upper to middle-class.



Already a major contributor to the Victorian economy, the visitor economy can make an even greater contribution to the State's future prosperity. Tourism in Victoria was estimated to be worth \$20.6 billion to the economy and employed approximately 206,000 people in 2013-14⁵. It supports approximately 70,300 tourism businesses in Victoria, representing 13 per cent of the total 538,800 businesses in Victoria⁶. Sixty-seven per cent of tourism businesses are located in Melbourne and 33 per cent are located in Regional Victoria⁷.

⁴ Deloitte (2013) 'Positioning for prosperity? Catching the next wave'

⁵ State Tourism Satellite Accounts, 2013-2014, Tourism Research Australia

⁶ Tourism Businesses in Australia (June 2010-June 2013), Tourism Research Australia

⁷ Tourism Businesses in Australia (June 2010-June 2013), Tourism Research Australia



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In 2013-14, tourism directly contributed \$9.2 billion to the Victorian economy or 2.6 per cent of Gross State Product (GSP) in the State. Tourism indirectly contributed an additional \$11.4 billion to the Victorian economy in 2013-14. In total, tourism was worth 5.9 per cent of the total Victorian economy, and has grown at an average annual rate of 4.9 per cent between 2006-07 and 2013-14, marginally ahead of the average annual growth for GSP in the whole of the State economy during this period (4.7 per cent).

Tourism directly generated approximately 124,000 jobs in Victoria or 4.3 per cent of total employment in the State in 2013-14. Tourism also indirectly contributed an additional 82,000 jobs. In total, tourism generated 7.2 per cent of employment in Victoria in 2013-14. The growth in tourism employment has also outpaced employment growth in the whole of the Victorian State economy. While total employment grew 1.7 per cent per annum between 2006-07 and 2013-14, tourism employment in Victoria grew by 3.2 per cent per annum over the same period.

Tourism's share of direct employment for the State (4.3 per cent) was higher when compared to financial and insurance services (4.1 per cent), agriculture, forestry and fishing (3.1 per cent) and mining (0.5 per cent) in 2013-14.

On a state-by-state comparison, Victoria is consistently ranked in the top three jurisdictions. Nationally, tourism's total contribution was \$93.1 billion to Gross Domestic Product (GDP), with NSW contributing the most to this (\$29.7 billion), followed by Queensland (\$22.6 billion) and Victoria (\$20.6 billion). In terms of employment, tourism's total national contribution to employment was 925,000. NSW contributed the most with 272,000 jobs, followed by Queensland with 230,000 and Victoria with 206,000.

Opportunities and challenges for Victoria

While Victoria is ranked second behind NSW for total visitor numbers and third behind NSW and Queensland in terms of total visitor expenditure⁸, Victoria's annual growth rates attest to its ideal position to better leverage the opportunities presented by the visitor economy.

In terms of total domestic and international visitor nights, Victoria's annual growth for year ending September 2015 was 9.2 per cent. This was substantially higher than NSW's annual growth (6.1 per cent), Queensland's annual growth (5 per cent) as well as the average national growth rate (7.1 per cent) between year ending September 2014 and year ending September 2015.

⁸ National and International Visitor Surveys, year ending September 2015, Tourism Research Australia



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More importantly, total domestic and international visitor expenditure annual growth for Victoria for the year ending September 2015 was 12.6 per cent. This growth rate outperformed both NSW at only 7.8 per cent and Queensland at 5.2 per cent, and was again substantially higher than the average national growth rate of 8.4 per cent.

These figures are testament to Victoria being well-placed to outperform both NSW and Queensland in terms of visitor numbers, visitor nights and visitor expenditure as long as it maintains the momentum it has developed over the past two decades.

It is also encouraging to see that the Victorian Government understands the value of the visitor economy to the State and has taken steps to strengthen its position. The announcement of the Victorian Visitor Economy Review, the resulting establishment of Visit Victoria and the announcement of an industry-led Victorian Visitor Economy Ministerial Advisory Committee are all applauded by industry.

However, while the Government doubled major events funding over four years in the 2015-16 budget, funding for tourism marketing was left in limbo, which can be just as damaging as a decline in funding. Visit Victoria is also undergoing a significant transition as it merges Tourism Victoria, the Victorian Major Events Company and Melbourne Convention Bureau into one entity, and recruits a new Chair and Chief Executive Officer.

Coupled with this has been the Victorian Government's decision to follow through with its election commitment to reduce national park lease terms from 99 years to 21 years. This amendment, coupled with the cancellation of the Point Nepean National Park project, has not been welcomed by the industry. Fears are that the repercussions of these decisions will be that they discourage appropriate investment by the tourism industry and limit the development of the significant projects that Victoria needs to broaden access to its natural experiences. Where other States and Territories are working to better facilitate sustainable private investment in their national parks, these two developments in Victoria may send the wrong message to potential investors.

Liveable and Productive Cities, Accessible Regions

Efficient, affordable and sustainable public transport networks underpin the productivity of cities and urban environments. They also provide vital connections to regional areas, complementing our road networks.

TTF has three key transport policy goals:

1. Promoting investment by Government in transport infrastructure
2. Increasing the involvement of private operators in the delivery of public transport services
3. Improving the customer experience, particularly through the use of new technology.



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Investing in public transport reduces the economic costs of congestion, increases social inclusion and delivers improved environmental outcomes⁹. Public transport also delivers an economic dividend in jobs growth. It was pleasing to see the first Andrews Government budget last year contain significant investments for transport infrastructure, including funding for the Melbourne Metro, the City/Tullamarine freeway expansion and removal of level crossings.

Public transport investment not only enhances the liveability of a city for its residents, it also makes cities more appealing to visitors. Efficient public transport systems with clear signage and simple fare structures are particularly important to attract visitors and to ensure they leave with a positive impression. Public transport services that can also connect with regions beyond urban centres can help disperse visitors more widely, spreading the benefits of the visitor economy beyond cities.

Industry has welcomed the change in the Federal Government's approach to modal neutrality, reversing the previous administration's bias towards roads funding and announcing its intention to become more involved in the planning of cities and the funding of public transport services. This has manifested itself initially in a \$90 million funding commitment towards stage two of the Gold Coast Light Rail. TTF would encourage the Victorian Government to take advantage of the Federal Government's propensity to jointly fund public transport projects by highlighting initiatives that are investment ready in the State. Given the importance of public transport, the Government should also ensure it continues to deliver on its timetable commitments on key infrastructure projects.

Towards 2020 and Beyond

In 2009, Governments at the Federal, State and Territory levels saw the potential to grow Australia's tourism industry and signed up to ambitious targets to double overnight expenditure¹⁰. While each State and Territory has its own corresponding target, the Victorian target is to grow overnight visitor expenditure to \$24.7 billion by 2020.

While the aftermath of the GFC slowed progress towards the targets in the early phase, global travel has since more than rebounded and Australia is now reporting strong growth. The latest data shows that over the year to September 2015, overnight visitor expenditure in Australia increased to \$91.7 billion. This includes domestic overnight expenditure increasing by almost 6 per cent and international visitor expenditure increasing by 15.2 per cent¹¹. Victoria's results were on par with Australian average growth for domestic overnight expenditure and almost double the Australian average growth for international overnight expenditure – at 28 per cent. These are fantastic results and it is imperative Victoria maintains this momentum moving forward.

⁹ TTF and L.E.K Consulting (2010), *Meeting the Funding Challenges of Public Transport*

¹⁰ http://www.tourism.australia.com/documents/corporate/2020_Tourism_Industry_Potential.pdf

¹¹ Tourism Research Australia (2016), *International and National Visitor Survey Results to September 2015*

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TTF Recommendations

TTF RECOMMENDATIONS – VICTORIAN 2016-17 BUDGET

Grow demand for travel

Funding for Visit Victoria

- Ensure that funding for the newly formed Visit Victoria is competitive in comparison to other Australian jurisdictions
- Ensure that funding for Visit Victoria is provided over the forward estimates to provide certainty

Boost investment in tourism infrastructure

Business Events infrastructure

- Provide timetable commitments for the expansion of the Melbourne Convention and Exhibition Centre

Invest in nature-based tourism

- Increase funding in real terms for Parks Victoria to facilitate the delivery of visitor infrastructure in partnership with private operators, industry and Government

Regional tourism infrastructure

- Maintain commitment to the delivery of the 10 iconic regional tourism projects announced as part of Victoria's Regional Statement
- Continue to provide funding for the new Alpine Resorts Strategic Marketing Plan 2014-2018
- Commit funding for the additional water storage facilities at Mt Buller resort to ensure a higher level of security of water resources
- Provide funding for the first stage of the Falls Creek International Altitude Sports Training Facility and timetable commitments for future stages

Cultural tourism infrastructure

- Better leverage tourism opportunities from visitor facilities at the Royal Exhibition Building
- Consider the tourism opportunities presented by the new Scienceworks project
- Commit funding to the development of NGV Contemporary

Improve the visitor transport experience

Enhance access between the CBD, Melbourne Airport and Avalon Airport

- Maintain funding and timeframes for the widening of the CityLink-Tullamarine Freeway and introduce prioritisation for bus traffic, including a dedicated lane for SkyBus buses
- Commence customised contractual negotiations with SkyBus
- Commit to staged timely investment in rail transport to airports, including a rail link to Melbourne Airport and Avalon Airport

Public transport access

- Give commuters and visitors access to more real-time public transport information
- Redesign the visitor *myki* product to make it easier to use and better value

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Improve rail access

- Maintain funding and timeframes for the delivery of the Melbourne Metro project
- Continue the segregation of rail lines
- Give greater priority to high-capacity signalling and new rolling stock
- Continue with the removal of level crossings

Improve the bus and tram networks

- Accelerate the roll-out of E-class rolling stock on Melbourne's tram network
- Plan a tram line to Fishermans Bend
- Implement open tendering for bus contracts
- Improve the efficiency, speed and reliability of the tram and bus networks

Visitor accessibility

- Develop a tourism and transport strategy for Victoria
- Finalise the update of the Cycling Strategy and commit funding for its implementation
- Work with City of Melbourne and the Future Melbourne Committee to progress delivery of the Walking Plan 2014-17

Improved retail experiences for visitors

- Continue to encourage the Federal Government to commit to allowing private operators to manage the Tourist Refund Scheme

Rental car regulation harmonisation

- Engage the Federal Government to harmonise state and territory taxes and regulation for the rental vehicle sector

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Grow demand for travel

Funding for Visit Victoria

Recommendations

- Ensure that funding for the newly formed Visit Victoria is competitive in comparison to other Australian jurisdictions
- Ensure that funding for Visit Victoria is provided over the forward estimates to provide certainty

Victoria is regarded as a leader in destination marketing and has established a strong brand in both Australia and overseas through the highly successful “Jigsaw” campaign, arguably Australia’s longest running and most successful destination marketing campaign. The campaign has enabled Victoria to capture a significant share of domestic and international tourist markets. In the year ending September 2015, Victoria welcomed 2.3 million international visitors and 21.2 million domestic overnight visitors, generating 120.5 million visitor nights¹².

The role played by Tourism Victoria, now part of the newly formed Visit Victoria, in developing and maintaining the “Jigsaw” campaign to build the State’s brand is a world-leading example of the importance of consistent, well-funded destination promotion. Destination promotion by a single agency such as Visit Victoria, in conjunction with private sector partners, provides consistent messaging to prospective visitors and contributes to building the value of Victoria’s brand. Recent research indicates that an additional \$1 million in marketing expenditure at a national level generates an additional \$15 million in total inbound economic value¹³.

The long-term success of Victoria’s destination marketing campaign has also contributed to the establishment of Melbourne as the most popular city destination for interstate visitors, having overtaken Sydney in 2006. Melbourne now receives almost one-in-five of all interstate visitors and generates more total domestic visitor expenditure than Sydney¹⁴.

Melbourne has a number of significant advantages that also position it increasingly well in the competition for major international convention and exhibitions. Over the year 2014/15, the Melbourne Convention Bureau delivered more than 200 business events, a 19 per cent increase on the previous year and importantly, provided a total contribution of \$308 million to the Victorian

¹² Tourism Research Australia (2015), International and National Visitor Surveys for year ending September 2015

¹³ Tourism Australia (2014), submission to Productivity Commission research paper, Australia’s International Tourism Industry

¹⁴ TRA (2016), *National Visitor Survey results to September 2015*



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economy, a 9 per cent increase on the previous year¹⁵. The Bureau secured an estimated \$179 million in economic contribution and won 31 bids for international and national association conferences in 2014/15. The successful delivery of the 20th International AIDS Conference in July 2014 alone, attracted nearly 12,000 delegates from 173 countries and contributed \$85 million to Victoria's economy.

The economic contribution of international association conferences held last financial year was \$212.7 million, with over 63 per cent delivered by conferences in the health and medical sectors. On average each conference delivered \$6.4 million of new money to Victoria¹⁶. The State also hosts corporate incentive travel delegates who visit regional Victoria as part of their itineraries, helping to disperse economic benefits to regional destinations.

According to a report completed by Deloitte Access Economics for Tourism Victoria, tourism also plays a particularly important role in the economies of regional Victoria, accounting for more than 35 per cent of gross regional product (GRP) in Phillip Island, and Daylesford and Macedon Ranges, and more than 20 per cent of GRP in Victoria's High Country and the Grampians. In 2011-12, tourism was worth \$10.9 billion in economic value add to regional Victoria and either directly or indirectly supported 109,000 jobs, or 12.8 per cent of total regional employment¹⁷.

It is important to develop and adequately fund initiatives that improve dispersal rates to regional Victoria targeted at intrastate, interstate and international visitors. These initiatives should also consider the entire visitor experience, including the transport links and services from Melbourne to regional destinations, as well as the visitor products and experiences available in regional Victoria.

Given the value of destination marketing and business events, it is imperative for the Victorian Government to rectify the funding uncertainty for 'tourism output' left by the 2015-16 Budget. While a significant investment was made in major events funding in last year's budget, which TTF believes should be maintained in the 2016-17 budget, it is important to provide Visit Victoria with adequate funding to support activities beyond major events, including tourism marketing, regional tourism and business events.

While Visit Victoria can apply for funding from the Premier's Jobs Fund, this is not ideal. The Victorian Government should ensure Visit Victoria has untied funding so that it can remain an agile marketing body able to leverage opportunities presented by high-yield visitor markets, such as China, as well as respond to new and emerging demand. This is also paramount to support Visit Victoria's rebrand.

¹⁵ Melbourne Convention Bureau, Annual Report, 2015

¹⁶ Melbourne Convention Bureau, Melbourne Conference Expenditure Study, 2015

¹⁷ Deloitte Access Economics, Value of Tourism to Victoria's Regions 2011-12, *Tourism Victoria*, 2013



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Establishing a new brand after almost two decades of building brand equity with the “Jigsaw” campaign, will require significant, long-term investment to ensure that the State’s momentum isn’t lost during the rebrand process.

The need to provide this funding commitment for Visit Victoria is even greater in the face of other jurisdictions increasing their investment in destination marketing and as a result, experiencing growth in overnight visitor expenditure. While not to stoke the competition between the States, NSW’s allocation of \$176 million for tourism and events has created a new funding benchmark in Australia. The Victorian Government needs to ensure that funding for the newly formed Visit Victoria is competitive in comparison to other Australian jurisdictions, so that it does not lose its growth momentum and fall behind its key competitors.

Visit Victoria’s funding allocation should also be provided over the forward estimates to reduce the uncertainty for industry about the ongoing resource allocation for Visit Victoria and support the opportunity to allow for longer-term planning. Committing to funding over a longer period, ideally over the four year forward estimates, will enable investment in longer term destination campaigns and events. This will also support the State in further growing existing and new opportunities, such as harnessing the tourism potential of the international education market.

Visit Victoria should be given the autonomy and associated funding support to take advantage of new and innovative opportunities that develop in the market. It should also be given the freedom to work with other Government agencies, the private sector, industry, and education sector to build Victoria’s reputation as a destination for tourism, major events, business events and education. Collaboration with the private sector on marketing campaigns, research and industry development should be actively explored.

An ongoing commitment to properly resourcing destination promotion programs, for both Melbourne and regional Victoria, will allow Visit Victoria to not only build on the brand momentum it has created, but also expand its activities in growth markets and be crucial to growing awareness of Melbourne and Victoria as preferred destinations. Without this, Victoria risks losing market share to other destinations, both in Australia and overseas.

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Boost visitor economy investment

Business events infrastructure

Recommendations

- Provide timetable commitments for the expansion of the Melbourne Convention and Exhibition Centre

The number of international conferences being held globally is increasing¹⁸. In the past ten years, there has been an average growth in international meetings of 5 per cent each year. This has been coupled with an increase in delegate numbers, with attendance figures rising by an average of 4 per cent each year in the last 10 years. The number of international meetings being held in the Asia-Pacific region has also increased by 63 per cent since 2004 and delegate numbers by 49 per cent.

Research shows that international conference delegates stay in Australia for an average of 8.3 nights, representing an additional 2.5 nights of travel before or after the conference¹⁹. Further, the research found that 26 per cent of all delegates are accompanied by either a friend or relative on their trip to Melbourne, and 56 per cent of all delegates visit regional Victoria and/or other parts of Australia, making them a very lucrative visitor segment.

Business events bring significant benefits to the State, with some \$1.2 billion in economic activity being generated annually. Major international conventions and exhibitions position Victoria as a global destination for investment and play an important role in driving increased trade, innovation and knowledge sharing across industries such as higher education, health sciences and biotechnology and advanced manufacturing, areas where Melbourne and Victoria hold a competitive advantage. They can also be a key tool in supporting the strategic policy objectives of Government by showcasing Victoria's competitive advantages to a global audience.

It is for these reasons that the expansion of the existing exhibition space at the Melbourne Convention and Exhibition Centre (MCEC) is the single most important visitor economy infrastructure need in Victoria. Recognised internationally as a leading destination for international association conferences and congresses, Melbourne's global reputation benefits from its outstanding convention and exhibition facilities. Much of the business transacted within the MCEC is closely aligned to key strategic

¹⁸ International Congress and Convention Association (ICCA): Global Experts in International Association Meetings

¹⁹ Melbourne Convention Delegate Study, 2013



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outcomes designated by the Victorian Government, including medical, scientific, education, and trade, contributing not only to the visitor economy, but the broader economic development of the State.

However, MCEC's exhibition facilities are facing serious constraints that are impacting its ability to secure new business worth tens of millions of dollars each year for Victoria. The Government's commitment to the expansion of the MCEC in last year's budget of up to \$210 million was therefore applauded by industry, as it will enable the MCEC to accommodate the growing number of large-scale international conventions that require exhibition space as part of their event. While the funding commitment has been made, TTF is now calling on the Victorian Government to provide timetable commitments for the expansion and maintain delivery against these timeframes. This is particularly important given the competitive pressures emerging from rejuvenated assets in other States and Territories, including the Adelaide Convention Centre, the Brisbane Convention Centre and the forthcoming International Convention Centre (ICC) Sydney.

Over 2014/15, 921 events were held at the MCEC, which contributed to the Centre recording its highest revenue in history with \$78 million in operating revenue, a \$5.9 million increase on 2013/14²⁰. These events attracted 724,360 delegates, including 27 international conventions, which attracted 33,876 delegates and 53 national conventions which attracted 44,276 delegates for conferences, and conferences and exhibitions. The exhibition market also had a strong year with 78 exhibitions held at the Centre. Even the smaller meeting and events market contributed \$5.7 million in short term business and continued to provide good growth.

The expansion of the MCEC is particularly important given the significant business events infrastructure investment that has been made in Sydney, Adelaide and Brisbane, and the ongoing investment in convention infrastructure in cities throughout Asia. Upon opening at the end of 2016, the new ICC Sydney will overtake MCEC as Australia's largest centre for business events. By expanding the Exhibition Centre, Melbourne can maintain its world-class meeting and exhibition facilities and build on its reputation as a global leader for business events. The longer the Government maintains the status quo, the more the MCEC will experience deteriorating revenues due to the loss of market share, and more importantly, the loss of its number one mantle in the region.

The business events sector is highly competitive due to the potential return from high-yield delegates filling hotels and venues in low periods, while long lead times for winning major international business events require certainty of funding support. To successfully compete for significant international business events will require the continuation of a long term strategic approach, building local partnerships and continuing to develop Melbourne's global reputation as an outstanding destination for business events. Sufficient funding for the Melbourne Convention Bureau, as part of Visit Victoria,

²⁰ Melbourne Convention and Exhibition Centre Trust, Annual Report, 2014-15

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is also imperative in this regard so that it is able to continue to leverage the world class facilities at MCEC and also for incentive bids to maximise the government's investment in these facilities. The Government should strive to expedite the expansion of the MCEC to ensure that Melbourne and Victoria do not lose their momentum.

Invest in nature-based tourism

Recommendations

- Increase funding in real terms for Parks Victoria to facilitate the delivery of visitor infrastructure in partnership with private operators, industry and Government

Victoria's international brand appeal is greatly enhanced by natural assets under the management of Parks Victoria including the Victorian Alps, Great Ocean Road, the Gippsland region and Point Nepean. Over the year to September 2015, Victoria hosted 11.4 million international and domestic travellers who participated in nature-based activities including visiting national parks, botanical gardens and wildlife parks. In addition to 21 per cent of domestic overnight travellers and 12 per cent of day trippers, this includes 71 per cent of international visitors to the State, making the nature-based sector particularly important for Victoria's tourism exports²¹.

In addition to 20 per cent of domestic overnight travellers and 8 per cent of day trippers, this includes 70 per cent of international visitors to the State, making the nature-based sector particularly important for Victoria's tourism exports.

Visitors who engage in nature-based tourism tend to generate higher yield and stay longer: international nature-based visitors, for example, spend 13 per cent more and stay 18 per cent longer than the average international visitor over the year to September 2015²². With three of Australia's iconic National Landscapes situated within Victoria, the State is well-positioned to capitalise on the economic benefits of nature-based tourism. Beyond this, tourism also contributes to broader environmental and social outcomes, providing funding sources and points of engagement for Victoria's natural and indigenous heritage.

A study by Tourism Australia found consumers from some of Australia's key inbound markets viewed Australia's world-class beauty and natural environment as the third most important factor in

²¹ TRA (2016), *International and National Visitor Survey results to September 2015*

²² TRA (2016), *National Visitor Survey results to September 2015*



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selecting a holiday destination, behind only safety and value for money. However, capitalising on the potential benefits of nature-based tourism requires a supportive legislative framework and strategic public investment in critical visitor infrastructure.

While industry was pleased to see an uplift in funding for Parks Victoria in last year's budget as well as the allocation of \$31.3 million over four years for key parks infrastructure, the cancellation of the Point Nepean National Park project and the reduction in national park lease arrangements to only 21 years has dampened industry's enthusiasm.

A report to the Minister for Small Business and Tourism by the National Tourism Investment Strategy Consultative Group²³ found that potential investors seeking to establish tourism facilities in national parks require a high degree of certainty in relation to the length of lease, and a high degree of control over the management of the resource they intend to lease. For this reason, the Report recommended that Governments implement longer land tenure terms with a minimum tenure length of 50 years and an optimal length of 99 years to address concerns regarding short tenure terms and the impact they have on investment decisions.

Longer lease terms provide more certainty to financiers of a commercial return on capital. This would naturally be in return for adherence to strict environmental regulations and a commitment to environmental sustainability. The private sector appears willing to invest in infrastructure within national parks under these circumstances, providing it can receive a reasonable tenure. Investment in national parks can also deliver a number of positive outcomes that meet the triple bottom line for both public and private stakeholders, including:

- Leveraging higher visitor yields from natural assets
- Revenue streams that can offset the costs of conservation, and
- Deepening the engagement of the community with protected natural assets and therefore creating a new generation of conservation advocates.

Victoria's reduced lease length may result in private investors being less likely to make infrastructure investments in national parks as they will have a reduced timeframe in which to leverage their investment.

Given the long-term nature of many visitor infrastructure projects, investors need certainty that the planning framework will not be subject to frequent change. Industry strongly supports a stable, predictable planning framework that fosters the responsible use of natural assets to further grow jobs and bolster local regional economies. It is also crucial to provide funding to upgrade existing built infrastructure at key sites in response to growing numbers of international visitors and their

²³ Unpublished report, March 2006



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specific needs. Without sufficient funding for park infrastructure, marketing and conservation, local businesses in regions dependent on nature-based tourism will become unsustainable, affecting the economic viability of many of these destinations.

Recognising that the reduction in national park lease arrangements was an election commitment of the Andrews Government, TTF supports a renewed focus by the Government on better facilitating and expediting the delivery of sustainable visitor infrastructure projects in national parks in partnership with private operators, industry and Government. TTF would also encourage the Victorian Government to consider reviewing the legislative change, consult with industry on the impacts of the amendment and move to a framework that can achieve better outcomes for national parks and for the visitor economy.

There is an opportunity for Government co-investment to leverage private sector investment in new product and experiences within parks and other suitable Crown land, including attractions, iconic eco-accommodation and adaptive re-use of built heritage. However, to deliver quality tourism projects that drive high-yield visitation, the industry requires coordination of planning and regulatory reform, ideally with a dedicated point of facilitation within the Government, including improved certainty of land use and inter-agency cooperation. The focus of the Victorian Government should be attracting and facilitating environmentally sensitive private investment in national parks, and working closely with investors to support them through project development and completion.

Funding for Parks Victoria, including for visitor infrastructure in national parks, is critical in supporting regional dispersal, repeat visitation and economic activity in local communities. Projects that provide sensible, sustainable interactions with the natural environment while providing visitors with an improved experience, encouraging them to stay longer and spend more, should be supported by Parks Victoria and the Victorian Government.

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Regional tourism infrastructure

Recommendations

- Maintain commitment to the delivery of the 10 iconic regional tourism projects announced as part of Victoria's Regional Statement
- Continue to provide funding for the new Alpine Resorts Strategic Marketing Plan 2014-2018
- Commit funding for the additional water storage facilities at Mt Buller resort to ensure a higher level of security of water resources
- Provide funding for the first stage of the Falls Creek International Altitude Sports Training Facility and timetable commitments for future stages

Regional Victoria attracts over 13 million domestic and over 400,000 international visitors each year and its \$11 billion visitor economy already generates 110,000 jobs each year. The Victorian Government's Regional Statement aims to further grow tourism and events across regional Victoria by stimulating new investment, improving the visitor experience and helping with marketing and product development.

In launching Victoria's Regional Statement in November 2015, the Victorian Government committed to identifying and actively facilitating 10 iconic regional tourism infrastructure projects, and advancing them in partnership with Regional Tourism Boards (RTBs). The Government also announced a new \$1.8 million grant program to help support the development of new plans and business cases for these and other significant tourism infrastructure projects that have been identified by RTBs across the State. The program is funded through the Regional Jobs and Infrastructure Fund and is being jointly developed by Regional Development Victoria and Tourism Victoria.

Industry is supportive of the Victorian Government maintaining momentum following the development of business cases for the 10 iconic regional tourism infrastructure projects, and supporting these projects through development, construction and completion. It is also important that relevant Government agencies are involved in this process to provide a whole of government approach to the delivery of these regional tourism projects.

Alpine resorts are the key economic drivers for the local communities in which they operate and are critical to the regions' economic sustainability. They are also key assets in helping to drive domestic and international regional disbursement. The alpine industry is growing with average Australian skier days increasing 1.3 per cent when comparing the last 5 year and 10 year skier day averages²⁴.

²⁴ ASAA Skier day report



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Further, snowmaking has increased skier days three-fold in low snow years, and the visitor profile of participants indicates that alpine resorts are attracting new, younger visitors which will assist in underpinning sustainable long term visitation²⁵.

The Alpine Resorts Strategic Plan 2012 has provided the framework and vision for the alpine resorts to assist in growing Victoria's visitor economy. Growth is supported by the co-operative marketing program, undertaken by the Victorian government and alpine resorts. The Alpine Resorts Coordinating Council and Tourism Victoria also developed the Alpine Resorts Strategic Marketing Plan 2014-2018, with a baseline commitment of \$3.75 million to fund marketing activities in the plan over five years, including \$1.25 million from the Victorian Government through Tourism Victoria.

Central to achieving the objectives in the strategic plan is public and private sector investment in infrastructure to continue to build and diversify the alpine winter products and experiences. Each of Victoria's alpine resorts are developing master plans to ensure that infrastructure investments support long term growth in the visitor economy during both the winter and green seasons.

A key pillar is a focus on the economic engine of winter, which contributed \$647 million to Gross State Product (GSP) and 6,000 jobs to Victoria's economy in 2012. Snow security is increasingly a challenge, with the growing reliance on snow-making reinforcing the need for government investment in providing basic underground infrastructure, such as water and power, in partnership with the lift companies that provide snow guns and other equipment. TTF supports the construction of an additional new water storage facility to provide a higher level of security of water resources available to the Mt Buller Resort.

Mt Buller is the most popular Alpine Resort in Victoria, attracting 430,000 visitors annually and contributing \$260 million in GSP through its snow-based tourism. The Resort's importance to the local and regional economy is also well established, with an estimated contribution of \$89 million, or 21 per cent, to the Mansfield Shire Gross Regional Product (2011). However, the Resort is facing a significant constraint due to its water storage facilities. Currently, the Resort's water storage capacity is only able to meet 17 per cent of its annual water demand both in terms of potable water and water for snowmaking purposes.

Reliable and larger 'on-mountain' water storage is required to secure the existing snowmaking program, essential to maintaining skiable terrain and overall visitation. A secure water supply is also required for Mt Buller to maintain a reliable potable water supply with the benefit of developing

²⁵ Roy Morgan Australia research estimates Australian resorts are less reliance on Baby Boomers than international resorts. Australian ski market segments are Baby Boomers (10%), Generation X (26%), Generation Y (46%), and Generation Z (17%). This means that 60% of Australian ski participants are under 35 years of age



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summertime offerings and increase visitation during the 'green season', supporting a year round tourism focus.

The Mt Buller Mt Stirling Resort Management Board has embarked on an \$8.25 million water storage project to increase the water storage capacity of the Resort. The Board has already invested approximately \$1.1 million into the detailed investigations, designs and business case development, and the project will help leverage more than \$8 million in private snowmaking infrastructure investment by Buller Ski Lifts. Due to the critical nature of this project to secure and grow the economic returns generated by the Resort to the region and for the State, TTF encourages the Victorian Government to commit funding towards the Mt Buller Water Storage Project.

A potential key strategic focus area for resorts is also how to increase low snow visitation to offset revenue losses in low natural snow years. One means of achieving this is to drive new market segments by shifting away from a pure resort business model to a more holistic visitor attraction business model. For some resorts, this means investing in and building facilities and product to create attractions that attract new market segments. Development of attraction product at resorts should, however, be separate from the central resort hubs to avoid overcrowding and negative effects on ski visitors. Investment in new infrastructure will also ensure these new market segments build on overall resort visitation in both low and high natural snow years rather than simply substituting markets.

The Falls Creek Alpine Resort has the unique natural environment and purpose-built facilities to allow for elite training at high altitude. Facilities catering to international and local elite athletes would provide year-round visitation to the Victorian Alps, and offset some of the challenges caused by highly seasonal demand. Industry is seeking a commitment for funding for the first stage of the development of the Falls Creek International Altitude Sports Training Facility and providing a timetable for future stages. Such a facility would act as an internationally-competitive site for athletic training and entrench the region's reputation among the wellness and lifestyle visitor segments. While the green season is in its infancy, it is still worth \$94 million to GSP and supports 1,000 jobs. Some resorts are naturally better positioned to exploit the summer market due their proximity to other visitor attractions and experiences, such as the Rocky Valley Lake in the case of Falls Creek Alpine Resort.

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Cultural tourism infrastructure

Recommendations

- Better leverage tourism opportunities from visitor facilities at the Royal Exhibition Building
- Consider the tourism opportunities presented by the new Scienceworks project
- Commit funding to the development of NGV Contemporary

Studies have shown that the Victorian arts and cultural sector directly contributes more than \$6 billion to the economy each year, with indirect impacts of the arts and cultural sector equating to a more than \$11 billion contribution to annual Victorian Gross Domestic Product (GDP)²⁶.

In the year ending June 2015, there were 1.4 million international and around 3.4 million domestic overnight cultural visitors to Victoria. In addition, around 3.5 million day visitors attended cultural venues and events in Victoria. Around three out of every five international visitors experiences a piece of Victoria's cultural offering.

The most popular activity for international cultural visitors to Victoria was to visit museums or art galleries (67 per cent), followed closely by visiting historical or heritage buildings (64 per cent), attending festivals, fairs and cultural events (26 per cent) and attending the theatre, concerts and performing arts events (22 per cent). The most popular attractions for Victoria's domestic overnight cultural tourists followed a similar pattern, with 44 per cent visiting museums and galleries, 27 per cent visiting historic buildings and monuments, 26 per cent attending the theatre, concerts and performing arts events, and 20 per cent attending festivals, fairs or cultural events.

Cultural visitors stay slightly longer and therefore spend more at a destination, making them a higher-yield market for the visitor economy. The average length of stay for cultural international visitors to Victoria in the year ending June 2015 was 25.4 nights, compared to an average of 24 nights for all international visitors to Victoria.

Further, the average length of stay for domestic cultural visitors to Victoria was 3.6 nights, compared to an average of 3.0 nights for all domestic overnight visitors to Victoria.

Victoria, and in particular Melbourne, is known as the arts and cultural capital of Australia. For example, Museum Victoria is regarded as one of the world's leading museums with more ticketed admissions than any other cultural organisation in Australia, and therefore plays a leading role in the State's visitor economy. Museums and galleries form the daily visitor tapestry that complements

²⁶ KPMG, Economic Impact of the Victorian Arts and Cultural Sector, report for Arts Victoria, 2013



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major and business events, and provides a continuous attraction for visitors helping to fill beds, restaurants, shops and transport seats.

The reach of museums and galleries also extends far beyond leisure and cultural visitor market segments. For example, thousands of university students and their families, many of whom are international students and their visiting friends and relatives from overseas, attend their graduation ceremonies at the world heritage listed Royal Exhibition Building administered by Museum Victoria. There is an opportunity to build on this education experience by further developing philanthropic opportunities with local and international alumni networks to profile the Royal Exhibition Building as a conference and event venue in interstate and international markets, and convert the education visitor into a cultural visitor.

The \$20 million Federal Government grant to Museum Victoria, which will re-open public access to the Royal Exhibition Building's iconic Dome Promenade in late 2017, will also contribute to growing demand from local and international visitors. The grant will provide enhanced visitor access to the Dome Promenade and building, conservation works, and comprehensive interpretation of the building for the first time. The renewal of the Building's Dome Promenade will re-establish a key 1880s Melbourne attraction, providing visitors with a unique view over Melbourne as well as a deeper understanding and appreciation of its history. The Victorian Government should consider the ways in which it can better leverage tourism and events opportunities resulting from the enhanced visitor experience offered at the Royal Exhibition Building.

In a similar vein, the Victorian Government should consider the opportunities presented by the new Scienceworks precinct redevelopment – the Museum of Innovation project. Scienceworks attracted 500,000 visitors in 2015, testament to its value as a key visitor attraction for west Melbourne. The Museum of Innovation would capitalise on the two decades of Scienceworks' expertise and create an immersive hub that merges science, education, industry and culture, addressing Australia's skills shortage by igniting creative exploration.

As well as identifying and realising tourism opportunities presented by the new Museum of Innovation precinct, the Victorian Government should also consider other visitor and economic leveraging opportunities, such as a focus on promoting STEM²⁷ education. The Victorian Government should work across Government agencies and departments to also establish synergies with other economic drivers, such as business events and innovation.

The National Gallery of Victoria (NGV) is one of Australia's highest attended art museums, welcoming around 2 million visitors each year. There is an enormous and increasing appetite worldwide for

²⁷ Science, Technology, Engineering and Mathematics



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contemporary art, as it engages visitors and locals in dialogue about who we are and who we aspire to be, providing an avenue for shaping our world and our future.

Whilst existing Australian contemporary art galleries such as the Museum of Contemporary Art Australia in Sydney, Brisbane's Gallery of Modern Art and Hobart's Museum of Old and New Art have had considerable local and regional impact, Australia would benefit from another institution which can hold its own against the global iconic cultural institutions of the US, Europe and the UK.

To meet this need, the NGV is proposing an exciting new building – NGV Contemporary – which will deliver an offering to match those of institutions such as the Museum of Modern Art in New York, London's Tate Modern, Paris' Centre Georges Pompidou, the worldwide Guggenheim Museums and Hong Kong's forthcoming M+ Museum. NGV Contemporary will leverage off and build on Melbourne's popularity as a vibrant, progressive city and complement the offering of other Australian cultural institutions.

With a total proposed footprint of 30,000 square metres, NGV Contemporary will be a once in a lifetime opportunity to position Melbourne as a global centre of innovation and architectural excellence, and to create an internationally recognised cultural identity for Victoria and Australia. Housing both a Centre for International Contemporary Art and Design as well as a NGV Costume Institute, NGV Contemporary has the potential to become the epicentre for the local art and design community, attracting international and interstate tourists.

Further to this, research has identified that NGV Contemporary alone would deliver to Victorians over \$660 million in cultural tourism per annum, including \$60 million in GST revenue. Due to the considerable economic and social benefits stemming from this new project, TTF supports the Victorian Government committing funding to the development of NGV Contemporary.

It is important for the Victorian Government to recognise that it cannot afford to become complacent with other hubs such as Sydney, Canberra and Brisbane as well as international destinations that are strongly vying for high-yield arts and cultural visitors through increased and innovative government investment. Victoria risks losing visitors and market share if the Government does not increase funding for arts and cultural institutions, performing arts companies and other creative industries, and maintains this competitive level of investment moving forward.

Improve the visitor transport experience

Enhance access between the CBD, Melbourne Airport and Avalon Airport

Recommendations

- Maintain funding and timeframes for the widening of the CityLink-Tullamarine Freeway and introduce prioritisation for bus traffic, including a dedicated lane for SkyBus buses
- Commence customised contractual negotiations with SkyBus
- Commit to staged timely investment in rail transport to airports, including a rail link to Melbourne Airport and Avalon Airport

Melbourne Airport is Victoria's most important tourism asset, contributing \$1.47 billion to the state's economy and directly supporting more than 14,000 jobs²⁸. By 2033, airport-related jobs will grow to 23,000 and Melbourne Airport is expected to have more than 60 million passenger movements a year; more than existing demand for the primary airports of Los Angeles, Paris or Hong Kong²⁹.

However, land transport access is increasingly limiting Melbourne Airport's growth potential. Significant road congestion as well as the lack of a direct rail link have all contributed to this. If left unchecked, poor landside access represents a real risk of undermining Victoria's key competitive advantage in commercial aviation.

TTF supports the Victorian government's commitment to widen the CityLink – Tullamarine freeway. The 19-kilometre corridor linking Melbourne Airport to the West Gate Freeway is subject to traffic congestion affecting both commuters and airport users. The proposed widening has the potential to increase the corridor's capacity by 30 per cent and to cut travel times between the airport and Melbourne CBD by up to 16 minutes in the peak period. The project is expected to create 1,400 direct and indirect jobs. This is a critical infrastructure project for Victoria, and as such, the Victorian Government must ensure funding and timeframes are maintained. The project, however, does not include provision for a dedicated bus lane for SkyBus and other high-occupancy vehicles. TTF urges the Victorian Government to introduce prioritisation for bus traffic, including a dedicated lane for SkyBus buses.

²⁸ Melbourne Airport Master Plan (2013).

²⁹ Tourism & Transport Forum Australia (TTF), *Rapid Buses, Road and Rail at Melbourne Airport*.



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Despite the Victorian Government's commitment to build the airport rail link, its completion remains a medium to long-term prospect. In the interim, the need for a mass transit link to Melbourne Airport is imperative. SkyBus presents a viable option to achieve this, capable of accommodating the significant rise in public transport patronage, if a number of infrastructure and service reforms are delivered. SkyBus access to Melbourne Airport would be significantly improved should a designated SkyBus lane be established. This would not only provide a valuable service for airport users, but would also create an important dedicated north-south corridor for Melbourne's wider bus network.

SkyBus is investing approximately \$3.5 million in Stage 2 of the Airport Gateway Development at Southern Cross Station to deliver effective mass transit solutions for increasing passenger movements at Melbourne Airport. SkyBus also plans to expand services to Sunshine Station in the west and Frankston in the south by mid-2016. These significant investments and service expansions warrant the development of a customised agreement between the Victorian Government and SkyBus. TTF encourages the Victorian Government, through its transport agency Public Transport Victoria (PTV), to commence customised contractual negotiations for SkyBus' existing contract to enable additional investment and service expansion. While the current SkyBus PTV Access Agreement is not due for renegotiation until 2018, it would be beneficial for negotiations to commence this year in order for these investments to be made with certainty.

Finally, TTF believes the Victorian Government should commit to staged and timely investment in rail transport to airports, including a rail link to Melbourne and Avalon Airports. The capacity of Melbourne Airport is limited and it has been noted that there are significant costs associated with its expansion. Avalon Airport can become an international airport for Victoria as well as maintaining its role in domestic travel. To support this growth, public transport access must be improved. TTF commends the Victorian Government for reserving a corridor for the Avalon Airport Rail Link, however, this must be followed by planning and funding for the rail link.

Airport rail links are features of almost all the world's leading airports. Most airports have either dedicated or integrated services, although some, like London Heathrow, have a mix. Additionally, some airports in Europe also house long-distance train stations to offer intercity connections with regional centres. One fact that is stark is that once airports reach the benchmark of 40 million passengers per year, a rail link becomes a necessity³⁰. This is even the case in the United States, where rail links are under construction in Los Angeles and Dallas-Fort Worth and planned in Denver to ease the road congestion. A further example is Jakarta, where the extension of the city's metro to the airport has been prioritised.

³⁰Tourism & Transport Forum Australia (TTF), *Rapid Buses, Road and Rail at Melbourne Airport*.

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Building an airport rail link represents more than a train line extension – it is an enhancement to first impressions of Victoria as a whole. For 99 per cent of international visitors, an airport is the first impression they have of Australia. Enhancing the aviation experience therefore represents an important and often neglected component of enhancing the value of Australia’s tourism sector. The Victorian Government must begin allocating funds for a rail link to ensure efficient passenger movement.

Public transport access

Recommendations

- Give commuters and visitors access to more real-time public transport information
- Redesign the visitor *myki* product to make it easier to use and better value

Providing customers with real-time information should be a priority. Real-time information is one of the key service improvements driving increased customer satisfaction. Real-time Passenger Information Displays (PIDs) have been installed at some interchanges along SmartBus routes and should be expanded to other major bus corridors. GPS data from on-board *myki* readers or GPS tracking systems should allow real-time information to be accessible by commuters through smartphone apps.

The primary focus of public transport policies and services is undeniably local commuters. However, the role that public transport plays in the visitor economy should not be overlooked. A ‘visitor-friendly’ transport network can significantly improve perceptions of a city and the experience of those travelling to Victoria.

Tourism has been identified as one of five super-growth sectors in Australia. To build on this fast-growing industry, the Victorian Government must work to make visitors feel welcome in Melbourne. The Victorian Government should develop a tourism and transport strategy with the objective of ensuring that the transport system is adopting world-best practice in servicing both domestic and international visitors. The policy should focus on enhancing *myki*, wayfinding, multilingual information, tourist-specific apps, provision of free Wi-Fi at key tourist and transport hubs to improve the visitor experience, inclusion of major visitor attractions in the proposed free-travel zone, and other aspects of the visitor’s journey on Melbourne’s public transport network. Particular focus should be given to making *myki* work better for tourists.

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The current *myki* visitor product is a good first step. However, the ease of using *myki* would be enhanced if a tourist card were introduced that allowed time-based unlimited travel on the Victorian transport network. Tourist cards could be offered for one, three and five-day periods and take the guesswork out of the transport ticketing system for those visiting Melbourne. The Victorian Government should also work with Google to include Melbourne in Google Transit.

This popular feature available in many cities allows locals and visitors to access public transport and timetabling information as part of Google maps. For visitors, this is a well-known service and many other Australian capital cities are making the necessary data available to Google for this purpose.

Improve rail access

Recommendations

- Maintain funding and timeframes for the delivery of the Melbourne Metro project
- Continue the segregation of rail lines
- Give greater priority to high-capacity signalling and new rolling stock
- Continue with the removal of level crossings

TTF supports the Melbourne Metro Rail Project, creating a new end-to-end rail line from Sunbury in the west to Cranbourne-Pakenham in the south-east. The project will create space for more trains to run more frequently across Melbourne's rail network, and includes five new underground stations at Arden, Parkville, CBD North, CBD South and at Domain. In its *2016 Australian Infrastructure Plan*, Infrastructure Australia listed Melbourne Metro Rail as a high priority initiative, and notes the current rail network is likely to exceed capacity as travel demand is expected to grow faster than population growth³¹. As Melbourne Metro is such a critical infrastructure project, the Victorian Government must ensure funding and timeframes are maintained. TTF also notes that the Government has now released the business case for the project and is seeking the remainder of the funding required from the Commonwealth. TTF strongly encourages both Governments to work cooperatively to find a funding solution to deliver this important project.

Furthermore, the segregation of rail services is the foundation of a 'metrostyle' network. The Regional Rail Link is a good example of the segregation of regional and metropolitan services that will allow higher peak frequencies and greater reliability for metropolitan services. The principles of the Regional Rail Link should be expanded to the broader network and especially to the Dandenong

³¹ Infrastructure Australia, *Australian Infrastructure Plan 2016*



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rail corridor. While the Dandenong corridor is currently undergoing significant upgrades, its potential is still undermined by metropolitan services sharing tracks with V/Line and freight trains. Segregation would significantly increase the capacity and reliability of commuter services.

Some of the existing signalling on Melbourne's rail network is a century old. Modern signalling systems considerably reduce headways, allowing higher frequency without compromising safety and reliability. With modern signalling, peak service frequency could reach over 30 trains per hour, almost twice the number of services currently provided on the network. These 'new' signalling systems have been successfully used worldwide for many years.

Given that these are tested systems of proven efficiency, the Government should minimise the trial period of the technology and accelerate roll-out on the entire network, starting with the busiest and most capacity-constrained rail lines. The roll out of high capacity signalling should be a high priority for the Victorian Government. Upgraded signalling can be completed before the construction of a new CBD rail tunnel and provide a boost to capacity in the shorter term. With Melbourne rail patronage at record highs and strong demand forecast to continue, a long-term fleet procurement program is required.

New rolling stock is also essential to progressively replace the ageing Comeng fleet, which entered in service in 1981 and is supposed to be taken out of service by 2024. The replacement of the Comeng fleet should start as early as 2018 to ensure continuity of services. Purchasing rolling stock in bulk orders necessitates large capital investment. However, a long-term program to acquire new trains every year would cater for continued growth and ensure ongoing capital expenditure. An initial ten-year program for ten trains per year should commence immediately. The new rolling stock should have a rationalised number of seats to increase the overall capacity of each vehicle and reduce dwell times.

TTF commends the Victorian Government for allocating \$2.4 billion in its 2015-16 budget to remove at least 20 level crossings by 2018. In addition to being a safety hazard, level crossings serve as a major constraint on both road and rail capacity. The more level crossings present on a given line, the more disruptive to traffic each train service will be. This acts as a disincentive to achieving higher frequency train service levels. The Victorian Government should continue with the removal of levels crossings and funding should be committed to remove the remaining 30 level crossings. TTF is also supportive of the recently proposed Level Crossing Removal Project between Caulfield and Dandenong, and encourages the Victorian Government to deliver the project by 2018.

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Improve the bus and tram networks

Recommendations

- Accelerate the roll-out of E-class rolling stock on Melbourne's tram network
- Plan a tram line to Fishermans Bend
- Implement open tendering for bus contracts
- Improve the efficiency, speed and reliability of the tram and bus networks

PTV has commenced the roll out of E-Class rolling stock on the Melbourne tram network with the Victorian Government committed to delivering 50 new vehicles by 2017, and budgeting for \$274 million in the 2015-16 budget for 20 new E-Class trams. The E-Class trams are modern vehicles bringing many benefits to the tram network and its passengers. Key features include accessibility, higher capacity with up to 210 passengers per tram, more doors allowing faster boarding of passengers, and other improvements to passenger safety and comfort. While the existing order is a good first step, more vehicles will be required. The existing tram fleet is aging, with the 147 strong Z-Class fleet reaching the end of its design-life after about 30 years of operation. Renewal of the fleet should be accelerated to 20 vehicles per year.

Fishermans Bend will be the next major urban renewal development in Melbourne, expected to become home to more than 80,000 residents and about 40,000 workers within the next 40 years. Such densification requires a significant upgrade of public transport services. This connectivity can be delivered by an expansion of the tram network to Fishermans Bend via a new tram bridge across the Yarra River. Connecting Fishermans Bend to Collins Street and the rest of the tram network will support the redevelopment of a 250 hectare precinct and will further activate the Docklands area.

While Melbourne's bus network is already privately operated, only about 30 per cent of the network is subject to competitive tendering. Competitiveness drives efficiency and better customer service. The bus franchising experience in NSW and WA shows that testing the market every seven or eight years encourages private operators to innovate while providing enough certainty to the industry to bid for the contract. The Victorian Government should implement open tendering across the network, which will deliver reduced costs to taxpayers while promoting better customer service.

Melbourne's tram network is the world's largest but also one of the world's oldest and slowest. The network needs to be modernised to match current urban densities and travel patterns. Major tram routes should be seen as mass transit corridors with stop spacing and priority levels reflecting their function. The simplification of the network will improve its navigation and legibility, reduce costs, and improve interchanges. There is also a need to reconfigure the tram network within Melbourne's



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CBD to ensure that a minor localised issue does not become a major disruption to the whole network.

Shared tracks between routes also limit the potential to increase service frequency. The CBD tram network should be re-balanced by removing some stops and relocating some routes to the western part of the CBD. This would improve reliability on Swanston Street and better service the western side of the CBD, including Docklands. Segregation from traffic and priority measures at traffic lights are two of the key principles of the Premium Line concept being applied to route 96. Premium Lines also include greater accessibility, modern rolling stock and improved customer information at stops and in vehicles. The Victorian Government should continue the roll-out of the Premium Line concept to other parts of the network, starting with the busiest routes. Tram route 11 (West Preston – Victoria Harbour Docklands) would be ideally suited to become the next Premium Line.

With 80 per cent of the tram network shared with cars, traffic congestion is clogging tram routes. About 17 per cent of tram journey time is spent at traffic lights. By global comparison, reengineered old networks average three per cent and new networks average one per cent at traffic lights. TTF welcomes the VicRoads trial to improve the performance of city-bound trams on Smith Street. To reduce delays due to traffic congestion, the tram network must be granted higher priority through segregation from traffic and other priority measures at traffic lights. A review of existing services' reliability should be conducted to identify the bottlenecks in the network. This review should then inform the development of a pinch-point program for the tram network.

TTF notes that the free tram zone has been embraced by residents and visitors alike. However, industry has identified a number of shortcomings, one of which is its omission of some of Melbourne's key visitor attractions including the National Gallery of Victoria, Melbourne Museum and the MCEC. All these institutions are significant creative, cultural and business drawcards for Victoria, yet the free tram zone stops just short of each of these attractions. TTF therefore encourages the Victorian Government to review the efficiency of the free tram zone and consult with industry as part of its review process.

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Visitor accessibility

Recommendations

- Develop a tourism and transport strategy for Victoria
- Finalise the update of the Cycling Strategy and commit funding for its implementation
- Work with City of Melbourne and the Future Melbourne Committee to progress delivery of the Walking Plan 2014-17

Transport has a significant impact on the experience of the visitor and the appeal of a destination in many ways. As tourism's very existence depends on accessibility, the relationship between the visitor economy and passenger transport cannot be underestimated.

Ensuring that Victoria's transport network is meeting the needs of visitors is essential to their overall experience and impression of Melbourne and the state. In many international cities, public transport is, of itself, regarded as a part of the visitor brand – be it the red double-deckers of London, the Paris Metro, Hong Kong's Star Ferry or the New York Subway. In Australia, Melbourne's own trams are an icon for the city as are Sydney's ferries.

A good transport system impacts visitors who leave with a better impression and recommend the city to their networks. Easy to use and accessible transport also encourages visitors to travel to locations further afield – both within a city and to non-metropolitan regions.

Melbourne is served by a transport system that is world-class. However, often the needs of visitors are overlooked as government and transport agencies focus almost exclusively on the needs of regular commuters. More can be done to improve services and infrastructure that specifically assist both international and domestic visitors.

TTF believes that considering the needs of visitors, particularly those who do not speak English as their first language, should be ingrained in transport planning and service delivery. As a starting point, the Victorian government should develop a tourism and transport strategy which looks at ways in which the transport system can better serve those visiting the state. Such a strategy needs to address issues ranging from signage, the availability of multi-lingual information, ticket products through to critical road and public transport infrastructure serving highly-frequented tourism attractions and destinations. A Victorian tourism and transport strategy should be led by transport agencies but involve a whole-of-government approach.

The Victorian tourism and transport strategy should also consider providing for local bus feeder services at key railway stations, along with integrated bus and heavy rail timetables at these stations.



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Efficient transport systems need to be developed to cater for Melbourne's high population growth and increasing visitor numbers. Transport systems that integrate different forms of public transport offer a high degree of accessibility for both commuters and tourists.

Accessibility of public transport is a key factor in determining the attractiveness and liveability of a city. Integrated transport systems also offer the opportunity to minimise transit time, therefore creating a more enjoyable experience for the commuter or tourist and enhancing their door-to-door experience. London, for example, has a well-established rail network that is complemented by a bus and ferry network. Purpose built bus interchanges have been developed at high-traffic stations to be within walking distance of the railway and underground stations. The physical integration of transport networks needs to be supported by timetable integration. Transit interchanges in these areas could facilitate interchange between high frequency and priority bus routes, as well as local feeder bus routes. Furthermore, a heavy rail system fully integrated with an extensive bus network would greatly enhance regional dispersal and provide for an easy and enjoyable experience for tourists travelling outside of Melbourne.

Cycling is becoming more and more popular among commuters and visitors. Over the past ten years, ridership for journey to work has increased by five per cent each year in Melbourne. Cycling has the potential to alleviate traffic congestion and reduce the pressure on the public transport network approaching the CBD. While walking to work is most achievable for distances under three kilometres, cycling is a viable option for distances up to ten kilometres. In a congested environment, cycling offers competitive travel times and requires little storage space at the final destination. However, cycling also presents some challenges. The conflicts emerging from sharing space with cars and pedestrians becomes a source of frustration for all road users and can become a safety issue. An integrated cycleway network would remove most of these conflicts and facilitate the take-up of cycling as a means of getting to work.

The current Government's Plan Melbourne acknowledges the potential of cycling and maps a series of cycling links to develop an integrated network within the city centre. The Victorian Government should build on this strategic document and work with local councils, including the City of Melbourne, to complete the proposed cycling network.

Every public transport passenger becomes a pedestrian at some stage of their journey. Whether it is accessing a local bus stop, transferring from a bus to a train, or a walk to the final destination, active transport is the key link between modes and the final destination. Simple measures such as better wayfinding and lighting can go a long way to improve the pedestrian experience. In and close to the CBD, buses and trams are often full or nearing capacity and traffic congestion is worsening. Known as "the last mile", servicing this section of a journey is a recurrent challenge for transport authorities and operators. A more walkable city would alleviate part of the pressure on the public transport

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network, encouraging more commuters to walk to work instead of using public transport or private vehicles for short trips.

The City of Melbourne has developed a draft Walking Plan 2014-17 for its jurisdiction. The plan includes a wide range of measures, from additional walking space to enhanced access to tram stops, innovative traffic management, and education and marketing campaigns. The Victorian Government should work closely with the City of Melbourne and other councils in order to improve the walkability of the city. It will benefit public transport users in addition to delivering amenity benefits to the city centre.

Improved retail experiences for visitors

Recommendations

- Continue to encourage the Federal Government to commit to allowing private operators to manage the Tourist Refund Scheme

Australia's retail offering is a key attraction for international visitors, particularly those from the growing Asian visitor markets. It is also a key part of achieving the yield targets associated with growing overnight visitor expenditure. To increase competitiveness in this area, Australia needs to reform its Tourist Refund Scheme (TRS). The TRS is the program under which departing travellers can claim back either the Goods and Services Tax (GST) or the Wine Equalisation Tax (WET) on eligible purchases.

TTF is co-chair of the Tourism Shopping Reform Group (TSRG), which has led the discussion on reform to the TRS. The TSRG has separately lodged a pre-Budget submission with detailed analysis on the impacts of potential reform options.

The current system, administered by the Australian Border Force at international airports, can be cumbersome and time consuming. This provides a negative impression of Australia to travellers as they depart, making them less likely to recommend Australia to their friends and also less likely for them to return. It has also emerged as a significant pressure point in passenger facilitation, with passengers stuck in queues at the TRS collection point made to run late for their flights.

There has been significant reform to the TRS process in recent years, notably with the introduction of online claim forms and through a revision of the rules for multiple purchases and the minimum claim amount.

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However, further reform is required. TTF believes that opening up the TRS to a private provider would deliver benefits to Australian tourism. This includes promotion of Australia as a shopping destination in key source markets and an improved visitor experience leading to increased visitor spending. This is the model adopted very successfully by other destinations in the Asia Pacific region, such as Singapore, and used in more than 40 countries worldwide.

Rental car regulation harmonisation

Recommendations

- Engage the Federal Government to harmonise state and territory taxes and regulation for the rental vehicle sector

The rental vehicle industry abides by eight different state and territory regulatory and tax regimes – with only Tasmania recognising rental vehicles within their own regulatory framework. Regulatory guidance and legislative instruments have been created without a clear national policy objective and lack the simplicity and flexibility required for a healthy operating environment.

For operators, this has stymied industry growth, hindered innovation, reduced workforce efficiency, made it difficult to determine the compliance task, created a significant administrative burden, and led to cost inefficiencies. For regulatory agencies, it has fashioned a significant knowledge gap, limited national data on the size, value and economic contribution of the industry, and created cost inefficiencies.

TTF calls for regulation and tax reform to ensure the industry has a framework that allows it to invest in the innovation required to drive the sector forward.