

TOURISM VICTORIA
ANNUAL REPORT 2006-07



Tourism Victoria



30 September 2007

The Hon Tim Holding MP
Minister for Tourism and Major Events
Level 26, 121 Exhibition Street
Melbourne VIC 3000

Level 32, 121 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 2219T
Melbourne VIC 3001 Australia
Tel 03 9653 9777
Fax 03 9653 9755
ABN 18 381 772 530
tourism.vic.gov.au

Tourism Victoria Annual Report 2006–07

Dear Minister

I am pleased to submit to you Tourism Victoria's Annual Report. The document outlines the achievements of the organisation for the year ended 30 June 2007.

The report has been prepared in accordance with the *Tourism Victoria Act 1992* and the *Financial Management Act 1994*.

Yours sincerely
JOHN MORSE AM
Chairman



02

PROFILE

- 08 Organisational Structure
- 11 Tourism Victoria's Board
- 12 Chairman's Report
- 13 Chief Executive's Review
- 14 Visitor Figures
- 19 Output Targets & Performance

20

MARKETING

- 22 Domestic Marketing
- 28 International Marketing
- 32 Events
- 34 Brand Services
- 35 Corporate & Destination Communications
- 36 Product Segments & Niche Markets
- 40 E-Marketing

42

LEADERSHIP

- 44 Industry Leadership

48

INVESTMENT ATTRACTION & AVIATION

- 50 Investment Attraction
- 52 Aviation

54

STRATEGY

- 56 Strategy & Policy

58

LEGISLATIVE REQUIREMENTS

- 60 Other Relevant Information
- 61 Cultural Diversity, Women, Youth & Indigenous Affairs
- 62 Freedom of Information
- 63 Whistleblowers Protection Act

66

FINANCIAL REPORT

- 68 Financial Report
- 72 Notes to the Financial Statements
- 92 Accountable Officers' & Chief Finance & Accounting Officer's Declaration
- 93 Auditor-General's Report
- 94 Disclosure Index
- 96 Tourism Victoria's Offices





WHO WE ARE

Tourism Victoria is a vibrant and dynamic State Government statutory authority actively marketing Victoria as a premier tourism destination domestically and internationally.

WHAT WE DO

Tourism Victoria plays a key role in industry development, attracting investment in quality tourism infrastructure and improving Victoria's air services. Tourism Victoria also strives to raise awareness of the economic importance of tourism.



OUR MISSION

Tourism Victoria works with the tourism industry to maximise employment and the long-term economic benefits of tourism to Victoria by developing and marketing the State as a competitive tourist destination. Tourism Victoria is a catalyst for stimulating the growth and development of Victoria's tourism industry.

OUR ACHIEVEMENTS

Victoria attracted a record 1.5 million international visitors in the year to March 2007, with strong growth from key international markets. An organisational restructure enhanced Tourism Victoria's capabilities in a number of areas and extended the organisation's reach and influence.

OUR PROFILE

As a Victorian State Government statutory authority, established by the *Tourism Victoria Act 1992*, Tourism Victoria is the vehicle through which the Government participates in the tourism and travel industries. The Act sets out Tourism Victoria's objectives as follows:

- to market Victoria as a tourist destination for interstate and international travellers;
- to increase
 - the number of travellers to Victoria;
 - travellers' or tourists' length of stay at destinations in Victoria;
 - the use of tourist facilities in Victoria;
- to increase the amount of travel within Victoria and the use of tourist facilities by Victorians;
- to improve and develop tourist facilities in Victoria;
- to support and coordinate the provision of tourist facilities in Victoria; and
- to provide more efficient and effective utilisation of investment in travel and tourism in Victoria.

As well, Tourism Victoria's overarching objective is to implement current State Government policies as they relate to tourism development in Victoria and contribute to whole-of-government programs and policy implementation.

TOURISM VICTORIA IS COMMITTED TO RAISING AWARENESS OF THE IMPORTANCE OF THE TOURISM INDUSTRY TO THE ECONOMIC GROWTH OF THE STATE

to achieve this mission the Tourism Victoria Board provides the strategic direction for Tourism Victoria based on four broad goals:

MARKETING

Increase visitor numbers, length of stay and visitor expenditure by implementing innovative and effective marketing strategies that position Victoria as a distinct and competitive tourist destination.

LEADERSHIP

Take a leadership role in the tourism industry, encourage professional standards and the development of cooperative arrangements that maximise industry effectiveness.

INFRASTRUCTURE

Improve the tourism assets of Victoria by identifying infrastructure opportunities and facilitating development projects.

MANAGEMENT

Maximise the effective use of resources by conducting the business of Tourism Victoria in accordance with professional commercial management principles.

17.4m

domestic visitors to Victoria

52.5%

of surveyed consumers rated Melbourne the best Australian city for shopping

\$18b

industry and 66,000 new jobs by 2016, the projected value of Victoria's tourism industry

\$7.8b

expenditure by domestic overnight visitors

1.5m

international visitors,
a record for Victoria

11

awards from the Melbourne
Advertising and Design Club,
including the prestigious
'Best of Show' for *It's Easy
to Lose Yourself in Melbourne*

5.2m

visits to Tourism Victoria's
consumer websites

18.9%

growth in visitor numbers
from the UK

ORGANISATIONAL STRUCTURE



Minister for Tourism & Major Events
The Hon Tim Holding MP



Chairman Tourism Victoria
John Morse



Secretary DIIRD
Warren Hodgson



Chief Executive
Gregory Hywood



General Manager
Executive Services
Bernie Stewart



Director
Investment & Aviation
Peter Keage



Director
Marketing
Don Richter



Director
Strategy & Policy
John Dalton

As a State Government statutory authority Tourism Victoria reports to the Minister for Tourism & Major Events, the Hon Tim Holding MP. Tourism Victoria is part of the Department of Innovation, Industry and Regional Development (DIIRD).

The majority of Tourism Victoria's resources is primarily directed to marketing the State nationally and internationally as well as contributing to the development of a sustainable tourism industry.

Tourism Victoria is the State Government's lead agency on aviation negotiations, with reporting responsibilities, through DIIRD's Secretary, Warren Hodgson, to the Hon Theo Theophanous MP, Minister for Industry and Trade.

MARKETING DIVISION

National Marketing and Business Development

– this division provides expert advice and coordination of consumer and travel industry marketing activities for Melbourne and regional Victoria across national markets.

International Marketing and Familiarisations

– this division is responsible for the development of international marketing strategies that influence target consumer segments via brand initiatives, public relations and online marketing. It also works cooperatively with and leverages travel distribution systems. The Familiarisations unit coordinates and escorts visits by international trade and media and domestic trade.

Regional Marketing – this unit works closely with the 10 regional campaign committees, the Board for Alpine Resorts Tourism and the Melbourne and Surrounds Strategic Marketing Alliance, to develop marketing campaigns and boost visitor numbers to regional Victoria.

E-marketing – Tourism Victoria uses online communications and technology to market Victoria as a premium tourist destination to Australian and international travellers. All campaigns have an integral online component. The e-marketing area is also responsible for Tourism Victoria's call centre, the Victorian Tourism Information Service.

Corporate and Destination Communications

– this unit conducts public relations activity within Australia and internationally to reinforce the organisation's marketing campaigns. It provides quality strategic advice and corporate communications for Tourism Victoria.

Brand Strategy and Services

– this area is the primary point of liaison with Tourism Victoria's advertising agency Publicis Mojo, also handling brochure design and production as well as management of the Visions of Victoria image library.

Brand Victoria – the Brand Victoria Services Unit implements the State Government's new Brand Victoria, which provides the means to consistently market Victoria's key international export sectors – tourism, education, investment, skilled migration, arts and events.

Events – this unit attracts, develops and cooperatively markets appropriate events in Melbourne and regional Victoria, which not only provide economic benefits, but also profile the host location.

Product Segment and Niche Markets – this unit works to promote and develop a range of sectors, including arts, theatre, cultural tourism, Aboriginal, nature-based, food and wine, backpacker, gay and lesbian, golf and cruise shipping.

Tourism Victoria's
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tourism industry.

OTHER DIVISIONS

Industry and Investment – this division facilitates the delivery of quality tourism infrastructure of net benefit to Victoria through the identification of market opportunities, assistance to private and public sector projects and strategic input to priority projects for the State.

Aviation – this unit leads the State Government's air services negotiations.

Industry Development – this unit works closely with the industry to develop a commercially sustainable tourism industry. It is responsible for the Victorian Tourism Awards, Tourism Excellence and works closely with Tourism Alliance Victoria to provide leadership to the regional industry.

Strategy and Policy – a key focus of this division is strengthening the profile of tourism across government and influencing policy outcomes. The division also works to create a strong strategic framework for the development of the tourism industry and creates accountability across Tourism Victoria through a range of planning and reporting functions.

Research – sound research forms the basis of all Tourism Victoria's initiatives. The Research unit continually analyses a range of information in order to monitor and evaluate Victoria's tourism performance and to develop marketing strategies.

Government Communications – this unit provides information and advice to the office of the Minister for Tourism and Major Events, as well as managing ministerial briefings, correspondence, speechwriting and ministerial media releases.

Executive Services – this division fulfils support roles to the Minister for Tourism and Major Events, the Chairman of Tourism Victoria, the Board and its committees and the Chief Executive. The division is responsible for financial and records management, corporate governance, asset management and audit and risk management.

Victoria has a diverse range of natural and built tourism attractions.



TOURISM VICTORIA'S BOARD

Appointed under the *Tourism Victoria Act 1992*, the Board provides strategic direction for Tourism Victoria.

Board members as at 30 June 2007:

Mr John Morse AM Chairman

John Morse was the Managing Director of the Australian Tourist Commission until 2001, heading a diverse, global organisation responsible for promoting Australia internationally as one of the world's premier tourist destinations.

Mr Morse sits on a number of tourism boards and government advisory bodies, including the Indigenous Tourism Leaders' Forum. He is patron of the Victorian Aboriginal Tourism Marketing Association and was patron of the Year of Ecotourism.

Mr Morse was appointed Chairman of Tourism Victoria in August 2001.

Ms Pamela Catty Deputy Chair

Pamela Catty is the Group General Manager of Corporate Affairs at Coles Myer Ltd. Ms Catty is a graduate of the Australian Institute of Company Directors. She was appointed to Tourism Victoria's Board in April 2000 and is a member of Tourism Victoria's Corporate Governance and Audit Committee.

Mr Geoffrey Conaghan

Geoffrey Conaghan is Melbourne Airport's Corporate Affairs Manager and is responsible for corporate and community image, relationships with the tourism industry and international air services growth. Mr Conaghan was first appointed as a member of Tourism Victoria's Board in 1998 and is a member of Tourism Victoria's Corporate Governance and Audit Committee.

Ms Bee Ho Teow

Bee Ho Teow is the Managing Director and part-owner of Australian Tours Management Pty Ltd, a member of the Victorian Tourism Awards Hall of Fame and a winner of the Australian National Tourism Award. Ms Teow is also Managing Director of the TravelSpirit Group Limited, a major outbound tour wholesaler. She first served on Tourism Victoria's Board from 1995 to 1997 and was reappointed in 2000.

Ms Alla Wolf-Tasker AM

Alla Wolf-Tasker is the Managing Director, Executive Chef, Co-founder and Co-proprietor of the Lake House Restaurant and Boutique Hotel in Daylesford. Ms Wolf-Tasker is a member of the Melbourne Food and Wine Festival Committee and a member of the Executive of the Macedon Ranges and Spa Country Campaign Committee. Ms Wolf-Tasker was appointed to the Tourism Victoria Board in 2001.

Mr Tom Smith

Tom Smith is on the Board of Tourism Alliance Victoria, which was formed in mid-2004 from a merger of the Country Victoria Tourism Council (CVTC) and the Victorian Tourism Operators Association. Mr Smith was formerly Chairman of the CVTC. Mr Smith was appointed to Tourism Victoria's Board in 1995.

Ms Judith Muir

Judith Muir is the owner/operator of Polperro Dolphin Swims, which was inducted into the Victorian Tourism Awards Hall of Fame in 2001. Ms Muir is a founding member of the Sorrento Tourism Association and chairperson of its special events sub-committee. Ms Muir was appointed to Tourism Victoria's Board in November 2001.

Mr Kevin Davern OAM

Kevin Davern is the Director/Company Secretary of Insuper Limited, Director/Coordinator of ACTU Member Connect Pty Ltd and a Trustee of the Melbourne Convention and Exhibition Centre. Mr Davern was first appointed to the Tourism Victoria Board in 2000 and is Chairman of the Corporate Governance and Audit Committee.

Mr Greg Sword

Greg Sword is the Executive Chairman of the Labour Union Cooperative Retirement Superannuation Fund and the Labour Union Insurance Company. He is a member of the Government's Innovation Economy Advisory Board and is also a trustee of the Caulfield Racecourse Reserve and the National Jockeys' Trust. Mr Sword was awarded a Lifetime Recognition Award by the Victorian Government and the Victorian Manufacturing Industry Consultative Council for 'exceptional services to the Victorian manufacturing industry'. He was appointed to the Tourism Victoria Board in July 2004.

The Tourism Victoria Board met on nine occasions in 2006–07, with three of those meetings held in regional Victoria, at Echuca, Marysville and Halls Gap.



Pictured left to right: Geoffrey Conaghan, Kevin Davern, Alla Wolf-Tasker, Pamela Catty, Judith Muir, John Morse and Greg Sword. Not pictured: Tom Smith and Bee Ho Teow.

CHAIRMAN'S REPORT



The year under review has been one of challenge for many of Victoria's regional operators as they literally battled the elements in the form of bushfire, flood and drought. At the same time, there has been much to celebrate, with record international visitor figures and the release of the *10 Year Tourism and Events Industry Strategy*, which sets the strategic framework for the future of the industry in Victoria.

Tourism has maintained its strong position over the past year. Victoria attracted a record 1.5 million international visitors in the year to March 2007. This was an eight per cent increase on the previous 12 months and well ahead of Victoria's key competitors New South Wales and Queensland.

There was strong growth from all key markets – the United Kingdom, New Zealand, China, the United States and Japan – and from the education, holiday, business and international backpacker segments.

Victoria attracted a record 1.5 million international visitors in the year to March 2007.

Importantly, regional Victoria did not miss out on the boom. Daylesford and the Macedon Ranges Gippsland, the Great Ocean Road, the Murray and Victoria's High Country all experienced increases in international visitors.

These visitors will be a major component of future tourism growth for Victoria. The *10 Year Tourism and Events Industry Strategy*, released in October 2006, predicts that overseas visitors will account for 70 per cent of tourism growth and almost 40 per cent of tourism expenditure by 2016.

The strategy marks the development of a long-term approach to the Victorian Government's support for the tourism and events industry. It is recognition that the State Government acknowledges the significance of the industry – and importantly it outlines new and comprehensive ways of fostering its development.

It is a key priority, not just for Tourism Victoria, but for the broader Department of Innovation, Industry and Regional Development and a number of other government agencies.

The strategy sets clear priorities across a range of areas, including aviation, skills and service standards, emerging international markets, investment attraction and facilitation and policy advocacy. Some of these build on Victoria's strengths, while others stretch existing boundaries to increase tourism's profile, value and capabilities across a range of sectors.

The stakes are high: our aim is to create an \$18 billion industry and 66,000 new jobs by 2016.

The focus is not just on the international market. We need also to address the challenges facing domestic tourism. The number of domestic visitors grew one per cent in the year to March across regional Victoria and in Melbourne.

This is a national challenge, not one just facing Victoria. Australians are travelling less, domestic travel is declining relative to overseas travel, and a smaller proportion of household income is being allocated to tourism activity.

Tourism Victoria has a strong, and deserved, reputation for its innovative marketing campaigns. The Lose Yourself in Melbourne campaign encourages visitors to explore the city's hidden laneways and 'creative underbelly'. We also launched regional campaigns for the Murray, Gippsland and Geelong and the Bellarine during the year.

These initiatives will keep Victoria on the domestic tourism radar and continue to encourage visitors. Tourism Victoria is also heading down a new path that will see the organisation broaden its areas of expertise. This too will have benefits for visitor numbers and visitor expenditure. This move is covered fully in the Chief Executive's Review.

This year's annual report outlines Tourism Victoria's continuing excellent work across a range of areas.

Much of this would not have been possible without the very strong support of the Minister for Tourism, the Hon Tim Holding, who was appointed after the November election, and the former Minister, John Pandazopoulos. He held the portfolio for seven years and was unstinting in his efforts to promote tourism. Minister Holding has proved an equally strong advocate of the tourism and events sector:

I must also pay tribute to former Premier Steve Bracks, who led his government's understanding of and ongoing commitment to the tourism industry. Premier John Brumby, formerly the Minister for Regional and Rural Development, has stated clearly that regional Victoria will be one of his government's key areas of focus. This bodes well for tourism.

I would like to acknowledge my fellow Board members for their contribution over the past year: Their leadership and counsel have been invaluable. I would also like to congratulate Tourism Victoria's Chief Executive, Gregory Hywood, on setting a clear new direction for the organisation and achieving so much in his first 12 months in the role.

And, of course, I must congratulate Victoria's tourism operators for their continued enthusiasm and resilience. This has been a particularly stressful year in many regions, with bushfires, drought and flood taking their toll.

Finally, I thank Tourism Victoria's executive team and staff for their ongoing dedication, creativity and expertise, which has cemented the organisation's position as the leading state tourist office in Australia.

I look forward to working with the Board, the State Government and the staff of Tourism Victoria to grow and consolidate the tourism industry in this great state.

CHIEF EXECUTIVE'S REVIEW



Victoria has marketed itself extremely effectively over the past decade or more. The state has attracted increasing numbers of visitors – domestic and international – and higher visitor expenditure.

Victoria remains a high achiever, but we can't rest on our laurels. Global tourism is booming. Victoria must work hard to achieve its share of international arrivals. Domestically, there are many challenges. These are being felt across Australia, New Zealand and many western markets.

Tourism Victoria is undertaking significant work on aviation access, investment attraction, labour market and skills issues.

Marketing, a critical activity for Tourism Victoria and one that we do well, will help address the static domestic market. We launched the quirky *It's Easy to Lose Yourself in Melbourne* brand campaign and a series of regional marketing campaigns during the year.

The Melbourne campaign won a series of awards at the prestigious Melbourne Advertising and Design Club Awards in June, including the coveted chairman of the judge's award for 'Best of Show'. Our Daylesford and the Macedon Ranges '*Live Happily Ever After*' print advertising campaign won a bronze award.

However, marketing cannot stand alone. Tourism Victoria is undertaking significant work on aviation access, investment attraction, labour market and skills issues. This will create a well-rounded tourism and hospitality industry that provides significant employment and maintains Victoria's position as a premier tourist destination.

Tourism Victoria has had a strong internal focus this year. We initiated an organisational restructure to enhance our capabilities in a number of key areas and extend the organisation's reach and influence. As foreshadowed in the *10 Year Tourism and Events Industry Strategy*, we have established a strong Strategy and Policy division that is actively engaging across Government to ensure tourism industry issues are fully considered in the review and development of Victorian Government policy.

The year in review was marked by several aviation wins that will deliver significant seat capacity and passenger growth for Melbourne. Tourism Victoria assisted Victorian Government negotiations that resulted in Tiger Airways and Jetstar International both calling Melbourne home, a major coup for the State. Indian Airlines announced daily services to Melbourne, Qatar Airways was granted air rights allowing it to fly daily to Melbourne. Emirates has been granted an additional 35 services per week from Dubai to Australia, allowing it to build upon its existing double daily Melbourne services.

The State Government allocated \$66 million to tourism and major events in the May 2007 budget, \$23 million of which will support tourism and events in regional Victoria. While not all the money will be managed by Tourism Victoria – the \$66 million is divided among State Government agencies and the private sector – it all points to a Government that is committed to a strong and successful tourism industry.

The State Government announced tourism recovery funding of \$4 million for bushfire affected communities in Gippsland and the High Country during the year. A further \$545,000 for tourism flood recovery was allocated in July, after severe flooding in Gippsland late in the year under review.

Looking ahead, Tourism Victoria will continue to work with Minister for Tourism Tim Holding to implement the *10 Year Tourism and Events Industry Strategy*. Mr Holding has shown strong leadership and a thorough understanding of the industry since his appointment in late 2006. I would like to also acknowledge former Minister John Pandazopoulos, who helped grow the tourism industry over many years.

Finally, I would like to acknowledge Secretary Warren Hodgson, former Secretary Fran Thorn and colleagues in the Department of Innovation, Industry and Regional Development.

My thanks to Tourism Victoria's Board, Chairman John Morse and the team at Tourism Victoria for their commitment to excellence. I look forward to the year ahead, leading this dynamic team of hard working people.

VISITOR FIGURES

Victoria experienced sustained growth in international visitor numbers between 1999 and 2006.

INTERNATIONAL VISITOR NUMBERS¹

The average annual growth rate of 4.3 per cent for the period is above the national average growth (3.0 per cent per annum) and key competitors Queensland (1.6 per cent) and New South Wales (2.3 per cent).

Victoria attracted 1.4 million (28.4 per cent) of the 5.1 million international tourists (aged 15 years and over) who visited Australia in the year ending December 2006. International visitor numbers to Victoria increased by 7.9 per cent for the year ending December 2006 compared with the previous year.

International visitors spent 31.2 million nights in Victoria in the year ending December 2006, giving the State a 20.1 per cent market share of all international visitor nights.

The average length of stay of international visitors to Victoria has steadily increased from 16.7 nights in the year ending December 1999 to 21.5 nights in the year ending December 2006.

International visitors to Victoria spent \$2.7 billion during 2006, or 19.1 per cent of all international visitor expenditure in Australia.

Over the period 1999 to 2006 international visitor expenditure in Victoria has increased at an average annual rate of 9.2 per cent. This outperforms the national total (up 6.5 per cent per annum), key competitors New South Wales (up 7.4 per cent per annum) and Queensland (up 4.3 per cent per annum). In 2006 international visitors to Victoria spent \$1.3 billion more than in 1999.

4.3%

2.3%

1.6%

3.0%

Victoria

New South Wales

Queensland

Australia

INTERNATIONAL OVERNIGHT VISITORS
AVERAGE ANNUAL GROWTH
YEAR ENDING DECEMBER 1999–2006

Performance of International Markets

The United Kingdom delivered the strongest growth for the key markets, of 18.9 per cent for the year ending December 2006, while the United States of America grew by 5.4 per cent and China by 5.2 per cent over the same period. Since 1999, the major origin markets that have increased are: China (19.9 per cent), New Zealand (7.1 per cent per annum), the United Kingdom (6.5 per cent) and the United States of America (1.1 per cent).

INTERNATIONAL HOLIDAY MARKET

In the year ending December 2006, there were 724,400 international holiday visitors to Victoria, an increase of 7.2 per cent over the previous year. The number of nights spent by international holiday visitors in Victoria increased by 11.7 per cent to 8.6 million nights, outperforming key competitor Queensland (6.6 per cent) and the national average (10.2 per cent).

INTERNATIONAL BACKPACKER MARKET

In the year ending December 2006, 254,700 backpackers visited Victoria, a 19.5 per cent increase over the year ending December 2005. Almost 47 per cent of all international backpackers to Australia visited Victoria. The largest source markets were continental Europe (33.6 per cent) and the United Kingdom (27.1 per cent). Backpacker length of stay in Victoria was 24 nights, longer than other international visitors.

1 Figures provided are for the year ending December 2006 to ensure statistical continuity across the time series reported. Although the year ending March figures are available, and are referenced elsewhere in this report, the time series can include variations in the year on year comparisons, depending on when the Easter break falls. In addition to this, expenditure results were not available on a quarterly basis prior to December 2005. Sources: Tourism Research Australia, International Visitors Survey, years ending December 1999–2006 and Regional Expenditure Tables 2006 (international visitor expenditure in each state and territory) years ending December 1999–2006.

INTERNATIONAL VISITORS TO VICTORIA

Origin market	Visitors to Victoria	% Average annual growth 1999–2006	% change 2005–06
TIER ONE			
China	137,721	19.9	5.2
NZ	228,723	7.1	2.0
UK	238,677	6.5	18.9
US	131,043	1.1	5.4
Japan	63,202	-3.2	-3.7
TIER TWO			
Singapore	65,269	-0.7	0.2
Malaysia	47,428	3.6	-6.7
Germany	56,461	0.9	6.1
Korea	43,254	15.9	48.2
India	28,448	N/A	32.8
Hong Kong	39,738	7.9	-0.8
Canada	37,587	3.9	26.8
TIER THREE			
Ireland	28,994	N/A	15.5
France	20,471	N/A	6.8
Italy	21,146	N/A	-2.5
Netherlands	19,321	N/A	0.0
Switzerland	14,962	N/A	1.3
Scandinavia	26,701	N/A	0.9
Indonesia	22,475	-1.2	2.1
Taiwan	22,334	-10.0	4.4
Thailand	20,015	2.5	-1.2
Total Asia (excl. Japan)	458,233	6.3	8.6
Total Europe (excl. UK)	218,487	1.9	2.8
Total	1,448,287	4.3	7.9

7.9%

Victoria

0.8%

New South Wales

2.2%

Queensland

1.0%

Australia

INTERNATIONAL OVERNIGHT VISITORS
PERCENTAGE CHANGE
YEAR ENDING DECEMBER 2005–06

DOMESTIC VISITOR NUMBERS ²

Victoria received 17.4 million domestic overnight visitors in the year ending December 2006, an increase of 4.6 per cent compared with the previous 12 months. The State achieved a 23.7 per cent market share of all domestic visitors in 2006.

Victoria's domestic overnight visitor market has been relatively stagnant since 1999 (0.6 per cent per annum), in line with the national market (0.1 per cent per annum) over the same period.

Factors influencing the domestic visitor market include:

- Higher levels of personal and household debt (housing debt particularly among Sydney and Melbourne residents and credit card debt generally);
- Changing household consumption patterns (with increases in areas such as communications, household goods, furnishings and health);

- Leakage from domestic to outbound holidays (particularly among the young and midlife singles and couples and residents of Sydney and Melbourne);
- Stockpiling of annual leave (recent research found that Australians have 70 million days of accrued annual leave and that nearly 60 per cent of full-time workers do not use their full four weeks annual leave each year); and
- The discount aviation carriers (travellers from Melbourne and Sydney are increasingly flying interstate at the expense of drive tourism to intrastate regional areas).

Victoria has experienced sustained growth in interstate overnight visitor numbers since 1999, reaching 5.4 million visitors in 2006. The State's average annual growth rate of 3.2 per cent outperforms the national average (2.5 per cent per annum) and key competitors New South Wales (1.1 per cent) and Queensland (3.0 per cent).

Interstate visitors spent 22.8 million visitor nights in Victoria for the year ending December 2006, a 16.3 per cent share of all interstate nights.

Intrastate overnight travel (Victorians holidaying in Victoria) accounted for 12.0 million visitors for the year ending December 2006. Intrastate overnight travel comprises over two thirds (68.9 per cent) of all domestic overnight travel in Victoria.

Victorians spent 30.7 million visitor nights in their home state, representing no change from 2005. Since 1999 there has been an average annual decrease of 1.0 per cent, compared with a decrease of 1.6 per cent nationally, 2.5 per cent for New South Wales and 0.9 per cent for Queensland.



INTERSTATE OVERNIGHT VISITORS AVERAGE ANNUAL GROWTH YEAR ENDING DECEMBER 1999–2006

In 2006, total domestic overnight visitor expenditure in Victoria increased by 3.1 per cent over the previous year to reach \$7.8 billion or 18.7 per cent of all domestic overnight tourism expenditure in Australia.

In 2006 domestic overnight visitors to Victoria spent \$1.7 billion more than in 1999.

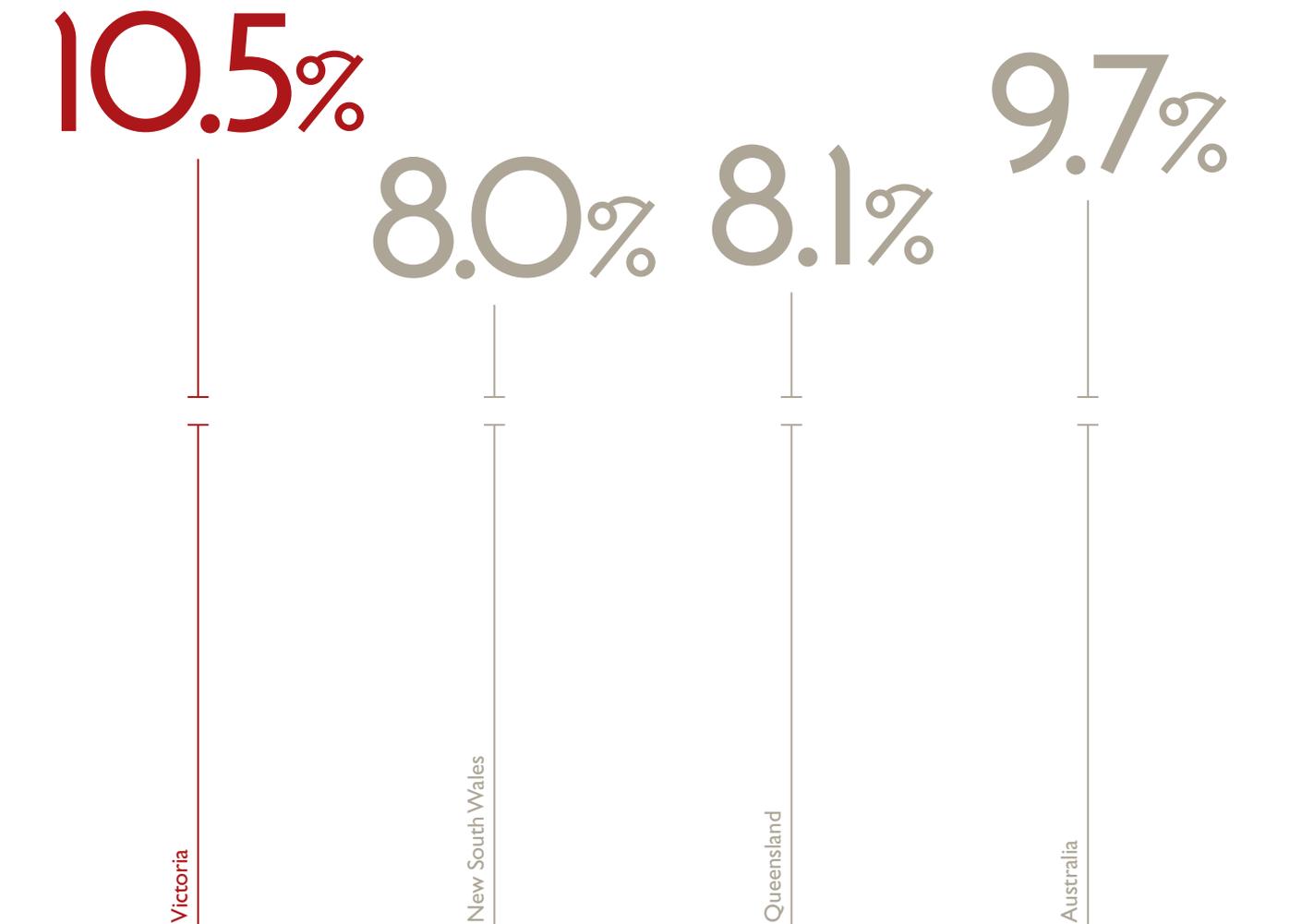
Domestic visitors to regional Victoria

There were 11.3 million domestic overnight visitors to regional Victoria in the year to December 2006, representing 65.1 per cent of all domestic visitors to Victoria. The average number of nights spent in regional Victoria was 3.0.

Domestic overnight expenditure in regional Victoria in 2006 is estimated to have been \$3.5 billion, an increase of 5.3 per cent from the previous year and an average annual growth of 4.0 per cent since 1999.

2 Sources: Tourism Research Australia, National Visitors Survey, years ending December 1999–2006 and Regional Expenditure Tables 2006 (domestic overnight visitor expenditure in capital cities and regional areas of each state and territory) years ending December 2005–06.

Victoria has experienced sustained growth in interstate overnight visitor numbers since 1999, reaching 5.4 million visitors in 2006.



INTERSTATE OVERNIGHT VISITORS
PERCENTAGE CHANGE
YEAR ENDING DECEMBER 2005–06

TOURIST ACCOMMODATION SECTOR

According to the Survey of Tourist Accommodation³, Victoria had increases across all indicators in the December 2006 quarter:

Compared to the same quarter in the previous year, Victorian hotels, motels and serviced apartments had increases in the number of establishments (up 15 to 796); the number of rooms available (up 1,035 to 37,716); room nights occupied (up 6.7 per cent to 2.3 million nights); occupancy rates (up 2.5 percentage points to 66.2 per cent); takings (up 13.9 per cent to \$330 million) and employment (up 0.9 per cent to 21,900).

Victoria outperformed the national growth rate in takings (13.1 per cent) and key competitors New South Wales (12.5 per cent) and Queensland (11.7 per cent). Victorian hotels, motels and serviced apartments had a 13.9 per cent increase in takings, or an extra \$40.2 million spent in revenue compared with the same period in 2005. Melbourne hotels had a 16.9 per cent boost in takings in the quarter.

Regional Victoria experienced growth across most major indicators, including growth in takings (up 3.4 per cent to \$67 million) and room nights occupied (up 1.1 per cent to 624,300).

BRAND HEALTH

Tourism Victoria has conducted a Brand Health survey annually since 1996 to assess consumer perceptions of Victoria's product strengths.

Highlights from the 2007 survey:

- Victoria continues to be the leading state recognised as a great place to tour by car (22.7 per cent). Notably, Victoria is ranked second across the New South Wales, Queensland and South Australian interstate markets (the home state being ranked first).
- Victoria is recognised as the leading state or territory offering quality regional food and wine experiences (24.0 per cent), as well as having a reputation as a state offering many boutique wineries to visit (16.9 per cent).
- Prompted awareness of Daylesford and the Macedon Ranges continues to increase since the launch of the region's advertising campaign in 2006, reaching 45.6 per cent in 2007.
- Melbourne continues to be the leading city recognised for international sporting and cultural events (49.9 per cent).
- Melbourne is also the leading city associated with shopping (52.5 per cent), theatre (46.9 per cent), quality food experiences and world class restaurants (44.5 per cent), cafes, bars and nightlife (43.4 per cent) and style and romance (29.1 per cent).

³ Source: Survey of Tourist Accommodation, December quarter 2006, Australian Bureau of Statistics. Includes hotels, motels and serviced apartments with 15 rooms or more

13.9%
increase in takings from Victorian hotels, motels and serviced apartments

DOMESTIC VISITATION BY CAMPAIGN REGION YEAR ENDING DECEMBER 2006

	Total Victoria	Regional Victoria	Melbourne	Daylesford and the Macedon Ranges	Gippsland	Goldfields	Grampians	Great Ocean Road	Mornington Peninsula	Murray	Phillip Island	Victoria's High Country	Yarra Valley and Dandenong Ranges
Domestic Overnight Visitors ('000s)	17,424	11,343	6,609	427	1,625	1,315	672	2,503	1,028	2,171	648	1,016	572
Domestic Visitor Nights (000s)	53,452	33,508	19,944	913	4,706	2,787	1,760	7,281	2,815	6,675	2,067	3,147	1,356
Average length of stay	3.1	3.0	3.0	2.1	2.9	2.1	2.6	2.9	2.7	3.1	3.2	3.1	2.4
Domestic Daytrip Visitors (000s)	32,158	20,972	11,187	1,145	2,326	2,827	697	4,227	2,950	2,689	893	974	2,244

OUTPUT TARGETS & PERFORMANCE

Performance Indicators	Unit of Measure	2006–07 Targets	2006–07 Results	Comments on target
QUANTITY				
Investment projects facilitated	\$ million	200–250	208	Target achieved. Key projects that have contributed to this result include the Mantra Deep Blue at Warrnambool (\$25m), Sault Resort in Daylesford (\$30m), and The Saints at Falls Creek (\$40m). The redevelopment of Seafarers Lodge at Apollo Bay (\$20m) and expansion of Peppers Springs Retreat at Hepburn Springs (\$5m) have also contributed.
Number of international visitors	number (million)	1.2–1.5	1.5	Target achieved. Data is for the year ending March 2007 (latest available).
Value of earned ink generated: domestic	\$ million	35–45	35.95	Target achieved.
Value of earned ink generated: international	\$ million	80–100	100.92	Target achieved.
Visitor expenditure (domestic)	\$ billion	6.8–7.2	7.9	Target exceeded. Data is for the year ending March 2007 (latest available).
Visitor expenditure (international)	\$ billion	2.4–2.7	2.9	Target exceeded. Growth in international visitor expenditure has been driven by strong increases in arrivals from the UK, China and Korea. Data is for year ending March 2007 (latest available).
Visitor expenditure in regional Victoria: (domestic)	\$ billion	2.7–3.1	3.6	Target exceeded. Data is for year ending March 2007 (latest available).
Visitor expenditure in regional Victoria: (international)	\$ million	250–290	214	Below target. Declines in international visitor expenditure reflect the changing origin market composition of arrivals to the State. Visitation from Eastern markets has grown and these visitors typically have lower levels of regional dispersal than traditional Western markets. Data is for year ending March 2007 (latest available).
Annual visitors to visitvictoria.com	number (000's)	3,800	5,269	Target exceeded. Online visitation has increased due to a number of highly successful e-marketing campaigns, as well as ongoing search engine optimisation and the continuing take up of internet usage in Australia and Tourism Victoria's priority international markets.
QUALITY				
Target marketing awareness of advertising on Victoria: Victoria	per cent	12–17	15.7	Target achieved. Data is for year ending March 2007 (latest available).
Target marketing awareness of advertising on Victoria: interstate	per cent	16–21	17.2	Target achieved. Data is for year ending March 2007 (latest available).



MARKETING

Increase visitor numbers, length of stay and visitor expenditure by implementing innovative and effective marketing strategies that position Victoria as a distinct and competitive tourist destination.



DOMESTIC MARKETING

Tourism Victoria's primary role is to encourage visitors from interstate and overseas to holiday in the State.

A lot of resources therefore go into producing advertising campaigns to promote Melbourne and regional Victoria. Tourism Victoria works closely with its advertising agency, Publicis Mojo, on these campaigns.

Tourism Victoria reappointed the agency to its account in April 2007. Publicis Mojo developed the Jigsaw logo and the slogan *You'll love every piece of Victoria*. It has delivered a series of award-winning campaigns for Tourism Victoria over the past 14 years, including the distinctive black and white *Romantic Melbourne campaign* (2001), the award-winning *Melbourne's Yarra Valley. You'll never want to leave* (2003) and the current *It's Easy to Lose Yourself in Melbourne* campaign.

Tourism Victoria's annual Brand Health research, tracks perceptions of the State's key product strengths. This research informs the development of Tourism Victoria's national marketing strategies. The effectiveness of all campaigns is tested with key domestic target audiences.

Tourism Victoria also commissions a range of market research projects, including the economic value of tourism to Victoria, and qualitative studies, including market segmentation.

MELBOURNE

Capitalising on the momentum gained by the Melbourne 2006 Commonwealth Games, Tourism Victoria launched the latest phase of the successful Jigsaw campaign in September 2006, with a major brand campaign for Melbourne.

The \$12.4 million campaign will roll out over four years. The campaign theme, *It's Easy to Lose Yourself in Melbourne*, takes its inspiration from the city's inherent mystery, diversity and creativity. It moves beyond simply putting Melbourne on the wish list and towards motivating consumers to come and explore the city for themselves. It does this by building on Melbourne's brand reputation as stylish, sophisticated and romantic, and by adding the attribute of creativity to further differentiate Melbourne from Sydney.

This is the first major brand campaign to be launched for Melbourne since the black and white *Melbourne. You'll Never Want to Leave* campaign in 2001.

The new campaign emphasises Melbourne's depth, diversity and difference by focusing on the key strengths of precincts, people, arcades and laneways, boutiques, galleries, fine food and wine, arts, culture and architecture.

Underpinned by the promotion of a series of signature experiences – *Luxury & Indulgence*, *Cultural Discovery*, *Cool Hunting* and *Fashion & Fun* – the integrated campaign comprises television, cinema, magazine, press, online, public relations and cooperative travel industry marketing.

The campaign has received numerous prestigious industry awards, including 'Best in Show', 'Best Film Direction' and 'Best 45 second TV Commercial' at the Melbourne Advertising and Design Club Awards, 2007.



\$12.4m

brand campaign for Melbourne,
the first since 2001

REGIONAL

To balance the strong Melbourne marketing focus, Tourism Victoria developed and refreshed several regional brand campaigns during the year:

The new Murray campaign, launched in August 2006, was developed in collaboration with Tourism New South Wales and the Murray Campaign Committee. *The Murray River. Wind Down* campaign positioned the Murray as the perfect destination to relax, unwind and enjoy the slow pace of the majestic river. It focused on the regional brand strengths of history and heritage, golf, food and wine and water-based activities. The campaign comprised magazine, press, online, e-marketing and public relations components in Melbourne, regional Victoria, Sydney, regional New South Wales, South Australia and Canberra.

The campaign was jointly funded by Tourism Victoria, Tourism New South Wales and AusIndustry, the federal funding program delivery arm of the Australian Government's Department of Industry, Tourism and Resources.

The Gippsland campaign was launched in October 2006. It invited consumers to be *'Inspired by Gippsland'* by focusing on the region's diverse and inspiring natural experiences and the benefits of discovering the Gippsland region. The campaign ran in Melbourne and Canberra in magazines and newspapers and online.

Following the 2007 bushfires, both Gippsland and Victoria's High Country received Bushfire Recovery Funds to assist in the recovery of the tourism industry. Detailed marketing and industry development plans have been outlined for both regions and are currently being rolled out.

A new intrastate campaign for Geelong and The Bellarine was launched in April 2007. Funded through the Provincial Victoria Growth Fund, the campaign showed that what makes Geelong and The Bellarine such a great area is its down-to-earth nature and complete lack of pretension. These attributes inspired the *'Come back down to earth'* tagline. The campaign ran in Melbourne and the western and northern districts of Victoria in newspapers, transit interiors (buses and trams), online and through public relations.

Provincial Victoria Growth Fund funding has enabled a review of the Goldfields and Phillip Island campaigns. Work is currently being completed on these campaigns, with an expected launch in late 2007.

The Great Ocean Road campaign benefited from the development of an extensive communications strategy which assisted the sub-regions underpin the overarching Great Ocean Road branding.

The Daylesford campaign, which was launched in April 2006, was recognised at the Melbourne Advertising and Design Club Awards in June 2007 with a bronze award for 'Best Illustration'.

In July 2006 the State Government announced an intrastate brand campaign for the Dandenong Ranges. The campaign is under development and will be launched in September 2007.

Inspired by Gippsland campaign, Tarra-Bulga rainforest.

The Daylesford campaign won bronze for 'Best Illustration' at the Melbourne Advertising and Design Club Awards (right).



IN DETAIL

Winter. Melbourne Style

Tourism Victoria promotes Melbourne as a short-break winter destination, playing to the city's strengths of shopping and arts, theatre and culture. The 2006 *Winter. Melbourne Style* campaign was very successful with more than 35 hotels participating in a multi-faceted marketing campaign, targeting intrastate and interstate markets and, for the first time, New Zealand.

Running from 1 June to 31 August, the campaign had two key themes. The Visa Melbourne Shopping Promotion – *Shopping. Melbourne Style* – was intended to reinforce Melbourne's position as the shopping capital of Australia, stimulate awareness of new retail precincts and increase visitor numbers during the winter months. The campaign also promoted the third in the *Melbourne Winter Masterpieces* series, *Picasso: Love and War 1935–1945*.

The campaign promoted a 'two nights accommodation plus \$100 hotel credit' hotel offer as well as a 'buy one get one free' discount from Shopping Spree Tours for Qantas Holidays passengers.

The *Shopping. Melbourne Style* campaign included a consumer promotion in conjunction with two leading Melbourne shopping precincts, Melbourne Central and QV, and consisted of a \$15,000 VIP Melbourne Fashion Experience prize. A range of national press, magazine and online marketing activities were undertaken to support the campaign.

The campaign also included the production of an interstate magazine, *Winter. Melbourne Style*, distributed via newspapers in three key source markets – Sydney, Adelaide and Canberra – and the production of a *Melbourne Shopping Guide*.

Results

Supported by five national wholesale partners, the winter campaign continued to prove successful with increases in both visitor numbers and room nights. The campaign generated \$3,615,919 million worth of publicity for Melbourne. Visitvictoria.com/melbourne recorded more than 2.5 million page impressions. The Visa Melbourne Shopping promotion delivered positive results for all stakeholders with more than 1,600 entries for the Melbourne Escape promotion across Australia and New Zealand and increased Visa card use.



ALPINE

Victoria's snowfields are an important element in the State Government's plans to promote and encourage year-round tourism growth. While visitor numbers are higher during the winter months, alpine areas are increasingly recognised as desirable destinations year-round.

The Board for Alpine Resorts Tourism (BART) has a key leadership role in the development of the alpine industry. Tourism Victoria works with BART to promote Victoria's ski fields. BART comprises Mt Buller/Mt Stirling, Falls Creek, Hotham, Lake Mountain, Mt Baw Baw and Mt Buffalo.

Tourism Victoria and BART have worked to increase visitation to Victoria's resorts, alpine valleys and towns by broadening community understanding and knowledge of alpine regions. BART continued to rollout the Alpine Education Program, a primary school education resource, to generate excitement and interest in Victorian alpine regions.

During the 2006 snow season, Victoria's alpine resorts attracted 407,000 visitors, accounting for 984,000 visitor days. This level of visitation was 37 per cent below the nine-year average from 1997 to 2005, reflecting a very poor snow season. However, the 19 per cent decline in visitor days (compared with the nine-year average) suggests visitors are staying comparatively longer than in previous years.

The 2006 ski campaign had the tagline *Victoria's Snowfields. Never Come Down.* The print and online campaign targeted regular skiers in New South Wales, Queensland and South Australia. For the first time a joint initiative with trade wholesalers enabled branding elements to be included in trade wholesaler marketing campaigns.

The alpine areas are increasingly recognised as desirable year-round destinations.

REGIONAL PARTNERSHIP PROGRAM

The Regional Partnership Program has focused on the delivery of integrated marketing strategies for each region of Victoria. General Service Agreements and marketing plans were implemented for each region, with an emphasis on integrating Tourism Victoria's regional brand campaigns and campaign committee tactical marketing initiatives.

The ten regional campaign committees contributed more than \$2 million to cooperative marketing. The program supported the development of strategic marketing alliances including the Great Southern Touring Route, Sydney Melbourne Touring and Melbourne and Surrounds.

More than 100 print advertisements ran during the financial year as part of the Fast Art system. This was developed in response to regional tourism industry requests for tactical tools to help underpin the brand campaigns. Each template reflects the look and feel of the regional brand campaigns.

Tourism Victoria continued to work with campaign committees to ensure that approximately 3,000 regional website pages are kept up-to-date.

\$6m

marketing pool, to be allocated based on marketing plans

Tourism Victoria conducted a review of the RPP during 2006 and launched the new Regional Marketing Program 2007–09 in February 2007. The \$6.5 million two-year program gives every one of Victoria's tourism campaign committees the opportunity to fully meet the tourism potential of their region.

Regions are required to submit applications outlining their funding request and marketing activities over the period. Campaign committees can apply for a share of a \$6 million marketing pool, to be allocated based on marketing plans. An additional \$500,000 will encourage regional tourism operators to sign up to visitvictoria.com.



VICTORIAN TOURISM INFORMATION SERVICE

The Victorian Tourism Information Service (VTIS) supports Tourism Victoria's national promotional and advertising program through a 132 842 telephone number included in selected television, radio, electronic and print media advertisements. The VTIS is also used by a number of regional campaign committees in their marketing campaigns.

The number of calls to the VTIS is declining, coinciding with the increasing popularity of visitvictoria.com as the primary call to action in most of Tourism Victoria's advertising. However, the VTIS is still an important call to action in some of Tourism Victoria's key target markets, in particular for visitors seeking copies of Victoria's Jigsaw publications. It also provides general tourist information and assistance, and refers callers to other tourism businesses that can assist with more detailed enquiries and bookings.

In the year to June 30, almost 60,000 calls were made to the VTIS, a decline of 15 per cent compared to the previous year.

Of these calls:

- 72 per cent were answered at the call centre, of which the ratio was around 50:50 for brochure orders and general information;
- The remaining callers were either satisfied with the pre-recorded information they received or called outside of business hours for general tourism information;
- Almost 49,000 brochures were requested through the VTIS, an increase of 17 per cent on the previous year;
- The Service Level Agreement (SLA) of 70 per cent of calls answered within 30 seconds was surpassed, with an average SLA of 84 per cent.

TRAVEL INDUSTRY & PARTNERSHIP

Tourism Victoria continued to promote Melbourne and Victoria through the national travel industry network during 2006–07. The organisation fostered business relationships with airlines, wholesalers, travel agents, tour and transport operators and motoring organisations.

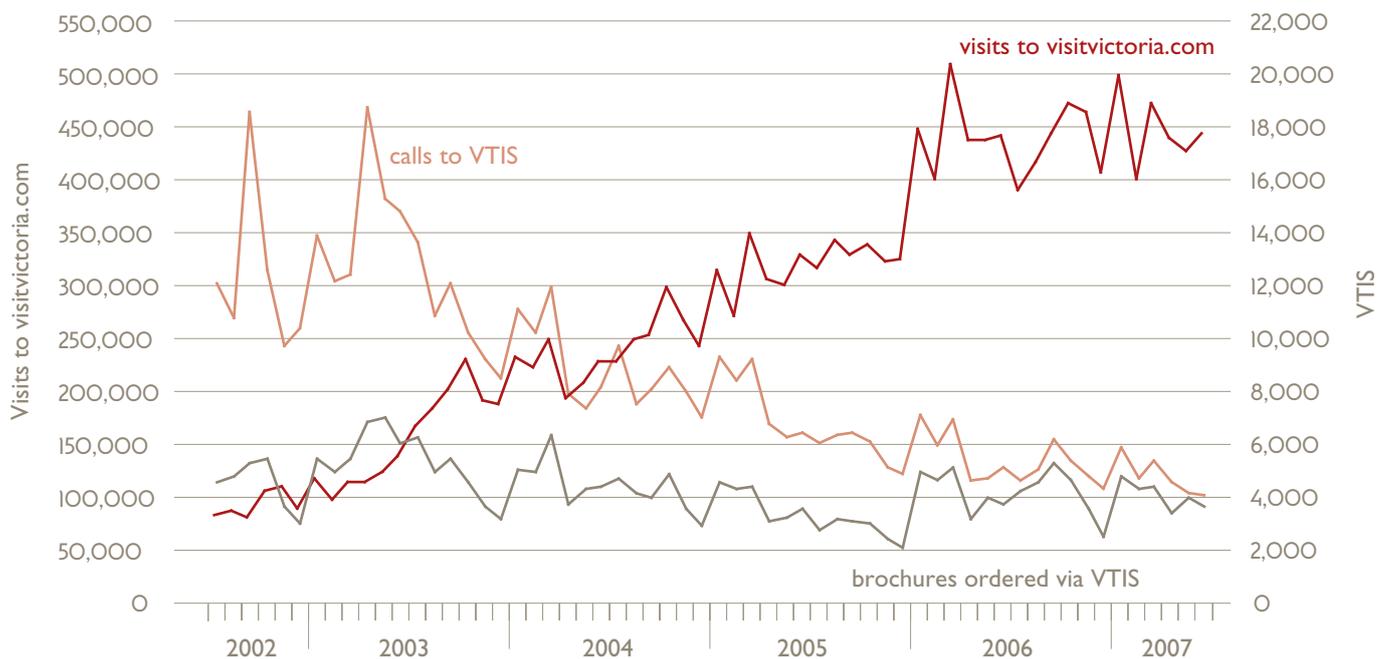
Tourism Victoria continued to work closely with domestic travel industry partners to develop packages and campaigns to promote the 2006 *Winter. Melbourne Style* campaign, Victoria's ski fields, regional Victoria and shows including *Miss Saigon* and *Barry Humphries and friends, Back with a Vengeance*. It was again a hugely successful year, with more than \$1 million leveraged from travel industry partners as a result of the wealth of product on offer in Melbourne during the year under review.

Tourism Victoria worked closely with all domestic wholesale and retail partners to increase the amount of Victorian product available online and in brochures.

Qantas Holidays and Great Aussie Holidays have continued to increase the amount of regional product in their programs. Qantas Holidays continued to underpin Tourism Victoria's brand campaigns with retail advertising promoting self-drive holidays to destinations including the Yarra Valley and Daylesford.

In 2006, Tourism Victoria's domestic trade marketing team was a finalist in the category Best Tourist Office – National at the National Travel Industry Awards. This is the highest accolade in the Australian travel industry and recognises Tourism Victoria for delivering excellence in dealings with its travel industry partners.

VISITVICTORIA.COM vs VTIS



IN DETAIL

Victoria's bushfires

On 1 December 2006, lightning strikes in North East Victoria and Gippsland caused approximately 50 fires within the Alpine National Park and adjoining State forest. The fires joined to create a large fire front, the Great Divide Complex.

The fires burned for 69 days over the peak summer tourism period. They were declared on 7 February, after burning more than one million hectares and leading to a major decline in visitors to both regions. And while the bushfires had an obvious negative impact on tourism operators who were literally in the line of fire, early media reporting of the bushfires led to consumer perceptions that the entire region was under threat.

Initially, local councils and leaders within the tourism industry referred to the Tourism Victoria's *Crisis Communications Handbook* to help guide their crisis management. Tourism response and recovery groups were formed in both regions, incorporating affected operators

and local shires, as well as key State Government stakeholders such as Tourism Victoria, Parks Victoria and the Department of Sustainability and Environment.

The regional response groups led the development of a crisis communication plan and initial assessment of the impact of the bushfires on operators. A key role of the group was coordinating the development of a recovery plan, incorporating both marketing and industry development initiatives, to the Bushfire Ministerial Taskforce.

In the meantime, Tourism Victoria formed an inter-departmental crisis response group to coordinate government support for both regions.

Several marketing initiatives were rolled out immediately, including press advertising in *The Age* and *Herald Sun* prior to key holiday periods, the appointment of a public relations consultant to promote the regions, and support for regional events to encourage visitors back to Gippsland and the North East.

The combined efforts of both the regional response groups and Tourism Victoria's crisis response group culminated in the announcement of a \$4 million State Government Bushfire Taskforce rescue package. Marketing, events funding and business development programs formed the foundation of the package, to be rolled out by July 2008. The aim of the package is to not only help the industry recover from the devastating loss of business and tourism assets, but to develop the industry so that it is better able to recover from any future environmental crisis.

\$4m

State Government
Bushfire Taskforce
rescue package



INTERNATIONAL MARKETING

Victoria attracted more international visitors than ever before with a record 1.5 million visitors in the year ending March 2007. International visitors tend to stay longer than domestic visitors. They account for seven per cent of visitor numbers, but 23 per cent of total expenditure. International visitors spend \$6.4 million per day on average in Victoria.

Tourism Victoria works closely with Tourism Australia, airlines, key international travel industry partners and the Victorian tourism industry to promote Victoria internationally to potential visitors and the travel trade. A mix of trade and consumer marketing strategies and techniques are used to increase awareness of and build visitation to Victoria.

Tourism Victoria's international marketing activities are managed from the Melbourne head office, supported by staff at offices in the United Kingdom, Germany, New Zealand, the United States, Singapore, Japan, China, Hong Kong and India.

CONSUMER

Tourism Victoria leverages Tourism Australia's brand activity in all international markets and also undertakes independent brand campaigns where budgets permit. Given the cost of advertising in many markets, targeted public relations and media visit programs are a cost effective method of generating awareness of Victoria as a destination.

Tourism Victoria continues to build relevant destination content on visitmelbourne.com and its market and language variants, leading the way with initiatives such as podcasting (an excellent medium to communicate with target audiences) and vod (or video) casting, in the United Kingdom market.

Tourism Victoria showcased many of Victoria's key international product strengths, throughout the year, particularly the State's food and wine, and world class chefs. Highlights included:

- **Singapore, Malaysia and India** – In partnership with Tourism Australia, a Taste of Australia series was held in Singapore, Malaysia and India to profile Melbourne as the culinary capital of Australia. A 16-page supplement *Epicurean Melbourne* profiled the taste, smell and freshness of the food in Melbourne and regional Victoria. In Singapore, the three day event saw guests enjoying the freshest Australian food, the finest wine and good company at the World's Longest

Lunch and The Long Table Dinner with produce and wine supplied by participants from the Yarra Valley and Mornington Peninsula. The 10-day food and wine extravaganza in Malaysia saw the participation of Melbourne Chef of the Year 2007 Andrew McConnell, from Three, One, Two, master chocolatier Arno Backes and Shane Hills, founder of Koko Black. In India the Taste of Melbourne event showcased food and wine from The Press Club and De Bortoli.

- **North America** – Tourism Victoria hosted a premier public relations event, the James Beard Foundation/ Melbourne Food & Wine Promotion in New York in October 2006. The James Beard Foundation is a national not-for-profit organisation dedicated to furthering the practice and appreciation of the culinary arts in America. Tourism Victoria, in conjunction with pre-eminent chefs Alla Wolf-Tasker of The Lake House and Paul Wilson of The Botanical created a themed dinner that promoted Australian cuisine and Victorian produce and wines. The event was attended by 60 national media and 70 stakeholder guests. As well as increasing Melbourne's media profile, the event was an excellent platform for showcasing lesser-known and newly available food and wine pursuits in Victoria.
- **North America** – Tourism Victoria in partnership with Jetstar International and the Australian American Chamber of Commerce (of Hawaii) co-hosted Melbourne Under the Stars, an event promoting food and wine from Melbourne and regional Victoria and Jetstar's new non-stop service from Honolulu to Melbourne. Chefs Paul Wilson of the Botanical, Ian Curley of the European and Harry Lilai of Ceconi's participated in the event, which was attended by approximately 600 guests comprising prominent local trade, media and business representatives.

\$6.4m

average amount spent
in Victoria per day by
international visitors

- **China** – The top rating Hong Kong television channel TVB Jade filmed in Melbourne as part of a series on ‘Visiting the World’s Famous Chefs’, for its *Travelicious* program. The program featured some of Melbourne’s top restaurants and chefs – Flower Drum, Tutto Bene, Pure South, De Bortoli, Ezard’s, Shoya, Melbourne Oyster Bar and Tuki Trout Farm – ensuring the program was a huge success. Three episodes of the program were aired in October to a cumulative audience of more than 4.5 million viewers, with an advertising value in excess of \$1.6 million.
- **Japan** – The FINA 2007 World Swimming Championships received excellent exposure through TV Asahi, one of Japan’s prime television networks. Most events were broadcast during prime time and achieved excellent ratings. TV Asahi also produced special programs promoting Melbourne as the host city of the championships.
- **New Zealand** – Tourism Victoria produced a 24-page *Melbourne Style* supplement distributed nationally with the *Sunday Star Times* in May. The supplement was designed to encourage winter travel to Melbourne and focused on shopping and regional touring. New Zealand travel agent House of Travel was appointed as retail partner, with tactical advertising included in the supplement and online.
- **New Zealand** – In conjunction with Air New Zealand, Tourism Victoria undertook an online promotional campaign featuring four aspirational Melbourne and Victoria itineraries. The campaign generated 31,960 unique user sessions to the competition site and 15,413 competition entries. Entrants were added to Tourism Victoria’s consumer database and will receive regular communication about Victoria.
- **United Kingdom** – Tourism Victoria hosted *BBC Holiday* in December, for a travel program on the Sydney-Melbourne Coastal Drive. The broadcast in February 2007 was watched by more than four million viewers.
- **United Kingdom** – Tourism Victoria, Travelbag and the *Daily Telegraph* teamed to produce an *Experience Australia* supplement. It was read by more than 900,000 people and generated advertising value in excess of \$470,000.
- **Germany** – *Madame* magazine visited Victoria in November 2006, producing an article in February 2007 worth \$450,000 in advertising value. A number of glossy lifestyle magazines from Germany were targeted over the financial year, including *Saisonkuche* (\$109,000 in earned ink), *Holiday and Lifestyle* (\$103,000) and *Shape* (\$119,000).
- **Italy** – Tourism Victoria joined with the City of Melbourne for the Melbourne a Milano program in February 2007. The program of activities promoted Melbourne as a key business, cultural and tourism destination. The program included a chef exchange, promotional displays, a trade and media event and performances by the Melbourne Symphony Orchestra.
- **China** – More than \$3 million in publicity was generated when Travel Channel hosted a competition in which the winner was shown on her journey throughout Victoria. The program, *Do it Yourself*, is one of the most popular travel shows in China.
- **India** – Tourism Victoria appointed Beautiful Planet as its representative to undertake public relations and trade marketing to the leisure and business tourism sectors.

Other consumer marketing highlights included:

- **Singapore** – Melbourne’s distinct precincts, award-winning restaurants, the Great Ocean Road and Phillip Island aired over two programs as part of a 13-episode travelogue on Australia on Channel U, a leading Chinese language television channel in Singapore. The programs generated \$472,000 in publicity.
- **Japan** – A major advertising campaign for Melbourne was conducted in conjunction with Tourism Australia and Qantas Airways on Tokyo’s subway network and in national magazines. The subway advertisements featured Tourism Australia’s ‘So, where the bloody hell are you?’ with an image of the Block Arcade. A double-page advertisement appeared in 10 popular magazines over the same period.

The Penguin Parade, Phillip Island Nature Park, and Sovereign Hill, in the Goldfields region, are two of the State’s leading regional destinations for international visitors.



TRADE

Trade Shows & Missions

Tourism Victoria worked closely throughout the year with Australian-based inbound tour operators, conducting workshops and undertaking sales calls, familiarisations and trade missions. Much of this work was undertaken in partnership with the Australian Tourism Export Council.

Tourism Victoria led Victorian industry participation at trade and consumer shows and trade missions in primary and secondary markets. These activities included major industry missions to the United States of America, New Zealand and China, the National Association of Travel Agents of Singapore Travel Fair, the Arabian Travel Market, Japan Australia Mission and Oz Talk in the United States of America, New Zealand and South Asia.

Tourism Victoria undertook a series of cooperative campaigns in conjunction with the international wholesale and retail travel industry and airlines. Tourism Australia and other state and territory tourist offices were financial contributors to many of these. For every dollar that Tourism Victoria spent on these campaigns in 2006–07, more than \$3.60 in partnership funding was received.

Highlights from the year included:

- **Singapore and Malaysia** – A Best of Australia independent traveller campaign in Singapore and Malaysia continues to successfully promote a two-night stay in the Phillip Island, Great Southern Touring Route, Mornington Peninsula and Yarra Valley and Dandenongs regions in addition to two nights in Melbourne.
- **India** – A marketing campaign with the Kuoni-SOTC Travel Group involving direct mail activities and media advertorials aimed to increase length of stay for independent group and individual travellers. The campaign achieved a 30 per cent growth in passenger numbers to Australia, 70 per cent of which had Melbourne content.
- **Japan** – A Melbourne City Experience promotion in conjunction with HIS targeting the office ladies market continues to be successful. There has been a 35 per cent increase in sales.
- **Korea** – Tourism Victoria was successful in securing ten Korean Air charter flights to Melbourne over the summer. Supported by Tourism Australia, a \$250,000 tactical campaign was conducted with Hana Tour, Mode Tour and Lotte Tour to support the charter program. This included online promotion, newspaper advertisements and a familiarisation trip for key retail agents. The charter program brought more than 2800 Koreans to Melbourne.
- **North America** – Tourism Victoria partnered with Tourism Australia to successfully host the final night of the American Express Walkabout in June 2007. Sixty Amex consultants visited Melbourne and enjoyed a range of Melbourne attractions followed by a gala dinner at the Victorian Arts Centre. Ten of the agents took part in an exclusive familiarisation which included two nights in Melbourne, regional touring at Phillip Island and a night at Chateau Yering in the Yarra Valley. The remaining 50 agents travelled interstate before concluding their familiarisation in Melbourne.
- **North America** – Tourism Victoria successfully completed an inaugural roadshow to North America. Eight of Victoria's most established regions and product joined Tourism Victoria on visits to wholesale partners throughout the United States of America and Canada.
- **North America** – Eleven Victorian products attended a New Product Workshop organised by Tourism Australia in Los Angeles in early March 2007. The workshop gave new international-ready operators the opportunity to promote their products and services to major North American wholesalers.
- **New Zealand** – Forty one representatives from Victoria attended Oz Talk New Zealand 2007, making Victoria the second largest delegation behind Queensland. Tourism Victoria, in partnership with Qantas, hosted a lunch with special guests Anthony Warlow and Ana Marina Grange to promote the Melbourne season of *The Phantom of the Opera*. It was voted 'best lunch ever' by New Zealand and Australian Oz Talk delegates in post-conference surveys.
- **New Zealand** – Tourism Victoria conducted its inaugural Festivals and Events mission into Auckland in September 2006. Industry feedback reported that the mission was informative, exciting, fun and best of all, a wonderful new concept. The mission will now be an annual event in the New Zealand tourism calendar.
- **United Kingdom** – A fully integrated four-week promotion in conjunction with Qantas and Travel 2, featuring the strong proposition of a Victoria and Queensland twin centre holiday, began in mid-March, targeting consumers and travel agents. The campaign featured an eight-page mini brochure 60,000 copies of which were distributed to top selling agencies. Other activities included trade press advertising, travel agency point of sale displays, e-newsletter activity, a micro-site and public relations activity.

- **United Kingdom** – Tourism Victoria developed a 20-page Melbourne and Victoria micro-site in conjunction with Global Travel Market. Promotion of the site will take place over the coming year. The site is a platform to increase awareness in the United Kingdom of Melbourne and Victoria and drive interested customers to visitmelbourne.com. It also provides an opportunity for smaller Victorian product to gain exposure in the United Kingdom market on a pay per click basis. More than 75,000 United Kingdom customers visit the site every month.
- **Germany** – Tourism Australia and the state tourism offices hosted 200 German, Swiss and Austrian agents for the Discover Australia event in mid-May. Thirty of these agents visited Victoria on a five-day familiarisation to the Great Ocean Road and parts of the Sydney-Melbourne Coastal Drive. Both familiarisations were a great success and the agents were impressed with the experiences to be found in Victoria.
- **Hong Kong** – Tourism Victoria participated in a Cathay Pacific Airways seasonal theme campaign promoting Melbourne as a year-round holiday destination offering a variety of experiences. Themes included Victoria's food and wine, skiing, self-drive and golf and spa packages.

AUSTRALIAN TOURISM EXCHANGE 2007

The Australian Tourism Exchange (ATE), Australia's premier international travel industry event, was held in Brisbane in May/June. ATE is an annual forum for internationally ready and active tourism businesses to meet, showcase their product and negotiate deals with key overseas contacts.

ATE 2007 was attended by more than 800 of the world's top tourism buyers. They met with 1500 Australian company delegates. The business area for the Victorian product, themed by Tourism Victoria, highlighted the new Melbourne and Victoria brand marks.

With 45 (Eastern hemisphere) and 61 (Western hemisphere) companies respectively presenting at ATE, Victoria was the second largest state for the first time, behind only Queensland in numbers of attending product.

More than 50 international and domestic media attended ATE. Minister for Tourism and Major Events Tim Holding and Tourism Victoria Chairman John Morse both attended.

ATE 2008 will be held in Perth and the event will return to Melbourne in June 2009.

Education & Familiarisations

Educating the international travel trade about Victoria and its attractions is an integral part of international marketing activity. This raises awareness of Victoria as a premier tourist destination and increases the quantity of Victorian tourism product featured in travel wholesale programs and itineraries.

Almost 970 international travel agents took part in structured activities under Tourism Victoria's familiarisations program in 2006–07, which was heavily supported by the Victorian tourism industry.

Nearly 1200 international wholesale and retail staff learned about Victoria's tourism product in structured educational sessions, including presentations and workshops throughout the year. Tourism Victoria staff made 2198 sales calls to travel trade partners in all international markets.

Another important aspect of Tourism Victoria's international marketing role is informing the industry of the latest international market intelligence. Victoria's International Exchange, held each December, was attended by 150 industry representatives. The monthly email newsletter *Newsline* is distributed to 900 internationally ready and/or interested Victorian product.

During the year a new bi-monthly newsletter, *VINE* (Victoria's International Newsletter), was introduced. It is sent to all inbound tour operators to inform them of the latest product development and product additions to Victoria's suite of internationally ready product.

>800

of the world's top tourism buyers attended ATE 2007 – Victoria had the second-largest representation of any state

Delegates at the Australian Tourism Exchange 2007.



EVENTS

With a comprehensive list of Hallmark, annual, biennial and multiple special events, Victoria hosts more major events than any other State.

They bring significant economic benefits to Victoria as well as promote the State as an international tourism destination. Victoria attracts approximately 324,000 international event visitors annually, or 45 per cent of all international event visitors to Australia.

Tourism Victoria is committed to ensuring that Victoria retains its reputation as the events leader. The Events Program identifies and develops events as well as supporting the tourism marketing of appropriate events in Melbourne and regional Victoria in order to maximise their tourism potential.

Tourism Victoria contributes significantly to not only attracting and delivering major events, but also ensuring that they are viable and provide increased benefits. The Events Program helps increase not only the number of visitors to Melbourne and regional Victoria, but also their length of stay and consequent associated economic impact. The program also addresses the quality of the visitor experience and branding opportunities.

Melbourne events have a major impact on the accommodation sector at specific times of the year. The March and October to November periods are traditionally busy times. Tourism Victoria works to ensure that appropriate accommodation is available for visitors attracted to Melbourne because of its events and that issues associated with multiple events in crowded timeslots continue to be addressed.

Tourism Victoria continues to work with the Victorian Major Events Company in order to generate event-related opportunities throughout the year. Events including the *Melbourne Winter Masterpieces: Picasso: Love and War 1935–1945* was an outstanding success in attracting visitors and generating international and interstate promotion.

The State Government's commitment to the Australian Open Tennis Championships, one of Victoria's most successful Hallmark Events, is managed by Tourism Victoria. This contract, which supports the event's Asia-Pacific marketing strategy, ensures that the various tourism marketing strategies continue to generate increased visitation and destination promotion.

The 2007 Australian Open attracted 554,858 people, a record crowd once again. Cooperative marketing activities included improved destination signage to ensure the word Melbourne was displayed on court and broadcast to a worldwide television audience. Advertisements promoting Melbourne and regional Victoria were shown throughout the United States broadcast of the event. The economic impact of the tournament was again in excess of \$200 million.

Other Hallmark and special events held in Melbourne during 2006–07 included some of Australia's largest – the Formula 1™ ING Australian Grand Prix, Melbourne Food & Wine Festival, Melbourne International Comedy Festival, the Melbourne International Arts Festival, AFL Grand Final Week of celebrations, Spring Racing Carnival and the Boxing Day Test, which showcased Australia competing against England for the Ashes at the refurbished MCG.

554,858

people attended the 2007 Australian Open, a record crowd once again

Australian Open Road Cycling Championships, Ballarat, January 2007. Photograph: Shane Goss, Licorice Gallery.



Tourism Victoria has assisted with the development and tourism marketing of a variety of smaller events that have proved successful in attracting visitors, particularly to regional Victoria. These include the Riverboats, Wine Food and Jazz Festival at Echuca, The Man from Snowy River Bush Festival in Corryong, Mildura Country Music Festival, Great Ocean Road Marathon, Queenscliff Music Festival and the Warrnambool International Children's Festival (Fun 4 Kids).

Tourism Victoria's *Events Broadcast Strategy* highlights the opportunities for generating additional national and international exposure for Melbourne and Victoria via event-related broadcasts. The strategy also addresses what Tourism Victoria could do to maximise these opportunities and has identified specific events that provide the opportunity to include destination footage in television broadcasts. In most cases, these events have an ongoing or year-by-year funding arrangement with the State Government.

Tourism Victoria, Racing Victoria Ltd and the major racing codes continue to support *Victoria's Racing Tourism Plan 2005–2007*. The Plan enhances Victoria's position as Australia's racing capital by increasing the tourism benefits associated with the racing industry.

The 2006 Spring Racing Carnival was worth \$628.8 million⁴ to the Victorian economy. Interstate and overseas visitors who came to Victoria primarily to attend the Carnival spent more than \$8 million on corporate raceday packages and tickets and a further \$15 million in additional tourism spending pre and/or post the Carnival. Overseas visitors spent an average of seven days in Victoria and interstate visitors spent an average of 4.1 days as part of their Carnival trip.

⁴ *Racing Victoria figures.*

45%

of all international event visitors to Australia visit Victoria

COUNTRY VICTORIA EVENTS PROGRAM

The Country Victoria Events Program has been managed by Tourism Alliance Victoria on behalf of Tourism Victoria. It targets lesser-known regional events that have community support and also promote the tourism image of their respective regions. Some of these events develop to become eligible for additional funding to support development and tourism marketing strategies.

IN DETAIL

Why Events?

Major events are as important to Victoria as the Sydney Opera House, Great Barrier Reef and Uluru are to their respective states and territory.

Tourism Victoria works closely with VMEC and other agencies, such as Sport and Recreation Victoria and the City of Melbourne, to develop sophisticated tourism leveraging strategies and maximise the returns from major events.

Events bring visitors to Melbourne and Victoria, where they spend money on accommodation, sightseeing, eating out, theatre, attractions and shopping. Research shows that international and interstate visitors spend on average \$16.2 million in Victoria every day.

Events are a recognised 'brand' for Melbourne. Tourism Victoria's brand research puts Melbourne ahead of any other Australian city with the reputation for hosting major international sporting and cultural events.

Tiger Airways' decision to base in Melbourne was influenced in part by Victoria's calendar of major events and the visitors they attract to the State.

Destination branding through events is a powerful tool – it creates greater awareness and leads to increased visitor numbers. This, in turn, provides proven economic benefits.

The 2007 Australian Open was broadcast to 592 million homes in 174 countries. Melbourne's on-court branding had around 1,600 hours of exposure. Branding at the Grand Prix is seen by 350 million people in 132 countries. Estimates place the value of that television exposure at \$100 million in advertising spend. Tourism Victoria literally can't afford to buy this type of coverage.

Events drive hotel occupancy. Average room yields and occupancy rates peak in March and November, coinciding with the Formula 1™ ING Australian Grand Prix and Spring Racing Carnival.

Events bring visitors to Melbourne and Victoria who might not otherwise visit. And many events followers are not the key market segment that Tourism Victoria markets to with its tourism campaigns. So, event visitors extend market reach.

Corporate hospitality is a key part of major sporting and cultural events – these semi-social events are important for business leveraging. Over the four days of the Grand Prix around 86,000 corporate guests sit down to a networking lunch – that's big business.

Cultural events are equally important. *The French Impressionists*, the first *Melbourne Winter Masterpieces* exhibition, was the most popular art exhibition ever staged in Australia. More than 380,000 people saw it.

International and interstate visitors spend money in Melbourne and often they do pre or post-event touring to regional Victoria. This is all part of the wider benefit of events.

BRAND SERVICES

The Brand Services area positions Melbourne and Victoria consistently across domestic and international markets, through Tourism Victoria's Jigsaw brand and the recently created Brand Victoria.

Brand Victoria provides the means to consistently market Victoria's key international export sectors – tourism, education, investment, skilled migration, arts and events. The brand objectives include:

- Positioning Victoria internationally as the destination of choice for investors, migrants, tourists and students;
- Capturing Victoria's individuality, strengths and regional diversity;
- Generating pride among Victorians for their state and for Melbourne.

These objectives were achieved during the financial year through the presence of the landmark at Melbourne's major internationally broadcast events; inclusion of the brand in a wide range of international communications, including brochures and other collateral and at trade shows; and on gateway signage to the city.

Brand Services has developed a business plan and communications strategy as well as creating comprehensive Brand Style Guides for each of the four key export sectors, including sector-specific landmarks, landmark animation and websites.

The unit is also responsible for Tourism Victoria's creative output, including design and production, still and moving imagery.

Key achievements in the 2006–07 period include:

- The establishment of Tourism Victoria's moving image service. A Moving Image Coordinator was employed to edit and catalogue hundreds of hours of footage in order to create a moving image library. This footage will be made available online via Tourism Victoria's image library, Visions of Victoria;
- A regional audit that led to the development of a brand management tool to assist the regions' marketing;
- A major photography shoot incorporating still and moving imagery to be shared jointly by Tourism Victoria and Brand Victoria.



Image from the Brand Victoria photography shoot. Photograph: Robert Blackburn.

CORPORATE & DESTINATION COMMUNICATIONS

Tourism Victoria's Corporate Affairs and Destination Public Relations teams were merged during the year as part of an organisational restructure. The united team's charter is to drive and oversee corporate communications for Tourism Victoria and promote the State's key destinations, regions, events and experiences.

Corporate and Destination Communications actively pursues key media relationships and opportunities to secure positive editorial coverage in Australian and international trade and consumer media.

Significant media activities are undertaken to support overall branding and tactical marketing efforts to influence visitation outcomes. The team implemented strategic media familiarisations, launches and events to encourage and inspire excellent Victorian travel stories.

Through these activities, more than \$35 million in editorial coverage was achieved: 1,823 media items in total – 1,255 in print, 368 on radio, 168 on television and 32 online articles with message penetration reaching 90 per cent across all items.

Key accomplishments were:

- The September launch of the *It's easy to lose yourself in Melbourne* campaign in Melbourne, Sydney, Brisbane, Adelaide and Perth;
- Working in collaboration with Tourism New South Wales on the launch of the Murray brand campaign and associated media activities;
- Providing much-needed public relations support for the bushfire recovery regions of Victoria's High Country and Gippsland regions;
- The launches of the Gippsland and Geelong and Bellarine campaigns;
- Hosting a successful Melbourne Food & Wine Festival Sydney function with more than 50 key food and wine media attending the dinner.

Tourism Victoria's familiarisations program for domestic and international journalists is a key driver in achieving editorial coverage.

During the year 205 domestic media representatives were hosted on over 100 individual media familiarisations. Victoria's tourism industry once again generously supported the program by providing \$53,000 in services and product including meals, tours, activities and accommodation.

Feature familiarisations included:

- Gippsland Croajingolong National Park;
- Cultural Discovery;
- Discover all that is new in Phillip Island;
- Murray Food & Wine and Golf.

During the year, Tourism Victoria organised 181 familiarisations for 511 international print and broadcast media. Victoria's tourism operators supported the program by providing free or discounted services including accommodation, meals and touring to the value of \$427,583.

Work on updating the content of Tourism Victoria's corporate website got underway during the year. The new-look site will be launched in 2007–08. Significant work was also undertaken on crisis and issues management, particularly on bushfires and floods, both during the events and in the recovery process.

\$35m

of editorial coverage in Australia



The Murray featured in the familiarisations program.

PRODUCT SEGMENTS & NICHE MARKETS

Tourism Victoria works across a range of product segments and niche markets, aiming to develop and promote these sectors.

ABORIGINAL TOURISM

Tourism Victoria continued to support Aboriginal tourism in Victoria through Aboriginal Tourism Victoria (ATV).

A range of product development and marketing activities were undertaken to promote Aboriginal tourism, including assisting three operators – Brambuk, Koorie Heritage Trust and Worn Gundidj, Tower Hill – to participate in the first dedicated indigenous tourism trade mission to Europe. The event was organised by Tourism Australia.

Aboriginal Tourism Victoria along with three Aboriginal tourism businesses attended the Australian Tourism Exchange with support from Tourism Victoria. An indigenous photo shoot and filming of indigenous identities was undertaken for use in future marketing campaigns.

ATTRACTIONS

Tourism Victoria coordinated a number of marketing activities to promote Victoria's key attractions, including cooperative advertising in *The Herald Sun*, campaigns on 3AW and Fox FM and support for attractions to participate in a series of interstate consumer shows in conjunction with Destination Melbourne and the Tourism Alliance Victoria attractions group.

ARTS, THEATRE & CULTURAL HERITAGE

Tourism Victoria undertook cooperative marketing to promote the third *Melbourne Winter Masterpieces* exhibition *Picasso: Love and War 1935–1945* in interstate markets and New Zealand. The exhibition attracted 224,000 people and generated an economic impact of \$15.5 million.

Tourism Victoria supported tourism marketing activities for *Miss Saigon*, which ran for 16 weeks.

Tourism Victoria delivered the *Identities Project*, a response to a growing visitor interest in meeting locals and experiencing destinations through their eyes.

Lost and Found, an e-marketing campaign was developed to underpin the launch of Tourism Victoria's *Lose Yourself In Melbourne* campaign. *Lost and Found* was one of Tourism Victoria's most successful e-marketing campaigns, generating a database in excess of 3,500 names and above average opening and click-through rates.



Image from Tourism Victoria's Indigenous photography shoot. Photograph: Bindi Cole.

BACKPACKER

Approximately 257,089 international backpackers visited Victoria in the year to March 2007, an increase of 16.1 per cent on the previous year. Nationwide, the sector saw an 8.7 per cent increase. Victoria's current market share is 47 per cent, three percentage points up on the same period last year. The market continues to be a good performer for Victoria.

Tourism Victoria along with a number of key sponsors hosted the World Youth and Travel Conference in Melbourne in October 2006. Approximately 750 international delegates involved in youth and student travel attended the conference.

Market activity included attendance at the Sydney Backpacker and Adventure Travel Expo, advertising in key backpacker travel publications and promotion of Victoria's dedicated backpacker website, backpackvictoria.com.

BED & BREAKFAST

Following the successful launch of *2006–08 Bed & Breakfast Getaways Guide* in April 2006, a range of marketing activities were undertaken to promote the 293 properties featured in the guide and on the dedicated website visitvictoria.com/bnb.

Key activities included an online marketing promotion with Roses Only, cooperative advertising in *The Herald Sun* and *Sunday Life*, a *52 Weekends Away* lift out in *The Sunday Herald Sun*, and promotions at the Melbourne Visitor Information Centre and Information Victoria.

CRUISE SHIPPING

Victoria hosted 32 cruise ship visits in the year under review. The 2007–08 season is forecast to be the largest to date, with 44 cruise ship visits scheduled. Records show that the number of cruise ships visiting Victoria has improved over the past 15 years, with the number of ships increasing from 14 in 1991–92.

The Australian cruise shipping industry recorded double-digit growth in 2005–06, making it the fastest growing segment of the tourism industry and the fastest growing sector of the global leisure market.

The 2006–07 season included repeat visitation by the 2,700 berth *Sapphire Princess* and the *Statendam*. Melbourne was featured eight times on their itineraries and the *Statendam* also included a visit to the regional port of Geelong.

Tourism Victoria, in conjunction with the Port of Melbourne Corporation and the City of Melbourne, conducted a Passenger Research Study during 2006–07. The study will be incorporated into a three-year national economic impact study being conducted by Cruise Down Under, the national cruise marketing organisation.

Results from 2005–06 indicated that the cruise shipping industry generated approximately \$56.3 million in expenditure, which resulted in approximately \$31 million of value added or gross state spend for Victoria.

224,000

people attended the *Melbourne Winter Masterpieces* exhibition *Picasso: Love and War 1935–1945*



FOOD & WINE

Victoria's Food and Wine Tourism Action Plan 2004–07 is a whole-of-sector plan with Tourism Victoria responsible for leading its implementation. Work on research, marketing, industry development and product development was completed during the year. Food and wine, a core product strength for Victoria, continued to be integrated into relevant marketing campaigns.

The eighth edition of the *Wine Regions of Victoria* brochure was launched in October. The brochure attracted record industry participation, with a total of 385 advertisers. Funds from the *Provincial Victoria Moving Forward Statement*, allocated for food and wine tourism marketing, were used to print 100,000 additional copies for distribution to *The Age* subscribers, reaching an intrastate market with low awareness of the publication. The *Wine Regions of Victoria* brochure was also distributed through regular channels as well as at Wine Australia and the Good Food and Wine Shows in Melbourne, Sydney and Brisbane.

Intrastate awareness of Victoria's food and wine experiences was further developed in partnership with *The Age* through the publication of nine fortnightly eight-page pull-out features in the Saturday A2 section with restaurant reviews, wine articles and accommodation information.

Tourism Victoria collaborated with the Winemakers Federation of Australia to deliver wine tourism operator workshops, five in the regions and one in Melbourne. The workshops met a range of needs identified by the industry including understanding visitor motivations, branding and experiences, effective merchandising and creating a service and sales culture.

Regional food and wine tourism groups were supported in marketing and industry development initiatives through the *Regional Food and Wine Tourism Development Program 2005–07*. Funds for this program were negotiated through Food Victoria's Next Generation Food Strategy. Tourism Victoria was the lead agency in partnership with Regional Development Victoria and the Department of Primary Industries.

Victoria's Food and Wine Tourism Council continued to provide strategic advice to the Minister for Tourism and Tourism Victoria. During the year John Ellis, Hanging Rock Winery, stepped down as Chairman and Michael Matthews, TwinVale Nominees, was appointed to the role.

GOLF

For the first time Tourism Victoria undertook a series of cooperative advertisements promoting golf packages in *The Herald Sun* and *Australian Golf Digest*. For the second year, Tourism Victoria coordinated the Victorian stand at the PGA Golf Show held in Sydney. The Mornington Peninsula, Yarra Valley, Bellarine Peninsula and the Murray were represented.

NATURE-BASED TOURISM

Natural attractions featured strongly in regional marketing campaigns in Gippsland and the Grampians. The draft *Nature-Based Tourism Strategy 2007–11* was released for public comment in June, with a series of workshops being undertaken to encourage community involvement and discussion of the Strategy's key findings and recommendations.

Tourism Victoria launched an adventure marketing campaign in October 2006. The \$100,000 campaign included a brochure, dedicated website *adventurevictoria.com*, statewide photo shoot and a print, television and online advertising campaign.

PRODUCT DEVELOPMENT

Tourism Victoria introduced a mentoring program for the first time to accelerate Victorian businesses entrance into international markets. Twelve tourism businesses participated and after a year have succeeded in gaining business from international travel companies.

SPA & WELLNESS

The spa and wellness tourism segment continued to expand in Victoria, with a number of new tourism products opening during the year. Following the launch of *Victoria's Spa and Wellness Directory* in June 2006, Tourism Victoria undertook cooperative marketing with the spa and wellness industry in print and online media.



The draft *Nature-Based Tourism Strategy 2007–11* was released for public comment in June. Photograph: Global Ballooning.

IN DETAIL

The Identities Project

Tourism Victoria developed the Identities Project in response to growing visitor interest in meeting locals and experiencing destinations as those who live there experience them.

The organisation invited 24 inspirational Victorians who are specialists in fields that correspond to the state's key product strengths of arts and cultural heritage, food and wine, nature-based tourism or Aboriginal tourism to share their preferred experiences in Melbourne or their region. The aim was also to have them act as informed spokespeople for Victoria.

The project involved extensive interviews with each identity, photo shoots and background information on them and their region, plus quotes reflecting positive messages about Melbourne and Victoria.

The resulting copy and images were collated into a series of 14 fact sheets containing copy on the favourite haunts, hangouts and sights of a selection of identities, four for Melbourne, one for each tourism region. Together they were titled *A Few of my Favourite Things*.

The fact sheets form a stable of copyright free articles and images for use by the media, in a wide range of tourism publications, on visitvictoria.com and in other online environments.

Among the identities profiled are Shannon Bennett, Chef, Vue de Monde; Fiona Sweetman, Melbourne Hidden Secrets Tours; Lizzie Corke, Cape Otway Centre for Conservation and Ecology; Michael Kantor – Artistic Director

Malthouse Theatre Company; Aunty Hazel, Indigenous Elder, Grampians; Clive Murray-White, sculptor, Gippsland; and Bob Smith, surf historian for RipCurl, Torquay.

The copy and images will be distributed through a wide range of channels including online, particularly visitvictoria.com (and its international variants), domestic and international media, publication by Tourism Victoria and regional campaign committees in collateral such as Jigsaw brochures, official visitors' guides or segment brochures.

A Few of my Favourite Things will be published in *Australian Gourmet Traveller* over 14 months from September 2007.



E-MARKETING

Online communications and technology are key to marketing Victoria as a premium tourist destination to Australian and international travellers. Tourism Victoria has a range of websites, including visitvictoria.com, backpackvictoria.com, skivic.com and visitmelbourne.com plus nine English and seven foreign language variants: Korean, Japanese, Chinese (simplified), Chinese (traditional), German, French and Italian.

CONSUMER WEBSITES

In the year to 30 June, Tourism Victoria's consumer websites recorded more than 5.2 million visits, an increase of 13 per cent compared to the previous year. Over the same period, visitors viewed almost 34 million pages, an increase of 2.1 million pages.

Tourism Victoria ensures that all marketing campaigns have an integrated online component, comprising dedicated campaign pages on visitvictoria.com, call centre activity through the Victorian Tourism Information Service and e-marketing promotions including email, banner advertising, search engine marketing and other online initiatives.

The visitvictoria.com website was named the top performing state government tourism website for 2006–07 by Hitwise Australia. Hitwise, an online measurement company, reports on more than 500,000 websites across more than 160 industries. The awards measure public popularity and are based on a sample of three million internet users.

According to Hitwise, visitvictoria.com outperformed all other state and federal tourism websites in terms of its share of Australian internet audience for 11 of the 12 months of the financial year.

E-Marketing activities during the year included search engine marketing campaigns (with paid advertising generating 195,000 visitors to Tourism Victoria's consumer websites, including international search marketing in United Kingdom, Germany, Korea, India, Japan, China and New Zealand), and integrated email campaigns with the development of five e-newsletters distributed to more than 10,000 consumers on a regular basis.

The launch of the Phase 8 Melbourne marketing campaign in September 2007 was completely integrated with visitvictoria.com including dedicated gateway and experience pages, streaming video of the television commercial, innovative online advertising, search marketing, email promotions and e-newsletters.

Tourism Victoria successfully launched the first major foray into user generated content in an Australian government tourism website (incorporating text, photos and video), in an area on the website known as The Red Thread.

Tourism Victoria developed a new French language website and upgraded all of the other language variant websites as part of a project to better integrate with australia.com.

AUSTRALIAN TOURISM DATA WAREHOUSE

Tourism Victoria's continued involvement in the Australian Tourism Data Warehouse ensures that Victorian tourism businesses are represented on other travel and tourism websites, including Tourism Australia's australia.com. Tourism Victoria has assumed the management of some destination content on australia.com to ensure the right messages reach international audiences.

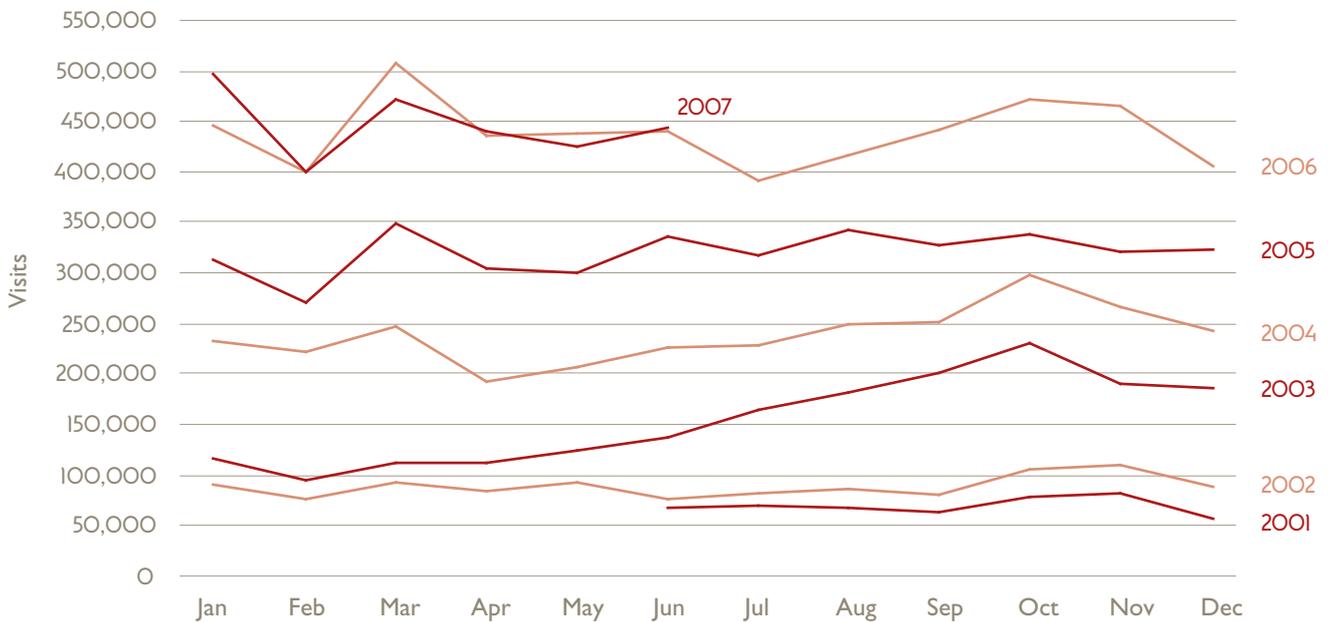
CORPORATE WEBSITE

Tourism Victoria's corporate website is tourismvictoria.com.au. In the year to 30 June it had 350,000 visits, an increase of 105,000 visits (or 43 per cent) over the previous year. During the same period, visitors viewed more than 877,000 pages, an increase of almost 190,000 pages.

Tourism Victoria is the first tourism authority to seriously explore user-generated content.



MONTHLY VISITS TO CONSUMER SITES



IN DETAIL

The Red Thread

In May 2007 Tourism Victoria introduced The Red Thread to its consumer website visitvictoria.com. The Red Thread is a discussion forum through which visitors to the site can upload video, photos and text. It is the first major foray into user generated content by any Australian tourism authority.

Located at visitvictoria.com/redthread, the forum allows residents and visitors to share their insights into Melbourne.

The release of The Red Thread forms an important part of the winter campaign for Melbourne launched in June 2007. Through a series of online advertising, prize promotions and electronic direct marketing, people have been encouraged to upload threads to the forum based on experiences and stories about the city's hidden secrets through the creative use of text, photo or video.

After a successful soft launch in May 2007, The Red Thread was released live on June 12 with 90 threads and comments. All threads are moderated on a daily basis by a team of journalists and outstanding threads are highlighted as 'featured threads' on relevant pages throughout visitvictoria.com.

The Red Thread creates a new medium for engaging Tourism Victoria's target markets and builds an interactive environment within visitvictoria.com.

The Red Thread establishes genuine threaded conversations and builds on heightened community excitement and interest around user-generated photo and video content.

Tourism Victoria is building on that momentum and making possible new kinds of conversations with targeted communities.

The Red Thread is a trial for the period of the winter campaign and its success will be evaluated in September 2007.



LEADERSHIP

Take a leadership role in the tourism industry, encourage professional standards and the development of cooperative arrangements that maximise industry effectiveness.



INDUSTRY LEADERSHIP

Tourism Victoria continued to play a significant industry leadership role during 2006–07.

The organisation provided input and advice on many key strategies, policies and issues. These included visitor information centre standards, through Tourism Alliance Victoria (TAV) and amendment to legislation affecting short-term holiday booking agents.

Tourism Victoria contributed sponsorship and guest speakers to industry conferences around Australia, including the Australian Regional Tourism Convention on Norfolk Island in August 2006.

The Victorian Tourism Industry Council, supported by Tourism Victoria, delivered a series of forums on topics including aviation, major events and regional Victoria. Each forum had a keynote speaker or panel presentation, plus an update from Tourism Victoria.

Tourism Victoria continued to provide support to the industry in partnership with TAV by encouraging local government to develop tourism and related initiatives to improve the level of industry professionalism.

Tourism Victoria engaged consultants to assist the Grampians region work collectively to create a regional tourism partnership among its local government areas.

Gippsland continued to grow through the relationship developed between the six Gippsland shires and Tourism Victoria, including joint funding of the Gippsland Tourism Manager position.

A destination plan and a product gap audit was commenced for Echuca and Campaspe Shire.

Tourism Victoria worked with Hepburn Shire in engaging the Australian Regional Tourism Research Centre (ARTRC) to undertake a destination planning exercise.

The ARTRC also conducted best practice in destination development, management and marketing workshops in Daylesford, the Grampians and the Great Ocean Road.

Tourism Victoria provided specialist advice in the development of the new Yarra Valley and the Ranges regional tourism marketing organisation.

BUSHFIRES

Tourism Victoria provided leadership and assistance in the wake of one of Victoria's largest ever bushfires from December 2006 to March 2007 in the North East and Gippsland. The organisation helped formulate a strategic and tactical response and recovery plan, culminating in a \$4 million State Government assistance package to these areas for marketing, product and industry development.

Tourism operators and local councils reported that Tourism Victoria's *Crisis Communications Handbook* for regional tourism operators was of significant value in responding to the effect of the bushfires, leading to the formation of highly effective regional response and recovery groups.

In November 2006, building upon the widespread adoption of the *Crisis Communications Handbook*, Tourism Victoria conducted a crisis preparedness workshop, which featured presentations from key government agencies and media experts.



Minister Holding and Victoria's winners at the 2006 Australian Tourism Awards.

SUSTAINABLE TOURISM

In recognition of the growing importance of sustainability to Victoria's tourism industry, Tourism Victoria, in partnership with Sustainability Victoria, established the Sustainable Tourism Initiative in 2006. The initiative aims to dispel the myth that environmental sustainability is a complex and expensive ideal and promote simple, cheap and time-efficient sustainable practices to tourism operators. Tourism Victoria employs a Sustainable Tourism officer.

During 2006–07 a number of actions were undertaken under this initiative including presentations to local tourism associations and other forums, supporting local projects that demonstrate water and energy efficiency, waste management and GreenPower, a national accreditation program that sets stringent environmental and reporting standards for renewable electricity products. Activities also included the development of a sustainability kit for operators and establishing a comprehensive website providing extensive information on practices, contacts and funding opportunities.

In December 2006, the inaugural Sustainable Tourism Partnership meeting was held. This stakeholder forum comprises representatives of key government agencies, tourism industry and non-government agencies. The partnership aims to build a collaborative and integrated approach amongst stakeholders at all levels towards sustainable tourism and act as a central mechanism for discussion and debate on key sustainable tourism issues, including climate change.

ROAD SIGNAGE

Tourism Victoria continued to provide advice to a number of tourism stakeholders on tourism signing matters as well as contributing to review of the *Statewide Tourist Signing Guidelines* conducted by VicRoads. Tourism Victoria also continued its leadership role in this area by chairing the National Signing Reference Group.

\$4m

State Government bushfire assistance package

TALKING UP TOURISM

In May 2007 Tourism Victoria released the *Talking Up Tourism Resource Kit* to assist local and regional tourism representatives to successfully promote the benefits of tourism.

Prepared by the Australian Regional Tourism Research Centre, with assistance from communications specialists Gavin Anderson & Co, the kit combines research and statistical information with practical ideas and resources to assist in actively communicating the significance of tourism. These resources are aimed at achieving positive change in community and stakeholder attitudes about the nature and effect of tourism.

Copies of the resource kit were distributed to regional and local tourism bodies throughout Victoria, the key target audience of the publication. Tourism Alliance Victoria, supported by Tourism Victoria, ran a media training workshop for regional and local tourism managers and officers to support the distribution of the kit.



The Sustainability Kit is part of a range of industry development initiatives.

Tourism Victoria contributed to a review of the *Statewide Tourist Signing Guidelines*.

TOURISM EXCELLENCE

Victoria's innovative Tourism Excellence program, launched in 2006, aims to boost tourism yield and the bottom line for businesses and destinations, while giving Victoria a point of difference that sets it apart from competing destinations by increasing visitor satisfaction.

Tourism Excellence is a comprehensive program covering industry strategies for long-term growth as well as web-based information aimed at increasing use of development tools such as accreditation and awards by businesses.

The program features seven modules designed to help businesses and destinations get the best from their workforce and communities, deliver the best possible visitor experience, grow tourism by working together and ensure a sustainable industry.

Each module is supported by a progressively developing tool kit that includes case studies and identifies resources, programs and grant opportunities. All information can be found on the dedicated website tourismexcellence.com.au.

The first three modules, 'Understanding visitor needs and expectations', 'People Excellence' and 'Business Excellence', have been launched. Each has been developed in consultation with private and government industry representatives across the State.

In recognition of the importance of tourism to regional Victoria, launches have been held in Ballarat, Geelong and Sale. They have been designed as value-add events, with panel workshops, displays and guest speakers.

The remaining four modules will be rolled out by early 2008. All modules will be revisited annually through to 2011.

Twenty-one peak tourism industry organisations and more than 30 businesses, regions and destinations have signed a pledge of commitment to support and be involved in the Tourism Excellence program.

Tourism Victoria continued to support tourism accreditation via a grant to the Tourism Accreditation Board of Victoria (TABV), a subsidy to accredited businesses on visitvictoria.com and participation in the Better Business Management Committee and the TABV.

21

peak tourism bodies and 30 regions, destinations and businesses have signed up to the Tourism Excellence Program



Gordon Institute of TAFE students Nick Groves and Anne Rawnsley at the launch of *People Excellence*, one of the Tourism Excellence modules.

Australian Tourism Award winner Narelle Allen, Fun 4 Kids Festival.

Victorian Tourism Awards

The Victorian Tourism Awards are managed by Tourism Victoria on behalf of the tourism industry. The Awards are recognised through the Tourism Excellence Program as one of the key tools for developing skills training and professionalism. They play an integral role in encouraging and rewarding excellence, innovation and commitment to the industry.

The Awards help to raise industry standards through a structured submission process. The awards process culminates in a gala ceremony that recognises and promotes outstanding achievement by businesses and individuals.

Work is conducted throughout the year to ensure:

- A sustainable business development process that recognises professionalism and is regarded as a benchmark for excellence and innovation in tourism services and product delivery;
- Increased industry participation, ownership and involvement in the awards;
- Improved feedback from mentors and judges;
- The calibre of submissions improves to reflect national best practice, allowing Victoria to be well represented at the annual Australian Tourism Awards.

Initiatives introduced in 2006 included increasing assistance offered to potential entrants. This included an integrated industry workshop program with Tourism Alliance Victoria, the Better Business Tourism Accreditation Program and the Office of Small Business. Submission writing workshops in regional Victoria were open to businesses that had expressed interest in the Awards. The Mentor Program was enhanced to include more support from former judges and Hall of Fame winners. There was a record 33 participants compared to 21 in 2005.

The success of these initiatives was reflected in positive feedback from operators, a high level of enthusiasm from workshop and Mentor Program participants and an improved calibre of Award submissions.

The Melbourne Airport 2006 Victorian Tourism Awards attracted 106 entrants, with 50 tourism businesses honoured in total, either for winning their category or receiving a merit or finalist placing. Nearly two thirds of recipients were from regional Victoria.

Three businesses were inducted into the Victorian Tourism Awards Hall of Fame for winning their category three years in a row: The Gardens Shop, Royal Botanic Gardens Melbourne (Tourism Retailing), Greenhouse Backpacker (Backpacker Accommodation), Slumber Safaris, Werribee Open Range Zoo (Unique Accommodation).

A comprehensive ticketing strategy ensured that the awards ceremony, held at Crown, was a sell-out. The Awards generated almost \$160,000 of media coverage.

Around 800 tourism operators and industry leaders from across Australia attended the black tie Australian Tourism Awards presentation and gala dinner in Sydney in February 2007. Minister Holding led the 87-strong Victorian delegation.

Victoria had eight winners and took home more awards than any other state or territory. This indicates that Victoria's award winners are high achievers and has set a new benchmark for the State.

Victoria won the following categories:

Significant Regional Festivals & Events – Fun 4 Kids Festival

Meetings & Business Tourism – Geelong Otway Tourism

Tourism Restaurant & Catering Services – Dracula's Cabaret

Restaurant Backpacker Accommodation – Greenhouse Backpacker

Hosted Accommodation – Woodlands Rainforest Bungalows

Standard Accommodation – Miami Hotel Melbourne

Luxury Accommodation – The Westin Melbourne

New Tourism Development – Australian Garden, Royal Botanic Gardens Cranbourne.

A range of networking events recognised and celebrated the entrants' achievements and acknowledged the generous support of sponsors.

\$160

thousand worth of media coverage generated by the Awards

INVESTMENT ATTRACTION & AVIATION

Identify infrastructure opportunities,
facilitate development projects and
negotiate improved air services.





INVESTMENT ATTRACTION

The organisation's investment focus in 2006–07 included input to major public projects involving other State Government agencies, project master planning and feasibility studies for public projects, facilitation of private sector proposals, as well as advisory work and guidance via publications and workshops.

Tourism Victoria is responsible for:

- Facilitating quality infrastructure of net benefit to Victoria by identifying market opportunities;
- Providing assistance to private and public sector projects;
- Providing strategic input into projects identified by the Victorian Government as a priority.

Tourism Victoria also assists investor delegations, works on master plans for tourism towns and precincts where there is a potential investment outcome, and offers expert advice to investors, local government and tourism groups on specific projects.

The organisation's investment focus in 2006–07 included input to major public projects involving other State Government agencies, project master planning and feasibility studies for public projects, facilitation of private sector proposals, as well as advisory work and guidance via publications and workshops.

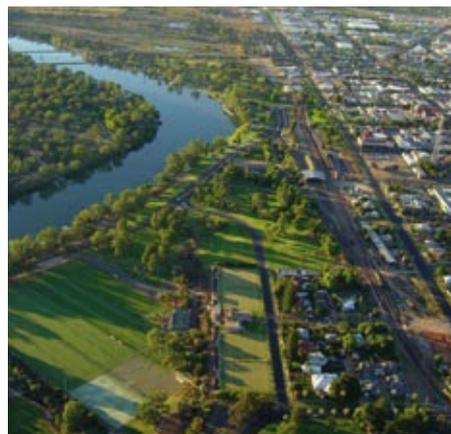
STATE GOVERNMENT PROJECTS

Tourism Victoria provided input to working groups considering master planning for Melbourne Airport, the Mt Hotham Alpine Village Resort proposal, as well as on-going involvement in the steering committee overseeing the construction of the Melbourne Convention Centre, which is due to open in 2009.

MASTER PLANS & FEASIBILITY STUDIES

Tourism Victoria was an active participant in several master plans and feasibility studies involving local government, with a number of successful outcomes and milestones achieved including:

- **Mallacoota** – Input to the Technical Reference Group overseeing the Environmental Effects Statement.
- **Mildura River Front Master Planning** – Joint management of the master plan leading to an \$8 million State Government commitment for rail rationalisation and relocation of existing freight operations to progress major redevelopment of the precinct. The master plan proposals envisage new investment in the order of \$120 million.
- **Mildura Paddle Steamer feasibility study** – Joint management of the business feasibility study for an overnight paddle steamer attraction based at the Mildura Riverfront.
- **Osborne House (Marine Cluster) Geelong** – Council assessment of a major marine cluster master plan comprising the redevelopment of Osborne House and upgrading public facilities.
- **Geelong Mineral Springs Bathhouse Feasibility** – Ongoing assessment of the opportunity to reinstate the heritage minerals springs at Eastern Beach.
- **Apollo Bay Harbour Master Plan** – Review of tourism, boating and community infrastructure opportunities in the harbour precinct.
- **Port Fairy Geothermal Bath House Feasibility** – Review of opportunities for the development of a geothermal bath house as a year round destination.
- **High Altitude Training Centre** – Assistance was provided to Falls Creek Resort Management with Business Planning and resort wide master planning to refine proposal outcomes.



A long-term vision for Daylesford and Hepburn Springs is being developed.

Mildura River Front Master Plan.
Photograph: Daryl Jackson Architects.

PRIVATE SECTOR PROJECT ASSISTANCE

Tourism Victoria was involved in statutory planning consideration of a number of important regional investments including:

- Planning consideration of the Seafarer's Lodge development, Apollo Bay;
- Planning consideration of the Sault Resort proposal, near Daylesford;
- Planning approval for the Clearwater Resort, near Hepburn;
- VCAT consideration of the Pepper's Hotel expansion proposal, Daylesford;
- VCAT consideration of the Dromana Wine Resort, Mornington Peninsula.

In April 2007, Minister Holding opened the Balgownie Estate Vineyard Resort and Spa in the Yarra Valley. The development comprises 65 rooms, restaurant, conference facilities and day spa and was facilitated by Tourism Victoria. Work also commenced on the Yarra Valley Hilton and the 114-room Creswick Golf Resort.

ADVISORY SERVICES

Work began on the *Tourism Investment Guidelines*. These will provide assistance and advice for new tourism investment opportunities from concept to reality.

Tourism Victoria also developed *Victoria's Geothermal and Natural Mineral Water Tourism Investment Opportunities*, new guidelines that profile Victoria's unique opportunities for developing natural spa tourism.

REGIONAL DESTINATION PLANNING

Daylesford and Hepburn Springs –

Following the announcement of a \$10 million redevelopment of the Hepburn Springs Bath House, Tourism Victoria oversaw a timely destination development plan for Daylesford and Hepburn Springs. Consultants the Australian Regional Tourism Research Centre started consultancy work on the project in April 2006. Extensive industry and community engagement, product gap analysis, partnerships, industry structures and investment is ongoing. A long-term vision for Daylesford and Hepburn Springs is being developed.

Grampians – A three year business plan has been developed for the Grampians region to create a much needed regional tourism organisation. The plan was developed via a partnership between Tourism Victoria, the Grampians Regional Tourism Development Board and the tourism industry.

Echuca – A destination plan for Echuca-Moama was undertaken throughout the year to provide a long term vision and plan for the region. The plan was a joint venture between Tourism Victoria, the Shires of Campaspe and Murray and Echuca-Moama Tourism.

IN DETAIL

Mildura's River Front Precinct

Mildura is a major Victorian regional tourism destination on the Murray River. The river is a major asset for the town, however, access to and use of the river is limited by existing rail and freight operations, which are sited between the city and the river.

Tourism Victoria's assistance to Mildura Rural City Council in preparing a riverfront master plan has provided an opportunity for the town to realise its potential as a riverfront city and capitalise on its key natural asset, the Murray River.

The master plan proposes investment in the order of \$120 million, which includes The First Australians Centre, a nationally significant indigenous interpretive experience, exhibition and performance space, commercial and retail activities,

outdoor performance and events space, boating and boardwalk infrastructure and associated visitor accommodation.

Tourism Victoria worked with the Council on feasibility planning for Stage One of the Master Plan – relocation and rationalisation of the rail and freight operations from the city centre. The State Government has committed \$8 million to this project, paving the way for Mildura to build on its reputation as a riverside regional capital and an important tourism destination.

\$8m

State Government
commitment to
the Master Plan

AVIATION

As the State Government's lead agency on air services, Tourism Victoria works closely with Melbourne Airport on international air service proposals and with Avalon Airport on Jetstar services.

From an air services perspective, a number of developments either involving or led by Tourism Victoria in 2006–07 will have a major lasting impact on Victoria's aviation and tourism performance. International outcomes secured significant air rights for existing and new carriers, with a number of carriers operating to Melbourne as part of their launch strategy. Additionally, Tourism Victoria initiated discussions with several airlines. These will continue in 2007–08 and have the potential to secure access to valuable new markets.

On the domestic front, Tiger Airways was secured for Melbourne leading to the acceleration in the delivering of low cost seats into the State. The outlook is promising.

INTERNATIONAL AIR SERVICES

Victoria made progress on several initiatives in a difficult global aviation environment. These initiatives will result in a major increase in air services capacity to Melbourne from late 2007, with key outcomes being:

- The launch of Jetstar International services to Honolulu and Bangkok in late 2006;
- Successful negotiations for
 - China Eastern Airlines to increase its services from four to six per week, jumping to 14 per week over the 2007 Chinese New Year period. This outcome generated a record number of Chinese visitors to Victoria;
 - Korean Air to commence services between Seoul and Melbourne from October 2007;
 - Qantas Airways to operate twice weekly Melbourne-Shanghai services from March 2008.

In addition to airline negotiations, Tourism Victoria made a number of representations to the Federal Government to secure air rights for new and current carriers to Melbourne. This strategic work resulted in additional capacity entitlements for Vietnam Airlines (increasing from three services per week to daily services) and for United Arab Emirates' carriers Emirates Airlines and Etihad Airways to expand services in 2008. Qatar Airways will introduce Australian services from Melbourne in 2008.

Air services were also initiated with a number of new airlines that complement Melbourne's existing portfolio of carriers and services, but provide access to new markets. This strategy is in keeping with Victoria's aim to have a diversity of airlines flying from the State. These negotiations are progressing and, on top of negotiations concluded in the year under review, will lead to a major step-up in air activity to Australia from 2008 and beyond.

DOMESTIC AIR SERVICES

Domestic aviation in Victoria recovered strongly in 2006–07 with Tourism Victoria making a number of contributions.

Tourism Victoria's case to Government to consider funding assistance to upgrade regional airports was well received, leading to the Provincial Victoria policy commitment of \$5 million for regional airport infrastructure improvement.

In parallel with this initiative, Tourism Victoria and the Rural City of Mildura agreed to jointly sponsor a business feasibility assessment for narrow-bodied jet services to Mildura. The study was completed in July 2007 and will provide a basis for infrastructure upgrades and operational consideration of jet services.

Additionally, Tourism Victoria has raised the possibility of commercial air service access to the Royal Australian Air Force base at East Sale. This proposal will be investigated comprehensively in the latter half of 2007.

A major activity in 2006–07 was Tourism Victoria's role in jointly leading the bid to secure Tiger Airways' Australian head office, training activities and launch services.

Melbourne Airport.



IN DETAIL

Catching a Tiger

Low cost airlines are the way of the future making interstate and international travel cheaper than ever before.

When Singapore-based Tiger Airways released its Request for Tender in February 2007 to state governments and gateway airports, there was little surprise from Tourism Victoria's aviation team which had already placed Tiger and Air Asia on the 'watch this space' shortlist of likely entrants.

The team's immediate priority was to ensure that the Victorian Government fully understood the potential of a successful Request for Tender outcome. That achieved, a whole of government process to 'catch the Tiger' was initiated under Invest Victoria, the Victorian Government's investment attraction agency, with Tourism Victoria as a joint proponent.

The approach taken by Tourism Victoria in responding to the Request for Tender was to focus on the commercial opportunities that exist for low cost carriers, and ensuring that the data and response provided was in a form consistent with a low cost carrier business model. This approach may have differed from 'benchmarking' approaches taken by others which are time consuming and rarely improve understanding of the business case of one candidate base over another.

Tourism Victoria's approach opened up consideration of complementary activities and associated business potential. Following this highly competitive process involving all states and territories, Victoria won the right to host Australia's newest low cost airline, Tiger Airways.

On 3 May, Steve Bracks, then Premier of Victoria, and Tony Davis, CEO of Tiger Airways, jointly announced Tiger's decision to base in Melbourne.

The establishment of the Australian head office in Melbourne will create more than 1000 local jobs, provide extra air services to Victorians and boost domestic and international visitor numbers.

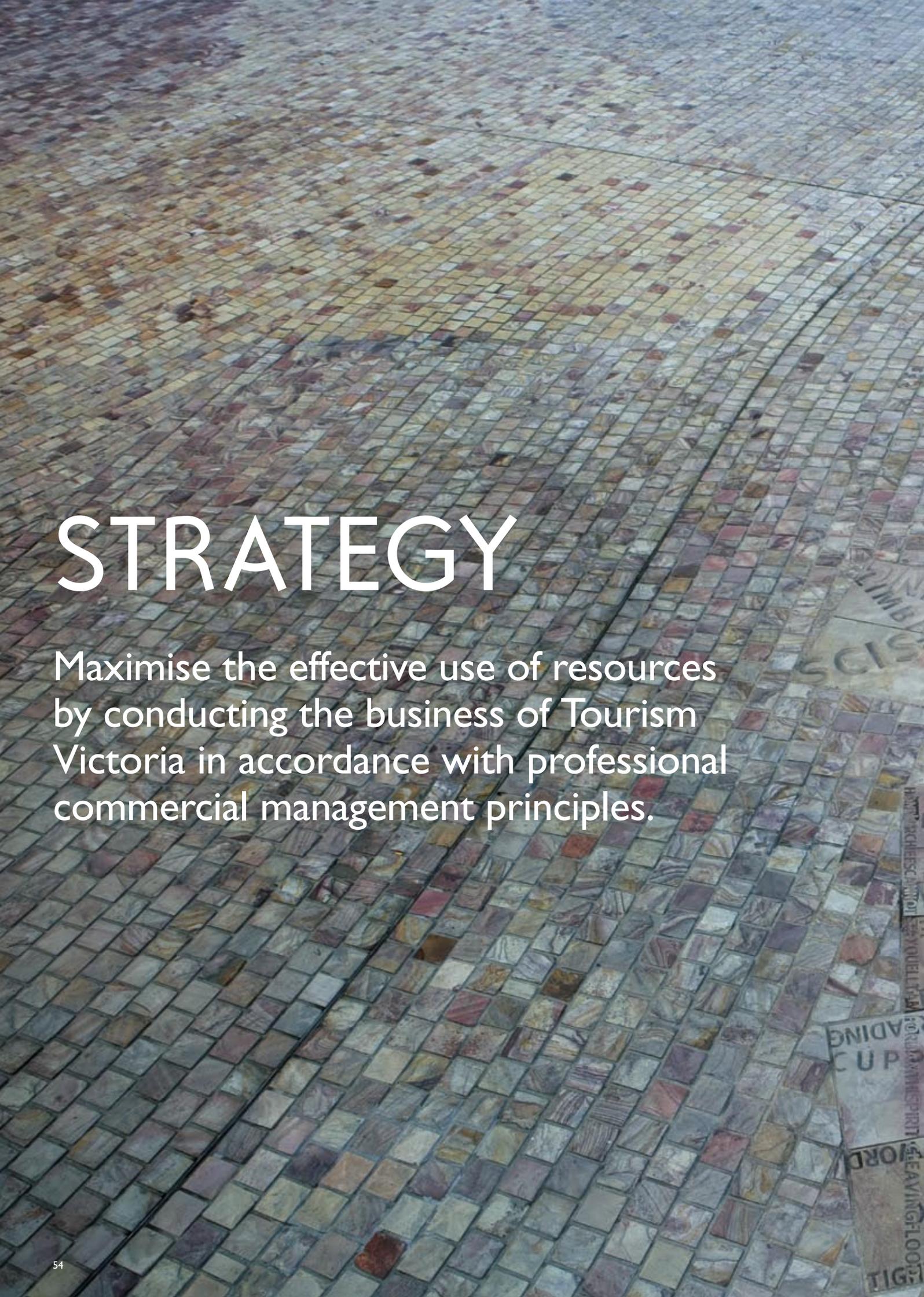
Tourism Victoria will continue to work with Tiger Airways and Melbourne Airport on cooperative marketing campaigns. In its start-up phase in late 2007, Tiger Airways will generate over 2 million passenger movements, with the bulk being stimulated by affordable travel.

Victoria's superb aviation infrastructure at Melbourne Airport combined with the State's skilled workforce and innovative approach to tourism marketing and major events, were determining factors in Victoria's success in securing Tiger Airways.

1,000

local jobs created with the establishment of Tiger's Australian head office in Melbourne



A high-angle, slightly blurred photograph of a mosaic floor. The floor is composed of numerous small, square tiles in various shades of brown, tan, grey, and red. The tiles are arranged in a grid pattern. In the lower right corner, there are some larger tiles with text fragments, including "BMIT", "SC", "HANT", "SCHES", "AND", "EXOU", "ELL", "AM", "QUID", "MHS", "PIT", "SEAV", "NG", "FLOO", "TIG".

STRATEGY

Maximise the effective use of resources by conducting the business of Tourism Victoria in accordance with professional commercial management principles.

STRATEGY & POLICY

The State Government launched its hallmark 10 Year Tourism and Events Industry Strategy in October 2006.

10 YEAR TOURISM AND EVENTS INDUSTRY STRATEGY

The strategy provides a roadmap for the future of the industry and outlines a vision to grow the sector to an \$18 billion industry employing 225,000 Victorians by 2016. The strategy contains a number of immediate and longer-term strategic responses to strengthen the Government's support of and collaboration with the tourism and events industry.

The strategy sets out measures to be implemented in 14 key areas from building existing strengths in branding and marketing to a focus on long-term growth opportunities. The priority areas include:

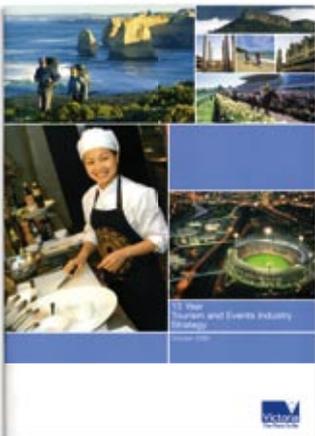
- targeting high-growth, high-yield international markets (particularly China), which are expected to contribute 70 per cent of tourism growth in the next decade;
- building Victoria's capacity to attract and retain major and business events;
- ensuring Victoria's online marketing and booking capabilities are at a world-class standard, in line with the rapid growth in visitors' use of this medium;
- building on the tourism potential of regional Victoria by delivering high quality regional tourism infrastructure and product;
- fostering tourism industry skills and service standards; and
- creating an integrated whole-of-government approach to supporting tourism and events, recognising the positive economic, social and environmental impacts they generate.

TOURISM VICTORIA'S BUSINESS PLAN 2007–10

Tourism Victoria undertook an extensive internal business planning process to help devise the key strategies and actions required to implement the directions of the Government's *10 Year Tourism and Events Industry Strategy*.

Tourism Victoria's Business Plan 2007–10 outlines the major initiatives to be undertaken by the organisation over the next three years. It highlights priority areas such as growing regional visitation, building emerging international markets, securing better aviation access, improving skills and service standards, attracting greater investment and product development.

The *10 Year Tourism and Events Industry Strategy* was launched in October 2006.



225,000

estimated numbers of Victorians working in the tourism and events industry by 2016

REGIONAL TOURISM SUMMIT

The inaugural Regional Tourism Summit was held in Werribee in March 2007. The summit brought together a diverse range of tourism stakeholders from industry and government to discuss the major issues confronting regional tourism.

The summit addressed a number of challenges including climate change, drought, maintaining a balance between development and the environment, regional visitor dispersal and the impact of low-cost carriers on regional tourism. The major outcomes of the summit have been used to inform the development of *Tourism Victoria's Business Plan 2007–10*.

ENGAGEMENT ACROSS GOVERNMENT

Tourism Victoria led the development of Whole of Victorian Government submissions to the Commonwealth Parliamentary Committee Inquiry into Workforce Challenges in the tourism sector and the Victorian Parliamentary Committee Inquiry into Rural and Regional Tourism.

Tourism Victoria actively engages with Victorian Government partners on a range of issues including, for example, nature-based tourism, climate change, and Government responses to bushfire and drought.

Tourism Victoria also actively engages with the Commonwealth and other states and territories on tourism issues. Tourism Victoria is an active participant in the Australian Standing Committee on Tourism and supports the Minister's participation in the Tourism Ministers' Council. Though these and other forums, Tourism Victoria has engaged with other jurisdictions on a range of issues including, for example, pandemic preparedness, visas, domestic tourism, research priorities, investment issues and emerging markets.

Tourism Victoria targets key international markets.





LEGISLATIVE REQUIREMENTS

As a Victorian State Government statutory authority, Tourism Victoria is the vehicle through which the Government participates in the tourism and travel industries.



OTHER RELEVANT INFORMATION

Legislation

Tourism Victoria was established under the *Tourism Victoria Act 1992*. The Act outlines Tourism Victoria's functions, power and duties.

Merit and Equity Statement

In accordance with Government policies and guidelines, all appointments to Tourism Victoria in 2006-07 were made on the basis of merit.

WORKFORCE DATA AS AT 30 JUNE 2007

Class	Gender		Total
	F	M	
VPS G1	4.00	0.00	4.00
VPS G2	4.40	3.00	7.40
VPS G3	28.40	6.00	34.40
VPS G4	17.20	7.00	24.20
VPS G5	16.00	9.00	25.00
VPS G6	7.00	11.00	18.00
VPS G7	0.00	1.00	1.00
EO 3	2.00	3.00	5.00
EO 2	0.00	1.00	1.00
EO 1	0.00	1.00	1.00
Total	79.00	42.00	121.00

Employees' Health and Safety

Tourism Victoria's policy was provided and implemented by the Department of Innovation, Industry and Regional Development during 2006-07. The Department has reported on this matter.

Progress in Implementing National Competition Policy

Implementing National Competition Policy does not impact on the business of Tourism Victoria.

Reviews of Legislation that Restrict Competition

No reviews were undertaken in 2006-07 in relation to legislation relating to Tourism Victoria.

Application of the Competition Test to New Legislative Proposals

No new legislation was introduced during 2006-07 relating to Tourism Victoria.

Application of Competitive Neutrality (CN) principles to significant Government business activities

Tourism Victoria does not undertake any significant Government business activity with respect to the application of competitive neutrality principles.

Application of Competitive Neutrality Principles to In-House Bids

There were no in-house bids relating to Tourism Victoria in 2006-07.

Engagements of Consultants for 2006-07 in excess of \$100,000

Access Economics – \$105,600
(report on Economic Impact of Australia's Aviation Policy)

Deloitte – \$225,500
(3rd Generation Customer Conversion Scoping Study)

Engagements of Consultants for 2006-07, \$100,000 and under

Tourism Victoria engaged six consultants, each with a total consultancy cost of less than \$100,000, during 2006-07. The total cost of these consultancies in the financial year was \$250,206.

Other Information

Other relevant information relating to the financial year is retained by the accountable officer and made available to the relevant Minister, Members of Parliament and the public on request.

CULTURAL DIVERSITY, WOMEN, YOUTH & INDIGENOUS AFFAIRS

Tourism Victoria aims to ensure that individuals from culturally and linguistically diverse backgrounds have equal access to programs, services and initiatives. At the same time, Tourism Victoria aims to utilise the culturally and linguistically diverse features of Victorian society to inform the development of programs and external campaigns which benefit Victorians across all regions.

In 2006–07 Tourism Victoria undertook a number of activities that involved, or were targeted towards, culturally and linguistically diverse groups, including:

- Screening Tourism Victoria advertisements on SBS during prime time in order to reach its diverse audience;
- Providing assistance to regional events that facilitate community building and which directly and indirectly benefit diverse ethnic and cultural groups. A majority of these events have a multicultural focus. Events that received support in 2006–07 included the Buddha's Day and Multicultural Festival, National Celtic Festival, the Pako Festa, Antipodes Festival, Chinese New Year Festival and Awakening the Dragon Festival;
- Highlighting cultural diversity in food and wine campaigns.

All of the above activities will continue into 2007–08.

WOMEN

The themes contained in the Victorian Government report *Leading with Victoria's Women 2004–07* were adhered to in 2006–07. As a significant advertiser in media outlets, Tourism Victoria ensures that the images it uses are both respectful and representative of women.

Tourism Victoria's Board is 40 per cent female, 75 per cent of Tourism Victoria's staff are female and women are well represented in regional tourism organisations.

Women are strongly represented in the tourism industry and are increasingly occupying a leadership role. There is opportunity to further enhance the role of women in future years.

YOUTH

Tourism is an industry dominated by young people, particularly in areas such as hospitality. One of the major priorities in *Respect: The Government's Vision for Young People* is involving young people in community building activities. Tourism is one of the sectors providing significant employment in regional Victoria.

Specific initiatives undertaken in 2006–07 included:

- Tourism Victoria employs up to two tourism students per year as part of a 40-week work experience program. This will continue in 2007–08;
- Tourism Victoria provides financial support to Services Skills Victoria to undertake *The Developing Tourism Business Leaders* business skills development program. Initiatives in 2007–08 will focus on the employment and retention of young people in the industry, as well a two month placement with Tourism Victoria.

INDIGENOUS AFFAIRS

Tourism Victoria continued its support for Aboriginal tourism during 2006–07.

Other initiatives included:

- Tourism Victoria continued to support Aboriginal tourism in Victoria through Aboriginal Tourism Victoria (ATV);
- Tourism Victoria's Chairman, John Morse AM, is a member of the national Indigenous Tourism Leadership Forum;
- A range of product development and marketing activities were undertaken to promote Aboriginal tourism, including assisting four operators to participate in the first dedicated indigenous tourism trade mission to Europe;
- Aboriginal Tourism Victoria along with three Aboriginal tourism businesses attended the Australian Tourism Exchange with support from Tourism Victoria. An indigenous photo shoot and filming of indigenous identities was undertaken for use in future tourism marketing campaigns;
- Tourism Victoria continued to convene an Aboriginal Tourism Reference Group to provide advice on Aboriginal tourism development.

ENVIRONMENTAL MANAGEMENT

Tourism Victoria is part of the Department of Innovation, Industry and Regional Development. The Department has reported on this matter in its 2006–07 Annual Report.

FREEDOM OF INFORMATION

FREEDOM OF INFORMATION ACT 1982 – SECTION 7

Publication Requirements

The information required to be published pursuant to Section 7 of the *Freedom of Information Act 1982* (the Act) follows, except for information required by that section which is published elsewhere in this Annual Report.

Queries about the availability of, and charges for, other material prepared under Part 11 of the Act should be directed to:

Bernie Stewart
Freedom of Information Officer
GPO Box 2219T
Melbourne VIC 3001
Tel (03) 9653 9826
Fax (03) 9653 9722

Categories of Documents

The following are the general categories of documents maintained by Tourism Victoria:

- General correspondence paper records maintained on registered files;
- Minutes, agendas and papers; paper records of minutes of meetings are maintained on registered files and copies are maintained on computer disk in some instances;
- Accounting records are maintained on a computerised accounting system. The records deal with general ledger entries and other accounting functions. Paper records are also maintained in Tourism Victoria's Sydney office and in each international office.

FREEDOM OF INFORMATION ARRANGEMENTS

Access to all records

All requests for access to records of Tourism Victoria are dealt with by Tourism Victoria's Freedom of Information Officer; who also makes access decisions. Applicants seeking access to documents should attempt to be as specific as possible and should make contact with the Freedom of Information Officer if clarification is required.

Form of Request for Access

Applicants are required by the Act to submit applications requesting access to documents in writing. No form of application is specified and a letter clearly describing the documents sought is sufficient. The letter should specify that the application is a request made under the *Freedom of Information Act 1982* and should not form part of a letter on another subject. The applicant should write to the Freedom of Information Officer and provide the following information: Name, address, business hours contact number; details of documents requested and form of access required, i.e. copies of documents or inspection of files.

Correction of personal information

A request for correction or amendment of information about a person that is contained in a document held by Tourism Victoria must be made in writing. It should specify particulars of how and why the person making the request believes the information to be incorrect, incomplete, misleading or out of date and specifying the amendments they wish to have made.

Charges

Applicants may appeal against a decision made in response to requests for access to documents, for the amendment of records or against the cost levied for allowing access to documents. Appeals will be managed in accordance with the Act.

Appeals

Applicants may appeal against a decision made in response to requests for access to documents, for the amendment of records or against the cost levied for allowing access to documents. Information about the appropriate avenue of appeal will be conveyed to the applicant in the letter detailing the original access decisions. Applicants are advised to consult Part IV of the Act for further information about appeal rights.

Freedom of Information Request Summary (2006–07)

Principal Officer – Mr Gregory Hywood

Authorised Officer – Mr Bernie Stewart

Tourism Victoria received four Freedom of Information requests during the year; three from members of the public and one from a Member of Parliament.

WHISTLEBLOWERS PROTECTION ACT 2001

I. OVERVIEW

The *Whistleblowers Protection Act 2001* ('the Act') is designed to protect people who disclose information about serious wrongdoing within the Victorian public sector and to provide a framework for investigating these matters.

The Act's key objectives are to:

- promote a culture in which people feel safe to make disclosures;
- protect these people from recrimination;
- provide a clear process for investigating allegations; and
- ensure the investigated matters are properly dealt with.

A whistleblower is any person who makes a disclosure (a report or allegation) about improper conduct by public bodies or public officers.

Complaints or allegations about serious wrongdoing can be made against public bodies and any public officer; including Government departments, statutory authorities, universities and hospitals, councils and councillors, members of the Victoria Police Force and Members of Parliament.

Under the Act, any person who has reasonable grounds for believing that improper conduct has occurred can make a disclosure. If the disclosure is determined to be a **protected disclosure**, the whistleblower is entitled to certain protection. If, upon investigation, the complaint is substantiated, remedial action will be taken.

Tourism Victoria is committed to the aims and objectives of the *Whistleblowers Protection Act 2001* (The Act). It does not tolerate improper conduct by its employees, officers or members, nor the taking of reprisals against those who come forward to disclose such conduct.

Tourism Victoria recognises the value of transparency and accountability in its administrative and management practices and supports the making of disclosures that reveal corrupt conduct, conduct involving a substantial mismanagement of public resources, or conduct involving a substantial risk to public health and safety or the environment.

Tourism Victoria will take all reasonable steps to protect people who make such disclosures from any detrimental action in reprisal for making the disclosure. It will also afford natural justice to the person who is the subject of the disclosure.

2. WHAT DOES THE ACT COVER?

For a disclosure about wrongdoing to be considered as a protected disclosure under the Act, you must have reasonable grounds for your belief that **improper conduct** has occurred. This wrongdoing comprises:

- substantial mismanagement of public resources;
- risk to public health or safety or the environment; or
- corruption.

The conduct must be criminal in nature or amount to reasonable grounds for dismissal.

An example of *improper conduct* would be if a Tourism Victoria employee was conducting a private business during normal working hours and using the resources of Tourism Victoria for this purpose.

An example of *corrupt conduct* would be if a Tourism Victoria officer managing a grants program took a bribe from an industry acquaintance who had applied for a grant, in exchange for supporting and recommending the acquaintance's grant application.

It is an offence under the Act for a person to take **detrimental action** against another person in reprisal for making a protected disclosure. This includes:

- action causing injury, loss or damage;
- intimidation or harassment; or
- discrimination, disadvantage or adverse treatment in relation to a person's employment, career; profession, trade or business.

An example of *detrimental action* would be if you were demoted, transferred, isolated in your workplace or had your duties changed in reprisal for having made a disclosure.

Things to consider before making a disclosure:

- Are there reasonable grounds for believing that the alleged conduct has actually occurred?
- What are my expectations of the process? Are my expectations realistic and achievable?

3. PROCEDURES

Tourism Victoria has procedures in place to deal effectively with disclosures made under the Act. These are outlined below.

3.1 Who do I contact?

Tourism Victoria has appointed contact persons to provide general advice about the operation of the Act and to receive complaints or information about improper conduct by Tourism Victoria or its employees. Their roles and contact details are provided below.

- The Protected Disclosure Coordinator (PDC): receives and impartially assesses complaints or allegations, refers matters to the Ombudsman and coordinates investigations into disclosed matters.

Mr Gregory Hywood
Chief Executive
Level 32, 121 Exhibition Street
Melbourne, Victoria 3000
gregory.hywood@tourism.vic.gov.au

- Protected Disclosure Officer: provides general advice about the Act, receives complaints/disclosures, impartially assesses them and forwards them and any supporting evidence to the PDC for further assessment.

Mr Bernie Stewart
General Manager Executive Services
Level 32, 121 Exhibition Street
Melbourne, Victoria 3000
Tel (03) 9653 9826
bernie.stewart@tourism.vic.gov.au

- You can also make your complaint or provide information directly to the Ombudsman.

The Ombudsman Victoria
Level 22, 459 Collins Street
Melbourne, Victoria 3000
(DX 210174)
www.ombudsman.vic.gov.au
ombudvic@ombudsman.vic.gov.au
Tel (03) 9613 6222
Toll free 1800 806 314
Ombudsman (03) 9613 6202

Disclosures can be made in writing or made orally. You may also provide information anonymously.

If your complaint relates to persons other than employees of Tourism Victoria, you should make your complaint to the Ombudsman or to the public body concerned.

If your complaint is about a councillor or the Chief Commissioner of Police, it must be made to the Ombudsman. If your complaint is about a Member of Parliament, it must be made to the President of the Legislative Council or the Speaker of the Legislative Assembly, depending on which house the member belongs to.

3.2 Will my disclosure remain confidential?

The Act requires disclosures to be kept confidential. Strict penalties apply to any breach of confidentiality.

Tourism Victoria will not include particulars in any report or recommendation that is likely to lead to your identification. All files relating to your disclosure will be kept in a secure room and will only be accessed by the PDC, a Protected Disclosure Officer, an investigator or a designated welfare manager appointed by the PDC.

3.3 How are disclosures assessed?

The PDC will determine whether your disclosure amounts to a protected disclosure. If the PDC determines that it does, he or she will then make a conclusion as to whether or not the protected disclosure amounts to a public interest disclosure within Part 4 of the Act. If the PDC concludes that it does, he or she will refer it to the Ombudsman for a formal determination.

If the PDC concludes that your complaint or information is not covered by the Act, you will be notified of the alternative remedial action open to you in the circumstances, and advised of your right to ask for the Ombudsman to determine the matter.

3.4 How will my disclosure be investigated?

Where the Ombudsman determines that your protected disclosure amounts to a public interest disclosure and refers it to Tourism Victoria for investigation, the PDC will draw up terms of reference for authorisation by the Chief Executive of Tourism Victoria.

The objectives of an investigation are to:

- collate relevant information and draw conclusions from that information objectively and impartially; and
- make recommendations about remedial or other appropriate action.

The investigator must prepare an investigation plan and make regular reports to the PDC, who in turn will keep the Ombudsman informed of progress. In accordance with the Ombudsman's guidelines, all investigations are subject to the requirement of procedural fairness.

The investigator will notify you of his or her appointment and seek any necessary clarification or additional material that you might have. He or she may allow witnesses to have legal or other representation or support during an interview.

If it seems probable that disclosure of your identity cannot be avoided due to the nature of the allegations, the investigator will warn you and your welfare manager of this probability.

If an investigation is being obstructed or has revealed conduct that may constitute a criminal offence, the PDC will refer the matter back to the Ombudsman for investigation.

3.5 What will happen at the conclusion of the investigation?

The investigator will submit a written report of his or her findings to the PDC. The report will not include particulars likely to lead to your identification.

Where the report includes an adverse comment about any person, that person must be given the opportunity to respond.

If the PDC is satisfied that the disclosed conduct has occurred, he or she will make recommendations to the Chief Executive about appropriate remedial action, and report the findings of the investigation to you, the relevant Minister and the Ombudsman.

Where the investigation concludes that the disclosed conduct did not occur, you will be notified and the findings reported to the Ombudsman.

3.6 How will my welfare and protection needs be managed?

It is the responsibility of the PDC to keep you informed of action taken in relation to your disclosure, and the time frames that apply.

The PDC is also responsible for ensuring you are protected from reprisals and that the culture of the workplace supports protected disclosures being made.

All whistleblowers who have made a protected disclosure will be offered support by a welfare manager appointed by the PDC, to examine and attend to their immediate welfare and protection needs.

People who attempt any reprisal against anyone for making a disclosure may face court action and criminal penalties. Taking reprisals can also be grounds for a person making a disclosure under the Act, and can result in an investigation.

If you report that action has been taken in reprisal for making a disclosure, the welfare manager will record the details and advise the PDC. The PDC will assess the report as a new disclosure under the Act.

When you make a protected disclosure, the Act provides you with immunity from any civil or criminal liability or any disciplinary action for making that disclosure.

However, Tourism Victoria acknowledges that making a disclosure does not shield whistleblowers from the reasonable consequences flowing from any involvement in improper conduct, although, in some circumstances, an admission may be a mitigating factor when considering disciplinary or other action.

Where disciplinary or other action involving a whistleblower is decided upon, the PDC will thoroughly document the process including the reasons why the action is being taken, and will advise the whistleblower of the proposed action and of any mitigating factors that have been taken into account.

3.7 What support is given to the person against whom a disclosure is made?

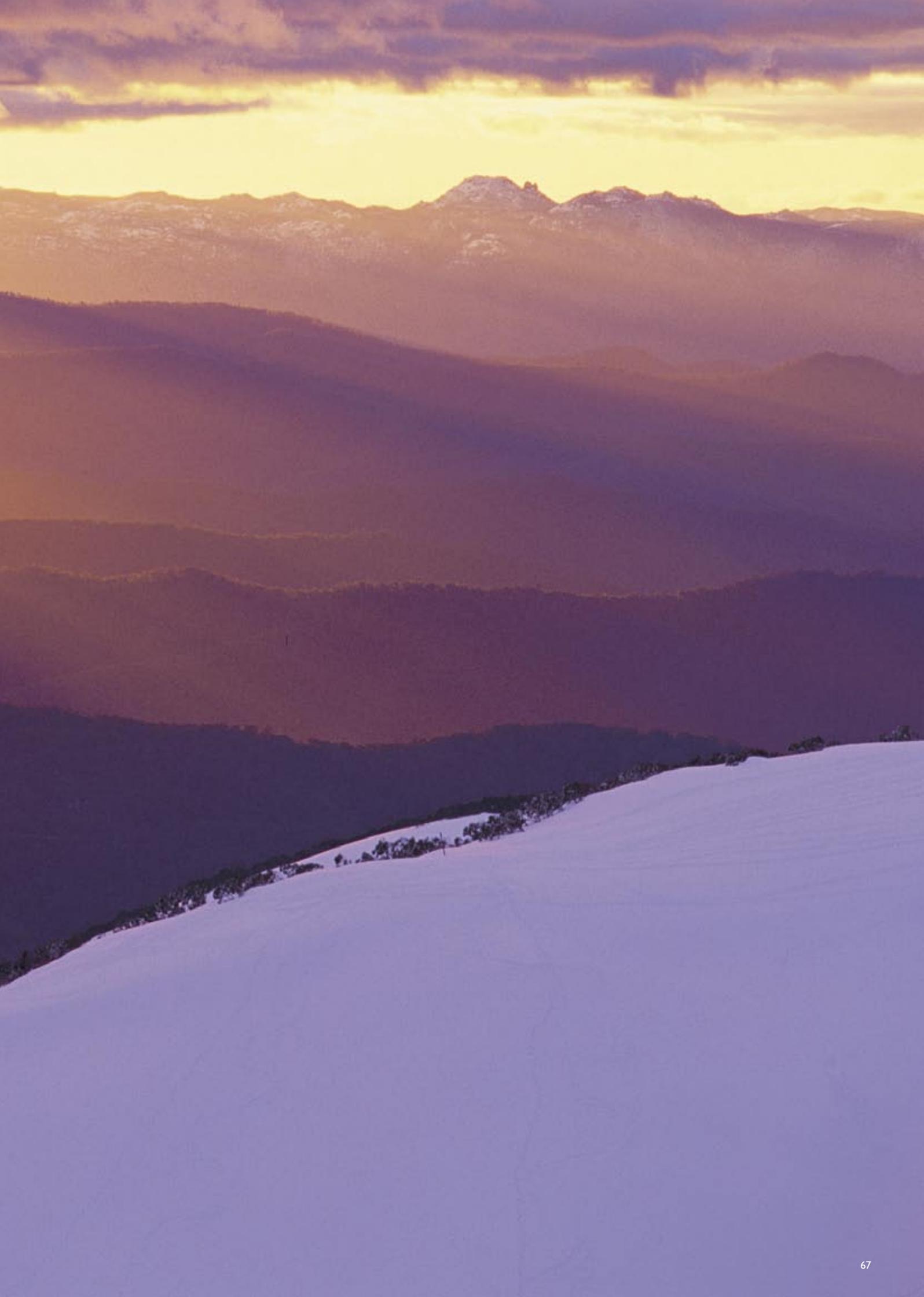
Tourism Victoria recognises that employees against whom disclosures are made must also be supported during the handling and investigation of disclosures. All reasonable steps will be taken to ensure the confidentiality of the person who is the subject of the disclosure during the assessment and investigation process. Where investigations do not substantiate disclosures, the fact of the investigation and all relevant details will remain strictly confidential.

The PDC will ensure the person who is the subject of an investigation is informed as to the substance of the allegations and has the opportunity to respond.



FINANCIAL REPORT

- 68 Financial Appendices
- 69 Operating Statement
- 70 Balance Sheet
- 71 Statement of Changes in Equity
- 71 Cash Flow Statement
- 72 Notes to the Financial Statements
- 92 Accountable Officers' & Chief Finance & Accounting Officer's Declaration
- 93 Auditor-General's Report
- 94 Disclosure Index



FINANCIAL APPENDICES

POSITION – 5 YEAR COMPARISON

FINANCIAL POSITION 5 YEAR COMPARISON

	2002–03 \$000	2003–04 \$000	2004–05 \$000	2005–06 \$000	2006–07 \$000
Total Assets	9,750	10,375	14,625	17,434	16,265
Total Liabilities	5,368	4,678	6,714	6,693	5,919
Net Assets	4,382	5,697	7,911	10,741	10,346
Surplus/(Deficit)	1,055	1,316	2,214	2,830	(395)
State Govt Contributions	40,377	42,202	44,886	44,690	42,786
Fixed Assets (WDV)	558	610	846	782	623

SIGNIFICANT CHANGES IN FINANCIAL POSITION 2006–07

1. An operating deficit of \$395,330 was recorded in 2006–07. This deficit was primarily a result of the accounting treatment of net government grant funding which was recorded as being received in full during 2005–06, but which was largely expended during the 2006–07 year.

The operational and budgetary objectives of the entity for the financial year and performance against those objectives including significant activities and achievements during the year.

These are outlined in narrative and graphical form elsewhere in this report.

A summary of major change or factors which have affected the achievement of the operational objectives for the year.

There have been no major changes or factors which have affected the achievement of the operational objectives for the year.

Events subsequent to balance date which may have a significant effect on the operations of the entity in subsequent years.

There have been no events subsequent to balance date which have a significant effect on the operation of the entity in subsequent years.

Tourism Victoria is a Statutory Authority of the State of Victoria.
Tourism Victoria was established under the *Tourism Victoria Act 1992*.
Its principal address is:

Tourism Victoria
121 Exhibition Street
Melbourne VIC 3000

A description of the nature of Tourism Victoria's operations and its principal activities is included in the annual report.

For queries in relation to our reporting please call 9653 9777.

OPERATING STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

	Notes	2007 \$	2006 \$
INCOME			
REVENUE			
Grant Income	2(a)	42,786,298	44,689,589
Resources received free of charge or for nominal consideration	2(b)	-	1,090,000
Other revenue	2(c)	3,119,636	2,872,807
Total Revenue		45,905,934	48,652,396
Other Income	2(d)	7,712	69,345
Total Income		45,913,646	48,721,741
EXPENSES			
Grants and other payments	3(a)	(7,616,648)	(10,377,147)
Employee benefits	3(b)	(10,565,718)	(9,902,194)
Depreciation and amortisation	3(c)	(254,359)	(291,533)
Capital asset		(48,000)	(48,000)
Supplies and services	3(d)	(22,375,659)	(19,194,675)
Administration charges	3(e)	(5,434,132)	(6,059,325)
Finance costs	39(f)	(13,960)	(18,876)
Other expenses	3(g)	(500)	-
Total Expenses		(46,308,976)	(45,927,077)
Net result for the period		(395,330)	2,829,991

The above operating statement should be read in conjunction with the accompanying notes.

BALANCE SHEET

AS AT 30 JUNE 2007

	Notes	2007 \$	2006 \$
CURRENT ASSETS			
Cash and cash equivalents	17	14,422,871	14,520,503
Receivables	4	1,024,324	1,922,030
Other assets	6	130,177	68,832
		15,577,372	16,511,365
Non-current assets classified as held for sale	8	-	75,755
Total current assets		15,577,372	16,587,120
NON-CURRENT ASSETS			
Other financial assets	5	65,010	65,010
Property, plant and equipment	7	622,991	782,250
Total non-current assets		688,001	847,260
Total assets		16,265,373	17,434,380
CURRENT LIABILITIES			
Payables	9	3,413,316	3,986,640
Interest bearing liabilities	10	81,735	159,765
Provisions	11	2,178,505	2,113,196
		5,673,556	6,259,601
Liabilities directly associated with non-current assets classified as held for sale	8	-	75,847
Total current liabilities		5,673,556	6,335,448
NON-CURRENT LIABILITIES			
Interest bearing liabilities	10	71,640	144,305
Provisions	11	174,327	213,447
Total non-current liabilities		245,967	357,752
Total liabilities		5,919,523	6,693,200
Net Assets		10,345,850	10,741,180
EQUITY			
Accumulated surplus/(deficit)	18(a)	10,345,850	10,741,180
Total equity		10,345,855	10,741,180
Contingent liabilities and contingent assets	15		
Commitments for expenditure	14		

The above balance sheet should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

	Notes	2007 \$	2006 \$
Total equity at the beginning of the financial year		10,741,180	7,911,189
Net result for the period		(395,330)	2,829,991
Total equity at the end of the financial year		10,345,850	10,741,180

CASH FLOW STATEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

	Notes	2007 \$	2006 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Government		43,684,003	46,018,872
Receipts from other entities		1,970,777	2,260,657
Payments to suppliers and employees		(49,190,050)	(47,386,002)
Goods and services tax recovered from the ATO		2,592,235	2,801,212
Capital asset charge		(48,000)	(48,000)
Interest and other costs of finance paid		(13,960)	(18,875)
Interest received		1,154,403	814,889
Net cash flows from/(used in) operating activities	17(c)	149,408	4,442,753
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from investments		-	1
Payments for property, plant and equipment		(210,922)	(178,724)
Proceeds from sale of property, plant and equipment		156,455	1,934
Net cash flows from/(used in) investing activities		(54,467)	(176,789)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of finance leases		(192,573)	-
Net cash flows from/(used in) financing activities		(192,573)	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
		(97,632)	4,265,964
Cash and cash equivalents at the beginning of the financial year		14,520,503	10,254,539
Cash and cash equivalents at the end of the financial year	17(a)	14,422,871	14,520,503
Non-cash financing activities	17(b)		

The above cash flow statement should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

Page	Note
73	1. Summary of Accounting Policies
79	2. Income
80	3. Expenses
81	4. Receivables
81	5. Other Financial Assets
81	6. Other Assets
82	7. Property, Plant & Equipment
83	8. Non-current Assets Classified as Held for Sale & Liabilities Directly Associated with Assets Classified as Held for Sale.
83	9. Payables
83	10. Interest Bearing Liabilities
84	11. Provisions
84	12. Superannuation
85	13. Leases
85	14. Commitments for Expenditure
85	15. Contingent Liabilities & Contingent Assets
86	16. Financial Instruments
88	17. Cash Flow Information
88	18. Movements in Equity
89	19. Ex-gratia Payments
89	20. Responsible Persons
90	21. Remuneration of Executives
91	22. Remuneration of Auditors
91	23. Subsequent Events

NOTE 1. SUMMARY OF ACCOUNTING POLICIES

(A) STATEMENT OF COMPLIANCE

The financial report is a general purpose financial report which has been prepared on an accrual basis in accordance with the Financial Management Act 1994, Australian Accounting Standards and Urgent Issues Group Interpretations. Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS').

The financial statements were authorised for issue by J. Morse (Chairman) on 30 August 2007.

(B) BASIS OF PREPARATION

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets.

In the application of A-IFRS management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of A-IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed throughout the notes in the financial statements.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2007 and the comparative information presented for the year ended 30 June 2006.

(C) REPORTING ENTITY

The financial statements include all the controlled activities of Tourism Victoria.

(D) EVENTS AFTER REPORTING DATE

Assets, liabilities, income or expenses arise from past transactions or other past events. Where the transactions result from an agreement between Tourism Victoria and other parties, the transactions are only recognised when the agreement is irrevocable at or before balance date. Adjustments are made to amounts recognised in the financial statements for events which occur after the reporting date and before the date the statements are authorised for issue, where those events provide information about conditions which existed at the reporting date. Note disclosure is made about events between the balance date and the date the statements are authorised for issue where the events relate to condition which arose after the reporting date and which may have a material impact on the results of subsequent years.

(E) GOODS & SERVICES TAX (GST)

Income, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

(F) INCOME RECOGNITION

Amounts disclosed as revenue are, where applicable, net of returns, allowances and duties and taxes.

Revenue is recognised for each of Tourism Victoria's major activities as follows:

Grant Income

Grants payable are recognised as income when Tourism Victoria gains control of the underlying assets. Where grants are reciprocal, income is recognised as performance occurs under the grant. Non-reciprocal grants are recognised as income when the grant is received or receivable. Conditional grants may be reciprocal or non-reciprocal depending on the terms of the grant.

Cooperative revenue

The amount recognised for cooperative ventures refers to funds directly received and banked by Tourism Victoria for activities such as brochure participation and cooperative marketing. Funds from cooperative venture participants which are reciprocal are recognised as revenue in the year when cooperative venture activities take place. Funds received prior to activities having taken place are recognised as Funds Received in Advance where reciprocal or as revenue if not reciprocal.

Resources received free of charge or for nominal consideration and corporate overhead

Contributions of resources received free of charge or for nominal consideration are recognised at their fair value when the contributed asset qualifies for recognition, unless received from another government department or agency as a consequence of a restructuring of administrative arrangements. In which case, such transfer will be recognised at carrying value. Contributions in the form of services are only recognised when a fair value can be reliably determined and the services would have been purchased if not donated.

Interest revenue

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2007 (CONTINUED)

(G) EXPENSES

Grants and other payments

Grants and other payments to third parties are recognised as an expense in the reporting period in which they are paid or payable. They include transactions such as grants, subsidies and other transfer payments to third parties.

Employee benefits

Employee benefits include all costs related to employment including wages and salaries, leave entitlements, redundancy payments and superannuation contributions. These are recognised when incurred, except for contributions in respect of defined benefit plans.

Superannuation

Defined contribution plans

Contributions to defined contribution superannuation plans are expensed when incurred.

Defined benefit plans

The amount charged to the operating statement in respect of defined benefit plan superannuation represents the contributions made by Tourism Victoria to the superannuation plan in respect of the current services of current Tourism Victoria staff. Superannuation contributions are made to the plans based on the relevant rules of each plan.

Tourism Victoria does not recognise any defined benefit liability in respect of the superannuation plan because Tourism Victoria has no legal or constructive obligation to pay future benefits relating to its employees; its only obligation is to pay superannuation contributions as they fall due.

The Department of Treasury and Finance centrally recognises the defined benefit liability or surplus of most Victorian government employees in such funds.

Depreciation

Depreciation is provided on property, plant and equipment. Depreciation is generally calculated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. The expected useful lives are as follows:

- Computer equipment
3 years (2006: 3 years)
- Plant and equipment
5 years (2006: 5 years)

These rates are reviewed on an annual basis. Depreciation is charged on all assets with an acquisition cost of \$1,000 or over (2006: \$1,000). These rates are consistent with those applied in prior years.

Leasehold improvements are depreciated over the period of the lease or its estimated useful life, whichever is shorter; using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

Amortisation

Intangible assets with finite useful lives are amortised on a systematic (typically straight-line) basis over the asset's useful life. Amortisation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each annual reporting period. In addition, an assessment is made at each reporting date to determine whether there are indicators that the intangible asset concerned is impaired. If so, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually or whenever there is an indication that the asset may be impaired. The useful lives of intangible assets that are not being amortised are reviewed each period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset.

Capital asset charge

The capital asset charge represents the opportunity cost of capital invested in the non-current physical assets used in the provision of outputs. The charge is calculated on the budgeted carrying amount of non-current physical assets.

Finance costs

Finance costs are recognised as expenses in the period in which they are incurred and include:

- interest on bank overdrafts and short-term and long-term borrowings;
- amortisation of discounts or premiums relating to borrowings;

- amortisation of ancillary costs incurred in connection with the arrangement of borrowings;
- finance lease charges; and
- the increase in financial liabilities and non-employee provisions due to the unwinding of discounts to reflect the passage of time.

Impairment of assets

Intangible assets with indefinite useful lives (and intangible assets not yet available for use) are tested annually for impairment (i.e. as to whether their carrying value exceeds their recoverable amount) and whenever there is an indication that the asset may be impaired. All other assets are assessed annually for indications of impairment, except for financial assets (refer Note 1(h)).

If there is an indication of impairment, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount. Where an asset's carrying value exceeds its recoverable amount, the difference is written off by a charge to the operating statement except to the extent that the write down can be debited to an asset revaluation reserve amount applicable to that class of asset.

It is deemed that, in the event of the loss of an asset, the future economic benefits arising from the use of the asset will be replaced unless a specific decision to the contrary has been made. The recoverable amount for most assets is measured at the higher of depreciated replacement cost and fair value less costs to sell. Recoverable amount for assets held primarily to generate net cash inflows is measured at the higher of the present value of future cash flows expected to be obtained from the asset and fair value less costs to sell.

Supplies and services

Supplies and services generally represent cost of goods sold and the day-to-day running costs, including maintenance costs, incurred in the normal operations of Tourism Victoria. These items are recognised as an expense in the reporting period in which they are incurred.

(H) ASSETS

All non current assets controlled by Tourism Victoria are reported in the balance sheet.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, deposits at call and highly liquid investments with an original maturity of 3 months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

Receivables

Receivables consist predominantly of debtors in relation to goods and services, accrued investment income and GST input tax credits recoverable.

All debtors are recognised at the amounts receivable as they are due for settlement at no more than 30 days from the date of recognition. The collectability of debtors is reviewed on an ongoing basis.

Receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest rate method, less any accumulated impairment.

A provision for doubtful receivables is made when there is objective evidence that the debts will not be collected. Bad debts are written off when identified.

Other financial assets

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

Investments

Interests in listed and unlisted securities other than controlled entities are brought to account at the lower of cost and recoverable amount.

Property, plant and equipment

Plant, equipment and building leasehold improvements are measured at cost less accumulated depreciation and impairment.

Revaluations of non-current assets

Non-current physical assets measured at fair value are revalued in accordance with the Financial Reporting Direction 103B Non Current Physical Assets. This revaluation process normally occurs every five years, based upon the asset's Government Purpose Classification. Revaluation increments or decrements arise from differences between carrying value and fair value.

Revaluation increments are credited directly to equity in the revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in the net result, the increment is recognised as income in determining the net result.

Revaluation decrements are recognised immediately as expenses in the net result, except that, to the extent that a credit balance exists in the revaluation reserve in respect of the same class of assets, they are debited to the revaluation reserve.

Revaluation increases and revaluation decreases relating to individual assets within an asset class are offset against one another within that class but are not offset in respect of assets in different classes.

Revaluation reserves are not normally transferred to accumulated surplus on de-recognition of the relevant asset.

Non-current assets classified as held for sale

Non-current assets (and disposal group) classified as held for sale are measured at lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is expected to be completed within one year from the date of classification.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Tourism Victoria as lessor

Amounts due from lessees under finance leases are recorded as receivables. Finance lease receivables are initially recorded at amounts equal to the present value of the minimum lease payments receivable plus the present value of any unguaranteed residual value expected to accrue at the end of the lease term. Finance lease payments are allocated between interest revenue and reduction of the lease receivable over the term of the lease in order to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the lease.

Tourism Victoria as lessee

Assets held under finance leases are recognised as assets of Tourism Victoria at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Finance lease assets are amortised on a straight-line basis over the estimated useful life of the asset.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold Improvements

The cost of leasehold improvements to or on leasehold properties is capitalised as an asset and amortised over the remaining term of the lease or the estimated useful life of the improvement to Tourism Victoria, whichever is the shorter. Leasehold improvements held at the reporting date are being amortised over 8 years (2006: 8 years).

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2007 (CONTINUED)

(I) LIABILITIES

Payables

Payables consist predominantly of creditors and other sundry liabilities.

Payables are carried at amortised cost and represent liabilities for goods and services provided to Tourism Victoria prior to the end of financial year that are unpaid, and arise when the company becomes obliged to make future payments in respect of the purchase of these goods and services.

Interest bearing liabilities

Interest bearing liabilities are recorded initially at fair value, net of transaction costs.

Subsequent to initial recognition, interest bearing liabilities are measured at amortised costs with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the interest bearing liability using the effective interest rate method.

Provisions

Provisions are recognised when Tourism Victoria has a present obligation, the future sacrifice of economic benefits is probable and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

When some or all of the economic benefits required to settle a provision are expected to be recognised from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

Employee benefits

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in the provision for employee benefits in respect of employee services up to the reporting date, classified as current liabilities and measured at their nominal values.

Those liabilities that are not expected to be settled within 12 months are recognised in the provision for employee benefits as current liabilities, measured at present value of the amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

(ii) Long service leave

Liability for long service leave (LSL) is recognised in the provision for employee benefits.

- Current Liability – unconditional LSL (representing seven or more years of continuous service for VPS staff and 10 and more years of continuous service for executives) is disclosed as a current liability even where Tourism Victoria does not expect to settle the liability within 12 months because it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months:

The component of this current LSL liability is measured at:

- present value – component that Tourism Victoria does not expect to settle within 12 months; and
- nominal value component that Tourism Victoria expects to settle within 12 months.
- Non Current Liability – conditional LSL Conditional LSL (representing less than seven years of continuous service for VPS staff and less than 10 years of continuous service for executives) is disclosed as a non-current liability. There is an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service.

This non current LSL liability is measured at present value.

(iii) Employee benefits on-costs

Employee benefits on-costs (payroll tax, workers compensation, superannuation, annual leave and LSL accrued while on LSL taken in service) are recognised and included with LSL employee benefits.

(iv) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. Tourism Victoria recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

(J) COMMITMENTS

Commitments include those operating, capital and other outsourcing commitments arising from non-cancellable contractual or statutory sources and are disclosed at their nominal value.

(K) CONTINGENT ASSETS & CONTINGENT LIABILITIES

Contingent assets and contingent liabilities are not recognised in the balance sheet, but are disclosed by way of a note and, if quantifiable, are measured at nominal value.

(L) CASH FLOW STATEMENT

For the purposes of the cash flow statement, cash comprises cash on hand, cash at bank, bank overdrafts and deposits at call, and highly liquid investments with short periods to maturity that are readily convertible to cash on hand and are subject to an insignificant risk of changes in value.

(M) FOREIGN CURRENCY

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign monetary items at reporting date are translated at the exchange rate existing at reporting date. Non-monetary assets carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Exchange differences are recognised in profit or loss in the period in which they arise.

(N) FUNCTIONAL & PRESENTATION CURRENCY

The functional currency of Tourism Victoria is the Australian Dollar, which has also been identified as the presentation currency of Tourism Victoria.

(O) ROUNDING OF AMOUNTS

Amounts in the financial report have been rounded to the nearest dollar unless otherwise stated.

(P) NEW ACCOUNTING STANDARDS & INTERPRETATIONS

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2007 reporting period. The Department of Treasury and Finance assesses the impact of these new standards and advises departments and other entities of their applicability and early adoption where applicable.

As at 30 June 2007, the following standards and interpretations had been issued but were not mandatory for financial years ending 30 June 2007.

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning or ending on	Impact on departmental financial statements
AASB7 Financial Instruments: Disclosures	New standard replacing disclosure requirements of AASB132.	Beginning 1 Jan 2007	AASB7 is a disclosure standard so will have no direct impact on the amounts included in the financial statements. However, the amendments will result in changes to the financial instrument disclosures included in the financial report.
AASB2005-10 Amendments to Australian Accounting Standards [AASB132, AASB101, AASB114, AASB117, AASB133, AASB139, AASB1, AASB4, AASB1023 & AASB1038]	Amendments arise from the release in August 2005 of AASB7 Financial Instruments: Disclosures.	Beginning 1 Jan 2007	As above.
AASB101 Presentation of Financial Statements (revised)	Removes Australian specific requirements from AASB101, including the Australian illustrative formats of the income statement, balance sheet and statement of changes in equity which entities were previously 'encouraged' to adopt in preparing their financial statements.	Beginning 1 Jan 2007	Impact on presentation not expected to be significant.
Interpretation 10 Interim Financial Reporting and Impairment	Equivalent to IFRIC10 of the same name. Concludes that where entity has recognised an impairment loss in an interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost, that impairment should not be reversed in subsequent interim financial statements nor in annual financial statements.	Beginning 1 Nov 2006	Tourism Victoria does not publish interim financial results, so there is no impact.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2007 (CONTINUED)

(P) NEW ACCOUNTING STANDARDS & INTERPRETATIONS (CONTINUED)

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning or ending on	Impact on departmental financial statements
Interpretation 12 Service Concession Arrangements	AASB approved an Australian Interpretation 12, equivalent to IFRIC 12, applying to private sector operators, but is silent on accounting by public sector grantors. The AASB intends to consider how public sector grantors should account for service concession arrangements, and will appoint an advisory panel to make recommendations.	Beginning 1 Jul 2008	The impact of any changes that may be required cannot be reliably estimated and is not disclosed in the financial statements.
AASB 2007-2 Amendments to Australian Accounting Standards arising from AASB Interpretation 12	Amendments arise from the release in February 2007 of Interpretation 12 Service Concession Arrangements.	Beginning 1 Jul 2008	As above.
AASB 8 Operating Segments	Supersedes AASB 114 Segment Reporting.	Beginning 1 Jan 2009	Not applicable.
AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038]	An accompanying amending standard, also introduced consequential amendments into other Standards.	Beginning 1 Jan 2009	Impact expected to be not significant.
Interpretation 4 Determining whether an Arrangement contains a Lease [revised]	Where arrangements might fall both within this Interpretation and Interpretation 12, Interpretation 12 will take precedence. As advised above, Interpretation 12 only applies to the private sector operation and the AASB is still considering public sector accounting for these arrangements.	Beginning 1 Jan 2008	May or may not lead to certain arrangements being reclassified. At this stage, the financial impact is unknown as it depends on whether there are arrangements being reclassified.
Interpretation 129 Service Concession Arrangements: Disclosures [revised]	Operator to disclose revenue and profit.	Beginning 1 Jan 2008	Tourism Victoria is not an operator of service concession, so there will be no impact on disclosures.

	2007 \$	2006 \$
NOTE 2. INCOME		
(A) GRANTS INCOME		
Government Grants	42,786,298	44,689,859
	42,786,298	44,689,589
(B) RESOURCES RECEIVED FREE OF CHARGE OR FOR NOMINAL CONSIDERATION		
In 2006, Personnel, account processing, information technology and other corporate services amounting to \$1,090,000 were received free of charge by Tourism Victoria from the Department of Innovation, Industry and Regional Development. These resources would have been purchased elsewhere had they not been provided by the Department and as such have been included in the Operating Statement under Administration charges.	-	1,090,000
	-	1,090,000
(C) OTHER REVENUE		
Cooperative Marketing		
Marketing strategy	284,912	401,292
Product and destination marketing	1,172,792	916,625
International marketing	202,849	364,212
Other	212,803	294,698
	1,873,356	1,976,827
Rental Revenue		
Rent received	91,877	81,091
	91,877	81,091
Interest revenue		
Interest on bank deposits	93,548	60,602
Interest from investments	1,060,855	754,287
	1,154,403	814,889
Total other revenue	3,119,636	2,872,807
(D) OTHER INCOME		
Foreign exchange rate gains	5,543	102,582
Gain/(loss) on disposal of property, plant and equipment	2,169	(33,393)
Other	-	156
	7,712	69,345

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2007 (CONTINUED)

	2007 \$	2006 \$
NOTE 3. EXPENSES		
(A) GRANTS & OTHER PAYMENTS		
Regional tourism cooperative marketing	2,244,183	2,093,915
Melbourne Convention and Visitor Bureau	-	3,115,000
Major events	2,897,561	3,258,909
Industry development	771,521	416,000
Cooperative marketing	860,239	520,181
Victoria Trade and Investment Company Pty Ltd	843,144	973,142
	7,616,648	10,377,147
(B) EMPLOYEE BENEFITS		
Salaries and wages	8,056,423	7,189,967
Superannuation	882,313	936,812
Annual leave	706,712	787,595
Long service leave	128,988	363,868
Other on-costs (fringe benefits tax, payroll tax, and work cover levy)	791,283	623,952
	10,565,718	9,902,194
(C) DEPRECIATION & AMORTISATION EXPENSE		
Depreciation of non-current assets	217,021	232,463
Amortisation of non-current assets	37,338	59,070
	254,359	291,533
(D) SUPPLIES & SERVICES		
Advertising	10,083,577	8,267,728
Printed Material	492,457	525,196
Consultants/Professional Services	1,797,887	1,844,827
Distribution	359,913	317,566
Exhibition costs/Venue hire	319,365	349,733
Familiarisation Expenses	1,191,393	1,348,105
Hospitality & Entertainment	201,541	298,542
Marketing, Promotional and PR costs	5,045,679	3,189,076
Media	60,690	38,785
Online services	331,311	374,062
Overseas contractors	1,161,170	1,121,887
Photographic/Video	299,194	296,173
Research	1,008,897	1,203,379
Other	22,585	19,616
	22,375,659	19,194,675

	2007 \$	2006 \$
(E) ADMINISTRATION CHARGES		
Rent, cleaning and power	1,516,764	1,484,356
Telephone, facsimile and postage	321,278	324,117
Audit fees	22,600	18,400
Office building maintenance	-	11,628
Computer charges	1,303,767	1,059,570
Printing, stationery and offices requisites	250,528	218,597
Motor vehicle running costs	131,797	52,508
Corporate overhead	-	1,090,000
Tourism Victoria Board	-	189,789
Travel charges	758,850	734,515
Training and development	344,227	216,702
Other	784,321	659,143
	5,434,132	6,059,325
(F) FINANCE COSTS		
Finance lease interest costs	13,960	18,876
	13,960	18,876
(G) OTHER EXPENSES		
Bad debts written off	500	-
	500	-
NOTE 4. RECEIVABLES		
CURRENT		
Debtors (i)	494,704	1,339,384
Other Receivables	30,873	165,491
Less: Provision for doubtful debts	-	-
	525,577	1,504,875
GST Input tax credit recoverable	498,747	417,154
	1,024,324	1,922,029
(i) The average credit period on sales of goods and/or services is 30 days. No interest is charged on other receivables.		
NOTE 5. OTHER FINANCIAL ASSETS		
CURRENT OTHER FINANCIAL ASSETS		
Non-traded Investments		
Shares in other entities (at cost)	65,010	65,010
Shares in other entities		
Tourism Victoria holds shares in Australian Tourism Data Warehouse Pty Ltd.		
NOTE 6. OTHER ASSETS		
CURRENT OTHER ASSETS		
Prepayments	130,177	68,832
Total Current other assets	130,177	68,832

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2007 (CONTINUED)

	2007 \$	2006 \$
NOTE 7. PROPERTY, PLANT & EQUIPMENT		
Classification by purpose groups – carrying amounts		
	Public Safety and Environment 7(a)	
SUB-CLASSIFICATION BY NATURE (a)		
Leasehold improvements		
Leasehold improvements (at cost)	352,725	352,725
Less: accumulated amortisation	(208,700)	(169,016)
	144,025	183,709
Plant and equipment		
Plant and equipment (at cost)	1,549,365	1,507,535
Less: accumulated amortisation	(1,223,122)	(1,187,078)
	326,243	320,456
Plant and equipment under finance lease (at cost)	194,208	340,392
less: accumulated amortisation	(41,485)	(62,307)
	152,723	278,085
Net carrying amount of property, plant and equipment	622,991	782,250

(a) Property, plant and equipment are classified primarily by the 'purpose' for which the assets are used according to one of five 'Purpose Groups' based upon Government Purpose Classifications (GPC). All assets within a 'Purpose Group' are further sub-categorised to the asset's 'nature' (i.e. buildings, plant and equipment etc), with each sub-category being classified as a separate class of asset for financial reporting purposes.

NOTE 7a. PROPERTY, PLANT & EQUIPMENT

Classification by 'Public Safety and Environment' purpose group – movements carrying amounts

	Leasehold Improvements at cost		Plant and equipment at cost		Total	
	2007 \$	2006 \$	2007 \$	2006 \$	2007 \$	2006 \$
Opening balance	183,709	328,178	598,542	517,396	782,251	845,574
Additions	-	-	422,902	460,094	422,902	460,094
Disposals	-	(4,934)	(324,390)	(30,393)	(324,390)	(35,327)
Transfers free of charge	-	(96,393)	(3,413)	(24,409)	(3,413)	(120,802)
Classified as held for sale	-	-	-	(75,755)	-	(75,755)
Depreciation/amortisation expense	(39,684)	(43,142)	(214,675)	(248,391)	(254,359)	(291,533)
Closing balance	144,025	183,709	478,966	598,542	622,991	782,251

	2007 \$	2006 \$
NOTE 7. PROPERTY, PLANT & EQUIPMENT (CONTINUED)		
The following useful lives of assets are used in the calculation of depreciation		
Leasehold improvements	8–10 years	8–10 years
Plant and equipment	3–5 years	3–5 years
Leased plant and equipment	3–5 years	3–5 years
Aggregate depreciation allocated, recognised as expense during the year:		
Leasehold improvements	39,684	43,142
Plant and equipment	177,337	189,321
Leased plant and equipment	37,338	59,070
	254,359	291,533

NOTE 8. NON CURRENT ASSETS CLASSIFIED AS HELD FOR SALE & LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE

(a) Non-current assets classified as held for sale		
Motor Vehicles held for sale	-	75,755
Total non-current assets classified as held for sale	-	75,755
(b) Liabilities directly associated with assets classified as held for sale		
Finance lease liabilities	-	75,847
Total liabilities directly associated with assets classified as held for sale	-	75,847

NOTE 9. PAYABLES

Trade creditors and accruals (i)	2,444,597	3,155,931
Other creditors	968,719	830,709
Total Payables	3,413,316	3,986,640

(i) The average credit period on trade creditors is 30 days.

NOTE 10. INTEREST BEARING LIABILITIES

CURRENT

Secured

Finance lease liabilities (i) (note 13)		
At amortised cost (2006: cost)	81,735	211,680
	81,735	211,680

NON-CURRENT

Secured

Finance lease liabilities (i) (note 13)		
At amortised cost (2006: cost)	71,640	144,305
	71,640	144,305

Aggregate carrying amount of interest bearing liabilities

Current	81,735	211,680
Non-current	71,640	144,305
	153,375	355,985

(i) Secured by the assets leased
Lease liabilities are effectively secured as the right to the leased assets reverts to the lessor in the event of default.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2007 (CONTINUED)

	2007 \$	2006 \$
NOTE 11. PROVISIONS		
CURRENT		
Employee benefits (note 11(a))	2,178,505	2,113,196
	2,178,505	2,113,196
NON-CURRENT		
Employee benefits (note 11(a))	174,327	213,447
	174,327	213,447
Total provisions	2,352,832	2,326,643
(a) Employee Benefits		
Current employee benefits		
Annual leave entitlements	639,464	640,796
Unconditional long service leave	1,539,041	1,472,400
	2,178,505	2,113,196
CURRENT EMPLOYEE BENEFITS THAT		
Are expected to be utilised within 12 months after the reporting period	639,464	640,796
Are expected to be utilised more than 12 months after the reporting period	1,539,041	1,472,400
	2,178,505	2,113,196
NON-CURRENT EMPLOYEE BENEFITS		
Conditional long service leave	174,327	213,447
	174,327	213,447
Total employee benefits	2,352,832	2,363,643

NOTE 12. SUPERANNUATION

Employees of Tourism Victoria are entitled to receive superannuation benefits and Tourism Victoria contributes to both defined benefit and defined contribution plans. The defined benefit plan(s) provides benefits based on years of service and final average salary.

Tourism Victoria does not recognise any defined benefit liability in respect of these plan(s) because the entity has no legal or constructive obligation to pay future benefits relating to its employees; its only obligation is to pay superannuation contributions as they fall due. The Department of Treasury and Finance recognises and discloses the State's defined benefit liabilities in its financial report.

However, superannuation contributions for the reporting period are included as part of employee benefits in the Operating Statement of Tourism Victoria.

The name and details of the major employee superannuation funds and contributions made by Tourism Victoria are as follows:

Fund	Contribution for the year 2007 \$	Contribution for the year 2006 \$	Contribution outstanding at year end 2007 \$	Contribution outstanding at year end 2006 \$
Government Superannuation Scheme – revised and new	222,486	233,518	-	-
VicSuper	430,161	464,487	-	-
Private Funds	117,666	120,669	-	-
Other	136,166	161,557	-	-
Total	906,479	980,231	-	-

The bases for contributions are determined by various schemes. The above amounts were measured as at 30 June of each year, or in the case of employer contributions they relate to the years ended 30 June.

NOTE 13. LEASES

DISCLOSURE FOR LESSEES – FINANCE LEASES

Leasing arrangements

Finance leases relate to motor vehicles with lease terms of 1 and 3 years. Tourism Victoria has the option to purchase the vehicles for a nominal value at the conclusion of the lease arrangements.

Finance lease liabilities

	Minimum Future lease payments		Present value of minimum future lease payments	
	2007 \$	2006 \$	2007 \$	2006 \$
Not longer than 1 year	87,750	224,639	81,735	211,680
Longer than 1 year and not longer than 5 years	74,083	151,854	71,640	144,305
Longer than 5 years	-	-	-	-
Minimum lease payments*	161,833	376,493	153,375	355,985
Less future finance charges	(8,458)	(20,508)	-	-
Present value of minimum lease payments	153,375	355,985	153,375	355,985
Included in the financial statements as:				
Current interest bearing liabilities (note 10)			81,735	211,680
Non-current interest bearing liabilities (note 10)			71,640	144,305
			153,375	355,985

* Minimum lease payments includes the aggregate of all lease payments and any guaranteed residual.

DISCLOSURE FOR LESSEES – OPERATING LEASES

Leasing arrangements

Operating leases relate to property leases.

The properties leased relate to offices which Tourism Victoria leases overseas and interstate.

Non cancellable operating leases

Not longer than 1 year	255,042	255,261
Longer than 1 year and not longer than 5 years	385,438	150,695
Longer than 5 years	141,032	-
	781,512	405,956

NOTE 14. COMMITMENTS FOR EXPENDITURE

Leasing commitments

Finance lease liabilities and non-cancellable operating lease commitments are disclosed in Note 13 of the financial statements.

NOTE 15. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contingent assets

There were no contingent liabilities and contingent assets at 30 June 2007.

In 2006, a commitment of \$192,773 was recognised by the Department of Innovation, Industry and Regional Development in relation to an agreement to fund Tourism Victoria's long service leave liability accrued prior to 30 June 1998 at the reporting date. This commitment was not recognised as an asset by Tourism Victoria at reporting date however was disclosed as a contingent asset.

Contingent liabilities

No contingent liabilities (2006: nil).

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2007 (CONTINUED)

NOTE 16. FINANCIAL INSTRUMENTS

(A) FINANCIAL RISK MANAGEMENT OBJECTIVES

Tourism Victoria's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, and interest rates. Tourism Victoria does not enter into derivative financial instruments to manage its exposure to interest rate and foreign currency risk.

Tourism Victoria does not enter into trade financial instruments, including derivative financial instruments, for speculative purposes.

The policies for managing these risks are discussed in more detail below:

(B) SIGNIFICANT ACCOUNTING POLICIES

Details of significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 of the financial statements.

(C) INTEREST RATE RISK EXPOSURES

Tourism Victoria's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following table.

The following table details Tourism Victoria's exposure to interest rate risk as at 30 June 2007.

	Notes	Weighted average effective interest rate %	Variable interest rate \$	Less than 1 year \$	1–5 years \$	More than 5 years \$	Non-interest bearing \$	Total \$
2007 Financial assets								
Cash and cash equivalents	17	6.17%	14,422,871	-	-	-	-	14,422,871
Trade and other receivables	4		-	-	-	-	1,024,324	1,024,324
Shares in other entities	5		-	-	-	-	65,010	65,010
			14,422,871	-	-	-	1,089,334	15,512,205
Financial Liabilities								
Payables	9		-	-	-	-	3,413,316	3,413,316
Finance lease liabilities	10,13	6.90%	-	81,735	71,640	-	-	153,375
			-	81,735	71,640	-	3,413,316	3,566,691
Net financial assets/liabilities			14,422,871	(81,735)	(71,640)	-	(2,323,982)	11,945,514

The following table details Tourism Victoria's exposure to interest rate risk as at 30 June 2006.

	Notes	Weighted average effective interest rate %	Variable interest rate \$	Less than 1 year \$	1–5 years \$	More than 5 years \$	Non-interest bearing \$	Total \$
2006 Financial assets								
Cash and cash equivalents	17	5.90%	14,520,503	-	-	-	-	14,520,503
Trade and other receivables	4		-	-	-	-	1,922,030	1,922,503
Shares in other entities	5		-	-	-	-	65,010	65,010
			14,520,503	-	-	-	1,987,040	16,507,543
Financial Liabilities								
Payables	9		-	-	-	-	3,986,640	3,986,640
Finance lease liabilities	10,13	6.39%	-	159,765	144,305	-	-	304,070
			-	159,765	144,305	-	3,986,640	4,290,710
Net financial assets/liabilities			14,520,503	(159,765)	(144,305)	-	(1,999,600)	(12,216,833)

NOTE 16. FINANCIAL INSTRUMENTS (CONTINUED)

(D) CREDIT RISK

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to Tourism Victoria. Tourism Victoria has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. Tourism Victoria measures credit risk on a fair value basis.

Tourism Victoria does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with credit-ratings assigned by international credit rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents Tourism Victoria's maximum exposure to credit risk without taking account for the value of any collateral obtained.

(E) FAIR VALUE

Management consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values.

The fair values and net fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models on discounted cash flow analysis.

The financial statements include holdings in unlisted shares (note 5).

Transaction costs are included in the determination of net fair value.

Fair value is estimated using a discounted cash flow model, which includes some assumptions that are not supportable by observable market prices or rates. Changes in these assumptions do not significantly change the fair value recognised.

	Carrying amount		Fair value	
	2007 \$	2006 \$	2007 \$	2006 \$
Financial assets				
Cash and cash equivalents	14,422,871	14,520,503	14,422,871	14,520,503
Trade and other receivables	1,024,324	1,922,030	1,024,324	1,922,030
Shares in other entities	65,010	65,010	65,010	65,010
	15,512,205	16,507,543	15,512,205	16,507,543
Financial Liabilities				
Payables	3,413,316	3,986,640	3,413,316	3,986,640
Finance lease liabilities	153,375	304,070	153,375	304,070
	3,566,691	4,290,710	3,566,691	4,290,710

(F) FOREIGN EXCHANGE RATE RISK

Tourism Victoria's foreign exchange rate risk is limited to the balance of cash at bank in foreign currencies held at overseas offices. The balance of overseas offices cash at bank at 30 June 2007 was AUD\$219,382 (2006: AUD\$197,055).

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2007 (CONTINUED)

	2007 \$	2006 \$
NOTE 17. CASH FLOW INFORMATION		
(A) RECONCILIATION OF CASH & CASH EQUIVALENTS		
For the purposes of the Cash Flow Statement, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the Cash Flow Statement is reconciled to the related items in the balance sheet as follows:		
Cash at bank and on hand	2,303,488	4,423,448
Term deposits and investments	11,900,000	9,900,000
Cash Advance – (held at overseas offices)	219,383	197,055
Total cash and cash equivalents	14,422,871	14,520,503
(B) NON-CASH FINANCING & INVESTING ACTIVITIES		
Acquisition of plant and equipment by way of finance lease	-	235,551
Total non cash financing and investing activities	-	235,551
(C) RECONCILIATION OF NET RESULT FOR THE REPORTING PERIOD TO NET CASH FLOWS FROM OPERATING ACTIVITIES.		
Net results for reporting period	(395,330)	2,829,991
(Gain)/loss on disposal of non-current assets	(2,169)	33,393
Depreciation and amortisation of non-current assets	254,359	291,533
Allowance for doubtful debts	-	-
Other non-cash items	3,322	120,802
Change in operating assets and liabilities, net of effects from restructuring		
<i>(Increase)/decrease in assets</i>		
Current receivables	897,706	1,429,283
Other current assets	(61,345)	39,893
<i>Increase/(decrease) in liabilities</i>		
Current payables	(573,324)	(280,222)
Current provisions	65,309	(21,919)
Non-current provisions	(39,120)	-
Net cash flows from operating activities	149,408	4,442,753
NOTE 18. EQUITY & MOVEMENTS IN EQUITY		
(A) ACCUMULATED SURPLUS/(DEFICIT)		
Accumulated surplus at the beginning of the financial year	10,741,180	7,911,189
Net result for reporting period	(395,330)	2,829,991
Accumulated surplus at the end of the financial year	10,345,850	10,741,180
(B) MOVEMENTS IN EQUITY		
Total equity at the beginning of the financial year	10,741,180	7,911,189
Total changes in equity recognised in the statement of financial performance	(395,330)	2,829,991
Total equity at the end of the financial year	10,345,850	10,741,180

NOTE 19. EX-GRATIA PAYMENTS

No ex-gratia payments were made during the reporting period.

NOTE 20. MINISTER & RESPONSIBLE OFFICERS

In accordance with the Directions of the Minister for Finance under the *Financial Management Act 1994*, the following disclosures are made regarding responsible persons for the reporting period.

NAMES

The persons who held positions in Tourism Victoria are as follows:

Minister for Tourism	The Hon John Pandazopoulos MP	1 July 2006 to 27 November 2006
Minister for Tourism	The Hon Tim Holding MP	28 November 2006 to 30 June 2007
Chief Executive	Gregory Hywood	1 July 2006 to 30 June 2007
Chairman	John Morse AM	1 July 2006 to 30 June 2007
Deputy Chair	Pamela Catty	1 July 2006 to 30 June 2007
Board Member	Tom Smith	1 July 2006 to 30 June 2007
Board Member	Greg Sword	1 July 2006 to 30 June 2007
Board Member	Geoffrey Conaghan	1 July 2006 to 30 June 2007
Board Member	Bee Ho Teow	1 July 2006 to 30 June 2007
Board Member	Kevin Davern OAM	1 July 2006 to 30 June 2007
Board Member	Alla Wolf-Tasker AM	1 July 2006 to 30 June 2007
Board Member	Tamira Herbst	1 July 2006 to 31 December 2006
Board Member	Judith Muir	1 July 2006 to 30 June 2007

REMUNERATION

Total remuneration received or receivable by the Accountable Officer in connection with the management of Tourism Victoria during the reporting period was in the range:

\$260,000 – \$269,999 (2006: \$270,000 – \$279,999)

Remuneration received or receivable by Tourism Victoria Board members for the reporting period is provided below:

	Total remuneration	
	2007 No.	2006 No.
\$10,000–\$19,999	9	9
\$30,000–\$39,999	1	1
	10	10
	\$168,146	\$178,105

Amounts relating to the Minister are reported in the financial statements of the Department of Premier and Cabinet.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2007 (CONTINUED)

NOTE 20. MINISTER & RESPONSIBLE OFFICERS (CONTINUED)

RELATED PARTIES

In addition to the remuneration outlined above, Tourism Victoria entered into payable and receivable transactions with the following organisations in its domestic dealings and within normal customer relationships on terms and conditions no more favourable than those available in similar arm's length dealings. The Board members listed below were, during all or part of 2006–07, directors, employees or owners/part owners of the organisations.

		2007 \$	2006 \$
Alla Wolf-Tasker	Lake House Restaurant & Boutique Hotel	13,424	24,547
Alla Wolf-Tasker	Daylesford & The Macedon Ranges Tourism Inc	132,651	-
Judith Muir	Polperro Dolphin Swims	1,155	2,785
Judith Muir	Mornington Peninsula Tourism Inc	-	(27,931)
Tom Smith	Tourism Alliance Victoria	575,860	521,773
Tom Smith	The Marketing Intelligence Agency	-	550
Tom Smith	Great Ocean Road Marketing Inc	32,685	-
Tom Smith	Great Southern Touring Route	(16,146)	-
Geoffrey Conaghan	Melbourne Airport	(63,285)	(1,250)
Kevin Davern	Melbourne Exhibition and Convention Centre	55,369	35,218

NOTE 21. REMUNERATION OF EXECUTIVES

The numbers of executive officers, other than the Ministers and Accountable Officers, and their total remuneration during the reporting period are shown in the first two columns in the table below in their relevant income bands. The base remuneration of executive officers is shown in the third and fourth columns. Base remuneration is exclusive of bonus payments, and long-service leave payments.

Although, the number of executives within Tourism Victoria remained constant over the reporting period, several factors have affected total remuneration payable to executives over the year. A number of employment contracts were completed during the year and renegotiated and a number of executives received bonus payments during the year. These bonus payments depend on the terms of individual employment contracts. Some contracts provide for an annual bonus payment whereas other contracts only include the payment of bonuses on the successful completion of the full term of the contract. A number of these contract completion bonuses become payable during the year.

A number of executive officers retired, resigned or were retrenched in the past year. This has had a significant impact on total remuneration figures due to the inclusion of annual leave, long service leave and retrenchment payments.

NOTE 21. REMUNERATION OF EXECUTIVES (CONTINUED)

Income Band	Total Remuneration		Base Remuneration	
	2007 No.	2006 No.	2007 No.	2006 No.
\$0 – \$9,999	1	-	1	-
\$10,000 – \$19,999	1	-	1	-
\$120,000 – \$129,999	-	-	-	1
\$140,000 – \$149,999	-	-	-	1
\$150,000 – \$159,999	1	1	2	3
\$160,000 – \$169,999	1	3	2	1
\$170,000 – \$179,999	2	1	1	1
\$180,000 – \$189,999	1	1	-	-
\$210,000 – \$219,999	-	1	-	-
Total numbers	7	7	7	7
Total amount	\$876,049	\$1,225,527	\$829,951	\$1,078,649

	2007 \$	2006 \$
NOTE 22. REMUNERATION OF AUDITORS		
Victorian Auditor General's Office		
Audit of the financial report	20,000	18,400
	20,000	18,400

NOTE 23. SUBSEQUENT EVENTS

There were no subsequent events at balance date which are required to be brought to account or disclosed.



ACCOUNTABLE OFFICERS' & CHIEF FINANCE & ACCOUNTING OFFICER'S DECLARATION

We certify that the attached financial statements for Tourism Victoria have been prepared in accordance with Standing Direction 4.2 of the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian accounting standards and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and notes to and forming part of the financial statements, presents fairly the financial transactions during the year ended 30 June 2007 and financial position of Tourism Victoria as at 30 June 2007.

We are not aware of any circumstance which would render any particulars included in the financial statements to be misleading or inaccurate.

John Morse AM
Chairman
4 September 2007

Gregory Hywood
Chief Executive
4 September 2007

Elizabeth Tasevska
Chief Financial Officer
4 September 2007

INDEPENDENT AUDIT REPORT

TOURISM VICTORIA

To the Members of the Parliament of Victoria and Members of the Board of the Authority Matters Relating to the Electronic Presentation of the Audited Financial Report

This audit report for the financial year ended 30 June 2007 relates to the financial report of Tourism Victoria included on its web site. The Board of Tourism Victoria is responsible for the integrity of the web site. I have not been engaged to report on the integrity of the web site. The audit report refers only to the statements named below. An opinion is not provided on any other information which may have been hyperlinked to or from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

The Financial Report

The accompanying financial report for the year ended 30 June 2007 of Tourism Victoria which comprises the operating statement, balance sheet, statement of changes in equity, cash flow statement, and a summary of significant accounting policies and other notes to and forming part of the financial report, and the accountable officers' and chief finance and accounting officer's declaration has been audited.

The Responsibility of the Members of the Board for the Financial Report

The Members of the Board of Tourism Victoria are responsible for the preparation and the fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the financial reporting requirements of the *Financial Management Act 1994*. This responsibility includes:

- establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error
- selecting and applying appropriate accounting policies
- making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit, which has been conducted in accordance with Australian Auditing Standards. These Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, consideration is given to internal control relevant to the Board Members' preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. An audit also includes evaluating the appropriateness of the accounting policies used, and the reasonableness of accounting estimates made by the Board Members, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independence

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. The Auditor-General, his staff and delegates comply with all applicable independence requirements of the Australian accounting profession.

Auditor's Opinion

In my opinion, the financial report presents fairly, in all material respects. The financial position of Tourism Victoria as at 30 June 2007 and its financial performance and cash flows for the year then ended in accordance with applicable Australian Accounting Standards (including the Australian Accounting Interpretations), and the financial reporting requirements of the *Financial Management Act 1994*.

MELBOURNE
4 September 2007



D.D.R. Pearson
Auditor-General

DISCLOSURE INDEX

The Annual Report of the Tourism Victoria is prepared in accordance with all relevant Victorian legislation. This index has been prepared to facilitate identification of compliance with statutory disclosure requirements.

MINISTERIAL DIRECTIONS

Legislation	Requirement	Page reference
REPORT OF OPERATIONS		
Charter and purpose		
FRD 22A	Manner of establishment and the relevant Ministers	4, 9
FRD 22A	Objectives, functions, powers and duties	4–5
FRD 22A	Nature and range of services provided	4–5
Management and structure		
FRD 22A	Organisational structure	8
Financial and other information		
FRD 22A	Operational and budgetary objectives and performance against objectives	68
FRD 22A	Employment and conduct principles	60
FRD 22A	Occupational health and safety	60
FRD 29	Workforce data disclosures	60
FRD 15A	Executive officer disclosures	89
FRD 22A	Summary of the financial results for year	69
FRD 22A	Significant changes in financial position during the year	70
FRD 22A	Major changes or factors affecting performance	68
FRD 22A	Subsequent events	91
FRD 22A	Application and operation of <i>Freedom of Information Act 1982</i>	62
FRD 22A	Compliance with building and maintenance provisions of <i>Building Act 1993</i>	60
FRD 22A	Statement on National Competition Policy	60
FRD 22A	Application and operation of the <i>Whistleblowers Protection Act 2001</i>	63
FRD 25	Victorian Industry Participation Policy disclosures	60
FRD 22A	Details of consultancies over \$100,000	60
FRD 22A	Details of consultancies under \$100,000	60
FRD 22A	Disclosure of major contracts	60
FRD 22A	Reporting of office-based environmental impacts	61
FRD 22A	Statement of availability of other information	60
FRD 22A	Disclosure index	94–95
FRD 22A	Budget portfolio outcomes	19

Legislation	Requirement	Page reference
FINANCIAL STATEMENTS		
Financial statements required under Part 7 of the FMA		
SD 4.2(f)	Model financial report	68–95
SD 4.2(b)	Operating statement	69
SD 4.2(b)	Balance sheet	70
SD 4.2(a)	Statement of changes in equity	71
SD 4.2(b)	Cash-flow statement	71
SD 4.2(c)	Compliance with Australian accounting standards and other authoritative pronouncements	73
SD 4.2(c)	Compliance with Ministerial Direction	73
SD 4.2(d)	Rounding of amounts	77
SD 4.2(c)	Accountable officer's declaration	92
Other disclosures in notes to the financial statements		
FRD 13	Disclosure of parliamentary appropriations	N/A
FRD 9A	Departmental disclosure of administered assets and liabilities	N/A
FRD 11	Disclosure of ex-gratia payments	89
FRD 21A	Responsible person and executive officer disclosures	89
Legislation		
	<i>Freedom of Information Act 1982</i>	62
	<i>Building Act 1983</i>	60
	<i>Whistleblowers Protection Act 2001</i>	63
	<i>Victorian Industry Participation Policy Act 2003</i>	60
	<i>Financial Management Act 1994</i>	93
	<i>Audit Act 1994</i>	93

TOURISM VICTORIA'S OFFICES

Melbourne (Head Office)

Tourism Victoria
Level 32, 121 Exhibition Street
Melbourne VIC 3000

GPO Box 2219T
Melbourne VIC 3001

Tel +61 3 9653 9777
Fax +61 3 9653 9722

visitvictoria.com
visitmelbourne.com
visionsofvictoria.com
tourismvictoria.com.au
tourvic@tourism.vic.gov.au

Sydney

Tourism Victoria
Level 13, 31 Market Street
Sydney NSW 2000

Tel +61 2 9287 6500
Fax +61 2 9287 6507

Shanghai – People's Republic of China

Victoria Trade and Investment Office
Suite 308, Shanghai Centre
1376 Nanjing West Road
Shanghai 200040 China

Tel 0011 86 21 6279 8681
Fax 0015 86 21 6279 8685

tourvic.shanghai@tourism.vic.gov.au

Hong Kong – People's Republic of China

Tourism Victoria
Suite 6706, Central Plaza
18 Harbour Road
Wanchai, Hong Kong

Tel 0011 852 2531 3870
Fax 0011 852 2845 2213

Tokyo – Japan

Tourism Victoria
Australian Business Centre
28F New Otani Garden Court
4 – 1 Kioi – Cho, Chiyoda-ku
Tokyo 102 – 0094 Japan

Tel 0011 81 3 5214 0787
Fax 0015 81 3 5214 0790

tourvic.tokyo@tourism.vic.gov.au

Singapore

Tourism Victoria
101 Thomson Road
#08-01 United Square
Singapore 307591

Tel 0011 65 6255 6888
Fax 0011 65 6255 2922

tourvic.singapore@tourism.vic.gov.au

India

46 Grants Building Annexure
Colaba
Mumbai 400 005 India

Tel 0011 9122 3296 1624
Fax 0011 9122 2287 6355

Auckland – New Zealand

Tourism Victoria
Level 3, 125 The Strand
Parnell

Auckland, New Zealand
PO Box 1666
Auckland, New Zealand

Tel 0011 649 379 0425
Fax 0015 649 379 4361

tourvic.auckland@tourism.vic.gov.au

Los Angeles – North America

Tourism Victoria
Suite 1150, 6100 Center Drive
Los Angeles CA 90045 USA

Tel 0011 1 310 695 3245
Fax 0015 1 310 695 3248

tourvic.losangeles@tourism.vic.gov.au

Europe

Tourism Victoria
Neue Mainzer Str 22
60311 Frankfurt, Germany

Tel 0011 49 2740 0677
Fax 0015 49 2740 0640

tourvic.frankfurt@tourism.vic.gov.au

United Kingdom/Ireland/ Nordic Countries

Tourism Victoria
Sixth Floor, Australia Centre,
Melbourne Place
Strand, London WC2B 4LG,
United Kingdom

Tel 0011 44 207 438 4645
Fax 0015 44 207 240 6690

tvic.london@tvic.australia.com

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Tourism Victoria

Level 32, 121 Exhibition Street
Melbourne, Victoria 3000

Contact

Corporate & Destination Communications
Tel (03) 9653 9830

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