

Aspects of Corporate Governance

**The Australian
Tourist Commission**

Abbreviations

ABS	Australian Bureau of Statistics
Act (the)	<i>Australian Tourist Commission Act 1987</i>
ANAO	Australian National Audit Office
ANTA	Australian National Travel Association
ASCOT	Australian Standing Committee on Tourism
ATC	Australian Tourist Commission
ATE	Australian Tourism Exchange
ATIA	Australian Tourism Industry Association
Bain review/ report	<i>Project Eagle</i> , Bain International, 1995
BTR	Bureau of Tourism Research
CAC Act	Commonwealth Authorities and Companies Act
CSIRO	Commonwealth Scientific and Industrial Research Organisation
DEETYA Education,	Department of Employment, Training and Youth Affairs
DIST	Department of Industry, Science and Tourism
GDP	Gross Domestic Product
ITOA	Inbound Tourism Organisation of Australia
KPI	Key Performance Indicator
MC&I	Meetings, Conventions & Incentive Program (also known as MICE - Meetings, Incentives, Conventions & Exhibitions)

MID	Marketing Information Database
NTA	National Tourism Administration
NTO	National Tourism Organisation
OECD	Organisation for Economic Co-operation and Development
ONT	Office of National Tourism (DIST)
PA	Partnership Australia
PATA	Pacific Asia Travel Association
PMS	Performance Management System
PR	Public Relations
RAS	Resource Allocation System
TAC	Tourism Advisory Council
TCA	Tourism Council Australia
TFC	Tourism Forecasting Council
TMC	Tourism Ministers' Council
TSA	Tourism Satellite Accounts
TTF	Tourism Task Force
VJP	Visiting Journalists' Program
WTO	World Tourism Organisation

Glossary of terms

Aussie Specialists	A group of retail travel agents who actively promote Australia and who have received training by the ATC which has given them specialised knowledge to sell Australian tourism products.
ATE	The Australian Tourism Exchange is the biggest Australian tourism trade show.
Brand Australia	An integrated program of advertising, public relations and promotions designed to create a consistent and powerful global image for Australia.
Helpline	An ATC telephone information service that serves as a point of reference for prospective travellers to Australia.
MC&I	Meetings, Conventions & Incentive is the business sector of tourism marketing that aims to attract the meetings, conventions and incentive travel of international organisations, firms and associations.
Market Coordinators	Market Coordinators are ATC staff who act as the major interface between the ATC and the Australian inbound tourism industry. They provide information on market intelligence and trends, identify opportunities to work cooperatively with the ATC and identify product development opportunities, as well as distributing local intelligence back to the appropriate regions.

MID	The ATC's Marketing Information Database provides profiles of Australian companies and information for the production of publications, organisation of trade events and management of communication with Australian industry.
PA	Partnership Australia has brought together the ATC, State/Territory tourism bodies and industry in an effort to share costs in activities such as advertising campaigns and telephone Helplines for consumers in overseas markets.
Travellers Guides	These guides are publications that are produced and distributed by the ATC for consumers in its major markets. The Guides contain useful information for prospective travellers about travelling to and in Australia.
VJP	The Visiting Journalists' Program is a cooperative program between the ATC, State/Territory tourism bodies, airlines and tourism operators that brings foreign journalists to Australia and finances their visits to achieve exposure through items published or broadcast in the respective country's media.

Part One

Summary and Recommendations

Summary

The Australian Tourist Commission

1. The Australian Tourist Commission (ATC) is a statutory body whose primary function is to promote Australia overseas as a tourist destination. The ATC promotes Australia to consumers and the travel industry from its head office in Sydney, and eight regional offices in Asia, Japan, Europe, the Americas and New Zealand. The ATC also works closely with industry and State and Territory tourism authorities.

2. The ATC has three statutory objectives:

object (a) – to increase the number of visitors to Australia from overseas;

object (b) – to maximise the benefits to Australia from overseas visitors; and

object (c) – to ensure that Australia is protected from adverse environmental and social impacts of international tourism.

3. The ATC has a parliamentary appropriation of \$78.3 million for 1997-98. It is governed by a ten-member Board which, with the exception of the Managing Director, is appointed by and reports to the Minister for Sport and Tourism. The Board is charged with ensuring the proper and efficient performance of the ATC and determining the Commission's policy.

4. The ATC has been the subject of a number of internal and external reviews, the most recent and significant being the administrative review by Bain International, *Project Eagle* (1995) (the Bain report).

5. The ATC is considered by the World Tourism Organisation to have one of the most efficient tourism authorities in the world. The ATC was cited as the world's most successful tourism marketing organisation

at a 1995 international conference and has won a number of national and international marketing awards.

The Australian inbound tourist industry

6. The Australian tourist industry is dynamic and complex. Australia is one of the fastest growing tourist destinations in the world, with visitor numbers having increased by 11-12 per cent annually for the last three years. Tourism is one of Australia's fastest growing industries and is expected to contribute to significant increases in employment opportunities by the year 2003. It currently generates over \$16 billion in export earnings, a figure which is forecast to increase to \$23.2 billion by the year 2000, the year of the Sydney Olympic Games.

7. The ATC operates in a highly competitive international tourism environment and Australia's share of world tourism is relatively small - in 1994 it represented less than one per cent of the total world arrivals and was the 34th most visited destination in the world.

Audit objectives and criteria

8. The objectives of the audit were:

- i) to determine the administrative changes made by the ATC to implement the recommendations of recent administrative reviews; and
- ii) to identify how well the ATC is meeting its statutory objectives.

9. The criteria used in conducting the audit included administrative improvements resulting from the ATC's response to recent reviews and the extent to which strategies and performance information address its statutory objectives.

Audit conclusion

10. The ANAO concluded that:

- i) the ATC has implemented, either in full or in part, the majority of the recommendations in the Bain report. This has resulted in a number of administrative improvements, particularly in the areas of organisational/administrative change, cost reduction, cost recovery and marketing. Measuring the improvements has been hampered by lack of data and the absence of an effective monitoring process; and
- ii) while recognising the rapid growth of inbound tourism, the ATC is currently unable to demonstrate that it is fully meeting all of its statutory objectives; this applies particularly to the objective of ensuring 'that Australia is protected from adverse environmental and social impacts of tourism' and to aspects of the objective relating to maximising 'the benefits to Australia from overseas visitors'.

Key findings

Addressing statutory objectives

11. The ATC's statutory objectives are open to varying degrees of interpretation. The Commission has particular challenges to address and translate the broader implications of object (b) - 'maximising benefits to Australia' - and to address its interpretation of object (c) - 'protecting Australia from adverse environmental and social impacts' - in its planning documents.

12. There are limitations in the links between the ATC's statutory objectives and corporate objectives and the extent to which the ensuing strategies can be seen to be giving effect to the statutory objectives. It is difficult to see how ATC strategies give effect to corporate objectives relating to greater dispersal of visitors and increasing employment, and the broader aspects of statutory object (b) are not explicitly addressed in strategies. A key challenge for the ATC is to ensure that the recently developed environment strategy is effectively implemented within the current planning framework to assist in addressing the Commission's statutory object (c).

13. The ANAO considers that further information in the Annual Operational Plan on significant program components would aid decision-making and provide assurance that resource allocation is appropriate.

Measuring and evaluating performance

14. The effectiveness of the ATC's performance information framework in addressing its statutory objectives is affected by limitations in the linkages between performance measures and statutory objectives. However, on the basis of the available evidence, the ANAO's qualified view is that the ATC is currently unable to demonstrate that it is fully meeting all of its statutory objectives. This applies particularly to

the objective relating to 'protecting Australia from adverse environmental and social impacts', and to aspects of the objective relating to 'maximising benefits to Australia'.

15. The ANAO considers that it would be beneficial for the ATC to identify and develop further appropriate performance measures in order to provide assurance that it is achieving its statutory objectives. There is also scope to improve performance reporting to the Board, and to comply more fully with requirements for reporting on performance of outcomes against objectives in its annual report. The ANAO also considers that the ATC should adopt a more structured and strategic approach to evaluating its key programs and activities.

Role and operations of the Board

16. There is a risk that the Board is unable to demonstrate satisfactorily that it is fulfilling its statutory responsibilities. The ANAO identified a number of areas in which the ATC Board could improve its operations and practices in order to be able to demonstrate that it is fulfilling these responsibilities. These areas include improving measurement, monitoring and reporting on the Commission's performance against its objectives; management of delegations; the Board's strategic role in determining ATC policy and recording of Board activities and decisions. To assist the ATC in addressing these issues, the ANAO, in consultation with legal/corporate expert advisers, has developed a suggested checklist on aspects of the operations of the Board and corporate governance generally.

Communication with stakeholders

17. Although the ATC has involvement with a number of Commonwealth agencies, the ANAO considers that these could be improved through a more structured and broader-based approach. Similarly, the ATC's

involvement with its industry stakeholders, although extensive, could be further improved through, for example, more formal and regular opportunities for feedback on the performance of the ATC in meeting its stakeholders' needs, and providing relevant and timely information and appropriate access to research. The ATC has recognised the need to improve communication with industry and has a number of actions underway relevant to addressing this.

Response to administrative reviews

18. The ATC has now implemented, either in full or in part, the majority of the recommendations of the Bain report. This has resulted in a number of administrative improvements, particularly in the areas of cost reduction, marketing strategies, cost recovery and organisational administration, although they have not always gone as far as the Bain report recommended in all areas. However, measuring the improvements in all areas has been difficult because of lack of data on improvements/savings made.

19. The ANAO found that the ATC did not have an effective and ongoing process to monitor the implementation of the recommendations.

Recommendations

Set out below are the ANAO's recommendations with report paragraph references. **The ATC agreed to all of these recommendations.** The Commission's detailed comments are included in the body of the report. The ANAO considers that the ATC should give priority to Recommendations Nos. 1, 3, 4, 5 and 8.

**Recommendation
No. 1
Para. 2.41**

The ANAO *recommends* that the ATC ensures that corporate objectives align with statutory objectives by, for example:

- establishing and describing what is meant by the statutory objectives;
- developing complementary strategies to implement the objectives; and
- reassessing its linkage of plans to ensure that they are aligned with the achievement of statutory objectives.

**Recommendation
No. 2
Para. 2.48
Para. 2.48**

The ANAO *recommends* that, in the Annual Operational Plan, the ATC includes sufficient detail of resources (actual or estimates) allocated to programs so that the Board can be assured that all statutory objectives are being appropriately addressed and to help it make informed decisions.

**Recommendation
No. 3
Para. 3.22** The ANAO *recommends* that the ATC develops adequate performance measures against which its performance against all the statutory objectives can be measured and that these measures be clearly identified in planning documents to improve awareness of what is being measured.

**Recommendation
No. 4
Para. 3.24** The ANAO *recommends* that, once appropriate performance measures are identified, the ATC monitors progress against the achievement of its statutory objectives and prepares regular progress reports for the Board on the achievement of its statutory objectives.

**Recommendation
No. 5
Para. 3.36** The ANAO *recommends* that the ATC reports effectively on its performance in achieving its statutory objectives in its annual report to the Parliament, in compliance with statutory obligations and reporting guidelines.

**Recommendation
No. 6
Para. 3.46** The ANAO *recommends* that the ATC conducts effective evaluations of its programs on a cyclical basis as part of good program management.

**Recommendation
No. 7
Para. 4.25** The ANAO *recommends* that, in order to provide appropriate protection for its Directors, the Board conducts its business in such a way that it can demonstrate that it is fulfilling its statutory responsibilities and achieving its statutory objectives. Ensuring that recommendations 1-5 are implemented will substantially contribute to addressing this point.

**Recommendation
No. 8
Para. 4.27**

The ANAO *recommends* that the Board reviews its operations and practices to bring them more into line with the guidelines suggested by the ANAO in the better practice checklist (Appendix 10). The ANAO suggests that priority be given to:

- improving the recording of Board activities and decisions; and
- reviewing and revising, as appropriate, the scheme of delegations.

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**Recommendation
No. 9
Para. 5.31**

The ANAO *recommends* that the ATC improves the effectiveness of its communication with stakeholders and relevant Commonwealth agencies, in particular by addressing stakeholder desire for relevant and timely information and appropriate access to research.

**Recommendation
No. 10
Para. 6.42**

The ANAO *recommends* that, when addressing the findings and recommendations of administrative reviews, the ATC ensures that the recommendations accepted by the Board are addressed, that implementation is monitored, and, as appropriate, the Board is informed of implementation progress and improvements arising therefrom.

Part Two

Audit Findings and Conclusions

1. Introduction

This chapter describes the role and activities of the Australian Tourist Commission, and recent reviews of the Commission. It also provides background information about the Australian tourist industry. The objectives of this audit and criteria employed are also described.

The Australian Tourist Commission

1.1 The Australian Tourist Commission (ATC) is a statutory authority which operates under the *Australian Tourist Commission Act 1987* (the Act). The ATC's prime task is to promote Australia overseas as an international tourist destination.

1.2 Under the Act, the principal objectives of the ATC are:

- (a) to increase the number of visitors to Australia from overseas;
- (b) to maximise the benefits to Australia from overseas visitors; and
- (c) to ensure that Australia is protected from adverse environmental and social impacts of international tourism.

1.3 The functions of the Commission are:

- (a) to promote Australia overseas as a tourist destination;

- (b) to enhance awareness overseas of Australia as a tourist destination;

- (c) to coordinate the overseas promotional efforts of the Australian tourism industry, in cooperation with the State and Territory tourism authorities and with the Australian tourism industry;

- (d) to enhance awareness in Australia of the Australian tourism industry; and

- (e) to closely monitor and report on the effects of international tourism on Australia's natural environment and society.

1.4 The ATC is governed by a ten-member Board which reports to the Federal Minister for Sport and Tourism. The members of the Board (other than the Managing Director) are appointed by the Minister. The Act stipulates that at least one member of the Board should be 'a person who has environmental or sociological expertise relevant to the tourism industry' and that at least two members 'be drawn

from representative national tourism organisations'. There is also a government member, who is currently the Secretary of the Department of Industry, Science and Tourism.

Background to the establishment of the ATC

1.5 The forerunner to the ATC was the Australian National Travel Association (ANTA) which was formed in 1929. Early promotions concentrated on 'Visit Australia to see the Cricket Test' themes and the Sesquicentennial Celebrations.

1.6 With the arrival of the wider-bodied 747 aircraft in the late 1960s and the continuing expansion of international tourism, ANTA became inadequate for the promotional task ahead. Following a study of the potential of Australia's tourist industry, the ATC was formed on 1 July 1967. The Commission operated under the *Australian Tourist Commission Act 1967* for the next 20 years until, as a result of a further government inquiry into tourism in 1986, major changes were made to the ATC's charter and organisation, changes which were reflected in the new *Australian Tourist Commission Act 1987*.

Reviews of the ATC

1.7 The ATC has been the subject of a number of administrative and other reviews.

The first significant Commonwealth review of the ATC was undertaken in 1986. This review, by the Australian Government Committee of Inquiry into Tourism¹ (the Kennedy review), led, among other things, to the replacement of the 1967 Act with the 1987 Act, under which the ATC now operates.

1.8 Other reviews of tourism, including the role of the ATC, have included the Industries Assistance Commission report, *Travel and Tourism*, 1989. In its report, the Commission deliberated whether to recommend that Commonwealth funding for the ATC be phased out, but the Commission found that there was 'not sufficient information available to refute the industries' judgment that a withdrawal of Government funding would lead to underpromotion of tourism'. Instead, the Commission proposed 'that Commonwealth funding for the ATC be maintained for a period of five years, at which time there should be a review to determine whether continued assistance would be justified'. The report concluded 'Over the five years, the effectiveness of ATC programs should be evaluated, and the scope for greater industry participation in overseas promotion should be explored'.² A further review of the ATC was conducted in 1994 and the report

was considered by the Government.

1.9 The most significant of the recent administrative reviews was that conducted by Bain International in 1994, which resulted in the 1995 report, *Project Eagle* (the Bain report or review). The main findings of the Bain review were very positive about the performance of the ATC, concluding that:

The ATC is fundamentally sound and is in fact a role model for other national tourist offices (NTOs). It has been successful, as evidenced by growth in arrivals averaging 12% per annum over the past ten years, strong market share growth and the appearance of a strong relationship between dollars spent on ATC marketing and the number of inbound arrivals to Australia.

Additionally, the ATC and its services are held in extremely high regard by the tourism industry. In fact, both local and international industry believe that the ATC is doing an excellent job. Over 90% of industry respondents believed that the ATC was performing well or satisfactorily, while the strong perception is that the ATC's programs are most valuable to the industry and are well performed. For example, it is clear that Partnership Australia has made a significant contribution to eliminating marketing duplication and is widely appreciated by the industry.³

ATC resources

1.10 The ATC promotes Australia to consumers and the travel industry from its head office in Sydney, and eight regional offices in Asia (Singapore and Hong Kong), Japan (Tokyo and Osaka), Europe (London and Frankfurt), the Americas (Los Angeles) and New Zealand (Auckland). The ATC also has six representative offices in Asia (Indonesia, Korea, Taiwan, Malaysia and Thailand) and South Africa.⁴

1.11 At the end of June 1997, the ATC employed 162 permanent staff⁵ - 66 staff at head office and 96 overseas (all but 11 of the overseas staff are locally engaged). 1996-97 salary costs were \$13.6 million. Permanent staff numbers have doubled since 1987. Appendix 1 contains a summary of permanent staffing levels at the ATC from 1987-97.

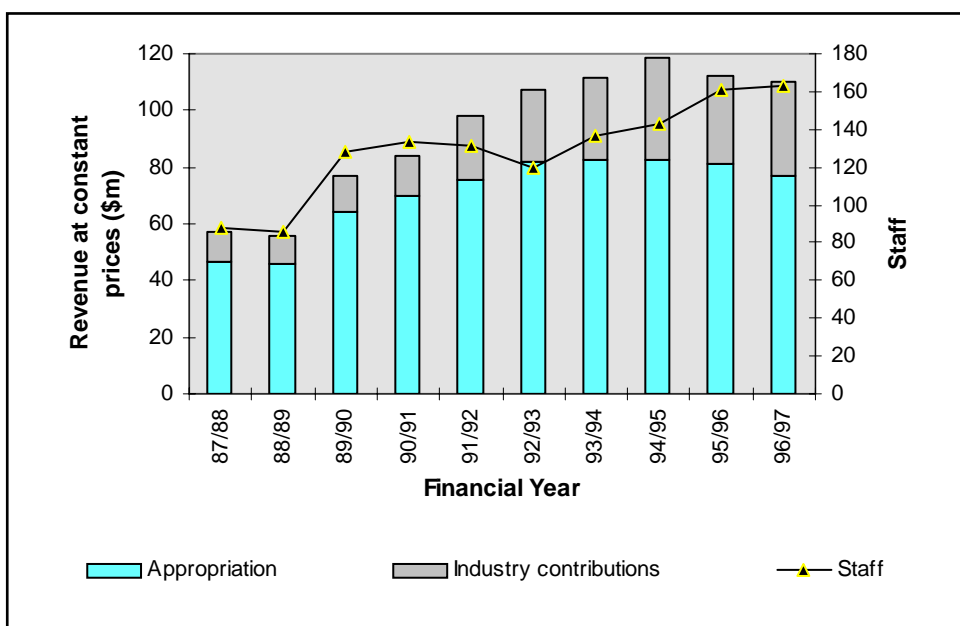
1.12 The ATC is funded primarily by the Commonwealth, with funds for joint activities also coming from direct and indirect contributions from industry and State/Territory tourism organisations.

1.13 The total operating expenses for the ATC were \$110.3 million in 1996-97. Of this, the Commonwealth contributed \$76.8 million. Direct contributions⁶ from industry and the State/Territory tourism bodies

constituted a further \$33.5 million (of which approximately \$6 million came from the States and Territories). In addition, the ATC advises that a further \$25.3 million (approximately \$4 million from the States and Territories) was generated by the ATC as indirect contributions paid by its partners directly to service providers, as part of campaign agreements. (For example, as part of a campaign agreement, some State tourism bodies may make payments directly to providers of advertising.)

1.14 Annual parliamentary appropriations have increased from \$35.5 million in 1987-88 (\$46.8 million in 1996-97 dollars) to \$78.3 million in 1997-98. Appropriations for the ATC peaked in real terms in 1993-94. Appendix 2 and Figure 1 show the trends in staffing and revenue (parliamentary appropriations and direct industry/State/Territory contributions). Reductions in the level of Commonwealth funding are proposed over the next three years.⁷

Figure 1
ATC staffing trends and gross revenue⁸



Source: Compiled by ANAO from ATC annual report data and parliamentary budget papers.

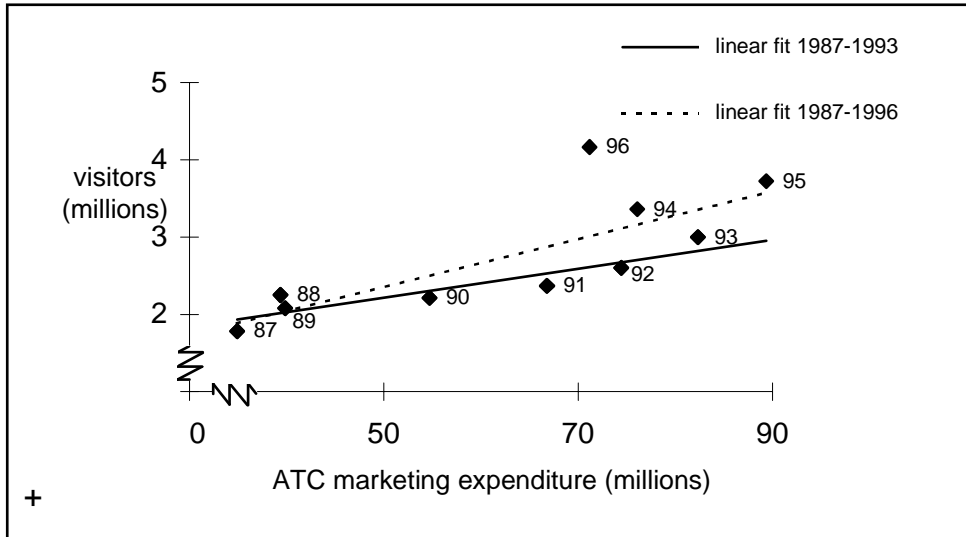
ATC programs and activities

1.15 Working with the private sector and State and Territory tourism authorities, the ATC's activities include extensive consumer advertising overseas on television and in print, public relations programs and the coordination of Australian industry participation in travel missions and trade shows around the world.

1.16 Advertising costs and other marketing activities

represent the most significant proportion of the ATC's operating expenses.⁹ The Bain report found that, from 1987-1993, there was a strong (if not necessarily causal) relationship between ATC's advertising expenditure and international visitor arrivals. This is demonstrated in the following data compiled by the ANAO, which brings the relationship up-to-date to 1996 (Figure 2).

Figure 2
ATC marketing expenditure and international visitor arrivals¹⁰



Source: Compiled by ANAO from ATC, ABS data

1.17 The most recent significant initiative in advertising has been the 'Brand Australia' advertising campaign, which integrates brand and tactical advertising, public relations and promotions to create a consistent global brand image for Australia in all major world tourism markets. The campaign was launched in September 1995 and will involve spending \$100 million over three years to reach a global audience of 500 million.

1.18 Other important aspects of the ATC's activities are described in Appendix 3. They include:

- the Visiting Journalists' Program (VJP);
- Partnership Australia (PA), a cooperative arrangement with the State/Territory tourism bodies and industry;
- trade show events; and
- the Meetings, Conventions & Incentive program (MC&I).

1.19 The ATC's marketing activities have won a number of national and international marketing awards and the ATC was cited as the world's most successful tourism marketing organisation at a 1995 international conference (Appendix 4).

Commonwealth and State/Territory tourism bodies

1.20 A number of bodies at the Commonwealth and State/Territory levels provide policy direction and advice, research and administrative support for the tourism industry within which the ATC operates (Appendix 5). In particular, the Office of National Tourism (ONT) in the Department of Industry, Science and Tourism (DIST) works to enhance the contribution tourism makes to the well-being of Australians. It does this by developing and implementing government policies and programs which: encourage the development of tourism in Australia; identify opportunities in tourism; reduce barriers to industry development; and provide information to aid industry decision-making.

1.21 The ATC and State/Territory tourism authorities share responsibilities for collaborative promotions and marketing activities in the international market in accordance with a national strategy.¹¹ State and Territory governments have prime responsibility for domestic promotion and marketing as well as for the provision of infrastructure and facilities.

The Australian inbound tourist industry

1.22 The Australian tourist industry is dynamic and complex, with Australia one of the fastest growing destinations in the world. International (inbound) tourism in Australia currently represents approximately 28 per cent of total tourism expenditure (with the remainder coming from domestic tourism).¹²

1.23 In 1996, international visitor arrivals totalled 4.2 million, an increase of nearly 12 per cent on the previous year. The number of inbound tourists is forecast to reach around 6 million by the year 2000, and 8.8 million by 2005.¹³

1.24 The largest proportion of Australia's visitor arrivals come from the rapidly developing markets of the Asian region. Japan, Europe and New Zealand are our other major source markets. Appendix 6 shows 1995-96 international visitor arrivals by source country.

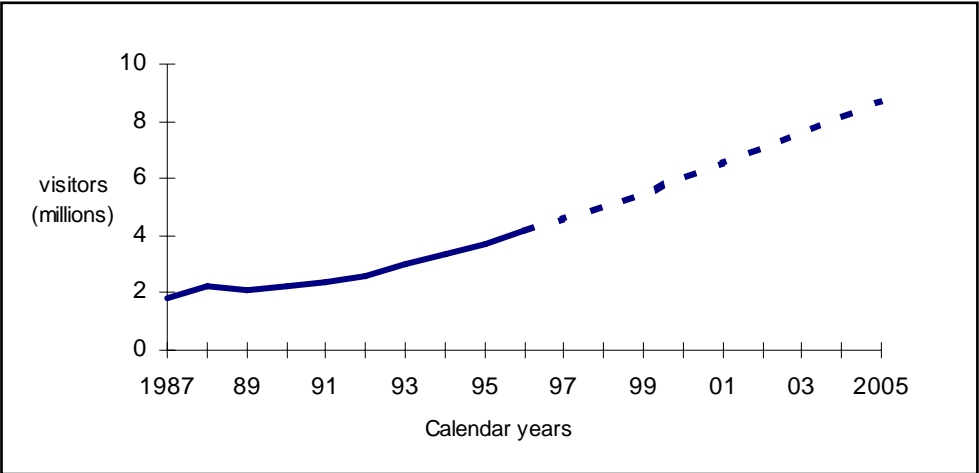
1.25 It is forecast¹⁴ that, by the year 2005, more than 60 per cent of tourists will come from Asia and Japan, with Korea the major growth market in Asia. New Zealand will remain Australia's

second largest source market. The outlook for growth from mature markets in USA and Canada remains positive, although the USA/Canadian share of Australia's total inbound market has declined. Europe will continue to be an important source market, although it is expected to increase at a slower rate than most other markets.

1.26 Employment is expected to be a key growth area in the tourism industry. The most recent available data is for 1993 when it was estimated that over 525,000 people were employed in the tourism industry in Australia; of this, inbound tourism employed about 105,000 people.¹⁵ Employment in the tourism industry is expected to reach at least seven per cent of total employment in Australia, employing between 670,000 and 685,000 people by the year 2003. According to the report, all the growth is expected to come from growth in inbound tourism which is expected to provide employment for over 265,000 people by then.

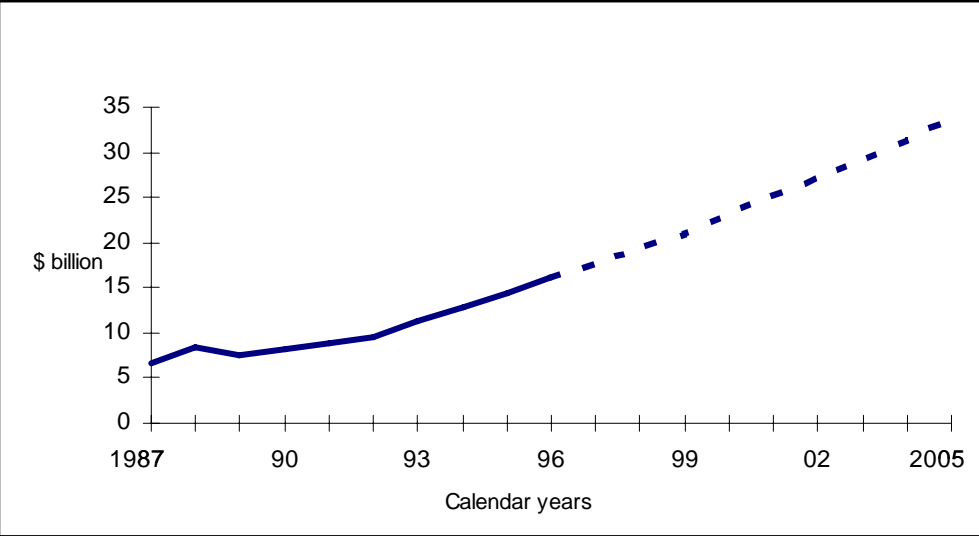
1.27 The following charts show historical and forecast trends in visitor arrivals, export earnings and visitor expenditure.¹⁶

Figure 3
International visitor arrivals



Source: ABS,TFC

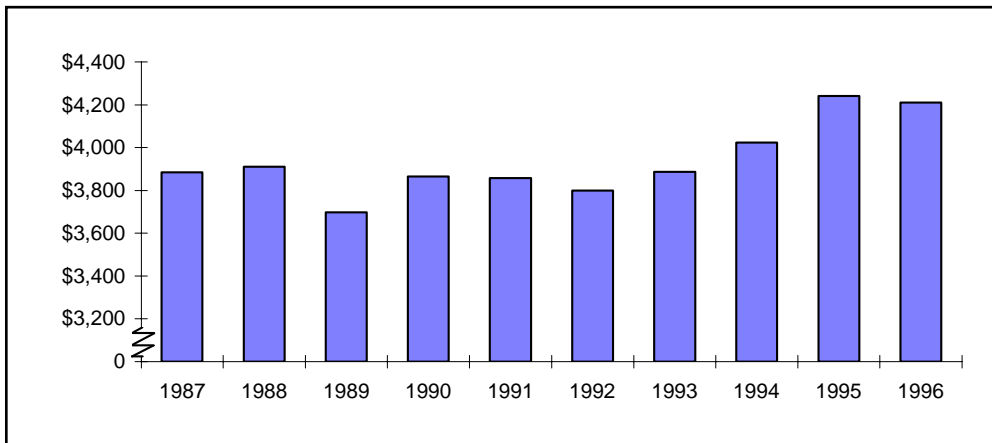
Figure 4
Tourism export earnings (1996 dollars)



Source: ONT, BTR, TFC

Figure 5

Average visitor expenditure by overseas adult visitors to Australia (1996 dollars)¹⁷



Source: BTR

Australia's position in the international tourism industry

1.28 The ATC operates in a highly competitive international environment for its share of international tourism. Australia's share of world tourism is relatively small - in 1994 it represented less than one per cent of the total world arrivals. In the same year, Australia was the 34th most visited destination in the world.¹⁸

1.29 In a recent World Tourism Organisation (WTO) report,¹⁹ Australia was reported as having the largest National Tourism Organisation/National Tourism Administration (NTA/NTA) promotional budget of all countries in 1995. Among the

measures of effectiveness used by the WTO is the promotional budget per tourist arrival. In this Australia ranks as the sixth most expensive in the world, spending \$US23 per arrival in 1995.

1.30 However, it should be noted that much of the WTO data is not strictly comparable, and caution is required with interpretation. For example, according to the Department of Industry, Science and Tourism, such comparisons do not reflect the significant influences on arrivals and tourist export income of changes in per capita incomes in overseas markets, changes in populations, the relative costs of travel packages (eg airfares) and the proximity of markets. According to the WTO, Australia is still considered to have one of

the most efficient NTAs in the world.²⁰

1.31 In a recent OECD report,²¹ Australia, Japan and Turkey were identified as having the highest percentage growth in the OECD in tourist numbers in the period from 1995 to 1996, with Australia experiencing a 13 per cent increase in arrivals.

Audit objectives and approach

1.32 The objectives of this performance audit were:

- a) to determine what administrative changes the Australian Tourist Commission (ATC) has made to implement the recommendations of recent administrative reviews; and
- b) noting that the ATC's principal objects are:
 - (a) to increase the number of visitors to Australia from overseas;
 - (b) to maximise the benefits to Australia from overseas visitors; and
 - (c) to ensure that Australia is protected from adverse environmental and social impacts of international tourism

to form an opinion in relation to how well the ATC is meeting those objects.

1.33 The criteria used in conducting the audit included:

- a) administrative improvements resulting from the ATC's response to recent reviews;
- b) whether the ATC has in fact established viable criteria against which its performance in relation to its principal objects - and particularly objects (b) and (c) - can be measured;
- c) the extent to which the ATC meets those criteria - particularly in relation to objects (b) and (c);
- d) the strategies the ATC has in place to achieve objects (b) and (c); and
- e) the utility of the ATC's criteria for performance monitoring and administrative purposes.

1.34 The scope of the audit did not extend to a full efficiency audit of the ATC, in terms of its efficiency and effectiveness as an agency, as the recent Bain review had covered much of this ground.

1.35 The ANAO conducted fieldwork at ATC's head office in Sydney during March and April 1997. An additional meeting took place in May. The audit methodology included interviews with key personnel at head office and with regional directors; and

examination of reports, files and other documents.

1.36 To aid understanding of the perspectives of key stakeholders such as other agencies of the Commonwealth, the States/Territories, industry and academic institutions, an expert Advisory Panel was established, comprising representatives with backgrounds in these areas. The members of the Advisory Panel were:

- Associate Professor Ray Spurr, School of Marketing, University of NSW;
- Mr Len Taylor, Managing Director, Inbound Tourism Organisation of Australia (ITOA);
- Mr Tony Thirlwell, Chief Executive and General Manager, Tourism New South Wales.

1.37 The ANAO also sought expert legal opinion from Deacons, Graham and James on some corporate governance matters relating to the operations of the Board.

1.38 The audit team also consulted Mr Mark Richardson, Bain International, to discuss aspects of the Bain report.

1.39 The audit was conducted in accordance with ANAO Auditing Standards. It cost \$272,436.

Report structure

1.40 The following chapters address aspects of the corporate governance framework at the ATC. Chapter 2 examines the way in which the ATC has addressed what is meant by its statutory objectives, and whether there are appropriate strategies and plans to implement the objectives. Chapter 3 discusses the ATC's approach to measuring, monitoring and reporting on its performance; Chapter 4 identifies ways in which the operations of the Board could be improved to enable it to demonstrate that it is fulfilling its statutory responsibilities, while Chapter 5 examines the way in which the ATC communicates with its stakeholders. In Chapter 6, the ATC's response to recent administrative reviews is discussed.

2. Addressing statutory objectives

This chapter examines the way in which the ATC is addressing its statutory objectives, as part of its corporate governance framework. The chapter identifies ways in which the ATC could improve its management performance in this area.

Corporate governance principles

2.1 The Board, supported by ATC management, has a responsibility for the corporate governance of the Commission. In this leadership role, the Board is responsible for ensuring that the Commission meets its statutory responsibilities; that appropriate communication with stakeholders occurs; that risks to the organisation are well managed; resources are managed effectively and that appropriate internal controls exist which enable the agency to monitor performance and report on outcomes. The Managing Director, who is a member of the Board, conducts the affairs of the Commission in accordance with the policies and directions determined by the Board.

2.2 The ANAO has recently addressed the key role of effective corporate governance

for public sector agencies in a corporate governance discussion paper. The paper, *Applying Principles and Practice of Corporate Governance in Budget Funded Agencies*, was issued in June 1997. The paper emphasises that corporate governance is concerned with structures and processes for decision-making, with the controls and behaviour within organisations that support effective accountability for performance outcomes. Further, the paper notes, that:

Good corporate governance requires clear definitions of responsibility and a clear understanding of relationships between the organisation's stakeholders and those entrusted to manage resources and deliver its outcomes. Risks can be reduced by ensuring participants in the governance process are aware of their roles, responsibilities and accountabilities. A well governed agency can provide assurance to

*its CEO, its Minister and all other stakeholders that, for example, reform agendas are being effectively implemented and performance targets met.*²²

2.3 A sound corporate governance framework provides a structure for the Board and senior management to make informed decisions with the assurance that proper controls are in place and that risks are well managed. It also provides the Board and senior management with assurance regarding the performance of the agency in achieving its objectives, the effectiveness and efficiency of the agency's operations, the reliability of its financial reporting and compliance with legislation and regulations.

2.4 This chapter and the following chapters address aspects of the corporate governance framework of the ATC.

Interpretation of objectives

2.5 The ATC has three statutory objectives:

- object (a) —'to increase the number of visitors to Australia from overseas';

- object (b) —'to maximise the benefits to Australia from overseas visitors'; and
- object (c) —'to ensure that Australia is protected from adverse environmental and social impacts of international tourism'.

2.6 Addressing what is meant by the statutory objectives is an important aspect of translating the statutory obligations of the Commission into an effective framework of objectives or goals, strategies and operational plans. In this way, the Commission can ensure that the performance of its functions and its policies reflect the objects. In the ANAO's view, the current planning framework for the ATC's operations, including the Corporate Plan, the Annual Operational Plan, and the Five Year Strategic Business Plan, does not sufficiently address this.

Object (a) - increasing arrivals

2.7 The thrust of object (a) - increasing arrivals - is relatively straightforward. The way in which the ATC addresses this objective is consistent with the statutory objective, with the ABS definition of 'arrivals'²³ used consistently in its planning documents.

Object (b) - maximising benefits to Australia

2.8 Establishing what is meant by 'benefits' to Australia is more difficult. The ATC's Corporate Plan contains three core tourism objectives relevant to object (b) - increasing export earnings, employment and dispersal of visitors across Australia (see paragraph 2.14). In addressing these objectives, the ATC refers to factors such as 'average expenditure' by international visitors and geographic 'dispersal'²⁴ of visitors which relate to elements of statutory object (b).

2.9 The Board has recently considered some discussion papers relating to 'yield', but has yet to clearly define its interpretation of 'yield'. There are a number of definitions of yield in use by the industry. These include 'the number of locations per dollar spent per visit'; specific sectoral definitions such as those involved in airlines, accommodation, retail sectors; and national perspectives on the issues in relation to the environment, the community and cultural benefits. The Bain report, while recognising that it is not the ATC's responsibility alone, referred to the need for the tourist industry to try to agree on a definition of yield and how it should be measured.

2.10 An even greater challenge for the ATC is to

identify the broader implications of 'maximising benefits' to Australia. For example, these benefits could include broader economic benefits to Australia, such as opportunities for employment, regional development, trade contacts and foreign investment, as well as social benefits and an improved quality of life for Australians who have greater access to natural attractions and other tourist developments. These broader issues have yet to be fully considered by the ATC or developed into a substantive operational definition of this objective.

Object (c) – protecting Australia from adverse environmental and social impacts

2.11 The ATC has not fully addressed what it means by this objective in its corporate, operational or business plans. In a separate Environment Strategy the ATC has recently attempted to define its position in relation to this objective. In the strategy, which is yet to be integrated into the existing planning documents, the ATC articulates its vision as being: 'ATC is committed to setting and achieving international best practice in the provision of a quality visitor experience and to preserving Australia's unique natural, cultural and social environment'. In the view of the ANAO this

statement does not contribute greatly to a common, measurable understanding of what is meant by this objective and how it is to be translated into a framework of strategies and plans. A further concern is, that in setting a standard of international best practice, the ATC may have some difficulty in achieving this and measuring its performance against the standard.

Conclusion

2.12 The ATC's statutory objectives are open to varying degrees of interpretation. It is imperative that there is a clearly enunciated view of how they are to be interpreted in order to provide strategic direction to the Commission and its operations and to be translated into operational goals and actions. The ATC has a clear working description of statutory object (a), the challenges for the ATC are to address and translate the broader implications of object (b) and to address its interpretation of object (c) in its planning documents.

Corporate objectives and strategies to achieve statutory objectives

2.13 The Act requires that the ATC corporate plan 'include a statement of the objectives of the Commission and ... outline the strategies and policies that the Board intends to adopt in order to achieve the Commission's objectives, including strategies and policies to determine and manage the environmental and social impacts upon Australia of international tourism'. As such, the corporate plan should be the key planning document, designed to link the statutory objectives to the corporate objectives, specify strategies designed to achieve these objectives and identify performance measures by which performance in achieving objectives can be measured.

Corporate objectives

2.14 The Commission's tourism corporate objectives are the key drivers in the Corporate and Annual Operational Plans. They are to:

- achieve or exceed an increase in international visitor arrivals from the 1996 level of 4.165 million to the TFC's forecast of 6.563 million by 2001;
- increase total yield derived from international tourism as

measured in the following ways:

- increase the amount of export earnings due to international tourism from the 1996 level of \$14.1 billion to \$22.8 billion in 2001;
- increase employment in the tourism sector from the estimated 1995 level of 536,000 to over 680,000 in 2003;
- increase or maintain Australia's market share in all markets where the ATC is actively marketing;
- increase the dispersal of international visitors to a greater number of areas across Australia in order to distribute the benefits more widely.

2.15 The Corporate Plan contains regional plans setting out core local objectives (reflecting most of the tourism corporate objectives) and more specific regional/country objectives, strategies, broad performance measures and shorter-term performance targets.

2.16 In considering the tourism corporate objectives, the ANAO is of the view that the first of these clearly relates to statutory object (a). The corporate objectives relating to 'yield' (export earnings and employment) and 'dispersal'

relate to aspects of statutory object (b). There is no tourism corporate objective which correlates directly with statutory object (c). In the view of the ANAO the tourism corporate objectives included in the Corporate Plan do not reflect the full force of the objectives set out in the Act. This has an impact on the effectiveness of the ensuing strategies (see below) and performance measures (see Chapter 3) in addressing all statutory objectives.

2.17 The ANAO acknowledges that the Corporate Plan contains 11 supporting corporate objectives, two of which are relevant to object (c). These are:

- contribute to the protection of Australia's natural and social environment from any adverse impact of international tourism; and
- monitor and report on the impact of international tourism on Australia's natural and social environment in partnership with related organisations.

2.18 The latter supporting corporate objective in effect mirrors one of the Commission's functions. However, the Corporate Plan does not include an explicit strategy to address this function (although there is reference under a list of issues to the separate Environment Strategy - see paragraph 2.24).

2.19 The ANAO notes that the sub-objective for employment refers to the whole tourism sector and not just that related to inbound visitors. The latter represented some 20 per cent of total tourism employment in 1993. Accordingly, a key sub-objective largely addresses that part of the sector which is outside the ATC's control.

Strategies in support of object (a)

2.20 There is no specific overall strategy in the Corporate Plan to achieve this objective. Instead, strategies to achieve increased arrivals are primarily reflected in the marketing strategies of the ATC's regions - Asia, Japan, the Americas, Europe and New Zealand.

Strategies in support of object (b)

2.21 There is no overall strategy in the Corporate Plan to 'maximise benefits' in a broad sense. For example, the strategies do not address regional development, foreign investment, or the other benefits which apply to a broader interpretation of this objective.

2.22 The regional plans do contain long-term objectives addressing increasing visitor expenditure and dispersal. However, it is difficult to see how detailed regional strategies give effect to the objective to increase

dispersal. Furthermore, the ANAO notes in particular that one of the four core tourism corporate objectives is increasing employment, but there is no strategy directly associated with increasing employment in the inbound tourism sector.

Strategies in support of object (c)

2.23 The ATC has only recently adopted a separate strategy to address object (c). The ATC Environment Strategy 1996/97 - 2000/01 was adopted by the Board in December 1996. However, the strategy has not been based on a risk assessment of the potential adverse impact on either the environment or society by international tourists. Because of the difficulties associated with distinguishing between the impact of international and domestic tourists, the ANAO considers that the ATC would benefit from further dialogue with the States and Territories in order to develop a cohesive strategy to achieve this objective.

2.24 The existence of the Environment Strategy is referred to in the current Corporate Plan, but there is little indication in the Plan as to how the Environment Strategy will be implemented. This will be a particularly important matter for the ATC to address as the ANAO observed that, when speaking to ATC managers, object (c) was given a

very low priority, and at times dismissed.

2.25 Before the Environment Strategy was adopted, the ATC had been involved in a variety of activities designed to promote environmental tourism. A list of these activities is provided at Appendix 7. However, the link between these activities and fulfilling the ATC's statutory object (c) is not clear. It would be beneficial for the ATC to evaluate the relevance of these activities in the context of achieving this statutory objective and performing its environmental function (see paragraph 1.3 (e)).

Conclusion

2.26 The ANAO concludes that, in the Corporate Plan, there are limitations in the links between the statutory objectives and corporate objectives, and the extent to which the ensuing strategies can be seen to be giving effect to the statutory objectives. The statutory objective of increasing visitor arrivals can most clearly be seen to be reflected in regional strategies. However, it is difficult to see how the regional strategies give effect to the corporate objectives of greater dispersal and increasing employment, and the broader aspects of statutory object (b) are not explicitly addressed in strategies. With respect to statutory object (c), a key challenge for the ATC is to

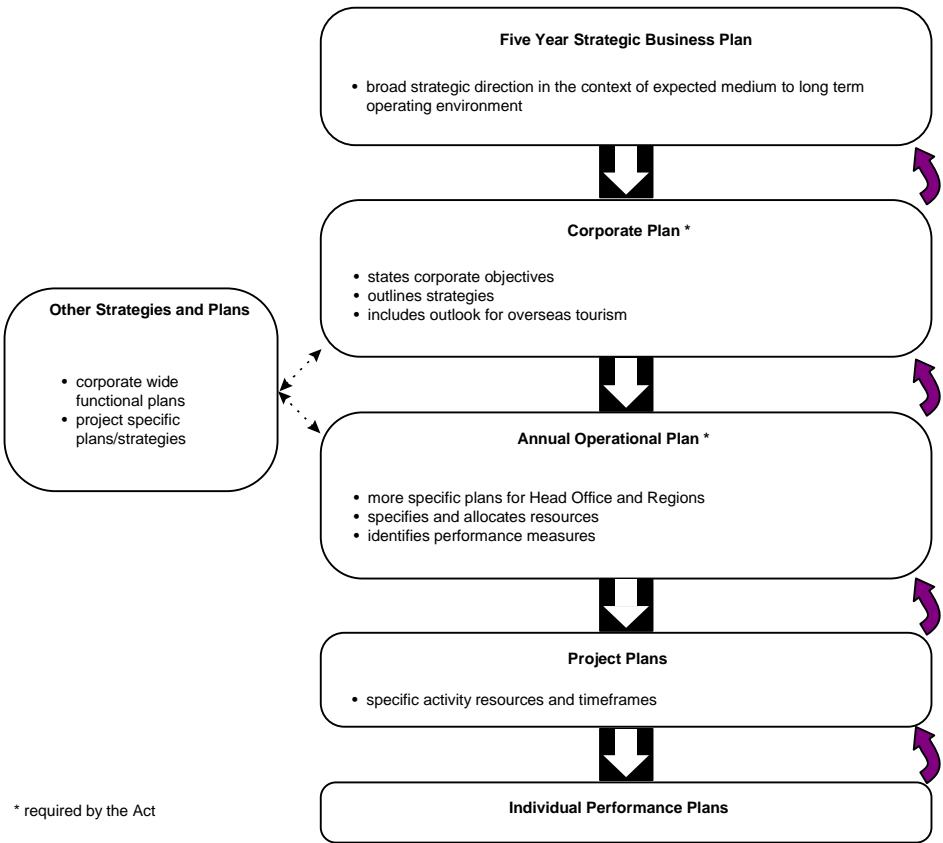
ensure that strategies to reflect this objective are effectively implemented within the current planning framework.

Planning framework

2.27 The Act requires the ATC to prepare a corporate plan and an annual operational plan. In addition to this, for 1997-98 the ATC developed its first Five Year Strategic Business Plan. Figure 6 outlines the ATC's planning framework.

2.28 The Bain review referred to the need for the ATC to improve its strategic and business planning by facilitating 'bottom up' input from the regions in response to 'top down' direction from the Board and Managing Director. Regional directors have confirmed that strategic and business planning has improved over the last two years, as the planning timetable is more clearly defined and regions now have the opportunity for input into the development of the plans.

**Figure 6:
ATC’s planning framework**



**Five Year Strategic
Business Plan**

2.29 The Five Year Strategic Business Plan, approved by the Board, provides a framework for the development of future corporate and operational plans. The Five Year Strategic Business Plan contains strategies for every

business unit. In the ANAO’s view, this is a useful approach which, when statutory and corporate objectives are more closely aligned, should streamline the annual development of the corporate and annual operational plans.

Corporate Plan

2.30 The corporate plan, which is approved by the Minister, should be the key planning document in accordance with the Act (see paragraph 2.13). Other planning documents should seek to give effect to the corporate plan and, in so doing, reflect the statutory objectives of the Commission. As discussed at paragraph 2.26, there are limitations in the extent to which the current Corporate Plan achieves this.

Annual Operational Plan

2.31 The annual operational plan, which is also approved by the Minister, should be linked to the corporate plan and provide a more detailed breakdown of how the ATC's core tourism corporate objectives will be achieved. The Act requires that the annual operational plan contain an estimate of the Commission's receipts and expenditure and specify the programs to be carried out and the resources to be allocated to give effect to the corporate plan.

2.32 The ANAO found that the ATC's Annual Operational Plan is linked to the Corporate Plan in that the country plans in the Annual Operational Plan detail strategies and key performance indicators to support the regional strategies in the Corporate Plan. However, as the tourism corporate objectives do not fully

reflect the statutory objectives, the Annual Operational Plan can provide only limited assurance about the achievement of the statutory objectives. The ANAO notes that, when developing business plans for inclusion in the Annual Operational Plan, there is no requirement to identify the relationship between the proposed project and the achievement of statutory objectives.

2.33 The Annual Operational Plan also contains details of the functions performed by and programs delivered by head office, together with objectives, strategies and key performance indicators. The link between this part of the Operational Plan and the Corporate Plan is less clear, since the Corporate Plan makes no explicit mention of the role played by head office in assisting the ATC to achieve its objectives.

2.34 During the audit, the ANAO observed that on one occasion the Board approved a different (shorter) version of the Annual Operational Plan from that which was used by senior management. In this matter there was a risk of not being able to ensure the proper application and operation of the plan approved by the Board. The ATC has acknowledged the risk with this practice and has advised that the practice will not continue.

Other strategies and plans

2.35 As part of its planning documentation, the ATC has developed, or is in the process of developing, a number of other separate strategies and plans. In some cases these relate to strategic, across-the-board issues (such as an information technology strategic plan and a five year strategic plan for human resource management), in other cases they are more project specific (such as the Olympic Strategy, Environment Strategy and the Meetings, Incentives, Conventions and Exhibitions Global Plan Strategy).

2.36 The ATC has advised that separate strategies are only developed in response to a particular need. However, the ANAO found when interviewing program managers about the implementation of the recommendations of the Bain report, there was at times confusion between and about certain strategies, as it was not clear whether reference was being made to the strategy contained in one of the corporate, operational or business plans or to a separate strategy. To address this, it would be beneficial for the ATC to have a more structured approach in which new strategies can be linked and, where appropriate, integrated into existing planning documents. This would provide an improved framework for corporate governance in the

Commission, ensuring that such additional strategies and plans are aligned to the objectives.

2.37 In the context of developing strategies in response to a particular need, the ANAO noted a number of matters warranting priority planning attention in the human resource management area. There is no plan for training and professional development. In the absence of a strategic human resource development plan for either head office or the regions, training has been on an ad hoc basis in the ATC, with no linkage between training and identified needs in support of corporate objectives. Other areas requiring attention include completing the human resource management strategy and updating the Equal Employment Opportunity plan.

Individual performance agreements

2.38 The ATC is in the process of implementing a Performance Management System (PMS) which is designed to provide a link between individual contributions to the achievement of corporate and business unit objectives. Addressing some of the issues discussed in this chapter should enable the ATC to achieve the benefits anticipated by the introduction of PMS.

Conclusion

2.39 Although the ATC's planning processes and outcomes have improved in the last two years, there remain limitations in the linkages between statutory objectives and the framework of planning documents. Resolving this should be a priority for the ATC.

Audit opinion

2.40 In the view of the ANAO, the ATC, in carrying out its functions in pursuit of its objectives, could improve its management performance by demonstrating that it has established a description of what is meant by each of the three statutory objectives; developing tourism corporate objectives which are more clearly aligned with and reflect the statutory objectives; and then developing complementary strategies to implement the objectives as described. This could be assisted by adopting a more structured approach to the development of planning documentation in order to ensure that there is alignment between objectives and to overcome any confusion between strategies and plans.

Recommendation No. 1

2.41 The ANAO *recommends* that the ATC ensures that corporate

objectives align with statutory objectives by, for example:

- establishing and describing what is meant by the statutory objectives;
- developing complementary strategies to implement the objectives; and
- reassessing its linkage of plans to ensure that they are aligned with the achievement of statutory objectives.

Agency response

2.42 As outlined in the *Australian Tourist Commission Act 1987*, the power of the Board is to undertake activities relating to the performance of its functions. Accordingly, to date the Commission has focussed its documentation of corporate objectives and performance on its statutory functions, recognising that such activities give rise to the achievement of its statutory objectives. The Commission notes and agrees with the ANAO's recommendation and will review and rewrite its existing corporate objectives to demonstrate alignment to statutory objectives as recommended.

Resource allocation

2.43 As part of its approach to resource allocation, the ATC has

recently developed a computer Resource Allocation System (RAS) which is designed to provide a more informed and objective input into decisions on the allocation of resources between markets. The major criteria for determining resource allocation in the RAS address arrivals, total expenditure and dispersal. These factors relate to object (a) and, in part, to object (b).

2.44 The Act requires that the annual operational plan specify 'the resources that the Board proposes to allocate to each ... program'. The appropriate allocation of resources is also a basic principle of corporate governance.

2.45 The ATC's Annual Operational Plan complies with statutory requirements and contains a budget summary of the financial resources allocated to regions and head office, by marketing and non-marketing programs. The ANAO notes that the broad categories used mean that the budget summary in the Annual Operational Plan does not identify financial resources for the achievement of some significant components of the ATC's activities such as Partnership Australia, VJP or the environment strategy. The ANAO considers that further information in the budget summary regarding such components would help the Board to make informed

decisions about resource allocation. The ANAO recognises the timing difficulties associated with presenting accurate expenditure data and that it may be necessary to include estimates of proposed expenditure for key business areas in the Plan.

2.46 Although it is not reflected in the budget summary in the Annual Operational Plan, the Environment Strategy mentions a basic budget allocation of \$30,000 for environment projects and activities in 1996-97. These funds are to be spent on such activities as consultation with relevant environmental groups, production of consumer education materials for visitors, and participation in environmental conferences. The ATC has also indicated that activities such as ecologically sustainable tourism development are not separately identifiable financial projects but rather practices/culture. However, given that object (c) is one of only three statutory objectives for the ATC, the ANAO considers the identifiable financial allocation relevant to this object is small for an organisation with an annual parliamentary appropriation of more than \$75 million. Reflecting the budget allocation in the Annual Operational Plan would help ensure appropriate attention is given to the level of resources being directed to this object, for example, ensuring a sufficient allocation to undertake the

function of monitoring the effects of international tourism on Australia's natural environment and society.

Budget breakdown for the Board in the Annual Operational Plan.

Audit opinion

2.47 The Board and ATC management have the responsibility to ensure that adequate and appropriate levels of resources are allocated to enable the ATC to achieve its objectives. The ANAO considers that further information in the Annual Operational Plan on significant program components would aid its decision making and provide assurance that resource allocation is appropriate.

Recommendation No. 2

2.48 The ANAO *recommends* that, in the Annual Operational Plan, the ATC includes sufficient detail of resources (actual or estimates) allocated to programs so that the Board can be assured that all statutory objectives are being appropriately addressed and to help it make informed decisions.

Agency response

2.49 Agree. As a consequence of the timing and degree of preparation required for the Annual Operational Plan, the ATC is prepared to provide estimates of the recommended

3. Measuring and evaluating performance

This chapter assesses how well the ATC is achieving its statutory objectives. It identifies ways that the ATC could do more to demonstrate that it is achieving its statutory objectives.

ATC performance indicators

3.1 Performance information is an important management tool - it provides a basis for improving program management and is critical to accountability. The ATC has access to a range of data relevant to the industry from a number of sources, and distributes some of this to staff in its Tourism Fact Sheets. The data are subject to differing levels of availability and timeliness. The effectiveness of the ATC's performance information framework in addressing statutory objectives is affected by the limitations in the linkages in the Corporate Plan between the statutory objectives and corporate objectives and ensuing strategies, as discussed earlier in this report.

3.2 The core corporate objectives are reflected in the performance information framework, with the Corporate

Plan containing specific but long-term targets for arrivals, export earnings, employment, market share and dispersal. The Annual Operational Plan contains specific performance indicators, generally setting clear standards for the regions (although the indicators for head office generally set no clear performance standards).

3.3 Discussion of the utility of the performance information for each objective follows.

Object (a) - increasing arrivals

3.4 Performance targets for increasing visitor numbers, are included in the objectives of both the Corporate and the Annual Operational Plans. The Corporate Plan has a target to increase international visitor arrivals from 4.165 million in 1996 to the TFC's forecast of 6.563 million by 2001. This is supported in the Annual

Operational Plan by more specific short-term regional targets, for example, to increase Asian arrivals from the 1996 level of 1.219 million to 1.483 million in the year 1997 and 1.664 million in 1998.

3.5 Reporting of performance information on arrivals statistics and trends is undertaken regularly through marketing operations reports to the Board. However, these reports do not usually report against the targets in the Corporate or Annual Operational Plans. In the view of the ANAO it would improve the performance reporting of the ATC to have a more structured approach to reporting against the arrival targets identified in the key planning documents.

3.6 External reporting against object (a) is addressed through data on arrivals in the ATC's Annual Report. As described in Chapter 1, there has been considerable growth in the number of international tourists visiting Australia in recent years and, until 1993, a high correlation between ATC's marketing expenditure and the growth in visitor arrivals. However, there is no assessment in the Annual Report of the ATC's contribution to the increase in visitor numbers. In the absence of such information, the ANAO is unable to draw a conclusion about the extent of the contribution of the ATC's investment in international tourism promotion to the marked

increase in visitor numbers. Measuring the contribution of the ATC's investment in international tourism promotion to visitor growth and benefits is considered further in paragraphs 3.26-3.31.

Object (b) - maximising benefits to Australia

3.7 The ATC's current Corporate Plan contains long-term performance targets relevant for this objective, addressing export earnings²⁵ and employment. There is no quantitative target for the objective of increasing dispersal in the tourism corporate objectives (although there are targets identified in the core objectives for the regional plans.) The Corporate Plan targets are supported by more specific short-term regional targets in the Annual Operational Plan, including for visitor expenditure (although again there is less emphasis on such targets in the head office business plans).

3.8 Performance information on visitor expenditure is reported to the Board through marketing operations reports. Data on dispersal are available and used by the ATC, although the performance information and reporting framework could be more structured. However, the ANAO found that for both these indicators the reports do not report against targets.

3.9 Data on employment in the tourism industry are not readily available with the result that the ATC has been unable to report to the Board in relation to the employment target. A recent study²⁶ estimated employment in the inbound and domestic tourism industry in 1993 and predicted growth to the year 2003. In the view of the ANAO it may be beneficial for the ATC to liaise closely with relevant departments and research bodies to develop a strategy by which timely tourism employment data or indicators can be identified in order to be able to report on performance in this area. In the meantime, it remains unclear on what basis the ATC addresses the employment target in its core corporate objectives, noting, as discussed at paragraph 2.22, that there appear to be no strategies directly associated with the employment objective.

3.10 Performance information in relation to statutory object (b) therefore addresses only export earnings and dispersal. Thus, the ATC's performance indicators for object (b) do not measure the broader aspects of 'maximising benefits' (see paragraph 2.10). The ANAO recognises that it is much more difficult to measure such benefits, and that it presents a challenge for the ATC to address this issue, partly through addressing how it seeks to interpret object (b). However, improved indicators would enable the ATC to report more effectively

on performance against this objective.

3.11 External reporting of outcomes against object (b) through the ATC Annual Report to Parliament addresses only export earnings and visitor expenditure. These receive a brief mention only in the Chairman's Review in the Report. However, there is no performance information reported in relation to increasing employment, dispersal, or other aspects of maximising benefits to Australia. Furthermore, as for object (a), the reported performance information does not enable the ATC's contribution to these benefits to be assessed.

3.12 As described in Chapter 1, the available data show a marked increase in tourism export earnings and visitor expenditure. However, the ANAO notes that dispersal data indicate that there has been no increase in overall dispersal since 1989, when 23.8 per cent of visitor nights were spent outside the top eight regions (23.4 per cent in 1995). Data on dispersal are included at Appendixes 8 and 9.

3.13 On the basis of the available performance information, the ANAO concludes that, while export earnings and visitor expenditure are increasing, the ATC has been unsuccessful in increasing overall

dispersal. The ATC is unable to demonstrate either its contribution to the growth achieved or its performance in addressing the broader implications of this objective.

Object (c) - protecting Australia from adverse environmental and social impacts

3.14 Object (c) is not specifically included in the key tourism corporate objectives in the Corporate Plan or the Annual Operational Plan, so there are no indicators identified in these documents to measure ATC's performance in relation to this objective. The separate Environment Strategy does contain reference to some Key Performance Indicators (KPIs), but many of these do not deal directly with the objective or identify performance standards.

3.15 The ATC does not report against object (c) either regularly to the Board or to the Parliament through its annual report. The ATC has, however, indicated its future intention to prepare an annual report for the Board on this objective. The ANAO considers that it would be desirable for the ATC to prepare more frequent reports to the Board on its performance in relation to the relevant Environment Strategy KPIs, and include a report on its progress in

achieving this objective in its next annual report to the Parliament.

3.16 In the absence of current relevant performance information, it is not possible for the ANAO to form an opinion as to how well the ATC is achieving statutory object (c).

3.17 The ANAO acknowledges that the ATC has no regulatory powers or authority to 'ensure' protection of the environment and society. However, the ATC does have a statutory responsibility in this area which it can perform, that is to 'closely monitor and report the effects of international tourism on Australia's natural environment and society'.

3.18 In the past, the ATC has conducted research projects related to this statutory function. For example, in 1991, *Project Mega*, was conducted to determine attitudes to a range of social and environmental concerns relating to tourism. A further study, *A Monitor of the Social and Environmental Impacts of International Tourism in Australia*, was conducted in 1993. This survey examined the impacts of tourism in 15 regions across Australia. The results of the survey were never released publicly, because the Board felt that the methodology employed may not have been robust. No further research projects have been conducted since, although the ATC has included some other

strategies to address this function in its Environment Strategy.

3.19 In the view of the ANAO, it would be beneficial for the ATC to liaise with key environmental and other bodies in order to develop an appropriate strategy to address this statutory function and to subsequently report publicly on the effects of international tourism on Australia's natural environment and society.

Conclusion

3.20 On the basis of the available evidence, the ANAO's qualified view is that the ATC is currently unable to demonstrate that it is fully meeting all of its statutory objectives; this applies particularly to the objective relating to 'protecting Australia from adverse environmental and social impacts', and to aspects of the objective relating to 'maximising benefits to Australia'.

3.21 While recognising there are difficulties with the timeliness and availability of data, the ANAO considers that the ATC should identify and develop further appropriate performance measures in order to provide assurance that it is achieving its statutory objectives. There is also scope to improve performance reporting to the Board, for example by improving reporting of outcomes against targets. An improved performance information

framework would enhance the ATC's ability to demonstrate that it is addressing its statutory objectives, and would improve awareness of what is being measured.

Recommendation No. 3

3.22 The ANAO *recommends* that the ATC develops adequate performance measures against which its performance against all the statutory objectives can be measured and that these measures be clearly identified in planning documents to improve awareness of what is being measured.

Agency response

3.23 Agree. The Commission will review and rewrite its existing performance measures to demonstrate their alignment with statutory objectives and ensure they are clearly identified in planning documents.

Recommendation No. 4

3.24 The ANAO *recommends* that, once appropriate performance measures are identified, the ATC monitors progress against the achievement of its statutory objectives and prepares regular progress reports for the Board on the achievement of its statutory objectives.

Agency response

3.25 Agree. The Commission will adjust its current performance monitoring to reflect the changes in documentation referenced in our response to recommendations 1 and 3.

Assessing the overall contribution of the ATC to increasing tourism and its benefits

3.26 As discussed above, the performance information regime does not address the extent to which the ATC's investment in international tourism promotion contributes to the increase in visitor numbers and to other benefits of tourism.

Internationally tourism has been a growth industry and is expected to keep on growing. Against this background it is difficult to assess the ATC's contribution.

Nevertheless, Australia is considered by the World Tourism Organisation to have one of the most efficient National Tourism Administrations in the world, and, for example, the Bain review was generally supportive of the ATC's performance (see paragraph 1.9).

3.27 There have been attempts to model the relationship between marketing/advertising expenditure and visitor arrivals or tourist receipts. One model, by

Geoffrey Crouch of Monash University,²⁷ sought to determine a relationship between total arrivals and independent variables including income, relative prices, airfares, marketing expenditure and 'disturbance' factors (such as Expo, terrorism). Although he emphasised the indicative nature of the findings, Crouch concluded that a \$1 million increase in marketing expenditure would be associated with an increase in tourist arrivals and therefore tourist receipts by about \$30 million.

3.28 Another econometric model is that offered by Access Economics,²⁸ which applies a different dependent variable (tourism export income) to the independent variables. Access Economics concluded that a \$1 million increase in marketing expenditure could generate an additional \$8 - \$10.7 million in tourism export income per annum.

3.29 The ANAO notes that the Australian Bureau of Statistics is planning to examine the feasibility of establishing Tourism Satellite Accounts (TSA) in Australia.²⁹ The TSA would, *inter alia*, provide a source of data for research and analytical purposes, addressing the contribution of tourism to, for example, GDP, consumption, employment, taxation revenues, and foreign trade.

3.30 The ANAO also notes that Tourism New South Wales is working with the Australian Standing Committee on Tourism and the BTR on the production of guidelines for economic modelling for New South Wales. Tourism New South Wales is also intending to work with the New South Wales Treasury and the University of New South Wales on identifying the economic contribution of tourism to New South Wales.

3.31 The ANAO recognises the difficulty of identifying the relationship between the ATC's activity and benefits to Australia. It further notes the ATC's view that, given the recent and previous work in this area, further work would be a duplication of effort. However, the ANAO suggests that further consideration of such models, taking advice from academic or research institutions and government bodies as appropriate, would aid development of an approach to providing a more consistent and visible assessment of the ATC's contribution to increasing visitor numbers and maximising benefits to Australia. Furthering this work could have the added benefit of assisting the ATC in its decision-making processes with regard to such issues as marketing focus.

Public reporting of outcomes

3.32 Currently the ATC is subject to the corporate planning and accountability provisions of the Australian Tourist Commission Act, and related obligations such as other statutes and ministerial guidelines. The Act requires the ATC to prepare an annual report which includes an assessment of the extent to which the Commission's operations have achieved its objectives as stated in the corporate plan and implemented in each annual operational plan. The corporate plan includes both the statutory objectives and tourism corporate objectives. The annual report is the primary vehicle for reporting program performance to the Parliament and the public. As such, the ANAO would expect the Commission to meet its statutory reporting responsibilities by reporting to Parliament on the achievement of its objectives. In addition to parliamentary accountability, it is also a matter of good program management.

3.33 Government guidelines for the presentation of annual reports by statutory authorities provide further guidance addressing, *inter alia*, the requirement to report achievement of outcomes.

3.34 The ATC's 1995-96 Annual Report contains an

overall assessment of ATC's contribution to the tourism industry, primarily based on increased figures for arrivals and, to a limited extent, visitor expenditure and export earnings. It reports on achievements and activities in the regions, and activities in head office. Much of the information contained in the report is strategy and output based, rather than reporting on outcomes of performance in relation to the achievement of the ATC's three statutory objectives. In particular, as discussed in the earlier part of this Chapter, the Annual Report does not address the objective relating to 'protecting Australia from adverse environmental and social impacts', and addresses briefly only the tourism earnings aspect of the objective relating to 'maximising benefits to Australia'.

3.35 The Commonwealth Authorities and Companies Act (the CAC Act) will not change the need for the ATC to report on achievement of outcomes against objectives. Reporting against functions will also be of value but should not replace the need for reporting against the higher level objectives of the Commission.

Recommendation No. 5

3.36 The ANAO *recommends* that the ATC reports effectively on its performance in achieving its statutory objectives in its annual report to the Parliament, in compliance with statutory

obligations and reporting guidelines.

Agency response

3.37 Agree. From 1997-98 onwards, the Commission will adjust its current reporting to reflect the changes in documentation referenced in our responses to recommendations 1 and 3.

Evaluating specific ATC activities

3.38 In addition to developing performance measures and monitoring and reporting on progress, good program management seeks to evaluate the performance of programs and significant activities. Such evaluation provides a systematic assessment of a program, or part of it, to assist managers and other decision-makers to:

- assess the continued relevance and priority of program objectives in the light of current circumstances, including government policy changes (ie appropriateness);
- test whether the program outcomes achieve stated objectives (ie effectiveness);
- ascertain whether there are better ways of achieving these objectives (ie efficiency);

- assess the case for the establishment of new programs, or extensions to existing programs; and
- decide whether the resources for the program should continue at current levels, be increased, reduced or discontinued.

3.39 In short, evaluations have the potential to provide credible, timely and objective analyses to aid in resource allocation, program improvement and program accountability. They also provide an opportunity to concentrate on issues that are harder to assess than by ongoing performance monitoring.

3.40 The ATC does evaluate some of its activities. For example, 'tracking studies' are conducted to assess the effectiveness of ATC's advertising strategies in various markets. In some cases, however, the evaluations conducted have limited terms of reference and do not address the appropriateness and effectiveness of the activities in achieving program objectives. For example, they may report on such aspects as satisfaction levels of participants (for trade and travel shows), or the monetary value of publicity generated (for the VJP).

3.41 The ANAO also notes that the ATC was unable to demonstrate that the

appropriateness, effectiveness and efficiency of its activities related to the environment have been evaluated.

3.42 The ANAO recognises that marketing is a specialist field with unique approaches used to determine its effectiveness. The ANAO also notes the Advisory Panel comment that marketing organisations can under-invest in evaluation and research.

3.43 The approach of Tourism New South Wales demonstrates a structured approach to evaluation. There is a full-time evaluation officer, and large or strategically important programs undergo formal evaluation. A list of the projects evaluated is included in the organisation's annual report.

3.44 Well-conducted evaluations are an important management tool providing a mechanism to review the appropriateness, effectiveness and efficiency of programs. It would be beneficial for the ATC to adopt a more strategic and thorough approach to evaluation as part of an overall continuous improvement framework. The model in use at Tourism New South Wales could provide some valuable lessons.

3.45 The ATC has advised that a more structured and strategic approach to evaluation is currently being considered in the

context of the annual review of project plans.

Recommendation No. 6

3.46 The ANAO *recommends* that the ATC conducts effective evaluations of its programs on a cyclical basis as part of good program management.

Agency response

3.47 Agree. The Commission will adjust its evaluation program to reflect the changes in documentation referenced in our responses to recommendations 1 and 3.

4. Role and operations of the Board

This chapter identifies aspects of the operations of the Board which expose it to the risk of not being able to demonstrate satisfactorily that it is meeting its statutory responsibilities and achieving its statutory objectives. It also makes recommendations for improving the operations and practices of the Board which will provide appropriate protection, improve accountability and increase the transparency of decision-making.

Role and responsibilities of the Board

4.1 The role of the ATC Board as described in the Act is:

- to ensure the proper and efficient performance of the Commission's functions; and
- to determine the Commission's policy in relation to any matter.

4.2 As such the Board is the principal decision-making body of the ATC, with responsibility for the governance of the Commission. Its Directors are responsible in much the same way as Directors of a Corporations Law company and must in any case comply with their common law duties. The Managing Director and

government member from DIST are Board members, with the same responsibilities as other members of the Board. The Commonwealth Authorities and Companies Act (CAC Act) in significant respects codifies the relevant common law obligations of members of Boards of statutory authorities.

4.3 This chapter draws attention to a number of good governance principles which may assist the Board in addressing its responsibilities and offers suggestions and recommendations which would have the potential benefits of improving accountability, increasing the transparency of decision-making and protecting the interests of Board Directors.

ATC Board corporate governance

4.4 A key principle behind corporate governance is that the role played by the Board is integral to the good governance of the organisation and its accountability to stakeholders.

4.5 The importance of having a sound corporate governance framework has become greater in the wake of recent events associated with corporate Australia and public sector boards. For example, judgments in cases pertaining to directors' liabilities, such as that involving the collapse of the National Safety Council of Australia (Victorian Division),³⁰ emphasised the need for all directors to comply with the Companies Code and common sense when signing off directors' statements on the accounts. The 'laxity' of that Board's control was highlighted in the judgment, which also commented on the inadequacy of the information provided to the Board and the inadequacy of the minutes in recording how matters were dealt with.

4.6 The ANAO discussion paper on Corporate Governance Principles and Practice has been referred to at paragraph 2.2. In addition, the NSW Audit Office has recently released a report on *Corporate Governance* (June 1997) which contains useful

principles and practices for public sector boards in NSW.

4.7 The ANAO identified a number of areas in which the ATC Board could improve its operations and practices in order to be able to demonstrate that it is fulfilling its statutory responsibilities. These matters include improving measuring, monitoring and reporting on the performance of the Commission against its objectives; management of delegations; the Board's strategic role in determining policy for the Commission; and recording of Board activities and decisions. To assist the ATC in addressing these issues, the ANAO, in consultation with legal/corporate expert advisers, developed a suggested checklist on aspects of the operations of the Board and corporate governance generally (Appendix 10).

Ensuring the proper and efficient performance of the ATC

4.8 Under the Act, the Board is responsible for ensuring the proper and efficient performance of the Commission's functions. Performance of these functions is the means by which the ATC achieves its objectives. The most visible way in which the Board can demonstrate that it is fulfilling its statutory responsibilities is identifying performance indicators. These indicators should enable program

outputs and outcomes to be measured and enable regular monitoring of, and reporting on, the performance of the agency in the achievement of its statutory and corporate objectives, and support the efficient use of resources. These practices would enable the Board to satisfy itself of the proper application and operation of both the Corporate Plan and the Annual Operational Plan, and in so doing satisfy itself of the Commission's performance against its statutory objectives. However, as discussed in Chapter 3, performance measures for all statutory objectives have yet to be identified and the Board does not regularly review progress or report against all objectives.

4.9 One of the reasons for this may relate to the adequacy of the information provided to the Board. During the audit it became clear that there were several examples where, in the opinion of the ANAO, the Board needed better information than that provided on which to make informed decisions and form judgements on the performance of the Commission. For example, it would have been good practice for the Board to be provided with regular formal reports on the performance of the organisation at least against high level KPIs and targets in either the Corporate or Annual Operational Plans, rather than only rolling reports on arrivals, expenditure, length of stay and dispersal. It

would also have been good practice for such reports to be circulated to the Board in advance of its meetings wherever possible, rather than relying on reports given at meetings.

4.10 Ensuring that the Board receives all the key information it needs to monitor the performance of the Commission will enable the Board to probe and question, thereby increasing its ability to ensure the proper and efficient performance of the ATC.

Delegations

4.11 A further matter concerning the responsibility of the Board relates to the approval required for financial and other delegations. The Act provides for delegations of powers by the Board and by the Managing Director. The ANAO had some concerns about the validity and effectiveness of the scheme of delegations operating at the ATC, in particular whether the instrument of delegation by the Board was fully effective and whether the powers delegated and sub-delegated were appropriate. A further concern related to the apparent absence of regular reporting to the Board on the exercise of delegated powers.

4.12 The ANAO suggests that in order to ensure protection for the Board and staff of the ATC charged with implementing Board

decisions, it may be prudent for the Board to revisit and clarify delegations; this would be good practice whenever there have been significant changes of either Board membership or executive personnel. This would involve taking advice on the construction of a scheme of delegations and drafting the necessary instruments, consistent with its obligation of due diligence in the conduct of the affairs of the organisation. The ANAO understands that the ATC is now taking advice on its scheme of delegations and intends to rectify any deficiencies identified through this advice.

Determining ATC policy

4.13 The Board's responsibility under the Act is also to determine the policy of the ATC. This will also involve determining strategic directions, aligning management directions to that strategic view and ensuring that the objectives of the organisation are achieved. In exercising its governance of the Commission's affairs, the Board must manage the relationship between the various objectives and functions of the Commission with a degree of flexibility and judgment. In so doing, all objectives must be taken into account and the activities of the Board and the Commission aligned with them, reconciling any tension between statutory objectives.

4.14 The Corporate Plan is the key document through which the Board can demonstrate that it is addressing its statutory objectives in determining the strategic directions of the ATC. It is the ATC's view that review and approval of the Corporate Plan by the Board determines the strategic approach to the statutory objectives. However, as discussed at paragraph 2.16, the tourism corporate objectives as set out in the Corporate Plan do not reflect the totality of the objectives as set out in the Act. In particular, object (c) to 'protect Australia from adverse environmental and social impacts' is missing and object (b) to 'maximise benefits to Australia' is only partially reflected. Until there is a direct alignment between the statutory objectives and the tourism corporate objectives, and this alignment is reflected in the Corporate (and Annual Operational) Plan, there is a risk that the Board will be unable to demonstrate that it is fulfilling its statutory responsibilities.

4.15 In addition, the lack of clearly enunciated interpretations of the Commission's objectives (see paragraphs 2.5-2.12), and the absence of Board records on this subject, indicates that there is little evidence the Board has determined its strategic approach to the objectives of the Commission, other than through approval of the Corporate Plan. It would be particularly prudent to

address the strategic direction of the Commission whenever there has been a significant change in the membership of the Board.

4.16 A further area where current practices could be improved relates to the way in which the Board deals with events outside its formal Board meetings. In addition to the possibility of a formal or informal direction from the Minister, which the Board would need to consider, other such events might include meetings with the Minister, receiving presentations from regional directors and project managers, or meeting with industry representatives and State/Territory tourism authorities. Where matters of significance are raised in such forums, or where Board members have attended significant events, it would be good practice and improve the transparency of policy determination to record sufficient detail of the attendance and matters raised as part of an oral report to the Board; the substance of these oral reports would be recorded in the minutes. Although such meetings have been held, it is not the current practice of the Board to deal with them in this way.

4.17 In the event that the Board receives a direction or indication of priorities from the Minister, for which the Act provides, the proper protection of the Board would require that the handling of this be transparent.

The ANAO noted one instance where it appears that an indication of the Minister's priorities was received. Although the ANAO was informed that this was mentioned at a Board meeting, there is no record in the Board minutes that this occurred nor how it was considered in the context of the strategic directions of the Commission. A good practice approach to dealing with such matters is included in the checklist (see Appendix 10).

Board records

4.18 Recording of Board activities and decisions is another area where there is considerable scope for improved practice. In examining the minutes and other records of the Board, the ANAO found that:

- information about the Board's activities and the conduct of its meetings is not maintained in such a way that all the decisions of the Board can be clearly ascertained;
- it is not always clear from the minutes which sub-committees have been created or what their terms of reference and functions are;
- reports are often given verbally with no record of the matters reported;
- some written reports and other papers are not always

circulated in advance of meetings;

- significant correspondence, either received or sent, is not usually identified in either Board agenda papers or in the minutes;
- there is no minuting of significant matters raised at meetings and discussions outside the formal Board meetings which may influence the determination of policy and the Board's ability to make informed judgments about the performance of the programs and resource allocation issues; and
- there is no protocol for dealing with attendance at Board meetings by observers.

4.19 Adequate documentation helps meet accountability requirements and provides an effective form of risk management. The ANAO believes that the records of the Board in their current form provide inadequate protection for the Board in that they do not provide sufficient detail to ascertain what decisions the Board has taken and how it conducts its business. The suggested checklist provides some indication of how these records could be improved in order to address the problems identified above and at the same time to improve accountability, transparency of decision-making

and to protect the interests of the Board Directors and the staff at the ATC.

4.20 During the course of the audit, the ANAO noted that it was not only Board records which could be improved. The ANAO observed that use of official registry files was limited and that, on many occasions, the ATC struggled with the continuity of its corporate memory. This has been exacerbated by high staff turnover³¹ and changes in key personnel and highlights a need for a more effective process of record keeping.

Observers attending Board meetings

4.21 The ANAO notes that observers frequently attend Board meetings. However, protocols have not been developed to deal with this, as confirmed by ATC officers. In order to safeguard the confidentiality of Board deliberations, the ANAO considers it desirable to decide a policy on attendance by observers and develop protocols to deal with this. The checklist suggests the need for the Board to determine whether it is appropriate for an observer to be present, having regard to the matters under consideration; to formally resolve to admit such observers if this is the decision of the Board; and to clarify the requirements about confidentiality, and the part the

observer can play in the deliberations of the Board, with the observer.

Charter of operations

4.22 Once the Board has addressed some of these matters, the ANAO suggests that it may be appropriate and timely to consider developing a corporate governance statement or charter of operations which includes the main corporate governance practices adopted for the organisation. The statement could include such matters as the composition of the Board, the functions of the various sub-committees (including a list of the sub-committees created), an outline of the Board's responsibilities and the mechanisms it has put in place to achieve objectives, and how the Board monitors performance and communicates with stakeholders. It could also codify the standards it requires for both information provided to it and records of its activities and decisions.

Conclusion

4.23 The ANAO considers that the ATC could have better defined its approach to all of its statutory objectives by now and developed appropriate performance indicators by which its progress against the achievement of statutory objectives could be measured.

4.24 The Board has several challenges facing it, not least of which are the moves towards better corporate governance in both the public and the private sectors and new requirements associated with the introduction of the CAC Act. This evolving environment presents an opportunity to improve practices to achieve better governance, improved transparency of decision-making and improved accountability. By adopting such practices the Board will be able to demonstrate satisfactorily that it is fulfilling its statutory responsibilities. The suggested corporate governance checklist provides the basis for the Board to address this issue, possibly supported by a charter of operations.

Recommendation No. 7

4.25 The ANAO *recommends* that, in order to provide appropriate protection for its Directors, the Board conducts its business in such a way that it can demonstrate that it is fulfilling its statutory responsibilities and achieving its statutory objectives. Ensuring that recommendations 1-5 are implemented will substantially contribute to addressing this point.

Agency response

4.26 Agree.

Recommendation No. 8

4.27 The ANAO *recommends* that the Board reviews its operations and practices to bring them more into line with the guidelines suggested by the ANAO in the better practice checklist (Appendix 10). The ANAO suggests that priority be given to:

- improving the recording of Board activities and decisions; and
- reviewing and revising, as appropriate, the scheme of delegations.

Agency response

4.28 Agree. The Board has reviewed the checklist and implemented those practices suggested by the ANAO that are not already undertaken on a regular basis.

5. Communication with stakeholders

This chapter discusses the ATC's current approach to its stakeholders and identifies ways in which the ATC could further improve its communication with stakeholders.

Introduction

5.1 The Act provides for the ATC to work closely with State and Territory tourism authorities and with the Australian tourism industry in the overseas promotional efforts of the Australian tourism industry. Ensuring effective communication channels with stakeholders is an important part of corporate governance as it makes agency performance more visible as well as ensuring stakeholder confidence and investment.

5.2 The ATC is involved in a number of ways with its stakeholders in many aspects of its operations and programs. For the most part, as the Bain review highlighted, the ATC and its services are held in high regard by the tourism industry. (see paragraph 1.9) However, improvements can be made to

ensure that the partnership with the States/Territories and industry is maintained at a high level and that effective communication occurs with other Commonwealth agencies. These matters are discussed below.

Consultation and communication

Corporate Plan consultations

5.3 The Act provides for the ATC to consult with State and Territory tourism authorities and other bodies concerned with tourism when it is preparing or revising its corporate plan. Liaison with, and input from, such bodies ensures that the ATC takes account of the views of stakeholders in matters affecting the ATC and is essential to effective corporate governance.

5.4 In the development of its latest Corporate Plan, ATC officers for the first time consulted personally with State and Territory tourism bodies, as well as some lobby groups, airlines, hotel operators, tour operators, a consultant, an academic and officers from DIST. On previous occasions, consultation was by circulating draft papers for comment.

5.5 In addition to expressing support for the ATC and its programs (for example, Partnership Australia), other comments that emerged from those consultations were that the ATC needs to do more to maximise and spread the benefits to Australia from overseas visitors (particularly in view of the forthcoming Olympics) and to demonstrate that it is fulfilling its responsibilities regarding the environment. A further suggestion from some stakeholders was that the ATC should assume a leadership role in a number of key areas impacting on the industry, including:

- measuring the value of the industry by more than arrival numbers; and
- setting market priorities for industry.

In the ATC's own assessment, the consultations highlighted the need for the ATC to work more

closely with the industry in Australia.

Communication with stakeholders

5.6 In addition to its consultations on the Corporate Plan, the ATC consults with its partners in the development of such programs as Partnership Australia, VJP, and trade shows. The ATC also has extensive communication with stakeholders through regular meetings and summits with industry, organised by the Inbound Tourism Organisation of Australia (ITOA) or the ATC, and through formal meetings with industry in the ATC's overseas offices.

5.7 The ANAO notes that the ATC no longer has meetings of the Tourism Industry Advisory Group which provided a formal and regular opportunity to identify industry needs and discuss issues pertaining to tourism and the ATC's role. The proposed Tourism Advisory Groups, suggested as part of the ATC's new industry strategy, may fill this need.

5.8 During the review of the ATC conducted by Bain International in 1994, an extensive survey of industry perceptions of the ATC's operations and performance was conducted. The ATC has not conducted any such surveys of its stakeholders since then; although in the 1997-98 Annual

Operational Plan, the ATC indicates its intention to investigate customers' needs through a satisfaction survey to be conducted before 30 June 1998.

5.9 One of the key means by which the ATC seeks to pass on its views to stakeholders is by issuing press releases and making public statements on matters affecting the tourist industry and the ATC's achievements. This approach is potentially a useful adjunct to other more formal contact with stakeholders. However, in the view of the Advisory Panel, it is not regarded as an effective means of communication by industry nor does it replace the need for formal and regular communication.

5.10 The Advisory Panel emphasised the importance of timely communication with stakeholders. For example, although the ATC issued a statement at the conclusion of the Australia-Japan Summit, held in February 1997, and held some follow-up meetings/briefings with individual industry members, it did not circulate the minutes and action plan relating to the Summit until three months after the event. Some participants at the Summit would have appreciated being advised of the reasons for the delay in issuing the minutes and the follow-up activities which occurred.

5.11 At the conclusion of the audit, the ATC had just developed a discussion paper outlining a proposed 'Industry Interactive Strategy' to formalise its communication and relationship with industry. It is not clear whether the ATC consulted key stakeholder groups in developing this discussion paper. As part of the proposed strategy, the ATC plans to establish national Tourism Advisory Groups which will meet quarterly to identify focus areas and review global issues facing the industry. The proposed strategy also includes reference to more formal and regular contact with the States/Territories and industry leaders.

Communication with relevant Commonwealth agencies

5.12 The ATC also communicates with a range of Commonwealth and other agencies, and has regular contact with DIST, especially the Office of National Tourism, the Department of the Prime Minister and Cabinet, the Department of Immigration and Multicultural Affairs, and the Department of Foreign Affairs and Trade. It also advises that it has occasional contact with a number of other departments and agencies including the Department of Transport and Regional Development, Austrade and the Australian Customs Service.

5.13 These and other Commonwealth agencies, such as those with responsibility for the environment, employment, health, tax, quarantine, could assist the ATC in progressing its statutory objectives. Although the ANAO notes that the ATC regards this as the responsibility of DIST, it is not clear what effort, if any, has been made by the ATC to liaise with and receive input from such agencies.

5.14 The ATC demonstrated in its Environment Strategy that it was aware of the activities of key agencies such as DIST, the then Department of the Environment, Sport and Territories and the Environment Protection Agency, CSIRO and the ABS. The ATC also advised that it did consult Environment Australia and the Office of National Tourism in the development of its strategy. However, there is little evidence to suggest that it pursued the development of communication channels with all of these bodies. Developing more effective communication channels with these bodies would make a valuable contribution to progressing statutory object (c).

5.15 It would also be beneficial for the ATC to consider working more closely with organisations which can help it to monitor its performance. For example, the BTR, DEETYA, DIST and the ABS may be able to contribute to the development of appropriate performance measures to assist

the ATC to monitor its performance.

5.16 The ATC has recently developed a strategy to enhance its relationships with Commonwealth agencies. However, the strategy is focused on profile raising through targeting key political, bureaucratic, corporate and media people and groups. The strategy does not address how to develop more structured communication channels with Commonwealth agencies in order to assist the ATC to progress its statutory objectives.

5.17 The ANAO suggests that the ATC could further its work in developing a more structured approach to, and broaden its contact with, Commonwealth agencies in order to assist and progress the achievement of its statutory objectives.

5.18 In the context of working with other Commonwealth agencies, the Advisory Panel has observed that there is a degree of confusion among stakeholders about the respective roles of ATC and DIST (ONT) and that it would be useful for their respective roles to be clarified and for this information to be conveyed to stakeholders. The recent report, *Going for Growth*³² (the Mortimer report), also refers to overlap between the ATC and ONT.

Providing information and research

Publications

5.19 The ATC maintains a contact list of some 6,000 bodies involved in the tourism industry and distributes its general interest newsletter, *Australia*, to them on a quarterly basis free of charge.

5.20 The ATC also produces a small publication, *Tourism Pulse*. The newsletter provides a report on the state of inbound tourism and is produced every 4-6 weeks depending on the availability of statistics from the ABS. It originally had a free distribution list of some 2,500, but from 1997 a subscription fee of \$50 per year was introduced to recover the cost. Currently there are some 900 subscribers (including those who obtain it as part of their ATE participation fee). The fall, while partially ascribed by the ATC to eliminating duplication, may also reflect a need to evaluate the degree to which this publication meets the needs of customers.

5.21 The ATC has recently developed an 'Extranet' site for industry and the media, as an adjunct to its Internet site for consumers. The 'Extranet' site provides a range of information on such matters as cooperative marketing activities.

5.22 The ATC has not conducted specific surveys of

industry or other stakeholders to determine their requirements for information or the value of their current publications. The ANAO urges the ATC to seek feedback on a more formal and regular basis from its stakeholders as to the content, quality and timeliness of the information sought by stakeholders.

Research

5.23 The Act also provides for the ATC to undertake research and disseminate the results. The 1997-98 Annual Operational Plan acknowledges the importance of communicating its research to its key customers (identified as being first, the ATC and its management, and second, States/Territories and industry).

5.24 The ATC has a large information/research base which could provide valuable assistance to States/Territories and industry. Market profiles, which are updated every two years, have been developed for 22 countries. The newly released profiles, which retail for \$30 each, now summarise key ATC research thus making this information more readily available to industry.

5.25 In addition to the profiles, perhaps the most significant of the research holdings which are available for sale are the strategy studies for different markets. The strategy studies are available as a report and as a database.

Purchasers receive a presentation of the research, and can choose the level of research they require. The cost of these strategies is currently \$10,000 for the report and presentation and a further \$10,000 for the database. The majority of States and Territories have purchased those reports of strategies which pertain to their special markets of interest. In 1995-96 a total of \$170,000 was raised through sale of the studies to the States/Territories, with a further \$70,000 raised in 1996-97. The revenue raised is returned to the research budget to commission further research studies.

5.26 The ATC has not yet approached industry with a proposal to sell its research, although it is addressing a strategy to do so in the 1997-98 Annual Operational Plan. There are therefore no readily available means of industry accessing this intelligence beyond the level of detail contained in the market profiles, although the ANAO understands that one airline has access to the research.

5.27 The Advisory Panel has advised that access to such research is of considerable importance to industry as industry requires knowledge about what incoming tourists from different markets want in order to develop the infrastructure to meet their needs. The difficulty with such extensive and therefore

expensive research is that small operators in the industry may not be able to afford it. The recently enhanced Market Profiles should improve the availability of this information. Considering other ways to produce the research and make it more accessible to industry, especially small operators, is a matter which the ATC could usefully pursue further with industry groups.

5.28 The Advisory Panel made a number of suggestions to improve access by industry to ATC research. One suggestion is for the ATC to consider a partnership arrangement with a university or research institute whereby the ATC makes its research available and the institute interprets it according to the needs of the various sectors. A further suggestion was that the ATC considers releasing information contained in the monthly marketing reports from its regional directors to industry. The ANAO notes that extracts from marketing operations reports are now included in the publication *Tourism Pulse*. The Panel also suggested that it would be useful for stakeholders to know what research the ATC has and would welcome the ATC advising its stakeholders of its research holdings.

Conclusion

5.29 The ANAO acknowledges that the ATC has involvement with a number of Commonwealth

agencies and has extensive involvement with its stakeholders in the development and implementation of its partnership programs and in a variety of industry fora. However, the ANAO considers that communication with agencies, bodies and stakeholders could be further improved through, for example:

- regular meetings to identify needs and discuss issues pertaining to tourism and the ATC's role;
- surveys of stakeholders to determine the level of satisfaction with ATC's performance and services;
- consultations with other Commonwealth agencies on strategies to progress the ATC's statutory objectives;
- ensuring publications and information provided to stakeholders is relevant, sufficient and timely to meet industry's needs; and
- improve stakeholder access to ATC research, on an appropriately priced basis.

5.30 The recently developed Industry Interactive Strategy

Discussion Paper recognises the need for the ATC to increase the opportunities for effective two-way communication with industry. The strategy has the potential to address some of the issues raised in this report in terms of improving the effectiveness of the ATC's communication and relationship with industry.

Recommendation No. 9

5.31 The ANAO *recommends* that the ATC improves the effectiveness of its communication with stakeholders and relevant Commonwealth agencies, in particular by addressing stakeholder desire for relevant and timely information and appropriate access to research.

Agency response

5.32 Agree. While the Commission believes that our current communication with industry stakeholders is more than adequate, the Commission acknowledges that there are always opportunities to further improve effectiveness of its communications with stakeholders and relevant Commonwealth agencies and will identify and act upon them as appropriate.

6. Response to administrative reviews

This chapter discusses the improvements made by the ATC in response to recent administrative reviews, in particular the 1994-95 Bain review, and identifies ways in which the ATC could improve the management of its response to administrative reviews in the future.

Reviews of the ATC

6.1 Since 1991, a number of internal and external reviews of the ATC have been undertaken, some of which were consultants investigating a specific aspect of ATC's operations. These include:

- the *Evaluation of the Australian Tourist Commission's Marketing Impact*, 1991, compiled by the Department of Finance, Department of the Arts, Sport, the Environment, Tourism and Territories and the Australian Tourist Commission (the Commonwealth review);
- the review of ATC's European operations, the *Report on a Marketing Management Review of European Operations*, 1991, (the Winchester review);

- the review of ATC global operations, 1992 (the Scottford review); and
- the review of ATC's efficiency and effectiveness, *Project Eagle*, 1995 (the Bain review).

6.2 The most significant of these reviews, the Bain review, was commissioned by the ATC Board in September 1994 in response to a request from the Minister that a review be undertaken. In order to conduct the review, the Board sought the services of a consultant specialising in strategy evaluation. Bain International conducted the review between September 1994 and January 1995.

6.3 The reviews have largely focussed on two main areas - examination of the administrative efficiency and effectiveness of the organisation, and evaluation

of the ATC's marketing strategies.

6.4 The ATC appears to have taken limited effective action to address the findings of reviews conducted prior to the Bain review. The ATC could not demonstrate that it had taken any action to address the issues discussed in the 1991 Commonwealth review. The ANAO understands that, although there are no records associated with it, ATC management considered the report of the Winchester review, but rejected the recommendations. No records were able to be identified and corporate memory is fragmented about the Scottford review.

6.5 The remainder of this chapter discusses the ATC's response to the Bain review.

The Bain review - action taken on implementing recommendations

6.6 The recommendations of the Bain review were primarily directed at improving program efficiency and effectiveness by reducing expenditure, redeploying funds, increasing cost recovery and sharpening the focus of marketing. The review also highlighted the need to address the organisational

structure and other management and administrative issues.

6.7 The Bain review, which was accepted by the Board, made 109 recommendations addressing, *inter alia*, areas such as:

- restructuring of the organisation along six key management capabilities;
- reorienting the ATC's core activities into marketing operations and support;
- increasing the focus on strategy and planning within the ATC;
- extending outsourcing options;
- centralising the decision-making framework in some key areas;
- redefining the ATC's role in product development to minimise duplication with industry;
- increasing the emphasis on the Meetings, Conventions and Incentives (Business Travel) market;
- maximising cost efficiencies in ATC media purchasing and advertising production; and
- achieving enhanced industry participation in ATC services and products.

6.8 The ATC has achieved a number of administrative improvements over the last two years as a result of its

implementation of many of the Bain review recommendations. In the view of the ANAO, the actions taken fall into four broad categories. These are:

- *organisation/administration;*
- *cost reduction;*
- *cost recovery; and*
- *marketing.*

6.9 An analysis of the most significant administrative improvements in relation to these four areas follows.

Organisation/administration

6.10 The ATC implemented a new organisational structure that reflected the main thrust of the Bain recommendations, although several adjustments have been made, and continue to be made, to accommodate changing needs and to increase the focus on marketing. In addition, a restructure of the ATC's presence in the Asian region, the ATC's fastest growing and most dynamic market, has been undertaken.

6.11 To increase the focus on strategic and business planning, the ATC developed and implemented a more structured process that involves input from the regions. Regional Directors confirm that strategic and business planning has improved considerably in the last two years. The ATC advises that further improvements are to be

introduced to ensure staff are more aware of ATC's strategy and plans.

6.12 The restructuring of the organisation and improvements made to strategic and business planning have substantially addressed a number of the Bain review's key recommendations. Other organisational and administrative improvements made include the following:

- the ATC has tried to strengthen interaction with government and industry through the creation of a Government Relations Officer and Market Coordinators, respectively;
- the ATC has also moved towards improving aspects of its human resource management by the development of a human resource strategy and the introduction of a Performance Management System, although there is more to be done in this area;
- although it has some limitations, a resource allocation model has been developed, which is designed to facilitate decision-making with respect to appropriate levels of investment in markets, according to their stage of development; and
- the ATC has also improved its information systems for

internal communication and reporting as well as global communication between offices, although not to the extent recommended in the Bain report.

6.13 During the course of the audit, the ANAO noticed that there were some other aspects of the organisational structure which could be improved, including identifying the area responsible for the implementation of the environment strategy and clarifying the roles and responsibilities of the cross-functional teams charged with implementing strategies or projects. The ANAO understands that the ATC is commencing a risk assessment project which is aimed at addressing some of the issues identified in this report.

6.14 The Bain review contained recommendations about a process to implement the agreed recommendations, conducting a post implementation audit, communicating the results to the Board and incorporating the agreed cost/revenue efficiencies into revised budgets. As will be seen in the next section, this is an area where the ATC could have improved its performance.

Cost reduction

6.15 Cost reduction was a significant element of the key areas identified by the Bain

review and the ATC has acted to reduce costs in a number of ways. The most significant of these include cost reductions in advertising; publications and distribution; Partnership Australia; office relocation; outsourcing of head office functions and reporting.

6.16 In the area of advertising, after examining its media purchasing costs in greater detail, the ATC conducted an international advertising agency review. Following an extensive tendering process, the ATC renegotiated its advertising contract with one central worldwide agency. When signing the new advertising contract, the ATC selected the most expensive tender on overall value for money grounds; any savings are yet to be identified. The ATC also reduced the number of its production houses from four to three, which it believes will achieve a saving of \$2.8 million per annum in production and concept development.

6.17 Cost reductions in publications and distribution have led to the ATC introducing a cheaper edition of the *Travellers Guide* in the USA, which it believes reduced costs by \$300,000. The USA edition is now self-funding and is likely to be the model for other editions. The ATC also replaced its contract mailing houses with a system of storage houses which

are designed to result in savings of \$250,000.

6.18 For Partnership Australia (PA), the ATC has streamlined its operation in Europe by centralising its Helplines to London. The ATC believes this has achieved savings of about \$1,400,000. The ATC has also expanded PA to cover other activities which would otherwise have been duplicated by the States, thereby reducing costs on all parties. The ATC has now moved to improve financial recording and reporting of expenditure and receipts associated with management of PA.

6.19 The ATC has achieved significant savings through relocation and consolidations of overseas offices. The relocation of the Los Angeles office and the closure of the office in New York is estimated to provide savings of \$2.9 million over ten years. The ANAO notes that, in 1996-97, further savings are expected by the closure of the ATC's representative office in Paris and moving to smaller premises in Osaka.

6.20 Although no savings can be identified, the ATC believes that it has achieved further efficiencies through the outsourcing of such head office functions as information technology, finance, treasury management, internal audit and insurance brokering. Changing

the size and format of the 1995-96 annual report resulted in a saving of \$43,000.

6.21 By improving cost efficiency in its media purchasing and advertising, centralising some programs and extending a number of outsourcing options, the ATC has addressed a number of the key areas identified in the Bain review.

Cost recovery

6.22 The essence of the Bain recommendations in the area of cost recovery was that there should be a recognition of the true commercial value of the products and services the ATC provides to industry, state tourism organisations or consumers and that users should pay for the services they receive. Evidence exists that the ATC has performed quite strongly in this area, particularly through cost recovery in trade shows, publications, cost sharing with partners in major programs such as VJP and PA and sales of research products.

6.23 With respect to trade shows, the ATC has achieved significant cost recovery through increased fees and greater contributions from participants. In 1995-96 the ATC achieved almost \$470,000 surplus on direct costs (ie excludes ATC overhead and staff costs). The overall surplus is reduced if the

cross-subsidised MC&I events are taken into consideration.

6.24 With respect to publications, the modified edition of the *Travellers Guide* in the USA has lifted revenue rates per page from \$7,000 to \$10,200. The *Guide* has become self-funding through increases in advertising and savings measures.

6.25 For the VJP, the ATC has improved the cost sharing arrangements with its partners, with the contributions from the States and Territories structured at a minimum 50 per cent of costs. The ATC has also made some efforts to direct VJP itineraries towards areas more receptive to sharing costs, and to encourage the participation of operators more receptive to sharing costs with hotels and airlines. Consistent with the 'user pays' principle, the ATC is now funding that proportion of the PA Helpline services that is relevant to it.

6.26 The ATC has recovered some of its research costs through the sale of demographic data and the sale of research, particularly to the States and Territories. However, as discussed at paragraph 5.26, there is a significant opportunity for greater cost recovery through sale of research to industry.

6.27 By enhancing industry participation in a number of ATC

services and products, the ATC has substantially addressed one of the key thrusts of the Bain review, although redefining the ATC's role in product development has not been fully addressed.

Marketing strategies

6.28 The ATC acted to address a number of the Bain recommendations to improve the focus of marketing. In the development and production of advertising concepts, it has taken steps to regionally position and test advertisements in the respective markets, and to track the effectiveness of advertising campaigns through 'tracking studies'. Such tracking studies constitute a measure of the effectiveness of the ATC's advertising but, although they can measure recall and reach in their sample audiences, they do not measure response. The ATC believes that it is now more aware of the impact of other advertising on its own marketing approach and wishes to work towards greater synergy with other organisations that feature Australia in their advertisements.

6.29 In the area of retailer/wholesaler development, the ATC expanded its Aussie Specialist Scheme to more markets in the UK, Germany and New Zealand, a move the ATC believes will be more effective in disseminating Australian information to a large distribution

base. It has also placed market development coordinators in Sweden and Germany as part of the European trade development strategy.

6.30 To increase the emphasis on the growing meetings and conventions area, the ATC, while not undertaking the global campaign recommended in the Bain report, undertook a direct MC&I marketing campaign. It has also updated its Marketing Information Database to improve its capacity to monitor the performance of PR companies. The ANAO understands that funding for the MC&I global campaign was dependent upon additional funding sought by the ATC in connection with the Olympics.

Summary of action taken to implement the Bain review's recommendations

6.31 The following table summarises the ANAO assessment of the extent of the

implementation of the Bain recommendations.

6.32 In the view of the ANAO, the ATC has now implemented (either in full or in part) the majority of the recommendations in the Bain report. In so doing the ATC has substantially addressed most of the Bain review's key areas. This has resulted in a number of administrative improvements, particularly in the areas of organisational/administrative change, cost reduction, cost recovery and marketing, although they have not always gone as far as the Bain report recommended in all areas. The ANAO recognises that it is the prerogative of the ATC to determine which of the recommendations of the review to implement.

**Table 1:
Extent of the implementation of the Bain review
recommendations at June 1997**

Implementation action	Number of recommendations	Percent of total
Implemented in full	56	51
Partial implementation	39	36
Not implemented ³³	14	13

Total	109	100
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Monitoring, measuring and reporting on the administrative improvements made

6.33 Following presentation of the Bain report to the ATC in February 1995, the Board, which approved the report, instructed the Managing Director to commence implementation of the findings in accordance with an agreed implementation plan. In the light of this instruction, the ANAO expected that the ATC would have established an effective and on-going mechanism to manage the implementation process, monitor the improvements made and report on the achievement of the outcomes of the review in terms of efficiencies achieved, savings identified, funds redeployed and benefits to the organisation.

6.34 The Board established a Review Sub-Committee in June 1994, but there appears to be no minutes of the Sub-Committee's activity. The ANAO found that the only documentary evidence of monitoring the implementation of the recommendations was an assessment and statistical summary prepared in September 1995, in response to a request from the Board. According to the ATC's assessment, 101 of the recommendations were

complete, ongoing or in progress by September 1995. Of these, only six were completed at that time, 31 were ongoing and 64 were in progress.

6.35 It is not clear whether the assessment or the statistical summary was provided to either the Board or its Review Sub-Committee, but three verbal progress reports were given to the Board by the Review Sub-Committee, the last in September 1995 at which time the Review Sub-Committee declared that the status of the implementation was satisfactory. Details of the contents of the verbal reports were not recorded in the minutes. The Board subsequently decided in February 1996 that there was no longer a need for the Review Sub-Committee to exist, without any further progress reports (verbal or documentary) on the implementation of the recommendations.

6.36 In its 1995 assessment, the ATC anticipated being able to measure savings achieved and funds redeployed from 1994-95 to 1997-98 (Appendix 11). However, the ANAO was unable to find any evidence that there was any monitoring of, or reporting to the Board on, the savings achieved or the amount of funds redeployed.

6.37 As described in paragraphs 6.10-6.30, the ATC

has been able to identify some reductions in expenditure (or cost savings), some increases in cost recovery and has some anecdotal evidence of improvement in some areas. However, the ANAO found that measuring the improvements in all areas was difficult because many of the estimates could not be verified and in some areas relevant data could not be identified.

6.38 The ATC has advised that it is not possible to provide an accurate estimate of the overall savings achieved as a direct result of implementing the Bain recommendations (see Appendix 12). However, at the conclusion of the audit, the ATC estimated that, since the review, the environment and activities fostered by Bain have generated savings/revenue in excess of \$12 million.

6.39 The ANAO also noted when interviewing personnel at the ATC that the response to the Bain review varied significantly from the Board, senior management, regional directors and project managers. These responses ranged from a high level of satisfaction with the review, to a very critical, even dismissive response. In such an environment an effective mechanism to manage, monitor and report on change is particularly important. In discussions with the ANAO, and in its response to the ANAO's

issues papers, the ATC indicated that it could improve its management and monitoring of review findings in the future.

6.40 During the course of the audit, the ANAO also noticed other instances where there was a lack of consistency through different levels of the organisation to broader common and agreed corporate objectives. The ATC has acknowledged this and is moving towards ensuring that managers have a less inward focus.

Conclusion

6.41 In the view of the ANAO, the ATC did not have a sufficiently effective or on-going mechanism to manage, monitor, measure or report on the improvements made. The ANAO recognises that many of the recommendations have become an integral part of ATC's management operations, and the Board, being aware of the longer-term nature of some of the recommendations and the changing nature of the environment may not have considered it necessary for ongoing reporting on performance in relation to the Bain report. Nevertheless, in the ANAO's view, an improved internal monitoring system, with clearly identified performance measures, would have enabled the ATC to measure the benefits of administrative improvements made and report these to the

Board. The Board, in turn, would have been able to report to the Minister the results of the review, and thereby improve its accountability to a key stakeholder.

Recommendation No. 10

6.42 The ANAO *recommends* that, when addressing the findings and recommendations of administrative reviews, the ATC ensures that the recommendations accepted by the Board are addressed, that implementation is monitored,

and, as appropriate, the Board is informed of implementation progress and improvements arising therefrom.

Agency response

6.43 Agree. The Commission will enhance its practice of communicating the findings, recommendations and subsequent implementation of administration reviews to the Board.

Canberra ACT
23 October 1997



P.J. Barrett
Auditor-General

Part Three

Appendices

Appendix 1

ATC staffing levels 1987 - 1997¹

(as at 30 June of the respective year)

Year	87/88	88/89	89/90	90/91	91/92	92/93	93/94	94/95	95/96	96/97
Head Office	41	49	54	60	61	56	62.6	51.6	66.6	65.9
Auckland	4	4	2	3	2	1	1	2	3	3
Frankfurt	4	7	8	7	6	5	3	2	4	4
London	9	10	10	11	11	11	21	17	21.5	22
Los Angeles	5	11	10	11	10	7	10	11	10	22
New York	3	4	5	5	5	8	9	11	12	-
Chicago	2	3	4	4	4	-	-	-	-	-
Toronto	3	4	5	5	3	-	-	-	-	-
Tokyo	5	7	7	7	8	10	9	11	15	16
Osaka	1	3	3	3	3	3	3	4	4	5
Singapore	4	7	8	7	8	5	8	8	9	11
Hong Kong	-	5	7	7	8	8	13	13	15	13
Total O'seas	40	65	69	70	68	58	77	79	93.5	96.0
Total	81	114	123	130	129	114	139.6	130.6	160.1	161.9

(1) Permanent employees only (does not include temporary employees and long-term contractors).

Source: Compiled by ANAO from ATC annual report data

Appendix 2

ATC staffing trends and gross revenue 1987-1997

Year	Staff Years ¹	Revenue from Appropriation (\$ 000) ²	Revenue from Industry (\$ 000) ²	Gross Revenue (\$ 000) ²
1987/88	87.5	46,828	10,363	57,191
1988/89	85.5	46,180	9,636	55,816
1989/90	127.8	64,126	12,686	76,812
1990/91	133.5	69,533	14,681	84,212
1991/92	131	75,754	22,221	97,975
1992/93	119.4	82,173	25,148	107,321
1993/94	136.5	82,486	28,794	111,280
1994/95	142.7	82,475	35,827	118,302
1995/96	161	81,069	31,159	112,228
1996/97	162.8	76,819	33,526	110,345

1. Staff years is an aggregate measure of employment based on the hours worked by employees over the period of one year. 1996/97 figure is estimated by ATC.
2. Gross revenue includes parliamentary appropriations and industry contributions (excludes other revenue). Revenue is adjusted for inflation (using ABS GDP expenditure-based deflators) to enable direct comparison.
3. ATC advises that the majority of funds are spent overseas and are therefore subject to foreign exchange fluctuations.

Source: Compiled by ANAO from ATC annual report data and parliamentary budget papers.

Appendix 3

ATC programs and activities

Working with the private sector and State and Territory tourism authorities, the ATC's activities include extensive consumer advertising overseas on television and in print, public relations programs and the coordination of Australian industry participation in travel missions and trade shows around the world.

The most recent significant initiative in advertising has been the '**Brand Australia**' advertising campaign, which integrates brand and tactical advertising, public relations and promotions to create a consistent global brand image for Australia in all major world tourism markets. The campaign was launched in September 1995 and will involve spending \$100 million over three years to reach a global audience of 500 million.

The **Visiting Journalists' Program (VJP)** is another important aspect of the advertising and publicity programs. In a cooperative program between the ATC, States/Territories, airlines and tourism operators, the VJP brings foreign journalists to Australia and finances their visits to achieve exposure through items published or broadcast in the respective country's media. The ATC estimated that the total publicity value of the VJP in 1995-96 was more than \$300 million.

Partnership Australia (PA), established four years ago, has brought together the ATC, State/Territory tourism bodies and industry in an effort to share costs in activities such as advertising campaigns and telephone information Helplines for consumers in overseas markets.

The **Australian Tourism Exchange (ATE)** is one of the most important trade show events. ATE provides participants with a cost effective opportunity to negotiate business and establish new contacts. Publications such as *Travellers Guides* are also

produced and distributed to consumers in the Americas, Asia, Japan, Europe and New Zealand. Profiles of Australian companies are also listed in a Marketing Information Database (MID). MID provides information for the production of publications, organisation of trade events and management of communications with the Australian industry.

ATC has also developed an Internet site, containing some 10,000 pages and 2,000 images. Through its **Meetings, Conventions & Incentive program (MC&I)**, the ATC also works with other industry bodies to increase the number of international visitors attending conferences, meetings, exhibitions or incentive programs.

In preparation for the **Olympic Games** in Sydney in the year 2000, the ATC has established a business unit to identify and coordinate Games related opportunities designed to leverage benefits for the tourism industry.

Appendix 4

ATC marketing awards

The ATC's achievements have been reflected in its success in winning a number of marketing awards. In 1995-96 these included:

- World Travel Market global award, sponsored by the UK magazine *Traveltrade*; for the Partnership Australia program,
- Pacific Asia Travel Association (PATA) Gold Award for Best Marketing Campaign, for the 'Brand Australia' advertising campaign.

The ATC was also cited as the world's most successful tourism marketing body at the inaugural White House Conference on Tourism and Travel hosted by President Clinton in October 1995.³⁴

Since launching its internet web site in June 1996, the ATC has also won a number of Australian and international awards, including the 1996 Australian Marketing Institute National Award for marketing excellence in the category of 'new technology', and the 1997 ENTER 97 international award for the best 'destination' site awarded by the Technology and Tourism Organisation.

Appendix 5

Commonwealth and State/Territory tourism bodies

A number of bodies at the Commonwealth and State/Territory levels provide policy direction and advice, research and administrative support for the tourism industry within which the ATC operates.

The **Tourism Ministers' Council (TMC)** provides a forum for discussion of tourism policy matters of mutual interest to the Commonwealth, State, Territory and New Zealand Governments.

In 1987 the TMC recognised that tourism makes a major contribution to the Australian economy and affirmed its determination to cooperate in the development of the tourism industry throughout Australia. An *Understanding on Government Objectives and Responsibilities in Tourism*³⁵ reached by the Tourism Ministers outlined the responsibilities for each level of government. Under the agreement the Commonwealth and States/Territories share responsibilities for collaborative promotions and marketing activities in the international market in accordance with a national strategy. State and Territory Governments have prime responsibility for domestic promotion and marketing as well as for the provision of infrastructure and facilities.

The **Australian Standing Committee on Tourism (ASCOT)**, comprises the heads of all of the Commonwealth, State and Territory tourism organisations as well as the head of the New Zealand Tourism Board. Representatives from the Papua New Guinea Tourism Promotion Authority and the Norfolk Island Government Tourist Bureau also attend as observers. ASCOT is responsible for developing, coordinating and considering tourism policies in Australia. ASCOT also provides advice and recommendations to the TMC.

Working with the ATC in both administration and policy development, is the **Department of Industry, Science and Tourism (DIST)**. In DIST, the **Office of National Tourism**

(ONT) works to enhance the contribution tourism makes to the well-being of Australians. It does this by developing and implementing government policies and programs which: encourage the development of tourism in Australia; identify opportunities in tourism; reduce barriers to industry development; and provide information to aid industry decision-making.

The **Bureau of Tourism Research (BTR)** provides independent, accurate, timely and strategically relevant statistics and analyses to the tourism industry, government and the public. BTR is an independent non-statutory agency jointly funded by the Commonwealth and State/Territory Governments. The BTR is a sub-program within DIST. On policy matters and the use of its core budget, the BTR reports directly to the Minister and to the TMC, through ASCOT.

The **Tourism Forecasting Council (TFC)** provides the tourism industry and planners with realistic and relevant forecasts of tourism activity so that tourism could develop based on sound investment decisions. The Council comprises representatives from both the private and public sectors in the tourism, construction and finance industries.

A number of industry bodies and lobby groups also exist, including the national peak tourism industry body, **Tourism Council Australia (TCA)** (formerly the Australian Tourism Industry Association - ATIA); and **Tourism Task Force (TTF)**, which is the national roundtable for tourism industry leaders which serves as a lobby group for its members.

The **Tourism Advisory Council (TAC)** was the peak industry council established to facilitate an information exchange between the Minister and industry. It provided an opportunity for an informal discussion on current issues with a range of industry representatives, but has not met since October 1994.

Appendix 6

International visitor arrivals by source country

	1995/96	% change from 94/95
Americas	392,300	6
USA	310,386	5
Canada	61,683	12
Other Americas	20,231	9
Asia	1,203,294	20
China	49,716	44
Hong Kong	152,214	31
India	19,022	31
Indonesia	146,278	18
Korea	195,947	44
Malaysia	122,319	18
Philippines	30,930	32
Singapore	218,154	11
Taiwan	158,072	6
Thailand	83,222	7
Other Asia	27,420	22
Japan	813,529	10
Europe	756,141	1
France	33,281	-9
Germany	123,346	0
Italy	37,568	4
Netherlands	36,263	14
Sweden	23,219	16
Switzerland	36,389	-1
Ireland	18,456	13
United Kingdom	343,807	-3
Other Europe	103,806	12
Oceania	722,135	19
Fiji	20,428	4
New Caledonia	22,111	6
New Zealand	612,181	22
Papua New Guinea	40,929	-3
Other Oceania	26,486	11
South Africa	36,521	11
Rest of the world	42,241	17
Total	3,966,161	12

Source: ATC 1995-96 Annual Report

Appendix 7

Environmental activities undertaken by the ATC to December 1996

- The development of a Natural Holiday Guide which identified environmentally friendly characteristics of a wide range of ecotourism operators in Australia;
- The development and promotion of a set of Visitor Care Guidelines for incoming tourists called 'Welcome to Australia';
- Contribution to the development of the National Ecotourism Strategy;
- The sponsorship of the World Ecotourism Conference in Tasmania in 1994;
- Involvement in regional tourism promotion as part of a broader dispersal strategy;
- Active promotion of off-season travel in overseas marketing;
- An ATC Board decision not to promote hunting holidays;
- Promotion of environmental best practice in the industry;
- The provision of market intelligence which assists in better planning of services/infrastructure development and product development;
- ATC has contributed to the funding of various organisations such as TCA and Tourism Taskforce in developing strategies that will contribute to preservation of the environment;
- The provision of an internal policy 'Preservation of the environment - economies in the use of paper and recycling in ATC' 1992;
- Focus on ecotourism promotion and the use of MID to identify Ecotourism Association members;
- 'Great Outdoors' theme year 1994;
- Production of an annual portfolio on ecotourism in Australia/Australia's environment for use in PR Units in overseas offices;

Source: ATC

Appendix 8

Share of visitor nights spent outside the top eight tourist regions ¹

Travel Dispersion Index							
%	1989	1990	1991	1992	1993	1994	1995
USA	24	29.9	28.5	28.5	22.4	25.4	28.2
Canada	29.4	28.4	29	29	33.8	33.2	36.9
Other America	37.5	19.5	42.1	42.1	13.2	32.8	14.5
China	5.1	0.8	9.6	9.6	1.3	4.5	0.5
Hong Kong	20.8	9.9	11.4	11.4	11.7	8.9	10.4
India	46	7.7	29.3	29.3	7.3	14.3	10.9
Indonesia	12.1	12.1	12.2	12.2	9	10	22.7
Japan	7.6	9.7	10.9	10.9	7.6	16.3	11
Korea	9	1.5	25.6	25.6	7	3.7	11.5
Malaysia	12.5	13.1	10.7	10.7	12.8	5.1	5.9
Philippines	16.8	30.2	14.2	14.2	17.8	16.3	21.2
Singapore	13.1	11.6	9.6	9.6	9.4	13.8	14
Taiwan	48.8	2	7.8	7.8	11.7	6.6	10.7
Thailand	10.7	11.8	6	6	12.6	7.4	5.9
Middle East	8.6	20.7	14	14	23.1	22.4	22.3
Other Asia	15.2	3.5	13.5	13.5	10.3	10.5	19.7
UK and Ireland	27.1	28.3	25.8	25.8	30.7	34	27.9
Austria	34.8	65.7	33.1	33.1	37.3	39.6	49.5
France	24.4	32.9	28.3	28.3	31.7	31.3	25
Germany	41.7	37.8	39.5	39.5	46.1	43.3	40
Greece	11.5	0.3	2	2	3.7	32.8	35.4
Italy	15.6	7.5	15.4	15.4	25.8	25.9	33.9
Netherlands	35.3	34	33.9	33.9	48.2	45.7	44.1
Sweden	25.2	31.5	30	30	36	19.9	29.6
Other Scandinavia	37.1	42.8	43.8	43.8	44.3	44.8	44.5
Switzerland	35.1	34.5	39.7	39.7	44.4	36.7	41.9
Eastern Europe	32.8	1.9	6.2	6.2	6.5	23.6	17.5
Other Europe	19.3	17.2	16.5	16.5	36	25.9	19.3
New Caledonia	3.4	4.4	4.4	4.4	9.2	6.5	3.6
Fiji	0	3.1	32.6	32.6	14	11.4	26.1
Other Pacific Islands	17.1	9.3	22.6	22.6	9.7	25	5.9
New Zealand	22.9	23.7	26.1	26.1	24.3	25.8	28
Other Africa	15.7	35.1	17.7	17.7	29.5	16	20.3
Papua New Guinea	9.6	21.9	22.1	22.1	31.6	17	21.1
South Africa	15.6	34.5	21.7	21.7	15.9	17.6	15.1
Other Countries	93.6	43.8	11.3	11.3	6.9	7.7	20.8
Total	23.8	23.3	23.6	23.6	23.4	24	23.4

(1) The top eight regions of Australia are Sydney, Melbourne, Perth, Brisbane, Gold Coast, Far North QLD, Adelaide and ACT.

Source: ATC index based on BTR International Visitor Survey 1995 (CD MOTA 1995 release)

Appendix 9

Visitor nights by region of stay 1995

Region of Stay	Sydney	Total MSW	Melbourne	Total VIC	Brisbane	Gold Coast	Total QLD	Perth	Total WA	Auckland	Total NZ	Asia	Africa	Latin America	Spain	% of Total	Total 1995			
Per cent of Visitor Nights																	'000			
New Zealand	28	35	7	11	14	9	9	9	33	2	2	4	6	1	1	0	0	1	11	8376
Japan	39	41	1	8	8	3	21	15	39	1	1	5	6	1	2	0	0	2	8	6314
Hong Kong	40	44	1	24	27	11	4	4	20	2	2	3	4	1	2	0	0	0	3	2502
Taiwan	51	60	3	15	16	9	7	1	17	1	2	3	3	0	0	0	0	0	3	2651
Thailand	39	41	2	36	36	1	4	1	7	3	3	10	10	1	1	0	0	0	2	1673
Korea	54	60	9	8	8	6	6	1	14	1	1	4	4	3	5	0	0	0	4	2894
Malaysia	21	24	6	35	36	5	3	0	10	2	3	21	21	0	0	0	0	0	3	2717
Singapore	21	25	4	12	14	4	10	2	16	2	2	33	35	1	4	0	0	0	4	2836
Indonesia	29	42	5	18	21	4	4	0	7	1	1	16	17	0	0	6	0	7	4	3386
Other Asia	28	36	3	37	37	5	1	1	7	2	2	8	9	1	4	1	0	1	5	3726
United States	27	32	3	18	23	4	2	13	21	4	4	6	8	2	3	1	3	5	8	6667
Canada	23	38	1	9	11	15	3	10	32	3	4	4	8	1	2	1	1	4	3	2648
United Kingdom	30	39	1	12	14	7	2	9	21	4	5	10	13	3	3	1	1	2	18	13936
Germany	18	25	2	16	21	5	2	14	27	4	5	5	9	1	2	3	3	10	5	3683
Scandinavia	21	31	1	13	18	7	1	14	27	3	5	5	9	1	1	3	4	9	3	2239
Other Europe	25	31	2	13	16	8	1	10	25	6	7	7	10	1	1	2	2	7	11	8397
Other Countries	34	40	3	16	18	15	2	8	27	2	2	6	7	0	1	0	0	1	6	4833
Total 1995	30	37	3	16	18	7	5	8	23	3	4	8	10	1	2	1	1	3	100	79478

Source: BTR International Visitor Survey 1995

Appendix 10

Corporate governance - suggested checklist for the ATC Board

Corporate Plan

The Board should:

- (1) ensure that a Corporate Plan is prepared for the Commission, reviewed by the Board, amended in accordance with the Board's requirements and formally adopted by resolution of the Board;
- (2) ensure that the Corporate Plan contains:
 - a statement of the objectives of the Commission;
 - an assessment of the outlook for overseas tourism to Australia for the next following financial year and the 4 subsequent financial years; and
 - the strategies and policies the Board intends to adopt in order to achieve the Commission's objectives, including strategies and policies to determine and manage environmental and social impacts upon Australia of international tourism;and is consistent with the financial capacity of the Commission and with any directions of the Minister.
- (3) ensure that the corporate objectives reflected in the plan are aligned with, and reflect, all of the objectives in the Act;
- (4) ensure that consultation occurs with State and Territory tourism authorities in preparing the plan and that the possibility of consultation with other bodies concerned with tourism is considered, and that their views are put before the Board as part of its decision making process;
- (5) have the Chairman formally transmit the Corporate Plan to the Minister for approval;
- (6) note the approval of the Corporate Plan by the Minister, publish the approved plan and ensure that it has been distributed to appropriate executives of the Commission; and
- (7) update the Corporate Plan annually following the procedure set out above.



Annual Operational Plan

The Managing Director should prepare and submit to the Board, annually, an Operational Plan designed to achieve the objectives and strategies set out in the Corporate Plan.

The Managing Director should formally present the Operational Plan to the Board for consideration, advise the Board on the budget implications of the plan and amend the plan in accordance with the Board's requirements.

The Operational Plan should contain:

- key performance indicators by which achievement of the Plan may be assessed by the Board;
- an estimate of the Commission's receipts and expenditure for the financial year covered by the Plan; and
- a specification of the programs that the Board proposes the Commission carry out and the resources it will allocate to each program.

The Board should, by formal resolution, adopt the full Operational Plan (not a summary of it or a less detailed version) and have the Chairman transmit it to the Minister for approval. That version of the plan, as approved, is the formal Operational Plan to be implemented by ATC.

The Board should:

- (1) note the approval of the Annual Operational Plan by the Minister, publish the approved Plan and ensure that it has been distributed to appropriate executives of the Commission; and
- (2) revise the Annual Operational Plan, from time to time, following the procedure set out above. Revisions of the plan are not effective until Ministerial approval is obtained.



Budgets

A budget should be prepared for each year by the Managing Director which reflects the expenditure necessary to meet the operational plan and undertake the strategies set out in the Corporate Plan. The budget must relate to the programs mentioned in the Operational Plan which the Board intends to carry out in the year and detail the resources to be assigned to each. The program budget structure must be adequate to reflect the Corporate Plan and thus to give effect to all of the statutory objectives.

The Managing Director should:

- formally present the budget to the Board for its consideration; and
- amend the budget in the light of the Board's requirements.

The Board should, by formal resolution, adopt the budget.



Delegations

The Board should, on the advice of the Managing Director, delegate appropriate levels of responsibility to executives of appropriate designation and level within the Commission.

A delegation may be made by formal resolution of the Board or through the adoption of a Delegations Manual. Where the power delegated is a statutory power, the delegation must be by an instrument to which the seal of the Commission is affixed.

A copy of each delegation should be provided to the person holding the delegated power.

Copies of all delegations, statutory and otherwise, should be held in a Delegations Manual by the Secretary and reviewed and updated by the Board from time to time on the advice of the Secretary or Managing Director.

People holding delegations should report to the Board on a periodic basis on the exercise of their delegated powers, providing the Board with sufficient information to have an appreciation of the nature and extent of matters dealt with under each delegation.

As a matter of prudence, to ensure an up-to-date and effective scheme of delegations and the proper role of the Board in the Commission's affairs, delegations should be reviewed on the advice of the Managing Director whenever there have been significant changes of either Board membership or executive personnel.



Executive Reporting

New Initiatives

Matters requiring decisions of the Board should be submitted to the Board, through the Secretary, in writing setting out:

- the subject matter;
- the policy implications - how the matter advances the Corporate Plan of the Commission;
- confirmation that any proposed expenditure is within budget;
- advice on any legal requirements;
- environmental/industrial/ etc implications; and
- a clear recommendation on the course the Board should take.

Major matters should be submitted to the Board with the addition of a recommendation by the Managing Director.

The executive responsible for the matter should be available to brief the Board and answer any questions.

The Board should, by resolution, adopt or reject the recommendation.

Ongoing Reporting

Each division of the Commission should be required to report on a regular basis, at least quarterly, on the performance of the division against the requirements of the Corporate Plan, Annual Operational Plan and Budget. This should include the provision to the Board of adequate performance information to enable it to monitor the Commission's activities, including reporting against the key performance indicators in the Operational Plan.

The Managing Director should report at each meeting on any major matter affecting the Commission and the main points made in that report recorded in the minutes.

The Principal Financial Officer of the Commission should provide a Summary Financial Report to the Board at each meeting, detailing the performance of the Commission against its budget and reporting on any abnormal items or matters which he or she feels should be drawn specifically to the attention of the Board.



Board Papers and Meetings

The Board should determine the number and type of meetings it will hold, consistent with the requirement to meet sufficiently to efficiently transact its business.

The Board should set a close off time before each Board meeting by which Board papers should be submitted to the Secretary. This will usually be a few days prior to the meeting.

The Secretary should prepare, in consultation with the Chairman, an agenda for the meeting detailing the matters to be discussed and referencing all relevant reports and submissions against the relevant agenda item. There should be standing agenda items relating to reporting as noted in the 'Ongoing Reporting' paragraphs.

The members of the Board should receive their Board papers in sufficient time to consider them prior to the meeting.



Sub-Committees of the Board

Where a Sub-Committee of the Board is established, its establishment, constitution, membership, authority and reporting requirements should be recorded by way of resolution of the Board.

If statutory power is delegated to a Sub-Committee, the appropriate instrument of delegation should be issued under seal.

The Sub-Committee should keep adequate minutes of its proceedings.

The Sub-Committee should report regularly to the Board.



Minutes

Minutes need not be detailed but they should contain a record sufficient to enable the business of the Board to be ascertained.

The minutes should contain, preferably numbered for future reference, a record of each resolution of the Board.

When a written report is presented to the Board with recommendations, the report should be sufficiently referenced in the minutes to enable it to be identified.

Where the Chairman or Managing Director reports orally, the minutes should record the substance of the matters on which they have reported. These reports should cover significant Board attendances and matters dealt with outside the Board meeting.

If an Executive of the Commission attends the Board and speaks to a report, then an outline of the comments should be recorded.

If there is no recommendation in a report and a recommendation is made orally, the recommendation should be recorded. However, there is no need to record recommendations contained in written reports.

A decision of the Board should be recorded as a formal resolution.

Where the subject matter of an item before the Board is a continuation of a matter previously before the Board, the minutes should refer back to the previous consideration to enable a complete record to be maintained.

In the case of significant correspondence or other input necessitating a reply, the response should be authorised and, when sent, recorded.

The minutes should record the start and close times of each meeting.

In order to assist new members of the Board to become familiar with the Board's business and help prepare them to fulfil their duties as members, they should, on their appointment, be given copies of minutes for a past period, say six months.



Ministerial Directions and Government Policy

The Board must ensure that the Commission complies with any Ministerial direction under s. 29 of the ATC Act, and that any such direction is reflected in the Corporate Plan and Operational Plan.

Where the Minister writes to the Board concerning the Government's policy, or a course the Minister wishes the Board to take:

- (1) copies of the correspondence, or relevant extracts, should be provided to the Board;
- (2) the Board should decide what steps it will take in relation to the matter contained in the correspondence (note under the proposed Commonwealth Authorities and Companies Act, the Board will be required to ensure that the Commission operates consistently with Government policy);
- (3) the decisions should be recorded in the minutes of the meeting; and
- (4) executives should be instructed on those decisions, through the Secretary, so that the decisions can be reflected in changes to the focus of the Commission, and if necessary, in the Corporate Plan and Operational Plan, and a general response should be sent to the Minister.



Confidentiality

Deliberations of the Board are generally confidential. But this does not mean that observers from within, and possibly on occasion from outside, the Commission may not be present for a part of the Board's deliberations. The Board should decide its policy on the attendance of observers and protocol to be observed in that regard.

When an observer is to be present, the Chairman should first form a view as to whether it is appropriate to have an observer present having regard to the matters under consideration. If matters before the Board are confidential in nature, then an appropriate undertaking to maintain confidentiality should be obtained from an observer, by the Secretary, before his or her attendance. A decision should also be made about the requirements of confidentiality of information to be dealt with in the observer's presence.

When an observer is in attendance, the observer may be permitted to speak with the permission of the Chair, but may not otherwise take part in the deliberations of the Board.



Appendix 11

Bain review recommendations – financial impact of savings and redeployed funds, September 1995

The ATC identified the financial impact of the savings (recommended and achieved) and the redeployment of funds (recommended and achieved), as follows:

Financial summary (\$000)	94/95	95/96	96/97	97/98
Recommended savings	804	7969	6215	6707
Savings identified	0	1350	1554	1341
Recommended redeployment of funds	(804)	(7969)	(6169)	(6650)
Redeployment of funds	(91)	(114)	(272)	(100)

Source: ATC

Appendix 12

Identifying savings from implementation of the Bain review recommendations - ATC explanation

The ATC has advised the ANAO that:

‘The Bain consultants derived estimates of ATC costs/revenues as a basis for their recommendations. As ATC project accounting does not match the Bain estimated financial groupings, and as the consultants did not provide working sheets for the derivations of their figures, the ATC has been unable to identify (through its project accounting system) specific projects (or combinations of projects) equivalent to the Bain figures. As a result, a subsequent detailed review of the financial impact of the introduction of the recommendations is unable to be undertaken by the ATC.

It is to be noted that when the Commission commenced reviewing the Bain recommendations this compatibility issue was recognised and accepted and the proposed financial implications were used as an indicator of recommendation priority. As it is Commission culture to be constantly reviewing operations to identify more cost effective alternatives, the Bain proposals were incorporated into ongoing assessments, taking proposal priorities into consideration.

In the period since the Bain review it has been necessary for the Commission to change direction to reflect the need to maintain competitiveness in an environment of ever changing global tourism trends, increasing costs, decline in funding and to realise the opportunity to leverage the Sydney Olympics. As a result, in some instances, the acceptance of recommendations was only partial (with the intent of the proposal being either merged with other projects to deliver improved, albeit different results, or altered to reflect changed operating conditions experienced post Bain).’

Endnotes

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- ¹ Australian Government Committee of Inquiry into Tourism, *Report of the Australian Government Inquiry into Tourism 1986*, AGPS, 1987.
- ² Industries Assistance Commission, *Travel and Tourism Report No 423*, AGPS, 1989, p. 19.
- ³ Bain International, *ATC Review*, summary for public release, February 1995.
- ⁴ Representative offices are totally outsourced to contractors.
- ⁵ Excludes contracted ATC representatives overseas (18.3), Partnership Australia Helpline and Travel Counselling Staff employed through the ATC's distribution agents (21).
- ⁶ Information on direct and indirect contributions supplied by the ATC.
- ⁷ Portfolio Budget Statements 1996-97, Industry, Science and Tourism Portfolio, p. 104.
- ⁸ Staff data show staff years (see Appendix 2). Gross revenue includes parliamentary appropriations and industry contributions (excludes other revenue). Revenue is adjusted for inflation (using ABS GDP expenditure-based deflators) to enable direct comparison.
- ⁹ In 1996-97 advertising costs were \$72.3 million or 66 per cent of operating expenses.
- ¹⁰ Marketing expenditure for years ending 30 June collated by the ANAO from ATC annual reports. (Marketing expenditure for the period from 1987 to 1989 consists of: advertising; promotions, publicity and public relations; marketing aids. For the period from 1990 it consists of: advertising; promotions and publicity; films, publications and distribution). Expenditure adjusted to 1996 dollars, using ABS deflators. Data for international visitor arrivals, in calendar years, sourced from the ABS.
- ¹¹ Following the change of government in 1996, a new national tourism plan is in the process of being developed.
- ¹² ONT data based on BTR estimates of the economic significance of tourism 1993-94.
- ¹³ ABS, *Overseas Arrivals and Departures*, March 1997, p. 6; TFC, *Forecast*, November 1996, p. 22.
- ¹⁴ TFC forecasts included in ATC 1995-96 *Annual Report*, pp. 9-10.
- ¹⁵ Department of Tourism, *Tourism Workforce 2003*, 1996, a working paper prepared for the Department of Tourism by the Department of Employment, Education and Training.
- ¹⁶ Forecasts for visitor expenditure are not available.
- ¹⁷ Visitor expenditure includes pre-paid expenditure, expenditure in Australia, airfares on Australian international carriers, and the proportion of foreign airline expenditure in Australia attributable to the carriage of overseas visitors to/from Australia. Adult means visitors aged 15 years and over.
- ¹⁸ WTO, *Yearbook of Tourism Statistics*, Madrid, 1996.
- ¹⁹ WTO, *Budgets of National Tourism Administrations*, 1996.
- ²⁰ *ibid*, p. 36.
- ²¹ OECD, *International Tourism in the OECD Area*, March 1997.
- ²² ANAO, *Applying Principles and Practice of Corporate Governance in Budget Funded Agencies*, 1997, p. iii.

²³ The ABS defines 'short term arrivals' as 'overseas visitors who intend to stay in Australia less than 12 months'.

²⁴ The ATC defines 'average expenditure' as 'average expenditure in Australia including prepaid fully inclusive package tours and international airfares purchased outside Australia'; 'dispersal' is defined as being 'share of visitor nights spent outside the top eight tourist regions of Australia. The top eight visited regions of Australia are Sydney, Melbourne, Perth, Brisbane, Gold Coast, Far North Queensland, Adelaide and the ACT'.

²⁵ The previous year's Corporate Plan also included an objective relating to increasing visitor expenditure, but this is not reflected in the current plan as the TFC does not forecast visitor expenditure.

²⁶ *Tourism Workforce 2003*, op cit.

²⁷ Crouch, G, 'Australian Tourist Commission Determinants of International Tourist Flows: A Multi-Variable Regression Analysis', in *Evaluation of the Australian Tourist Commission's Marketing Impact*, compiled by Department of Finance, Department of the Arts, Sport, the Environment, Tourism and Territories and the Australian Tourist Commission, ATC March 1991, Appendix E.

²⁸ Access Economics, *The Economic Significance of Travel and Tourism - The Case for Government Funding Support for Generic Tourism Marketing*, 1997, commissioned by Tourism Council Australia, Tourism Task Force, and Property Council of Australia.

²⁹ *Workshop on Tourism Satellite Accounting 20 May 1997, Issues/Discussion Paper*, Tourism Policy Unit, School of Marketing, University of NSW, 14 May 1997.

³⁰ *Commonwealth Bank of Australia v Friedrich & Ors*, Supreme Court of Victoria, Judgment handed down 3 July 1991.

³¹ Total staff turnover in 1994-95 was 23.8 per cent. Although this decreased to 12.4 percent in 1995-96, it has increased to 22.3 per cent in 1996-97. Source ATC.

³² Mortimer, D, Review of Business Programs, *Going for Growth - Business Programs for Investment, Innovation and Export*, Commonwealth of Australia, June 1997, p. 151.

³³ Of the 14 recommendations not implemented, the ATC advised that eight of the recommendations were disagreed. The remaining six recommendations have either not been implemented, are in progress or still in the process of review.

³⁴ 1995-96 *Annual Report*, p. 5.

³⁵ *Understanding on Government Objectives and Responsibilities in Tourism*, reached at the Tourism Ministers' Council meeting on 21 August 1987.