

WA State Tourism Strategy 2020

Executive Summary

Report 24: November 2017

Introduction

Tourism delivers a range of cultural and economic benefits to the community. This audit focuses on the development and implementation of the State Government Strategy for Tourism 2020.

While many agencies and industry are involved in the achievement of tourism related outcomes, the audit focuses on the performance of Western Australian Tourism Commission (Tourism WA). Recent machinery of government changes led to the amalgamation of Tourism WA into the Department of Jobs, Tourism, Science and Innovation. In this report we refer to the entity as Tourism WA.

Background

Tourism contributes a significant amount to the WA economy. In the year ending 31 March 2017, 19.35 million trips were taken within the state by Western Australians and there were 10.4 million overnight visitors to the state. All visitors, which includes international, interstate, intrastate and day trippers combined, spent \$10.14 billion in WA, and \$4.7 billion of this was spent in regional areas.

In 2010, the federal government agency Tourism Australia released a national strategy setting a whole of government target of doubling Australia's tourist spend to \$115 billion by 2020.

Tourism WA subsequently led the development of the WA Tourism 2020 strategy which was released in December 2012. The strategy describes 7 strategic 'pillars' for growth, linked together by ongoing operations, to help deliver WA's strategy goal of doubling tourism spend from \$6 billion in 2010 to \$12 billion by 2020.



Figure 1: The Tourism Strategy 2020 strategic pillars

Three phases were established for the strategy:

- Setting the Foundation (2012-14) – generating investment in tourism infrastructure
- Gaining Momentum (2014-17) – increasing leisure and business visitation
- Achieving the Potential (2018-20) – getting visitors to stay longer, do more and disperse further when they visit.

The strategy emphasises the importance of partnership given the role of Tourism WA as a lead agency and the number of stakeholders involved in delivery (see stakeholder diagram in Appendix A), as described by the vision statement:

Through partnership between private sector and government, the State tourism industry will achieve its full potential by delivering against the tourism brand promise.

Visitors, as described in the strategy, include those travelling for the purpose of visiting friends and relatives, business, work, education and medical services. The tourism industry or sector that services this includes industries that directly serve visitors, such as hotels, transport providers, tour companies and attractions. It also includes intermediaries and those involved indirectly, such as retail and food production. Visitor activity contributes to investment and jobs across a range of industry sectors.

Tourism WA has been operating as a statutory authority since 1983 and has been under the same governance structure since the introduction of the *WA Tourism Commission Act 1983*. Tourism WA has a governing board and the CEO of the organisation is accountable to the Board.

The tourism portfolio experienced a number of changes in 2017. As part of machinery of government changes it amalgamated with other agencies to form the Department of Jobs, Tourism, Science and Innovation (DJTSI). It will need to consider the implications of the new organisational structure on governance arrangements. The CEO reports to both the Tourism Board and the Minister for Tourism.

Another change involved the way funding is provided. The government has committed to \$425 million over the next 5 years of untied funding. Previously funding was allocated to specific programs. This has been publicly stated as a way of providing the Board with greater flexibility to use funds as needed and to plan ahead.

In 2016-17, Tourism WA received \$90.6 million in funding: a \$65.4 million appropriation plus \$25.2 million in Royalties for Regions funding. In 2017-18, the appropriation has increased to \$99 million, with Royalties for Regions funding of \$21.4 million from 2017-19. Tourism WA focuses on the following priority areas, each of which provide funding to other organisations to deliver strategy outcomes:

- *Marketing* – almost half of its funding and more than half of its employees deliver media campaigns, public relations and digital marketing. Tourism WA has focused on interstate and international marketing for leisure tourists with international markets including China, India, UK, US, Singapore, New Zealand, Malaysia, Japan, Indonesia, Hong Kong and Germany. It also funds local marketing initiatives by regional tourism organisations (RTOs). It funds 5 RTOs a total of \$3.8 million each year.
- *Event sponsorship* – just over one-third of funding is allocated to this priority area. Events are a way to raise the profile of WA and attracting leisure tourists for short stays. Tourism WA has supported high profile events like the Hopman Cup and the Margaret River Gourmet Escape as well as a range of smaller events. Tourism WA provides \$4 million per year to the Perth Convention Bureau (PCB) for business events and marketing.
- *Destination development* – this is a key program intended to help tourism numbers increase by providing tourism infrastructure. For example, increasing the number of hotel

rooms and airline and cruise capacity. Tourism WA also funds the Western Australian Tourism Council (TCWA) to help address skill gaps by funding \$175,000 per year for service staff training over 3 years.

Audit conclusion

Although the Tourism 2020 strategy was soundly based, Tourism WA is not clear if its goal of doubling visitor spend to \$12 billion by 2020 will be met. One set of projections suggest that there could be shortfalls of at least \$800 million of the planned \$6 billion increase.

A range of initiatives have been delivered, but performance across the strategy has not been consistent enough for it to deliver all the planned increases in visitor numbers. Tourism WA needs to pick up on underperformance quickly and effectively re-prioritise initiatives. Information needs to be used more effectively to identify and deliver initiatives that have the greatest impact. Better engagement and collaboration with partners could have helped deliver strategy outcomes earlier.

There is still time to achieve the strategy goal but this will be challenging given some areas that have not been delivered on, and the recent economic downturn. In the short term, Tourism WA will need to deliver priority initiatives and to make sure it is using funding for greatest impact. In the longer term, and looking to the next strategy, Tourism WA needs to learn from implementation of this strategy and consider the business model that is best suited to delivering agile and appropriate responses in a challenging commercial market.

Key findings

Despite a good plan and various initiatives, inconsistent delivery led to delays in attracting more international and interstate visitors

The Tourism 2020 strategy provided a sound blueprint, based on wide consultation and robust data to enable the sector to double visitor spend to \$12 billion in 2020. Since 2010, Tourism WA has received almost \$800 million in total funding.

Tourism WA has worked with partners to deliver a range of initiatives, particularly in the first phase of the strategy 'setting the foundation'. This included facilitating public and private infrastructure investment relating to increasing the number and affordability of Perth hotels, changes to liquor licensing regulations, and stadium development.

Despite delivering a number of initiatives, it is likely that the key visitor spending target will fall short of the 2020 goal. Tourism WA has not delivered on phase 2 of the strategy 'building momentum' as it has not achieved a sustained increase in visitation growth from interstate and overseas.

Without rapid and significant improvement, it is unlikely the strategy goal will be met in 2020 due to delays in achieving the phases. Specifically:

- *Insufficient growth in visitor spend, particularly for international visitors:* International visitor spend has consistently not met capitalised annual growth targets since the start of the strategy (Figure 3). The amount of spending from interstate and intrastate visitors has not met annual targets in several years.
- *Lack of marketing strategy:* Tourism WA has not demonstrated adequate strategic marketing plans and analysis of marketing performance to invest in those activities that have the greatest impact. This is despite Tourism WA investing heavily in marketing with half of all staff involved, and \$42 million of the \$91 million budget. Tourism WA has recently drafted a marketing plan which has not yet been finalised.
- *Not yet delivered new events:* Tourism WA has not yet ensured delivery of 4 to 5 new hallmark events in Perth. These events were planned to attract large numbers of inbound visitors. It is crucial that Tourism WA works closely with industry partners to ensure that a future program of events maximises visitation to WA.

Tourism WA did not record, analyse and report information effectively to support its delivery of the strategy

Tourism WA's recordkeeping and reporting practices do not support the effective review of Board and Executive Management decisions and the impact on business outcomes. Our review of documentation showed that often minutes did not detail discussions informing key decisions. This lack of transparency makes it difficult for Tourism WA to assess its performance. Since this audit Tourism WA has commenced keeping more extensive minutes of strategic meetings.

A lot of data was collected and a range of existing performance monitoring reports are provided to the Board. However, each year different indicators are reported on in different formats with a lack of comparable indicators reviewed over time. This means that the Board did not place itself in a position to identify and address ongoing issues and tended to respond reactively to concerns.

Tourism WA cannot demonstrate that it is using sponsorship dollars in the best way or show the overall impact of funding decisions. Tourism WA have delivered many activities, which have had a positive effect. What is critical to overall success is early recognition of those areas and projects which are not performing well. Rapid responses to cease underperforming initiatives and redirecting funding may improve overall effectiveness. Some events have been sponsored for almost 20 years without significant review.

The overall process for event sponsorship and management was appropriate. Because the Board approved events one at a time, and evaluation information was not consistently presented and not always viewed by the Board, it was hard for them to have an overall view of the effectiveness of the events program.

There has been no formal assessment of whether the current arrangements for delivering tourism outcomes is most suited to the current competitive environment. The governing legislation was last reviewed in 1994. This was not an overarching review of the overall effectiveness of the Commission. Given the dynamic and often commercial nature of tourism operations, a review prior to the next strategy would identify whether the existing model ensures Tourism WA is well placed to compete with other tourism bodies.

Opportunities to increase visitor numbers were missed because of challenges with collaboration

The 2020 strategy did not clearly articulate the role of, or targets agreed to by, the partnering agencies (See Attachment A for further description of partner agencies). This has contributed to key initiatives being delayed or not delivered, for example:

- *Business and regional travel:* Performance against these pillars of the strategy was to be achieved by funding others and Tourism WA saw itself as just an advocate for achieving these outcomes. Unless Tourism WA works closely with these partners to achieve the outcomes it increases the risk of under-achieving against 2 of the strategic pillars.
- *Industry readiness:* While the workforce has been increasing in size, there are concerns that the capability of the tourism workforce is unlikely to be at a level that will support achievement of strategy outcomes. Tourism WA does not currently collaborate with industry extensively to help address this other than to fund the Tourism Council of WA. Not having a focus on building workforce capacity could critically undermine achievement of the final phase of the strategy, as poor visitor experiences could lead to reduced repeat visits and length of stay.
- *Aboriginal tourism:* Tourism WA delivered a range of activities to improve Aboriginal tourism experiences. Demand has been increasing to almost three-quarters of all visitors wanting an Aboriginal tourism experience, but most visitors are still not accessing them. More effective engagement with industry still needs to take place for more visitors to start experiencing Aboriginal tourism experiences. Tourism WA is taking steps to better

understand how existing Aboriginal tourism products can adapt for new markets to address these concerns.

- *Red tape reduction:* Partners reflected that it was difficult for tourism businesses to work with government agencies to grow and deliver new products. Tourism WA did not demonstrate a strong focus on working with other government agencies to reduce red tape for tourism businesses.

Recommendations

- 1. To maximise gains from the 2020 strategy, by June 2018 the Western Australian Tourism Commission (Tourism WA) should:**
 - a. develop more structured ways of engaging with partners to respond to opportunities**
 - b. improve how it monitors and reports on strategy implementation**
 - review progress regularly and improve how it uses targets to drive organisational planning
 - improve recordkeeping in relation to project outcomes and Board and executive meetings
 - c. improve how it prioritises activities to respond to evaluation information and changing market conditions.**
- 2. By 2020, Tourism WA should:**
 - a. consider a review of the current business model to ensure Tourism WA can respond in agile and adaptive ways to changing market conditions.**
- 3. For the 2030 strategy, Tourism WA should:**
 - a. develop more specific targets and timeframes to support the 2030 strategy**
 - b. improve accountability for delivery against targets across partners including contracted agencies.**

Response from the Department of Jobs, Science, Tourism and Innovation

Tourism Western Australia, now as part of the larger portfolio of Jobs, Science, Tourism and Innovation, will closely review the Auditor General's report, with a view to building on our efforts to increase visitor numbers and spend in Western Australia.

The goal of the WA State Tourism Strategy is to see the value of tourism double from \$6 billion in 2010 to \$12 billion in 2020. Currently, yearly visitor spend in WA is \$10.1 billion, which means we need to see an increase in visitor spend of \$2 billion over the next three years to meet the goal.

The report suggests that under the strategy Tourism WA will achieve an 86.7% increase in visitor spend between 2010 and 2020, rather than the ambition of 100% as expressed in the strategy.

During the early phase of the strategy hotel rooms and plane seats were relatively full due to historic levels of mining investment. This has seen a slowing down in recent times. Nevertheless, Tourism WA, will work hard in partnership with industry and other key agencies to elevate the \$10.1 billion current spend to \$12 billion over the next three years.

Tourism WA is currently refining the strategy for the longer term, and incorporating a short term action plan. This work is greatly assisted by the funding certainty and flexibility afforded to Tourism WA in the current State Budget. Tourism WA is committed to using the best available information to extract the maximum benefit from the tourism budget.

Our strategy to increase the number of hotel rooms in Perth has been successful with 3,300 new rooms either already built or due for completion next year. Added to that is a raft of new city infrastructure including Elizabeth Quay, Perth Stadium, Yagan Square and upgrades to the Scarborough foreshore, all of which will make Perth a more attractive leisure destination. The new hotel rooms also make Perth a better value proposition following years of a lack of accommodation and high hotel room costs due to high business demand fuelled by the mining sector.

Correcting the lingering perceptions on the east coast that WA is too far away, too expensive and has a scarcity of hotel rooms, remains a challenge. Although it is clear efforts to entice holiday makers from key international markets are paying off with a marked uplift in international leisure visitors in 2016-17.

Tourism in Western Australia is recognised as a major economic contributor, not only in terms of visitor spend, but also employment. The industry currently generates around 109,000 jobs, or eight per cent of WA's workforce, compared to 85,000 when the strategy was released.

Tourism WA remains committed to working with our partners to increase visitor numbers and spend for the benefit of all Western Australians.