

Western Australian Auditor General's Report



Opinions on Ministerial Notifications



Report 8: December 2018-19

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WESTERN AUSTRALIAN AUDITOR GENERAL'S REPORT

Opinions on Ministerial Notifications



**THE PRESIDENT
LEGISLATIVE COUNCIL**

**THE SPEAKER
LEGISLATIVE ASSEMBLY**

OPINIONS ON MINISTERIAL NOTIFICATIONS

This report has been prepared for Parliament under the provisions of section 24 of the *Auditor General Act 2006*.

This report deals with 2 decisions by 2 Ministers not to provide information to Parliament.

- One decision by the Minister for Tourism, the Hon Paul Papalia MLA, about the cost of each current Tourism Western Australia brand and marketing campaign.
- One decision by the Acting Minister for Tourism, the Hon Bill Johnston MLA, about State government costs, including marketing and subsidies, for the Qantas Broome Discounted Fares Program.

It also deals with a section 82 notice from the Premier, where an opinion was not required, about economic modelling that shows significant benefit to regional economies.

CAROLINE SPENCER
AUDITOR GENERAL
10 December 2018

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Ministerial decisions not to provide information to Parliament

Introduction

This report deals with 2 decisions by 2 Ministers not to provide information to Parliament.

- One decision by the Minister for Tourism, the Hon Paul Papalia MLA, about the cost of each current Tourism Western Australia brand and marketing campaign.
- One decision by the Acting Minister for Tourism, the Hon Bill Johnston MLA, about State government costs, including marketing and subsidies, for the Qantas Broome Discounted Fares Program.

It also deals with a section 82 notice from the Premier, where an opinion was not required, about economic modelling that shows significant benefit to regional economies.

Section 82 of the *Financial Management Act 2006* (FM Act) requires a Minister who decides that it is reasonable and appropriate not to provide certain information to Parliament, to give written notice of the decision to both Houses of Parliament and the Auditor General within 14 days of the decision.

Section 24 of the *Auditor General Act 2006* (AG Act) requires the Auditor General to provide an opinion to Parliament as to whether the Minister's decision was reasonable and appropriate.

What did we do?

The Audit Practice Statement on our website (www.audit.wa.gov.au) sets out the process we follow to arrive at our section 82 opinions, including:

- a review of agency documents
- a review of any advice provided to the relevant Minister by agencies, the State Solicitor's Office (SSO) or other legal advisers
- interviews with key agency persons including discussions about our draft findings and the Auditor General's opinion.

Our procedures are designed to provide sufficient appropriate evidence to support an independent view to Parliament on the reasonableness and appropriateness of the Minister's decision.

We have not performed an audit, however our procedures follow the key principles in the Australian Auditing and Assurance Standards.

Ministerial decision not to provide the cost of each Tourism WA brand and marketing campaign

Opinion

The decision by the Minister for Tourism, the Hon Paul Papalia MLA, not to provide information to Parliament about the cost of each current Tourism Western Australia brand and marketing campaign was reasonable and therefore appropriate.

Background

In Parliament on 8 May 2018, Mr Peter Katsambanis MLA asked the Minister for Tourism for the following information in the Legislative Assembly Question on Notice 3048:

Regarding all current Tourism Western Australia brand and marketing campaigns, can the Minister please detail the following:

- (a) the name of each campaign;*
- (b) the cost of each campaign;*
- (c) which external agency was used for each campaign;*
- (d) how these campaigns are measured for effectiveness;*
- (e) the audience targeted for each campaign and why; and*
- (f) feedback received from overseas markets for each campaign?*

On 12 June 2018, the Minister provided an answer to all parts of the question except (b). In response to this the Minister declined to provide the information, replying:

The total cost to Tourism Western Australia of all campaigns running on 8 May 2018 was \$2,265,284.

Information pertaining to the amount invested by Tourism Western Australia in individual campaigns has a commercial value and its disclosure could cause commercial harm to the State and the agency's campaign partners. Disclosing the amount of Tourism Western Australia's investment could provide a competitive advantage to other states and potential campaign partners. Accordingly, I will notify the Auditor General's office and both houses of Parliament that part (b) of this question will not be answered as per section 82 of the Financial Management Act 2006.

On 26 June 2018, the Auditor General received the Minister's notification of the decision not to provide the requested information in accordance with section 82 of the FM Act.

Key findings

The decision by the Minister not to provide the requested information was reasonable and therefore appropriate.

The Minister properly sought advice from the Department of Jobs, Tourism, Science and Innovation (Department) before responding to the request. The Department recommended the Minister provide a total cost for all campaigns and decline to provide the cost of each campaign as it was commercially sensitive.

The Department's recommendation was based on an assessment against its *Release of Event Sponsorship Information and/or other Commercial Information policy and guidelines*.

As we have previously determined, this document provides suitable criteria for assessing if information is commercially sensitive. The Department considered if the release of the information would compromise the State's position by providing competitors with valuable financial information.

The Department concluded that the information had commercial value and its disclosure could compromise the ability to successfully negotiate favourable terms and conditions for future campaigns, causing commercial harm to the State.

We found the Department's conclusion was sound, as:

- the amount of State government investment in each campaign is not publicly known
- all jurisdictions actively compete for visitors and travel partners to deliver campaigns. These jurisdictions could use the information to gain a competitive advantage in future negotiations, or campaigns could become more expensive.

In our view, the Minister's decision not to disclose the cost of each campaign is consistent with the public interest of protecting and reducing the risk of damage to the financial and commercial affairs of the State.

Ministerial decision not to provide information on Broome flights

Opinion

The decision by the Acting Minister for Tourism, the Hon Bill Johnston MLA, not to provide Parliament with information about State government costs for the Qantas Broome Discounted Fares Program (Program) was reasonable and therefore appropriate.

Background

In Parliament on 28 June 2018, the Hon Jim Chown MLC asked the Acting Minister for Tourism, the Hon Bill Johnston MLA, about State government costs for the program.

Parliamentary Question Without Notice 543

Can the Minister provide a breakdown of visitor numbers and State government costs, including, but not limited to, marketing and actual subsidies provided per traveller with respect to each of the listed tourism campaigns from their respective start dates to today –

- (a) the Rottnest Island admission fee exemption for children travelling between 3 April and up to today's date, 28 June;*
- (b) the Rottnest Island "Rotto from Day to Dusk" campaign, which offered discounted afternoon island admission during summer;*
- (c) the subsidised Rex airline flights to Monkey Mia and Carnarvon announced this week;*
- (d) the subsidised Qantas airline flights to Broome announced last month; and*
- (e) the subsidised Aviair airline flights to Kununurra, Halls Creek and Balgo announced last week?*

On 28 June 2018, the Acting Minister for Tourism provided answers to parts (a) and (b) and referred parts (c) and (e) to the Minister for Transport. The Minister declined to provide the information to (d), replying:

A breakdown of visitor numbers is not available until completion of the campaign, which runs a full year for travel from 17 August 2018 to 16 August 2019.

The Perth-Broome initiative is a trial and for commercial reasons, including not compromising future initiatives that may be explored on other routes with other airlines, the details are confidential. Its disclosure could cause commercial harm to the state and, more specifically, adversely impact on future negotiations with other airlines to reduce airfares within regional Western Australia. Accordingly, I will notify the Auditor General's office and both houses of the Parliament that part of this question will not be answered as per section 82 of the Financial Management Act.

The Minister's full response is included in Appendix 1.

On 17 July 2018, the Auditor General received the Minister's notification of the decision not to provide the requested information in accordance with section 82 of the FM Act.

Key findings

The decision by the Minister not to provide the State government costs for the Program was reasonable and therefore appropriate.

The Minister properly sought advice from the Department of Jobs, Tourism, Science and Innovation (Department) before responding to the request. The Department recommended the Minister not provide the information as it was commercially sensitive.

The Department's recommendation was based on an assessment against its *Release of Event Sponsorship Information and/or other Commercial Information policy and guidelines*.

As we have found before, this document provides suitable criteria for assessing if information is commercially sensitive. The Department considered if the release of the information would compromise the State's position by providing competitors with valuable financial information.

The Department concluded that the information has commercial value and its disclosure could cause commercial harm to the State and compromise future initiatives and negotiations with other airlines to reduce airfares within regional Western Australia.

We found the Department's conclusion was sound, as:

- the State government's investment in the Program is not publicly known
- the Department is looking for opportunities to work with other airlines on regional routes
- all jurisdictions actively compete for visitors with a limited number of cooperative travel partners. Other jurisdictions could use the information to gain a competitive advantage in future negotiations, or campaigns could become more expensive.

In our view, the Minister's decision not to disclose the information is consistent with the public interest of protecting and reducing the risk of damage to the financial and commercial affairs of the State.

No opinion required as the information does not exist

On 9 July 2018, we received a notice from the Premier, the Hon Mark McGowan MLA, under section 82 of the *Financial Management Act 2006*. The notice related to modelling that shows significant economic benefit to regional economies.

We determined that an opinion was not required in relation to the Premier's decision not to provide the information to Parliament. This is because no modelling of regional benefits had been done, and the information did not exist. Therefore, there could be no refusal to provide it.

In a question prior to the Estimates and Financial Operations Committee's 2018-19 Budget Estimates Hearings of the Department of Jobs, Tourism, Science and Innovation (Department), the Hon Robin Chapple MLC, asked the Premier for the following information:

(2) I refer to the statement in Budget Paper 1, Page 11: '...the McGowan Government has invested heavily in tourism destination marketing and events, with \$425 million over five years allocated to Tourism WA in last year's Budget'; the government's plan to create jobs, provide small business opportunities for Western Australians and strengthen and diversify the economy; and the Tourism WA Corporate Plan 2017-18, and ask:

- (a) what cost benefit evaluation has been undertaken in attracting direct flights from major centres in China, Japan and India to regional economies beyond hotel occupancy that will provide for small business economic opportunities;*
- (b) will the department provide any modelling that shows significant economic benefit to regional economies beyond hotel occupancy for the international visitor sectors from China, Japan and India; and*
- (c) if no modelling has been done, why not?*

On 5 June 2018, the Premier declined to provide the information requested in part (b) on the grounds that:

The details of economic modelling are commercial in confidence and not available to the public given the level of confidential information contained within, which would potentially disadvantage the State if provided to competitors or made available publicly during the course of negotiations with an airline.

The Minister's full response is included in Appendix 2.

The Premier properly sought advice from the Department before responding to the request. The Department recommended that the Premier decline to provide to Parliament the information requested in part (b) because the modelling was commercially sensitive. The Premier followed the Department's advice.

We determined that an opinion was not required in relation to the Premier's decision not to provide the information to Parliament. This is because the regional economic modelling requested in part (b) of the question did not exist at the time. Therefore, there could be no refusal to provide it. We found economic modelling that had been undertaken by the Department assessed the economic benefit to the State as a whole, and was not broken down by region.

The Department's advice to the Minister did not specifically address all parts of the question. As a result, it was not clear from the advice that the regional modelling did not exist. We have reminded the agency that it is better practice to provide advice to Ministers which clearly relates to each specific part of the question.

Appendix 1: Full response to Parliamentary Question Without Notice 543

On 28 June 2018, the Acting Minister for Tourism, Hon Alannah MacTiernan, replied:

I thank the member for the question. The following information has been provided to me by the Minister for Tourism.

- (1)(a) *Kids free island admission is running from 3 April to 20 September 2018, excluding school holidays. From 3 April to 26 June 2018 inclusive, 2 269 children have travelled by ferry to Rottnest Island with no admission fee charged. The normal admission fee for a child visiting for the day is \$6.50. No subsidy was provided to any organisation and no marketing costs were incurred.*
- (b) *Rottnest Island “Rotto from Day to Dusk” admission discounts are half-price island admissions when arriving on the island after midday during January and February 2018. From 1 January to 28 February 2018, 7 414 people travelled with a discount admission fee of \$9 for adults and free for children under “Rotto from Day to Dusk”. The normal admission fee for a day visitor to the island is \$18 for an adult and \$6.50 for a child. No subsidy was provided to any organisation. Marketing costs incurred were \$380.*
- (c) *The member is asked to refer this part of the question to the Minister for Transport.*
- (d) *A breakdown of visitor numbers is not available until completion of the campaign, which runs a full year for travel from 17 August 2018 to 16 August 2019.*

The Perth–Broome initiative is a trial and for commercial reasons, including not compromising future initiatives that may be explored on other routes with other airlines, the details are confidential. Its disclosure could cause commercial harm to the state and, more specifically, adversely impact on future negotiations with other airlines to reduce airfares within regional Western Australia. Accordingly, I will notify the Auditor General’s office and both houses of Parliament that part of this question will not be answered as per section 82 of the Financial Management Act.

- (e) *The member is asked to refer this part of the question to the Minister for Transport.*

(2)–(3) It is difficult to provide a complete answer given that it requires advice from a range of agencies and departments within portfolios held by a number of ministers. If the member would like to be more specific, I will endeavour to answer the question.

Appendix 2: Full response to Estimates and Financial Operations Committee Question Prior to Hearing No. 2

On 5 June 2018, the Premier, the Hon Mark McGowan MLA, replied:

Answer: (2)(a)-(c)

Considerable analysis and evaluation has occurred regarding the prospect of additional or new flights from the Government's priority markets such as China and Japan for the State. Tourism Western Australia undertakes rigorous, and conservative, economic modelling to assess the benefit of a flight and continues to review how best to undertake and improve this. To date, this is currently restricted to visitor expenditure: capturing the extent of a visitors spend in Western Australia such as accommodation, food and beverage, tourism product and activities, car hire, to name but a few.

Most recent modelling on the China and Japan market has estimated that the uplift in visitor spend from targeted new aviation capacity as \$542.32 million over three years' Noting that this accounts for visitor spend only from these two prime leisure tourism markets for Western Australia.

It is anticipated that wider direct and in-direct benefits such as freight would increase this substantially. The agency is currently reviewing the India market and will seek to undertake economic modelling in the near future.

The details of economic modelling are commercial in confidence and not available to the public given the level of confidential information contained within, which would potentially disadvantage the State if provided to competitors or made available publicly during the course of negotiations with an airline.

The State's economic modelling reviews the total economic benefit via visitor expenditure to the State of Western Australia. Visitor expenditure by region and by visitor market is undertaken by Tourism Western Australia's Research team in its quarterly analysis of the International and National Visitor Surveys released by Tourism Research Australia.

Auditor General's reports

Report number	2018-19 reports	Date tabled
7	Audit Results Report – Annual 2017-18 Financial Audits of State Government Entities	8 November 2018
6	Opinion on Ministerial Notification	31 October 2018
5	Local Government Procurement	11 October 2018
4	Opinions on Ministerial Notifications	30 August 2018
3	Implementation of the GovNext-ICT Program	30 August 2018
2	Young People Leaving Care	22 August 2018
1	Information Systems Audit Report 2018	21 August 2018
Report number	2018 reports	Date tabled
13	Management of Crown Land Site Contamination	27 June 2018
12	Timely Payment of Suppliers	13 June 2018
11	WA Schools Public Private Partnership Project	13 June 2018
10	Opinions on Ministerial Notifications	24 May 2018
9	Management of the State Art Collection	17 May 2018
8	Management of Salinity	16 May 2018
7	Controls Over Corporate Credit Cards	8 May 2018
6	Audit Results Report – Annual 2017 Financial Audits and Management of Contract Extensions and Variations	8 May 2018
5	Confiscation of the Proceeds of Crime	3 May 2018
4	Opinions on Ministerial Notifications	11 April 2018
3	Opinion on Ministerial Notification	21 March 2018
2	Agency Gift Registers	15 March 2018
1	Opinions on Ministerial Notifications	22 February 2018

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