Strengthening Australia's Tourism Industry

Australian Trade and Investment Commission

Tourism Australia

Canberra ACT

27 April 2017

Dear Mr President
Dear Mr Speaker

The Australian National Audit Office has undertaken an independent performance audit in the Australian Trade and Investment Commission and Tourism Australia titled *Strengthening Australia's Tourism Industry.* The audit was conducted in accordance with the authority contained in the *Auditor-General Act 1997*. Pursuant to Senate Standing Order 166 relating to the presentation of documents when the Senate is not sitting, I present the report of this audit to the Parliament.

Following its presentation and receipt, the report will be placed on the Australian National Audit Office's website—http://www.anao.gov.au.

Yours sincerely

Grant Hehir
Auditor-General

The Honourable the President of the Senate
The Honourable the Speaker of the House of Representatives
Parliament House
Canberra ACT

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Contents

Summary and recommendation

Background

1. Tourism 2020 is a whole-of-government strategy designed to build the resilience and competitiveness of Australia's tourism industry. The strategy seeks to increase the demand for travel to and within Australia, as well as addressing a range of factors governing the supply of tourism services including investment, labour supply and tourism-related infrastructure. A Tourism 2020 goal has been established to achieve a potential overnight visitor spend (combined domestic and international) of between $115 billion and $140 billion annually by 2020 (up from $70 billion in 2009).

2. Launched in December 2011, Tourism 2020 is the result of a policy process that commenced in May 2008 when the Australian Government announced its intention to develop a long term tourism strategy to address the decline in Australia's share of international tourism. Within a commonwealth/state framework, the Australian Trade and Investment Commission (Austrade) is responsible for coordinating and facilitating the implementation of Tourism 2020 at a national level. Tourism Australia is the Australian Government entity responsible for attracting international visitors to Australia both for leisure and business events.

Audit objective and criteria

3. The audit objective was to assess the effectiveness of the implementation of Tourism 2020 by Austrade and Tourism Australia.

4. To form a conclusion against the audit objective, the ANAO adopted the following high level criteria:

- implementation of Tourism 2020 and associated policy development was supported by a sound evidence base, including effective engagement with government and industry;
- monitoring of the Tourism 2020 target and strategies has been based on robust performance measures; and
- Australian Government funding for tourism has been allocated on a sound and transparent basis.

Conclusion

5. The arrangements adopted by Austrade and Tourism Australia have supported the effective implementation of Tourism 2020.

6. Implementation of Tourism 2020 and associated policy development has been underpinned by an evidence base led by Tourism Research Australia (within Austrade) in collaboration with Tourism Australia. Tourism Ministers' meetings have provided an effective forum for cross government collaboration and industry representatives have been consulted in the formulation of key priorities and strategies for Tourism 2020.

7. Monitoring and reporting of progress against the Tourism 2020 target and key strategies by Tourism Research Australia have been based on robust performance measures. Regular reporting of progress against the Tourism 2020 target for overnight visitor spend is a strength of

Tourism 2020. In addition, the key performance indicators developed against broad strategies have provided relevant and reliable measures of performance. However, the lack of an assessment of the overall economic impact of Tourism 2020 is a gap in the performance information—that is, the extent to which the Tourism 2020 policy initiative has contributed net benefits to Australia's economy and general living standards. This aspect of performance should be assessed as part of an evaluation of Tourism 2020 that is planned for later in 2017.

8. Tourism Australia has allocated funding for tourism on a sound and transparent basis. It has used data analysis to support decisions for allocating funds to tourism markets and to communication channels within each market. There were some weaknesses in performance reporting at an operational level with scope to adopt a more consistent approach to setting, calculating and reporting key performance indicators for international marketing campaigns.

Supporting findings

Development and implementation of Tourism 2020

9. Development and implementation of Tourism 2020 has been based on coordinated, targeted research. A national tourism research agenda was developed at an early stage to advise Tourism Ministers on research priorities and review opportunities to improve the dissemination of tourism research. In line with these research priorities, Tourism Research Australia within Austrade and Tourism Australia have provided targeted data and research to strengthen marketing and business decisions, and inform government priorities and strategies.

10. Implementation of the Tourism 2020 Strategy has been based on collaboration across government and the tourism industry. Tourism Ministers' meetings have enabled collaboration between government on the development of a policy framework for Tourism 2020 and implementation of key strategies. Industry representatives have contributed to the development of Tourism 2020 priorities and strategies.

Monitoring of Tourism 2020 performance

11. The Tourism 2020 target of between $115 billion to $140 billion in visitor overnight spend by 2020 is a robust measure of performance that has been regularly monitored and reported by Austrade. Moreover, regular reporting of progress against the Tourism 2020 target has helped to 'galvanise' the sector and is a strength of Tourism 2020. Each state and territory government tourism organisation has developed a Tourism 2020 state based target to contribute towards the national upper goal of $140 billion in overnight expenditure. Reporting has shown that the visitor overnight spend was tracking around the lower end of the national target in 2015 and 2016, which represented moderate growth since the inception of Tourism 2020.

12. The key performance indicators adopted to assess the implementation of Tourism 2020 are relevant and reliable. While the suite of indicators for Tourism 2020 is comprehensive it is not complete as there has been no assessment of the overall economic impact of Tourism 2020.

Allocation of funding for tourism

13. Tourism Australia has governance arrangements in place that support sound and transparent decision making by the Board and executive management team. The roles and responsibilities of the Board are clearly defined, as are the governance processes for the Board,

the executive management team, and the Audit and Finance Committee. Strategic planning is clearly linked to legislative requirements, strategies with objectives, and defined performance measures with targets. Strategies and risks are regularly reviewed.

14.   Tourism Australia has allocated funding on a sound and transparent basis. Tourism Australia used data analysis to support its decisions for allocating funds to tourism markets and to each communication channel within each market. Over time this has resulted in a shift away from some mature markets (such as New Zealand) to fast growing markets (such as China), as well as an overall reduction in the number of markets being targeted—reflecting a targeted, more efficient use of government funding. In addition, Austrade's administration of a major tourism supply side program (the Tourism Demand Driver Infrastructure program) was sound.

15.   Tourism Australia's marketing projects have target metrics articulated in the regional annual operating plan, and in partnership agreements. However, reporting against the performance measures in international tourism marketing campaigns varies in terms of how the measures are set, calculated and reported. There is scope to adopt a more consistent approach to setting, calculating and reporting these key performance indicators. There is also scope to assess the combined impact of Tourism Australia's marketing and industry development activities through an aggregate Return on Investment study, potentially as part of the proposed 2017 evaluation of Tourism 2020.

Recommendation

Recommendation No. 1
Paragraph 4.34

Tourism Australia adopts a more consistent approach to setting, calculating and reporting key performance indicators for international tourism marketing campaigns.

Tourism Australia's response: *Agreed*.

Summary of entity's response

16.   Tourism Australia's summary of their response to the report is provided below. Full responses by Tourism Australia and by the Australian Trade and Investment Commission (Austrade) are provided at Appendix 1.

> Tourism Australia has reviewed the report and welcomes the opportunity to formally respond to the audit findings and recommendations.
>
> Key findings included Tourism Australia's robust governance arrangements; compliance with Commonwealth Procurement rules; sound and transparent Government funding allocation processes; proficient strategic planning and strong risk management.
>
> Tourism Australia accepts the recommendation to adopt a more consistent approach to the setting, calculating and reporting of key performance indicators for international tourism marketing campaigns. Effort to improve this area was already underway prior to the audit and will continue to be an area of focus. Tourism Australia will continue to refine this process to identify improvements in consistent campaign design, delivery and performance reporting.

Audit Findings

1. Background

Tourism 2020

1.1   Tourism 2020 is a whole-of-government strategy designed to build the resilience and competitiveness of Australia's tourism industry. The strategy seeks to increase the demand for travel to and within Australia, as well as addressing a range of factors governing the supply of tourism services including investment, labour supply and tourism-related infrastructure. A Tourism 2020 goal has been established to achieve a potential overnight visitor spend (combined domestic and international) of between $115 billion and $140 billion annually (up from $70 billion in 2009), by 2020.

1.2   Tourism 2020, launched in December 2011, is the result of a policy process that commenced in May 2008 when the Australian Government announced its intention to develop a long-term tourism strategy to address the decline in Australia's share of international tourism. In December 2009, the National Long-Term Tourism Strategy was launched with a focus on expanding Australia's tourism industry through addressing a range of supply-side issues relating to the development of the tourism industry. A year later a growth target for the Australian tourism industry was released—*2020 Tourism Industry Potential*.

1.3   An agreement between Australian Tourism Ministers sets the framework for jurisdictional collaboration and cooperation between governments and within the sector. It defines the general responsibilities and activities of the two levels of government and the respective roles of the Ministers.[1] A biannual meeting of the Ministers provides a forum that facilitates consultation and policy coordination, and progresses the implementation of the national strategy. Tourism Ministers may also agree, where appropriate, to work cooperatively on cross-portfolio matters or refer significant intergovernmental reform work to the Council of Australian Governments.

1.4   Tourism Ministers are supported by the Australian Standing Committee on Tourism.[2] This group is collectively responsible for implementing Tourism 2020, resolving issues that might otherwise require the attention of Tourism Ministers, and for providing advice to the Ministers on policy matters.

1.5   Within this commonwealth/state framework the Australian Trade and Investment Commission (Austrade) is responsible for coordinating and facilitating the implementation of Tourism 2020 at a national level, working with Australian Government entities and industry to develop sector policy positions, analyse sector research and report performance. Austrade is also responsible for managing the Tourism Demand Driver Infrastructure program, a partnership funding agreement between the Australian Government and the states and territories to build sector infrastructure.

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1   Full members include Ministers responsible for tourism from the Australian Government, states and territories and New Zealand.

2   The Australian Standing Committee on Tourism comprises representation from: the Australian Government, including Tourism Australia, the Australian Trade and Investment Commission and the Department of Foreign Affairs and Trade; all Australian states and territories; and New Zealand. Norfolk Island and Papua New Guinea have observer status.

1.6   Tourism Australia is the Australian Government entity responsible for attracting international visitors to Australia both for leisure and business events. Formed under the *Tourism Australia Act 2004*, it delivers a wide range of marketing activity.[3]

1.7   The Department of Foreign Affairs and Trade is responsible for leading Australia's international tourism policy engagement. The department works to strengthen bilateral tourism relationships with important tourism markets and to leverage key multilateral tourism bodies. Figure 1.1 outlines the whole-of-government arrangements.

Figure 1.1:   Whole-of-government arrangements for Tourism 2020
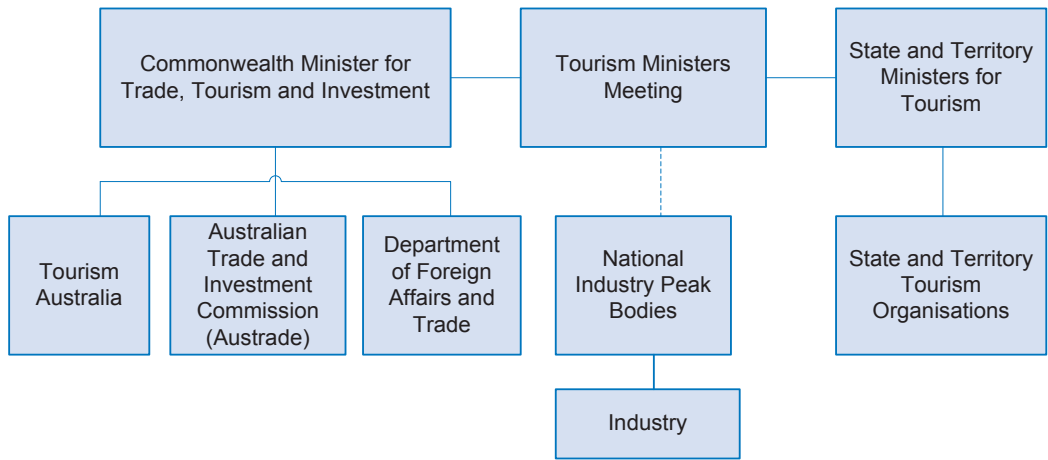
Source: ANAO.

1.8   Tourism 2020 has been designed to link stakeholders in the industry and provide a balanced focus on building the productive capacity of the tourism industry and destination marketing. The strategy also seeks to align the government and industry on key priorities.

1.9   The launch of Tourism 2020 was not accompanied by additional funding from the Australian Government. It was a strategy designed to optimise the existing level of government funding. In 2015–16, the Australian Government allocated $179 million for tourism and promotion. This included $158 million to Tourism Australia to market Australia as a tourism destination internationally.[4] A further $14.3 million was allocated to Austrade to deliver the Tourism Demand Driver Infrastructure program. The program delivers infrastructure projects across Australia that contribute to Tourism 2020 outcomes by driving demand, improving quality and increasing tourism expenditure. Other additional resources included $4.4 million allocated to the Tasmania Regional Tourism Package and $2.6 million allocated to the Approved Destination Status Scheme to provide tour quality monitoring arrangements that underpin the Chinese inbound tourism market.

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3   Prior to 2004, Tourism Australia was named the Australian Tourism Commission.

4     $158 million in government funding includes total annual appropriation ($144 million) plus additional funding ($14 million) received from the portfolio department for the Asia Marketing Fund.

Audit approach

Audit objective

1.10   The audit objective was to assess the effectiveness of the implementation of Tourism 2020 by Austrade and Tourism Australia.

1.11   To form a conclusion against the audit objective, the ANAO adopted the following high-level audit criteria:

- implementation of Tourism 2020 and associated policy development was supported by a sound evidence base, including effective engagement with government and industry;
- monitoring of the Tourism 2020 target and strategies has been based on robust performance measures; and
- Australian Government funding for tourism has been allocated on a sound and transparent basis.

Scope

1.12   The ANAO examined the implementation of Tourism 2020 by Austrade and Tourism Australia. The scope of this audit did not cover examination of the effectiveness of the Department of Foreign Affairs and Trade in leading Australia's international tourism policy engagement, the Approved Destination Status Scheme or the Tasmania Regional Tourism Package.

1.13   The audit was conducted in accordance with the ANAO's Auditing Standards at a cost to the ANAO of approximately $558,000.

1.14   The team members for this audit were Marian Allen, Elizabeth Wedgwood, Alison Palmer and Andrew Morris.

Methodology

1.15   The audit methodology included:

- a literature review of international tourism trends and policies;
- a review of files and documents from Austrade and Tourism Australia;
- economic analyses of the performance measures underpinning the Tourism 2020 target and strategy;
- key stakeholder interviews with state and territory tourism agencies, and industry representatives;
- interviews with the Board, Audit and Finance Committee and executive management team of Tourism Australia; and
- interviews with staff from the Department of Foreign Affairs and Trade, Austrade, Tourism Australia, the Department of Prime Minister and Cabinet, and the Department of the Treasury.

2. Development and implementation of Tourism 2020

Areas examined

This chapter examines whether the development and implementation of Tourism 2020 has been supported by a sound evidence base, including effective engagement with government and industry.

Conclusion

Implementation of Tourism 2020 and associated policy development has been underpinned by an evidence base led by Tourism Research Australia (within Austrade) in collaboration with Tourism Australia. Tourism Ministers' meetings have provided an effective forum for cross government collaboration and industry representatives have been consulted in the formulation of key priorities and strategies for Tourism 2020.

2.1   Launched in December 2011, Tourism 2020 was developed to reverse the long-term structural decline in visitor numbers and maximise the net economic benefits of tourism to the Australian economy—overnight trips and visitor nights fell by 4.5 per cent and 7.4 per cent respectively between 1998 and 2008. In part this decline was attributed to international economic constraints, the stronger Australian dollar and the increasingly competitive global tourism market.

2.2   Initial sector consultation and further research funded by the Australian Government stated that:

- there were economic benefits of expanding the sector, noting relatively large flow on benefits to the economy compared to similar action in a different sector of the economy;

- there were gaps in the research agenda for tourism that related to industry development and policy analysis and a role for government to conduct and disseminate research given the limited capacity of the sector to arrange and fund it; and

- there was a need for leadership to strengthen inter-government cooperation and to engender a commitment to work systematically with industry to identify institutional or market impediments that hold back growth of the sector.

2.3   A case was made for government intervention in relation to international destination marketing and major events on the basis of a 'free-rider' incentive in the tourism industry. This is where tourism related business cannot be prevented from obtaining the benefits of marketing provided by other businesses, creating an incentive for businesses in this sector to underinvest in destination marketing and major events. In this regard, the Productivity Commission (2015) concluded that there is a case for government involvement in the tourism industry on the basis of market failure, as long as the net benefits generated to the community outweigh the cost of government intervention.[5]

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5   Productivity Commission, *Australia's International Tourism Industry,* Commission Research Paper, Canberra, 2015, p. 10.

Was Tourism 2020 based on coordinated research?

Development and implementation of Tourism 2020 has been based on coordinated, targeted research. A national tourism research agenda was developed at an early stage to advise Tourism Ministers on research priorities and review opportunities to improve the dissemination of tourism research. In line with these research priorities, Tourism Research Australia within Austrade and Tourism Australia have provided targeted data and research to strengthen marketing and business decisions, and inform government priorities and strategies.

2.4   The National Long-Term Tourism Strategy, the precursor to Tourism 2020, recommended the development of a national tourism research agenda. The aim of the agenda was to advise Tourism Ministers on research priorities; align tourism supply with demand research capabilities; report linkages between policy, marketing and research findings; and review opportunities to improve the dissemination of tourism research. In endorsing the strategy, Tourism Ministers agreed to an expanded role for Austrade's principle research arm, Tourism Research Australia, which is to:

- produce a comprehensive state of the industry report that would provide a quantitative and qualitative assessment of industry performance, metrics for measuring the strategy and trend analysis;

- expand destination visitor surveys to underpin destination development plans;

- research issues affecting tourism including investment, productivity, labour and skills, and taxation;

- use Computable General Equilibrium[6] modelling to better understand linkages between tourism and the rest of the economy; and

- ensure the benefits of research are communicated and shared across the industry.

2.5   The Australian Government also agreed to establish a Tourism Research Advisory Board to coordinate the development and implementation of a national tourism research agenda. The Board would pursue an effective industry research program to enable key industry stakeholders to more accurately assess and respond to investment opportunities and challenges. The Board, disbanded in May 2016, has been replaced by industry led roundtable discussions with key government, industry and research stakeholders within each state and territory to identify current research priorities and gaps.

2.6   In 2010, Tourism Ministers established nine working groups to assess the barriers to growth identified in the National Long-Term Tourism Strategy (2009). Members of the Australian Standing Committee on Tourism chaired the working groups that comprised government and industry representatives. The working groups made progress in building an evidence base to support, for example, bilateral aviation negotiations, planning and regulatory frameworks and communication mechanisms to disseminate research. In addition, the working groups identified strategies for future research to support policy development and implementation. See Appendix 2 for more detail.

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6   Computable General Equilibrium modelling is used to assess the economic wide impact of a policy initiative.

2.7   Research from the working groups provided the basis for the first annual State of the Industry Report developed by Tourism Research Australia and the focus of the national Tourism Directions Conference for government and industry representatives held in Canberra in November 2010. The conference agenda was developed to present and discuss issues affecting industry, and move the sector towards a unified, long-term approach to achieve the Tourism 2020 target.

2.8   In 2011, Austrade commissioned research to assess industry's response to the National Long-Term Tourism Strategy. The report concluded that industry viewed relevant and detailed research as the single most important requirement to be addressed by the long-term strategy, and that the potential, or target, of between $115 billion and $140 billion annually, should be retained. The report also noted some industry confusion around the supply and demand elements of the strategy and recommended that governments engage more directly with industry to promote the benefits of Tourism 2020 by defining and promoting the tangible success of the strategy, demonstrating the links between the supply and demand elements, and using the option of new communication tools to keep the reporting message transparent and simple. Communication with the sector was restructured and a standardised Tourism 2020 presentation developed to promote consistency and clarity of language between all stakeholders.

2.9   The research focus developed by the Tourism Research Advisory Board has been expanded since 2009 through annual industry roundtables led by Austrade. The roundtables facilitate an exchange between government, tourism operators and the research community on research and policy priorities. The roundtables have been convened by Tourism Industry Councils and other bodies in host states and territories to identify current research priorities and gaps.

Research and analysis

2.10   Austrade and Tourism Australia share responsibility for sector research and analysis. Broadly, Austrade is responsible for research, data collection and analysis of tourism supply factors, and Tourism Australia for consumer demand factors.

Research by Austrade

2.11   The foundation for tracking international and domestic tourism is the International Visitor Survey and the National Visitor Survey administered by Tourism Research Australia.[7] These surveys address market failure in information provision. The data on travel patterns and expenditure has been collected over many years generating time series data to support policy making at all levels of government, industry planning, investment, marketing and promotion.[8]

2.12   States and territories contribute financially to the conduct of these surveys through service level agreements negotiated annually or biannually. As at August 2016, states and territories contributed approximately one third of total cost ($8.4 million) of the International Visitors Survey and National Visitors Survey. These arrangements help to avoid duplication of effort and reduce

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7   The International Visitor Survey is a computer assisted personal interview of approximately 40 000 respondents over the age of 15, located in the departure lounges of the eight major international airports. The National Visitor Survey is a computer assisted telephone interview survey of Australians over the age of 15 years. Annually the National Visitor Survey surveys 120 000 Australians on their travel activity including destination, purpose of travel and expenditure.

8   The International Visitor Survey was introduced in 1971 and the National Visitor Survey in 1998.

costs. A review (2016) identified savings of between $13.4 million and $24.4 million through the consolidated approach, when compared to the cost of individually conducted surveys.

2.13   Reports from the two surveys are well regarded by stakeholders as measured through satisfaction surveys—81 per cent of respondents were either satisfied or very satisfied with the National Visitors Survey, and 79 per cent of respondents satisfied or very satisfied with the International Visitors Survey in 2015–16.[9] Eighty-five per cent of respondents used research data provided by Tourism Research Australia. Of the tourism business operators that had used this data, 87 per cent used the research to help support marketing activity or business decisions. This was consistent with performance results from the previous two years. Importantly, Tourism Research Australia's key performance measure reported in Austrade's annual report is:

> Proportion of tourism operators which use Austrade's tourism research and information and say it helped support their marketing and business needs.

2.14   While the International Visitors Survey has sufficient level of accuracy for many purposes, for smaller regions within a state (such as regional Tasmania) the survey becomes less reliable. While acknowledging the issues with sample sizes for smaller regions, Austrade noted that contracts for the two surveys are due to expire in 2017, and that in developing new specifications, it will work closely with states and territories to determine whether increasing sample sizes in smaller regions is a priority. Where possible, Tourism Research Australia compiles a Destination Visitor Survey that aims to bridge the gap between the national surveys and meet disaggregated data needs for regional Australia. The Destination Visitor Survey program has two parts:

- the Visitor Profile and Satisfaction program profiles visitors to individual regional tourism destinations and reports on their satisfaction with their visit. This information is compiled into the Visitor Profile and Satisfaction benchmark database, enabling destinations to be benchmarked against others across a number of key indicators. Recent publications include *Victoria: Great Ocean Road* and *Queensland: Gold Coast*.
- the Strategic Regional Research program focuses on broader strategic issues that affect regional destinations.

2.15   Tourism Research Australia supports policy, marketing and industry development through research and data collection that includes:

- the State of the Industry—an annual publication that analyses the performance of the Australian tourism industry against the Tourism 2020 target, the challenges ahead, and how the industry needs to respond;
- the Tourism Investment Monitor, which provides an estimate of the total value of large-scale tourism projects;
- Tourism Forecasts, which provide ten-year forecasts for Australia's inbound, domestic and outbound tourism sectors;
- annual Regional Tourism Profiles, which provide tourism demand and supply data for Australia's tourism regions and all states and territories;

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9   Stakeholders surveyed include representatives from Commonwealth, state/territory and local government, academic institutions, tourism industry associations, tourism businesses and consultancy firms.

- analysis of the economic contribution of tourism, including tourism's total contribution to Gross Domestic Product, exports, employment, businesses and productivity, at the state and national levels; and

- strategic regional research projects, for example, a report on Western Australia's visitor centres and their influence on tourist behaviour released in September 2015.

2.16   A list of key publications produced by Tourism Research Australia in 2015–16 is listed at Appendix 3.

Research by Tourism Australia

2.17   In 2012, Tourism Australia established the Consumer Demand Project to collect insights from visitors and potential visitors from Australia's key international tourism markets to understand Australia's existing, and potential tourism appeal. Research insights and data have been shared with state and territory governments since its introduction. From 1 July 2016 state/territory governments will provide a financial contribution to the costs of the research project.

2.18   Tourism Australia also combines data from the International Visitor Survey with other national research such as the Australian Bureau of Statistics' monthly report on *Arrivals and Departures* and *Key Economic Indicators*, and the Department of Infrastructure and Regional Development's *International Airline Activity* and *Airline on Time Performance Statistics* to produce the quarterly *International Market Update*. The report provides key international market summaries including trends, changes in domestic and international aviation capacity, and industry news. The *International Market Update* is published online as is the data to support the work. Reports provide headline statistics only—the data is published to enable further analysis.

Has implementation of Tourism 2020 been based on collaboration between governments and industry?

Implementation of the Tourism 2020 Strategy has been based on collaboration across government and the tourism industry. Tourism Ministers' meetings have enabled collaboration between government on the development of a policy framework for Tourism 2020 and implementation of key strategies. Industry representatives have contributed to the development of Tourism 2020 priorities and strategies.

2.19   A 2010 OECD report relating to tourism strategy development identified the importance of coordination between various levels of government, industry and key stakeholders as indicated in the following excerpt:

Addressing the major and multi-faceted challenges faced by the tourism industry demands an integrated approach to policy development across many government departments. Coherence and consistency are essential in the design and application of policies between all levels of government to ensure that tourism policies are effective. This understanding has led to an increased emphasis on 'whole of government' commitment … It has been shown that the development of a tourism strategy can play a key role in engaging government, industry, destination communities and other stakeholders to identify a vision and direction for tourism development and in setting priorities for

implementing a long-term and sustainable vision for the tourism sector. Tourism strategies are increasingly emphasising public-private sector co-operation.[10]

Collaboration across levels of government (vertical integration)

2.20   In December 2009, the Commonwealth and state/territory Tourism Ministers endorsed the National Long-Term Tourism Strategy based on the following principles:

- ensuring leadership—that is strategic, coordinated and capable of driving the implementation of the Strategy;
- informing industry and government—research that supports the long-term development of the Australian tourism industry;
- supporting growth—creating the environment to foster growth in the Australian tourism industry; and
- competing in a global environment—creating the right mix of quality product and promotion that is vital to competing successfully in the global market.

2.21   Tourism Ministers' Meetings supported by the Australian Standing Committee on Tourism (ASCOT) have provided a framework for cross government collaboration. Development of Tourism 2020 has been based on input from across government and industry at critical junctures in the policy development/implementation process including:

- National Long-Term Tourism Strategy in 2009;
- Tourism 2020 in 2011; and
- the Tourism 2020 Implementation Plan (2015–20) developed in 2014.

2.22   Figure 2.1 identifies key developments in relation to Tourism 2020.

Figure 2.1:   Tourism 2020 timeline
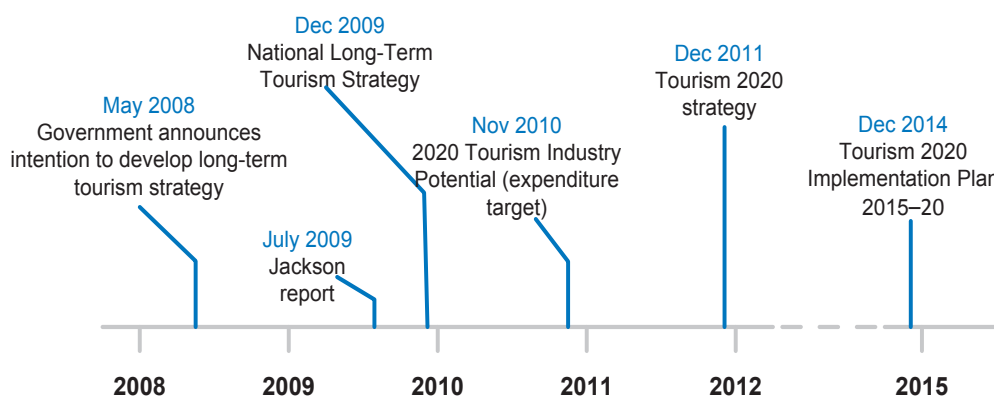
Source: ANAO.

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10   OECD, *OECD Tourism Trends and Policies 2010,* Paris, 2010, < http://dx.doi.org/10.1787/tour-2010-en> [accessed 2 December 2016].

2.23   The 2009 *Strategic Review of Tourism Ministers' Council* resolved that successful implementation of the National Long-Term Tourism Strategy would require improvement to the way the Tourism Ministers' Meetings (TMM) and ASCOT operated. The Strategic Review recommended a more active, outcome focused approach:

> The formulation of a NLTTS [National Long-Term Tourism Strategy] represents an opportunity to break with the past and for TMM to be more outcome orientated. However, if this is to be successful there will need to be changes in the way that ASCOT operates. The NLTTS will need to move beyond aspirational or high level statements. It will need to be broken down into specific projects with clear deliverables … That responsibility must rest with ASCOT; there should be no sheltering behind the veil of collective responsibility.

2.24   The ANAO's examination of the minutes from the Tourism Ministers' Meetings and ASCOT meetings from 2010 to 2016 indicate that Tourism Ministers provided oversight of the progressive development from the Tourism 2020 strategy initiatied in 2011 to the 2020 Tourism Implementation Plan in 2014.

2.25   In August 2014, Tourism Ministers agreed to the Implementation Plan (2015–2020) developed by an ASCOT Steering Committee[11] in consultation with government and industry members.[12] The plan reflects a maturing of Tourism 2020 over four years, and includes a move away from broad goals to more outcome focused strategies. These strategies are linked to deliverables/timeframes with responsibility assigned to jurisdictions. These strategies are to:

1)   increase cross portfolio collaboration within all levels of Australian Governments;

2)   improve visa arrangements;

3)   develop a skilled tourism workforce;

4)   improve aviation capacity and visitor experience;

5)   integrate national and state tourism plans into regional and local government planning, and facilitate tourism infrastructure investment; and

6)   identify partnerships, efficiencies and opportunities to increase marketing spend to drive demand for travel to Australia and improve conversion.

2.26   Progress against key strategies has been reported to the Tourism Ministers' Meeting and ASCOT through a joint commonwealth/state report. Tourism Ministers' Meetings and ASCOT supported by the Austrade secretariat have adopted a project management approach so that the objectives, accountability and deliverables are managed in a timely and decisive way. ASCOT meetings are held a few months in advance of a Tourism Ministers' Meeting so that papers can be considered by ASCOT as a whole and, if necessary, recast to draw out the issues, options and recommend ways ahead so Ministers can make decisions. Tourism Ministers' Meeting and ASCOT meeting agendas, papers and communiques from 2009 onwards are available to members on a govdex site managed by Austrade.[13]

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11   The steering group included ASCOT members and representatives of the National Tourism Alliance, the Tourism and Transport Forum, Australian Tourism Export Council and the Australian Regional Tourism Network.

12   Austrade consulted with over 160 industry leaders in developing the Tourism 2020 Implementation Plan (2015–2020).

13   The 'govdex community' enables secure online collaboration for Australian governments.

Collaboration across Commonwealth government entities

2.27 Austrade and Tourism Australia are collaborating across government to implement the Tourism 2020 strategy. Austrade in particular has a broad mandate in terms of progressing strategies across a number of policy forums at the Commonwealth level.

2.28 Austrade has coordinated with government entities at the Commonwealth level to progress the first five supply side strategies listed in paragraph 2.25. Austrade reported progress against the strategies at the October 2016 Tourism Ministers' Meeting that involved establishing a number of Inter-departmental Committees, working groups and roundtables with Australian Government representatives to progress key strategies. Research and trials were also undertaken to gather data and information to inform development of various initiatives. Tourism Australia reported progress against the sixth strategy which involved the development of partnerships, efficiencies and opportunities to increase marketing spend to drive demand for travel to Australia (demand strategy). See Appendix 4 for more detail.

Collaboration with industry

2.29 Austrade has sought industry input on the development and implementation of Tourism 2020 strategies at a national level through a range of consultative mechanisms including:

- Sector wide consultation. This approach to industry consultation was adopted in 2009 in developing the framework for the National Long-Term Tourism Strategy. The Jackson Report (2009) provided the basis for this consultation process.

- Working groups. Industry representatives were engaged in the 2011 and 2014 reviews of the implementation of the Tourism 2020 strategy.

- Industry roundtables. The industry research roundtables are held in each state/territory to identify research priorities. Initially these were led by Austrade, but from April 2016 they have been led by the Tourism Industry Councils in each relevant state and territory. Also there is the Tourism and Hospitality Labour and Skills Roundtable.

- Regular communication/consultation with the four industry national peak bodies: Australian Chamber of Commerce and Industry; Australian Tourism Export Council; Tourism and Transport Forum; and Australian Regional Tourism Network.

3. Monitoring of Tourism 2020 performance

Areas examined

This chapter examines whether monitoring of the Tourism 2020 target and strategies has been based on robust performance measures.

Conclusion

Monitoring and reporting of progress against the Tourism 2020 target and key strategies by Tourism Research Australia have been based on robust performance measures. Regular reporting of progress against the Tourism 2020 target for overnight visitor spend is a strength of Tourism 2020. In addition, the key performance indicators developed against broad strategies have provided relevant and reliable measures of performance. However, the lack of an assessment of the overall economic impact of Tourism 2020 is a gap in the performance information—that is, the extent to which the Tourism 2020 policy initiative has contributed net benefits to Australia's economy and general living standards. This aspect of performance should be assessed as part of an evaluation of Tourism 2020 that is planned for later in 2017.

Is the Tourism 2020 target a robust measure of performance?

The Tourism 2020 target of between $115 billion to $140 billion in visitor overnight spend by 2020 is a robust measure of performance that has been regularly monitored and reported by Austrade. Moreover, regular reporting of progress against the Tourism 2020 target has helped to 'galvanise' the sector and is a strength of Tourism 2020. Each state and territory government tourism organisation has developed a Tourism 2020 state based target to contribute towards the national upper goal of $140 billion in overnight expenditure. Reporting has shown that the visitor overnight spend was tracking around the lower end of the national target in 2015 and 2016, which represented moderate growth since the inception of Tourism 2020.

3.1   The $115 billion to $140 billion target was announced in 2011 as part of Tourism 2020. The target, adopted by all levels of government, seeks to double the level of overnight expenditure by tourists[14] by 2020 if the stretch target of $140 billion is reached.[15]

3.2   The Tourism 2020 target was based on a detailed research project by an external consultancy, drawing on an analysis of each of Australia's major tourist source markets. The analysis assessed a range of factors influencing travel, including exchange rates, airfares, Gross Domestic Product, real private consumption, Australia's outbound market share, traveller awareness and intention to visit, and historical levels of competitiveness.

Tourism 2020 target as a performance measure

3.3   The Tourism 2020 target sets a clearly defined standard of performance for the tourism industry with its focus on doubling the level of overnight expenditure by tourists by 2020. In line

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14   The Tourism 2020 target is for overnight visitor expenditure (including domestic and international overnight travel but not day trips), for pre-paid packages and airfares purchased overseas.

15   The Tourism 2020 target is not a single point—it ranges from $115 billion to $140 billion in visitor overnight spend by 2020.

with better practice, a baseline was set in 2009 and changes in tourism expenditure from this time were reported annually. The Department of Finance's guidance on developing performance information notes that:

> While targets should reflect the performance expectations of management, stakeholders, parliament and the public, they can also be informed by external benchmarks or trends in performance from prior periods or activities. Baseline results, achieved before an activity or intervention begins, may also be a useful reference point for a new activity.[16]

3.4   The Tourism 2020 target provides a measure of performance that is widely understood. ANAO interviews with a range of key government and industry stakeholders revealed that the target has generated significant 'buy-in'—there is a sense of responsibility and accountability among Ministers, jurisdictions and tourism agencies in terms of trying to reach the target. The 'galvanising' impact of the target was specifically referred to by a number of stakeholders interviewed by the ANAO and was part of the original intention by Tourism Ministers when setting the target.

3.5   The Tourism 2020 target is also a measure of expenditure or 'yield', which is considered a more useful measure than one based on 'volume' of travellers. The use of the Tourism 2020 target has helped focus Tourism Australia's marketing strategies on high-spending visitors. The limitations of a 'volume' target measure are outlined in a research paper published by Professor Dwyer (2014):

> Until recently, [the international] tourism industry focus has been on visitor numbers rather than yield. However, there is now widespread recognition of the fact that tourism visitor numbers have little meaning unless the expenditure injected into the destination is taken into account. The concept of tourism yield is now receiving increasing attention in the research literature.[17]

State and territory governments' Tourism 2020 targets

3.6   Each state and territory tourism organisation developed their own Tourism 2020 target to contribute towards the national stretch goal of $140 billion in overnight expenditure. While state and territory government tourism agencies used a similar methodology to develop the state based Tourism 2020 target, one key difference is that state and territory government expenditure is limited to expenditure within the state or territory. For example, when a tourist visits Canberra from Melbourne, only the expenditure within the Canberra region is included with airfares being excluded. This is generally referred to as the 'destination spend'. The national Tourism 2020 expenditure target includes the expenditure on airfares to reach the destination, which is the principal reason why the aggregate $118.5 billion stretch goal for the States and Territories does not add to the national $140 billion stretch goal. There are also some differences due to the delay by a few state and territory tourism organisations developing their Tourism 2020 targets. Table 3.1 lists state and territory government Tourism 2020 targets and associated strategies that evolved following the national Tourism 2020 strategy. All the states and territories adopted the 2020 timeframe.

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16   Department of Finance, *Resource Management Guide No. 131: Developing Good Performance Information*, Finance, Canberra, 2015, p. 29.

17   L Dwyer et al, 'Destination Marketing of Australia: Return on Investment', *Journal of Travel Research*, Sage Publishing, 53:281, 2014, pp. 283–295.

Table 3.1: Tourism 2020 state/territory targets and associated strategies

State	Strategy description	Upper goal by 2020 ($ billion)
NSW	*Final report of the Visitor Economy Taskforce*, released June 2012	$36.6
Victoria	*Victoria's 2020 Tourism Strategy*, released July 2013	$24.7
Queensland	*Destination Success: the 20-year plan for Queensland tourism*, released Jan 2014	$30.0
SA	*South Australian Tourism Plan 2020*, released in mid-2014	$8.0
WA	*State Government strategy for tourism in Western Australia 2020*, released Dec 2012	$12.0
Tasmania	*The Tasmanian Visitor Economy Strategy 2015–2020*, released Nov 2015	$2.5
NT	*Tourism Vision 2020: Northern Territory's strategy for growth*, released Sep 2013	$2.2
ACT	*2020 Tourism Strategy: growing the visitor economy 2014–20*, released Dec 2013	$2.5
Total		**$118.5**

Note: Although most State Tourism Organisations (STOs) had strategies in place prior to the national strategy, the table refers to the next update of their strategy following announcement of Tourism 2020. STOs generally exclude expenditure outside the state or territory, such as, international airfares.

Source: ANAO.

Monitoring and reporting against the Tourism 2020 target

3.7   Tourism Research Australia recently released its seventh *State of the Industry* publication, which tracks progress towards the Tourism 2020 target. As Figure 3.1 shows, overnight expenditure by tourists has increased—it is tracking around the lower end of the target.

Figure 3.1:   Progress towards the Tourism 2020 target, 2015−16
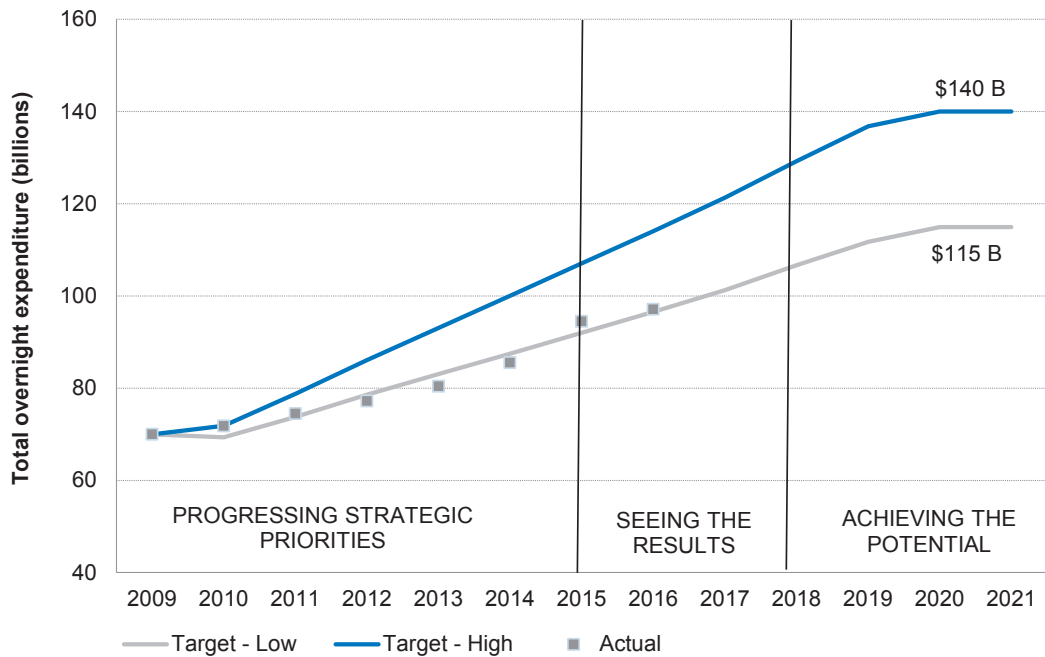
Source: Austrade.

3.8   The foundation for tracking international and domestic tourism is the International Visitor Survey and the National Visitor Survey administered by Tourism Research Australia.[18] These collections include visitor expenditure, regional tourism data including expenditure and key travel behaviours. Data collection processes have been designed in accordance with internationally accepted definitions and standards but modified for local circumstances. This enables comparison of Australia's tourism performance both over time and with that of other countries.

3.9   Both the International Visitor Survey and the National Visitor Survey use long established and well documented methodologies. While detailed verification of the accuracy of survey data is beyond the scope of this audit, the statistical methods, sample sizes and survey errors are published along with the survey statistics, providing transparency of approach. Tourism Research Australia has a number of systems and processes in place to help ensure sound management of the surveys. Tourism Research Australia cited evidence of tourism research groups internationally seeking their professional assistance to improve statistical methods, surveys and analysis.

3.10   In recent years, Tourism Research Australia has made a number of improvements to the survey frame to include mobile telephones into the survey sample. Early analysis of the revised survey frame indicates that it has reduced the relative standard errors.[19] Although improvements

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18   Tourism Research Australia's International Visitor Survey measures the activity of visitors who come to Australia for less than one year, although they exclude visitors who are under 15 years and include visitors coming to Australia for employment purposes.

19   The revised methodology resulted in a slight increase in expenditure estimates (1.3 per cent), reduced the relative standard errors, and improved the demographic representativeness.

have been made to the surveys, there have been no material changes in methodology since the Tourism 2020 expenditure target was adopted in 2011. The consistency of the measures, in combination with Tourism Research Australia's online reporting and summary data published quarterly, provides accountability of the measures. The interval of approximately three months between data collection and publication provides a timely snapshot of domestic and international tourism trends. In addition, summary data published concurrently facilitates independent analysis by industry, along with online access to domestic tourism data from 1998, by region and travel type, and international data from 2006 onwards.

3.11   Tourism Research Australia operates under a statement of professional independence. This independence provides a level of separation between the formulation of policy and targets for tourism expenditure by Tourism Australia and Austrade, and the collection of statistics to enable measurement of progress against those targets by Tourism Research Australia.

Other measures of growth in tourism

3.12   At the time the target was announced, the doubling of overnight expenditure to achieve $140 billion by 2020 was seen as a challenge by the sector requiring a compound annual growth rate of eight per cent for nine years.[20] However, the lower bound of $115 billion was seen as more achievable by the industry as it would require a sustained growth of 5.7 per cent per year. The lower bound target was marginally above the expected long term nominal Gross Domestic Product—5.5 per cent per year over the forward estimates.

3.13   This raises the question of how challenging the Tourism 2020 target was, particularly in light of favourable external factors since 2010 such as the depreciation in the Australian dollar and increased living standards from countries in the Asia Pacific region.[21] Two other measures of relevance to Australia's growth in tourism are Australia's share of long haul in selected markets, and the tourism industry's share of Gross Domestic Product. As shown below, these results are generally in line with that of achieving the lower bound of the Tourism 2020 target, and indicate moderate growth in tourism since the inception of the program.

Australia's long haul market share

3.14   Achieving the $140 billion target would require Australia to surpass its 2001 level of international competitiveness, as measured by Australia's share of long haul in selected markets.[22]

3.15   Australia's market share in 2010 was 0.62 per cent, and increased only slightly in 2015 to 0.63 per cent. Australia's market share for Singapore, Malaysia, India, Germany, France, Italy and Indonesia have all increased over the five years (2010 to 2015). International share of tourists from USA and Canada were flat over the five years and other major markets all declined (NZ, China, Hong Kong, UK, Korea and Japan). Visitors from China are the world's fastest-growing source of international tourism, with total tourism expenditure by visitors from China increasing

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20   Department of Resources, Energy and Tourism, and Tourism Australia, *Tourism 2020*, Canberra, 2011.

21   For example, the trade weighted index of exchange rates declined 18.9 per cent in 2015–16 compared to the year leading up to the launch of Tourism 2020 in December 2011, and Gross Domestic Product weighted by major tourism source markets increased 16.7 per cent.

22   Long haul market share is a key performance indicator for Tourism 2020, and discussed in paragraph 3.19.

almost tenfold since the year ending 2000. Australia's market share of Chinese long haul tourist numbers has declined from 3.88 per cent in 2010 to 2.96 per cent in 2015.

Tourism industry share of Gross Domestic Product

3.16   Figure 3.2 shows that in 2000–01, the tourism industry peaked at a share of 3.7 per cent of Gross Domestic Product (GDP) and 5.3 per cent of employment. Tourism declined for over a decade to 2.8 per cent of GDP and 4.8 per cent of employment. Since 2013–14 it has increased and in 2015–16, tourism was 3.2 per cent of GDP and 4.9 per cent of employment. When Tourism 2020 was launched, tourism GDP was $40 billion (in year ending 30 June 2011), so a doubling in expenditure could imply $80 billion by 2020 if the value added in each dollar of expenditure remained constant. For the most recent year (ending 30 June 2016) tourism GDP was $53 billion, indicating that value added has not risen as rapidly as expenditure since 2011 (32.5 per cent versus 33.7 per cent).[23]

Figure 3.2:   Tourism as a share of Australia's Gross Domestic Product and total employment
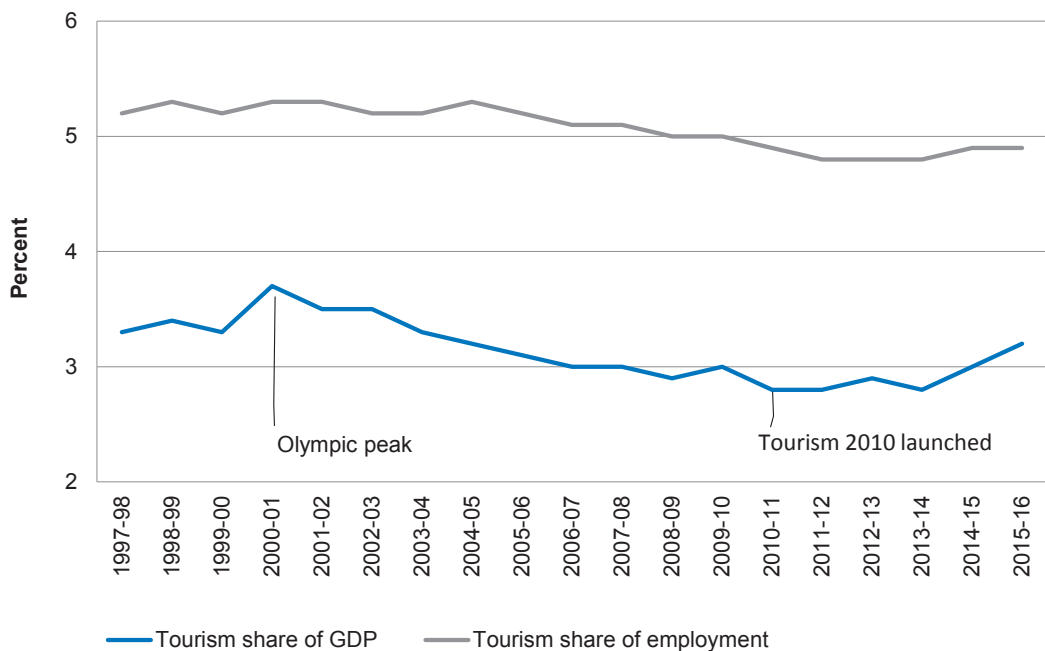
Source: ABS Tourism Satellite Account 2015–16.

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23   Tourism GDP was $53 billion in 2015–16 financial year versus $40 billion in 2010–11, up 32.5 per cent, while overnight spend was $97.1 billion in 2015–16 versus $72.6 billion in 2010–11, up 33.7 per cent.

Are the key performance indicators adopted for Tourism 2020 relevant and reliable?

The key performance indicators adopted to assess the implementation of Tourism 2020 are relevant and reliable. While the suite of indicators for Tourism 2020 is comprehensive it is not complete as there has been no assessment of the overall economic impact of Tourism 2020.

Key performance indicators adopted for Tourism 2020

3.17   When Tourism 2020 was released in 2011, six strategic priorities were identified along with 14 key performance indicators (KPIs—refer Appendix 5).[24] Of the 14 KPIs, five indicators are publically reported through the annual *State of the Industry* report produced by Tourism Research Australia. The five KPIs are:

- increase in overnight visitor spend ($115 billion to $140 billion by 2020);

- increase in international and domestic aviation capacity (23.4 billion additional domestic and 8.3 million additional international inbound seats by 2020);

- increase in visitor accommodation (20 000 new rooms);

- increase the number of jobs (56 000 to 152 000 additional jobs[25]); and

- increase visitor numbers from key Asian markets (no specific target set).

3.18   Figure 3.3 shows the progress against four of five KPIs with specific targets that were reported in the *State of the Industry* report, 2016.

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24   In October 2013, Tourism Ministers agreed to four policy priorities/principles. These were to: encourage high-quality tourism experiences; limit the tax, red tape and other regulatory burden industry faces; undertake coordinated and effective marketing campaigns to drive demand; and work with industry to support the development of tourism infrastructure that can drive demand. Specific KPIs were not developed against these agreed priorities.

25   The range in additional jobs (56 000 to 152 000) arises from economic modelling estimates related to meeting the lower and upper targets for Tourism 2020 respectively.

Figure 3.3:   Tourism 2020 targets, 2016
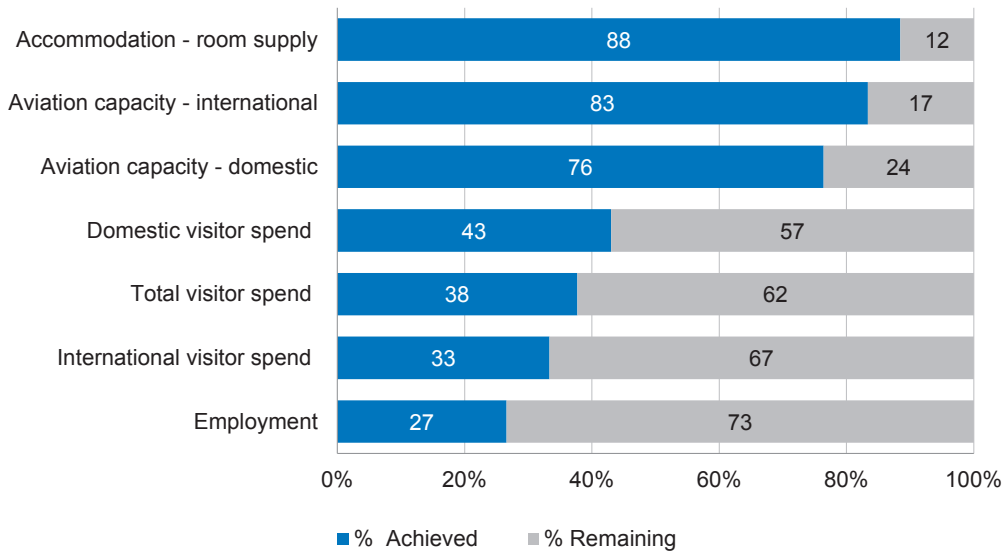
Note: The KPI relating to 'increase in international and domestic aviation capacity' is split into two measures—aviation capacity (international) and aviation capacity (domestic). The KPI relating to 'increase in overnight visitor spend' is reported against three measures—domestic, international and total visitor spend.

Source: Tourism Research Australia, Austrade.

3.19   In addition to five KPIs reported in the *State of the Industry* report, one of the performance measures—level of tourism investment—is reported by Tourism Research Australia's annual *Tourism Investment Monitor*. While no specific target was set for the level of investment, the report has reported growth in investment over four years with $59.8 billion in projects in 2015 that were being considered, planned, under construction or recently completed, which is up from $36.2 billion in 2011. Also, the KPI relating to increase use of web and social media by potential travellers is tracked by Tourism Australia and reported in their Annual Report. There is also internal reporting of the 'long haul market share' KPI provided to the Tourism Australian Board. This KPI involves reporting against 12 individual international source markets. While there is value in tracking the source markets that are performing well or below trend, reporting of spend from each source market is more useful for planning and resource allocation purposes than as a key performance indicator. As discussed in paragraphs 3.14 to 3.15, this KPI could be given greater prominence as an indicator of overall growth in tourism.

3.20   Six of the 14 KPIs are no longer being reported by Tourism Research Australia. Some of these KPIs relate to changes in policy or programs that have ceased, others are qualitative measures.[26] However, there is one measure of tourism, labour productivity, which remains relevant. Although this KPI was published in 2012 and 2013, it was not published in the 2015

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26   The six KPIs that have not been reported against are (i) uptake of Destination Management Tool; (ii) Indigenous Australians employed in the tourism industry; (iii) percentage of industry doing transactions online; (iv) increase in the number of businesses with T-QUAL accreditation; (v) tourism labour productivity growth; and (vi) increase in tourism sector productivity.

edition of the *State of the Industry* report. In 2014, Tourism Research Australia published a report on productivity which was referenced in the 2014 edition of the *State of the Industry* report.

ANAO assessment of key performance indicators for Tourism 2020

3.21   The Department of Finance's guidance on developing performance information identifies three broad characteristics of good performance information—relevant, reliable and complete. Relevant performance information should clearly state who benefits and how they benefit from the entity's activities. Reliability of the KPIs goes to the information sources and the extent to which the methodologies used to collect and assess the performance information are fit-for-purpose and verifiable. While relevant and reliable refer to quality of specific KPIs, the concept of 'complete' concerns the suite of KPIs for the program and whether the measures provide sufficient performance information for government and key stakeholders to judge whether the government entities are contributing to a particular purpose.

3.22   Although the Department of Finance outlines the character of good performance information, it does not prescribe criteria for assessing relevance and reliability. For the purposes of this audit, the ANAO used criteria that are often used by government and industry[27] to assess the relevance of selected KPIs currently reported against by Austrade and Tourism Australia. The criteria for relevance are:

- relevance—aligns with the objectives of the strategy;
- ownership—owner responsible and accountable for its monitoring and achievement;
- relatable—understood, agreed and communicated to the wide range of interests/skills; and
- controllable—within the ability of industry and government to influence.

3.23   Criteria that were used assess the reliability of the KPIs are:

- independence—third-party data properly resourced and governed;
- timeliness—data sources available within a suitable timeframe to inform decision making; and
- measureable—quantitative measures that can be numerically assessed.

3.24   Table 3.2 outlines ANAO's assessment of six KPIs against these relevant and reliable criteria. Overall, the KPIs that were examined were assessed as relevant and reliable.[28] As discussed in paragraph 3.9, detailed verification of the accuracy of the indicators is beyond the scope of this audit. Appendix 6 provides a detailed assessment of each KPI against the seven criteria outlined in paragraphs 3.22 and 3.23.

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27   University of Sydney, *Key Performance Indicators*, Planning and Information Office, 2014; Public Record Office of Victoria, *Key Performance Indicators*, PROS 10/10, 2010; and J Piatt, *Five Rules for Selecting the Best KPIs to Drive Operational Improvement*, 2012.

28   While the KPIs were considered to be reliable, a number of the indicators only had moderate ratings for 'controllable', as they were beyond the ability of the industry and government to strongly influence (for example, the additional supply of tourism rooms or jobs).

Table 3.2   Assessment of key performance indicators

Strategic Area	Key Performance Indicator	Average score (1=poor; 5=excellent)
Headline key performance indicator	Overnight visitor spend	4.1
Ensure tourism transport environment supports growth	Increase international and domestic aviation capacity	3.8
Increase supply of labour, skills and indigenous participation	Increase the number of jobs	3.8
Encourage investment and implement regulatory reform agenda	Increase in visitor accommodation (room supply)	3.0
Grow demand from Asia	Hold or grow long haul market share in key Asian markets	3.9
Build competitive digital capability	Increase web and social media metrics	3.4

Source: ANAO.

3.25   Generally, the best performance information is provided by the smallest set of measures that are comprehensive enough to cover the key strategies that affect performance. Tourism 2020 has been supported by small number of well targeted and defined performance measures rather than a large number of loosely framed performance measures. While the suite of KPIs for Tourism 2020 identifies progress against key strategies, there is a lack of an overall, combined impact/outcome measure—that is, the extent to which Tourism 2020 contributes to the economy and Australian living standards.[29]

Evaluation of Tourism 2020

3.26   Austrade plans to evaluate the Tourism 2020 strategy in 2017. It is important that any proposed evaluation of the Tourism 2020 strategy examines the overall impact of the strategy in terms of increased living standards for Australians.

3.27   Measuring the economic impact from Tourism 2020 achievements, such as, improvements to visa processing or supply increases in seats and rooms cannot be undertaken in a Cost Benefit Analysis framework due to the complex linkages of the tourism industry.[30] Computable General Equilibrium modelling, based on the Tourism Satellite Accounts[31] is the most appropriate framework for evaluating the economic wide impact of Tourism 2020 in terms of lifting living standards for Australians according to the academic literature.[32] Computable General Equilibrium

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29   Department of Finance, *Resource Management Guide No. 131: Developing Good Performance Information*, Finance, Canberra, 2015, p. 25.

30   Cost Benefit Analysis is often used to estimate the welfare gain of a government investment, subsidy, program or other intervention. This analysis tends to work best for a single market with a close nexus between cost and benefits (such as, the number of cars using a new road or the holding of a Trade and Exhibition marketing event). This is not the case for Tourism 2020, where its economic outcomes are subject to substantial macroeconomic influences.

31   The Tourism Satellite Accounts measure direct economic benefits from tourism in terms of living standards through real Gross National Product and real household consumption.

32   L Dwyer et al, 'Destination Marketing of Australia: Return on Investment', *Journal of Travel Research*, Sage Publishing, 53:281, 2014, pp. 283–295.

modelling allows for a complex range of factors impacting on visitor spending to be isolated by netting out the changes that would have occurred in the absence of Tourism 2020 and assessing the resulting impact on living standards.

3.28   In developing Tourism 2020, Austrade did commission *ex ante* Computable General Equilibrium modelling to inform the development of the strategy and identify the priority areas most likely to lift the living standards of Australians. Part of this analysis was an assessment of the benefits of four key aspects of the strategy—increasing tourism exports, investment, productivity and reducing taxation (the latter being a proxy for regulatory burden). As shown in Table 3.3, this analysis showed that the best returns were through improving productivity and reducing regulatory burden.

Table 3.3:   Computable Generated Equilibrium modelling of the economic benefit of tourism strategies, 2009

Impact of $100m from:	GDP ($million)
Increased export earnings (international spend)	76
Improved tourism industry productivity	243
Tax (as a proxy for less regulatory burden)	137
Investment	50

Source: Access Economics (2009).

3.29   The impact of Tourism Australia's promotion and marketing campaigns (demand side) could also be estimated through Return-on-Investment studies, such as those undertaken by Webber and Kulendran.[33] Further work by Dwyer and Deloitte allowed for crowding out effects using Computable General Equilibrium modelling.[34] More frequent, regular reporting of Return-on-Investment at an aggregate level (adjusted for crowding out effects) would allow for analysis of long term trends. Trend analysis would capture any netting out, displacement across time or any substitution/cannibalisation effects from individual tourism marketing campaigns.

3.30   The use of an *ex post* Computable General Equilibrium modelling combined with the new return on investment work that Tourism Australia are planning to undertake should provide a sound framework for evaluating the outcomes of Tourism 2020.

3.31   In addition, there is scope for Austrade to set targets and measures that provide a stronger basis for assessing the impact and outcomes of government strategies including:

* measures on incremental gain in productivity, skills, visa processing and aviation access, attributable to Tourism 2020 interventions;

* measures on incremental international visitor expenditure (controlling for external factors such as exchange rates, income growth, and long-haul market share) attributable to Tourism Australia's international marketing and promotion activities; and

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33   Webber Quantitative Consulting, *Estimates of the Return on Marketing Investment for Australian Inbound Tourist*, 2014; Kulendran and Dwyer, *Measuring the Return from Australian Tourism Marketing Expenditure,* 2009.

34   Tourism Australia, *Productivity Commission research paper: Australia's international tourism industry Submission by Tourism Australia*, 2014.

- measures of the net gain in living standards (including real Gross National Product and real household consumption) that result from the 2020 Strategy.

3.32   Key performance indicators such as rooms, seats, jobs and productivity provide indicators of whether objectives have been met and supply constraints have been addressed. However, there is a need to demonstrate that these have translated into higher living standards. Establishing clearer links between achieving objectives (such as spend, seats and rooms) and the consequent benefit to the living standards of Australians would be a valuable set of measures going forward. These could be developed as part of Austrade's planned evaluation of Tourism 2020 in 2017.

4.   Allocation of Australian Government funding for tourism

Areas examined

This chapter examines whether Tourism Australia's funding for tourism has been allocated on a sound and transparent basis.

Conclusion

Tourism Australia has allocated funding on a sound and transparent basis. It has used data analysis to support decisions for allocating funds to tourism markets and to communication channels within each market. There were some weaknesses in performance reporting at an operational level, with scope to adopt a more consistent approach to setting, calculating and reporting key performance indicators for international tourism marketing campaigns.

Areas for improvement

The ANAO made one recommendation aimed at improving key performance indicators for international tourism marketing campaigns (paragraph 4.34). The ANAO also suggested that Tourism Australia validate the media value of partner contributions (paragraph 4.29).

Do governance arrangements support sound and transparent decision making?

Tourism Australia has governance arrangements in place that support sound and transparent decision making by the Board and executive management team. The roles and responsibilities of the Board are clearly defined, as are the governance processes for the Board, the executive management team and the Audit and Finance Committee. Strategic planning is clearly linked to legislative requirements, strategies with objectives, and defined performance measures with targets. Strategies and risks are regularly reviewed.

4.1   Tourism Australia is a not for profit Australian Government corporate entity. Its revenues are sourced primarily through government funding and industry revenues. Tourism Australia's activities to promote Australia as an international tourist destination are focused overseas with the majority of expenditure incurred via Tourism Australia's international offices.

4.2   Tourism Australia's statutory objectives under the *Tourism Australia Act 2004* are to:

- influence people to travel to Australia, including for events;

- influence people travelling to Australia to also travel throughout Australia;

- influence Australians to travel throughout Australia, including for events;

- help foster a sustainable tourism industry in Australia; and

- help increase the economic benefits to Australia from tourism.

4.3   While the *Tourism Australia Act 2004* outlines domestic functions, Tourism Australia is not currently engaged in domestic tourism activity. This change in Tourism Australia's remit came into effect in 2014, and is outlined in the Minister's Statement of Expectations for Tourism Australia.

4.4   Tourism Australia is also subject to the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) that establishes the framework for the management of performance, financial accountability and the use of public resources.

Board Governance

4.5   Tourism Australia is governed by a nine person Board of Directors, appointed by the Minister for Trade, Tourism and Investment (except for the Managing Director). Austrade formally recommends Board appointments based on the qualifications prescribed in legislation. The Board must ensure the proper and efficient performance of Tourism Australia's functions and determine Tourism Australia's policy in relation to any matter, under the *Tourism Australia Act 2004.* The Board must also comply with the Minister's written direction in relation to the performance of its functions and the exercise of powers, as shown in Table 4.1.

Table 4.1:   Key elements of Tourism Australia's governance practices

Key elements	Findings
Roles and responsibilities of Board	The Board has clearly defined its role and responsibilities as well as the governance processes through a Board Charter (2016), which is published on Tourism Australia's website.
Board's communication with the Minister	The Board is responsible to the Minister for the overall performance of Tourism Australia and has sought approval for: • the Corporate Plan (2016–20) in May 2015; • the Annual Operating Plan in June 2016; • contracts exceeding $3 million in 2015–16; and • 2015–16 Annual Report.
Independence	Board members are: • formally asked by the Chair to disclose potential conflicts of interest at the beginning of each Board meeting; and • required to provide details of declared interests and duties and any standing notices of interests. A list of declared interests and duties have been recorded and retained by the Secretary of the Board.
Ethics and culture	Board members subscribe to: • a code of conduct based on the code of conduct recommended by the Australian Institute of Company Directors, which is outlined in the Board's Charter; and • conflict of interest and duty principles set out in the Australian Public Service Commission's values and codes of conduct for APS employees and agency heads, which is outlined in the Board's Charter.
Board review	The Chair of the Board is required to arrange for a performance review of the Board annually. The incoming Chair advised the ANAO that he planned to conduct a more structured review compared to the informal process adopted in previous years.

Key elements	Findings
Roles and responsibilities of Audit and Finance Committee	The Board is supported by an Audit and Finance Committee. The role and responsibilities of the Audit and Finance Committee are clearly defined in the Audit and Finance Committee Charter (2016) and are consistent with the requirements of the PGPA Act. The Audit and Finance Committee has monitored the approval of contracts to ensure compliance with Board approved delegations.
Role of Managing Director and executive management	The Board's Charter defines the role and responsibilities of the Managing Director and the executive management team of Tourism Australia.

Source: ANAO.

4.6   Tourism Australia's corporate planning has defined strategies with performance measures and targets. Overall alignment was achieved by cascading the corporate strategy throughout the agency down to each individual's project plans. While the measurement framework has performance measures to provide an overall view of the Commission's performance, there are some limitations that are discussed below.

4.7   Tourism Australia's assessment of strategic risk and risk at all levels of its operations helped to achieve its outcomes. Risks were identified, measured, mitigated, monitored and reported to both management and the Board. Risk management was also part of strategic and operational planning. Further, the Chair of the Board had a view of the emerging strategic risks and was committed to exploring the possible impact and likelihood of these risks.

Table 4.2:   Key elements of Tourism Australia's corporate planning and risk management

Key process	Findings

Corporate planning and performance measurement	• Tourism Australia has corporate planning processes in place to govern agency performance:
	
	  – In May 2015, the Minister approved Tourism Australia's Corporate Plan (2016–2020) outlining objectives, key strategies, overall budget and key performance indicators.
	
	  – In June 2016, the Minister approved the Annual Operating Plan that lists the projects (including targets and project budgets) to be implemented in 2016–17. The Board approved the Annual Operating Plan in May 2016 noting that it aligned with the corporate plan. Project plans were developed for projects listed in the Annual Operating Plan which included an assessment of risks, allocated budget and targets.
	
	  – The Chair of the Board prepared an annual performance statement for 2015–16 against the corporate plan as required under the PGPA Act.

External reporting	• Progress against key performance indicators and targets identified in the 2014–17 Corporate Plan have been published in the 2015–16 Annual Report.

Key process	Findings

Risk oversight	• Tourism Australia defined clear roles and responsibilities regarding risk management for the:
	  – Board and Audit and Finance Committee;
	  – Executive General Manager, Corporate Services;
	  – Managing Director and Executive Leadership Team members;
	  – Legal and Governance Team;
	  – Heads of Business Units/regional officers;
	  – risk and treatment owners; and
	  – internal audit.

Risk assessment	• Tourism Australia:
	  – assessed the likelihood of risk occurring and the potential severity of impact;
	  – ranked residual risks; and
	  – identified risk in its strategic and operational planning.

Risk review	• The Legal and Governance Risk Register identified the following elements:
	  – potential risks;
	  – inherent and residual risk;
	  – mitigating actions and where they were needed; and
	  – action plan for follow-up by risk treatment owners.
	• A strategic risk assessment/review process is undertaken annually for inclusion in the following year's Strategic Annual Plan. Risks, thereafter, are to be monitored on a quarterly basis, or more frequently as required.
	• An operational risk assessment/review process is undertaken annually by business groups and regional offices. Risks, thereafter, are to be monitored on a quarterly basis, or more frequently as required.
	• Fraud risks are reviewed every two years. The last fraud review assessment against the Fraud Control Plan 2015–17 was undertaken in February 2015.

Source: ANAO.

Has funding been allocated on a sound and transparent basis?

Tourism Australia has allocated funding on a sound and transparent basis. Tourism Australia used data analysis to support its decisions for allocating funds to tourism markets and to each communication channel within each market. Over time this has resulted in a shift away from some mature markets (such as New Zealand) to fast growing markets (such as China), as well as an overall reduction in the number of markets being targeted—reflecting a targeted, more efficient use of government funding. In addition, Austrade's administration of a major tourism supply side program (the Tourism Demand Driver Infrastructure program) was sound.

4.8   In 2015−16, the Australian Government allocated $144 million to Tourism Australia. Tourism Australia also received funding from direct industry contributions, as well as in-kind or indirect funding as shown in Figure 4.1.

Figure 4.1:   Funding sources for Tourism Australia, 2015–16

Appropriation $144 million

Direct revenue $38.8 million

Indirect/In Kind revenue **$56.95 million**
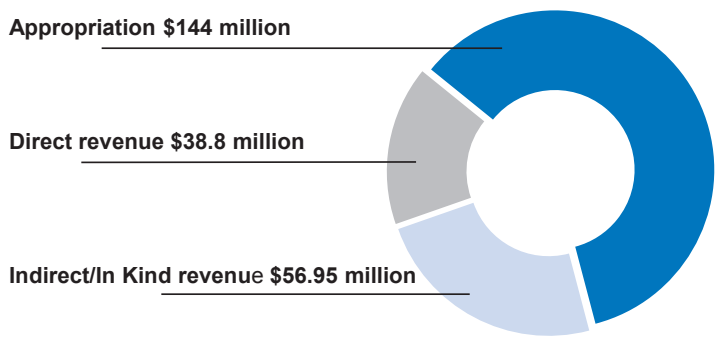
Source: Tourism Australia *Annual Report, 2015–16.*

4.9   Nearly 85 per cent of Tourism Australia's funding was spent on marketing and promotion in 2015–16. Of this funding on marketing and promotion, 65 per cent was spent on media placement, 16 per cent on digital advertising and 12 per cent on promotional activities in overseas destinations. Forty per cent (87 people) of the agency's staff (207 people) are located in 12 offices overseas. Production of media content and website management account for the remaining marketing spend.

4.10   A core element of Tourism Australia's marketing strategy is to target high yielding tourists because they are more likely to stay longer, spend more and visit regional areas. Potential visitor expenditure and growth from key source markets are key inputs to annual marketing allocation decision-making. Figure 4.2 shows government funding by market.

Figure 4.2:   Tourism Australia allocation of funding by market 2016–17 ($m)
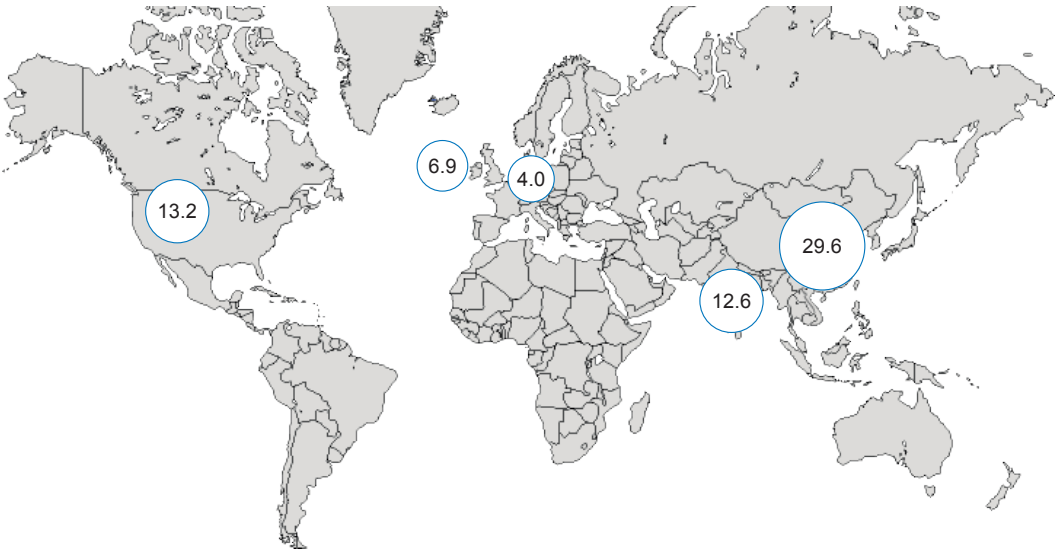
Note: This map only shows government funding allocation by market—it excludes corporate and business support, and other sources of revenue.

Source: ANAO's analysis of Tourism Australia's Annual Operating Plan, 2016‒17.

4.11   Tourism Australia's decisions to allocate funds to these key markets is based on the following criteria:

- Minimum scale (media threshold). The logic is to focus on a smaller number of key markets, with scale and impact, rather than running many small campaigns in many countries that are ineffective.

- Priority markets selected according to potential:
    - growth (focus on high growth markets);
    - stage of development;
    - marketing elasticities (markets that are likely to respond to marketing, for example, those where marketing can fill an information gap); and
    - spend rate (focus is on high yielding markets).
- Allocation to media channel (increasingly digital).

4.12   The result of this allocation process over a number of years has seen a move away from some mature markets (such as New Zealand) and a greater allocation to fast growing markets (such as China). Also the number of target markets has reduced over time. Currently there are 15 target markets compared to 30 markets in 2009−10, and 32 markets in 2008−09.

4.13   Overall, allocations to eastern markets (Asia and the subcontinent) increased from 43 per cent in 2009−10 to 56 per cent by 2015−16. The allocation to western markets (New Zealand, North America, United Kingdom, Europe and the Middle East) reduced from 57 per cent to 44 per cent over the same period. This shift in regional allocation was supported by data analysis and evaluation.

Funding of industry development initiatives

4.14   Tourism Australia also funds a range of initiatives that support the development of the Australian tourism industry including:

- business events ($4.2 million in 2015−16)—provides platforms for the Australian tourism industry to do business with distributors of Australian tourist products around the world;

- distribution development ($4 million in 2015−16)—development of distribution channels for Australian tourism industry (for example, Aussie Specialist Program[35], business development); and

- industry support ($4.1 million in 2015−16)—support for the Australian tourism industry through industry events and development.

4.15   In its submission to the Productivity Commission, Tourism Australia maintained that the relatively low percentage of resources devoted to the industry development initiatives is cost effective, since a large amount of research undertaken and marketing material developed primarily for the demand side (growing demand) is also able to be used to provide insights and

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35   The Aussie Specialist Program is a global online training program for travel sellers and distributors. It also includes training events and webinars. It is delivered in partnership with state tourism offices and in 2015−16 operated in 15 countries.

content to industry at a marginal cost. Further, the Tourism Australia distribution strategy uses global platforms (for example, the Aussie Specialist Program and Australian Tourism Exchange[36]) with partners to achieve cost and operational efficiencies.

Funding of the Tourism Demand Driver Infrastructure program

4.16   In addition, the Commonwealth also funds the Tourism Demand Driver Infrastructure program, which is allocated to state and territory governments through a National Partnership Project Agreement.[37] The Project Agreement commits funding of $43 million over four years to 2017–18 with payments to be made in arrears via the Commonwealth Treasury to jurisdictions on production of two reporting milestones annually. Under the Partnership Project Agreement states and territories have the flexibility to determine how the agreed outcomes would be achieved.

4.17   Funding is to be matched on a dollar for dollar basis by jurisdictions, and Minister to Minister approvals are required for all proposed projects, project amendments and payments. Ministers are also required to report on progress of the program in their jurisdiction at the biannual Tourism Ministers' Meetings. As at May 2016, Austrade had allocated approximately $14.1 million, or less than one third of total funding. Austrade advised that in part this was due to the four intervening elections and associated caretaker periods. By September 2016, 123 projects were confirmed and $21.3 million committed.

4.18   The ANAO found that Austrade's administration of the Tourism Demand Driver Infrastructure program was sound—projects identified by jurisdictions were consistent with agreed principles, progress was monitored through the Tourism Ministers' Meetings and funding was paid against milestones.

How well does Tourism Australia manage marketing projects?

Tourism Australia's marketing projects have target metrics articulated in the regional annual operating plan, and in partnership agreements. However, reporting against the performance measures in international tourism marketing campaigns varies in terms of how the measures are set, calculated and reported. There is scope to adopt a more consistent approach to setting, calculating and reporting these key performance indicators. There is also scope to assess the combined impact of Tourism Australia's marketing and industry development activities through an aggregate Return on Investment study, potentially as part of the proposed 2017 evaluation of Tourism 2020.

4.19   Tourism Australia relies on a small number of suppliers to provide most marketing services. The largest of these contracts, for the supply of media services, is valued at $60 million per year, and is a substantial proportion of Tourism Australia's budget. Other major contractors supply creative services (traditional and digital), event management, and website content management software.

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36   The Australian Tourism Exchange is a distribution event that connects international travel distributors and media with Australian tourism suppliers. This tourism event is coordinated by Tourism Australia.

37   The National Partnership Project Agreement is based on the 2008 *Intergovernmental Agreement on Federal Financial Relations.*

Procurement

4.20   ANAO examined a selection of procurements and found that Tourism Australia had a sound process for engaging suppliers, and their procurement processes complied with internal procurement guidance. For the highest value and risk procurements (media and creative services) Tourism Australia adopted a two stage process. An open approach to the market was used to shortlist potential suppliers. These suppliers then presented their proposed strategy to evaluation panels in a selection of international offices. For media services, Tourism Australia also engaged a technical advisor to review Tourism Australia's existing media services, help shape the brief, participate in the tender evaluation and help negotiate the contract.

4.21   Tourism Australia did not comply with one reporting requirement of the Commonwealth Procurement Rules with respect to AusTender reporting. Specifically, procurements were not reported on AusTender within 42 days of contract execution as required.[38]

Contracts and partnerships

4.22   The contracts for creative development, media placement and digital services reflect the services to be provided and include provisions for developing and incorporating performance information. The objectives of the contracts are outlined and the contracts include milestones linked to payments, expected service levels and deliverables, which provide a basis for Tourism Australia to measure and manage these contracts.

4.23   Partnership marketing agreements clearly set the obligations for each partner, and include budget, deliverables, milestones and reporting requirements. These partnerships are normally managed regionally. There is scope to further standardise partnerships agreements. Consistent expectations, roles and responsibilities in marketing agreements would facilitate post-campaign analysis, including of the alignment of partnerships with Tourism Australia's strategic objectives.

Managing marketing activities

4.24   Tourism Australia conducts a wide range of marketing and promotional activities to drive demand for Australia as a travel destination. Both leisure and business travellers are targeted with tailored campaigns and events. Tourism Australia also seeks to strengthen travel retailers' familiarity with Australian travel, through a training platform (the Aussie Specialists Program), by conducting and participating in industry trade shows and with tours to Australian destinations.[39]

4.25   Tourism Australia's websites, Australia.com and Australia.cn offer personalised content, depending on the home country and interests, and facilitate connections with qualified travel agents. Tourism Australia collects detailed real-time data using Adobe Analytics to monitor website traffic, clicks and views. One of the advantages of digital platforms is the rich and timely data available on how many people have viewed information and downloaded content. Some digital campaigns with partners are now being data-matched with partner booking sites to provide
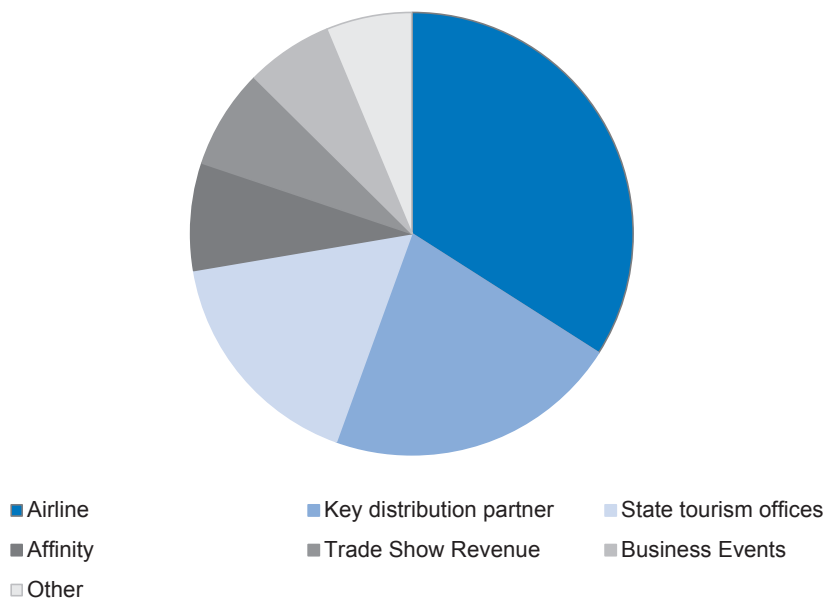
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38   Prescribed corporate Commonwealth entities must report procurements that are valued at or above the reporting threshold. The threshold is $400 000 for procurements other than for construction services.

39   Trade shows facilitate business connections between travel vendors in key markets and Australian tourism operators.

data on the number of people that viewed the marketing campaign and then clicked through to book a flight. The analytics for these sites allow Tourism Australia to test what works and provides a measure of campaign effectiveness.

4.26   Most of Tourism Australia's marketing campaigns are undertaken as partnerships. In 2015–16 Tourism Australia had cooperative campaigns with 20 airlines, around 150 key distribution partners, as well as with non-travel brands such as Visa ('affinity' partners). Many campaigns were undertaken with funding from state and territory tourism organisations. The relative contribution from these partners is shown in Figure 4.3.

Figure 4.3:   Tourism Australia, revenue by partner type, 2015−16

- Airline
- Key distribution partner
- State tourism offices
- Affinity
- Trade Show Revenue
- Business Events
- Other

Source: Tourism Australia.

Partner contributions

4.27   Tourism Australia places a high value on partnerships. As well as boosting funding for campaigns, state government and industry buy-in is seen to add credibility to its marketing strategy. In 2015–16, Tourism Australia spent over $57 million in media placement. Industry (mainly airlines) also committed $51 million to support these marketing campaigns. In these partnership campaigns, advertising and creative services may be entirely booked by Tourism Australia (after the partner funding is received), booked entirely by the partner (including Tourism Australia's contribution), or each partner books their own media placement. The ANAO examined 10 partnership marketing campaigns in which Tourism Australia did not manage the partner media expenditure. These campaigns were in Germany, India and China.

4.28   The ANAO's analysis found that the partner expenditure was largely in line with the agreed outcomes. Across the 10 campaigns examined, Tourism Australia contributed $5.8 million, and the

partners contributed $5.4 million, not including in-kind support. Tourism Australia provided the ANAO with evidence of partner expenditure although the quality of performance reporting across projects was not consistent. While some of the campaigns reported on the partner's performance and campaign expenditure in detail, others gave little detail despite the significant level of funds allocated. The variation in reporting reflects, in part, the decentralised governance framework across core markets.

4.29   Many airlines spent a substantial proportion of their campaign budget on own-asset advertising. There would be merit in Tourism Australia validating the media value of partner contributions, including own-asset advertising and advertising booked through a third party for contributions over a particular value. Tourism Australia acknowledges the need for standardisation and refinement of its partnership processes. This was a finding of a review that was undertaken in late 2016, with implementation of the review's findings planned for early 2017.

Key performance indicators for marketing campaigns

4.30   Most of Tourism Australia's marketing projects have target metrics articulated in the regional annual operating plan, and in partnership agreements. The four most common performance measures are the number of unique visitors to campaign platforms, bookings for travel to Australia, per cent of attendees satisfied with the event, and per cent increase in incremental bookings (partner).

4.31   The ANAO observed inconsistency in the calculation and reporting of these performance measures across projects, which included over 100 destination marketing projects. A frequently used KPI—per cent increase in incremental bookings (partner)—has not been clearly defined with a standard reporting period, such as, the previous three months or the same three month period a year ago. This has resulted in inconsistent reporting of this KPI across campaigns. Some campaigns set a per cent increase but reported a target figure for this metric. For example, the 'There's nothing like Australia' campaign in China 2015–16, set a 10 per cent target, but reported a result of 29 000 passenger bookings. Also an airline partnerships campaign in Germany set a goal of achieving 700 return bookings during the campaign period. This was reported as achieving an '800 per cent increase in incremental bookings (partner)'. The airline partner report for this campaign stated the campaign generated 107 sales with 237 passengers.

4.32   Another frequently used KPI—the number of bookings to travel to Australia—also lacks a precise definition and standard approach to measurement. 'Bookings to Australia' may be the ticket sales directly attributed to the digital display activity, the total number of direct bookings to Australia during the campaign period, or the additional bookings compared to the same period last year.

4.33   Inconsistent setting, calculating and reporting of performance measures limits Tourism Australia's capacity to gain a sufficient understanding of overall project performance and how this contributes to the entity's strategic outcomes.

Post campaign reporting and evaluation

4.36   Post event reporting serves two functions. It reconciles the planned outputs and outcomes against what was achieved, justifying the activity, and it informs planning. While Tourism Australia has a comprehensive reporting regime for activities targeting travel retailers and the business event sector[40], it does not normally require detailed post-campaign reporting on the outcomes of partnership marketing campaigns. Post campaign analysis is generally limited to the reports provided by Tourism Australia's media booking agency, reporting against KPIs, and where applicable, data for campaign pages on Tourism Australia's websites and partner sales data. There is a need for more comprehensive post event reporting against each project because partnership marketing campaigns are dynamic, and normally differ to the forecasts in the annual operating plan. Systematic post event reporting would support Tourism Australia to assess the value of partnerships, and alignment with its objectives.

4.37   It would be ideal to estimate the actual overnight visitor spend resulting from each campaign to obtain a robust estimate of the value for money delivered by each campaign. However, this is problematic for a few reasons:

•   some brand-building campaigns may take several years to result in overnight spend, because tourists may plan a holiday to Australia many years after seeing a campaign;

•   focusing too narrowly on individual campaigns may give a false impression of overall performance[41]; and

•   survey respondents may answer too positively for cultural reasons in some markets.

4.38   Accordingly, it is important that there is broader evaluation of the overall impact of Tourism Australia's various marketing activities. In this regard, a broadly based analysis from the

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40   For example, the Aussie Specialist Program produced quarterly dashboard reports for each region, which covered completion of training and webinars, and the number of in-training, qualified and registered agents.

41   A strategy to divert marketing spend from New Zealand to China needs to increase total visitor spend (given there may be some decrease in New Zealand spend in order to attract more China spend). Campaign metrics from China will not capture the diversion of spend from the reduced allocation to New Zealand.

monitoring and evaluation that Tourism Australia has undertaken in relation to campaigns, media hosting, events and promotions could be drawn into an aggregate Return on Investment report and provide an assessment of the overall impact of Tourism Australia's funding. Such evaluation could form an element of Austrade's planned evaluation of the Tourism 2020 strategy in 2017, as discussed in Chapter 3 (paragraph 3.29).

Grant Hehir
Auditor-General

Canberra ACT
27 April 2017

Appendices

Appendix 1   Entities' responses

Australian Government

Australian Trade and Investment Commission

23 March 2017

Mr Grant Hehir
Auditor-General
Australian National Audit Office
GPO Box 707
CANBERRA   ACT   2601

PROPOSED AUDIT REPORT ON STRENGTHENING AUSTRALIA'S TOURISM INDUSTRY

Dear Mr Hehir

Thank you for providing the proposed audit report on Strengthening Australia's Tourism Industry.

The ANAO's recommendations and observations provide helpful guidance to enable Austrade to further improve the delivery and performance measurement of Tourism 2020. I note your recognition that the arrangements adopted by Austrade have supported the effective implementation of Tourism 2020.

It is pleasing to know the ANAO considers Tourism Research Australia's monitoring and reporting of Tourism 2020 progress is based on robust performance measures. Also that forums such as Tourism Ministers' Meetings provide effective cross government collaboration. Austrade will continue to engage across government and industry as we start the discussion on the next national long term tourism strategy beyond 2020. As suggested, Austrade will consider the extent to which Tourism 2020 has contributed net benefits to Australia's economy in our review of Tourism 2020 this year.

Thank you for the opportunity to comment on the proposed audit report. Austrade has no further comments on the report.

Yours sincerely

Dr Stephanie Fahey
Chief Executive Officer, Austrade

29 March, 2017

Mr Grant Hehir
Auditor-General
Australian National Audit Office
GPO Box 707
CANBERRA ACT 2601

Dear Mr Hehir,

Re: ANAO report under s.19 of the Auditor-General Act 1991, Strengthening Australia's tourism industry.

Thank you for your correspondence of 13 March 2017 and copy of the proposed audit report on *Strengthening Australia's Tourism Industry*, prepared by the Australian National Audit Office. We have reviewed the report and welcome the opportunity to formally respond to the audit findings and recommendations.

Tourism Australia agrees with key findings regarding our operations which include:
- Robust governance arrangements that support transparent decision-making by our Board and Executive
- Compliance with Commonwealth Procurement rules
- Government funding undertaken on a sound and transparent basis
- Strategic planning that is clearly linked to objectives with relevant performance targets
- Strong risk management.

The report outlined one recommendation - that Tourism Australia adopts a more consistent approach to the setting, calculating and reporting of key performance indicators for international tourism marketing campaigns.

Tourism Australia acknowledges the importance of comprehensive campaign performance monitoring and prior to the audit was already underway with refinements to its campaign reporting processes. This included review and reduction of the number of KPIs used to measure campaign activity (from over one hundred KPIs to less than 20 metrics) and regular post-campaign reviews. Tourism Australia will continue to refine this process to identify improvements in consistent campaign design, delivery and performance reporting.

The Board, Executive and staff of Tourism Australia would like to thank the ANAO for their assistance and professionalism during the audit process.

Yours sincerely,

JOHN O'SULLIVAN
Managing Director

Appendix 2   Key research completed by working groups, 2010

Working group	Role	Achievements
Tourism Research Advisory Board chaired by the Australian Government	Coordinate development and implementation of a national tourism research agenda and to pursue an effective industry program to ensure industry remains engaged and benefits from the production of research.	Implemented a national research agenda. Engaged with the academic sector. State of the Industry Report. Tourism Directions Conference. Dissemination of tourism research. Established a base line for Indigenous tourism KPIs.
Investment and Regulatory Reform chaired by Victoria	Seek to identify regulatory and market barriers to tourism investment and develop recommendations for possible action.	Reports prepared on identified barriers. Audits completed and forwarded to Destination Management Planning Working Group. Enterprise Connect expanded. National Tourism Planning Guide developed and disseminated.
Destination Management Planning chaired by Tasmania	Focus on developing tools that will help individual destinations adopt best practice destination management planning.	Publication of best practice destination management guide.
Labour and Skills chaired by South Australia	Facilitate better workforce planning, improved training and career opportunities and greater labour mobility across jurisdictions.	*Discover Tourism* portal launched in 2011. Attitudinal survey and careers promotion campaign commissioned. Tourism Industry Roundtable on labour and skills. Summary of regional employment hotspots. Review of Tourism, Hospitality and Events training package. National recognition of responsible service of alcohol. Agreement to work to remove cross-jurisdictional barriers to labour mobility. Expansion of the Pacific Seasonal Worker Pilot Scheme. Publication of business/labour information.
Industry Resilience chaired by Queensland	Focus on building business capability to help businesses become more resilient and sustainable in the face of external shocks and events including climate change.	Identification of programs to assist building business capability. Review of the National Tourism Incidence Response Plan. Identification of crisis management programs and resources.

Working group	Role	Achievements
Tourism Quality Meeting of Australia chaired by an independent industry representative	Aim to develop and implement a national tourism accreditation framework that will help elevate and standardise the quality of Australia's tourism product offering to consumers.	National Tourism Accreditation Framework (NTAF) launched. Launch and marketing of the T-Qual brand to industry and consumers. Production of NTAF database and Customer Feedback Management System.
Tourism Access Working Group chaired by the Australian Government	Aim to achieve a more integrated approach to transport policy and infrastructure development that takes into account the needs of the tourism industry.	Submissions provided to: High Speed Rail feasibility study; National Urban Policy; Shipping Reform inquiry; COAG strategic planning and cities reform; Joint Study on Aviation Capacity in the Sydney Region. Development of a strategy to promote to foreign governments and airlines the Regional Package and the Enhanced Regional Package. Tourism priority markets for future aviation negotiations identified. Recommendations for the Tourism Access Working Group around the Tourism Refund Scheme.
Indigenous Tourism chaired by the Northern Territory	Examine ways to improve the quality of Australia's Indigenous tourism product offering and to maximise the participation of Indigenous Australians in the tourism industry.	Audit of funded programs supporting Indigenous business development and employment. Pilot programs developed to bolster Indigenous tourism employment.
Digital Distribution chaired by New South Wales	Aim to increase the online capability of the Australian tourism industry and to encourage greater uptake by small and medium size tourism enterprises of online distribution systems.	Partnership with TAFE to integrate Tourism E-kit content into curriculum. Launch of the National Online Strategy for Tourism and the Going Global Action Plan. Scoping study of the industry's online status. Scoping report on tracking consumer online behaviour and trends.

Source: National Long-Term Tourism Strategy Progress Report 2011.

Appendix 3   Tourism Research Australia reports, 2015–16

Report name	Release date
State of the Industry report 2015	18 November 2015
Tourism Investment Monitor 2016[a]	21 July 2016
Tourism forecasts 2015	2 November 2015
Australian tourism labour force report: 2015–20	4 November 2015
State and territory forecasts 2015	4 December 2015
Tourism region profiles	22 March 2016
Local government area profiles	18 March 2016
Travel by Australians: March 2016—quarterly results of the National Visitor Survey (NVS)	15 June 2016
International visitors in Australia: March 2016—quarterly results of the International Visitor Survey (IVS)	1 June 2016
Travel by Australians: December 2015—quarterly results from the NVS	16 March 2016
International visitors in Australia: December2015—quarterly results of the IVS	2 March 2016
Travel by Australians: September 2015—quarterly results of the NVS	16 December 2015
Growing cycling tourism in Victoria	11 December 2015
International visitors in Australia: September 2015—quarterly results of the IVS	2 December 2015
The influence of Western Australian visitor centres on tourist behaviour	22 September 2015
Travel by Australians: June 2015—quarterly results of the NVS	16 September 2015
Cruise ship visitors in Darwin	4 September 2015
International visitors in Australia: June 2015—quarterly results of the IVS	2 September 2015
South Australian regional tourism satellite account	24 August 2015
Queensland regional tourism satellite account	17 August 2015
Demand potential for leisure events in the Australian Capital Territory	10 August 2015
High-spending Asian leisure visitors	6 August 2015
International visitors in Australia: March 2015—quarterly results of the IVS	29 July 2015
Travel by Australians: March 2015—quarterly results of the NVS	1 July 2015

Note a: *Tourism Investment Monitor 2016*, an annual publication, was not listed in the 2015–16 Annual Report as its release date followed the close of the financial year.

Source: *Austrade Annual Report 2015–16.*

Appendix 4   Progress against the six Tourism 2020 strategies reported by Austrade and Tourism Australia

Strategy 1:   Increase cross portfolio collaboration within all levels of Australian Governments

Austrade has established a Tourism Inter-departmental Committee (IDC) to engage with key agencies across the Australian Government on tourism policy matters to ensure a whole-of-government approach to tourism.

- An IDC was convened in March 2016 to discuss 'working holiday maker' tax changes.

- Austrade has initiated a Tourism Labour and Skills Roundtable, which met for the first time on 26 April 2016. The Roundtable includes representatives from tourism industry peak bodies and relevant Australian and State and Territory government agencies.

- Austrade held a Tourism Access Working Group meeting in December 2015, where industry discussed aviation and visa reforms with key Australian Government Ministers.

Strategy 2:   Improve visa arrangements by Austrade

- Australian Federal Government trialled visa arrangements for a three-year multiple entry visitor visa for eligible applicants.

- 'Fast-track' user pays visitor visa processing to eligible applicants from India and the UAE by the end of 2016.

- Introduction of a three-year multiple entry visa for eligible Indonesian visitors.

- Expansion of online lodgement of visitor visa applications in China by the end of 2016 and India by the end of 2017.

Strategy 3:   Develop a skilled tourism workforce

- Austrade has delivered Tourism Employment Plans (TEP) for seven tourism 'hot spots' to deliver targeted and practical measures to address labour and skills issues in those areas. The eighth and final TEP for Tasmania commenced in September 2015.

- Austrade released the *Australian Tourism Labour Force Report* (2015), which identifies key labour and skills issues for the tourism industry and forecast labour requirements to 2020.

- Austrade initiated a Tourism Labour and Skills Roundtable to provide a forum for the tourism industry and governments to build a sustainable tourism workforce.

- Austrade is engaging with the Department of Education and Training to identify opportunities to work collaboratively to address tourism labour and skills issues, including improving education, training and skills development outcomes and tourism and hospitality careers promotion.

Strategy 4:   Improve aviation capacity and customer experience

- As a member of the Australian Government's delegation at air services talks, Austrade contributed to the successful negotiation of an 'open skies' arrangements with China in December 2016. These arrangements allow airlines of Australia and China to operate

without restriction between the two countries and pave the way for significant growth on the route.

Strategy 5:   Integrate national and state tourism plans into regional development and local government planning

- Austrade commissioned Urbis to develop the report 'Hotel Development Regulations in Australia', identifying opportunities to improve planning and environmental approval processes across all states and territories, released on 2 October 2015.
- Austrade coordinated the Tourism Investment and Regulatory Reform Report Card in 2015, which provides a consolidated update on jurisdictions' implementation of removing barriers to investment.

Strategy 6:   Identify partnerships, efficiencies and opportunities to increase marketing spend to drive demand for travel to Australia

- Total overnight spend (international and domestic) reached $94.5 billion in 2015, representing an estimated average annual growth of 5 per cent since 2009.
- Tourism Australia is collaborating with 22 airlines—a combined investment of around $30 million.
- Signing of four non-airline partnership agreements in 2015/16 with Alibaba, Expedia, Virtuoso and Visa.
- Tourism Australia relaunched the Australian tourism website in 2015 following extensive research.
- Tourism Australia has appointed 32 Key Distribution Partners in China.

Appendix 5 Key Performance Indicators for Tourism 2020

KPI	Target	Data source and reporting
Headline KPI		
Overnight visitor spend	$115 billion to $140 billion by 2020 (calendar year ending Dec 2020)	*State of the Industry* report, based on International Visitor Survey and National Visitor Survey
Grow demand from Asia		
Increase visitor numbers from key Asian markets	No specific target (other than increasing from 2011 level)	*State of the Industry* report, based on International Visitor Survey and ABS Overseas Arrivals and Departures
Hold or grow long haul market share in key Asian markets	No specific target (other than increasing from 2011 level)	Tourism Economics, reported internally to Tourism Australia's Board
Build competitive digital capability		
Increase percentage of industry doing transactions online	No specific target (other than increasing from 2011 level)	Not tracked
Increase web and social media metrics that TA tracks	No specific target (other than increasing from 2011 level)	Reported in Tourism Australia's Annual Report
Encourage investment and implement regulatory reform agenda		
Increase in visitor accommodation (room supply)	40 000–70 000 new rooms, later revised to 6 000–20 000 rooms after feedback from industry[a]	*State of the Industry* report based on ABS Survey of Tourism Accommodation.
Increase in levels of tourism investment	No specific target (other than increasing from 2011 level)	*Tourism Investment Monitor*
Uptake of ARTN Destination Management guide	No specific target (other than to have uptake)	Not tracked, but there is evidence of uptake
Ensure tourism transport environment supports growth		
Increase international and domestic aviation capacity	23.4 billion additional domestic ASKs and 8.3 million additional international inbound seats	*State of the Industry* report, based on BITRE publications
Increase supply of labour, skills and Indigenous participation		
Increase the number of jobs	56 000 to 152 000 jobs	*State of the Industry* report, based on Tourism Satellite Account
Change in number of Indigenous Australians employed in tourism	No specific target (other than increasing from 2011 level)	Not tracked
Track tourism labour productivity growth	No specific target (other than to track it)	Not tracked

KPI	Target	Data source and reporting
Build industry resilience, productivity and quality		
Increase in tourism sector productivity	No specific target (other than increasing from 2011 level)	Not tracked
Increase in the number of businesses with T-QUAL	No specific target (other than increasing from 2011 level)	T-QUAL program ceased

Source: ANAO.

Note a: In October 2013, Tourism Ministers revised the target as the existing target of 40 000 and 70 000 additional beds by 2020 was considered unrealistic. This decision was based on targeted research and discussions with industry and other key stakeholders (including the states and territories).

Appendix 6   Assessment of Key Performance Indicators

Headline KPI: $115 billion to $140 billion in overnight visitor expenditure

Criteria	Assessment	Score (1=poor; 5=excellent)
Timely	The International Visitors Survey (IVS) and National Visitors Survey (NVS) are reported quarterly by Tourism Research Australia, with the data released 2 and 2½ months after the reference period, respectively. Data release schedules are published well in advance: Tourism Research Australia's current release schedule covers August 2016 to December 2017. The June IVS and NVS survey results were published in accordance with the schedule.	4
Independent	Tourism Research Australia is organisationally separate from Tourism Australia and operates under a Statement of Professional Independence. Survey methodology and standard errors are published and therefore open to external review. Also, the provision of both the IVS and NVS are subject to open tender.	4
Relevance	Overnight expenditure is not directly related to socioeconomic outcomes for Australians, although higher international expenditure is generally correlated with higher living standards. The goal is in nominal terms, rather than real (inflation adjusted) terms. The economic rationale for boosting domestic expenditure (as opposed to any other form of recreational expenditure by Australians) is weak and unlikely to be correlated with higher living standards, but to the extent that domestic tourism increases due to supply side issues (productivity and red tape) it is valid. Domestic spend is also relevant to the States and Territories, so while less important for the national government, it has a role in a whole-of-industry strategy.	3
Measureable	Clear, specific and objective. Based on survey data. The IVS and NVS are high quality statistical collections, with low standard errors (except in small regional areas). Only minor changes to methodology (mobile phone surveying in NVS that added 1.3 per cent to expenditure estimates), so consistent over time. Held in high regard by industry participants, states and territories—a credible source.	4.5
Relatable	Stakeholder understanding and appreciation of expenditure is high. Tourism operators can see the link between their revenue and the overall industry goal. Tourism Research Australia's stakeholder satisfaction survey indicates a high level of importance placed on data tables and charts published.	5
Controllable	Overnight expenditure is influenced by exchange rates, external factors and particularly income growth in source markets, which are all outside the control of tourism agencies and the industry. However there is control over several aspects: branding, marketing and product quality.	3
Ownership	The Tourism 2020 target has achieved a high level of ownership by the industry— it is regularly reported against and is a keenly observed metric.	5

Jobs: 152 000 increase in tourism employment

Criteria	Assessment	Score (1=poor; 5=excellent)
Timely	Based on Tourism Satellite Accounts, released annually, 10 months after the reference period.	2.5
Independent	Produced by the Australian Bureau of Statistics (ABS) with funding from Austrade and data inputs from Tourism Research Australia.	5
Relevance	The Tourism Satellite Account is the gold standard for national accounting of tourism, as noted in OECD (2010): Tourism Satellite Account is the main internationally recognised standard to measure tourism in the economy. That said, increased tourism employment only increases living standards if there is excess labour supply and it does not crowd out employment in other sectors. Tourism employment is a supply side area that can constrain growth, rather than being an objective in its own right.	4
Measureable	Yes, based on survey data and international standards. State and regional satellite accounts are also produced.	4
Relatable	Yes, tourism Gross Domestic Product and jobs are widely understood measures of economic activity. Tourism Satellite Account estimates of Gross Domestic Product and jobs are quoted in many reports on the tourism industry.	5
Controllable	Governments can influence some aspects of the labour market and industrial relations, but employment decisions of firms are not directly controllable. Jobs growth may tend to (indirectly) follow success in areas that are more controllable, such as tourism marketing, attracting investment and reducing red tape.	3
Ownership	Due to the lags in the data, this KPI is often out of date and only available at the national level, so receives less prominence than the expenditure KPI.	3

Note: The Tourism Satellite Account has been produced by the ABS (with funding by Austrade and previously the Department of Resources, Energy and Tourism) since 1997–98. OECD (2010) indicates that Australia was among nine OECD countries that were producing the Tourism Satellite Account in the 1990s, with most other OECD countries developing Tourism Satellite Account since 2000.

Aviation capacity: 8.3 million additional international inbound seats, 23.4 million additional domestic ASKs

Criteria	Assessment	Score
Timely	Monthly data, international and domestic data released by BITRE 1½ and 2 months after the reference period, respectively.	4
Independent	Yes, collected as a part of airline reporting requirements for aviation regulations and bilateral air rights.	5
Relevance	Aviation capacity is a supply side issue that can constrain growth in tourism, so needs to be monitored. It is not a measure of socioeconomic outcomes in its own right, but an impediment that is valid to monitor.	3
Measureable	Yes, based on a complete enumeration of all airlines (rather than a survey). Highly accurate.	5
Relatable	International airline inbound seats is more specific to the aviation industry and one step removed from tourism activity, although tourism industry operators understand the benefits from more direct flights and aviation capacity. Does not provide an indication of where bilateral air rights or infrastructure are constraining demand (i.e. bottlenecks in aviation). Some data on bottlenecks / supply constraints might be more relevant than total seats. ASKs is a closer proxy for capacity produced (but only produced for domestic, not available for international).	3
Controllable	Airlines and airports are mostly privatised, although government has some capacity to influence bilateral air rights, to produce a conducive climate for investment in the aviation sector, and the development of Badgerys Creek. Seats supplied tend to respond (indirectly) to increased demand (which is more controllable through actions such as tourism marketing).	3.5
Ownership	Only provides an indication of total volume of seats into Australia, and not the coverage or quality of the route network linking Australia to tourism source markets. A more meaningful KPI may include some information on the number of direct international flights (i.e. unique city pairs) being served to Australian cities.	3

Visitor accommodation: 6 000−20 000 additional room supply

Criteria	Assessment	Score (1=poor; 5=excellent)
Timely	Only released annually, five months after the end of the reference period.	3
Independent	Collected by the Australian Bureau of Statistics (ABS).	4
Relevance	Tourist accommodation is used by many tourists, but not by tourists visiting friends and relatives, or those camping, students using longer term student accommodation options and people staying in their own holiday house. Only 57 per cent of international visitor nights are in commercial accommodation (based on International Visitor Survey).	3
Measureable	Based on the ABS Satellite Tourism Account (STA)—covers all large establishments. There was a break in series that resulted in an additional 279 establishments being added to the series in 2014, and 17 828 rooms, of which 11 011 were in properties that opened after 2009 (the rest existed when the base year for the target was set in 2009, but were not in the survey). There are also ongoing issues with smaller establishments with greater than15 rooms, which are important for regional areas that have a larger proportion of small establishments. Impact of sharing economy (for example, AirBnB) has resulted in more accommodation available during peak periods and overall.	3
Relatable	Accommodation data is highly relevant to some accommodation operators in the sector, but less meaningful for others.	3
Controllable	The Australian Government has little influence over hotel investments. Local and state/territory governments have a greater role in town planning, zoning and development applications. As for airline seats, successfully growing demand for tourism will indirectly influence the number of hotel rooms built.	2
Ownership	There appears to be less emphasis on the accommodation KPIs (rightly so, given the data issues), but it is of greater interest to state/territory governments.	3

Long haul market share in key Asian markets

Criteria	Assessment	Score (1=poor; 5=excellent)
Timely	Due to seasonal factors, data is reported for annual totals, but updated regularly. It is useful mainly for longer term structural trends rather than short term feedback on individual campaigns.	4
Independent	Third party international data supplier, based on raw data from Immigration/Customs authorities in each country.	5
Relevance	Highly relevant. This metric isolates the long haul market share (for example, Chinese travellers going beyond North Asia), so controls for other macroeconomic factors such as the overall growth in outbound travel from China. Similarly for Britain after Brexit, market share will isolate Australia's performance more precisely against a backdrop of a multilateral depreciation in the UK pound.	5
Measureable	Based on a compilation of outbound visitor numbers from Immigration Department (or equivalent) in each country.	5
Relatable	This is a complex metric, not published (possibly due to copyright from the data supplier), but used internally in Tourism Australia. It requires a sophisticated user of statistics to interpret.	2
Controllable	Market share arguably removes the effect of a number of macroeconomic factors common to all tourism destinations (that are outside the control of government), like income growth in China and the depreciation of the UK pound after Brexit. The resulting metric is thus more likely to measure factors within the control of government, as these exogenous factors have been removed.	4
Ownership	This KPI is more of a diagnostic tool for sophisticated users rather than a KPI that the industry or parts of the industry can take ownership of. Market share for individual markets is useful for drilling down into individual country strategies and marketing plans (that is, an operational level KPI rather than strategic level KPI).	2

Web and social media metrics

Criteria	Assessment	Score (1=poor; 5=excellent)
Timely	Available almost instantaneously – available within campaigns, so allows campaigns to be adjusted while in the market.	5
Independent	Data is aggregated by an independent analytic service (Adobe Analytics). There have been some news reports of Facebook data that may be overstated in contrast to independently audited circulation figures for newspapers and audience figures for TV. However, metrics on australia.com and partner websites are not affected by this issue. TA's annual report contains a number of statistics on social media presence. Nation brand indices have noted the strong social media performance of Australia.	3
Relevance	These metrics are one step removed from overnight visitor expenditure, although data linking to partner websites provides information on conversion (which leads to spend). There is a risk that focusing website content to maximise metrics such as 'click throughs' and 'views' may give greater prominence to 'popular' items (like Sydney harbour) and partner campaigns, rather than marketing that addresses the market failure of small businesses under supplying marketing. The population of social media users may not align with the demographics of high-yielding tourists.	3
Measureable	Website analytics capture all traffic on the site (that is, not a survey, but a census), with a great deal of granularity.	5
Relatable	This is used internally, and requires a sophisticated knowledge of digital marketing, so not statistics appropriate for a wide audience.	2
Controllable	Tourism Australia is able to adjust websites and campaigns in real time and observe the impact on website traffic. However, there is an element of social media trends and behaviour that are difficult to control (for example, an image or post that unintentionally goes 'viral').	4
Ownership	This KPI is more of a diagnostic tool for sophisticated users rather than a KPI that the industry or parts of the industry can take ownership of.	2