

2007

Service Industries Change Drivers Report



Industry Qualitative Data
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Executive Summary

The Australian service industries covered in this report are tourism, hospitality, wholesale, retail and personal services. These industries were the major generators of jobs and job growth in the last decade, with this pattern likely to continue. As the economy grows, the standard of living rises; this in turn increases demand for services resulting in the service industries becoming an even more significant part of the economy.

Strong growth, together with increased global competition and social, demographic and technological challenges, will compel industry and individual businesses to broaden their recruitment arena and make skill development a high priority business strategy. The business imperative to achieve greater efficiency and innovation will result in demand for ongoing training and retraining with an expectation of high quality training outcomes.

In 2007, the following themes intensified in addition to other major change drivers impacting the service industries:

- changing retail/service formats to gain market share and remain competitive on a global or local level – global business versus local business;
- increasing convergence of service industries creating a blurring of boundaries between industry sectors as new industry growth places pressure on future workforce arrangements;
- multi channel retailing becoming a critical area of importance for retailers and other service industry businesses wishing to remain competitive in the future;
- sustainability as a critical issue driving consumer demands;
- demand growth for service industries in regional Victoria.

The requirement of skills to be transferable, as well as training arrangements to be flexible will be essential. In addition, the frenetic pace of change may mean that some skills will not stay relevant for long, especially those which entail specific product knowledge and technology. Therefore training will need to be more dynamic and focus on developing knowledge and skills that will enable workers to adapt to changing environments. Although training in AQF qualification certificate levels II and III will remain fundamental in most sectors, changing requirements of the sector will mean the breadth and depth of training will also continue to expand and become more complex. This is driving the demand for customised, relevant training that is supported by learning in a workplace context. Additionally, with changing demographics, growth in non-standard employment and strong growth of small and medium enterprises along the major growth corridors; training demand and markets will grow and change.

The 'staging post' syndrome has often been seen as the cause of a skills leakage from the service industries, with the accompanying analysis that resources allocated to service industries training are not optimised. As the employability skills debate gathers pace and industries recognise that "all businesses are service businesses" the transferability of service skills to other industries will be recognised as an investment in skills development across the economy.

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Introduction

The Australian service industries are at the forefront of Australia's economy providing goods and personal services to both domestic and overseas markets. The industries are distinguished by their continual need to respond to changing customer demand driven by social, technological and economic changes.

Although recent times have brought many changes and challenges to the service industries, the core of these industries is the provision of good customer service. Survival and growth within these industries requires its workforce to develop and use a range of personal and professional qualities that add value to the goods or services. Meeting customer demands is the principal driver of skill needs.

The service industries covered in this report are:

- wholesale, retail and personal services (WRAPS);
- tourism and hospitality.

This report examines major change drivers shaping Victoria's service industries and using qualitative data, suggests the probable implications these drivers may have on skills and training required by industry over the next 10 years and beyond. In considering the factors, the report makes recommendations for future training provision.

Information contained in the report will inform and assist the State Government Office of Training and Tertiary Education (OTTE) to moderate purchasing decisions regarding future training needs in Victoria. The report is also intended to assist individuals and organisations involved in workforce development and planning in the service industries.

The report is based on responses to the following four questions:

- What are the major change drivers impacting the industry and its sectors currently and over the medium and long term future?
- What are the industry and enterprise responses (now and in the future) to the impact of the change drivers?
- What are the implications of the industry's responses for skills needs in the industry (now and in the future)?
- What is the relative importance of changing skills sets for training provision (now and in the future)?

Service Skills Victoria, in carrying out this research, has undertaken consultations and validation of findings with a range of industry associations, enterprises, unions and government agencies as outlined in Appendix 1. Where appropriate and when available, the most current data sources were used in this report.

Industry Profile

The service industries are the largest employing industries in Victoria. Figure 1 shows employment by industry in Victoria in 2006¹.

Wholesale, retail and personal services (WRAPS)

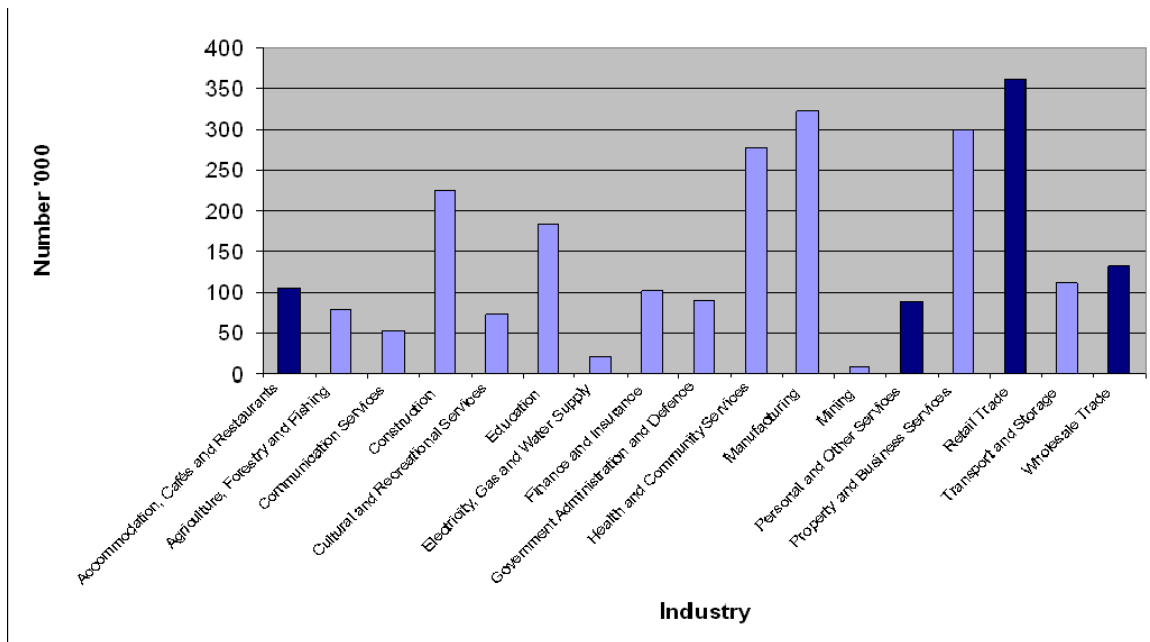
The WRAPS sectors comprise a diverse mix of businesses ranging from hairdressers and beauty salons, florists, community pharmacies, funeral directors and cemeteries and crematoria to large national retailers and wholesalers. The WRAPS sector was the largest employer in Victoria during 2007, with the Retail Trade² sector accounting for approximately 15% of the state's employment.

1 Australian Bureau of Statistics (2007) Labour Force Survey data (original) for 4 quarters to Feb 2007. Canberra: Australian Bureau of Statistics.

2 **Please note:** ANZSIC includes 'hospitality and services' defined as 'hotels and licensed clubs; pubs, taverns and bars; clubs (hospitality); cafes and restaurants; selected services; video hire outlets; and, hairdressing and beauty salons' within this classification).

The retail sector is the largest employer of females, youth, part time and casual workers in Australia. In 2005-06, Victorian retailers generated \$71 billion in income, which was 25.5% of the national retail income (\$292.3 billion)³.

Figure 1: Employment by Industry, Victoria



The Victorian WRAPS sectors are predominately comprised of small businesses, most owner-operated or employing less than 20 people. The large businesses which are mainly retailers, who represent less than 1% of all WRAPS businesses, employ approximately half the workforce and generate approximately half of the state's total sales revenue⁴.

Tourism and hospitality

The tourism and hospitality sectors include accommodation, restaurants, cafes, bars, catering, gaming, meetings, events, conferences, attractions, tour operations, tourist information services, tour guiding, cultural tourism and caravan park operations. Like the WRAPS sector a substantial percentage (83%) of all Victorian tourism and hospitality businesses are defined as small to medium-sized enterprises.

A characteristic of the tourism and hospitality industry workforce is the significant level of part-time/casual employment, which is more than half its workforce and its high number of female and youth workers. In the hospitality sector, 93% of workers are employees rather than self-employed. Forty three percent of workers are employed outside their state capital cities⁵.

Tourism has a major impact on the Australian economy. It affects many industry sectors and contributes to employment, exports, consumption, gross value added and other services. Tourism accounted for \$37.6 billion of total GDP in 2005–06, an increase of 5.5% from 2004–05. Industries that accounted for the largest share of tourism gross value added were Air and water transport (14%), Accommodation (13.6%), Other retail trade (11.5%) and Cafes, restaurants and takeaway food outlets (9.8%)⁶.

3 Australian Bureau of Statistics (2007) 8622.0 Retail and Wholesale Industries 2005-2006. Canberra: Australian Bureau of Statistics.

4 Australian Bureau of Statistics (2006) Labour Force Survey data. Canberra: Australian Bureau of Statistics.

5 Department of Employment and Workplace Relations (2007) Australian Jobs 2007, Canberra: Australian Government.

6 Australian Bureau of Statistics (2007) 5249.0 - Australian National Accounts: Tourism Satellite Account, 2005-06. Canberra: Australian Bureau of Statistics. (**Please note:** ANZSIC does not identify tourism as a separate industry).

1. Major change drivers

There are a number of change drivers impacting on the service industries currently and over the medium and long term future. Although the service industries are influenced mainly by consumer demand, this section provides an overview of the major drivers, through the analysis of this and other influencing factors.

1.1 Economic drivers

The service industries are highly sensitive to the changes in the global economy. Over the last ten years, the Victorian service industries experienced significant growth as Victoria's economy performed above expectations with increased employment and low inflation. This growth was mainly due to individual wealth doubling in the last two decades, resulting in greater demand for services and luxury commodities. As the economy grows, the standard of living rises; which in turn increases demand for services, resulting in the service industries becoming an increasingly significant part of the economy. Victoria's gross state product has been growing close to the national average of 3.8%. In 2007-2008, Victoria is forecast to grow 3.25%⁷.

Over the last ten years, the Victorian service industries experienced significant growth as Victoria's economy performed above expectations...

The general driver of consumer demand is a key influence on the service industries as a whole. As consumer expectations rise, attitudes, tastes and demands change, and marketplaces become increasingly sophisticated, opening opportunities for niche players.

Globalisation has opened national markets and economies offering greater opportunities for trade, where consumers have a wider choice of goods and services, particularly in emerging economies that are increasingly adopting the latest technologies that contribute to these low costs⁸. It has allowed businesses and manufacturers to expand into new markets and source cheaper business options. The availability of alternative goods and services places pressure on the local service industries to provide newer, improved and more economical goods and services.

As consumer expectations rise, attitudes, tastes and demands change, and marketplaces become increasingly sophisticated, opening opportunities for niche players.

Industry must respond with a greater focus on innovation and service delivery, and this must be reflected in the skills of the services workforce. The overall drive for higher efficiency and productivity to meet consumer demand will also affect employment trends. Innovation is fundamental to business success, requiring the generation of new ideas, products and processes to allow businesses to grow and become more efficient.

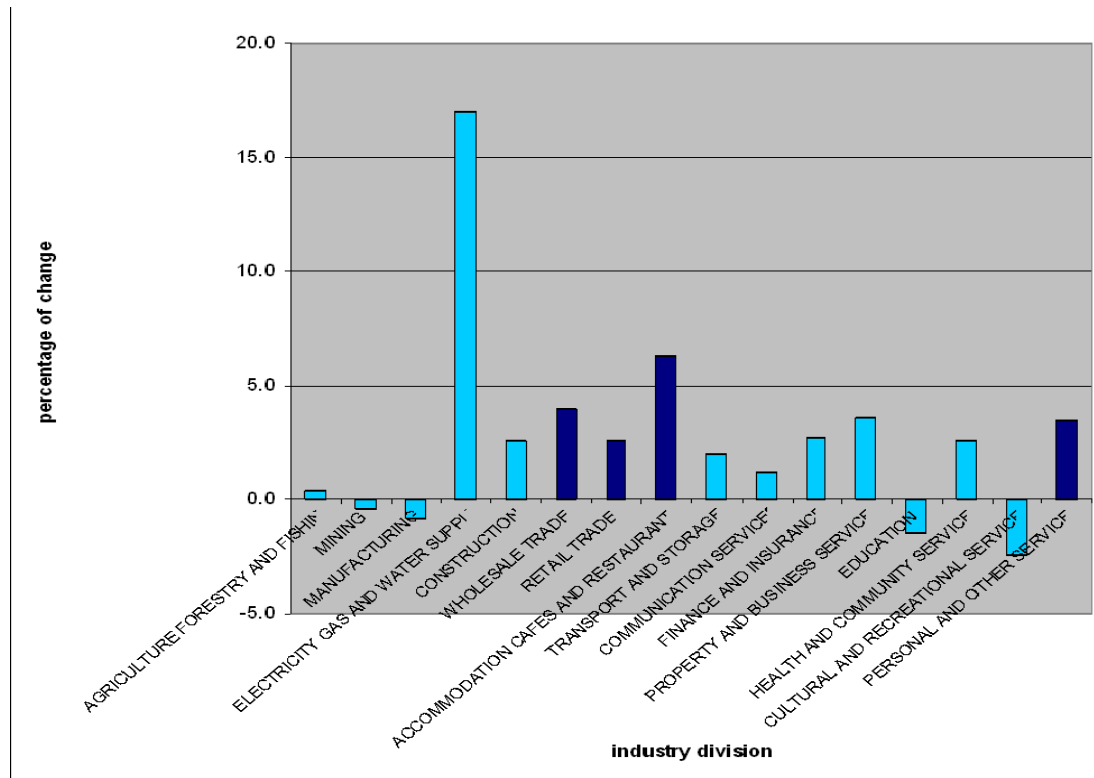
Considering the majority of service industries businesses are small in nature (96% of all businesses in Victoria are small businesses) and ownership of small business often changes, the number of businesses in these industries over the last five years have continued to grow, (see Figure 2⁹) demonstrating that the service industries continue to attract new operators.

7 Symonds, A. (2007) Businesslike Victoria leaves NSW in a state . The Australian Financial Review, 24 September.

8 Essential Economics (2007) Retail Floorspace Forecasts for Metropolitan Melbourne 2006 to 2030, Victoria: Essential Economics Pty Ltd.

9 Australian Bureau of Statistics (2007) 8165: June 2003 – 2006 Counts of Australian Businesses. Canberra: Australian Bureau of Statistics.

Figure 2: Change to count of Victorian businesses from June 2003 to 2006



Aside from the products and services they offer, service industry businesses are defined by their retail/service formats. Examples of retail formats include department stores, supermarkets, factory outlets and homemaker centres.

As competition for market share continues, further new formats can be expected to emerge. This is evident particularly in food retailing, which sees a move from competing with larger enterprises. At a time when markets are crowded, new service industries businesses are establishing niche markets on a smaller scale, catering to consumers' return to supporting their communities and concern for sustainability¹⁰. Formats are also changing in the tourism and hospitality industries. In 2007/8, many premium restaurants including globally recognizable brands such as Nobu and Rockpool have opened in Melbourne's CBD, giving the city an international edge. Like successful retailers, restaurants recognise that the design of their restaurant and keeping ahead of gastronomic trends are essential for creating a competitive edge¹¹.

As well as freeing national markets and economies, globalisation is also responsible for the increased cultural interaction between countries allowing more people to move freely from country to country to travel, study and work. According to the Tourism Forecasting Committee, strong growth is forecast for the tourism industry over the next 9 years, caused predominantly by an increase in inbound arrivals to Australia¹². The tourism industry is currently a key contributor to Victoria's wealth and employment and, with the appropriate investment in training and development, this contribution will continue to grow.

Victoria experienced an average annual increase of 9.2% for international visitor expenditure for the period 1999-2006. Victoria's share of Australia's international visitors market increased from 16% in 1999 to 19.1% in 2006.

10 Australian Centre for Retail Studies (2007) Local Retailing back in vogue. Retail Insights. September issue.

11 The Age (2007) Good Food Guide 2008. Melbourne: Penguin Books.

12 Tourism Forecasting Committee (2007) Forecast, Issue 1, Tourism Australia.

Forecast international visitation to Victoria is 1.4 million visitors in 2006 to 2.3 million by 2016 predicting an annual compound growth of 4.8% over the next 9 years¹³; however this figure is expected to rise with the expansion of Low Cost Carriers (LCCs) Jetstar and Tiger beyond South-East Asia¹⁴. In 2007, LCCs contributed to a 3% annual increase in overseas arrivals, which included a 21.2% rise in Malaysian visitors¹⁵.

The Asian region is forecast to be the primary source of international visitor growth to 2016....

In 2006, the total expenditure in Victoria by international visitors was \$2.7 billion indicating an increase of 17.8% from 1999. Visitors from China accounted for the largest proportion of expenditure in Victoria, spending \$330 million, an increase of 61.8% from 1999.

The Asian region is forecast to be the primary source of international visitor growth to 2016, with the highest growth expected from India,

China and Indonesia respectively. The average annual growth from India is forecast to rise by 16.8% from 2006-2016, with China at 13% and Indonesia 10.5% in the same period. The Middle Eastern market is also emerging as a growing inbound tourist market for Australia, forecast to grow by a compound annual rate of 11.1% to 2016¹⁶.

While Melbourne is becoming a popular destination for its shopping and calendar of events, such as the Australian Tennis Open and the Spring Racing Carnival, for international visitors¹⁷, tourist destinations such as the Great Ocean Road and Grampians in regional Victoria are also popular as these locations are within close proximity to other tourist based retailing destinations such as Surf City in Torquay, Queenscliff and Halls Gap. Regional Victoria is also gaining popularity with its own calendar of events, such as food and wine festivals which are held almost every weekend and across most parts of Victoria¹⁸. Many festival organisers have reported up to 20% growth annually¹⁹. In 2006, international tourism expenditure in regional Victoria grew at an average annual rate of 4.9% per annum, indicating an increase from \$168 million in 1999 to \$235 million in 2006²⁰.

The service industries are growing strongly in areas of emerging consumer demand, creating a continual blurring of industry sector boundaries....

The service industries are growing strongly in areas of emerging consumer demand, creating a continual blurring of industry sector boundaries as the number of enterprises that cover two or more sectors steadily increases. Already evident in the tourism industry with emerging areas such as Retail Tourism, Heritage Tourism, Wine Tourism, Coffee Tourism, and Indigenous Tourism, it is also increasingly common for retailers to incorporate hospitality and other services into their business. A major contributor to this is the rise of "experience purchasing", where customers are demanding increased integration of products and services²¹, suggesting that retail and/or hospitality will become increasingly important components of personal services and tourism businesses.

13 Tourism Victoria (2007) Forecast Visitation to Victoria, November 2007 Forecasts, Tourism Victoria.

14 Munro, P. (2007) Global Swarming. The Sunday Age, 9 December.

15 Allen, L. (2008) Cheap flights bring in more Malaysians. The Australian Financial Review, 16 January.

16 Tourism Forecasting Committee (2007) Forecast, Issue 1, Tourism Australia.

17 City of Melbourne (2006) Melbourne Retail Strategy 2006:2012. Victoria: Victorian Government.

18 (Costigan, J (2007) 'Tis the festive season (almost every week) The Age, 6 November.

19 Skewes, Z. (2008) Fine time for festivals. The Herald Sun, 8 January.

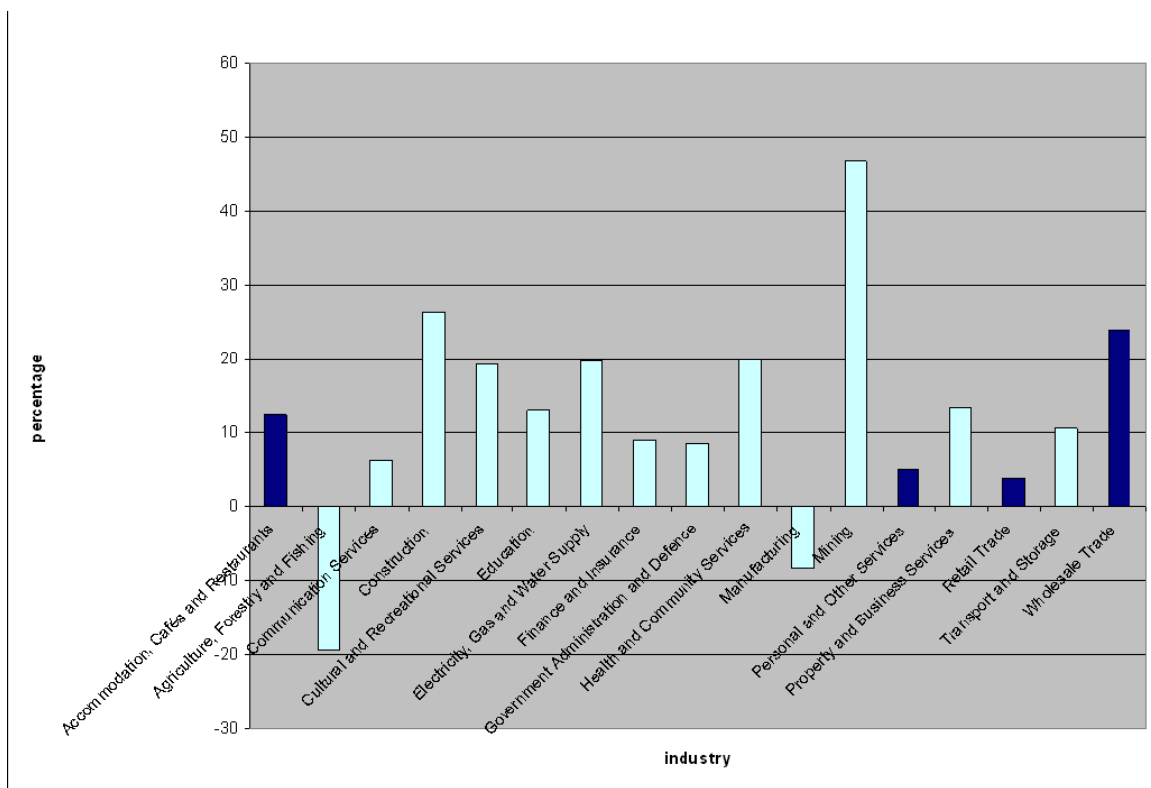
20 Tourism Victoria (2007) International Tourism Expenditure in Victoria, Year ending December 1999-2006, Tourism Victoria.

21 Service Skills Australia (2006) Industry Skills Report: Service Industries, Canberra: Department of Education, Science and Training, (p iii).

The spa industry, which merges other services sectors such as beauty, health, retail, tourism and increasingly hospitality and hairdressing, has expanded rapidly over the last few years with this trend likely to continue. In 2006, there was a total of 503 spa businesses in Australia (24% in Victoria), indicating a 129% increase since 2002²². Ninety five percent of spas were owner/operated and 17%, managed by a chain, spa brand or spa management company, 8% were part of a franchise. In the same year, 40,000 international visitors visited a spa in Victoria, presenting 36.7% of the Australian market share²³. The spa industry is forecast to increase 8 – 10% annually, with spending estimated to rise from \$200 million in 2002-03 to \$60 billion in 2015. A growing trend is the increase of males, couples and group bookings. Spas will also be experiencing growth through cosmetic procedures and complementary medicines. The challenge for this industry and other merging industries will be in ensuring that workers have the knowledge and skills to operate across a range of work contexts.

The service industries were the major generators of employment and job growth in the last decade, with this pattern likely to continue. Figure 3 shows the 5 year change in the employment of Victoria's industries from 2002 to 2007 and indicates the substantial job growth experienced in the service industries²⁴.

Figure 3: Employment by Industry, Victoria – 5 year change



Based on continuing economic and population growth, researchers project faster job growth in the services sectors than in the goods sectors. Access Economics predicts that from 2007/08 to 2009/10, the average annual job growth in the service industries will be above the average job growth of all Victorian industries, as indicated in Figure 4²⁵. The highest average job growth is predicted in Recreational Services (which includes restaurants, accommodation and other services) and Public Administration sectors.

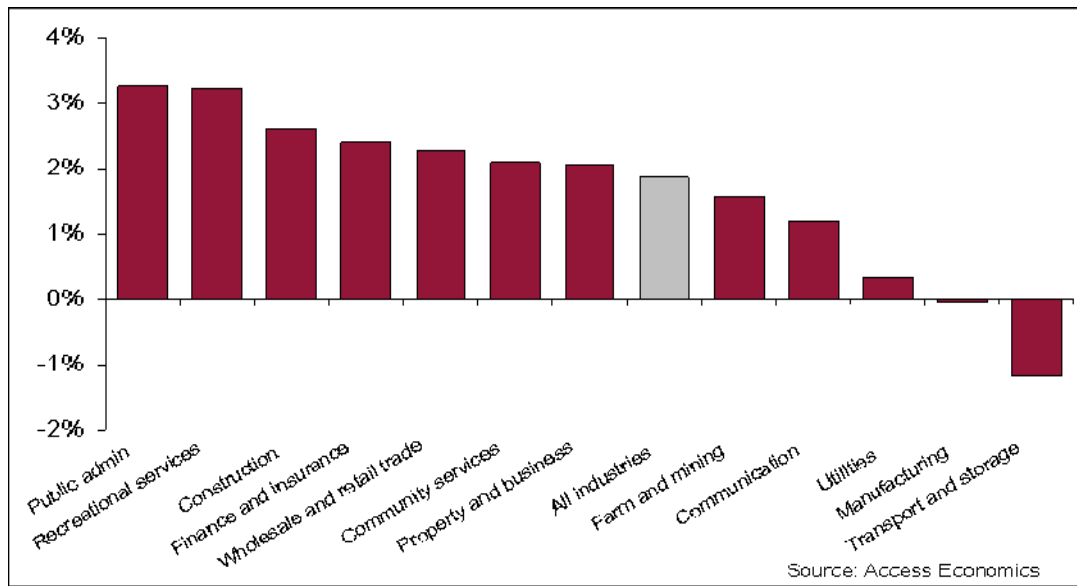
22 Intelligent Spas (2007) Spa Industry Profile Australia 2002 – 2007. Singapore: Intelligent Spas.

23 Tourism Victoria (2006), Spa Tourism Market Profile Year Ending December 2006. Tourism Victoria.

24 Australian Bureau of Statistics (2007) Labour Force Survey data (original) for 4 quarters to February 2007. Canberra, Australian Bureau of Statistics.

25 Richardson, C. (2007, Sept) The Outlook, presented at OTTE/ITAB Forum, Parkville.

Figure 4: Average annual job growth from 2007/8 to 2009/10



The Department of Employment and Workplace Relations (DEWR) also suggests that over the next five years, new employment is expected to come from the service industries, which includes Retail Trade (128,000), Personal services (43,000 new jobs) and Accommodation, Cafes and Restaurants (39,000)²⁶. Expected growth in Victorian retail trade especially in the areas of hospitality will continue to drive demand in the future.

*....over the next five years,
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service industries.....*

1.2 Demographic drivers

As well as social drivers, demography has significant long term impacts on the service industries in terms of workforce planning and establishing and developing future market segments.

In 2006, the estimated population for Australia was 20.6 million people, which is projected to increase to 27.1 million people by 2011 and 30.6 million people by 2051. Victoria's average annual population growth was 1.3% in the period 2001-2006, compared with 1.1% in 1996-2001 and 0.6% in 1991-1996. Population growth is considered to be a great contributor to economic growth and Victoria's substantial population increase in the last five years, mostly gained by overseas migration has pushed job growth by 10%, adding 254,000 jobs for the state's industries.

As with other developed countries, Australia's population is ageing. Declining fertility and higher life expectancy rates will not only challenge the demand for products and services but also the demand for labour as there will soon be a larger pool of older workers than young workers. In Melbourne, the number of metropolitan households with members of older age groups is increasing with a greater proportion in middle suburbs, those between 10 and 20 km from the CBD²⁷.

Currently, people aged over 55 account for a third of the population and will account for the largest growth in consumer spending over the next few years. Spending for this cohort will rapidly increase by over 51.7% between 2003-2004 and 2008-2009. Australia's ageing population will place greater demand on services such as community pharmacies, health and complementary medicines, personal services and leisure purchases as healthy lifestyles become a priority.

²⁶ Department of Employment and Workplace Relations, (2007) Australian Jobs 2007. Canberra: Australian Government.

²⁷ Australian Bureau of Statistics (2007) 2006 Census. Canberra: Australian Bureau of Statistics.

As the number of migrants continues to grow, so will the need for specific products and services tailored to a growing diversity of ethnic groups. At 30 June 2006, almost one quarter (24%) of the Australian population was born overseas. After the United Kingdom and New Zealand, in 2005-2006 the top 10 places of birth of permanent arrivals comprised India, China, Philippines, South Africa and Sudan, Malaysia, Singapore and Viet Nam²⁸.

The funeral sector is one of the service industries which faces challenges with changing demographics. On 30 June 2007, there were 134,800 deaths registered in Australia. This figure is set to rise significantly from 2015 when the first baby boomers reach 70 years of age. Some stakeholders within the funeral sector predict the death rate to increase 10 – 15% to 2015 while sector data states that growth in the industry will be stable for the next 5 years²⁹. As well as requiring a skilled workforce to meet the demand of future needs, the funeral sector will also be challenged in responding to the varying demands of particular ethnic groups.

Australia's ageing population will place greater demand on services ... as healthy lifestyles become a priority

In order to prosper in a competitive market, the service industries will not only need to better understand customers and their changing needs, but also understand the motivations and aspirations of a cross-generational workforce. Literature highlights that each generation has distinguishing characteristics both as individuals and consumers. For example, Generation Y has become the most influential generation for retailers, influencing many of their families' apparel purchases and car choices. While often condemned as fickle, self-focused and transient, Generation Y workers are an important segment of the workforce that literally reflects the future workplace. Generation Y has grown up in a technology-driven world where standards and norms have changed and often operate under different perspectives than older co-workers. The challenge for businesses will be to develop a culture where all workers benefit from a variety of viewpoints and work styles³⁰. Businesses will need to identify and adopt strategies in attracting and recruiting staff across all business functions, utilising the experiences of mature-aged workers and at the same time benefiting from the potential of young workers³¹.

1.3 Social drivers

Social drivers have the greatest impact on the service industries. Australian's changing lifestyles, attitudes and values, shaped by a changing demography, will continue to change the work environment and drive the demand for products and services, as well as defining the climate of support for those products and services.

Lifestyle changes have resulted from factors which include: changing family structures; living in small households; coexisting with more generations; having a higher household disposable income; working longer hours with less time to shop, but making more frequent trips to the supermarket or using the internet to shop. Between 1985–86 and 2005–06, household expenditure per capita increased at an average annual rate of 2.0%. Per capita real household final consumption expenditure on furnishings and household equipment was 81% higher during 2005–06 than it had been 20 years earlier, equating to average consumption volume growth of 3.0% per year during the period³².

28 Australian Bureau of Statistics (2007) 2006 Census. Canberra., Australian Bureau of Statistics.

29 Service Skills Australia (2006) Draft Position Paper Review of the Funeral Services Training Package.

30 McCrindle Research (2006) New Generations at Work: Attracting, Recruiting, Retraining & Training Generation Y. NSW: McCrindle Research.

31 Australian Centre for Retail Studies (2007), Attracting and Retaining a Cross-Generational Workforce. ACRS Secondary Research Report. Victoria: Monash University.

32 Australian Bureau of Statistics (2007) 4102.0 Australian Social Trends. Canberra: Australian Bureau of Statistics.

As well as changing the work environment, the increased participation of women in the workforce may also be transforming the retail and hospitality industries through the growing prominence of prepared meals, self-service and outsourcing of tasks. In the last 20 years, expenditure on food and non-alcoholic beverages had a significantly low annual increase of expenditure of 0.4% while the annual increase on expenditure for eating out or purchasing ready prepared meals rose by 30% or 1.3% per year on average. The comparatively large increase is consistent with some people electing to eat out or buy takeaway meals in response to their reduced availability of time, due to changing employment patterns combined with their expanded spending capacity from higher real income³³.

Consumer concerns for climate change, drought and environmental changes are putting pressure on businesses to prove that they are responsible corporate citizens by providing goods and services that are environmentally sustainable.

Another developing social value is the search for a greater sense of community which is driving sales for local produce and brands, suggesting that the rise in consumption of healthier food³⁴ is consistent with the growing number of consumers who are seeking out their local business for eco-friendly and authentic products³⁵.

For the service industries, changing social issues will impact on the nature of business. There is a need for businesses to develop planning strategies which incorporate consumer and competitive research and feedback for business development.

1.4 Technological drivers

Consumers are the main drivers for advances in technology in the service industries due to their demand for innovative products and services, efficiency and speed in the buying and/or service process and choice in how and where they wish to shop and have goods delivered, whether it is from a shopfront, online, telephone or catalogue. Innovation is therefore imperative for commercial success.

An increasingly sophisticated consumer who is better informed and more culturally and linguistically diverse is driving the demand for high quality tailored products and services. This includes popular product innovations such as digital set-top boxes, high definition DVDs, new MP3 players and home entertainment theatres through to packaged food products on Australian supermarket shelves (of which 75% were new in the five years to 2000³⁶). For services, the booming laser beauty industry has resulted from an ageing population and changing social attitudes, where beauty treatments are no longer considered luxury. This is driving a need for specialist skills within the beauty sector for the operation of highly technological medical equipment within salons, which include intense pulsed light hair removal systems and dermalogical procedures.

Consumers are the main drivers for advances in technology in the service industries.....

Online shopping is not a new concept for the service industries, but one which is rapidly growing. In the floristry sector, the number of sales processed online is substantial and has led to an increase in online floristry businesses. The internet continues to create new demand for online processes in the tourism industry for information and booking services. Although major airlines receive most of their booking online (more than 92% of fares are booked online with Virgin Blue and Jetstar), they are constantly investing in enhancing online technologies. For example, Virgin, Jetstar and Tiger have recently improved their websites so that they enable customers to be alerted when a fare that meets their price range becomes available. Internet travel agencies are responding to their competitors by expanding and consolidating to fund technology demands so as to meet customers' expectations for better choice, cost and service.

33 Australian Bureau of Statistics (2007) 4102.0 Australian Social Trends. Canberra: Australian Bureau of Statistics.

34 Australian Bureau of Statistics (2007) 4102.0 Australian Social Trends. Canberra: Australian Bureau of Statistics.

35 Australian Centre for Retail Studies (2007) Local Retailing back in vogue., Retail Insights. September issue.

36 Victorian Competition and Efficiency Commission (2007) Simplifying the Menu: Food Regulation in Victoria Draft Report, Victoria: Victorian Government.

The internet travel agencies who survive will be those who can develop their technology to enable consumers to find everything they want on one site, including flights, accommodation, travel insurance, tours and travel advice. An example is Webjet's deal-finder which puts together two one-way fares to get the cheapest return price, not necessarily using the same airline³⁷.

The increasing use of online technologies may lead to a change in traditional staffing roles, although within the service industries, the 'people element' is still popular and critical to the success and function of the service. As fully automated systems have the danger of a loss of creativity, it is suggested that this technology will not replace trained staff³⁸.

Although the service industries have become better at embracing technologies, the slow uptake of technology within some sectors can be seen as a direct symptom of a conservative approach, often as a result of a lack of knowledge and understanding, and the high proportion of small businesses in the sector. Therefore, a requirement for increased awareness of innovations and new technologies within the service industries is apparent. Those businesses keen to remain competitive will need to adapt elements of e-commerce across their businesses.

1.5 Environmental drivers

Climate change has become a significant global issue. It is now widely accepted that the planet is becoming warmer through increased human activity; sea levels are rising and we are experiencing more volatile and unpredictable weather. Extreme environmental events, such as bushfire and drought, are common in Victoria and can devastate an entire community, its industry and therefore employment of locals. In 2007, economic conditions in North West Victoria weakened due to the impact of drought, causing a 5.9% rise in unemployment. Businesses such as cafes, restaurants and retail were affected through reduced consumer spending³⁹.

*.....consumers are ...
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work for are socially
responsible.*

It is considered that all aspects of the supply chain from manufacturing, storage, distribution, packaging, store refits and point of sale changes can all contribute to global warming, waste, carbon emission, landfill and pollution. As consumers are increasingly aware of the impact that their consumption can have on the environment, they are also demanding that businesses they choose to deal with or work for are socially responsible. It has been found that 84% of Australians want to work for companies that place high importance on the environment.⁴⁰

Environmental sustainability will become increasingly significant for business, as a cost issue, as a consumer demand issue and as businesses commit to environmental sustainability as a business principle. Dealing with related issues such as drought, water and energy restrictions and managing waste will also become a key feature of the skills required by all service businesses.

Increased business and community awareness of environmental issues and sustainability is, in many regions, viewed as integral to the success of the service industries. This is manifested in, for example, the growth of nature-based/eco tourism operations and the adoption of environmentally friendly policies by supermarket chains. These developments in turn, improve awareness in the community even further. Climate change, if not combated effectively on a regional, national and international scale, will have a dramatic impact on the tourism industry. Attractions in Australia, such as its distinct wildlife, diverse natural landscapes and marine environments are already threatened, and if lost will result in catastrophic outcomes for the tourism industry, and in turn the hospitality and retail sectors.

37, Abernethy, M (2007) One-stop travel site mentality drives online consolidation. The Australian Financial Review. 20 September.

38 Mouhtouris, A. (2006) Real Innovations. Restaurant & Catering Australia, p. 29.

39 Economics@ANZ (2007) Regional and Rural Quarterly. December Quarter 2007.

40 Australian Centre for Retail Studies (2007) Sustainability – retail's new black. Retail Insights. September issue.

Additionally, in the tourism industry, there is a need for initiatives which support the development of alternative fuel technologies for airlines particularly with the rise of low cost flights. Researchers suggest that air travel accounts for about 3% of worldwide green house gas emissions with this figure predicted to grow significantly over the next 50 years. Australian airlines, Virgin Blue, Qantas and Jetstar operate voluntary carbon offset programs which are being embraced by 10% of passengers⁴¹.

Water shortages are a major driver of the sustainable practices of all sectors in the service industries as Australia is experiencing one of the worst droughts on record.

In order for the service industries to become competitive on a consumer level as well as remain environmentally sustainable, no sector can afford to ignore the effects of water shortages. All service industries will be affected by water shortages in some way, resulting in many businesses having to review their business processes and costs. For example, for the floristry sector, water shortages and restrictions are impacting directly on the quality of flowers and cost of purchasing stock. In future, the focus will be on using flowers that are able to be grown using less water.

Sustainable planning, water saving practices and the implementation of environmental policies within business plans are essential for every business in the service industries to survive and grow.

1.6 Workforce drivers

Attraction and retention of skilled labour will remain a major issue for all service industries in the future. The trend toward a more globally mobile workforce is already, and will continue to have an impact on employment and skills needs in the service industries. The emergence of a more transient workforce that has transferable skills is imminent, brought on by demographic and social changes within Australia and the world. National workforce policies will need to accommodate these changes through flexibility in the migration of workers and the transferability of skills.

Attraction and retention of skilled labour will remain a major issue for all service industries in the future.

The biggest challenge for businesses will be in engaging, retaining and developing young staff in a service industry career or mature aged staff seeking employment particularly as the competition for staff is emerging as a significant constraint for business growth. In addition to skill shortages, the number of unemployed people available to fill job vacancies has fallen to its lowest level in 32 years. Economists suggest the unemployment rate could go even lower. Rapid job growth has created more positions faster than workers become available⁴².

As labour supply becomes critical, the service industries will be ideal for increasing participation rates for the under employed, older people and women re-entering the workforce.

There has been a move towards casual, part time and contract work arrangements and away from permanent work due to a number of factors including workplace and technological changes that have occurred over the last ten years, low unemployment and increasing participation of women in the workforce. Currently, half of all the casuals in the Australian workforce work in the service industries⁴³. Whilst research shows that most Victorian part-time workers (71.7%) preferred not to work more hours, a view more common amongst females than males⁴⁴, there is an indication that more than 30% of part time workers may be underemployed.

41 Travel trends in 2008 (2008) The Age, 12 January.

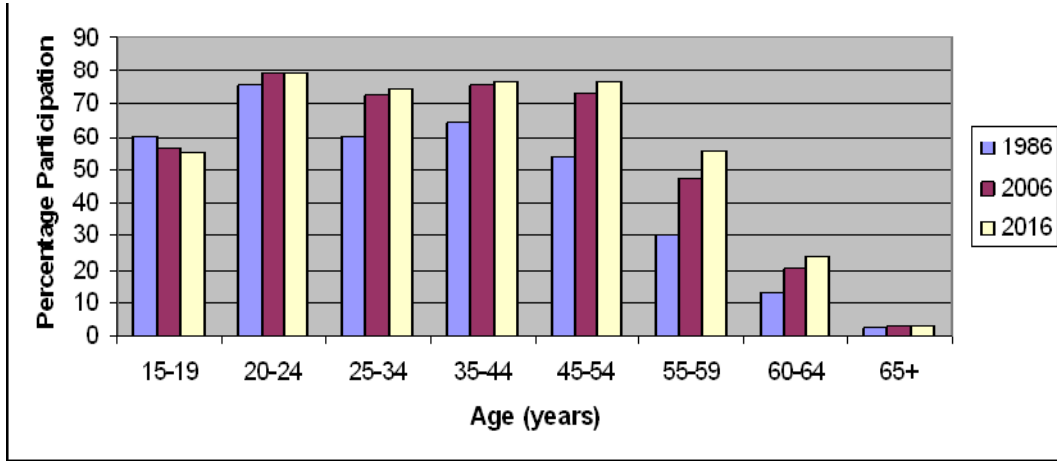
42 Rollins, A. (2008) Staff harder to come by. The Australian Financial Review, 28 September.

43 Service Skills Australia (2006) Industry Skills Report: Service Industries, Canberra: Department of Education, Science and Training.

44 Australian Bureau of Statistics June Quarter 2007 1367.2: State and Regional Indicators Victoria, Canberra: Australian Bureau of Statistics.

Figure 5 indicates the increase in female participation in the workforce, a trend which is likely to continue⁴⁵. Over the last 20 years, female employment in the retail sector grew by 60% and in hospitality 58%. The female share of the retail industry is 53% and in hospitality, 58% which is relatively high when compared with the female share of overall employment at 45%.

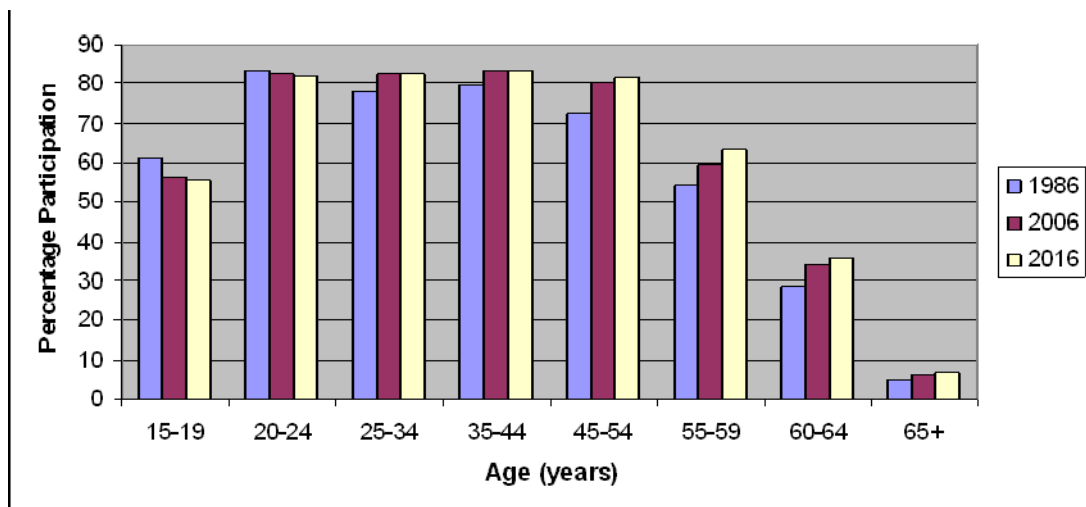
Figure 5: Female Labour Force Participation Rates (1986, 2006, 2016)



As indicated in Figure 6, all industries face an ageing workforce as more than 80% of projected growth in the labour force will be in the 45+ age group. The least wealthy 40% of the baby boomer segment appear to hold less than 7% of all wealth held by those aged 65+ years and therefore may need to continue to work⁴⁶. Attracting seniors to the workforce will increasingly depend directly on their wealth, as 45% of those in the 55+ age group in 2031 will not be superannuated.

Older workers re-entering the workforce could be a great source of skilled labour, offering a variety of life and work experience, skills and commitment. Mature age workers are able to offer stability to an organization and relate to customers of all age groups. They are more likely to meet the rostering times demanded of the service industries. Workplaces will require increased flexibility to allow these groups to fill skills gaps, a need that will have to be addressed through changes in government policy and employer attitudes. In order for employers to create opportunities for the groups 're-entering' the workforce, there may be a need for government assistance, such as removing the requirement to withhold income tax at marginal rates on second jobs.

Figure 6: Labour Force Participation Rate by Age (1986, 2006, 2016)



45 Australian Bureau of Statistics (2006): Labour Force Projections, 1999-2016, Canberra: Australian Bureau of Statistics.

46 Australian Bureau of Statistics(2006): Labour Force Projections, 1999-2016, Canberra: Australian Bureau of Statistics.

Although the service industries have little difficulty in attracting young people, these industries do have difficulty in retaining them⁴⁷. The fact that many jobs in the service industries are 'staging posts' prior to the determination of a career direction, combined with low wages and long, inconsistent hours attributed to the service industries, contributes to high staff turnover and increased training costs for employers⁴⁸. As well as a buoyant labour market and poor perception of traditional trades, these factors may have also contributed to the substantial apprenticeship dropout rate for food trade and hairdressing apprentices, 34.3% and 41.2% respectively⁴⁹.

As the labour market becomes competitive, employers need to realise that if they want to attract and retain staff, they will need to train them.

The Centre for the Economics of Education and Training (CEET) at Monash University estimates that Australia's continued growth in the next ten years will depend on more than four million Australians re-skilling and acquiring qualifications⁵⁰. However research suggests that over the last two years, small businesses have decreased their use of vocational education and training systems while medium and large businesses have increased their use over the same period. The decrease in training may be due to the lack of infrastructure of small business compared to larger organisations that are able to employ workers with human resource expertise⁵¹.

Whilst women re-entering the workplace may have begun the revolution for flexible work arrangements in order to maintain work/life balance, generations entering the labour force are also pushing for flexibility, as their attitudes to work and life in general are more flexible and more assertive than most employers have previously experienced. Younger generations are open to ideas like job sharing and working from home. Therefore, an emerging need will be ensuring managers are adequately trained to effectively manage the complex task of leading and recognising the varying needs of responsibilities, interest and aspirations of employees from different generations.

There is a need to improve the perceptions of the service industries by businesses becoming 'employers of choice' to counteract competition for workers from other industries and increase the retention rate of young workers. This will include informing prospective and existing workers of available career pathways and support of skill acquisition.

47 Service Skills Australia (2006) Industry Skills Report: Service Industries, Canberra: Department of Education, Science and Training.

48 Symonds, A. (2007) Food and hair lose their gloss for youth. The Australian Financial Review. 28 September.

49 National Centre for Vocational Education Research (2007) Australian vocational education and training statistics: Apprentices and trainees – Annual, Adelaide: NCVER.

50 Business Council of Australia (2007), Restoring Our Edge in Education: Making Australia's Education System its Next Competitive Advantage, Business Council of Australia.

51 National Centre for Vocational Education Research (2007) Australian vocational education and training statistics: Employers' use and views of the VET system, Adelaide: NCVER.

1.7 Government intervention and development policy drivers

Regulatory compliance

Statutory changes that affect the service industries such as IR legislation, new and/or changed licensing requirements, OH&S, migrant VISA requirements and duty of care obligations will continue to have significant impact on skill requirements, workforce arrangements and work practices and processes.

Statutory changes ... have significant impact on skill requirements, workforce arrangements and work practices and processes.

Recent government changes to the Pharmaceutical Benefits Scheme (PBS) will impact on the skill requirements of pharmacy assistants. The reforms comprise a range of inter-connected measures including changes to the pricing of PBS listed medicines, pharmacy and pharmaceutical wholesaler compensation arrangements, streamlined authority approvals for some medicines, and establishment of an access to medicines working group⁵².

There has been recent debate in Victoria concerning the need for regulation in the beauty industry regarding who is able to administer intense pulsed light (IPL) and laser treatments⁵³. Other areas include infection, penetration of the skin and hygiene due to the risk of potential physical harm to an individual as a result of inappropriate structures or specifications for training.

There has been a drive for stricter regulation in the disposal of chemical waste that will impact on the beauty, hairdressing and community pharmacy industries. These health control measures, if adopted, will require training and changes to work practices.

Whilst successive governments have been committed to reducing regulation, businesses have not felt any reduction in the burden of compliance. Recent regulations in the tourism, hospitality and retail sectors require staff serving food and alcohol, or those working in gaming, to hold the appropriate certification which includes the need to update every few years. Whilst these compliance requirements provide an excellent means to ensure staff remain current and competent in industry practices, there is still no consistency between states. With an increasingly mobile workforce, this will only hamper the sectors' access to trained staff Australia wide.

The use of the Student Visa, Vocational Education and Training (Subclass 572) to gain entry into Australia continues to be a concerning issue in the hairdressing and cookery sectors. While the migration of overseas skilled workers is helping to address some of this country's skill shortages, the onshore skilled overseas student visas which have increased dramatically since 2001 amongst hairdressers and cooks, are not addressing skill shortages as many students use the visas as a fast track to permanent residency on completion of their course, with the intention of not working in these industries. The introduction by the Federal Government to include 12 months postgraduate work experience to the skilled migration program from 1 September 2007 will not necessarily address the industry's long-term problems or discourage enrolments driven by permanent residency⁵⁴.

52 Department of Health and Ageing (2007) Pharmaceutical Benefits Scheme (PBS) Reform. http://www.health.gov.au/internet/wcms/publishing.nsf/Content/pbs_reform_02feb07.htm. Access date 8 January 2008.

53 Birnbauer, W. (2007) Burning issue of laser rogues just too hot to handle. The Australian Financial Review. 9 December.

54 Burns, J. (2007) The big story: trainers of quality hairdressers or, a Visa at any price? Culture Professional August/September issue.

1.8 Public infrastructure

Public infrastructure investment is a major driver of job growth in the service industries, particularly for retail, tourism and hospitality. Developments in Victoria such as the Geelong bypass, Eastlink freeway and the new convention centre in Melbourne will allow further growth in the Great Ocean Road, Mornington Peninsula and CBD areas for service sectors. Government assistance in attracting private investment to regional areas will also be essential for the growth of the tourism, retail and hospitality industries. For example, both Melbourne and Avalon airports have recently announced their investment in upgrading and developing international passenger terminals to cater for the influx of international visitors. Melbourne Airport plans to spend \$330 million on upgrades creating employment for 1000 workers⁵⁵ and Avalon, \$30 million employing 420 additional workers⁵⁶. A list of major infrastructure initiatives currently under consideration is included as Appendix 2.

Public infrastructure investment is a major driver of job growth in the service industries...

1.9 Government policy and strategy plans

Government and industry based strategies such as the *10 Year Tourism & Events Industry Strategy*⁵⁷, *Victorian Tourism Excellence Initiative*⁵⁸ and the *Melbourne 2030 Strategy*⁵⁹ are drivers for the service industries. In particular, these strategies help to drive the development of retail projects for designated growth corridors in Victoria. Major shopping centre operators are using this strategy as a blueprint for future planning and development within growth corridors.

In May 2007, a retail policy review was announced by the Minister for Planning due to an identified policy gap. The review is a major element in the implementation of Melbourne 2030 by connecting a high quality public transport system to a network of activity centres⁶⁰.

Tourism Victoria is developing a new *Regional Tourism Action Plan 2008-2011*. Its aim is to address various issues affecting tourism in regional Victoria and to provide an implementation schedule to translate the directions of the State Government's *10 Year Tourism and Events Industry Strategy* into action⁶¹.

The Rudd government has promised to add 450,000 training places at vocational education and training institutions to address acute skill shortages in targeted industries such as personal services and other services, mining, construction, health and community services⁶².

55 Melbourne Airport (2007) \$330m expansions for Melbourne's International Terminal. <http://www.melbourneairport.com.au/t2/facts.asp>. Access date 21 November 2007.

56 Masanauskas, J (2007) Avalon to go international. The Herald Sun. 21 November.

57 Department of Innovation and Regional Development, *10 Year Tourism & Events Industry Strategy*, October 2006, Victoria: Victorian Government.

58 Tourism Victoria (2008) *Tourism Excellence*. <http://www.tourismexcellence.com.au/module3/index.php>. Victoria. Access date: 4 January 2008.

59 Department of Infrastructure (2002) *Melbourne 2030 Planning for sustainable growth*, Victoria: Victorian Government.

60 Department of Planning and Community Development (2007) *Melbourne 2030: Analysis of Progress and Findings from the 2006 Census*, Victoria: Victorian Government.

61 Tourism Victoria (2007) *Regional Tourism Action Plan*. http://www.tourism.vic.gov.au/index.php?option=com_content&task=view&id=177&Itemid=2097. Victoria. Access date: 4 January 2008.

62 Australian Labour Party (2007) *Skilling Australia for the future*, Election 2007 Policy document. Canberra: Australian Labour Party,

1.10 Geographical and regional drivers

In 2007, eastern parts of regional Victoria continued to prosper through one of the worst experienced droughts in Australia's history. Despite a weakening agriculture industry, economic growth mainly occurred through the service industries prompted by population growth, increasing employment and a promising tourism industry. In particular, North East Victoria is positioned beside the mining regions of Western Australia and Queensland as one of the strongest economies in Australia.

Lifestyle motives have been the main purpose for population growth in regional Victoria, driven mainly by older people and the onset of 'sea' and 'tree changers' relocating from the cities. This has led to greater demand for services and construction in these regional areas as local business and investment opportunities arise. In turn labour demand will be concentrated within, and around, these areas creating increased employment opportunities and a need for skilled labour. The challenge will be to meet the needs of the regional communities as their populations age⁶³.

In 2006, the retail trade was the largest regional employer accounting for 18% of employment in rural Victoria and 17% in coastal towns⁶⁴. In 2007, the retail sector as well as local cafes and restaurants performed well due to strong economic conditions, allowing retailers and other businesses to employ more staff and expand. Similar to metropolitan Melbourne, there is a demand for retail development due to population growth and the increased desire for major retailers to expand and compete with other retailers. For example, ALDI which has 43 stores in metropolitan and regional Victoria continues to seek sites in regional Victoria to compete with other major and independent food markets.

...there is a demand for retail development [in Regional Victoria] due to population growth and the increased desire for major retailers to expand

Regional development and employment growth may encourage younger people to remain in regional areas and contribute to their local area with a consequent requirement for flexible training delivery to accommodate the demand for a skilled service industries labour force. The accessibility of training for younger people in regional towns and rural areas is a concern of the service industries in regional Victoria.

63 Economics@ANZ (2007) ANZ Regional and Rural Quarterly, December Quarter.

64 Australian Bureau of Statistics (2007) 1367.2 - State and Regional Indicators, Victoria, Sep 2007, Canberra: Australian Bureau of Statistics.

2. Industry response

Economic drivers such as globally competitive markets coupled with an ageing population, low unemployment and a continual increase in consumer service expectations will create greater pressure for industries to increase productivity gains through innovation.

The underlying motivation directing enterprise strategies to respond to change drivers is essentially to maintain and improve the competitive position of the business within its domestic and/or international market. Sector strategies share a similar aim in that they are essentially directed to minimise the influence of domestic and/or international market distortions which threaten the continuing viability of sectors within the service industries.

The implementation of such strategies can vary somewhat in the response to particular change drivers by various sectors within the industry. Some of the smaller sectors of the service industries are largely reactive to external influences, tending to respond to the immediate rather than having a cohesive approach to problem solving.

2.1 Changes in business practices and investment

The growth of small to medium businesses establishing niche markets offering premium products and services is evident in all sectors of the service industries. Rather than compete on price, these business owners are differentiating themselves by their offerings of premium products and services and using business strategies that include more sophisticated market research and customer review. This approach has been particularly evident in the food retailing (e.g. Macro Wholefoods, Trampoline Ice cream, Grill'd), and in hospitality sectors in the increase of boutique accommodation. In the floristry sector, a small number of florists are differentiating themselves from flower retailers in meeting the demands of individualised high quality floristry designs with a high level of customer service. In the personal service industries, there has been a growth in business owners utilising professional business coaching consultants, however the take-up is still relatively low.

The growth of small to medium businesses establishing niche markets offering premium products and services is evident in all sectors of the service industries

As competition for market share continues, further new formats can be expected to emerge.

Franchising continues to be a highly successful system that has the added benefits of lower overheads and greater resources for marketing and training. According to recent research, disputation between franchisors and franchisees appears to be low and franchisors tend to invest more in recruitment and training. Griffith University suggested that in 2006, the Australian franchising sector was still growing at a substantial rate with the largest industry segment of the retail non-food industry accounting for 29% of franchisors and a further 15% in retail food, 13.5% in personal and other services, 2.5% in accommodation, cafes and restaurants, 1.8% in cultural and recreation services and 1.5% in

wholesaling. Victoria represents 24% of Australian franchising activity⁶⁵. In the hardware retail sector, there has been a steady increase of participation in cooperative arrangements in order to remain competitive in costs with major hardware retailers. Franchising is also gaining popularity in the personal services sectors for the benefits it provides the small owner operator in juggling the management and operational functions of a small business. Creating franchises from successful businesses catering to niche markets appears to be a long term strategy in many business plans.

65 Frazer, L. Weaven, S. Wright, O. (2006) Franchising Australia 2006. Brisbane: Griffith University.

Although the number of businesses in the service industries is increasing in an already crowded market place, rationalisation of business ownership continues, particularly for medium to larger sized enterprises. Some medium to large enterprises are focusing on niche products and services and seeking more cost-efficient management structures through expansion to multiple service outlets (under separate or common brands). For example, Myer, which separated from the Coles Group and operates under new owners, is planning 90 new stores by 2011⁶⁶.

Major companies are also diversifying into other sectors outside of their traditional areas as a means to grow their business and compete. An example is Woolworths' expansion into pubs and liquor with its acquisition of Australian Leisure and Hospitality (ALH) Group and Dan Murphy. In the tourism sector, as an offset to new budget airlines offering more tickets directly to customers through improved websites, internet travel agencies are responding by expanding and consolidating as a means of improving technology resources to meet customers' expectation for better choice, cost and service. Expansion is also occurring with small business, for example, in hairdressing, many high end businesses are expanding the number of salons from which they operate.

As with the spa industry, the convergence of service industry sectors continues in other areas as a growing number of businesses incorporate retail or hospitality into their existing business. In the personal services sector, income from retail is crucial to business survival and growth.

Growth in business also involves expansion of the business's workforce, and due to the buoyant labour market, businesses are being challenged in finding skilled operators, in particular larger retailers who are having difficulty attracting store managers and the spa industry, in finding workers who have the skills to operate across different service sectors.

While new retail/service formats are a reoccurring feature of the service industries, the emergence of new formats and developing industries are expected to continue due to technological innovation, customer interest and lifestyle/shopping habits, particularly as competition continues with other businesses and formats.

[service industries] are revising and offering products and services that are sustainable and environmentally friendly.

Environmental awareness and the adoption of sustainable business practices are becoming more apparent across the board, particularly in service sectors heavily reliant on environmental assets. More than ever before many retailers, hairdressing and beauty salons, and tourist attractions are revising and offering products and services that are sustainable and environmentally friendly. More food retailers and cafes and restaurants are using free-range, biodynamic and organic produce. This is in response to market demand and as a reaction to compliance requirements. In order to remain competitive in the face of these drivers, service

industry businesses are increasingly implementing environmental strategies and undertaking planning and education for staff and customers. The design of new accommodation, in particular high end market hotels, is also changing due to consumer and environmental pressure, an example being the phasing down of spa baths in hotel bathroom design due to their high water usage. As environmental and energy efficient products and destinations become more preferred by the market, adaptation by the industry may result in small business instability with risk of failure and increased consolidation. Although the increase of production type and retail florists offering unarranged cut flowers at lower prices is having an impact on the skill needs of the floristry industry, the industry is also realising that its survival due to drought and water usage restrictions will depend on the development of high level design skills to incorporate other materials besides flowers into their work⁶⁷.

66 Debt-defying shoppers keep spending like there's no tomorrow (2008) The Australian Financial Review, 18 January.

67 Service Skills Victoria (2007) Industry forum for the Continuous Improvement of the Floristry Training Package, conducted 25 September, 2007 in Melbourne, Victoria.

Sophisticated recruitment and retention strategies are becoming a major business priority. Many companies have recognised this as a key challenge for the service industries and are implementing improved people management systems such as performance management, succession planning, vertical and lateral movement, reward and recognition, feedback on performance and structured career planning strategies to retain their staff. Many small businesses are also realising the importance of their human resources and consequently are outsourcing this function, however this practice is still minimal. Attracting skilled staff, particularly chefs and front of house is more of a problem than in previous years, causing many businesses to suffer in their ability to provide a reasonable level of service.

New improved technologies will continue to have a profound impact on the service industries resulting in changed work processes and practices

In the housekeeping sector, there is an increased use of contractors to provide staff as a response to labour shortages, although leading hospitality staffing agency Compass Group is moving away from using agency staff, having established their own internal labour hire company as a more cost effective resource. Labour shortages have increased overseas labour sourcing in hospitality, particularly for trade chefs, due to industry image and demographic and workforce changes making it difficult to attract and retain staff in this discipline; however industry is not confident that the use of visas is addressing the skill shortages.

Compliance with increased government regulation is becoming a more significant issue across the service industries. Due to the high proportion of small businesses, owner/operators traditionally have difficulty in effectively conforming to complex legislation and regulation. As industrial regulation arrangements change, trading hour extensions and non-award staffing arrangements will subsequently affect business practices and management techniques. For example, restrictions in council regulations are challenging businesses, such as the growing spa industry that is incorporating hospitality services due to customer demand. In order for businesses within the service industries to support growth, responses will need to include increased pressure on governments to support consistency in laws across states e.g. Responsible Service of Alcohol, Responsible Service of Gaming, food safety requirements and S2 & S3 drugs sales.

Sophisticated recruitment and retention strategies are becoming a major business priority

2.2 Service/production methods

For businesses, the use of technology enhances the goals of the business through increased and improved efficiency, business partnerships and transactions, allowing a business to reduce costs, expand markets and enhance the overall customer experience. The internet will continue to provide increased global marketing opportunities for businesses, irrespective of their size, and will enhance the development of a global market place immensely. From an employer's perspective, basic computer knowledge is essential to remain competitive.

Enterprises in the service industries are embracing technology as there is a growing recognition that technology can lead to greater efficiencies in work practices and enhanced customer service. However the rate of take up and level of technology adopted often depends on consumer demand, business size and type.

New technologies will continue to have a profound impact on the service industries, resulting in changed work processes and practices, for example, within the gaming sector there is an increase in hybrid games through technological innovation, leading to changing roles for staff and increased productivity for gaming venues. Increased use of technology to improve efficiency and speed in the buying/service process has been evident with larger retailers. Supermarkets in particular are using technology to assist in merchandising, distribution and sales. Examples include: advanced barcode technology, self checkouts, self scanning handsets and universal scanners which will total the bill and automatically deduct payment from the nominated account.

Technological developments will also have implications for the labour market and training, especially in the area of skills related to the application of new technology in the work place. For the beauty industry, the rapid advances in technology have challenged businesses to ensure that they have the latest equipment available, otherwise, customers will find businesses that do. In most cases, the release of new equipment is moving faster than the training required to apply the technology. The increasing number of complaints from people being injured from IPLs and lasers is much publicised⁶⁸.

Additionally, the ability of workplaces to train staff and undertake human resource functions online e.g. annual leave and pay slips, will have subsequent effects on staff training and business operations. Major retailers are increasingly making use of online training due to its flexibility in being able to deliver training to staff during down times. Within the hospitality sector, the increased consumer demand for available technology in hotel rooms will result in further outsourcing for IT support and training of staff.

The impact of innovation and technology in logistics is, having an impact on the wholesale, retail and hospitality sectors. Major retailers and hospitality operators are outsourcing to specialist logistic companies and therefore reducing stocks throughout the value chain. This is creating a 'just-in-time' focus where easily transportable items such as groceries/fresh goods, textiles, clothing and footwear are being delivered directly to the shop floor, when required, and not stored in intermediate warehouses. These supply chain arrangements will mean a greater focus on skill development in areas such as relationship and contract management for those working within these businesses. This will also see the integration of the wholesale sector into retail at one end of the value chain and distribution and logistics at the other. As the growth of home brands increases, this relationship extends to the manufacturers that produce goods under the retailer's own label to compete with the other brands that they retail.

Retail travel is undergoing changes in the structure of existing distribution services, due to a more competitive online environment and merging sectors such as wholesale and retail. Some travel agents are responding to this challenging environment by focusing on niche markets such as the packaging of specialised tours and having a greater role in the provision of the product. This new role will demand higher level skills in managing destination marketing, mainly through web networks, customer service and business management.

While some sectors of the service industries, such as floristry and tourism have made online transactions available for customers for years, many retailers, particularly larger organisations are embracing multi-channel retailing. Multi-channel retailing has been identified as a critical area of importance for retailers wishing to remain competitive in the future as the rapid rise of shopping online and home delivery is forecast to continue. Multi-channel retailing provides consumers options on how they buy products or services, whether it is from a shop front or online, telephone, direct mail, television or catalogue order. A well run multi-channel allows consumers to examine the goods they wish to buy through one channel, buy them through another and collect or return them from a third. Convenience and time have become valuable commodities and are now major factors for consumers in their choice of retailer and retail channel. The online shopping front has become the ultimate convenience format for consumers – it is quicker, with no queues and a greater variety. Eighty percent of Australian retailers now include Uniform Resource Locators (URLs) in catalogues, 80% use email to promote store or catalogues sales and 87% accept in-store returns on online purchases. As the Australian retail industry is in the early stages of this multi-channel evolutionary cycle, significant opportunities lie ahead for businesses that can identify and take advantage of them. According to Shop.org, 34% of consumers today use at least three channels when shopping⁶⁹.

Multi-channel retailing has been identified as a critical area of importance for retailers wishing to remain competitive in the future...

68 Birnbauer, W. (2007) The beastly cost of beauty's laser mavericks. The Sunday Age, 2 December.

69 Australian Centre for Retail Studies (2007) Multi-Channel Retailing, ACRS Secondary Research Report, August issue.

The number of personal services and hospitality businesses which have embraced online technology as a booking option for customers is on the increase. A relatively small number of personal services businesses are also making the products used to complement services available online.

Increased consumer sophistication and a culturally diverse workforce are leading to changes in service methods for the industry, across all of the service sectors. This will lead to investment in human capital according to specific needs of sectors, their consumers and the composition of their workforce. An example is the Melbourne City Ambassador program, where a varied workforce across generations and cultures applies tourism knowledge and skills to assist the Melbourne tourism and retail sectors.

2.3 Workforce organisation

The shift in labour workforce arrangements away from full-time, standard hours and permanent work to part-time, casual, contract, temporary and other working arrangements have allowed some businesses, most notably small to medium enterprises, to have greater flexibility in staffing and to enable better yield management to hedge against unforeseen downturns in the market. Reliance on casual employees in the service industries is most often due to employers seeking to achieve both labour flexibility and the filling of job vacancies. In the hospitality sector, the trend toward a higher proportion of casuals in the workforce has significant implications for training effort, cost, turnover, company loyalty, brand and productivity⁷⁰. These trends are consistent across the service industries.

As the population ages, the Australian labour market tightens and skilled labour is sourced from overseas, industry sectors will have to manage the increased generational and cultural diversity. The industry response to combat this trend will include the introduction of workforce development and career planning models, intensive training for both inexperienced staff and management staff as well as increased marketing efforts to attract and retain staff.

Employers will also increase their partnerships with casual labour agencies, or develop their own, engage contractors to avoid direct employment costs, seek more sponsorship opportunities to engage overseas workers and offer flexible labour arrangements and management approaches. In the retail sector, low unemployment levels and a lack of suitably qualified local candidates are driving employers to look overseas to fill vacancies in growth areas such as merchandise planning and buying. In hairdressing and cookery, candidates for permanent residency are using the training system to get the points required to gain long term entry to the country, but then pursue employment options outside the industry, thus not helping to alleviate skills shortages and testing the confidence of industry in the system. The development and use of successful apprenticeship and trainee attraction and pathway models will also be sought by employers in the events, caravan and hospitality sectors as a means to source and retain competent labour.

The service industries... are well positioned to attract the youth cohort due to their ability to provide flexible work arrangements ...

The service industries, particularly larger enterprises are well positioned to attract the youth cohort due to their ability to provide flexible work arrangements, however not all businesses are able to offer a great level of flexibility as many jobs are tied to particular times determined by customer demand. Some businesses and industry associations recognise this opportunity and are developing workforce strategies based on an "employer of choice" concept, targeting Generation Y. In the personal services sectors, a small number of small businesses that operate on a 7 day week are offering staff a 4 day week, or using remuneration and rewards as a retention strategy, paying good staff above award wages or providing incentives that allow staff to benefit from the business' profitability.

70 Australian Bureau of Statistics (2006) Labour turnover and costs in the Australian Accommodation Industry, Canberra: Australian Bureau of Statistics.

Although the service industries are predominately characterised by a young workforce, some sectors, such as funeral, due to its operational and sensitive nature, seek to primarily attract mature-aged people into its workforce. The hardware retailers are more receptive to employing older workers for their past work/trades experience and maturity. It has also become increasingly common for industries such as the floristry, hairdressing and beauty sectors to employ mature aged apprentices/trainees provided that candidates have the right attitudes.

*[Service industries] are
[becoming] more receptive to
employing older workers for their
past work/trades experience and
maturity*

Trends toward home based employment are also growing within some service sectors. This is particularly evident in hairdressing and the retail travel sectors. There is an increase in major travel agencies employing home-based consultants in order to increase its network sales volume. This 'in-house workforce' concept is becoming a more realistic option, with advances in technology helping to make this work mode a cost effective solution to increasing market pressures.

In the long term as the distinction between sectors and even industries dissolve and the connections between companies, suppliers and customers grow, pressure on future workforce arrangements is likely to emerge, with a trend towards temporary projects and work teams that come together then disband when projects/tasks are complete. The seeds of this change are already being witnessed in the retail/wholesale sectors.

3. Skills needs

The need for efficiency and innovation will drive industry demand for a highly skilled workforce, which in turn will drive demand for ongoing training and retraining with quality outcomes. The strongest drivers for skill development will continue to be innovation, product and service quality and ensuring service conforms to enterprise standards. Skill gaps within the existing workforce are becoming prevalent as industry embraces rapid changes and training packages evolve accordingly.

The strongest drivers for skill development will continue to be innovation, product and service quality...

Strong growth of the service industries together with increased global competition and demographic challenges will compel industry and individual businesses to make skill development a high priority business strategy and to engage in training to increase productivity and retain staff. There is a weight of evidence to support the notion that when employers invest in developing the skills and knowledge of their employees, attrition rates decline. There is a particular opportunity for training to play a greater role in assisting industry to address retention issues, for example human resource training for small business.

An ageing workforce and increased competition between young entrants into the workforce in other industries will result in businesses promoting the fact that they are flexible employers as 'employers of choice' to the youth cohort. Equally, there will be widespread focus on the recruitment of mature age workers. Skills recognition for these older workers will become a common requirement and recognition services will be in high demand by industry.

The frenetic pace of change will mean that some skills will not stay relevant for long, especially those which entail specific product knowledge and technology. Therefore training will need to be more dynamic and focus on effective learning strategies that contribute to the development of employability skills, allowing workers to undertake many different tasks across a variety of work contexts. Learning skills will become critical, as workers will need to constantly update product/service knowledge and develop new skills to adapt to changing markets.

Enterprise demands for higher level skills will grow... to meet the challenges of globalisation, technological, demographic and workplace changes


Enterprise demands for higher level skills will grow in the areas of change management, project and contract management, marketing, relationship management and innovation to meet the challenges of globalisation, technological, demographic and workplace changes⁷¹. Change management skills are critical for businesses to adopt new working models to cope with pressures such as the ageing workforce, environmental changes and workforce legislation. Employer expectations of entry level training and skill requirements will rise, due to the service industries requiring multiple skills and higher customer service focus, to gain competitive advantage. Skill demands and expectations are especially high in the area of people management skills such as attraction, recruitment and selection, performance management, succession planning, reward and recognition.

Rapidly changing services and production methods are creating a trend toward a "decreased skill shelf life" leading enterprises to place less emphasis on recruiting people with existing technical skills and/or specific product knowledge. Essentially businesses are focusing on people, capable of being deployed across multiple job roles with underlying technology, project management and customer service skills.

⁷¹ Foster, Delaney, Bateman, Dyson (2007), Higher-level vocational education and training qualifications: Their importance in today's training market, Adelaide: NCVET.

The recruitment and training focus will be on employability skills applicable across sectors. These include communication, teamwork, problem solving, relationship management, initiative and enterprise, planning and organising, self management, capacity for continuous learning and application of technology. The recognition of merging industries and the commonality between the service industries has already resulted in the integration of three training packages (retail, wholesale and community pharmacy), a trend that can be expected to continue in the qualifications offered for the service industries. As industries and work contexts become blurred, established industry and occupational categories can be limiting and therefore need to be reviewed for obtaining accurate and meaningful industry data for effective workforce development planning⁷².

Legislation and regulatory requirements will continue to significantly drive skill demand for all service industries as business compliance remains a priority for business owners and government.



All service industries are experiencing growth and will require trained, skilled employees.

Currently in the service industries, the main shortages are in the areas of traditional trades, specifically hairdressing and commercial cookery, although there are also shortages in other occupational areas including retail and retail management, food and beverage service and beauty. Shortages in all these areas are partly due to these sectors' rapid growth and, in the case of cookery and hairdressing, a move away from the traditional trades as a career option and low uptake of apprenticeship pathways. This is reflected in the growth of traineeships (generally in non-trade areas) as opposed to traditional trade apprenticeships which have remained relatively static, particularly in the last four years.

Skill shortages in tourism are substantially affected by geographic location and environmental shocks such as bushfire and drought. Shortages of skilled personnel in particular regions include the Gippsland, Central Highlands and Great Ocean Road regions. It should be acknowledged that these shortages occur across the spectrum of employment in the industry and include entry level skills such as housekeeping and hotel/motel operations. There is a greater need for business planning, marketing and industrial relations knowledge and skills in order for small businesses in the service industries to remain competitive.

4. Training provision

The 'staging post' syndrome has often been seen as the cause of a 'skills leakage' from the service industries, with the accompanying analysis that resources allocated to service industries training are not optimised. As the employability skills debate gathers pace and industries recognise that "all businesses are service businesses", the transferability of service skills to other industries will be recognised as an investment in skills development across the economy.

There is a need to improve the perceptions of the service industries to counteract competition for workers from other industries and increase the retention rate of young workers. This will include informing prospective and existing workers of pathways within industry and the importance of skill acquisition.

Increased demand for work based learning

In the service industries, there are relatively low levels of post secondary education in many areas of the workforce. Although training in AQF qualification certificate levels II & III will remain fundamental, changing requirements of the sectors mean that the breadth and depth of training will continue to expand and become more complex. This is driving the demand for customised, relevant training that is supported by learning in a workplace context. Research indicates that work based learning contributes to flexibility and adaptability of workplace changes and settings. The aim of learning in the workplace is to transfer workers from trainees to specialists in their field, which is assisted by the exposure to authentic situations and the direction provided by more experienced workers in the organisation.

Accommodating the training needs of an older workforce

Changing demographics and markets will require the Vocational Education and Training (VET) sector to accommodate skill development for mature workers, taking into consideration training backgrounds and flexible delivery to fit older people's more complex adult lives. Skill recognition will become vital to engage older workers in skills development opportunities provided by the VET system. Promoting career opportunities in the industry should also be targeted to mature workers as workers remain in the workforce longer.

Industry and Registered Training Organisations (RTOs) partnerships

Partnerships between industry and RTOs will be critical in assisting training providers to improve responsiveness to increasingly diverse industry and individual needs. This includes flexible delivery approaches and contextualising programs for industry and enterprises. Growth in the small business sector, non standard employment and increasingly transient labour may lead to more targeted training approaches. This will have implications for flexibility in training delivery. Therefore the requirement for skills to be transient and transferable and for training to be flexible and geographically accessible will be essential. Programs to assist RTOs in the application of flexible delivery will also be required. While it is acknowledged that RTOs are also challenged by immense resource pressures, industry and RTO partnerships can offer resource solutions, providing training practitioners with increased understanding of new and emerging products and technologies. In addition, access to current industry equipment and practices will assist in meeting increased demand for RTOs to provide workplace training environments.

Up-skilling small business owner/managers

Training for owners and managers of micro to medium sized businesses will become critical if those businesses are to remain sustainable and competitive. The competence of small business owners/managers is also essential to ensure the quality of industry standards as, ultimately, business/owners are responsible for staff training and outcomes. A lack of experience in business management impacts on the skill level and therefore, community perception of the industry. Major training needs will be in small business management including knowledge and skills in business planning and risk management, marketing, finance, human resources and information technology.

Higher level vocational education and training qualifications

Higher level qualifications have been highlighted as a response to meet the challenges of globalisation of markets, technological, demographic and workplace changes. While the need for higher qualifications is supported by industry and government, the existence and use of these qualifications needs to be communicated to businesses and workers.

Greater portability of skills and qualifications with greater use of Recognition of Prior Learning (RPL)

Industry will place pressure on the VET system to respond to an increasingly global labour market and subsequent labour mobility. Greater emphasis will be placed on portability of skills and qualifications. Skills and qualification recognition systems will be critical to support mobility, innovation and the building of learning networks (informal and formal). RPL requires greater promotion with improved and cost-efficient systems to encourage and assist candidates through the process. Skill sets to increase or add value to qualifications will be needed to support new emerging industries and the demand for multi-skilled workers.

Growing importance of pathway programs

Pathway programs will be increasingly important to alleviate skill shortages over the next decade. This approach will enable young people, particularly in regional areas, to be exposed to job opportunities at a local level to make an informed career choice. These programs will also provide local enterprises with the opportunity to promote their industry. Some enterprises within the service industries regard VET in Schools as a priority training area and most agree that a greater emphasis needs to be placed on achieving consistent quality outcomes from these programs. On the other hand, the funeral, beauty and tourism sectors view VET in Schools as low priority as there are limited employment outcomes for the age group in those sectors.

Reduced barriers to training for businesses that operate nationally

The array of training jurisdictions and differing state and territory training implementation requirements faced by national companies is impeding the take up of VET training. Future consideration will need to be given to reduce training implementation barriers for companies that operate nationally and to facilitate recognition of skills for an increasingly mobile workforce, for example food safety, Responsible Service of Alcohol, Responsible Service of Gaming.

Training requirements for the service industries (current - 5yrs)

Retail and hospitality will continue to lead, with strong projected growth securing these sectors as the major employers in Victoria. Due to the service industries' need for excellent customer service and employability skills, there is a continued and increasing need for entry level training which also encompasses workplace training across all sectors of the service industries. This will ensure that individuals have the base level skills required to work competently in any sector, and have the grounding to continue to higher level studies.

The specific training requirements for the service industries, currently and over the next 5 years are outlined below, and summarised in Table 1. The training and qualification requirements have been assigned a high, medium or low ranking as to their immediate importance.

HIGH

- Hairdressing will continue to be a high training priority at Certificate III and IV, driven by the skill shortages in this field.
- Certificate III in Hospitality (Commercial Cookery).
- Certificate IV and above in Hospitality/Hospitality (Commercial Cookery); need remains high to meet the demand for supervisory/management skills.
- Certificate I, II, III in Hospitality driven by the skills shortages in front and back of house.
- There is a need for Certificate IV and above in Beauty as the beauty sector will see an increase in practitioners becoming specialists in advanced beauty technology following the beauty diploma qualification.
- Tourism and Hospitality will experience an increase in training demand, not only at entry level but at Certificate IV and above in marketing/sales and events streams. Demand will be led by small to medium sized enterprises.
- The need remains high for supervisory/management skills in the retail sector, therefore in the higher level qualifications Certificate III and IV in Retail.

MEDIUM

- Greater regulation of the guiding industry increases the need for the higher level qualification Certificate III in Tourism (Guiding).
- Certificate II, III in Funeral Services: may see an increase in demand for training (although this sector is coming off a very low base) driven primarily by demographic changes.
- Certificate II, III & IV in Community Pharmacy may see an increase in demand for training due to reforms in legislative and regulatory requirements.
- There is an increasing requirement for lower level training i.e. Certificate II in Floristry to fill entry level positions.
- The growth in the events industry in Victoria will require higher level skills in catering operations provided by the Certificate III in Hospitality (Catering Operations).
- Demand for training in retail travel at Certificate III (Retail Travel Sales) level may slightly decrease as new reduced licensing requirements are introduced in Victoria for Travel Agents.

LOW

- Rationalisation of retail travel sales and travel wholesaling will have a similar impact on the need for funding of Cert III in Tourism (Tour Wholesaling).

Table 1: Summary of Key Qualifications required to provide industries skills needs

Ranking Level	Training Required
HIGH	<ul style="list-style-type: none"> ▪ Cert III & IV in Hairdressing ▪ Cert III & IV in Hospitality (Commercial Cookery) ▪ Cert III, IV, Diploma in Beauty ▪ Cert II, III & IV in Tourism ▪ Cert II, III & IV in Hospitality ▪ Cert II, III & IV in Retail
MEDIUM	<ul style="list-style-type: none"> ▪ Cert III in Tourism (Guiding) ▪ Cert II in Funeral Services ▪ Cert II on Floristry ▪ Cert III in Hospitality (Catering Operations) ▪ Cert III in Tourism (Retail Travel Sales) ▪ Cert II, III & IV in Community Pharmacy
LOW	<ul style="list-style-type: none"> ▪ Cert III in Tourism (Tour Wholesaling)

Appendix 1: Service Skills Victoria Consultation

Industry organisations:

- AAA Tourism
- Accommodation Getaways Victoria
- Australasian Spa Association
- Australian Funeral Directors Association
- Australian Hotels Association
- Australian Leisure And Hospitality Group Limited
- Australian Retailers Association
- Australian Workers Union
- Backpacker Operators Alliance of Victoria
- Australasian Cemeteries and Crematoria Association
- Hairdressing & Beauty Industry Association (Vic)
- Hardware Association of Victoria
- Hotel, Motel, Accommodation Association (Vic)
- International Hairstylists Society
- International Society of Special Events (ISES)
- Liquor Hospitality Miscellaneous Union
- Master Grocers Australia
- Restaurant and Catering Victoria
- Shop, Distributive & Allied Employees' Assoc.
- The Pharmacy Guild of Australia
- Tourism Alliance Victoria
- Victorian Caravan Parks Industry Association Inc.
- Victorian Employers Chamber of Commerce and Industry (VECCI)
- Victorian Tourism Industry Council (VTIC)

Professional associations:

- Australia Culinary Federation
- Professional Executive Housekeepers Network

Enterprises:

- Accor
- Bakers Delight
- Body and Soul
- Cast
- Claire Francoise Salon
- Coles Group
- Compass Group Australia
- Crown Casino
- David Jones

- Fem Skin Therapy
- Fleming Resources
- Geelong Cemeteries Trust
- HRM Sofitel Melbourne
- In Full Bloom
- John Danks & Sons Pty Ltd
- Just Group
- Le Beau Visage
- McDonalds Australia
- North Melbourne Florist
- Ozdare Corporation
- Peninsula Hot Springs
- The Body Shop
- Tobin Brothers Funeral Services
- Woolworths
- YUM! Restaurants
- Zucci Hairdressing

Government agencies:

- City of Melbourne
- Museum Victoria
- Tourism Victoria

Appendix 2: Major infrastructure initiatives under consideration

- Develop a nationally significant precinct and interpretive centre at Port Campbell National Park
- Upgrade Phillip Island Penguin Parade visitor centre and investigate new marine experiences

Source: Victoria's Nature Based Tourism Strategy Draft Plan (2007-2011)

- Upgrade the St Kilda triangle site and foreshore for tourism and community use
- St Kilda- Port Melbourne waterfront tram linking the two tourism and entertainment precincts and offering a new iconic attraction
- Williamstown Heritage Seaport – the vacant former Port of Melbourne Authority site represents an opportunity for a living maritime museum
- Adrenalin Central (Melbourne CBD) – attraction for adventure sports and entertainment seekers aged 18 – 35
- Flinders Street Railway Heritage Building Redevelopment – opportunity exists to further develop the heritage railway station as an impressive music, entertainment and hospitality venue. Opportunities also exist for development of a heritage themed boutique hotel in the western wing of the building
- Melbourne International Sports and Education Precinct – further enhance Jolimont's sporting precinct. May link Melbourne Park, MCG and the CBD grid with a platform over parts of the railyard. Could also include a themed hotel, retail and dining, sports and education and an elite training centre.
- Melbourne Rectangular Stadium – will accommodate 31,000 fans and host soccer (national and international), rugby league and rugby union matches. This is expected to be completed by the end of 2009.
- Theme Park project – research points to a strong market demand for a theme park in or around Melbourne.
- Geelong Waterfront Project- brings the city into greater contact with the bay. Projects proposed include 1500 seat entertainment centre, 100 plus room hotel, a major cultural centre and attraction, provision of an Eastern Beach Mineral Springs Bathhouse facility
- Scheduled Passenger Ferry Services – this has been investigated on several occasions, linking key destinations and providing water access to city terminals at Station Pier and/or Docklands. Have investors interested, just need more detailed analysis and a regulatory framework that provides investors with security of tenure for an agreed time.
- Cowes to Stony Point Passenger – Car Ferry – this would complete the internationally significant car touring route for Victoria, joining Gippsland and GOR experiences.
- Oliver's Hill Boat Harbour Proposal – planning approvals in place, this proposal would provide a new water-side and safe harbour destination, capable of hosting passenger ferry services.
- Upper Yarra Valley Tree canopy experience – the Upper Yarra Valley has several potential sites for a major tree canopy attraction
- Murray Outback Plaza Mildura – the proposal for a new civic, leisure and educational precinct is considered a high priority. This project would link the proposed Mildura marina and provide development opportunities linking Mildura's CBD and the Murray River
- Mildura Based Paddle Steamer Experience – strong consumer interest exists for an overnight heritage paddle steamer experience at Mildura. A detailed feasibility study is required for investor evaluation
- Solar Energy Tower Visitor Experience – the proposed 1km high large scale wind and solar electrical generator tower near Mildura would be a tourist attraction in its own right with the capacity to incorporate a high viewing point and associated interpretation
- Wodonga Hotel and Convention Centre – the provision of a quality integrated hotel and convention centre is a high priority for the community.

- The Federation Line – a scheduled heritage train experience from Melbourne to Echuca with associated tourism products along the route
- Kelly Story Centre, Glenrowan – a master plan has been completed to revitalise Glenrowan and the Kelly Siege precinct. The centre would include an interpretation hall, café/restaurant and touring hall
- Sovereign Hill 'Gold Rush' Hotel- opportunities exist for a heritage themed, branded hotel and niche conference centre
- Particular opportunities exist for group travel and conference facilities in CBD locations in Ballarat, Bendigo and Castlemaine
- Apollo Bay Harbour Precinct – further master planning and feasibility is required to progress this concept and explore its feasibility
- Gippsland Heritage Ports – master plans have been prepared for Port of Sale, Port Albert and Port Welshpool. With this coordinated approach, implementation should now be progressed. Council led outcomes from the plan include improved community infrastructure and services, public boating and accommodation development opportunities
- Second train station for Ballarat located in Wendouree
- Hepburn Springs Bathhouse – open for business in 2008
- Melbourne Convention Centre – the development will complete the urban renewal of the Yarra River's edge linking Southbank to Docklands and create a commercial and lifestyle district down the river's spine to the bay's edge and port districts including hospitality and retail venues and a 5 star Hilton Hotel

Source: Concept Proposals for Tourism Development in Vic 2005 – TV

- Dockside Mildura will offer retail and hospitality opportunities to new businesses looking to set up:
 - 150 room hotel
 - 1500sq m retail and commercial space
 - Fully floating marina berths for private owners and commercial operators

Source: Dockside Mildura website www.milduramarina.com

- New 658 room hotel for Crown, bringing total room numbers of the complex to more than 1600

Source: Crown Casino Media Release October 1 2007

- \$330 million investment into the expansion of Melbourne's International terminal

Source: Melbourne Airport website: \$330 million expansions for Melbourne Airport's International Terminal

- \$30 million investment into new international terminal at Avalon Airport

Source: Herald Sun 19th November 2007" Avalon to go international

- Establishing the Wild Walks of Victoria
- Position Victoria as Australia's premier mountain biking destination – Nature report
- Murray River Walking Trails
- Catalina Flying Boat Museum, Lake Boga
- The Gateway Island Project – Wodonga
- Maldon to Castlemaine Heritage Trail
- Lake Wendouree Heritage Interpretation trail
- Redevelopment and upgrade of Warrnambool Harbour precinct

- Upgrading Warrnambool Airport to enable access for 50 seat passenger aircraft
- Geothermal Springs, including a public bathhouse for Metung or Paynesville
- Desert Wilderness Lodge, Little Desert Region
- Stawell Gift Hall of Fame and event infrastructure

Source: Concept Proposals for Tourism Development in Vic 2005 – TV