

TOURISM AUSTRALIA – ADVERTISING PROCUREMENT

Did PM&C provide advice on the procurement of advertising by Tourism Australia? Is PM&C satisfied that Tourism Australia's processes were sound?

- PM&C was requested to review the processes used by Tourism Australia to select new providers for its worldwide advertising activities, as part of assurance of compliance with the Commonwealth Procurement Guidelines. PM&C provided comments to Tourism Australia, which were inputs into its management and deliberative processes.
- Responsibility for conformity of Tourism Australia's procurement processes with the Commonwealth Procurement Guidelines rests with the Managing Director and Board of Tourism Australia.

Background

On 15 July 2005, Tourism Australia (TA) announced the outcome of tender processes, under which M&C Saatchi won its creative account for worldwide advertising for 3 years and Carat secured the media planning and buying component. s.47E(d)

s.47E(d) s.47G(1)

s.47G(1)


TA is a statutory authority governed by the *Commonwealth Authorities and Companies Act 1997* and is bound by the Commonwealth Procurement Guidelines. Under the *Tourism Australia Act 2004*, TA is not able to enter into a contract for more than \$5 million without the approval of its Minister.

- In June 2005, TA sought the approval of the Hon Fran Bailey MP, Minister for Small Business and Tourism, for entry into contracts with selected providers, intended to commence by 1 July 2005.
- On 15 June, Ms Bailey asked Mark Paterson, Secretary of the Department of Industry, Tourism and Resources, for advice on whether TA's process satisfied relevant Commonwealth Government procurement guidelines.
- Mr Paterson sought an independent view from PM&C, noting that Mr Paterson was a member of the Board of TA. (It was suggested that PMO had asked for PM&C to be involved.) PM&C agreed to review materials provided by DITR, and ask TA to explain the process it had used and address questions from P&C.
- TA executives met with PM&C on 27 June. PM&C put a number of concerns about the assessment process, particularly shortlisting of tenderers for creative, prior to detailed assessments. TA provided further material to PM&C. s.42
- TA reconvened its assessment panel on 4 July and reassessed tenders using revised scoring. The ranking of the top three tenderers did not change. On 6 July, TA's Audit Committee reviewed and cleared the process. We understand that TA's Board re-approved the tender recommendations on 7 July, and Ms Bailey approved the contracts shortly thereafter.

Contact: s.22(1)(a)(ii), FAS People, Resources and Communications s.22(1)(a)(iii)

Consultation: Government Division

s.22(1)(a)(ii)



Tourism Australia's new approach to marketing itself and the country.


On 15 July 2005 you (Minister Bailey) announced appointment of:

- M&C Saatchi to provide Tourism Australia's global creative services, and
- Carat to provide Tourism Australia's global media planning and buying services.

We understand these two agencies are in a critical stage of developing a new marketing campaign for Australia.

It is expected the new marketing strategies and a new campaign will be released in early 2006.

s.22(1)(a)(ii)



OVERVIEW OF TOURISM WHITE PAPER IMPLEMENTATION

Background

The **Tourism White Paper**, supported by an additional \$235 million of funding provided over four and a half years, is the largest ever investment in the tourism industry made by the Australian Government. The Government's total tourism spend over the four years to 2007-08 will exceed \$600 million. Of this, \$453 million will be expended from 2005-06 to 2007-08.

The Tourism White Paper **Implementation Plan 2004** reported on progress in implementing the White Paper and the way forward for White Paper initiatives. The Plan is being followed up with annual progress reports. (**Item 3** refers)

The Department has developed a Tourism White Paper **Evaluation Framework**. The framework will be expanded into a detailed operational strategy to evaluate the effectiveness of the funding provided under the Tourism White Paper. The Department has established the external panel of experts that will validate the methodology for reviewing Tourism Australia's marketing activities. (**Item 4** refers)

Issues

- We are now two years into the implementation of the White Paper, and the Tourism White Paper is being delivered substantially as planned.
- The major initiatives that have or are being implemented include:
 - the establishment of Tourism Australia;
 - the roll out of Brand Australia;
 - expanded provision of tourism research and statistics;
 - niche and events strategy;
 - rejoining the World Tourism Organization;
 - the action plan for cruise shipping;
 - the Intergovernmental Arrangement; and
 - reporting and evaluation arrangements.
- An overview of the progress in implementing key initiatives is at **Attachment A**.
- There are some concerns among industry stakeholders that the Tourism White Paper is being modified in a way that is inconsistent with its original intent. A number of initiatives have been adjusted or delayed to some extent but the changes are consistent with the broad policy intention of the White Paper. The main changes are:
 - a change in direction on accreditation;
 - the transfer of funds from Tourism Australia to the Australian Tourism Development Program;
 - the delay in implementation of the Business Ready Program for Indigenous Tourism;
 - the reduction in funding for the Tourism and Conservation Partnerships initiative; and
 - the decision to not proceed with the Ministerial Council on Tourism and the Tourism Government Industry Forum.

Recommendation

That members note that Tourism White Paper is being delivered substantially as planned.

Attachment A

Implementation of key Tourism White Paper initiatives

- **Establishment of Tourism Australia:** The *Tourism Australia Act 2004* was proclaimed on 24 June 2004. Tourism Australia was subsequently established on 1 July 2004.
- The White Paper provides an additional **\$120.6 million** over four and a half years for **international marketing**, making the revitalised **Brand Australia** initiative the biggest ever campaign promoting Australia to the world. The revitalised Brand Australia has been rolled out in 14 key international markets: the UK, USA, Canada, Italy, Singapore, Malaysia, New Zealand, Germany, France, China, India, Japan, Hong Kong and Korea.
- A total of **\$45.5 million** over four and half years was allocated by the Government to help stimulate **domestic and regional tourism**. Tourism Australia recently launched an \$8 million domestic tourism marketing campaign, which targets the one million Australians who spend \$12 billion on overseas holidays, but who could be tempted to holiday at home instead.
- The Government has allocated **\$31 million**¹ to the **Australian Tourism Development Program (ATDP)** over the four years to 2007-08, to encourage the development of tourism in rural and regional Australia. For the second round, 53 successful projects were announced on 26 October 2005, with funding totalling nearly \$8 million.
- An additional **\$21.5 million** was allocated over four years to enhance **tourism research and statistics**. Tourism Research Australia and the Australian Bureau of Statistics have implemented expansions to statistical collections (including the International Visitor Survey, the National Visitor Survey, the Survey of Tourist Accommodation and continuing funding for the Tourism Satellite Account). Funding was also provided to DITR to implement a program of strategic research. Several research projects are underway or have been completed.
- **Niche and Events:** Tourism Australia is currently defining its strategic focus on niche products and market segments as part of the **\$14.7 million Niche Segment Development Initiative**. Tourism Australia has created an Australian Experiences Unit dedicated to implementing the niche marketing strategy. Tourism Events Australia, which was launched on 2 September 2005 by Minister Bailey, will continue the important work of branding and promoting Australia as a high yield international business events destination.
- The Australian Government will provide more than **\$4 million** over three years to support **tourism and conservation** measures. In 2005-06, the partnership element of the initiative is providing \$918,000 of funding for 15 ventures across Australia; recipients were announced in September. Research has been undertaken to identify key regulatory and other constraints affecting nature-based tourism. The Tourism Ministers' Council (TMC) agreed to form a joint working group with park managers to move these issues forward.
- The Government has appointed six business mentors under the \$3.8 million **Business Ready Program for Indigenous Tourism** which is designed to 'skill up' high-potential Indigenous tourism businesses.
- The Australian Government remains fully committed to directing the \$2 million of funding for accreditation arising from the Tourism White Paper towards a voluntary industry-led accreditation system, including through the development of a **Tourism**

¹ This includes \$7.5 million redirected from Tourism Australia, in addition to the original TWP funding.

Business and Accreditation Portal. It is intended to have the portal operational by the end of 2005. Decipher Technologies Ltd has been contracted to develop the portal.

- The Tourism Collaboration **Intergovernmental Arrangement** (IGA) sets out principles for cooperation and agreement on areas where governments have shared interests. All states and territories have now signed the IGA.
- Australia formally rejoined the **World Tourism Organization** in September 2004.
- A draft **Action Plan for the Development of the Australia-Pacific Cruise Industry** is being completed and will be circulated to industry for comment. A final report is expected to be released in December 2005.
- The **National Tourism and Aviation Advisory Committee** has met three times – most recently on 23 September 2005. At that meeting, the Committee discussed a report on regional dispersal of visitors by air and agreed to progress a number of its recommendations. The Committee also agreed to further consider the issues of airport efficiency and economic modelling. The next meeting is scheduled for 3 March 2006.
- **The Industry Implementation Advisory Group (IIAG)** meets approximately quarterly to advise the Minister for Small Business and Tourism on implementation of the Tourism White Paper. Key issues discussed this year include: Progress with Brand Australia, Domestic Tourism Research, strategies for emerging markets in north and south Asia, quality issues, aviation issues, White Paper evaluation and the China Approved Destination Status arrangements.

Tourism White Paper Evaluation

Evaluation progress and next steps

The Tourism White Paper (TWP) provided an additional \$235 million over four and a half years to 2007-08 for a range of tourism initiatives. The White Paper foreshadowed that a review of the TWP initiatives would be undertaken to assess its effectiveness. Demonstrated success against agreed indicators will be critical in guiding Cabinet consideration of any case for continued funding. An important element in this consideration will be evaluation against a suite of performance measures that cover the key objectives of the TWP.

It is important that the evaluation is considered credible within both Government and industry, when drawn upon for consideration of any further funding for the sector beyond 2007-08. DITR has developed a '*Tourism White Paper Evaluation Framework*' (**Attachment A**) for this purpose. The framework has been endorsed by the Industry Implementation Advisory Group, a tourism industry based group set up to assist and advise the Government on the implementation of the TWP.

Work has commenced to expand the framework into a detailed operational strategy that will assess the full investment by the Government in Tourism Australia (TA – base funding and TWP funding) and in other TWP funded initiatives. The strategy will be in place by the end of 2005, to ensure that the necessary survey instruments are available to monitor effectiveness from the 2004-05 year onwards.

As the bulk of the TWP money has been allocated to TA for marketing of Australia as a tourist destination, a key priority is the development of a methodology for the evaluation of TA's marketing activities. DITR has no in house expertise to properly assess the methodology that will be used by TA to evaluate its marketing activities. Consequently, DITR has established a panel of marketing experts who will validate TA's evaluation methodology. The panel consists of:

- Mr Bob Miller, Principal, Australia Street Consulting;
- Professor Chris Styles, School of Marketing, University of Sydney;
- Mr Ian McNair, Managing Director, McNair Ingenuity Research;
- Ms Nicole Torkar, Executive Director, ACNielsen; and
- Mr Bob Annells, Annells Consulting.

The Panel will meet before the end of this year.

While DITR will have overall responsibility for managing the evaluation, its effective management will also require coordination through an Evaluation Coordination Group comprising officers from DITR, TA and industry representatives to manage data collection and the reporting process.

DITR is working to initiate the first phase of data analysis and reporting; this includes commencing the surveys that are described in the table attached to the framework.

An interim evaluation report will be prepared in 2006.

The Evaluation Monitoring Group

DITR is keen to ensure that the overall conduct and direction of the evaluation will be stand up against international best practices and external scrutiny. We therefore propose to establish an **Evaluation Monitoring Group** comprising of officers from DITR, the Department of Prime Minister and Cabinet, Treasury, the Department of Finance and Administration and the Australian National Audit Office (ANAO) to oversee the progress of the evaluation.

DITR is seeking the assistance of the above agencies to identify relevant officers who will serve on the Evaluation Monitoring Group. DITR is developing some terms of reference to define the function and operation of this Group.

Recommendation

That the Department of Prime Minister and Cabinet, Treasury and the Department of Finance and Administration each nominate a representative for the Evaluation Monitoring Group.

ATTACHMENT A

TOURISM WHITE PAPER: EVALUATION FRAMEWORK

Objective

The Tourism White Paper charts a ten year course for the industry, for which Government has committed funding for the first four and a half years. The White Paper notes that the Strategy will be implemented over a four-and-a-half year period to 2007-08, the achievements of which are to be reviewed. This review will need to assess the full investment by the Government in Tourism Australia (base funding and White Paper funding) and in associated funded initiatives. Demonstrated success against agreed indicators will be critical in guiding Cabinet consideration of any case for continued funding. An important element in this consideration will be evaluation against a suite of performance measures that cover the key objectives of the White Paper. DITR has developed the attached measurement framework (see Appendix) for this purpose. The framework will form the basis of a formal evaluation strategy to be introduced in the second quarter of 2005, in order to ensure that the necessary survey instruments are in place to monitor effectiveness from the 2004-05 year onwards.

The central question for the package of White Paper initiatives will be whether it returned a wealth dividend to the nation that justified the additional \$235 million invested by the Government under the White Paper over the four years to 2007-08, and implicitly, the \$600 million plus invested in support of Tourism over that period.

As the issue of effectiveness cannot be disaggregated between that attributable to baseline funding and that attributable to the White Paper supplementation, the total Commonwealth investment in tourism will be subject to evaluation. Such evaluation will be critical in guiding any consideration that may be given to future funding beyond 2007-08.

Methodology

The evaluation will measure 'headline' indicators which express the return on the Government's investment. These in turn will be complemented with more detailed analysis which addresses the range of initiatives and their causal links to the market performance of the industry.

The 'headline' indicators will need to measure the change in industry performance against the baseline performance as at 30 June 2004. Against that baseline, they will:

- focus on **additionality** by benchmarking against the recorded performance, forecast trends and global market share as estimated at 30 June 2004;
- express the **multipliers** that accrue to each dollar invested in the White Paper package; and
- express internal **stretch targets** for achievement under the White Paper.

The evaluation of the White Paper will essentially involve answering the following questions:

- Did the industry improve its performance overall?
- Did the interventions of the White Paper achieve their stated objectives?
- If so, did they contribute to the performance of the industry overall?

The 'headline' indicators will be measured against the 30 June 2004 baseline, and will include:

Key Headline Indicators

- growth in total yield¹
- growth in total yield/White Paper expenditure

Economic Headline Indicators

- growth in contribution to GDP
- growth in employment
- growth in sector tax revenue/White Paper expenditure

Other Headline Indicators

- growth in visitor dispersal²
- growth in visitor numbers
- growth in visitor nights
- growth in global market share

¹A universally accepted definition of 'Yield' in the tourism sector does not exist. The Tourism White Paper Industry Implementation Advisory Group (IIAG) has endorsed the use of the Tourism Forecasting Committee's 'Total Domestic Economic Value' (Real) and 'Total Inbound Economic Value' (Real), which are measures of tourism expenditure, as a proxy measure for 'Yield'. Tourism Research Australia also estimates 'Yield', using the Tourism Satellite Account, based on the Gross Operating Surplus generated through tourism activity. Both measures will be used in the evaluation.

²There are a number of different definitions of 'regions' in the tourism sector and across Government. Tourism Australia defines regional as all areas 'outside the capital cities plus the Gold Coast'. There is some argument that a better definition for tourism would be 'beyond the major capital city gateways'. The definition to be adopted will be given further consideration as part of the evaluation process.

Behind these 'headline' indicators lies a more complex analysis. The White Paper strategy embraces diverse initiatives which range from supplementary funding for Brand Australia through to new institutional and consultative arrangements. It is appropriate to measure the effect of the strategy for both its total effect on industry outcomes, and its achievement of objectives specific to the key components of the strategy. It will be necessary to track causal linkages between the initiatives of the White Paper and industry outcomes, but this will not always be possible. Causal linking reveals the 'additionality' which White Paper initiatives may bring to industry outcomes. Where causality cannot easily be established, the evaluation will draw on multiple indicators and data sources under a 'weight of evidence approach'.

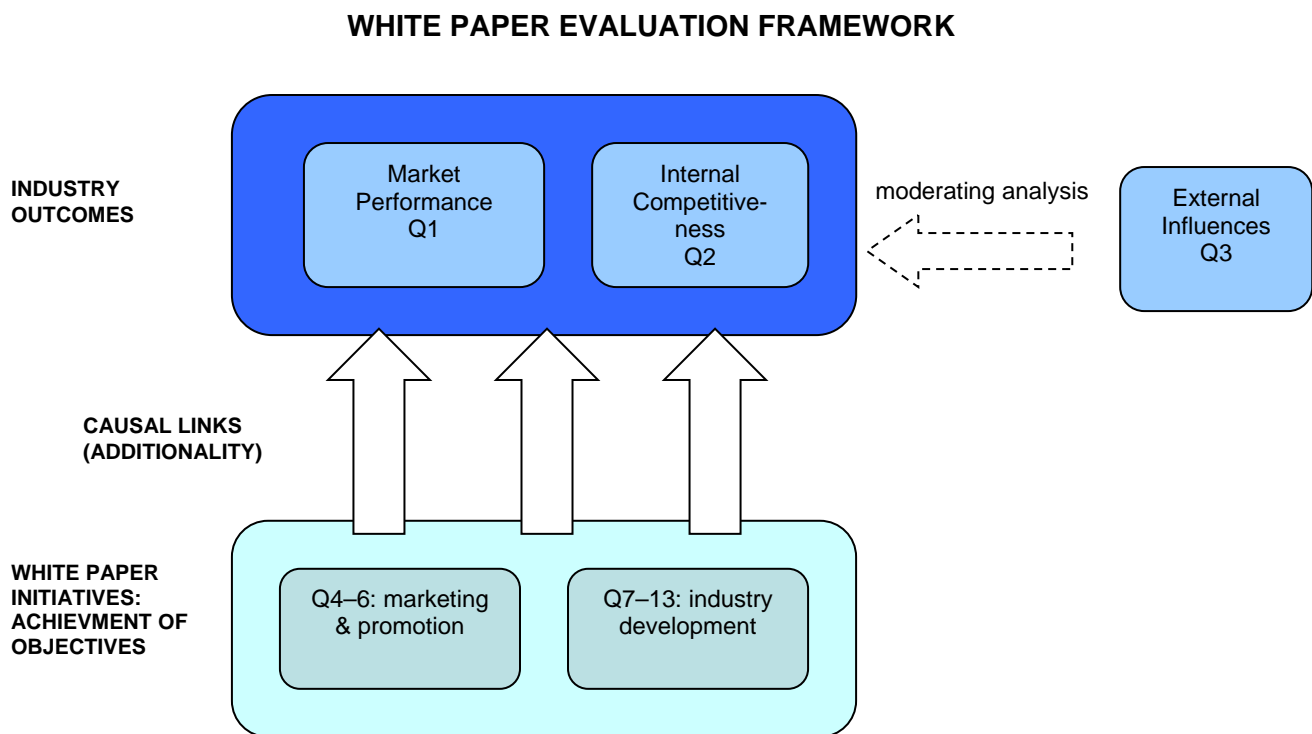
While there will be a focus on additionality, it will be important to contextualise the assessment of performance by comparing performance with that of competitor markets.

The measurement framework detailed in the Appendix will assess:

1. the **performance of the industry** over the White Paper period, noting that this will:
 - assess performance against business as usual (historical trends and TFC forecasts) and competitor performance (global market share);
 - assess whether the internal health of the sector has improved commensurate with market performance; and
 - moderate this analysis with consideration of external variables such as **Government policy changes**, shocks, fuel prices, exchange rate movements, disposable income in target markets, and competitor strategies.
2. whether the major **White Paper initiatives met their specified objectives**, and the extent to which they contributed to the performance of the industry.

These two assessments will focus on the questions which need to be addressed in the case to be put to Cabinet for any continued funding. Much of the data required to address these questions can be drawn from existing data sets. The attached framework takes the questions as the departure point, suggests appropriate indicators for measuring results against each question, identifies existing or proposed survey instruments to apply such indicators, and identifies the agency which is or would be custodian of each survey instrument.

Schematically, the approach can be illustrated as follows:



Note: See Appendix A for details of Q1 to Q13

Additional Data Requirements

Although the performance indicators have been developed using existing data/information sources where possible, a number of additional collection activities will need to be undertaken:

- A stakeholder survey which would address a number of questions in the evaluation framework (A phone based 'executive' survey of 15/20 minutes covering 150 key stakeholders.)
- Net benefit economic modelling (Computable General Equilibrium) which would attempt to quantify the impact of the White Paper on tourism and the economy, and broader changes in tourism's impact on the economy.
- The question of external factors that affected Australia's competitive position – this may need to be covered by an external consultant, or Tourism Australia may be able to cover this issue.

- Benchmarking Tourism Australia's brand tracking methodology. While this is being funded directly by Tourism Australia, any third party validation will need to be funded as a new activity, probably by DITR.
- Tourism investment measures will be covered through consultancy research for the National Tourism Investment Strategy, and funded through the strategic research fund.
- ATDP participant survey, run by DITR/AusIndustry, collecting certain business data.
- Tourism Conservation Partnership - participant survey and expert assessment.
- Indigenous Business Ready evaluation – expert assessment and contracted research student.
- Evaluation of achievements as a member of the WTO. This could be conducted in-house, or externally.

Initial estimates suggest that the cost of collecting this additional data/information may be around \$170,000. This estimate will be refined further over the coming months as details under the framework are developed. (See Appendix for more detailed costing)

Management

Management of the evaluation will require coordination through a senior management committee comprising of members of TA (including TRA) and ITR.

ITR will have overall management responsibility for reporting on the White Paper's effectiveness. However, the responsibility for coordinating inputs on specific areas will be managed as follows:

- | | | |
|---------------------------------|-----|------------------|
| • Industry performance | ITR | (Questions 1-3) |
| • Marketing initiatives | TA | (Questions 4-6) |
| • Other White Paper initiatives | ITR | (Questions 7-13) |

Although DITR will be responsible for overall management, a major portion of the evaluation (questions 4-6) will derive directly from Tourism Australia's internal evaluation against the Key Performance Indicators (KPI's) contained in the Tourism Australia Corporate Plan and Statement of Outcomes and Outputs.

The White Paper interventions are grouped under those which relate to marketing, and all others. Some indicators go beyond the Tourism Australia indicators in order to address initiatives for which Tourism Australia is not directly responsible, or to monitor effects which should derive from the synergies of the White Paper initiatives as a whole – 'sum of the parts' effects.

It is critically important that the evaluation is considered credible with Government and industry when drawn upon in consideration of any further funding for the sector beyond 2007-08. This is especially true in evaluating the effectiveness of the Brand Australia campaign, which represents the largest single investment by the Government in support of the tourism sector. Evaluation of marketing campaigns is not within the normal expertise of Government, nor that of the economic consulting houses normally drawn upon by Government.

In this context, the management committee will need to be confident that the methodology adopted will stand up against international best practice and external scrutiny. For this reason it is proposed to:

- establish an external panel of experts to validate the evaluation methodologies especially those relating to brand effectiveness;
- engage with industry through the IIAG at regular stages throughout the evaluation.
- engage with relevant coordinating Departments including the ANAO at regular stages throughout the evaluation cycle.

Timeline

The additional tourism funding under the Strategy finishes in 2007-08. This means that any future additional funding would need to be considered for the May 2008 Budget. On this basis, the evaluation/performance reporting would need to be assembled in mid to late 2007.

This suggests that for a range of data, the results for the full four years will not be available to assist the evaluation. For example, it will only be in April 2008 that the ABS is able to release Tourism Satellite Account data for the reference year 2006-07. Data such as a stakeholder survey can be conducted closer to the evaluation deadlines.

The lags inherent in some of the data series will not stand in the way of the major evaluation to be undertaken in late 2007, or in the way of the requirement for the Minister to report annually on progress against the White Paper.

The annual report will consist of an evaluation of the overall performance of the industry as well as an update on the progress of a number of key White Paper initiatives. The first annual evaluation will relate to the 2004/2005 fiscal year.

Appendix: Data collection timetable and costing

| Issue | Indicator | Collection Instrument | Who | Collection Cycle | Cost* |
|--|---|--------------------------------|------------|---------------------------------------|--------------|
| 1 Did industry improve its market performance? | Visitor yield | IVS, NVS and modelling | TRA | Annual | nil |
| | Share of GVA/GDP | Satellite Account | DITR | Annual | nil |
| | Share of employment | Satellite Account | DITR | Annual | nil |
| | Tourism's share of domestic spending | National Accounts | DITR | Annual | nil |
| | Share of exports | Satellite Account | DITR | Annual | nil |
| | Net economic benefit | CGE modelling | Consultant | Once mid/late 2007 | \$ 70,000 |
| | Visitor numbers/nights | IVS, NVS | DITR | Annual | nil |
| | Domestic and International visitor conversion | TA Brand Tracking Data | TA | Annual | nil |
| | Global market share | WTO and IVS | DITR | Annual | nil |
| 2 Did industry improve its internal competitiveness? | Investment rates | Tourism Investment Strategy | Consultant | Once mid/late 2007 | nil |
| | Profitability | Satellite Account, EAS | DITR | Once mid/late 2007 | nil |
| | Productivity | Satellite Account | DITR | Once mid/late 2007 | nil |
| | Marketing expenditure | ABS tourism marketing survey | TA | Once mid/late 2007 | nil |
| | Skill vacancies | Labour market survey data | DEWR/DEST | Annual | nil |
| | Quality | TAAL data, TRA surveys | DITR/TAAL | Annual | nil |
| | Capital utilisation (accommodation occupancy rates) | STA | DITR | Annual | nil |
| | Longevity of enterprise life | ABS Business Register | ABS | Twice mid/late 2005 and mid/late 2007 | nil |
| 3 What external factors affected the outcomes for industry? | Tourism Trade Weighted Index | TTWI data | STCRC | Once mid/late 2007 | nil |
| | GDP changes in Australia and key inbound markets | Treasury/IMF reports | DITR | Once mid/late 2007 | nil |
| | Competitor tourism marketing/development strategies | TA commercial intelligence | TA | Once mid/late 2007 | nil |
| | Relative access and costs of aviation for competitor markets | TA commercial intelligence | TA | Once mid/late 2007 | nil |
| | Revealed preferences of consumers in target markets | TA commercial intelligence | TA | Once mid/late 2007 | nil |
| | Major domestic/international incidents/shocks | Various sources of analysis | DITR | Once mid/late 2007 | nil |
| 4(a) Has Brand Australia increased international awareness and consideration of Australia as a holiday destination and increased intentions to visit ? | TA brand tracking KPIs (awareness, consideration and intention) | TA brand tracking data | TA | Annual | nil |
| 4(b) Has Brand Australia 1) increased domestic intentions to holiday within Australia 2) led to a reduction in accrued holiday leave? | TA brand tracking KPIs (preference and intention) | TA brand tracking data | TA | Annual | nil |
| | Amount of unused leave in Australian Economy | ABS data/TA employer survey | ABS/TA | Annual | nil |
| 5 Was greater collaboration achieved between government and industry to market Australia? | Industry expenditure on marketing | ABS tourism marketing survey | TA | Once mid/late 2007 | nil |
| | TA collaborative marketing KPIs | TA co-operative marketing data | TA | Once mid/late 2007 | nil |
| | Increased funding from Industry, State/Territory Governments | TA | TA | Annual | nil |
| | Industry satisfaction with structural arrangements of TA | Stakeholder survey | DITR | Once mid/late 2007 | \$ 20,000 ** |

Document 6

| | | | | | | |
|---|---|--|--|--|-------------------------------------|--------------------------|
| 6 Has Australia increased the number/share of major international business and other events? | TA Events KPIs Improvement in co-ordination to attract major international events | TA Events tracking data Stakeholder survey | TA DITR | Annual Once mid/late 2007 | \$ nil 20,000 | ** |
| 7 Did ATDP increase the supply, dispersal and diversity of tourism product; and increase collaboration between regional and local bodies to improve regional tourism promotion? | AusIndustry KPIs for ATDP Individual project evaluation of grants Increased share in visitation to regions receiving a grant Has grant fostered ongoing collaboration across regions | Program data Participants survey TRA surveys Participants survey | AusIndustry DITR DITR DITR | Annual Once mid/late 2007 Once mid/late 2007 Once mid/late 2007 | nil nil nil nil | |
| 8 Has Australia increased travel/yield in regional Australia? | Domestic tourism increase as a percentage of GDP Increased share of International & Domestic visitation to regional Australia | Satellite Account TRA survey - IVS,NVS | DITR DITR | Annual Annual | nil nil | |
| 9 Did the Tourism & Conservation feasibility studies demonstrate business models that led to an increase in nature based tourism ventures and an increase in conservation? | Feasibility studies lead to investment and commercial ventures. Feasibility studies lead to increased conservation and biodiversity. | Participant survey Expert assessment. | DITR Consultant | Once mid/late 2007 Once mid/late 2007 | \$ nil 30,000 | |
| 10 Did the Business Ready Program for Indigenous Tourism effectively transfer business skills to operators? | Number of existing and new businesses assessed as 'business ready' Individual project evaluation | Expert assessment Business survey | Consultant PhD Student | Once mid/late 2007 Once mid/late 2007 | \$ 30,000 nil | |
| 11 Did targeting high yield niche segments succeed in getting more of the targeted segments to visit, and did it increase overall tourism yield? | Total visitor numbers and yield Growth in number of targeted niche products Growth in targeted niche visitors and yield Reduction in seasonality of visitation (o/s, domestic) | TRA surveys and yield analysis Tourism Data Warehouse data TRA surveys and yield analysis TRA surveys | DITR/TA DITR/TA DITR/TA DITR/TA | Once mid/late 2007 Once mid/late 2007 Once mid/late 2007 Once mid/late 2007 | nil nil nil nil | *** *** *** *** |
| 12 Did the research and statistics initiatives meet industry and government needs for planning and investment? | Stakeholder satisfaction with statistical and research enhancements Increased availability and dissemination of data Increased industry use of Tourism Satellite Account data | Stakeholder survey Stakeholder survey Stakeholder survey | DITR DITR DITR | Once mid/late 2007 Once mid/late 2008 Once mid/late 2007 | \$ 20,000 \$ 20,001 \$ 20,000 | ** ** |
| 13 Have the new consultative arrangements increased the level of collaboration and responsiveness at government to government and government to industry levels? | Stakeholder satisfaction with consultative/collaborative arrangements Achievements as a member of the WTO | Stakeholder survey 'In house' assessment | DITR DITR | Once mid/late 2007 Once mid/late 2007 | \$ 20,000 nil | ** |
| External validation of final report | | | Consultant | Once mid/late 2007 | \$ 20,000 | |
| | | | | | \$ 170,000 | |

Note: Annual data will be collected in the six months following each financial year, 2004-05 to 2006-07.

* Costs relate to external consultancies only and will be incurred in the latter half of 2007.

The costs of DITR/TA staff time have not been included, nor have costs associated with the participant surveys for issues 7 and 9 which will be conducted 'in house'.

** The stakeholder survey will collect data relating to a number of indicators and is expected to cost \$20,000 in total.

*** The manner in which niche markets will be targetted and reported on was still under development at the time the framework was being developed. The indicators and manner of assessment may vary from what is recorded here.

s 22

From: Noonan, Philip <Philip.Noonan@industry.gov.au>
Sent: Thursday, 22 December 2005 8:30 PM
To: s 22
Cc: s 22
Subject: PM&C Uhrig Background Discussions Letter
Attachments: PMC Request for Submission Letter.pdf; Tourism Australia Uhrig Review Background Paper.pdf

s 22

For info. We are currently carrying out a review of Tourism Australia under the Uhrig proposals.

The attached background paper (s 42) is being sent to select industry associations and also to those Commonwealth agencies which have significant interaction with TA. We are also sending it to DoFA and PM&C (Phillip Glyde). We cleared the paper with the DoFA Uhrig area before sending it out.

The review is scheduled for completion by 31 March 2006.

Philip

-----Original Message-----

From: [REDACTED]
Sent: Thursday, 22 December 2005 10:43 AM
To: Noonan, Philip
Cc: s 22
Subject: PM&C Uhrig Background Discussions Letter

Hi Philip

Please find attached the PM&C Uhrig Background Paper Letter, I have also attached the PDF of the Background Paper.

I will send all signed letters now.

In regards the DIMIA letter, I spoke with Paul Farrell yesterday and he confirmed his title as Assistant Secretary and I have just had a look at the letters he signed for the ADS application letters and his title under these is also Assistant Secretary, so if you are happy to proceed I will send that letter off as well.

Kind Regards

s 22

[REDACTED]
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s 22

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Mr Phillip Glyde
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Dear Mr Glyde

**CONSULTATIONS ON THE REVIEW OF THE CORPORATE GOVERNANCE OF
STATUTORY AUTHORITIES AND OFFICE HOLDERS - TOURISM AUSTRALIA**

On 12 August 2004, the Australian Government announced that it had accepted most recommendations of the *Review of the Corporate Governance of Statutory Authorities and Office Holders* (the 'Uhrig Review') and would use these as a basis for reviewing approximately 170 Australian statutory authorities and office holders.

Amongst the bodies to be reviewed is Tourism Australia. This is scheduled to be completed by the end of March 2006 and will be managed by the Department of Industry, Tourism and Resources.

This review will incorporate the views of relevant Australian Government agencies and tourism industry leaders. To assist this, the Department has prepared the attached background paper, which sets out the Uhrig recommendations in more detail and how they could be applied in assessing bodies such as Tourism Australia.

We are especially interested in hearing your views about what corporate governance arrangements are best suited for Tourism Australia.

You may lodge a submission in response to this discussion paper as follows:

1. by email to s 22
2. by writing to:

s 22

Senior Policy Officer
Industry Liaison Team
Tourism Division
Department of Industry, Tourism and Resources
GPO BOX 9839
Canberra, ACT 2601

Submissions will be accepted until 1 February 2006

~~Commercial In Confidence~~
s 22

This review aims to identify for Tourism Australia the corporate governance arrangements best suited to its goal of promoting the tourism industry for the benefit of Australians. Your views will be invaluable in doing so and we look forward to receiving your submission.

Yours sincerely

Philip Noonan
Head of Division
Tourism Division

December 2005

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Background Paper

Background Paper: Review of the Corporate Governance of Tourism Australia

1 Introduction

On 12 August 2004, the Minister for Finance and Administration, Senator Nick Minchin released the Government's response to the "Review of the Corporate Governance of Statutory Authorities and Office Holders" by Mr John Uhrig (**Uhrig Review**).

In its response, the Government endorsed the governance principles and templates (**Uhrig Templates**) developed through the Uhrig Review. The Uhrig Templates describe the features of two governance templates, the Board Template and the Executive Management Template. In particular, the Government's response noted that:¹

Government will assess the statutory authorities and similar bodies within their portfolios against the governance templates. Selection of the appropriate template, whether 'executive management' or 'board' will be based, as recommended in the report, on the degree to which each body has been delegated full power to act.

As a result, ministers have been undertaking assessments of statutory bodies (and similar bodies) in their portfolio against the Uhrig Templates. These assessments have been taking place on a whole-of-government basis.²

The Minister for Small Business and Tourism, the Hon Fran Bailey (**Minister**) is the responsible minister for Tourism Australia (**TA**). In this role, the Minister has recently begun the assessment process of TA against the Uhrig Templates.

Consultation with stakeholders of TA is the first stage in the process of assessing the structure of TA against the Templates. The Minister is seeking the views of stakeholders regarding the corporate governance of TA to feed into the assessment process.

Consultation comments should however focus on the Uhrig templates. This process is not considering general issues concerning TA's powers or functions. Rather it is focussing on appropriate governance arrangements.

The assessment process – including the preparation and issue of this background paper – is in no way a review of the existence of TA or the role of TA. However, the appropriate governance structure for Tourism Australia is being considered.

You may lodge a submission in response to this background paper as follows:

- 1) by email to s 22 ; or
- 2) by writing to:

s 22
Senior Policy Officer
Industry Liaison Team
Tourism Division
Department of Industry, Tourism and Resources
GPO Box 9839
Canberra ACT 2601

Submissions will be accepted until 1 February 2006.

¹ Australian Government Response to the Recommendations of the Review of the Corporation Governance of Statutory Authorities and Office Holders, 12 August 2004.

² Senator Nick Minchin, Minister for Finance and Administration, Deputy Leader of the Government in the Senate, Media release 57/04, Australian Government Response to Uhrig Report, 12 August 2004.

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2 Background

2.1 Uhrig Review

The Australian Government commissioned the Uhrig Review of the corporate governance of Commonwealth statutory authorities and office holders to:

- identify and examine issues surrounding and affecting existing governance arrangements; and
- identify reforms to improve the performance of these bodies, without compromising their statutory duties.³

The terms of reference for the Uhrig Review required that the Review examine structures for good governance. This included an examination of the relationships between statutory authorities and the responsible Minister, Parliament and the public (including business).⁴

The definition of “corporate governance” which was used for the purposes of the Uhrig Review was:

*...the arrangements by which the power of those in control of the strategy and direction of an entity is both delegated and limited to enhance prospects for the entity's long term success, taking into account risk and the environment in which it is operating.*⁵

The Uhrig Review identified a number principles which it considered central to the governance of entities. These principles generally cover the following:⁶

1. Owners of an organisation need to set its purpose clearly and state their expectations of performance.
2. Governance should be present and arrangements should be appropriate to the particular entity, having regard to the nature of its ownership and its functions.
3. Power must be given, it will need to be delegated, but delegated power will need to be limited. Those who have power must exercise it, and must do so in a responsible manner.
4. There should be a clarity of roles and responsibilities for all persons who own, govern or manage an organisation.
5. With responsibility there needs to be accountability.
6. A board must have full power to act, including the ability to appoint, supervise and remove senior management and approve strategy.

Flowing from the principles it determined, the Uhrig Review went on to recommend two templates designed to ensure good governance:

- **Board Template:** where the Government takes the decision to delegate full powers to act to a Board. Authorities that fit within the Board Template are to be legally and financially separate from the Commonwealth, are best managed by a

³ Uhrig, John, *Review of the Corporate Governance of Statutory Authorities and Office Holders*, 27 June 2003 (**Uhrig Review**) p 1; The Prime Minister's Press Release, 14 November 2002; the Howard Government, *Securing Australia's Prosperity*, 2001, p 15.

⁴ Uhrig Review, p 1.

⁵ Uhrig Review, p 2.

⁶ Uhrig Review, the principles from pp 2, 3 and 9 are summarised here.

Board and will be governed by the *Commonwealth Authorities and Companies Act 1997 (CAC Act)*.

The Uhrig Review provided that the Board Template will be the preferred approach where government is able to provide a wide delegation and the authority can operate with ‘entrepreneurial’ freedom.⁷ This will be a rare arrangement, and will most likely be limited to those authorities which are commercial in nature.⁸ A board would be able to add value to such authorities through “*the application of entrepreneurial skill, objectivity and wisdom gained through appropriate experience, including in exercising authority and judgment*”.⁹

Further, a board will not be appropriate for statutory authorities whose operations relate to Commonwealth service provision or regulation. This is because in these areas, government will need to retain control of policy and approval of strategy.¹⁰

- **Executive Management Template:** where an executive management group or commission is governed directly by the Minister with departmental support and advice. Authorities that fit within the Executive Management Template are to be legally and financially part of the Commonwealth, do not need to own assets and are governed by the *Financial Management and Accountability Act 1997 (FMA Act)*.

The Executive Management Template will be effective where Parliament and government choose not to provide a wide-ranging power to act, instead establishing a narrow set of outputs to be delivered by a statutory authority.¹¹ This is the most common arrangement.

While not set in stone, variations to the Uhrig Templates are likely to be limited. Hence the task of the review of TA will be to ascertain which organisational structure is the most appropriate for TA. That is, TA needs to be structured in a way that is most likely to assist it to achieve its objectives. Presently TA has a hybrid structure that consists of elements of each template identified by the Uhrig Review. This is not conducive to good governance as the Uhrig Review noted:

“A well-governed organisation will clearly understand what it is required to achieve, will be organised to achieve it through the success of its executive management and will focus on ensuring it achieves its goals. In other words, by ensuring that the effort of an organisation is well directed, a well-governed organisation will be more efficient and more likely to produce effective outcomes. Governance should be enduring, not an instrument that is exercised from time to time depending on circumstances. A good governance framework should guide the actions of individuals by providing clarity of direction as to appropriate behaviour and decision-making. When working well, a governance framework produces better outcomes simply because it exists.”¹²

⁷ Uhrig Review, p 5.

⁸ Uhrig Review, p 5.

⁹ Uhrig Review, pp 6-7.

¹⁰ Uhrig Review, p 8.

¹¹ Uhrig Review, pp 4, 5.

¹² Uhrig Review, p 2.

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Further information regarding the Uhrig review and the Governance Arrangements for Australian Government Bodies can be found by visiting:

<http://www.finance.gov.au/GovernanceStructures/index.html>

<http://www.finance.gov.au/finframework/governance.html>

2.2 Tourism Australia

TA is a statutory authority which was established under the *Tourism Australia Act 2004 (TA Act)* on 1 July 2004.

TA was established in accordance with a key recommendations of the Australian Government's Tourism White Paper. Since its establishment TA has taken on functions of the former Australian Tourist Commission, See Australia Pty Ltd and the Bureau of Tourism Research and Tourism Forecasting Council. This reflects the comments in the precursor to the White Paper, the Australian Government's Green Paper,¹³ which proposed such an amalgamation and noted:

*A restructure along the lines outlined above could significantly improve the flexibility and responsiveness of national tourism structures. These attributes are critical to survive and thrive in the fast-changing and uncertain operating environment which characterises tourism.*¹⁴

In particular, in relation to research, the Green Paper, noted the need for TA to maintain a level of independence and industry input:

*Having an advisory board with an independent chairperson and industry representation could help maintain the independence of research and forecasting activities, and ensure relevance to industry needs.*¹⁵

Subsequently TA was created as a body corporate under the TA Act, with a governing board. TA is subject to the CAC Act and the corporate governance arrangements of TA are also, in part, prescribed under the TA Act.

The White Paper set out the functions of TA¹⁶ and also noted:¹⁷

- “[TA] will enjoy a significantly increased resource base”;
- “the new structure will allow flexibility to shift resources in response to changes in the business environment which impact on tourism”;
- “amalgamating existing entities . . . will also help improve coordination and effectiveness in achieving the Tourism Australia vision”;
- “Tourism Australia will have a charter to engage more actively on a commercial basis with industry”; and

¹³ Australian Government *Green Paper: A Medium to Long Term Strategy for Tourism* (2003).

¹⁴ Green Paper, p 14.

¹⁵ Green Paper, p 39.

¹⁶ Australian Government *Tourism White Paper* p 3.

¹⁷ Australian Government *Tourism White Paper* p 2.

- Although note there is a directions paper in relation to commercial entities, see s49 of the *Australian Postal Corporation Act 1989* and s9 of the *Telstra Corporation Act 1991*.

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- “Tourism Australia will also contribute to policy advice in key areas, but primarily it will be a market-oriented body with an operational role covering tourism marketing and market development”.

As noted above this review of TA is not aimed at altering the White Paper or TA’s powers and functions as set out in the TA Act. Rather it is focused on identifying the best governance structure for TA. As the Uhrig Review noted:

“Clarity of roles: in organising for success all parties within the governance framework must have a clear understanding of their roles and responsibilities, including their personal accountability.”¹⁸

TA broadly satisfies some aspects of the Board Template requirements in terms of how it is structured.

However, in other respects, TA is closer to the Executive Management Template:

- the majority of TA’s funding is public money which is appropriated directly to TA. While TA receives funds (or in kind support) from industry it is not structured as a commercial enterprise.
- while the TA Act makes provision for the TA Board to determine TA policy, the Explanatory Memorandum and the White Paper provide that while TA will contribute to policy advice, but primarily will be a tourism marketing and policy implementation body;
- the Managing Director is responsible for the majority of the ongoing consultation with the Minister, and the Chair is not always involved in consultations;
- the majority of TA’s funding comes from Government;
- contracts greater than \$5 million require approval by the Minister; and
- the Minister may issue a Direction, in exceptional circumstances.

In considering which Uhrig Template is most appropriate for TA it can be noted that the Uhrig governance structure need not alter the status of TA as a body corporate or its ability to hold funds separate to the Commonwealth. These issues are referred to below at paragraph 3.2. That is, a Board Template or Executive Management Template body can be a body corporate. Similarly an Executive Management Template body can be a prescribed agency and hold funds in a special account.

In addition, regardless of which Uhrig Template is adopted, Uhrig best practice governance arrangements would suggest that a range of amendments will be required to be adopted by TA such that:

- specific arrangements are put in place to ensure the Minister is informed in a timely way of significant issues impacting on TA;
- regular reporting arrangements between TA and the Minister are formalised;
- arrangements for communication between the Department, or the Secretary, and TA (through the Board or executive management) are formalised to enable appropriate ministerial briefing;

¹⁸ Uhrig Review, p 3.

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- arrangements are put in place to ensure TA and the TA Board are accountable to the Minister; and
- there is an exchange of Statements of Intent and Expectation between the Minister and TA (this exchange may be used to rectify some of the communication/liaison issues which have been identified).

2.3 This Background Paper

As noted above, the purpose of this paper is to seek the views of stakeholders regarding TA's corporate governance arrangements. This is intended to feed into the Minister's assessment of TA against the principles determined by the Uhrig Review.

The following sections of this background paper raise, for consideration and comment, a number of key issues – flowing from the principles developed by the Uhrig Review and the characteristics of each of the Uhrig Templates – which are likely to impact on the final assessment of TA in accordance with the recommendations of the Uhrig Review.

3 Tourism Australia and findings of the Uhrig Review

3.1 Appropriate structure – Uhrig Templates

As noted above, one of the main principles taken from the Uhrig Review is that governance arrangements should be appropriate to the particular entity, having regard to the nature of its ownership and its functions.

One approach to determining the appropriate structure of TA is to consider the characteristics which it should or does have, as against the characteristics which the Uhrig Review recommends be embodied in with the Board Template or the Executive Management Template.

When considering the appropriate structure of an entity, it should be in the context set out in the Uhrig Review that it will be more common for the appropriate structure of a statutory authority to be appropriately the Executive Management Template. It will only be in rare circumstances that the Board Template will be appropriate.

3.2 Appropriate structure – CAC Act/FMA Act

One of the recommendations of the Uhrig Review is that:

- the CAC Act should be applied to an authority where it is appropriate that they be legally and financially separate from the Commonwealth; and
- the FMA Act be applied to an authority where it is appropriate they be legally and financially part of the Commonwealth and do not need to own assets, typically budget financed authorities.¹⁹

As detailed above, if the CAC Act were applied to TA, TA would be expected to fall within the Board Template whereas if the FMA Act were applied to TA, TA would be expected to fall within the Executive Management Template. As such, a second approach to determining the appropriate structure for TA is to consider whether the CAC Act or the FMA Act should apply to TA. In this regard, the following discussion considers the issues of: corporate status; revenue and funding; assets; staff; and procurement policy.

¹⁹ Uhrig Review, p 71.

(a) Corporate structure

TA has been established under section 5(2) of the TA Act as a body corporate and, as such, it is legally separate to the Commonwealth. As such, it would be expected that TA be subject to the CAC Act.

An alternative approach would be for TA to be an agency which is part of the Commonwealth. If this were the case, it would be expected that TA would be subject to the FMA Act.

However, it should be noted that entities such as the Australian Competition and Consumer Commission (**ACCC**), the Human Rights and Equal Opportunity Commission (**HREOC**), the National Health and Medical Research Council (**NHMRC**), the National Offshore Petroleum Company (**NOPSA**) and the Australian Energy Regulator (**AER**) are subject to the FMA Act even though they are legally separate to the Commonwealth. That is, a body corporate can still exist even if the agency is subject to the FMA Act.

A key question is whether TA should be legally separate to the Commonwealth, that is, whether it should be a body corporate, or whether it should be part of the Commonwealth to most effectively perform its functions.

(b) Revenue and funding

TA achieved received revenue from ordinary activities during the 2004-05 financial year of \$169.802m and expenses from ordinary activities of \$165.485m, resulting in a net profit of \$4.137m. \$138.374m of this revenue was from government.²⁰

TA is dependent on appropriations from Parliament in order to carry out its normal activities – with approximately 81% of its revenue being budget funded.

In the 2004-05 financial year, TA received \$10.781m in advertising income, \$1.515 from the sale of goods and services, \$13.546m from “contributions”, \$3.455m from interest, \$0.958m net foreign exchange gains, \$0.45m revenue from sale of assets and \$1.128m from “other revenue”.²¹

The \$13.546m in “contributions” is industry contributions and the amount reflects the actual value of industry support for TA activities from cash revenue. The Financial Statements note that in addition to this amount, joint marketing programs were undertaken through which industry supplements funds provided by TA for product development, visiting journalist and tactical marketing programs.²²

The White Paper estimates that the total in-kind effort by the airlines was worth \$40 million in 2002–03.²³ The Government acknowledges that cooperative marketing with industry is an important way for TA to leverage its funding base.

Should TA be subject to the Executive Management Template, and become an FMA Act organisation, arrangements for special accounts under the FMA Act to deal with industry contributions, may need to be implemented. Special accounts may be established under an amendment to the TA Act or under a Ministerial determination under section 20 of the FMA Act.

²⁰ TA 2005-05 Annual Report, p 79 (Financial Statements).

²¹ TA 2005-05 Annual Report, p 79 (Financial Statements).

²² TA 2005-05 Annual Report, p 96 (Financial Statements).

²³ White Paper, p 7.

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A key question is whether industry contributions would be affected, and in what way, by a change in structure of TA.

(c) **Assets**

TA, as a separate legal entity to the Commonwealth, has the assets which are used in the TA's operations such as plant, equipment, software and trademarks.

TA holds the following assets (as reported in the 2005-05 financial statements):²⁴

| | |
|----------------------|----------------------|
| Plant and Equipment: | \$1.606 million; |
| Shares: | \$0.110 million; |
| Financial assets: | \$27.406 million; |
| Software: | \$3.881 million; and |
| Trademarks: | \$0.097 million. |
| Total assets: | \$33.1 million |

The shares held by TA consist of an 11.9 per cent interest in Australian Tourism Data Warehouse Pty Limited which has as its principal activity the development of a database for Australian Tourism Product.²⁵

Typically, portfolio bodies that own their own assets are subject to the CAC Act and are likely to fit within the Board Template. If TA became an FMA Act agency, consideration would need to be given to the best means of holding certain of the TA assets.

(d) **Staff**

TA employs its staff under section 55 of the TA Act, pursuant to which the Board is able to employ persons on such terms and conditions that the Board determines in writing.

Typically, portfolio bodies that employ staff under their enabling legislation are bodies subject to the CAC Act and will fit within the Board Template. Bodies that employ staff under the *Public Service Act 1999* (**Public Service Act**) are typically bodies subject to the FMA Act and are likely to fit within the Executive Management Template.

Key questions are whether TA staff should be engaged under the TA Act or the Public Service Act and what are the benefits of either approach.

(e) **Procurement**

FMA Act bodies are subject to the entirety of Commonwealth Procurement Guidelines (**CPGs**) which establish the core procurement policy framework and articulate the Government's expectations of departments and agencies and their officials, when performing duties in relation to procurement.

As a CAC Act body specified for regulation 9 of the CAC Regulations, TA has been given a direction under section 47A(2) of the CAC Act, this is contained in the *Finance Minister's (CAC Act Procurement) Directions 2004* (**Directions**).

²⁴ TA 2005-05 Annual Report, p 80 and p 100 (Financial Statements).

²⁵ TA 2005-05 Annual Report, p 100 (Financial Statements).

The Directions require the Board of TA to ensure that TA officials apply Division 2 of the Commonwealth Procurement Guidelines, the Mandatory Procurement Procedures, for covered procurements above the following thresholds:

- the procurement of construction services of the value of the procurement is estimated to be more than \$6 million; and
- the procurement of property or services other than construction services if the value of the procurement is estimated to be more than \$400,000.

Key differences between an FMA and CAC body relate to the more specific procurement arrangements in the FMA Act and Regulations. (See endnote – pages 15-16ⁱ)

3.3 Appropriate Structure - Nature of operations

A Board Template structure is likely to be appropriate where the authority is involved in commercial operations.

TA does not seek to make a profit from any of its operations and TA is not empowered to act as a travel agent,²⁶ nor does it seek to compete with the role taken on by the States and Territories. But TA has a role in restructuring the tourism industry in so far as the intention detailed in the White Paper is that TA:

- *analyse and disseminate trends in global and domestic tourism to help with strategic planning including regional tourism, and*
- *develop strategies to promote growth in the domestic tourism industry and encourage regional dispersal of international tourists.*²⁷

The White Paper also noted that it was important that TA has a commercial focus, specifically so that Tourism Research Australia, a business unit within TA which conducts tourism research, is commercially focused:

*. . .to ensure it meets the needs of research and data users and continues to produce relevant and up-to-date information.*²⁸

Additionally, as noted above, TA must have a structure which allows it the flexibility it needs to shift resources as a result of changes in the business environment.²⁹

Above all, TA must be able to engage effectively with industry, given the Government's intention to work in partnership with industry as well as the States and Territories in delivering the initiatives from the White Paper.³⁰

TA is not required to operate a fully commercial, for-profit operation, but rather seeks to:

- influence people to travel to Australia;
- influence such people to travel throughout Australia;

²⁶ TA Act, s8(3).

²⁷ White Paper, p 2.

²⁸ White Paper, p 13.

²⁹ White Paper, p 2.

³⁰ White Paper, p 3.

- help foster a sustainable tourism industry; and
- help increase the economic benefits to Australia from tourism.

TA brings its commercial skills to bear in seeking to achieve the above objectives.

It is important to consider whether the Uhrig Template which is applied to TA, is compatible with these requirements, and therefore allows TA to fulfill its functions.

Key questions that arise are whether TA needs the expertise of a Board to provide services to industry and which Uhrig Template is necessary in order to ensure TA is sufficiently commercially focused and has the flexibility it requires to fulfill its functions. Note also paragraph 3.2 above in relation to Body Corporate status.

3.4 Appropriate Structure - Clarity and communication

As noted above the principles determined by the Uhrig Review include that:

- owners of an organisation need to set its purpose clearly and state their expectations of performance; and
- there should be a clarity of roles and responsibilities for all persons who own, govern or manage an organisation.

One approach to ensuring clarity, as discussed in the Uhrig Review, is to put in place arrangements to ensure appropriate communication takes place.

(a) Clarity of government expectations

The Uhrig Review recommended that Ministers issue a Statement of Expectations to their statutory authorities to outline relevant government policies and any expectations the Government has on how the authority should conduct its operations. In issuing the Statement of Expectations, however, the Minister would need to take care to respect the areas of independence provided for under the authority's enabling legislation.³¹

Both the Board Template and the Executive Management Template require the Minister to set out the Government's expectations through a Statement of Expectations / Statement of Intent.

A Statement of Expectations / Statement of Intent would need to be finalised under either template.

(b) Clarity of roles

The Uhrig Review notes that all parties must have a clear understanding of their roles and responsibilities in the governance framework. Problems are likely to arise when a party has conflicting responsibilities.

Currently TA operates through a Board but the Minister is to approve significant contracts.

In addition, the Uhrig Review recommended that the role of departments as the principal source of advice to the Minister should be reinforced by requiring that statutory authorities provide information to Secretaries at the same time it is provided to the Minister.³²

³¹ Uhrig Review, p 7.

³² Uhrig Review, p10.

(c) Keeping the Minister and Department informed

The Uhrig Review recommends that the department and the statutory authority work together to ensure the department is well placed to brief the Minister, and that the department informs the statutory authority of its information requirements.³³

In particular, the Uhrig Review recommends that:

- where the Board Template is applied, and a corporate plan is developed by management, management should keep the Department informed of relevant issues as the plan is developed;
- in all cases, TA should consult with the Department in the development of the KPIs; and
- either the Chair or executive management should meet with the Minister at least annually and as required to brief the Minister on TA's progress against the KPIs and relevant matters.

The CAC Act requires the TA Board to keep the Minister informed of significant events (s16 CAC Act). However, outside of this requirement while there are meetings between the Chair and the Minister, as well as the Managing Director and the Minister and there are informal arrangements between the Department and TA, there are no formal arrangements whereby TA keeps the Minister and the Department informed of matters.

The Uhrig Review also provides that in the case of the Board Template it is the Board who should keep the Minister informed of matters such as significant events and risk mitigation strategies, whereas for the Executive Management Template, executive management should keep the Minister informed.

Significantly, the Uhrig Review notes that when a board is restricted in its ability to act it will be ineffective. The Review notes that this may occur through the existence of informal relationships which bypass the board. This will include the situation where the CEO establishes regular contact with the Minister.³⁴

3.5 Uhrig – Other Issues

(a) Policy development

One of Tourism Australia's key roles is to conduct marketing and advertising activities. In doing so, it determines the policies or strategies to achieve the objects set out in the TA Act. Overall tourism industry policy is developed by the Department of Industry, Tourism and Resources.

One of the primary differences between the Board Template and the Executive Management Template is that the Executive Management Template provides that management does not set the policies of the statutory authority, rather, management merely implements policies set by the Minister. Where the role of the statutory authority is to implement policy, and not to develop policy, such an authority is better suited to the Executive Management Template.³⁵

³³ Uhrig Review, p 83.

³⁴ Uhrig Review, p 66.

³⁵ Uhrig Review, p 88.

In the case of TA, the TA Act provides that one of the functions of the Board is to determine TA's policy in relation to any matter.³⁶ However, the Explanatory Memorandum to the TA Act notes:

*Tourism Australia will contribute to policy advice impacting on tourism, however its primary role will be tourism marketing and promotion. The Australian Government is responsible for developing and implementing policy initiatives . . . Tourism Australia must ensure that it undertakes its functions with consideration, and under the policy parameters, set by Australian Government on these and other issues. To achieve this, Tourism Australia will work closely with the Australian Government agency that has carriage of tourism policy development.*³⁷

In addition, the TA Act requires that TA has regard to the needs of both the Australian tourism industry and government in performing its functions.³⁸

As such, TA's role consists of some policy development with regard to achieving its objects, as contained in the TA Act, and of policy implementation, whereby it implements the tourism policies of the Government.

(b) Ministerial directions power

There is a Ministerial directions power in the TA Act.³⁹ However, it is a limited power which requires that the Minister may only give a direction if, because of exceptional circumstances, the Minister is satisfied it is necessary to give the direction to the TA Board to ensure the performance of the functions or the exercise of the powers of TA does not conflict with government policies.⁴⁰ The directions power has not been exercised and by itself is not fatal to the existence of a Board Template entity. However, its existence in the absence of other Key Board Templates features such as commercial focus may indicate the potential for more Ministerial involvement in the activities of the entity.

Under the TA Act, the Board has the power to "do all things necessary or convenient " in connection with its functions.⁴¹ Where the functions of the Board are:⁴²

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

Under the Uhrig Board Template, the autonomy accorded to the Board under the Board Template is subject to the Minister's statement of expectations and the Board would be required to determine its policies, having regard to those expectations.⁴³

3.6 Accountability

³⁶ TA Act, s10.

³⁷ *Explanatory Memorandum: Tourism Australia Bill 2004.*

³⁸ TA Act, s7(2).

³⁹ TA Act, s40.

⁴⁰ TA Act, s40(2)(c).

⁴¹ TA Act, s 11.

⁴² TA Act, s10.

⁴³ Graham, Ross, *The governance of government owned corporations*, (2005) 23 C&SLG 181 at 190

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One of the core principles from the Uhrig Review is that with responsibility there needs to be accountability.

As noted in the Uhrig Review:

*... the principle of responsible government requires Ministers to be accountable to the Parliament (and ultimately the public) for government administration, including the activities of statutory authorities within their portfolios.*⁴⁴

Given that the majority of TA's funds are Commonwealth funds, it is important that TA be accountable to the Government (and ultimately tax payers) for its use of those funds. Similarly, it would appear reasonable that TA be appropriately accountable to other parties in relation to the funds/support which they provide to TA.

There are a number of approaches to ensuring that TA is appropriately accountable, some of the relevant issues are considered below.

(a) Board Performance

The Uhrig Review, relevantly found that better practice for boards would include:

- orientation programs being implemented for boards and directors having the opportunity for ongoing professional development; and
- annual assessments of the board.

TA is currently putting in place training for Board members regarding their fiduciary duties under the CAC Act.

(b) Corporate Plan and KPIs

The Board of TA is required to prepare an annual corporate plan for ministerial approval.⁴⁵ If the Board Template were applied to TA, responsibility for approval of the corporate plan would need to shift from the Minister to the Board.

The TA Board is required to include performance indicators in the corporate plan for the assessment of TA's performance of its functions.⁴⁶

It is noted that outcomes are presently reported in the portfolio budget statements and the Annual Report.

The Uhrig Review recommends that KPIs, which would include financial and non-financial measures, be limited in number to those seen to be crucial and presented in a format that can be independently verified. TA currently has 26 key performance indicators listed in the corporate plan. Output and outcome statements and performance indicators for TA are also contained in the DITR Portfolio Budget Statement.

(c) Information provision

The Uhrig Review notes that while an authority's enabling legislation will in most cases detail the relationship between the authority and the Minister⁴⁷, at the very least Ministers have a general power to require authorities to provide them with

⁴⁴ Uhrig Review, p 62.

⁴⁵ TA Act, s33(1) and s35.

⁴⁶ TA Act, s33(1) and s34(d).

⁴⁷ Uhrig Review, p 28.

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the information necessary for them to meet their accountabilities and fulfil their duties to uphold laws.⁴⁸

The Uhrig review further notes that information regarding an authority's performance against the agreed KPIs should be available to the Minister as required and should also be made available to the public.

(d) Other

There are numerous ways in which TA can be made accountable for its use of public, and other, funds. Some approaches to accountability may be more appropriate than those suggested above.

4 Conclusion

This background paper is intended to raise key governance issues which need to be addressed in this review.

A consultation process with stakeholders will occur over the next couple of months, based on the issues raised in this background paper. Submissions to this paper are invited. The closing date for submissions is 1 February 2006.

Submissions will be held in confidence and, subject to the Department's legal obligations, will not be released without prior authorisation of the author.

Following receipt of all information from consultations and the submissions provided in response to this background paper, the Minister will conduct an assessment of TA's governance arrangements in the context of the Uhrig Templates.

Submissions should address the appropriate governance structure for TA in light of the Uhrig Template and noting that TA's structure is presently a hybrid of both templates. In particular, submissions should address:

- the need for a Board as opposed to executive management;
- whether an Advisory Board would be appropriate;
- whether TA should remain a body corporate;
- whether TA needs to hold funds separate to the Commonwealth; and
- whether a Board Template or Executive Management Template is more appropriate for the proper governance of TA.

ⁱ Note that if the FMA Act were to apply to TA, the Mandatory Procurement Procedures would apply for covered procurements:

- where the procurement is not for construction services and the value of the procurement is over \$80,000; and
- where the procurement is for construction services and the value of the procurement is over \$6 million. Hence the main difference is the threshold \$80,000 versus \$400,000. The FMA Act also specifies a range of other financial requirements (not in the CAC Act).

Section 44 of the FMA Act provides:

"44 Promoting efficient, effective and ethical use of Commonwealth resources

⁴⁸ Uhrig Review, pp 28-29.

- (1) A Chief Executive must manage the affairs of the Agency in a way that promotes proper use of the Commonwealth resources for which the Chief Executive is responsible.
- (2) If compliance with the requirements of the regulations, Finance Minister's Orders, Special Instructions or any other law would hinder or prevent the proper use of those resources, the Chief Executive must manage so as to promote proper use of those resources to the greatest extent practicable while complying with those requirements.
- (3) In this section:

proper use means efficient, effective and ethical use."

The FMA Regulations specify:

"8 Officials to have regard to guidelines

- (1) An official performing duties in relation to the procurement of property or services must have regard to the Commonwealth Procurement Guidelines.
- (2) An official who takes action that is not consistent with the Guidelines must make a written record of his or her reasons for doing so.

9 Approval of spending proposals — principles

- (1) An approver must not approve a proposal to spend public money (including a notional payment within the meaning of section 6 of the Act) unless the approver is satisfied, after making such inquiries as are reasonable, that the proposed expenditure:
 - (a) is in accordance with the policies of the Commonwealth; and
 - (b) will make efficient and effective use of the public money; and
 - (c) if the proposal is one to spend special public money, is consistent with the terms under which the money is held by the Commonwealth.
- (2) Subregulation (1) does not apply to a proposal by an intelligence or security agency to spend operational money within the meaning of section 5 of the Act as modified in accordance with Schedule 2.

10 Approval of future spending proposals

If any of the expenditure under a spending proposal is expenditure for which an appropriation of money is not authorised by the provisions of an existing law or a proposed law that is before the Parliament, an approver must not approve the proposal unless the Finance Minister has given written authorisation for the approval.

13 Entering into contracts etc

A person must not enter into a contract, agreement or arrangement under which public money is, or may become, payable (including a notional payment within the meaning of section 6 of the Act) unless a proposal to spend public money for the proposed contract, agreement or arrangement has been approved under regulation 9 and, if necessary, in accordance with regulation 10."

p



THE HON FRAN BAILEY MP

MINISTER FOR SMALL BUSINESS AND TOURISM

OFFICE OF THE PRIME MINISTER
RECEIVED IN CANBERRA

30 MAR 2006

Referred to: *PM C**AS HG NB*PARLIAMENT HOUSE
CANBERRA ACT 2600

Senator the Hon Nick Minchin
Minister for Finance and Administration
Parliament House
CANBERRA ACT 2600

Dear Minister

Nick

I am writing to inform you about progress on the review of Tourism Australia's corporate governance arrangements.

As you would be aware, you agreed last year that I would report to you the outcomes of the review of Tourism Australia's corporate governance arrangements by the end of March 2006.

This review is almost complete. As part of the review, I have been examining what would be required in the Statement of Expectations that I would set for Tourism Australia. A Statement of Expectations is a critical element of the post-Uhrig governance arrangements for Australian Government bodies, particularly in terms of strengthening accountability and reporting requirements.

Once I have finalised a Statement of Expectations that would be suitable for Tourism Australia, I will be in a position to communicate to you the outcome of the review. I expect that the process will now be finalised before the end of April 2006.

I have copied this letter to the Prime Minister, the Hon John Howard MP and the Minister for Industry, Tourism and Resources, the Hon Ian Macfarlane MP.

Yours sincerely

s 22

FRAN BAILEY

30 MAR 2006



1. Introduction

As part of the Tourism White Paper Evaluation process an Expert Panel was appointed to help assess the validity of the approach and measurement tools being used by Tourism Australia to measure its marketing performance.

A first step in that process was a comprehensive presentation to the Panel on TA's overall Corporate Plan and its marketing strategy to achieve those corporate objectives. From that initial meeting it was agreed to provide the Panel with further detail on the methodologies being used to collect the key performance measures.

This paper details those measures of marketing performance and the process of collection for the Panels' review.

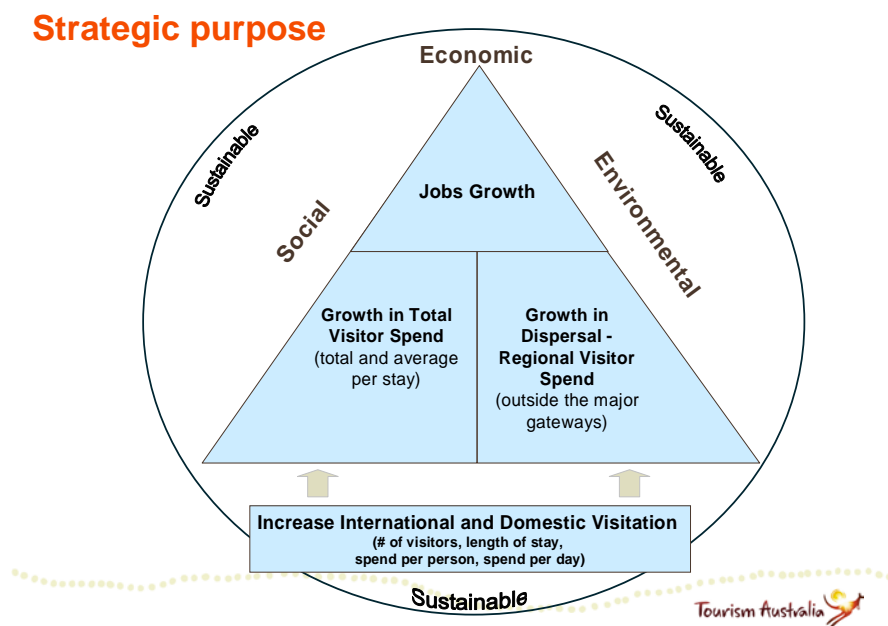
2. Measuring Performance Against Objectives

In early 2005 the Tourism Minister approved a new Corporate Plan for Tourism Australia. That Plan detailed:

(i) A Clear Vision and Role for TA:

The primary role of Tourism Australia is to stimulate sustainable international and domestic demand for Australian tourism experiences. Thus, with a role as a leverage marketing organisation, the primary purpose is to facilitate the delivery of sustainable economic benefit from tourism for Australia, with the logic ladder to that outcome represented in the diagram below:

Diagram 1



(ii) Industry Performance and TA Performance Targets:

The Plan also established a clear differentiation between the Australian tourism industry performance as an overall goal and how Tourism Australia should measure its contribution to that industry performance.

Thus, Tourism Australia has established three primary levels of performance measurement:

(a) Tourism Industry Performance Targets

With the inception of Tourism Australia in July 2004, the focus of inbound tourism marketing has been upon creating a sustainable economic benefit through creating jobs for Australian (the key rationale for our Government funding). Tourism Australia can't do this alone. In conjunction with industry the targets have been set relating to the growth of total visitor spending and to spending in regional areas.

The two primary industry performance measures are:

- Leisure visitor spending, measured by Total Inbound Economic Value (TIEV ie. yield from holiday and visiting friends and relatives (VFR) visitors) or Total Domestic Economic Value (TDEV). Individual performance indicators are in the corporate plan, namely \$0.8 billion real growth for domestic and \$4.5 billion real growth for international based on the 2003/04 level.
- Spending in regional areas is measured by a proxy value of dispersal (which is the proportion of nights spent outside the four major international aviation gateways of Sydney, Melbourne, Perth and Brisbane, in line with the Federal Government bilateral aviation policy).

Tourism Australia realises that its primary sphere of influence does not extend to the entirety of the tourism market, with TA's activities more closely focused on the leisure tourism market, as well as a number of additional, high yielding segments (very specific groups outside the leisure market, eg. incentives, student education etc). For that reason Leisure performance is the key macro level performance indicator for TA.

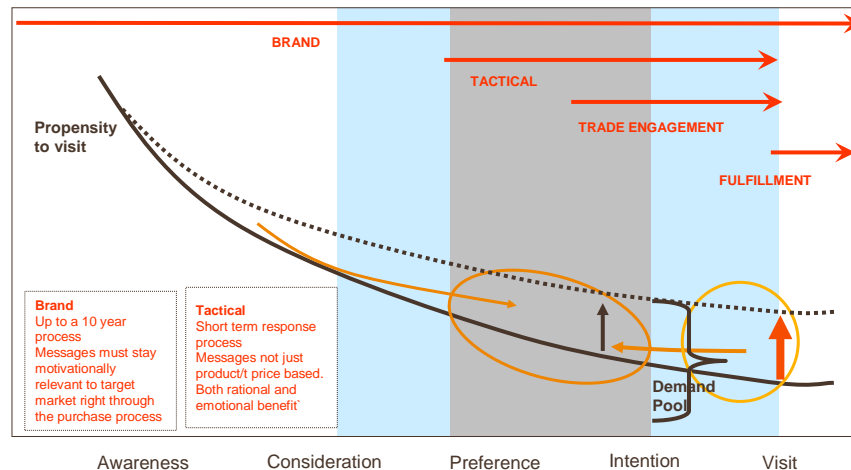
(b) Tourism Australia's Global Performance

While Australia is one of the most desired destinations in the world, less than 5% of the world's tourist actually visit Australia. Shifting international travellers from having a preference for Australia into an intention to visit Australia in the next 12 months is therefore one of Tourism Australia's key challenges. Tourism Australia's main way of measuring its effectiveness in converting preference to intention and growing the demand pool is through TA's tracking study (see Diagram 2: Attrition Curve below).

- The demand pool is the estimated number of potential travellers who intend to travel to Australia in the next 12 months.
- Conversion rates are measured by comparing scores for Australia across the attrition curve. Different challenges have been identified for individual markets.

Diagram 2: Attrition Curve

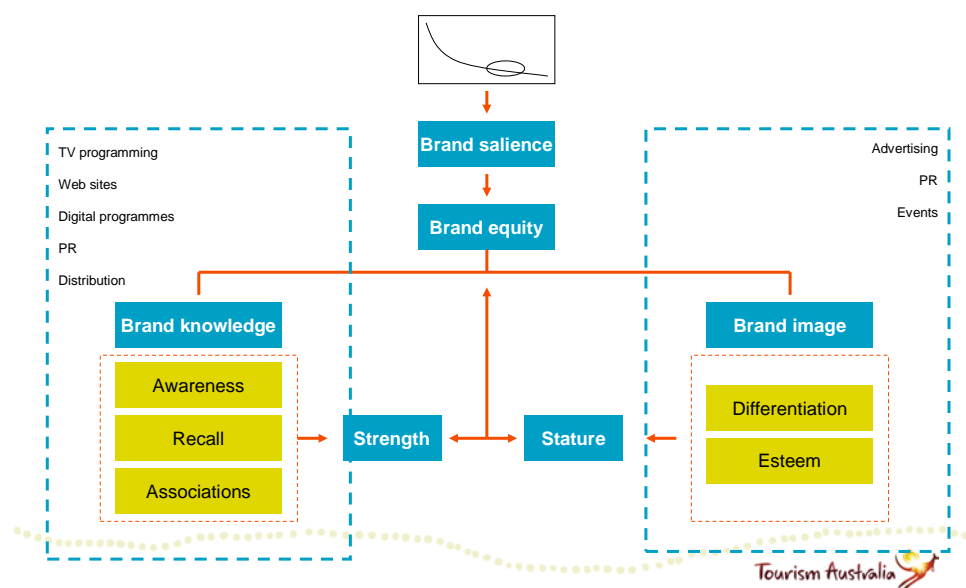
Campaign objective: shift preference to intention



The second area of marketing performance is the overall brand equity for Australia as a leisure destination brand. While brand equity can be measured from several different perspectives, Tourism Australia has chosen a consumer based approach as its focus. That is, measuring the increase in the target consumers attitude to the brand in terms of recognition and image. Using the brand model shown in Diagram 3, brand equity is measured through two key components – ie brand knowledge and brand image: TA has added questions to its Brand Tracking research program to measure these two elements of the brand.

Diagram 3: Brand Salience & Equity

Campaign model: increase brand salience



Also, while the primary aim of Tourism Australia's marketing effort is to increase the "intention to visit" demand pool from its target market, one short term measure of success from any marketing activity is the extent of increase in the use of Australia.com, Tourism Australia's website. All Tourism Australia's marketing activity has the website as its major "call to action".

Finally, recognising that its performance should also be measured by its ability to both leverage partnerships and also by the level of support it has with its key stakeholders, TA has an additional Global level KPI that is tracked; which is:

- Stakeholder Perception – measured via a stakeholder survey, the value of the people, processes and services provided by TA to its high value customers.

(c) Tourism Australia's Local Market Performances

At an operational level, Tourism Australia initiates a range of programs to help underpin the delivery of its macro objectives. Objective assessment of how well each program delivered towards its discrete objectives helps TA understand the effectiveness/ efficiency of the different programs it runs. For example, a website program might have the number of pages viewed as one of its measures or a PR program might have number of positive articles generated from a journalist visit. These measures are usually at local market level rather than global performance measures.

These individual market KPI measures fall primarily into two areas:

- Consumer engagement: which includes individual campaign performance, PR and website use.
- Trade engagement: which includes distribution development (eg Aussie Specialist Program performance), and trade show performance.

In summary, the table below outlines the three primary levels of measurement TA undertakes to measure and monitor success of its Corporate Plan and the sources of the measurements:

Table 1: Measures of Success

| | KPI | Measure | Source |
|----|--|--|--|
| 1. | Industry Performance Targets | <ul style="list-style-type: none"> ○ Yield – Leisure (TIEV) ○ Dispersal Leisure (% Visitor Nights) | <ul style="list-style-type: none"> - IVS/NVS - Forecasts (TFC) - IVS/NVS - Forecasts (TFC) |
| 2. | TA Global Performance (Tier 1 & 2 markets) | <ul style="list-style-type: none"> ○ Demand Pool (Intention to Visit %) ○ Brand Equity (ES) ○ Website usage | <ul style="list-style-type: none"> - Branding/Tracking (+) HTS/BDA - Branding/Tracking (+) HTS/BDA - Web analysis |

| | | | |
|--|--|--------------------------|----------------------|
| | | o Stakeholder Perception | - Stakeholder Survey |
|--|--|--------------------------|----------------------|

| | | | |
|----|-----------------------------|--|---|
| 3. | TA Local Market Performance | <ul style="list-style-type: none"> o Based on Strategies/Programs to meet challenges in each market o Consumer Marketing <ul style="list-style-type: none"> - Campaign Performance - PR - Digital – Australia.com o Trade Engagement <ul style="list-style-type: none"> - Distribution (ASP) - Trade shows o Partnerships | Data will be drawn from a range of possible measures including australia.com usage, trade show evaluations, Aussie Specialist Program usage and brand tracking. |
|----|-----------------------------|--|---|

3. Measurement Tools

To provide effective and efficient KPI measurements as described above, a number of research based tools are employed.

3.1 Brand Tracking – International

As outlined in Table 1, the primary source for measuring and tracking the brand health and for measuring consumer demand (the demand pool) is via a global Brand Tracking research program.

Currently, the contract is held by Taylor Nelson Sofres (TNS Australia Pty Ltd), with the following fieldwork program:

Fieldwork Overview

Track Brand Health and Communications in the following markets:

| Tier | Market | Methodology | Sample Size | Interview Frequency |
|----------|-------------|--------------|-------------|---|
| Tier One | UK | Online | 1000 | Continuous: End of Feb '06 to End of Nov '06 |
| | USA | Online | 1000 | |
| | Germany | Online | 1000 | |
| | New Zealand | Online | 1000 | |
| | Japan | Online | 1000 | |
| | Korea | Online | 1000 | |
| | China | CATI | 1000 | |
| Tier Two | Ireland | Online | 500 | Dipstick: 2 dips pf 2 wks/dip (n=125/wk). DIP 1: Apr-May '06, DIP 2: Sep-Oct '06 |
| | Canada | Online | 500 | |
| | Singapore | Online | 500 | |
| | Malaysia | CATI | 500 | |
| | Hong Kong | Online | 500 | |
| | Taiwan | Online | 500 | |
| | India | Face-to-face | 500 | |

Sample

All 'People Who Travel' out of region

Half of these (50%) will also be our target market of Global Experience Seekers

The primary objectives of this research program are to:

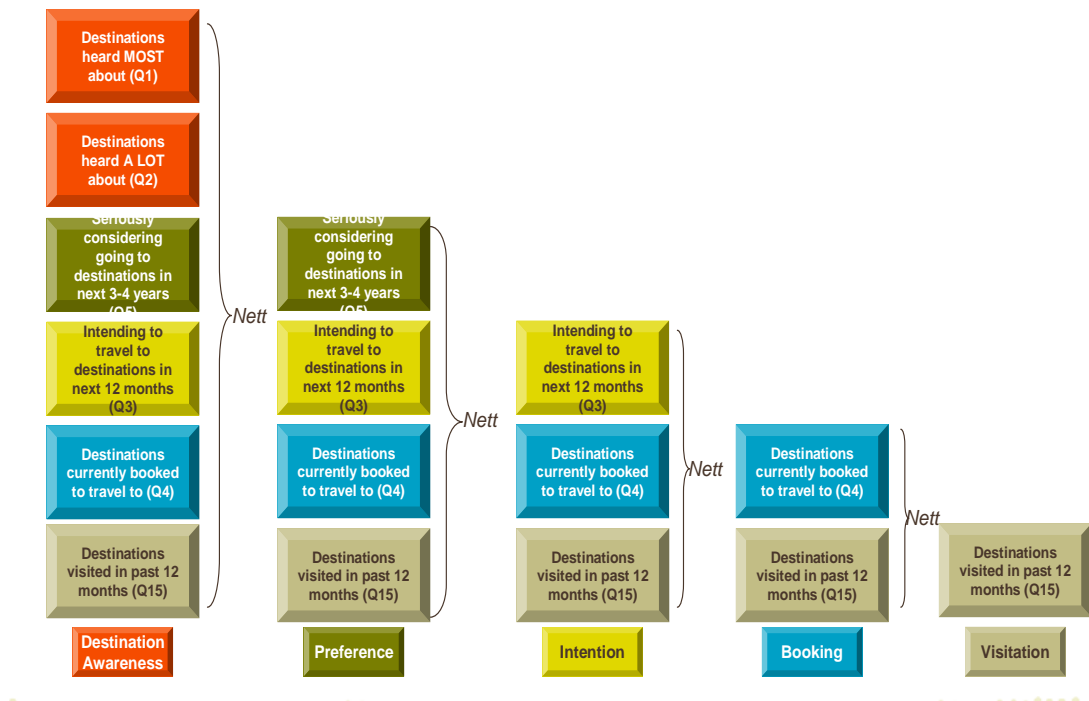
- Measure both the efficiency and effectiveness of the Tourism Australia's (TA) communication initiatives in terms of the overall impact of the campaign and executions;
- Provide a diagnostic understanding of communication effectiveness (or ineffectiveness) and provide direction for action;
- Monitor the development of 'Brand Australia' with regards to visitor disposition and competitive advantage;
- Determine Australia's positioning relative to competitor long haul destinations
- Track the effectiveness of sub-brand communications where applicable (some markets will have campaigns with sub-branding by State Tourist Authorities in addition to Australia branding).
- Provide an evaluative framework for specific key performance indicators (KPIs)

The key analysis dimensions include:

- **Brand Health** – the Attrition curve for Australia and competitor destinations (see Diagram 4 and Attachment 1 for a copy of the questionnaire).

Diagram 4

Calculation Of The Attrition Curve



3.2 Brand Equity

The brand tracking program also provides the mechanism to measure Brand Equity, primarily under two broad elements (see Diagram 3):

(1) Brand Image

With Brand Image measured across two dimensions:

(a) Brand Differentiation:

To what extent does Australia differentiate itself from competitor destinations – and on what dimensions does this differentiation occur (what sorts of things constitute our USP)?

Rationale for Selection of Need-scope Brand Positioning Statements

The need-scope brand module which Tourism Australia has added to the Brand Tracking Survey provides us with significant diagnostic capacity for Brand Australia. It is however, made up of 87 separate attributes which is obviously far too wieldy as a regular reporting measure for brand differentiation.

In order to develop such a measure Tourism Australia reviewed 3 major components of our brand namely;

Customer Insight: I travel to experience the distances

Brand Insight: Australia has a uniquely open personality and environment

Brand Positioning: Australia invites you to get involved.

This provided a framework for matching specific need-scope attributes with the brand we are seeking to develop for Australia.

(b) Brand Esteem:

What are the contributory aspects of Australia's brand esteem? e.g.:

How highly regarded is our brand? Are people talking about Australia and in what way are they talking about it.

Is Australia included in conversations about possible holiday destinations? Do people talk about the qualities we are communicating in our campaign? Is it discussed as an aspirational place to go, would previous visitors say they want to come again?

These broad concepts will be measured in the following way:

| Measure | Question | Source | Reporting Frequency | Benchmark |
|------------------------------|--|---|---|---|
| Brand Differentiation | <p>Key attributes identified for tracking are:</p> <ul style="list-style-type: none"> • Laid back, easy going • Educational experiences • New and different holiday/vacation experience • Place to meet and interact with the locals • Engaging holiday experience • Open and welcoming destination • Practical down to earth | Brand Tracking Survey for Tier 1 & Tier 2 markets | Quarterly for Tier 1 Bi-annual for Tier 2 | To be established for Tiers 1& 2 (based on first 2 quarters results. On strategy changes in brand footprint |

| | | | | |
|--|--|--|--|--|
| | <ul style="list-style-type: none"> • Friendly, sociable • Part of things, like you fit in • Close, connected • Social, mixing with others • Warm, welcoming <p>The degree to which respondents associate Australia with these attributes can be compared and contrasted with a number of competitor destinations.</p> | | | |
|--|--|--|--|--|

| Measure | Question | Source | Reporting Frequency | Benchmark |
|---------------------|--|---|---|---|
| Brand Esteem | <p>(Advocacy) Thinking of all the destinations you have visited outside (country of residence) which are the top three must see/must visit destinations that you would recommend when talking to people about vacations.</p> <p>How satisfied were you with your visit to Australia overall. Would you say your visit to Australia (scaled response) (Satisfaction)</p> <p>Attrition Curve measure of Preference. Which countries or destinations are you seriously considering going on holiday to in the next 3-4 years.</p> <p>Also utilise relevant components of the complete Brand Australia footprint from TNS product Adscope which will be added to the 2006 questionnaire. (see details in appendix)</p> | Brand Tracking Survey for Tier 1 & Tier 2 markets | Quarterly for Tier 1 Bi-annual for Tier 2 | <p>% nominating Australia as one of the top three advocated destinations</p> <p>% nominating Australia met, somewhat, completely exceeded expectations</p> <p>% indicating a "preference" for Australia</p> <p>% attributing identified elements to Australia</p> |

(2) Brand Knowledge (claimed)

This second component of brand equity is "claimed" level of knowledge, measured across three dimensions:

1. Awareness:

Is Australia a holiday destination which...

- People have heard 'most' about recently
- People have heard 'a lot about' recently

2. Recall:

Have people heard about Australia as a holiday destination in any:

- Different kinds of advertising
- Promotions
- online, magazine or newspaper articles
- Sponsorship
- Other activities

3. Associations:

What brand imagery do people associate with Australia?

These will be measured in the following way:

| Measure | Question | Source | Reporting Frequency | Benchmark |
|-----------------------------------|--|-----------------------|--------------------------------------|---|
| Awareness | <p>When you think about holiday destinations outside (source market) which destination have you heard the most about recently? (unprompted)</p> <p>And still thinking about holiday destinations outside (source market) what other destinations have you heard a lot about recently</p> <p>Using a scale of 10 to 0 please click on the score which describes how much you know about Australia?</p> | Brand Tracking Survey | Quarterly Tier 1 Bi Annual Tier 2 | <p>Actual % figure for each origin market</p> <p>% indicating levels of knowledge from 6-10</p> |
| Recall | <p>Think about all the different holiday destinations you have seen, heard or read recently. This includes all the different kinds of advertising, promotions, online, magazine or newspaper articles, sponsorship and other activities that are used to promote these destinations.</p> <p>Please click whether or not you have recently seen, heard or read anything about each of the countries below (Australia plus 5 others in competitive set</p> <p>Please look at the following video of a recent commercial... Have you seen this commercial before (prompted recall)</p> <p>About how many times have you seen this commercial in the last 4 weeks?</p> <p>[Repeated for print advertising]</p> | Brand Tracking Survey | Quarterly Tier 1 Bi Annual Tier 2 | <p>Actual % say yes for Australia in each source market</p> <p>% recall seeing commercial</p> <p>% recall</p> |
| Recall - Specific creative | Please click whether or not you saw, heard or read the advertising in any of the following places | | | Relationship with in market media strategy |

| | | | | |
|--|--|--|--|--|
| | | | | |
|--|--|--|--|--|

| Measure | Question | Source | Reporting Frequency | Benchmark |
|---------------------------|---|---|---|---|
| Brand Associations | <p>No current question propose two pronged approach:</p> <p>How strongly would you associate Australia with the following experiences (list of key Australian experiences)</p> <p>Complete Brand footprint from TNS product Adscope which will be added to the 2006 questionnaire. (see details in appendix)</p> <p>Other than trying to persuade you to visit Australia, what do you think was the main point or message of the commercial</p> <p>What have you heard recently about Australia as a holiday destination (for those who spontaneously mentioned Australia as a place they have heard about earlier)</p> | Brand Tracking Survey for Tier 1 & Tier 2 markets | Quarterly for Tier 1 Bi-annual for Tier 2 | <p>To be established for Tiers 1& 2 (based on first 2 quarters results. % agree (very strongly + strongly) Australia is associated with experiences On strategy changes in brand footprint</p> <p>Coded up for measure of “on strategy” recall</p> <p>Coded up for “on strategy” recall</p> |

Open ended questions also identify significant rational barriers, eg safety.

Campaign performance:

In addition, this research vehicle also provides:

- Communications performance – Have they seen TA communications and what is their message take-out.
- Behaviour – have they travelled recently? Where to? For how long?
- PR – have they been exposed to non-advertising communications about Australia?
- Media Consumption – what TV stations, newspapers and radio stations are they exposed to?
- Internet – are they online and how.
- Demographics – age, gender, income etc. etc.

PLUS: State/city awareness, sponsorship, celebrity questions.

(4) Measuring Brand Equity amongst Intermediaries

Tourism Australia recognises the need to capture insight into Brand Australia equity amongst intermediaries (broadly defined as industry with a role in selling Australia to potential travellers) as part of a fully comprehensive measure. To this end we will add questions to instruments designed to collection information from industry. The most relevant of these being the Stakeholder Survey which is to be conducted annually.

Questions to be added (which are being finalised) include:

Brand Australia is a useful platform for selling Australia to potential travellers.
(scaled agree/disagree 1-5). [Overarching Utility Measure]

Brand Australia is an important component of the effective marketing of Australia.
(scaled agree/disagree 1-5). [Overarching Importance Measure]

Marketing in association with Brand Australia is good for my Australian business.
(scaled agree/disagree 1-5). [Overarching Value Measure]

(5) Website Usage

Australia.com website usage is measured in terms of:

- Hits
- Page impression, areas of use
- Length of time on site, all by source markets of user

3.3 Measuring PR :

Recognising the size and spread of Tourism Australia's global target market and the challenge that this target market with high viewers of traditional advertising eg TV, Tourism Australia has begun to shift its promotional focus from advertising to more PR forms of communication. The impact of this PR driven approach is measured in two ways:

○ Brand Equity Tracking

At the highest outcome level, TA through brand tracking research program is measuring shifts of the target consumers in their perception of Australia as a leisure holiday destination, specifically:

- (a) Message association – what experiences and perceptions do the target market have of Australia and how those perceptions shifted after specific promotional activity.
- (b) Brand image – the way in which the target market view Australia as a destination, again tested before and after specific PR activity

- Customised Media Analysis

The brand equity tracking helps measure the overall shift in perceptions, etc. of the target market toward “destination Australia” but does not help differentiate the extent PR has played (verses say advertising) in achieving the resulting shift. Thus, Tourism Australia will undertake some customised media research in key markets to assess the effectiveness of its PR efforts. Two programs are being undertaken:

- (i) Evaluating Tourism Australia’s Visiting Journalist Program (VJP)

A significant part of Tourism Australia’s PR focus centres around a global Visiting Journalist program. This program initiates visits to selected Australian destinations and experiences by selected travel writers/journalists/film crews, etc. from key publications globally. These journalists are hosted by Tourism Australia, State Tourism Authorities, and key leisure travel suppliers with the aim of generating PR for the destination.

The outcomes of this major activity is measured using an external media analysis company, which tracks the type, level of exposure, and message content of all resulting articles, etc. generated from this VJP activity. This is then measured against the desired messaging to establish a ROI on the activity, by market.

- (ii) Global Media Analysis

In addition, Tourism Australia are exploring the extent to which it can establish a global, consistent approach to analysing PR media for “destination Australia” in its seven Tier 1 markets.

The technique being explored via an external global, media analyst company measures:

- Research and frequency of the PR message in terms of TA target market.
- Break throughs (positive and negative) and credibility values ie the dominance and power of the PR placement, plus its level of believability.
- Messaging against the desired brand messaging and associations.

These measures can be bought together to provide an overall score for the PR piece and thus assess ROI, and also help assess the most effective medium. The methodology uses an “omnibus” style of survey to determine media credibility scores.

3.3 Brand Tracking – NZ and Domestic

In addition to the international market brand tracking program, Tourism Australia also uses some existing proprietary research tools to help understand and measure performance in the Australian and New Zealand markets.

New Zealand and Domestic Holiday Tracking Surveys

The Holiday Tracking Survey (HTS) is conducted by Roy Morgan Research and surveys New Zealand and Australian residents 14+ in private households. (CATI in N.Z and face to face in Australia).

The sample collected weekly results in an annual sample of 12,500 in New Zealand and 55,000 in Australia which is then weighted (each quarter) by age, sex and area to be representative of the whole population.

The questions which are particularly focused on by Tourism Australia are outlined below, these questions and others can be looked at by many demographic, attitudinal and other holiday measures. Their primary purpose, however is to build attrition curves for our target markets in New Zealand.

Awareness:

Thinking about advertising on television, magazines, newspapers, on radio or posters, vacation and travel programmes on TV or any travel guides or brochures that you've looked at.

In the last 4 weeks for which of these regions / overseas destinations have you read, seen or heard anything on holidays and travel?

Preference:

In the next 2 years, which places would you like to spend a holiday of:

- Short trip (for 1 or 2 nights)
- Long trip (for 3 or more nights)

Intention:

Thinking about your next trip. Where will you stay for at least one night on that next trip?

- Short trip (for 1 or 2 nights)
- Long trip (for 3 or more nights)

Visit:

Thinking about all holidays you've taken in the last 12 months. Which places have you stayed at for at least one night on all holiday in the last 12 months?

- Short trip (for 1 or 2 nights)
- Long trip (for 3 or more nights)

3.4 Visitor Profiling

To complete the suite of measurement tools, Tourism Australia, through Tourism Research Australia, undertakes two major visitor surveys:

(1) International Visitor Survey (IVS)

A face to face survey of international visitors (short term, less than 12 months) is undertaken, with continuous interviewing in Australian airports at the time of departure. This survey is conducted by the market research company, Newton Wayman Cheong, with annual sample of 40,000.

From this survey, a full profile of visitors is available, including demographics, travel patterns, booking processes, expenditure, etc.

(2) National Visitor Survey (NVS)

In addition, a major survey of domestic travel by Australian is also undertaken. The survey is conducted "in home", via CATI, continuously over the year with a sample size of 120,000 people. This survey is also currently conducted by Newton Wayman Cheong.

As for the IVS, a full profile of visitors and visitor behaviour is available from this survey down to regional level.

4. Expected Results

To effectively measure its marketing effectiveness Tourism Australia has established a series of measures at various levels of its activity. Part of the rationale of this approach is the recognition that some of these measures of effectiveness will take long periods of time to positively shift.

The table below outlines some of the expectations Tourism Australia has for how quickly the key measures might show any positive results.

| KPI | Measure | Expectation of Results |
|---------------------------------|---|---|
| 1. Industry Performance Targets | <ul style="list-style-type: none"> • Yield • Dispersal | Annual improvement Annual improvement |
| 2. TA Global Performance | <ul style="list-style-type: none"> • Demand Pool (intention to visit %) • Brand equity – image measures • Brand knowledge • Website Usage • Stakeholder Perception | <ul style="list-style-type: none"> • Two to three years to see significant upward shifts in this measure in each market • Some small positive shifts in key brand attributes within 12 months • Increased listing of Australia in top 3 destination will take 2 to 3 years • % of target market with increased association of Australia with nominated experiences within 12 months • Increased “buzz” and talk about Australia as a destination within 12 months • Significantly increased level of hits/usage of Australia.com from target source markets within 12 months • Slightly increased % of key stakeholders rating <ul style="list-style-type: none"> - TA program very good/excellent - TA program of high value to business - TA excellent/very good at marketing Australia overseas |

Thus , the challenge for Tourism Australia is to progressively develop a measurement of the linkages between the more likely faster moving indicators eg: web usage, brand knowledge, brand association etc measures and the higher level, more important, but slower moving indicators of success, such as preference and intention to visit.

With a longer tracking record of these various measures Tourism Australia can build a clearer understanding of relationship between the measures. Ultimately the aim is to develop a measure of the direct return on investment into selected brand marketing activities and the impact of these on delivery the major objectives.

5. Conclusion

As can be seen, a significant range of high quality data sources have been developed to help better understand and profile the consumer target markets and track Tourism Australia's marketing performance. This paper has attempted to provide an overview of the tools that support this profiling and tracking process.

For further information or clarification, please contact

s 22 [REDACTED] Director Strategy & Research, Tourism Australia

s 22 [REDACTED]

s 22 [REDACTED]

14 April 2006

~~CONFIDENTIAL~~



SENATOR THE HON NICK MINCHIN

Minister for Finance and Administration
Leader of the Government in the Senate

The Hon Fran Bailey MP
Minister for Small Business and Tourism
Parliament House
CANBERRA ACT 2600

14 AUG 2006

Thank you for your letter of 31 July 2006 enclosing your assessment of Tourism Australia against the governance principles and templates established in the *Review of the Corporate Governance of Statutory Authorities and Office Holders* (Uhrig Review).

I support your recommendations that the board template continue to apply to Tourism Australia and that it remain under the *Commonwealth Authorities and Companies Act 1997*.

I also support your recommendation to introduce Statements of Expectation and Intent, and request that they be issued and released publicly as soon as possible. I also support the other governance measures you propose, including the introduction of improved parallel communication protocols to strengthen the relationship between yourself, Tourism Australia and your Department.

I welcome your advice that the Secretary of your Department will resign from the board once Tourism Australia's enabling legislation is amended to remove the requirement for a government member on the board. I also note that this measure will reduce the size of the board from 10 to nine, consistent with best practice as set out in the Uhrig Review.

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

I have copied this letter to the Prime Minister to keep him informed of progress with the assessments.

Yours sincerely

CMG

Nick Minchin

REPORT ON TOURISM AUSTRALIA ACTIVITIES

Background

This paper provides an update on recent global activities undertaken by Tourism Australia and a selection of activities undertaken in some of our key markets. The Managing Director of Tourism Australia, Scott Morrison, will make a presentation to the group.

Issues

***'So Where the Bloody Hell Are You?'* Campaign Update**

As at June 2006, Tourism Australia's *'So Where the Bloody Hell Are You?'* campaign had been seen by more than 180 million people in eleven markets since it was launched in February. In Japan, 70 million people had seen the campaign by the end of June, in the UK 36 million, in Germany 32 million, in South Korea 17 million, in China 10 million, in the US 8 million, in New Zealand 3.5 million, in Canada 3 million, in Hong Kong 3 million and in Singapore 1.5 million.

In the first four months following the global launch of the campaign in Sydney, there was a 71% increase in traffic to the Tourism Australia websites and more than 775,000 people in nearly 200 countries had downloaded and played the ad online. The first phase of campaign roll out has finished now in Europe and the USA. Due to northern hemisphere summer holidays, there will be a break in campaign media activity in these markets until resumption in September. The media campaign continues in Japan both online and in cinema, and at the time of preparing this report is currently running on TV, print and online in both China and Korea. Despite only recently going to air in China, there are now more downloads of the new ad in China than in any other country, and a five fold increase in visits to australia.com.

Global Programmes

Tourism Australia recently announced a new three year global partnership with two of the world's largest media brands – Discovery Networks Asia and National Geographic Australia – giving Australia direct access to 150 million potential visitors in key international tourism markets.

Tourism Australia's new campaign is appearing on both National Geographic and Discovery networks and the partnership will ensure that Australian destination messages appear in a mix of print, online and television programming to support the current advertising campaign.

Major initiatives of the Discovery partnership include a series of programs on Australia as part of Discovery Destination Week, a 60 minute documentary on the Great Australian Cattle Drive, Australia featured in the 5 Takes television series which is supported with online activity, and the American Chopper TV series.

Australian Tourism Exchange

Hosted this year for the first time by South Australia, ATE06 was held from Saturday 17 June until Friday 23 June. Nearly 2,000 Australian delegates from 650 companies met with approximately 600 key overseas buyer companies from 40 countries during the week long event. The ATE06 programme was divided into two separate modules (Eastern and Western) allowing Australian exhibitors to target the markets appropriate for their product. International

buyers attended the module according to where their company is based and Australian exhibitors attended one or both modules depending on their preference.

The event incorporated a number of changes including the provision of stand up lunches to increase networking opportunities and a highly refined preference matching system for appointments with increased move time between appointments. Each of the seven days was themed on Tourism Australia's key Australian experiences, namely, nature, beach, Australian style, Indigenous and outback. Initial feedback from the event has been extremely positive.

Market Priorities

Tourism Australia's market priorities for 2006/07 were announced at ATE. The tier one markets of the UK, China, Japan, New Zealand, USA, Germany and Korea remain unchanged. There are now two additional tier two markets, with Ireland and Taiwan joining India, Canada, Singapore, Malaysia and Hong Kong. The Gulf Countries are now tier three markets. Existing tier three markets are Thailand, Switzerland, Netherlands, Italy, Scandinavia and France. Indonesia now becomes a tier four market. These tiers reflect Tourism Australia's focus and resource allocation for the coming financial year based on the best potential growth opportunities in terms of spend and dispersal. These tiers are described in the Tourism Australia Corporate Plan 2006/07-2008/09 which has now been endorsed by the Tourism Australia Board and distributed to industry. A copy of the Corporate Plan is provided to Ministers.

Tourism Australia Organisational Structure

Tourism Australia has undertaken a structural alignment process during the first half of 2006 that included changes to almost all areas of the organisation including Sydney, Canberra and the regional offices. The change is part of a global initiative to create more discrete regions focussed on applying and implementing Tourism Australia's global strategy and to reduce the layers between global HQ and in country teams.

More specifically in Asia the change is about ensuring Tourism Australia is better positioned to take advantage of the new Tier 1 market opportunities in China and Korea, without overshadowing important Tier 2 markets in South Asia such as Singapore and India.

The Asian region formerly comprised of the North and South Asian markets, grouped as two sub-regions, excluding Japan. North Asia will now become a stand alone region comprising China, Korea, Taiwan and Hong Kong. South Asia will become part of a new Australasia Region that will include NZ and the Gulf Countries as well as India, Singapore, Malaysia and Thailand. Both North and South Asia will be lead by a Regional General Manager.

The change involves the removal of the top tier of regional management in Asia and associated roles that oversee both of these regions. Individual country teams and sub-regional teams in North Asia and South Asia are largely unaffected.

Tourism Australia's operations in the United Kingdom and Europe were also recently reviewed, in order to create a stronger presence in Europe. More specifically, these changes involve increasing Tourism Australia's presence in Continental Europe by doubling staff numbers for the Frankfurt office (from four to eight) including the appointment of a Regional Manager, Europe. This will see marketing, public relations and partnership activities currently driven out of London shift to the Frankfurt office. Correspondingly, there will be a reduction in staff numbers in the London office to reflect the relocation and reorganisation of positions to Continental Europe. A dedicated team will be created to ensure the effective delivery of the Destination Australia Partnership initiatives.

Domestic Initiatives

TA is developing national media partnerships with print, online and television providers that effectively showcase motivational Australian holiday experiences to the Australian public. Tourism Australia ran the *Wish You Were Here* Photographic Competition in the Weekend Australian Magazine on 13 May. Finalists and winners have been featured each Saturday in the magazine during June/July. The competition is designed to get everyday Australians thinking about domestic holidays and sharing their own experiences of taking a great Australian holiday. Nearly 2,000 entries were received, with winners/finalist shots spread across all States. Circulation – 300,000 copies inserted in Weekend Australian newspaper each Saturday.

Japan

The Action Plan for Japanese Tourism: Embracing Change report endorsed by the Minister for Small Business and Tourism, The Hon Fran Bailey was released on 26 January 2006. The report encompasses a series of diverse and dynamic recommendations to reinvigorate Japanese tourism to Australia and is the result of industry-wide consultation. The Japan Industry Monitoring Group, which has been established as a result of this Report has met a number of times.

Tourism Australia, Tourism Queensland, Gold Coast Tourism and Qantas ran a joint campaign to promote the Gold Coast Airport Marathon through various media in Japan including newspaper, magazine, radio, transit ads and a dedicated Japanese website at www.gcm.jp. Over 1,000 Japanese runners participated in the marathon which was held on Sunday 2 July, doubling the number of runners from the 2004 event.

Tourism Australia has been working closely with the Football Federation of Australia in the lead up to and during the FIFA World Cup to support the Socceroos and to promote Australia. The Australian Embassy in Japan hosted an exclusive 'Live Style' event on 12 June at Australia House to coincide with Australia's match against Japan. This event attracted strong media and public interest and provided a great platform to promote the relationship between the two nations as part of the 2006 Year of Exchange. A dedicated web portal was also created to provide international media with access to information about football in Australia, the Socceroos, and major supporting events in Australia.

UK

Tourism Australia has been working on initiatives designed to gain maximum leverage from the upcoming Ashes Series which will be held from 23 November 2006 to 6 January 2007 in Brisbane, Adelaide, Perth, Melbourne and Sydney. Initiatives include the Ashes Trip Planner which is now live on Australia.com. The Trip Planner is designed to make travel to scheduled games around Australia easier and provide a range of information regarding the venue cities. Tourism Australia is also exploring potential media activities with key broadcasters and VJP.

Germany

Tourism Australia has undertaken media activities focussing on leveraging the interest in Australia's participation in the World Cup and extending the key messages of the new campaign by focusing on the Australian culture and character. One of Germany's leading trade magazines Touristik Aktuell ran a promotion for TA that involved three travel agencies in Germany having the chance to win their own world cup party to watch Australia play Japan, Croatia and Brazil.

France

A number of media relations activities have been planned to leverage off the interest generated in indigenous art and culture through the opening of the Quai Branly Museum to promote Australia as a travel destination. Tourism Australia also sponsored the Australian Embassy Musée du Quai Branly promotional banner.

Italy

Tourism Australia recently held the Inaugural Australian Travel and Tourism Awards, the OzCARS 2006 was held in Italy. The OzCARS recognise and celebrate excellence and achievement in the sales and marketing of Australia by our travel industry partners in Italy over the last twelve months.

Netherlands

Tourism Australia, Tourism Northern Territory and Tourism Queensland in conjunction with Qantas and Australian Airlines joined forces to deliver the first Aussie Specialist Dutch Famil – ‘Experience Tropical Australia’. The nine Dutch Aussie Specialists travelled to the Red Centre for a few days to take in the Olgas, Kings Canyon and to sleep under the stars before making their way to Queensland to experience the wonders of the Daintree and some of Queensland’s great beaches and Aussie lifestyle.

Upcoming Events

- The Australian Regional Tourism Conference will be held on Norfolk Island from 19 to 23 August.
- Oz Talk SE Asia, which is designed to promote Australia as a desirable holiday is being held from 29 August to 2 September
- PATA Travel Mart is being held in Hong Kong from 12 September to 15 September
- North American Corroboree, the premier retail training event held annually to train and educate Aussie Specialist agents about Australian tourism products is being held from 13 to 16 September
- The India Travel Mission which provides an opportunity for the industry to develop and establish business relationships with qualified travel agencies and tour operators is being held from 18 to 22 September
- The Moscow Leisure and Travel Show which provides a platform for Russian and Australian travel industry to build and develop close business relationships will be held 19 to 22 September.

RECOMMENDATION

That Ministers note this snapshot of Tourism Australia’s activities.



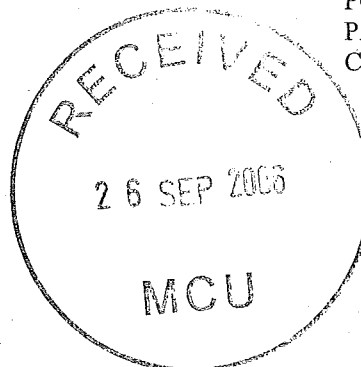
THE HON FRAN BAILEY MP

MINISTER FOR SMALL BUSINESS AND TOURISM

Referred to

AS HG PM C NS

PO BOX 6022
PARLIAMENT HOUSE
CANBERRA ACT 2600



The Hon John Howard MP
Prime Minister
Parliament House
CANBERRA ACT 2600

My Dear Prime Minister

I write to seek policy approval for a bill to amend the *Tourism Australia Act 2004* (the Act) so as to implement the findings of my recent assessment of the governance of Tourism Australia according to the Government-endorsed findings of the *Review of the Corporate Governance of Statutory Authorities and Office Holders* (Uhrig Review).

You will recall that on 14 August 2006 the Minister for Finance and Administration, Senator the Hon Nick Minchin, copied you his letter to me agreeing with my assessment. This assessment supported retention of the Tourism Australia Board, reflecting Tourism Australia's need for sufficient autonomy in decision-making to function effectively in highly competitive international markets, often in close collaboration with private sector partners. This conclusion was strongly supported by all tourism industry leaders consulted during the review process and has been welcomed by Tourism Australia itself.

The assessment also supported legislative amendments to bring the organisation more fully into line with the Board template as enunciated by the Uhrig Review and endorsed by the Australian Government. These are outlined below. These amendments were foreshadowed in my assessment, which was endorsed by Senator Minchin, and in general terms seek to balance the role of the Tourism Australia Board against my responsibility to be accountable for the large proportion of Tourism Australia's funding which comes from the Budget.

Firstly, I propose to clarify lines of reporting by amending Section 14 of the Act to remove the requirement to appoint a Government member to the Board (currently the Secretary of the Department of Industry, Tourism and Resources). This will also reduce the number of Board members to nine, also consistent with the Uhrig Review.

Secondly, it is proposed that the responsible Minister should endorse, rather than approve Tourism Australia's strategic documents. The Uhrig Review recommended Ministers should seek to minimise their influence over decision-making delegated to a Board. As the Act currently requires Ministerial approval of the corporate plan and annual operational plan, I am proposing amendments to Sections 33, 35, 36 and 37 of the Act to replace the approval process with an endorsement process.

This will require the responsible Minister to endorse or not endorse the corporate plan and annual operational plan and any revisions, and also provide the Minister with authority to require further explanation from the Board of details of the corporate plan and annual operational plan prior to endorsement. I am also proposing to provide the responsible Minister with the authority to indicate to the Board where the corporate plan and annual operational plan may be inconsistent with general government policy and objectives at the time of endorsement. The proposed amendments will also maintain accountability by replacing the requirement that the corporate plan and annual operational plan come into force on the day the relevant letter of approval is received by the Board with a requirement that they come into force on the day the Board receives the Minister's letter of endorsement.

Thirdly, I propose amending Section 59 of the Act to lower the threshold for Ministerial approval of contracts from \$5 million to \$3 million. While Tourism Australia is already required to comply with Australian Government procurement guidelines, this change will further strengthen accountability commensurate with the high level of Australian Government funding of the organisation (some 80 per cent of its total revenue) and the high public profile of many Tourism Australia contracts.

Lastly, I also propose to further improve accountability by broadening Ministerial power to terminate the appointment of Board members. Section 20 of the Act would be amended to allow the responsible Minister to terminate appointments to the Board:

- where he or she is satisfied that the performance of a member has been unsatisfactory over a significant period of time and all appropriate procedures have been exhausted; or
- where he or she is satisfied that it would not be in the best interests of Tourism Australia that the member continue in office; or
- where the Board resolves that a member's appointment be terminated, noting a Board meeting would have to be convened for this purpose and the resolution passed by a two-thirds majority (excluding the member to whom the resolution relates).

A Spring 2006 introduction to Parliament should enable the amendments to be passed early in the Autumn 2007 session. They have already been allocated Category A status, but Category T status may be sought to help ensure passage by 31 March 2007, consistent with the Australian Government's timetable for finalising Uhrig assessments and implementation.

I have copied this letter to my colleague the Hon Ian Macfarlane MP, Minister for Industry, Tourism and Resources.

Yours sincerely

s 22

FRAN BAILEY

22 SEP 2006

DEPARTMENT OF THE PRIME MINISTER AND CABINET

Secretary
s 22 and s
47F

Prime Minister (for decision)

CHANGES TO THE TOURISM AUSTRALIA ACT 2004

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Purpose: To respond to a letter of 22 September 2006 from the Minister for Small Business and Tourism, the Hon Fran Bailey MP, seeking policy approval to amend the *Tourism Australia Act 2004* (the Act). We support Mrs Bailey's proposal.

Background: Mrs Bailey has completed an assessment of Tourism Australia against the governance principles and templates established in the *Review of the Corporate Governance of Statutory Authorities and Office Holders* (the Uhrig Review). The assessment supported retention of the Tourism Australia Board. The Minister for Finance and Administration, Senator the Hon Nick Minchin, has endorsed the assessment, and Mrs Bailey is now seeking your policy approval to amend the Act so as to implement the assessment's findings.

Issues: Mrs Bailey is proposing a series of legislative amendments to bring Tourism Australia more fully into line with the board template enunciated by the Uhrig Review. In doing so, Mrs Bailey aims to balance the role of the Tourism Australia Board against her responsibility to be accountable for the large proportion of Tourism Australia's funding which comes from the Budget. The tourism industry has expressed strong support for the retention of the Tourism Australia Board.

Mrs Bailey is proposing to:

- abolish the requirement that the Tourism Australia Board include a government member (currently the secretary of the Department of Industry, Tourism and Resources);
- amend the Act so that the responsible minister will endorse, rather than approve Tourism Australia's strategic documents (while maintaining accountability by stipulating that the corporate plan and annual operational plan will come into force on the day the Tourism Australia Board receives the minister's letter of endorsement);
- lower the threshold for ministerial approval of contracts from \$5 million to \$3 million; and
- improve accountability by broadening ministerial power to terminate the appointment of Tourism Australia Board members.

Comments: Mrs Bailey is seeking approval to expand the termination provisions of the Act to give the responsible minister powers to dismiss board members whose performance has been unsatisfactory, whose presence on the board is not in the best interests of Tourism Australia or where the board resolves that the member's appointment be terminated.

We agree that it is appropriate for the responsible minister of a body covered by the *Commonwealth Authorities and Companies Act 1997* to have the powers proposed by Mrs Bailey. The powers essentially seek to have the board made more accountable to the responsible minister. We understand that Senator Minchin supports this approach. The other amendments sought by Mrs Bailey are in-line with the Uhrig Review.

Recommendation: That you sign the attached letter to Mrs Bailey granting policy approval for her proposed amendments to the Act.

s 22

AGREED / NOT AGREED

s 22

Industry Policy Branch

20 October 2006

Contact Officer: s 22

Consultation: Government, DoFA

John Howard)

29/10



PRIME MINISTER
CANBERRA

29 OCT 2006

The Hon Fran Bailey MP
Minister for Small Business and Tourism
Parliament House
CANBERRA ACT 2600

My dear Minister

Thank you for your letter of 22 September 2006 seeking policy approval to amend the *Tourism Australia Act 2004* so as to implement the findings of your recent assessment of the governance of Tourism Australia.

I agree to the policy proposals set out in your letter.

I note that the Minister for Finance and Administration, Senator the Hon Nick Minchin, wrote to you on 14 August 2006 also agreeing with your proposed approach.

This letter has been copied to the Minister for Finance and Administration and the Minister for Industry, Tourism and Resources.

Yours sincerely

s 22

(John Howard)

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