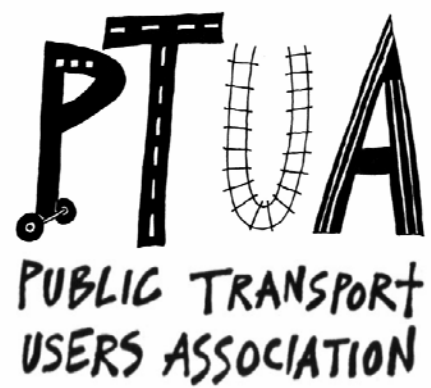


**Submission to the
Inquiry into Victoria's Tourism Industry**

December 2010

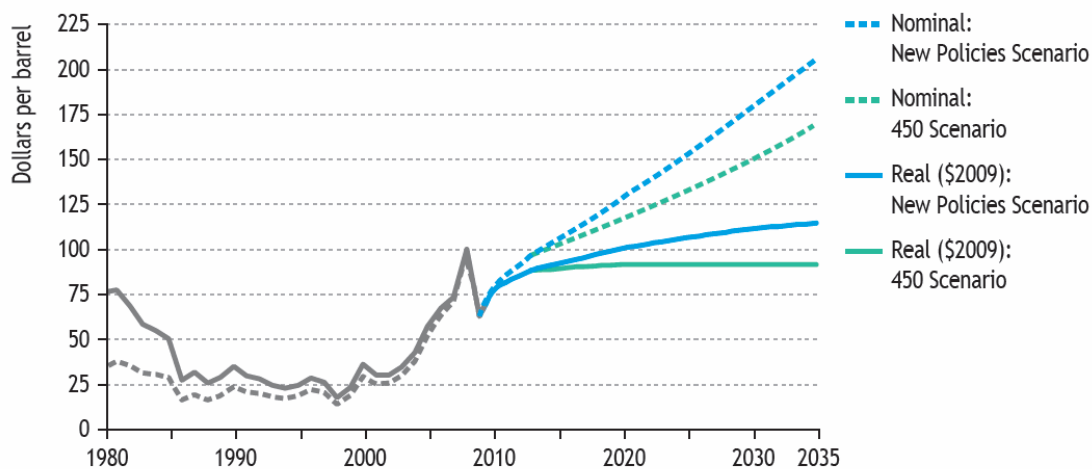


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1 Future challenges for the tourism industry

Two inter-related issues will have profound impacts on Victoria's tourism industry, namely the peaking of global oil production and climate change. The ability of the tourism sector to adapt to these challenges will be heavily influenced by the response of government to these challenges. Effective transport emission abatement strategies, such as improving public transport, will help to moderate demand for oil, reduce upwards pressure on fuel prices (see Figure 1.1) and improve non-car travel options around Melbourne and Victoria.

Figure 1.1: Forecast crude oil prices by climate policy scenario



Source: International Energy Agency World Energy Outlook 2010

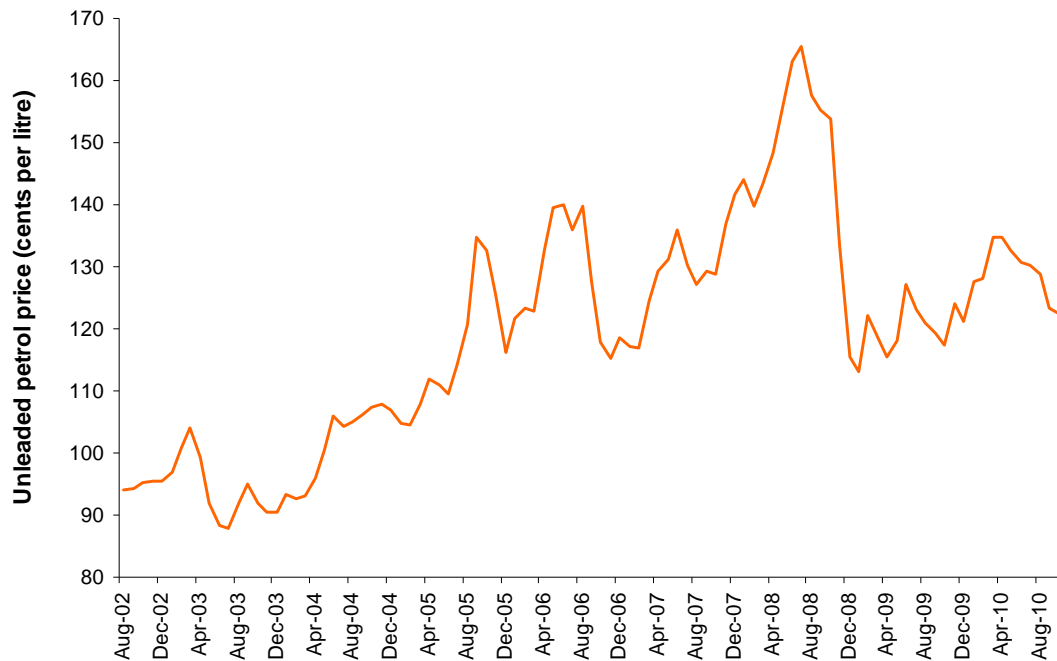
Note: The "New Policies Scenario" includes measures announced but not necessarily implemented and results in lower oil prices than the "Current Policies Scenario" (not shown in graph). The "450 Scenario" reflects the impact of policies that would limit greenhouse gas concentrations to around 450 parts per million, making it more ambitious than climate policies announced thus far, and results in lower oil prices than either the Current or New Policies Scenarios.

1.1 Peak oil

There is growing consensus that global oil production has either peaked or will do so in the next few years (Nashawi *et al* 2010; Owen *et al* 2010; Zhang *et al* 2010; Aleklett *et al* 2010; Munroe 2010). Although the Global Financial Crisis dampened global demand for oil, Australians need only think back to 2008 to get a hint of what peak oil means for petrol prices (see Figure 1.2).

Peak oil will reduce the accessibility of Victorian tourist attractions by private car and air travel, while leading to greater reliance on public transport, cycling and intercity rail travel. The viability of Victorian tourism businesses will depend increasingly upon the quality of public transport and intercity rail services (see Figure 1.3).

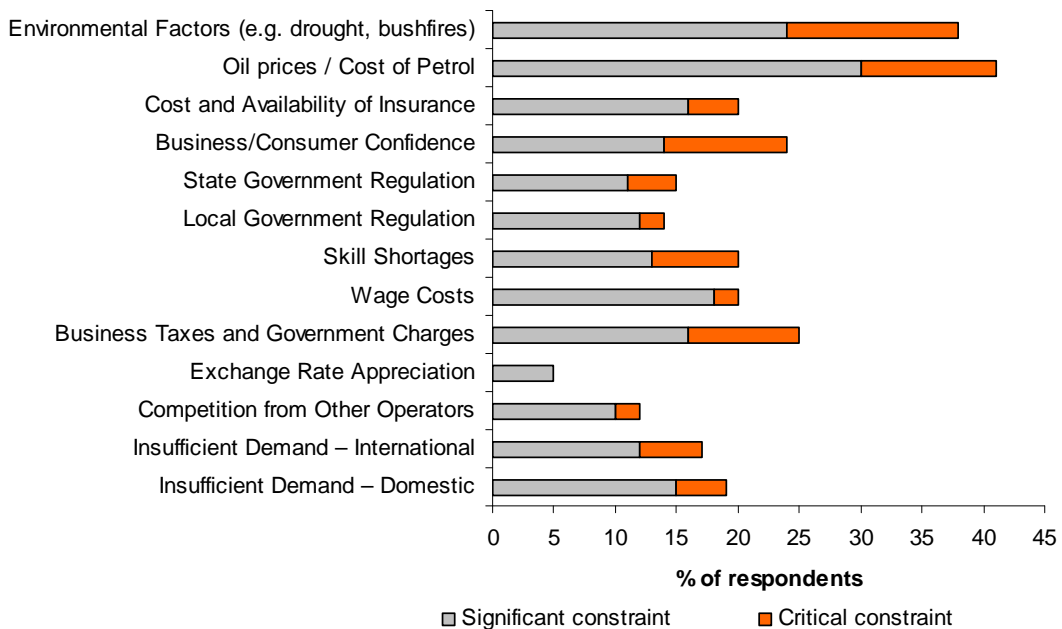
Figure 1.2: Average monthly price for unleaded petrol in Shepparton



Source: Australian Automobile Association

Note: Petrol prices in regional Victoria reached over \$1.60/litre in mid 2008 prior to the Global Financial Crisis. The strong Australian dollar is currently shielding Australian motorists from the recent recovery in the price of crude oil, however this cannot be relied upon into the future.

Figure 1.3: Significant and critical constraints on tourism business performance - February 2008



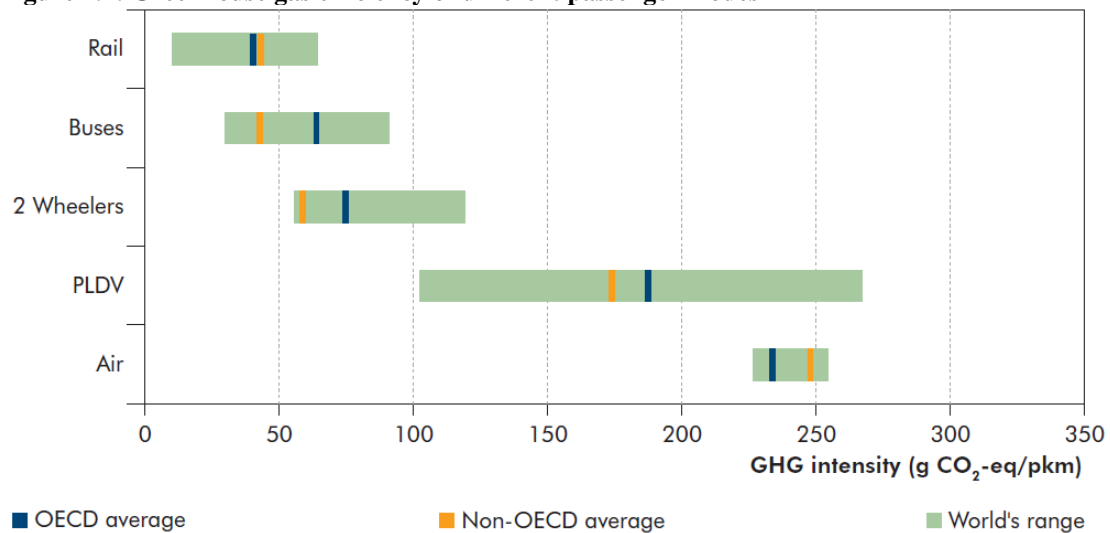
Source: Victoria Tourism Industry Council Survey of Tourism Performance & Outlook February 2008
 Note: Petrol prices had become a major concern for Victorian tourism businesses as oil prices headed towards their pre-GFC peak in mid 2008. This issue will re-emerge as a major critical constraint due to peak oil.

1.2 Climate change

Victoria is home to a range of iconic natural assets, including the twelve apostles, the High Country, and Phillip Island. Some of these assets, such as the snowfields, have few equivalents in Australia and represent a genuine point of distinction for Victoria. On current trends however, many of these will be largely destroyed by the end of the century due to climate change (Hennessy *et al* 2003; Steffen 2009; Betts *et al* 2011).

Protecting Victoria's natural assets will clearly require effective action to eliminate greenhouse gas emissions as fast as possible. While the *means* of achieving such abatement is largely beyond the scope of this inquiry, the Inquiry should recognise that effective management of the state's natural assets must include rapid and ambitious emissions reductions. It should also be noted that measures to improve public transport can contribute to emissions reductions from Victoria's transport and tourism sectors.

Figure 1.4: Greenhouse gas efficiency of different passenger modes



Source: International Energy Agency Energy Technology Perspectives 2010

Note: Public transport produces lower emissions than private light duty vehicles (PLDV) or air travel.

2 Management of built assets

Enhancing the contribution of the urban and regional public transport networks will be crucial in meeting the challenge of peak oil (see Section 1.1) and reducing greenhouse gas emissions which threaten Victoria's natural assets.

The PTUA has long-argued that the governance of public transport was a major barrier to effective management of Victoria's public transport assets. If implemented correctly, we believe the incoming government's commitment to a public transport authority will be a major step forward in public transport management.

It should also be noted that the public transport network, most notably Melbourne's iconic tram network, is a tourist draw-card in its own right.

2.1 Urban road-based public transport

The contribution of the tram network to moving residents and tourists is hampered by a lack of traffic light priority. In many other cities around the world, trams benefit from active signal priority which gives them a brief green phase as soon as they wish to cross an intersection. In contrast, Melbourne trams can waste as much as one third of their time waiting unnecessarily at traffic lights (Morton 2007). This increases the cost to the government of delivering tram services and reduces the attractiveness of trams as a means of accessing the many tourist attractions within easy reach of the tram network.

Genuine traffic light priority for road-based public transport would result in faster journeys and enable higher frequencies with the same fleet, thus improving the management of the state's public transport assets. To realise this potential, the new public transport authority should be mandated to implement dynamic signal priority across the tram and bus network, and re-invest time savings in higher service levels.

2.2 Customer service

By definition, tourists are new or infrequent users of Melbourne's public transport system and will be unfamiliar with routes and ticketing systems. There is ample anecdotal evidence that the lack of staff on Melbourne's transport network exacerbates problems with the ticketing system, leading to many tourists unintentionally travelling without a valid ticket and running afoul of ticket inspectors. Fulltime staffing of railway stations would ensure tourists and residents can obtain assistance with routes and tickets, and would provide additional security for passengers.

2.3 Regional rail services

Regional public transport services have seen substantial patronage growth in recent years and this can be expected to continue with a peak in global oil production forcing up fuel prices. Regional rail services will therefore become increasingly important for tourist destinations outside Melbourne.

For many tourists, rail journeys themselves are part of the tourism experience rather than just a means of getting to the next attraction. There is potential for rail travel to regain popularity in Australia as the cost of flying increases, however services will need to be of an adequate standard to attract this form of tourism.

In order to meet the needs of regional tourism operators and tourists, regional rail infrastructure and services will need ongoing improvement. In many cases frequencies will need to be increased to ensure services are available when needed, and to improve opportunities for linking with connecting services.

Victoria's rail infrastructure urgently needs to be brought up to modern standards by converting broad gauge track to standard gauge and upgrading potential passenger routes to at least ARTC Class 1 standard in the process, taking the opportunity to improve alignments where appropriate. This will allow much more efficient integration with interstate rail lines for both passenger and freight movements (VFLC 2010, pp.50-60) and enable more competitive journey speeds to more distant destinations within Victoria (e.g. Mildura).

Regional rail services are also an important component of cycle tourism which is growing in popularity, especially where rail trails have been developed (e.g. <http://www.pedaltoproduce.com.au/>). This form of tourism need not suffer from the impact of rising fuel prices, however its potential will not be realised if rail services do not adequately cater for cyclists.

2.4 Regional bus services

In addition to rail services which largely operate radially to and from Melbourne, coordinated regional bus services are also needed to travel in other directions, such as broadly east-west travel in the north of the state, and within regional centres. As for regional rail services, frequencies will need ongoing improvement to meet passenger needs and minimise waiting times between connecting services.

A more comprehensive regional bus network would also help to reduce social exclusion in rural areas and lessen car dependence as fuel costs rise. An indicative route map for improved bus services in North East Victoria is shown in Figure 2.1.

3 Aviation policy

3.1 Short-term issues

With the exception of an express shuttle bus from the CBD which is of negligible value to anyone not travelling via the inner city, Melbourne airport has very poor public transport access. It is often suggested that the airport owners actively discourage transport enhancements due to the lucrative nature of their parking operations, and charge bus operators a fee for dropping off or picking up passengers (Strong 2009; Lucas 2010).

In addition, bus services at the airport suffer from very low visibility and inconvenient placement of bus stops. These financial and physical impediments to public transport access make Melbourne a more expensive and less pleasant city to fly into.

Both the state and federal governments should ensure that public transport is granted unfettered access to airports so that cost-effective and convenient public transport services can be offered to both travellers and staff. The new public transport authority will also need to ensure bus routes and service levels meet the needs of the airport's considerable local workforce and travellers not wishing to pass through the CBD.

3.2 Longer term issues

As mentioned in Section 1.1, air travel is likely to become less affordable and to lose market share relative to rail travel due to the peaking of global oil production (Kuhlman 2007). Furthermore, high speed rail services are now on the agenda of state and federal governments (see Box 3.1), increasing the potential for intercity rail services to assume the importance they currently enjoy in Europe and Japan where rail has overtaken air on many routes.

In this context, the Inquiry should also investigate barriers to the development of high speed rail services and their effective integration with existing public transport services.

BOX 3.1: COALITION TO PUSH FOR HIGH-SPEED RAIL

Posted on 23 November, 2010

A Victorian Liberal Nationals Coalition Government will establish a special high-speed rail advocacy unit within the Coalition's Victorian Public Transport Development Authority to push for the construction of intercapital high-speed rail links between Melbourne and Sydney, Canberra, Brisbane and Adelaide.

Coalition Leader Ted Baillieu said the potential of high-speed rail had been ignored by John Brumby and the Coalition would provide \$4 million in its first term to set up the high-speed rail advocacy unit.

"This unit will investigate and advocate cost-efficient options for building high-speed rail links from Melbourne to other cities and work with all levels of government and the private sector to make high-speed rail a reality," Mr Baillieu said.

"With more than nine million residents and rapid growth, it is clear that the Melbourne to Sydney corridor can support a high-speed rail link which joins all major south-east Australian population centres including Geelong.

"High-speed rail has been a great success in China and Japan and across Europe, and while Morocco and Turkey are investing in high-speed trains, Victoria and Australia have been left behind by 11 years of Labor's neglect and failure.

"Under the Coalition's plan, Victoria will take the lead in ensuring that Melbourne hosts Australia's first true high-speed trains.

"High-speed trains will not just make it easier and quicker for passengers to visit cities such as Sydney or Albury for business or leisure, but will also assist in the decentralisation of Victoria and south-east Australia," Mr Baillieu said.

Airport congestion has increased air travel time from Sydney to Melbourne by 27 per cent in the past 30 years, and in September 2010, 25.7 per cent of flights from Sydney to Melbourne were at least 15 minutes late and 4.3 per cent were cancelled (Source: www.bitre.gov.au).

Shadow Transport Minister Terry Mulder said the Coalition's high-speed rail advocacy unit was in addition to the Coalition's commitment to build a rail link to Avalon Airport and plan for rail links to Melbourne Airport and Doncaster in its first term.

"A high-speed train from the centre of Melbourne to the centre of Sydney will end the maddening shuffle of having to drive, get a cab or bus to the airport then wait for frequently-delayed flights and baggage from the carousel before queuing for a train, taxi or bus," Mr Mulder said.

"High-speed rail provides seamless, stress-free travel between population centres and the Coalition wants Victorians to be on board high-speed trains as soon as possible."

Source:

<http://www.vic.liberal.org.au/News/MediaReleases/tabid/159/articleType/ArticleView/articleId/2492/categoryId/1/COALITION-TO-PUSH-FOR-HIGH-SPEED-RAIL.aspx>

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