

THE LEGISLATIVE COUNCIL SELECT COMMITTEE ON TOURISM MET IN COMMITTEE ROOM 2, PARLIAMENT HOUSE, HOBART, ON FRIDAY 13 NOVEMBER 2009.

Ms KAREN REES, Mr DANIEL JUSTIN HANNA, Mr SIMON CURRANT, Mr BERNARD DWYER WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED.

CHAIR (Mr Wing) - Ms Rees and gentlemen, welcome and thank you very much for coming to talk to us today and to give us all the information that you are going to in addition to what you have already provided in a lot of helpful detail. I would like to thank you very much for your cooperation in the juggling of times - there was a bit of toing and froing there, we had some difficulties as you might appreciate. We are very grateful to you for being so flexible and for coming to talk to us.

It is proposed that the transcript of all the evidence be placed on the web site, if you have no objection to that, but if there is anything that you would wish not to be displayed on the web site or publicised that you would like to give evidence about in camera, please let us know and we can go into camera at any stage. So thank you again for the very substantial document with a lot of very helpful information, and if you would like to speak to that in any way and elaborate on that, we will give you all an opportunity. If you would like to start, Daniel.

Mr HANNA - If it is okay with you, what we will do is provide, I guess, a snapshot of what is in the submission, maybe for 20 minutes or half an hour, and then we are happy to open up for questions.

CHAIR - Yes, thank you. We have set aside the program today first of all from Tasmania, and now the industry to inform us because we are not familiar with all that's happening. We regard this in the nature of briefings to let us know what is happening in the industry and what is proposed, and what you would like to see happening that is not happening.

Mr HANNA - Thank you very much. To open, we will just start with who we are, the Tourism Industry Council of Tasmania. We are the representative body for what is an extremely diverse industry, being tourism. We have a board that has representation from all of the diverse sectors and all of the regions within Tasmania. I am happy just to tender for information a copy of our board structure which includes a range of associations, corporate representatives and transport operators, as well as guaranteed representation from the regions, and also from small and micro-businesses through the independent tourism operators of Tasmania.

We are that peak body that represents what is an extremely diverse sector. Tourism is really an export sector, it is different from other export sectors in that most of the time you send the goods or services to the customer, and the key difference is of course we bring the customer to the goods or service. But we are, nonetheless, an export sector. It is extremely diverse and it includes visitors from overseas - internationals - interstate visitors and also Tasmanians travelling within their own State.

Their reasons for travelling are many and varied. Primarily Tasmania is a leisure destination, meaning a lot of visitors here either come for a holiday or to visit friends and relatives, but we also include in there people attending events, whether it be sporting, cultural or business events such as conventions and conferences, and people who travel here as part of their employment or to study.

The range of businesses that are what you might call the tourism industry is extremely large and extremely diverse. We try to count them and estimates are it is around about 2 000, but that's only what you might call the businesses that see themselves as part of tourism or for whom tourism is a major part of their activities. In fact nearly every business in Tasmania benefits from visitors either directly or indirectly, and that's one of our key arguments. It's not just a combination of operators, it is not just tour and transport operators, it's not just restaurants and what you might call the traditional tourism industries; it is retailers, it's butchers, bakers and a range of other services such as service stations and supermarkets. Then indirectly of course there's the huge range of businesses that service those businesses such as tradespeople, financial services, lawyers, accountants and so on. When you go through the whole supply chain, you realise that almost every business in Tasmania is in tourism in some way and that is certainly a key argument and why we try to bring that diverse range of interests together under one peak body.

CHAIR - The pilots' strike made a lot of them realise for the first time that they were -

Mr HANNA - And we still hear that, that service station operators did not realise they were with tourism until something like the pilots' strike hit and they realised what it did to their business.

CHAIR - Even butchers.

Mr HANNA - Yes, that is right. We are just generally extremely positive about the role of this committee and we are extremely positive about any public scrutiny of tourism. We appreciate any opportunity to have it debated around what role tourism plays in the Tasmanian economy and the wider community and, most importantly, what role it can play in the future because we are a very positive group and believe that tourism has only a stronger role to play in the Tasmanian economy.

I will go through some of the issues that we have identified in the paper and they do broadly relate to the terms of reference. On who our visitors are and how much they spend, the first point that we want to make is that we are extremely lucky in Tasmania being an island in that we have probably some of the best data anywhere in the world about who our visitors are. Tourism Tasmania have been running a survey called the Tasmanian Visitor Survey, which is extremely comprehensive. It is based on interviews with nearly 10 000 visitors each year so it is extremely reliable. I know my colleagues interstate would die for the sort of data that we are able to collect.

Mr FINCH - Do you get a look at that?

Mr HANNA - Yes, in fact all of that information is publicly available and it is reported each quarter. Tourism Tasmania puts out a snapshot usually about two months after the end of the quarter and then very specific detail down to locations and down to very defined

sectors is all searchable through the Tourism Tasmania web site. We are extremely lucky as an industry and it also gives us a competitive advantage, if you like, that we have all of that collective data and we want to make sure that we are able to keep gathering that into the future so that we can identify trends. One of the most important roles that it plays is that it allows anyone looking to invest in this industry to have an extremely strong idea of historical information around levels of demand, levels of visitation by niche sector or by location.

Mr FINCH - Do you financially contribute to the cost of the survey?

Mr HANNA - No, that is done through Tourism Tasmania so that is funded by Government. There are other surveys done at a national level - there is the National Visitor Survey - but the representative sample is so small. For example, for Tasmania I think it is less than 10 per cent of what is collected through the Tasmanian Visitor Survey. Other States just rely on what is in the National Visitor Survey, which can give you some trends but it is nowhere near as statistically reliable or as detailed as what we collect here.

CHAIR - And there are only 500 samples in Tasmania in a year, we are told.

Mr CURRANT - In the national one?

CHAIR - Yes.

Mr HANNA - Whereas we are nearly 10 000, so a 20-fold increase, and the questions are far more detailed through the Tasmanian Visitor Survey as well.

I know you will have had this data so I will quickly skim over who our key markets are. I think it is fairly well known that interstate visitors are the major contributors, certainly in terms of visitor expenditure. We have around about \$1.3 billion a year in expenditure by interstate visitors. Primarily they come here for leisure. Holidays are the biggest component, followed by visiting friends and relatives. Of our key markets, number one by quite a margin is Victoria, with New South Wales second and Queensland third.

International visitors are a much smaller part of overall visitor expenditure. It is around \$270 million a year at the moment.

CHAIR - On that, Daniel, on page 7 of your submission you have under a heading 'International Visitors', second dot point, 'They stayed over 2.85 million nights'. Is that right, in a year?

Mr HANNA - Yes, in a year -

CHAIR - We had 2.85 million nights and 148 000 international - that is extraordinary.

Mr CURRANT - The reason that is distorted is by the long-term stayers, backpackers and also there is some distortion that might relate to the educational part of this.

CHAIR - International students?

Mr CURRANT - Yes.

Mr HANNA - The average length of stay is nearly 20 nights for internationals. That partly reflects, I guess, that someone who has travelled a long distance will generally stay longer but also, as Simon said, education is in that mix as well, and backpackers.

Mr CURRANT - Backpackers are a big sway.

CHAIR - That's a very substantial figure.

Mr HANNA - The key markets for us are generally English-speaking. The UK is number one; the United States; New Zealand; Canada; some strength in continental Europe, in particular Germany; some level of visitation out of Asia, although it is fairly small at this stage.

The third component - we have had interstate and international - is intrastate. That is often not recognised but it is still an extremely important contributor to overall visitor expenditure. Almost \$700 million a year is spent by Tasmanians travelling within their own State. The growth has been both consistent and outstripping that of all our competitors pretty much. I think we have grown year on year now in terms of visitor expenditure for the last 18 or 19 years. So pretty much ever since the pilots' strike and the impact of that and then the recession, we have grown every year through Asian financial crises, recessions, global financial crisis, SARS and 9/11. We have proven to be a very robust sector that can cope with downturns, both economic and other external shocks. The growth, for example, in 2001, total visitor expenditure was around \$1.4 billion a year and we are now sitting at around \$2.2 billion a year. If you look at compounding growth rates, it is between 6.5-7 per cent year on year through that period, which is extremely strong. I know even the growth we're getting now, at what is a pretty challenging time globally for the tourism industry, most of our competitors and my colleagues interstate would kill for the sort of growth we're still getting. In fact, they would like any growth right now.

A couple of the key features are that we have a very high length of stay on average compared to other destinations. Our average length of stay from interstate and overseas is still more than eight nights. We know, partly through the length of stay but also through research that has been commissioned in the past, visitors to Tasmania expect and want to tour the State. They don't expect to just stay in one location; they may base themselves in one location but they certainly expect that they will tour and that is largely seen as being a very highly regionally dispersed industry.

Mr CURRANT - It's very significant that the length of stay of visitors to the State is now increasing, and that flies in the face of the rest of Australia's domestic tourism, which is still contracting.

Mr FINCH - In the number of nights do you mean?

Mr CURRANT - Yes.

CHAIR - What would be the average length of stay now? It used to be under seven.

Mr CURRANT - Just a bit under nine nights.

Mr HANNA - For interstaters it is about eight and for overseas it is 19.

CHAIR - When we had offices in mainland States they were so often recommending that people stay about seven days instead of 10, 12 or 14, weren't they? It is good that it's now up to nine on average.

Mr HANNA - I guess it's more a hypothesis than anything else but we suspect that in the interstate market we are seen as a competitor or a substitute for an outbound holiday more than another domestic holiday. For people in Melbourne and Sydney who are looking to take an offshore holiday, Tasmania will definitely be in their consideration. In other words, we are not seen as other domestic destinations are.

CHAIR - And with the global economic downturn, SARS and other factors when people in Australia decided not to go overseas, Tasmania is seen as the next best option to an overseas trip because you cross over Bass Strait? Is there an element of that?

Mr HANNA - I would say there is an element of that, that we're a substitute if you like. If Australians are concerned or there are barriers to them travelling overseas but they still want to take an overseas holiday, Tasmania will be that substitute, that next-best, if you like. You could say we are seen as an exotic destination in that respect, in a different meaning of the term 'exotic', I guess.

In terms of tourism and the economy, tourism's contribution to the Tasmanian economy in terms of share of gross State product is higher than in any other State in Australia. We often think of Queensland as being the tourism State. In fact, our share of gross State product related to tourism is higher here than it is in Queensland and, indeed, every other State as well. Directly it is just under 5 per cent of gross State product. But if you include what is indirect, 8.5 per cent of gross State product is related to tourism.

When people visit Tasmania they spend money on a huge range of goods and services. That gets me back to the point that virtually every business is a beneficiary when visitors arrive. We know that visitors, when they are here, spend on transport, they spend on takeaway and restaurant meals, on shopping, accommodation, fuel, food products, alcohol and other drinks. You can tell from that diverse range of spending just how many businesses will benefit to some extent when visitors arrive here.

You can probably see from those on page 9 that high spending on those products certainly shows a heavy skew towards touring-related products. There is very high spending on fuel, for example, a much higher proportion of spending than other destinations. It demonstrates the point that we are seen largely as a touring destination. What that leads to is a heavy concentration in regional areas.

We know from data - and I do not have it with me but I could provide it - that in most States in Australia in terms of tourism, the capital city dominates and the regions then fight over the scraps, so to speak, over what is left. Tasmania is quite different. While the major ports of Hobart, Launceston and Devonport are definitely key gateways and get a lot of spending, people who visit Tasmania expect and, indeed, they do spend in our regions and it is a very diverse range of a number of regions and locations. In fact, you

could say that virtually every hamlet, town and village in Tasmania will get some level of visitation and some benefit from the indirect expenditure.

Moving to jobs: again, the share of total employment, down to tourism is the highest of any State in Tasmania. So just as its share of the economy in gross State product is higher, so it is with employment. A total of 6.1 per cent of all Tasmanians are directly employed in tourism. If you include indirect employment, it rises to over 11 per cent. Those jobs are in a range of different industries. The way that what is called the tourism satellite counts, which is where we get our information on jobs and economic contribution and the way they are calculated is, they take a percentage of activity in a range of industries, based on research. So we know that those jobs, nearly 25 000 directly and indirectly, will be in sectors like retail, accommodation, cafes and restaurants, but also in sectors you may not think of, such as manufacturing, education, road transport and other clubs, pubs, taverns and bars.

In terms of our industry structure, as I said, there is a very huge, diverse range of businesses that benefit from tourism. While there is what you might see as the traditional tourism industry, which is accommodation businesses, transport and tour operators, experiences and attractions, restaurants and wineries, there is that huge range of service-based sectors that all benefit from tourism.

We know from our research, another key feature of our industry is its domination by small and micro-businesses. Around 85 per cent of all tourism businesses employ five people or fewer and we know that more than 70 per cent have an annual turnover of less than \$250 000. So these are, by and large, very small micro-businesses and a lot of them are in regional areas.

One thing that our industry has done more than any other in Tasmania is embrace quality standards through accreditation. At the TICT we run an accreditation program which is really a better-business type of self-regulation. It is based on ISO principles. We have, at the moment, around 1 100 businesses that are accredited. That's not just the highest share of any tourism sector in the country, it is the highest raw number, the next-highest is Western Australia with 800 or 900 businesses accredited. Tasmania has a very strong track record and a commitment to quality standards through accreditation; we take it very seriously and it has developed over many years. It has been a partnership between the industry and government.

I guess the reason accreditation is taken up so heavily is that tourism is not a highly regulated sector. There are fairly low barriers to entry, so to speak, and particularly looking at the removal of the accommodation licensing scheme in 2005 meant that there were even fewer regulatory barriers. We know, by and large, that visitors to Tasmania do have a very good experience, their satisfaction levels are very high. We collect personally at the TICT more than 3 000 pieces of written feedback from visitors each year, about 98 per cent of which are positive.

We have only a 2 per cent rate of people who are not satisfied, and we actually follow up on each and every one of those. If you were to look at the areas that some of those complaints are based on, they are the areas that we work with businesses very closely on improving - that is, around cleaning and maintenance, customer service and accuracy of advertising.

Moving to community support: we are probably the only tourism industry in the country that measures what Tasmanian people think of us, how important they think tourism is for their lives and also to the economy. We engaged EMRS this year to do a phone poll of 1 000 Tasmanians, and that followed up on a survey that was conducted two years ago. The broad results were - and EMRS summarised it very well: that public perceptions in the 2009 survey was that tourism had not only made the greatest contribution to Tasmania's growth in the past five years, but also that it has the potential to do so during the next five years.

We have a very high level of awareness of tourism and a very high level of support. In fact, when Tasmanians are asked unprompted which industries have delivered the greatest growth in our economy and can do so in the future, tourism is number one, and not just number one, it is more than double the second-placed industry. That is support that we can't take for granted, so we have to continue to work with the Tasmanian people to make sure that they are seeing the benefits directly. If you see the benefits directly from tourism, you're more likely to be supportive of the industry.

We also asked in the 2009 survey whether Tasmanians thought that the Tasmanian Government should be spending more, the same or less on marketing the destination, and pretty much overwhelmingly there was support for more destination marketing, only a very tiny sliver thought that we should be spending less. So overwhelmingly Tasmanians believe it is an important industry, it has great potential for the future, and the Tasmanian Government should be investing more in it, not less.

CHAIR - That's the view of the community, and it would be the view of industry as well, wouldn't it?

Mr HANNA - Absolutely, we share that. In terms of the government–industry partnership, we've actually developed a very strong relationship in Tasmania over many years between the industry and the Tasmanian Government. Again, I think we're the envy of other States, whereas they often put them down, they are often bickering amongst themselves and bickering in their relationship with government. We have developed a very strong and mature relationship now, where overwhelmingly we're on the same page, we support each other, and if we have any disagreements we have them behind closed doors and they're generally resolved very amicably.

There are two institutional features of that: one is a formally signed protocol agreement, which I am happy to provide to you -

CHAIR - Thank you. We will take that into evidence.

Mr HANNA - the last one of which was signed off in 2005 between the Tasmanian Government and the Tourism Industry Council. We also have a joint strategic business plan which is called Tourism 21 - again I have copies there for all the committee.

CHAIR - Thank you very much.

Mr HANNA - A key part of Tourism 21 is challenging targets, and it has been a feature of Tourism 21 ever since it has been in place - for well over 10 years now.

The current Tourism 21, which was last negotiated in 07, has a target of our industry being up to \$4.3 billion a year by 2017, so roughly doubling in size in the next eight years. That is challenging but we think achievable. When you break it down to an annual compounding growth rate it is about 8.5 per cent a year and when you think we have been growing at 7 per cent a year now for the last eight to 10 years, we think it is certainly achievable based on our historical performance.

There is a range of strategies that we agreed to there and responsibilities are shared between industry and government. Again, there is not another example interstate that we can point to of such a strong, joint plan to grow tourism.

CHAIR - Why is it called Tourism 21?

Mr HANNA - I would suspect that when this was being negotiated first of all in the 90s everyone was looking to the 21st century as to where we would be in the future and the name has stuck.

CHAIR - And we are in it.

Mr HANNA - We are in it now.

CHAIR - So this was negotiated last century.

Mr HANNA - It was and it is an historical document. We will be negotiating that again during 2010. It is negotiated very three years and we set targets out three years and 10 years into the future.

In terms of our growth prospects, I think the industry is absolutely united that we have very strong growth prospects into the future. We have grown strongly in the past, we do not think that was an accident and we do not think the growth has ended. In fact, we believe that we can continue to grow and possibly grown even more strongly into the future.

Why? We have a range of unique selling points. I have listed some of those on page 15, but obviously they are the key parts of our brand, our outstanding natural environment, our heritage, arts and culture, food and wine, but also things like our fantastic tourism products and experiences - things you can do when you are here. Some of our events are unique, and there are our world-class niche experiences such as Barnbougle Dunes for golfers. All of those things combined have helped Tasmania build an extremely strong brand. We have a very strong brand presence in interstate and overseas markets.

How are we going to get that growth, so \$4.3 billion a year, doubling the industry? There are obviously three contributors to that. We need to, firstly, attract more visitors. That is a given. Secondly, we need to focus on increasing the average daily spend by visitors when they are here and, thirdly, we need to work to increase or at least not drop back, in terms of the average length of stay. Things that we have grown throughout the last eight to 10 years we need to keep focusing on growing in each of those three key areas.

We have identified what we think are some of the demand and supply changes that this industry faces into the future. Demand and stimulating demand for visitors to travel to Tasmania is a shared responsibility. But what we have found very much over recent years, and indeed in the current environment, is that government can play a key role there. Government absolutely has, through Tourism Tasmania, delivered great awareness and in conversion of visitors and it can do so into the future.

Some of the things that we need to focus on in stimulating demand include continuing to build the strength and awareness of our brand and building awareness of the best Tasmanian experiences. I will run through some research that we conducted recently which showed what visitors are looking for. They know about our brand, they know about Tasmania but they want to know what they will be able to do here. What are the best experiences? We need to provide a trigger for conversion, so while people know the brand and think very positively about Tasmania, we have to start providing something that makes them want to come here now rather than one day in the future. We need to focus on integrating demand activities across government and industry which we, by and large, do through our partnerships. We need to further build on those partnerships. We will need to work on developing niche markets and that is where we can make a difference internationally, rather than trying to send the general message about Tasmania into all overseas markets. We can zero in on people who have specific interests for which Tasmania has a competitive advantage.

We must focus on our key markets in terms of stimulating demand. Victoria, New South Wales and Queensland remain, and I would think will also continue to be in the future - our three key markets and we have to focus heavily on those. We also need to move into the digital environment as well using new methods, if you like, to connect with customers which increasingly are being led by the consumer and not by the industry, in that they are doing their research in the online environment, they trust it and they are now also looking to book and pay for their holidays online.

It is an extremely dynamic, stimulating demand, which is why we need a State tourism organisation that has flexibility as well. In fact it comes down to three key things that Tourism Tasmania need - first, obviously, a very effective organisation that we have a lot of faith in; secondly, the right level of resources to stimulate demand, and certainty of those resources into the future to develop long-term campaigns; and, thirdly, the flexibility to respond to the market as it changes.

In terms of the current resources - and you may have heard us publicly making comments about this, and we obviously welcome the \$4 million that was re-injected into tourism announced by the Premier last month - that means that tourism appropriation is just over \$30 million at the moment. It is about \$30.3 million. We are very concerned about the forward Estimates. I can just point you to the last budget papers. According to the forward Estimates next year the appropriation on tourism will be \$23 million, down from \$30.3 million, and that is a drop of nearly 25 per cent. Unless something is done, that will mean that Tourism Tasmania will not be able to do the things that it needs to do to stimulate demand. They simply will not have the resources available.

We are certainly pushing the fact that there needs to be greater certainty in terms of that resourcing. The \$30.3 million, which is the current appropriation once the \$4 million has been added, may very well be an appropriate level, in that Tourism Tasmania can get the

job done with that amount but they need some certainty into the future. In other words, our argument is that we need to take that base appropriation, apply CPI to it out into the future and not have a funding rollercoaster where the forward Estimates drop off and the agency is not sure that it can invest in long-term activity.

CHAIR - What is that figure that you mentioned earlier that they could manage on?

Mr HANNA - This year with the \$4 million injection it is up to \$30.3 million. As an industry we think that is probably an appropriate level for this year. It has been higher in the past, in fact it has been up near \$40 million the past. Tourism Tasmania, as I think you heard from Felicia, has gone about processes of becoming a lot more efficient so in terms of the percentage of their spend on staffing and overheads, it has reduced considerably down to the private sector level. We welcome that as it has allowed them to free up more resources to put into activities such as marketing and stimulating demand. With those efficiencies they probably do not need that appropriation of nearly \$40 million that they had in 2006-07. Naturally, it would be welcomed but we recognise that the budgetary climate is a tight one and you have to make tough decisions, but we think Tourism Tasmania cannot exist on what the current forward Estimates project, which is dropping to \$23 million. It will mean that valuable activities have to be dropped off.

CHAIR - Do you think \$30 million is the optimum or the minimum or somewhere in between?

Mr HANNA - In some ways it is the minimum but we think the job can be done for that. Naturally, if you have more you can engage in different types of activities that will have an impact and of course we would welcome more resources being put into tourism but, again as I said, we do recognise that delivering a budget is a juggling act. While you could put a lot more money into tourism, and many States and many destinations around the country and around the world do, there is a level that is sustainable. All we are asking for is that appropriate level and then some certainty to be delivered into that into the future rather than a rollercoaster.

Mr FINCH - Just on that, they have gone from 206 FTEs down to 92 since 2005, do you have a sense of less bureaucracy in your dealings with Tourism Tasmania?

Mr HANNA - We find them to be a very good organisation to deal with and naturally we have a very strong partnership with them. The relationship, at both a personal level between officers and between our two organisations, has built over time to be a very strong one. Some of those job reductions were in the wholesale operation, Tasmania's Temptations, but we certainly get the sense that they're a good organisation to deal with. Naturally whenever you have a strong partnership or relationship with another organisation it's not always perfect, we have our disagreements but we have them in a mature way and behind closed doors. So I guess that's all we can say, that the relationship is a strong and mature one.

Mr CURRANT - To add to that, it is true that it is much less of a bureaucratic organisation that still operates under the same constraints you have as a government entity. In a perfect world, that budget delivered to a State-owned corporation that had one shareholder, the Government, the Treasurer and the Minister of the day, would deliver a

more efficient result, definitely. That's where we set out to get to years ago and the Tourism Act will help put it together. But politicians, with all due respect, don't like to have someone else spending their money. Where we do have a less bureaucratic operation, a lot of the tourism budget is spent on servicing things that do not bring that direct result; they service the bureaucracy, if you like. It's the nature of the beast.

If you could go into the perfect world, we as an industry would welcome it. However, it has improved enormously under this system, we don't have the minister appointing a bureaucrat who has no experience in tourism; we now have people like Felicia and her team delivering things.

CHAIR - And you regard them obviously, from what you're saying, as very professional and effective.

Mr CURRANT - Yes.

Mr GAFFNEY - So the best-case scenario would be the one you just outlined -

Mr CURRANT - Yes.

Mr GAFFNEY - The scenario you've got at the moment is better than it was.

Mr CURRANT - Oh, yes.

Mr GAFFNEY - There's still room for improvement there, but is the aim still to go back to that? Is the push from you industry still to go back to the model you outlined?

Mr CURRANT - With every new premier, with every new minister, we have the conversation.

CHAIR - So you've been pretty busy over the last few years.

Mr CURRANT - We have, and I will just put this into another thing that I have a note here about because it was sort of raised in a funny way. In essence, it's about who spends the money, and unfortunately Treasury here don't have the same view, particularly the other secretary of Treasury - that needs editing out, that bit. He has a view that the industry should be funding tourism.

CHAIR - Do you want that out?

Mr CURRANT - No. I've had face-to-face across the table with him. His views are that the Government should not be funding Tourism Tasmania the way that I said, but that industry should now. Dan told you and it's on the record that our industry is made up of small people who have a turnover of less than \$250 000 a year. They cannot afford to put the dollars into promoting the State that makes people press the button to come to Tasmania. It is a ridiculous notion and -

Mr HANNA - Add to that the fact that in every destination around the world governments invest in destination marketing.

CHAIR - The other thing is that in other States they have more international chains of resorts and hotels, don't they, and those chains, in promoting their establishments, promote the States in which they are. We have Federal Hotels, which have been probably spending more on marketing on average than the State Government, but we don't have the large chains -

Mr CURRANT - Completely the exception, the State has an absolute need to be promoting itself, and it cannot be done by industry.

Ms REES - I would like to add to that because I think it's all about relationship marketing overseas. I think your point is really good because we very much have a government-led relationship with the overseas wholesalers and industry overseas, which has been very positive over the years. Then you get the cooperative action from industry to come in on that. But industry at the level Simon was just describing, small business, simply cannot afford to go out and create that relationship by itself. So I think it is a very valid point for overseas.

Mr HANNA - That is right and industry, as has been demonstrated over the years, will engage in cooperative activity with the State Government as well. Clearly there needs to be someone to coordinate to make sure that the messages we are delivering to our customers are consistent with the brand and that they are consistent around our unique selling points. If Tourism Tasmania has the resources available, the industry will often engage in cooperative activity - put their own dollars in - and that has been proven especially over the last couple of years with very successful cooperative marketing campaigns.

Ms REES - I have noticed in the figures out of Europe, for instance, there is a huge slice of the international market that comes out of other European countries. They are small players, such as Switzerland and France, and my personal experience of talking to them is that they consistently ask every year, when will we see Tourism Tasmania and will you bring some operators across? They are very willing to engage at a very small level, because they realise we are not Queensland and that we cannot afford to have the big road shows that Queensland does. But we can afford to go there personally and the substantial difference it makes is shown every time we take operators into the market, in my experience. It cannot be underestimated, I believe, and I think that is something the Government needs to address.

CHAIR - So the forward Estimates are very disturbing, aren't they? That is a massive decline. If you have that attitude at the head in the senior level of Treasury, that needs parties to come in and express their own views with the up-coming State election. I mean the political parties need to take over the bureaucrats.

Mr CURRANT - Yes. The politicians are prevailing otherwise we would not have had the extra \$4 million now. We are very optimistic that the forward Estimates will be bipartisanly agreed to be held at the level they are, going forward.

Mr HANNA - That is right. Another important thing to add to that is, Tourism Tasmania needs the flexibility to do the job. So what they do not need is a government dictating to them, and they do not at the moment. They do not need a government dictating what it shall do. In other words, the 'do not need funding' tied to 'you must have a television

campaign in this market'. The funding needs to be provided but in a flexible way because it is such a dynamic market, so that Tourism Tasmania can determine what the most effective way to spend that money is. Likewise, other commitments, like events et cetera, need to be made on top of that base funding. Commitments could not and should not be made by governments and then draw on the existing funding because it has already been largely committed.

CHAIR - So, no doubt the industry will be applying pressure to all the parties in the forthcoming State election to ensure that that forward Estimate is increased by about \$7 million?

Mr CURRANT - Each party will get a question. Then we want to see the answer, exactly the same for all of them.

CHAIR - I would speculate that you are likely to succeed.

Mr FINCH - Simon, I think an important point that Daniel made earlier, which resonated with me, was that a survey of Tasmanians supported, they put you at number one in respect of the strength of your industry.

Mr HANNA - That is right. It is not just us as an industry saying that support is important and necessary. Tasmanians now believe and want that as well. That is largely because, I think, they have seen the benefits of tourism in the last five, 10 to 15 years. Pretty much every part of our State, every regional area, sees the economic benefits, they see the jobs that are created and they are positive about that industry and its future.

CHAIR - It is a great non-polluting industry.

Mr FINCH - You talked about the gross State product and where tourism is higher than other States, but where does it sit in Tasmania? I am thinking here about it in the minds of say, the Government. Where would they put tourism? I suspect where they put tourism, but it does not seem to be where it should be positioned.

Mr HANNA - What we always ask is that government places tourism in an important role within its activities. We have had with a number of State governments now over the last 12 years since Tourism 21 has been in place, since 1997, and they have been different flavours of government. It started with a Liberal government and it has been through Labor governments.

We have developed a very good and strong relationship where tourism has had a high profile. It waxes and wanes and it has not always had the profile that we would like within government. All I can say is that we think that it is getting there again. I think the \$4million commitment last month is a sign that there is an increasing focus on tourism again. Maybe that declined for a little while prior to that and that was reflected largely in the funding that was provided for tourism.

Mr CURRANT - It is a major role that Dan spends most of his day in, which is helping the politicians understand the significance of tourism. In a lot of their minds, if someone puts 200 people off in a mine over here that is of far more importance and a compelling

thing to act on than the fact that you might drop 2 000 people in our industry. That is the level of thinking amongst some of the political people.

CHAIR - Not us I can assure you.

Mr HANNA - Because we are dominated by small and micro businesses, that is a good example, job losses will not be as easily identified. If it is one job loss here and one job loss there it can add up to a huge sum yet it is not that one-off hit of a manufacturing plant closing and 500 jobs in open location going. Yet the impact can be even greater.

Mr CURRANT - Your comment about the pilots' strike was so true. It woke up a lot of people but it did not wake up enough. We did not take advantage of that enough to get the message out there of 'look what happens'.

CHAIR - The cutback in the last budget, how much do you estimate that to be, about \$3 million?

Mr HANNA - I think that it was around \$3 to \$3.5 million. Essentially we are a little bit ahead of where we were maybe prior to the Budget but unfortunately the increase was only for this year so the forward Estimates are still reflecting that decline.

The history of this is that, unfortunately, it is based around electoral cycles. You will get a commitment of more funding but it will have a four-year life. So the funding takes, if you like, a bit of a rollercoaster effect. It will increase for the life of that Parliament where the commitment has been made, but as soon as we are facing the next financial year after the next election it has dropped right down to what we think is an unsustainable level. What we would like to see and the ideal in the future is a far greater certainty in that funding. Not base it around four-year electoral cycles because the way you promote and market the State, the activities that Tourism Tasmania has to conduct, are not based around electoral cycles.

CHAIR - In May-June the Government decreased the funding for tourism by about \$3 million?

Mr HANNA - For this year. It was more in the forward years.

CHAIR - And in October-November increased it by \$4 million for this year. Why do you think that happened?

Mr CURRANT - Because we went to work on it.

Mr HANNA - I would like to think that we built a strong business case to show why, and in fact I will get to that in a minute. The research we conducted between the Budget and the additional commitment of funds clearly showed that we will not pay the price for that reduced funding now but in one to two years because of the lag effects of marketing and its impact. We were able to demonstrate pretty clearly that we would lose share of voice, share of awareness and that would lead to fewer visitors.

Mr FINCH - Has that \$4 million been targeted into specific areas? How is that going to be expended to benefit the industry?

Mr HANNA - In broad terms, \$3million into destination marketing, which could include a range of activities, and \$1 million into events. There were a couple of other small parts there but it will be largely used, as far as I know, to expand on existing campaigns, to boost them and to make them even more effective. On the events side it will be used to secure existing events but also, hopefully, to try to attract some new events as well.

Mr CURRANT -Events suffered a cut by \$1 million, but it has just been restored back to its original budget.

Mr HANNA - That is right and the budget that was there for events was really not enough to secure existing events that we currently get into the State. So it had to happen.

Mr GAFFNEY - If we accept that the Government is always going to want to be involved in tourism because that is one of the things that is a plus for it, it is an easy one to mark what we have done. From your point of view, what other tasks or roles that Tourism Tasmania undertake at the moment do you believe your organisation could take off them and take responsibility for if the funding came with it? Obviously, they have been trying to decrease their 260 jobs down to 98 and we have to give them credit for that and they will work with a tighter budget. Have you had discussions within them about what things you guys could take over or probably do more effectively?

Mr HANNA - I guess that is a big part of this document in that we do carve up, if you like, those responsibilities. On the demand side I think the industry shares the view that Tourism Tasmania can play a key role in stimulating demand. So on the demand side of the equation is certainly where the lion's share of the resources needs to be directed and that is around marketing activity. It is also the research that fuels good and effective marketing campaigns. The reason that most resources go there is that it has been demonstrated quite clearly through research that if you make a positive difference it does drive significant numbers of visitors. In fact, we think the return on investment is fantastic. Let me give you an example.

The Tasmanian Government this year will receive around \$270 million in taxation receipts as a result of tourism. So, as you can tell, only around 10 per cent of that gets reinvested back.

CHAIR - \$270 million?

Mr HANNA - \$270 million and the source I am drawing on there is the tourism satellite accounts, which are conducted by the Sustainable Cooperative Resource Centre.

On the supply side of the equation, which is more the products that are delivered, the supply chain if you like of what is delivered to visitors, clearly the industry has a major role to play there. The industry can and does take the lion's share of activity. It can be supported by government. We think largely the supply side is the responsibility of the industry. In fact, it is a good segue into some of what we see as some of the supply side challenges that have been identified. Clearly access is always going to be a number one issue for an island destination like Tasmania. We simply have to ensure appropriate access through enough seats, enough capacity, at the right price and at the right time.

We are very fortunate, and we are probably better serviced now than we have ever been. We have the four major carriers coming in; we have two very well-run airports, and very importantly, and this is where again the State Government can play a positive role, we have a ferry operator who is delivering a large number of visitors who arrive by sea. We know they spend and they visit more regional areas when they are here. If you are looking at a supply site role, that is where government can play a clear role - with sea access in government hands. We know that air access is controlled by private corporations and we are at the whim of markets, but at least if the State owns and operates some of the capacity to get people in and out, and I think that was demonstrated during the pilots' strike, that is extremely important.

Mr FINCH - With positive initiative by the airports, Daniel, to invest so much money in Hobart and Launceston?

Mr HANNA - Yes, I think we have two very well-run airports now. We are very lucky. They are both recording very good and very strong growth too. These are two of the best performing airports in the country right now in terms of growth.

Mr CURRANT - We are seeing a very positive change to the environment with airports - with the on-ground management within this State, the owners, their approach to their business here and how they do it. There was a disconnect there for some years in both Launceston and Hobart in relation to where they sat within our industry and the amount of business that was related to tourism. But that has changed recently with the changes in ownership, et cetera, and it is very very positive now.

CHAIR - That is good.

Mr FINCH - Is there a need for any upgrading of infrastructure with TT-Line, given a reflection that the airports have invested in their infrastructure? Is TT-Line placed well?

Mr CURRANT - No, essentially TT-Line is a very good business for the State from every point of view, both freight and passengers. TT-Line is continuously upgrading its facilities and looking at its own core business and how it goes about it.

Mr HANNA - The other point I would make about TT-Line is that we often need to look beyond just the financial results and look instead at what it delivers in terms of tourism activity. We know that people that it brings by sea spend nearly \$300 million in the State. That is not reflected in their financial statements or their financial reports which are purely related to how the company has performed. That absolutely has to be in the mix and be part of the consideration when governments are looking at the overall effectiveness.

The other thing I would say on TT-Line is that it is a great example, one of the few, of cooperation between Federal and State governments. The State owns the infrastructure in terms of the two ships and runs the operation, while the Federal Government provides a rebate through the Bass Strait Passenger Vehicle Equalisation Scheme. That scheme has been shown to be probably the best regional development program ever that I can think of.

Mr CURRANT - Just to reinforce what Daniel said, the TT-Line, being a corporation under the Corporations Act with one shareholder, is only measured on its bottom-line result. We see that as a key role for us and the more that message can get out to future governments and political leaders that they must measure the input that that has on the State, not just in passengers but in freight too, the better. Dan just said it, but it is not measured and therefore it allows those in Treasury, who do not acknowledge or refuse to because of their ideological leanings or whatever it is - I do not know - to reinforce their arguments about who should be doing what.

CHAIR - It is very much a highway, isn't it, and highways don't make profits.

Mr CURRANT - It is an absolute part of infrastructure and you do not expect to have to get a big return out of Metro buses.

CHAIR - Or roads. It is a means of access so that needs to be taken into account.

Mr CURRANT - TT-Line is directed and as a director I am absolutely bound to be looking after that business as a business in a way which you have to as a private corporation.

CHAIR - But you should not have to because it is as much a highway as anything else and you pour money into highways. You do not expect them to make a profit because they don't.

Mr HANNA - The community benefit is not adequately taken into account for what the TT-Line delivers.

CHAIR - But as a GBE, -

Mr CURRANT - It is not a GBE, that is the thing. It is a State-owned corporation.

CHAIR - State-owned, yes, that is right but a very similar situation.

Mr HANNA - Probably moving on from access, which is what you might call a potential capacity constraint, there are other capacity constraints which we are starting to see and that can have a negative impact on the industry as well. If we have got people interested in coming to Tasmania, we know they will want to either secure a berth on the ferry or a flight, and if they can do that the next thing they will look for is to secure a room, particularly if they are flying into Hobart. They will want to at least secure their accommodation in Hobart. We are starting to see some capacity constraints there, in fact we are already at a point where at certain times of the year people cannot get a room at all, or certainly not their first choice of room, quite often. That can be a constraint in that people will turn off the destination and look elsewhere, so we need to be constantly aware of that. Admittedly that is a private sector issue in that, if there is a market opportunity, people will develop new properties and new products to meet that need. Hobart is a little bit unique in that a lot of those sites are in government hands. The best sites that could potentially be opened up, for example, for hotel and accommodation development are currently in public hands - a classic example is the Hobart waterfront, where there are a number of sites that ideally could have been delivered into the market already by now but have not been.

Mr GAFFNEY - We've got a few rooms here.

Laughter.

Mr HANNA - That moves onto another supply side issue, which is attracting new investment. We always had to make sure that as a State - this is more generally and particularly in tourism - we are seen as a good place to invest. Tourism is a passionate investment, it is something you do for a financial return but also because you love it and love the industry as well. We need to make it easy for people to make those investments. We can all point to examples of where that hasn't happened, where, for example, the planning system has not allowed it to happen, where in some cases local government has put up barriers. There are examples such as Crescent Bay. The fact that that investor faced so many difficulties in terms of time and expense doesn't put us in the shop window for further investors, let's say. We need to always be looking at those constraints and we are very strongly supportive of planning reforms, reforms that can make it easier for people to invest. It is already a difficult industry to invest in, the returns aren't always as great as they are in other sectors and we need to make sure there aren't other barriers put in place.

In terms of our natural areas, as I think I said, part of our unique selling point in Tasmania is our phenomenal natural areas. A lot of those are in public hands through - World Heritage areas, national parks, State forest reserves. We need to make sure that they're appropriately maintained and managed. I note that Parks and Wildlife Service has some concerns now about its capacity to do that into the future. Again, that is due to a lack of resources. We won't see the fallout from that straightaway, again that is an issue where it will gradually erode over time. I'm sure Parks and Wildlife will do the best job they possibly can with their limited resources, but they will reach a point where the cracks start to emerge and we're not able to start delivering on the promise that we're making about our natural areas. When we reach that point we will be in real strife because if you don't deliver on a promise that is the first sign that we will go downhill, and very fast.

Mr GAFFNEY - How do you balance that act, opening up more opportunities or making certain that the ones you have are at a certain standard? Do you guys have a position on that? There is a push to open up this section here or this park there and yet, reality says that they can't handle the ones they have.

Mr HANNA - I will answer that and then refer it to my colleagues as well. We think that the ideal is to try to do both. There are opportunities in a lot of our natural areas - I am talking about national parks - where you can engage in public-private partnerships. We saw a great example of one launched on Wednesday, Bonnet Island. That is a great example of where a private sector and the Parks and Wildlife Service and the Tasmanian Government can form a partnership so that there is dual investment and responsibility for maintaining those assets. We're very strongly supportive of the Three Capes Track, for example, on the Tasman Peninsula. I think that would be a fantastic investment. More than that, it would be a stimulus to attract more people to the destination, not just the overnight walkers who would do it but the day walkers who would see the images of this fantastic national park that largely hasn't been promoted as heavily as it could or should be. I guess I'm having a bet both ways there, in that we need to continue to maintain what we have, we need to be able to manage it appropriately and clearly the land

managers need the resources to do that. We also need to look at opportunities to open up new areas and a lot of those can be through not just government making an investment but the private sector as well, to come in and share the load and to take responsibility for the ongoing management and maintenance.

Mr GAFFNEY - So do you guys have a policy position or a position on the Tarkine loop road?

Mr HANNA - Yes, we had a very long debate over the Tarkine road when it was first proposed. Firstly, can I say that we thought the Tarkine has certainly got some potential as a destination, it has a very strong brand already and the natural values there are strong as well. We are not entirely convinced about the benefits of a full loop road, though, to be frank. We saw that there could be some value in a government investment in the Tarkine but the loop road was probably not the best way to achieve that, in fact, we are certain it was not the best way to achieve that, that you could deliver what the Tarkine really needs - and my colleagues can come in here - and that is things for people to do. It needs product and it needs experiences. That is what should be focused on. A road itself is not a tourism attraction, it is a point of access, it is a way people get in to see the things they want to see. What we need is great experiences in the Tarkine that people will then want to come in for and then the access will sort itself out.

Any time you start with the access as the product, if you like, the road, I think that is a flawed methodology.

CHAIR - Do you think the money would be better spent in repairing the existing roads in poor condition before we start building new roads? You do not need to answer that as it is not directly tourism.

Mr HANNA - If you like, we are at a point now where the debate has been had on the Tarkine road. We put forward what we thought was the best proposal in that, yes, you could make some investments in the Tarkine but the loop road was not the best way to do that. But the decision has been made and the industry is probably at a point now where we will just have to try to make the best of it, and the industry will have to try to work to develop the products and experiences along the way, because nobody wants to see a big investment like that fail.

Three Capes is definitely a new development that we are strongly supportive of and we know that the private sector is very interested in putting money into it. Then it will require probably the Federal and State governments to make investments as well. Another potential supply side role for government is the TMAG redevelopment. We are very fortunate we have a fantastic museum and art gallery with one of the best collections in the country. At the moment, with the existing buildings, it is not able to be adequately displayed. Likewise, we have probably the most exciting new development to hit the State, maybe ever, in the Museum of Old and New Art opening next year. If we had a redeveloped TMAG, we would start to get a critical mass of product in the arts and culture area.

We are, in a way, as an industry, not quite sure what the impact of MONA will be. We suspect it will be huge but we may even be underestimating that. The quality of the collection, the quality of the museum itself, will put us on the radar for a group of visitors

who may not have otherwise come here, and the only comparison you can maybe make is that it is like having a Guggenheim Museum set up in your city, so we are extremely fortunate. But we need to capitalise on it and I think a redeveloped TMAG would be a very good complement for that product.

In terms of heritage as well, that is one of our unique selling points. At the moment, I would say, in terms of our three areas of heritage there is convict, colonial and indigenous. We show off convict heritage really quite well at the moment and the Port Arthur Historic Site is a great example, but I do not think we do so well in the other two, colonial and indigenous. We have a huge share of the nation's built heritage and particularly built Georgian heritage, some of which is displayed well but a lot of it is not. Some of it is in public hands but a lot of it is in private lands. Our argument has been and for while now that there need to be incentives, particularly for those who privately own heritage buildings, for them to restore, maintain and open up access to those buildings. That can probably realistically only be done at the Federal level through incentives in the tax system. An argument is 150 per cent or more than 100 per cent deductibility for maintenance and restoration costs and/or accelerated depreciation. That would suddenly provide a stimulus for people to own heritage buildings.

At the moment, unfortunately, to have your building heritage-listed is not an advantage, it's a disadvantage. What we would like to see is that completely turned on its head, so that suddenly people want their buildings to be heritage-listed because there are incentives to restore or maintain and open access if you wanted to do that.

The other area of heritage is indigenous, and we have a very different story to tell in terms of our indigenous heritage. Obviously it's not always a pleasant one, but one that I think needs to be told and gives a real richness to experience. We know that people who visit Tasmania want to know the full story, they want a rich experience, they want to engage with it. Our indigenous heritage is part of that, and we probably don't have the products and experiences to adequately show off that at the moment.

CHAIR - When Jim Bacon was Premier, there was a proposal to have an Aboriginal cultural centre somewhere in the Mole Creek area, which I thought was a very good one. Then there was some dispute within the Aboriginal movement and that didn't go ahead. Would that be something that you'd be supportive of? Something along those lines and appropriately placed?

Mr HANNA - Yes, I guess there are a couple of locations that spring to mind, obviously Wybalenna at Flinders Island, there's a great opportunity there. Potentially on that, the wild Tarkine coast out in the Sandy Cape area, there are very strong stories and indeed a lot of artefacts that still exist in those two locations. But as a visitor at the moment, you've really got to seek them out, there isn't the interpretation and there aren't the great products or experiences, if you like, that can adequately show that off.

It's a national issue, I guess, I don't think any State has truly got indigenous tourism right yet. It's a challenge, it's one in which you need to work obviously with the indigenous community, they're the ones who need to lead a lot of those products, experiences and businesses. There need to be ways, I guess, to seed those businesses, if you like.

I'll just quickly and lastly go to some research that we conducted in the last few months to demonstrate quite clearly why an investment in marketing by government will lead to increased demand to travel here, and then increased visitor numbers. We engaged the company, BDA Marketing Planning, who already do a lot of work in Tasmania to understand the link between government advertising investment and tourism demand for Tasmania. It was done through a survey of 440 people in our key markets, and also accessing existing information.

Some of the key findings were, we think, validated and supported our argument that government can play an absolutely key role here. What the research showed, firstly, was that there's an absolutely undeniable, clear link between spending on marketing by Tourism Tasmania and the percentage of the Australian population who are aware of Tasmania and Tasmanian advertising, albeit with a one- to two-year lag. It was very clearly demonstrated - I will find the graph for you at some other stage. We know through this research that those who have seen ads for Tasmania are twice as likely to actually intend to visit here, so if people are made aware and they're shown Tasmanian advertising, it doubles the rate at which they are likely to visit here.

CHAIR - Was it television or newspaper advertising?

Mr HANNA - That wasn't determined, but largely Tasmania hasn't really had a very strong presence in television for a long time. A lot of our presence has been built through print, through niche magazine and other forms. Television is a very expensive medium and largely doesn't hit the mark because visitors, or consumers, are turning off, in a way. They're not seeing that as a reliable source of information.

CHAIR - So magazines would probably be the most favoured medium, would they? Colour magazines?

Mr HANNA - There's a combination, I guess, of magazines, and certainly newsprint. You've probably seen some pretty good promotions in the *Weekend Australian* magazine and working with Fairfax media; I think they've been very effective. Also increasingly, there is the online area; connecting with customers online was once seen as something you needed to do in the future, well, it's something you've got to do right now because more and more visitors are using that to research, plan or compose their holiday. And, whereas it was once very cheap to advertise in the online environment, we now have to pay and it's getting more and more expensive.

Mr FINCH - Is Discover Tasmania working?

Mr HANNA - I think it is. Pretty much every tourism organisation around the country and around the world is now seeing that you have to have a good portal or gateway for visitors - something that can bring together all the experiences and all the products.

Mr CURRANT - The future lies that way. When you are looking at children who are now 18 years old, they started at age five and six understanding how to get their information through the digital forum. Now, what is happening is that, rapidly, every age group is starting to get their information that way. Here's the greatest expert in our State on this,

who has an IT background, and is a guru, if you like, so Bernard might make a comment on this.

Mr DWYER- From our perspective it is the access to book and to get information, but also you cannot underestimate the marketing campaign around PR and editorial, internationally and nationally. People like having the information approved by somebody else. So the association of somebody else saying, 'This is right' together with those online forums and the trip advisers, that people are really getting their information from. So you have to be in all of these avenues. It is not traditional marketing in that sense any more. It is important, but not to the extent that it was before.

Mr FINCH - Is the industry involved in Tas e-Connect?

Mr HANNA - We understand that 300-400 operators are already signed up for e-Connect. We, as an industry council, have been very strongly supportive of the industry engaging with this technology. Having your product able to be viewed online is a minimum. Ideally, you have your inventory in there as well so that you can be booked and paid for. I don't know what your booking holiday plans are like now, but I do it all pretty much online and more and more people who once perhaps only did the research online now have the trust to be able to book and pay. We are strongly encouraging every operator in the industry to engage with the online environment. E-Connect is one option and there are other ways to do it.

Ms REES - To add to that, I would like to see government also maintaining an involvement with connecting the tourism industry online because that is where a lot of the traditional business can now be situated. I talk to consumers on the phone who tell me that they were on the Internet until midnight last night to try to work out their Tasmanian holiday - 'Here it is highlighted, we have an eight- to nine-night stay.' You try to organise that yourself on the Internet; you spend days doing it. So the call for professional assistance for Tasmania, which is our traditional method - retail travel agents and wholesalers - is very valid now. There is still a huge component and to the agents on the mainland Tasmania is a destination they are selling very much. We have sales reps out there, they are reporting back that Tasmania is back on the agenda. Not that it has been off the agenda, but when people are seeking assistance because multi-night stays are difficult to organise in peak season when no-one has a bed, they come to the likes of wholesalers and I think that we need to keep an eye on how we distribute through those networks and how we can digitally support them, because Tas e-Connect is solely for the consumer. It is not the only thing that counts. I think there needs to be both.

Mr GAFFNEY - Do you think that is a role that the TICT could play more? Because you have your finger on the pulse or do you not want to get involved with that?

Ms REES - Technology needs to be provided at an affordable cost. We have had technology provided through Tasmania Temptations holidays and the IMS, Inventory Management System, that has -

Mr CURRANT - But TICTs role is not in being a provider here. What we do is work with Tourism Tasmania to get them to understand from our perspective what is needed and they are the ones who work through, making the connections happen.

Mr HANNA - We conducted some education and training road shows for our operators last year. We went right around the State. First of all we gave them the base information about this new environment, what you need to do as an operator now and into the future and also showed them where they can go to get more skills and help, and be able to understand the technology.

Mr FINCH - Am I getting a suggestion here that the dropping of Tas Temptations might have been shortsighted?

Mr HANNA - No, I don't think that would be the commonly-held view. Regarding Tas Temptations, the Government, delivering through a wholesale operation, had a role in the market when there was a market failure so there was a real problem 10-15 years ago with small tourism operators being able to get their product to the consumer. The distribution chains didn't suit them very well at all, so you needed the Government to step in and run a wholesale operation. The market has changed since then and, largely, most of those small operators can now get points of distribution. The consumers also changed their patterns, so Tas Temptations was losing probably \$3 million to \$4 million a year. That was money that could have been put into marketing and demand stimulation activities. As an industry council, we saw that and thought, 'The days when we can afford to subsidise this thing that's losing too much money are gone. That money would be far better directed towards getting directly to the consumer'.

Mr FINCH - Am I hearing that we need something now to assist in that wholesale area? Is private enterprise able to do it?

Mr CURRANT - To a degree we do, absolutely. It is a transition period at this moment because Tourism Tasmania has dropped out of being a direct wholesaler. The result of that has been that we have far more wholesalers and people in the area who now want to sell the State because we're not competing with them, which we were, and that is a big plus. The Tourism Industry Council's role is not as a provider or marketer, that's not what we do, but where there's disconnect or we find that it has been overlooked that a wholesaler is not able now to get through because the system's not doing it, then we bring it to the attention of Tourism Tasmania that is spending the money and trying to make this work. That is how our role works in that. On the education side it is different. Getting our industry to learn how to press the right buttons is another matter.

Mr GAFFNEY - I'm pleased you have cleared that up for us because when you first started to talk about where the money should be I was thinking, 'Do they want to take over all these things that Tourism Tasmania is doing?' Initially it was, 'Challen won't give you enough money'.

Mr HANNA - No, and that is why when we make calls to government, and in the political environment more generally, we say that the best way you can spend that money is to put it into Tourism Tasmania, that is the organisation that has the expertise and the role and mission to stimulate demand.

Mr FINCH - I sensed some time ago, Simon, that there was some duplication between what Tas Temptations did and what the TT-Line was doing in respect of some of that wholesaling style of delivery. Is TT-Line still doing that wholesaling? Am I getting a wrong sense that TT-Line does that?

Mr CURRANT - No. Firstly, I don't think your perception was right that there was any overlap there. TT-Line has been wholesaling, does wholesale. You need to view TT-Line as a carrier. TT-Line goes out there, like Virgin or any of the others, to attract people to travel on its ships. If it can attract people by offering packages that are linked to Karen's or Bernard's organisation et cetera, that is good. That is what they do, as does Jetstar, Virgin, Qantas and Tiger. If you view it in that context, that is really how it sits. There was talk of overlap with call centres but they are completely different roles. So if you view it in that context. If TT-Lineruns this business and decides to go selling wholesale packages, including the transport, then fine, that is what they do. There is no disconnect there, but now we do not have Tourism Tasmania being wholesaler.

Mr FINCH - But in this void, with private enterprise stepping up to the mark, this will be resolved. This is something that is going through an evolution stage?

Mr HANNA - There is certainly a transition and when you have had the Government entity playing a key role for so many years and then the Government is no longer doing that, there is naturally going to be a transition period when new arrangements have to work themselves out and we are in that period now. Overall, I think the transition to getting out of Tas Temptations has so far been largely managed well. There are always going to be hiccups when you essentially change the structure and turn it on its head, but it has largely been managed well with only minimal impacts or negative side effects.

Ms REES - Yes, from my organisation we have seen there has been no market failure. The volume of bookings has been taken up by all the other wholesalers in Australia very well and they have come to the party with substantially increasing product offerings in the market and that seems to be working very well. The point I was making was that the technical support of delivering those bookings to those wholesalers is where we need to ensure that that happens and that is the transition we are discussing, so that it can be delivered efficiently.

Mr HANNA - Previously, for example, travel agents were very lucky in that if they wanted to ask a question about Tasmania, they rang up Tas Temptations.

Ms REES - They had a huge positive reputation.

Mr HANNA - We are making that transition, and one thing that I know Tourism Tasmania is working on is building that expertise about Tasmania in the trade, in key markets interstate.

Mr CURRANT - It was not just that, it was the fact that an agent could ring up and get someone else to do all their work for them and that was costing us, as a State, millions of dollars and that was not worth the return. That is where it all ended up, but there is a need to connect.

Ms REES - If you cannot deliver rooms, your marketing cannot go anywhere; it is as simple as that.

Mr HANNA - I will quickly finish the research that we conducted through BDA. What the crux of the research showed was that BDA tested 11 high profile Tasmanian products.

These are things that you can do as a visitor, tours you can go on, things you can do, experience, see and buy. We tested pretty high profile ones and 11 of them in key markets. What we found was still very low awareness of those products and experiences. Despite Tasmania having a strong brand, people still were not aware of what you can do here. Only two out of the 11 products, and these are very high profile products, had awareness of more than 25 per cent, but when we tested appeal of those products it was extraordinary. I think the agency we used had probably never seen such high appeal for the products. In other words, there was a big gap between their awareness and their appeal which clearly means a very strong role for communications to bridge that gap. What the research showed was that if everyone interstate was made aware of the best things to do in Tasmania, that alone could deliver another \$1.5 billion a year in visitor expenditure. So getting the message out there to everyone is paramount. Admittedly, achieving perfect communication is never possible and you cannot always get to everyone, but that is what we potentially gain through better communication of the best Tasmanian experiences.

When you think that the clear link between investment in Tourism Tasmania and their marketing and that awareness, it shows where government can play a key role. Also, the fact that we need to move and the new marketing campaigns are, towards going beyond the Tasmanian brand, but to the best Tasmanian experiences - things you can see and do and buy and you will probably see the new campaign based on, 'A World Apart, Not A World Away', leads with products. The lead thing you will see is something you can buy. It is not just a generic image of Tasmania. The research showed that is the way we have to move in the future. If we were a car manufacturer, let's say we were Holden, we have been very good at telling people about Holden and how good the company is, and how you need one. We have to get better at the actual car you can buy. A Holden Commodore, a Holden Barina, a Holden Rodeo. We have to tell them about those individual products and how great they are. The conversion, if you like. Now is the time.

The research demonstrated that the marketing activities of Tourism Tasmania can deliver a great return on investment, but because of those relationships between investment and awareness, if you reduce the funding to Tourism Tasmania we will, inevitably, lose market share and that is the risk that we are seeing in those forward Estimates. If funding declines by \$7 million next year, as the forward Estimates say, we know, as day follows night, that we will lose market share as a destination because we are not able to make people aware and that will lead to fewer visitors, less visitor expenditure, fewer jobs - all of those flow-ons.

CHAIR - Less government taxes.

Mr HANNA - Yes. Less government receipts as well. That research proved to us why we should be concerned about the level of investment made in Tourism Tasmania and particularly its marketing activities and that we, as an industry council, as an industry body, need to make that our number one priority. We can potentially gain up to \$1.5 billion a year just through communicating with customers more effectively, but we could also lose a lot of what we have already gained if we lose market share and we are not communicating with them.

CHAIR - Thank you very much for presenting that and preparing it. Some great information in there.

You say that the Government can play a key role in the growth. That is mainly in providing funds, is it?

Mr HANNA - Yes, we have seen the demand side as being a very high priority, so investing in marketing is what Tourism Tasmania does well. They have the runs on the board, they have the expertise but investment in marketing and stimulating demand will work. For that to be effective you need to base it on good research. So we would argue, yes, you need to continue to fund the research that Tourism Tasmania does, particularly the Tasmanian Visitor Survey. On the supply side there are opportunities, probably beyond Tourism Tasmania, for government to play a proactive role and that is in things like management of our natural assets, through a better planning system, through the ownership of State assets and operations, like TT-Line, TMAG, the Port Arthur Historic site. It goes well beyond that. There is a range of the best experiences in Tasmania which are in public hands as well.

CHAIR - The rate of land tax: is that seen as a problem for members of the industry?

Mr HANNA - Yes, because so many of our businesses are small and micro-businesses, they are hit hard. The annual turnover of 70 per cent of them is less than a quarter of a million dollars. If you were paying a dramatically increased rate of land tax on that, that is going to affect your capacity to make a profit, your capacity, potentially, to stay in business. We have been receiving a number of calls from operators recently expressing their concern over their land tax bill. I think as an industry council we have some real concerns with the whole system of land tax.

CHAIR - The aggregation principle?

Mr HANNA - Yes, that and a lot of what has happened is that there has not been any change in the various rates and at the points at which that rate kicks in. The revaluation process brings it to light but what is happening is it is a dramatic form of bracket creep. It has been happening over a number of years whereas in your rates, for example, the local council will put up a global cap and say, 'This is what we are going to collect in rates this year and everyone's share might change a little bit through revaluation'. That does not happen through land tax because there is no global cap, so everyone just keeps getting thrown into higher and higher brackets and paying more and more when their capacity to get revenue from that land is not necessarily increased.

CHAIR - Thank you.

Mr GAFFNEY - Just one question you mentioned our interest in local government and you mentioned planning restrictions. Is there any other major drawback that you find with local government in how they manage their impacts? I know that in a lot of small regional ones, the small businesses do get support locally, but is there another area where you find as an industry that local government needs to pick up its game a bit?

Mr HANNA - Each municipality plays a different role depending on what they see as their role in tourism. One argument I have always run very strongly is that an appropriate role

for local government is to get the basics right. So they need to get their core activities right - once upon a time that was water and sewerage and other infrastructure including parks and gardens, public toilets, streets and roads, now of course it is not water and sewerage. Also, in terms of planning, they need to be proactive, identifying opportunities within their municipality, welcoming investors and providing them with, maybe not case management, but at least a clear path through what can be a pretty complex and difficult investment process. Clearly that works differently across local governments. Some do it well and others not so well. I do not know if there is anything to add.

Mr FINCH - Daniel, do you see any benefits with the Tourism minister now having a portfolio of Hospitality and what prospects that might offer for the tourism industry?

Mr HANNA - I guess this is really a first nationally, I do not think there is a Hospitality minister in any other State. It makes some sense to bring together some of the regulatory activities, for example, around liquor regulation and other parts of regulation that affect hospitality uniquely, bringing those together under a minister who also has some responsibility for industry development. I think we are going to have to wait and see because we still do not know what the detail is of what the Hospitality ministry will or will not do.

All I could say is that we have looked at it and it could potentially play a positive role. Clearly we do not want, if you like, a duplication or a watering-down of tourism activity. Clearly we do not think that any funding for this ministry should come out of the Tourism portfolio because it is then drawn from activities around marketing. It is wasteful if it is duplicating things that, for example, Tourism Tasmania is already doing and it reduces the coordination if you, for example, took a function of Tourism Tasmania and moved it into this ministry and suddenly you have two organisations responsible rather than one. As long as those things do not happen, then I guess we would say we cannot see it will be a disadvantage, but we will have to wait and see because we have no experience to draw on from anywhere else.

CHAIR - At question time on Wednesday the Treasurer said that no extra funding would be allocated. So that puts it in an interesting position.

Mr CURRANT - It does, doesn't it?

Mr HANNA - We will be interested to see where that funding comes from but our very strong argument is, again, it should not come out of Tourism. I guess we have made that point probably throughout the last couple of hours, that, if governments want to fund new and additional things that are in Tourism or are tourism-related, they should not be looking to raid the Tourism budget because those funds are valuable and they are directed towards key activities that, largely, a lot of science and work has gone into and they are fully supported by the industry.

CHAIR - This morning it was obvious the minister was not anxious to deal with that and made the point that it was not Tourism and that it did not come under the Tourism category.

Mr FINCH - Probably just a general question, too, and maybe to the people who are involved strongly in the hospitality side of things, how are we placed in respect of our standards compared to other States? I am thinking here about people's experiences, how tourists who come here in ever-increasing numbers are evaluating our standards in respect of hospitality in Tasmania.

Mr DWYER - A key driver for us is bringing the experiences into the market over the last five years. We have talked about this experiential drive rather than just hotel rooms and anecdotally, what we're hearing from our staff, in particular those who are part of our guiding staff, as they move from one business to another and one State to another. The standards that they see that we have implemented through the Pure Tasmania range of experiences is nowhere near the standards they've seen or been introduced to in other organisations in other States. What we do from a duty of care - from the training we're involved in, in bringing those experiences into the market, it continually comes back to us from our staff that it is a very good standard here. I was lucky enough last week to be in New Zealand for a week looking at different experiences and the industry over there. We can hold our heads up very high in comparison to New Zealand and certainly other States here, there's no doubt about that.

CHAIR - It's a good benchmark.

Mr HANNA - We assess this through tourism accreditation and we've got a pretty good guide on that. We get more than 3 000 pieces of written feedback from visitors and that includes accommodation, wineries, restaurants and other experiences, and 98 per cent are positive. There is only about 2 per cent - I think we got about 65 complaints or concerns last year - and that is not moving significantly over time, so it's certainly not getting any worse. It is an issue that you constantly have to be on top of. Tourism has a very low barrier to entry, so anyone can enter the market, particularly in accommodation - they can put out the shingle and say, 'I'm running an accommodation property'. That is why things such as accreditation are so important, at least as a destination we can have a guarantee that everyone's achieved a certain minimum standard. Those concerns were raised four years ago, I think, when the accommodation licensing scheme was removed and there is an argument for that sort of scheme to come back or have it done through accreditation. We have most of the industry in there now, but we would like to have pretty much all the industry in there in the future.

Mr FINCH - So, are people able to access accreditation at a good rate?

Mr HANNA - Yes. For small businesses we run accreditation and it is less than \$200 a year to be a part of. We know a lot of operators use that in their marketing, the tick symbol to show they're an accredited business, and more and more visitors are starting to look for the tick. In terms of overall customer service standards - and this is more my opinion than anything - I think Tasmanians sometimes get more concerned about the level of customer service in their State than anyone. A visitor who is here for eight or nine nights will have potentially hundreds of different transactions with different businesses and people. They may have one negative one but overwhelmingly it will be positive and they go away with a positive view of the destination, whereas us locals go out and have one bad experience at a restaurant and you tell everyone because it's the only experience you might have had for a little while. Visitors, I think, take much more of a global view

of that. We know that our destination has very high satisfaction and I think an extremely high level of repeat visitation is paramount.

Mr FINCH - And natural friendliness can carry the day for us in a lot of ways. Is that a fair observation?

Mr HANNA - Yes. It doesn't mean that we do not need to focus on continuing to increase those standards, and particularly as we are getting more high-yield products into the market now. That needs to work at the training and work force development end as well. We need to be getting the right people into our industry to work and we need to be arming them with the right skills, particularly around customer service. By and large we are doing that but there's more work to do.

CHAIR - What's the industry's view about the possibility of re-establishing the direct air link with New Zealand, Hobart-Christchurch or Auckland?

Mr HANNA - In any of these things, because the airlines are private operators, it will be built on level of demand so we cannot dictate to them what they will do. If the business case is there, we, as a State, that is government and industry, have an obligation to present that business case in a very strong way. From what I know, there is certainly a prospect of a direct link again, and Auckland would be more likely than Christchurch, because that is where the big population base is in terms of people from New Zealand.

CHAIR - It may have been before you arrived, but the minister said that there were discussions going on about this and I wondered whether the industry thought that that was worthwhile, important or -

Mr CURRANT - Any new links to anywhere is worthwhile and supported by us.

Ms REES - I have been to New Zealand talking to wholesalers and their view was that it would be almost like switching the lights back on to have the direct air link and they were talking actively about it and suggested strongly that that is a possibility and that was seen as a very positive thing.

Mr DWYER - That was seen as very positive.

Mr DWYER - That may drive Air New Zealand to put Tasmania back on the map in their book.

CHAIR - Otherwise they might fly over it.

Mr DWYER - They could, and end up in Perth.

Mr HANNA - Likewise, there are other direct links that I am sure are being investigated. There are always opportunities, for example, around Perth, Newcastle and the Gold Coast, but airlines do not have any obligation or community service view of this. We have better ones that show a business case and to do that we have to show demand and that is where it gets back to governments playing a key role. If governments invest in marketing, it gives airlines, for example, the confidence that that destination is going to

have a high profile and you are more likely to be able to fill seats on a new route, and it will give them the confidence to take a punt on a new route to see if it works.

CHAIR - I have one more question and that is international marketing. What is the view of the industry about what Tourism Tasmania is doing in that respect?

Mr HANNA - Tourism Tasmania is always going to have a limited budget. Our key markets at the moment are domestic and they have to be a focus but I do not think we can forget some of our key international markets. There is potential growth in a lot of those - North America, Europe and new parts of Asia, but we are not big enough to be able to take a scatter-gun approach. We cannot blitz the market, we will never have enough money for that. We have to work smart which by and large Tourism Tasmania does. They work with people who are on the ground in those markets and work more around niche products, so special interest. For example, things that Tasmania does very well on a world scale -

Mr FINCH - Like Targa and -

Mr HANNA - Fishing could be a good example where you would promote into key international markets with a particular group of the market which was interested in that, and more than just trying to generically get the brand of Tasmania out there because it costs too much in those international markets.

CHAIR - Thank you.

Mr CURRANT - Dan spoke earlier about the investment in MONA. The investment in the art work there has world significance. That has the ability to have a massive impact - a whole new reason to come to Tasmania. The present reasons to come here will be secondary to those people who want to visit MONA. Capitalising on that and growing that is very important and Tourism Tasmania are pushing them through and they have taken it on board that there is a role there. Hobart is now at over 80 per cent, from the latest annual occupancy figures, and that is almost a full sign and even if they only get another, say, 20 000, and then it could be as high as 200 000 visitors a year, purely for that thing, they will not be accommodated. It will bump people out who may want to come for other reasons who disperse all around the State, for instance. There is a key role for Government to be providing the sites and the incentive for people to come here and invest in new places to stay and it has absolutely been overlooked. That will impact on us regardless because nobody is going to get there for the next few years. That operation opens in 12 months and there is no government money in that. At this stage it is entirely one person's investment.

CHAIR - That is a lot of investor's money and it is a magnificent project. It is extraordinary.

Mr FINCH - You referred in your submission about whether it is feasible or desirable to enlist Tasmanians with high profiles interstate or overseas to promote Tasmanian tourism. You have discussed that and what are your observations?

Mr HANNA - It has never been identified as high priority. There can be a role for it but the worst thing that we could do is try to grab the personality first and then look for a way to use them. It would be based on research in our key markets and if we identified that, for

example, in one of our key international or even in a domestic market, that there was an opportunity that could be led by a particular personality, then you go out and pursue them. I think it would be completely the wrong way around if we said, here is a high profile personality, let us pay the money to get them and then what do we do with them now. That will lead to a waste of investment. It can have a limited role but it needs to be based heavily on research in those key markets to show if the personality would work and then who it might be and then go out and seek them, based on that.

Mr CURRANT - I have heard this NASCAR thing and Ambrose. You would have to raise a question immediately. Firstly, do the people who follow NASCAR racing want to come to Tasmania? Are there any of them who have the ability to come to come here? Does having a high profile in NASCAR translate to people coming to this State?

I will go back to when Peter Hodgman was promoting the most ridiculous ambassadors to this State you could imagine and spending money and doing it -

CHAIR - Country and western?

Mr CURRANT - Yes, we will paint a bus and we will spend \$250 000 a year with someone driving around in a bus and that is going to have an impact - that sort of thing. So it needs to be treated with a great deal of caution and it needs to be based on real research, not just someone's notion that because I happen to be a NASCAR follower, and that having Marcos Ambrose with a high profile in the US, is going to translate into any visitors to this State. That particular one is completely off-brand as well.

Mr FINCH - Generally, Tasmanians are good ambassadors anyway aren't they, if they become famous, like Ricky Ponting?

Mr CURRANT - They are.

Mr FINCH - Matthew Goggin and Rachael Taylor, they are happy to promote and be good ambassadors anyway, just in the type of people they are.

My final curious piece is in respect of conventions. How are we travelling in respect of drawing and being able to attract conventions to come to the State?

Mr HANNA - We are never going to be competing with some of the mega destinations, even within Australia, that can get very large conferences. They have purpose built, brand spanking new convention centres and they now have to try to spend a lot of money trying to fill those to justify the investment. We are at a different level where we can attract business events and conferences that do play a role. It has been growing. I think we do reasonably well at the moment given where we are at and the product we have. We are more at that medium size conference market.

One of the problems is about capacity constraints. In a city like Hobart, if you attract a 1 000 delegate convention, any time between November and April, it will displace leisure visitors. Those rooms will be filled up by people who would have otherwise come here for leisure but now cannot secure a room. So that is where looking at the room stock becomes very important.

It has previously been identified that off-side dining and exhibition space would be important. I think Princes Wharf 1 can largely meet a lot of those needs.

So I guess the answer is yes, they play a role. They will continue to play a role but we have to make sure that we are building capacity in terms of room stocks so we can accommodate them.

CHAIR - Thank you very much. Would anybody like to make any comments before we bring the session to an end? We would like to thank you all very much. We are very fortunate to have so many key leading figures in the industry and we do acknowledge and appreciate that. It has been very helpful for us. If, at any time, you have any other information or comments you would like to let us have, we would welcome those, either in writing or by coming and talking to us again. Thank you very much indeed.

THE WITNESS WITHDREW.