Service Delivery Options: Review of Economic Development and Tourism Report

Norfolk Island Administration

November 2015
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Introduction

• Our Brief
  • Morrison Low was engaged by the Norfolk Island Administration to review the current tourism function in order to
    – look at whether the function is currently being delivered efficiently and effectively
    – identify options for how the function could be performed in the future
    – recommend steps for implementation

• This study is part of a much broader project of the reform of government services on Norfolk Island. This report itself builds on the recent Norfolk Island Economic Development Strategy developed by SGS Economics and Planning. That strategy identifies that tourism, while “the primary driver of the Norfolk Island economy”, is a sub-set of a broader Economic Development Strategy and function. The EDS which we note is consistent with the Community Economic Transition Scheme 2011 identified three themes for economic development
    – Tourism and Cultural Development
    – Environment, Research and Education
    – Agricultural, Horticultural, Fisheries and Cottage Industries

• This report is not intended to identify initiatives that will increase tourism numbers or resolve all issues relating to tourism or economic development on Norfolk Island. It concentrates on identifying the model which best suits the delivery of the Economic Development and Tourism function, taking into account the unique circumstances of Norfolk Island

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Introduction

• Summary of Conclusions
  • The formation of a company appears to provide the best structure for the future delivery of the Economic Development and Tourism functions on Norfolk Island
    – The Regional Council will have a significant workload through the reform process and it is crucial to the economic viability of the Island that a focus remain on Tourism throughout
    – Separating the vital Economic Development and Tourism function from the day to day operations of governing the island increases the focuses and reduces risk
    – The model allows for the introduction of independent and/or sector experts providing a focus on governance and strategy not operational issues
    – The creation of a company structure clearly establishes the role that those Directors have as well as the role the shareholder has
    – A new governance framework should be developed that sets and reviews KPIs annually and introduces transparent reporting against those. This will provide clarity around the roles and responsibilities of the Economic Development Agency and the Regional Council. This will address the current situation where there are different expectations from key stakeholders of the role of the Tourism Bureau
    – In our view the additional costs that will be incurred for Directors fees will be outweighed by these benefits
    – Broadening the focus to economic development will help address some of the wider issues identified by the stakeholders including facilitating investment into the Tourism industry and providing training/support or accreditation
Methodology

• A desktop analysis of existing data (visitor numbers, expenditure), plans, strategies and reports was conducted

• A series of meetings were held on Norfolk Island with the Tourism Bureau, Norfolk Island Administration, Commonwealth Government, representatives of industry bodies and tourism operators. Subsequent to that, telephone discussions were held with a representative of the Chamber of Commerce, providers of services to the Tourism Bureau and travel wholesalers. A full list of the stakeholders consulted is set out in the Appendix. We thank all contributors for their willingness to engage and for their input

• Options for the most suitable service delivery model were identified based on those typically used by councils and what is permissible under the legislative framework

• These options were then considered against the key responsibilities and functions required to be delivered, resources available and unique circumstances of Norfolk Island

• In general, the review was informed by previous work by Morrison Low, particularly work relating to the delivery of Economic Development and Tourism functions by a number of councils in Australia and New Zealand
Background

• Government Reform
  – In 2015 an Act of the Australian Parliament abolished a governance arrangement on Norfolk Island. The changes this created are significant as they encompass all three levels of government and issues as wide as taxation, border control, social services, infrastructure and compliance. The changes will come into effect on 1 July 2016.
  – For the purposes of this report the key change is the establishment of a Regional Council for Norfolk Island that will have the typical responsibilities and obligations of NSW local government. This includes economic development and tourism.

• Under the former arrangements (still currently in place) tourism was the responsibility of the Norfolk Island Government Tourist Bureau. The Tourist Bureau was established and governed by the Norfolk Island Tourist Bureau Act 1980.
  – During the period 1980 – 2011 the governance of the Bureau was provided by a Board made up of representatives of industry, community and government. The Board had responsibilities for financial management, marketing, day to day operations and employment.¹
  – Between 2011 and 2015 the Board’s role changed to an advisory one, advising the Minister on strategy and direction and development of the tourist industry. Powers relating to employment and day to day management were delegated to the General Manager.
  – Due to vacancies in the Board and uncertainty about the role going forward we understand that the Advisory Board is not currently operating.

¹ Norfolk Island Government Tourist Bureau Fact Sheet: Organisation
Background

• The Bureau sees it’s role, as defined by the Act, as bringing visitors to Norfolk Island through marketing and then, once on the island, providing an independent view of what to do, through the Visitor Information Centre. It largely concentrates on delivery of the following
  – Marketing
    • Destination and tactical marketing
    • Cooperative advertising with partners
    • Social media - maintenance of key websites and other social media presence
    • Supporting events
  – Visitors Centre

• There are obviously a number of activities required in order to perform these effectively including (but not limited to)
  – Coordinating and analysing the visitor survey information
  – Reporting to the industry
  – Coordinating on Island support to industry visits e.g. travel agencies, media etc
  – Liaising with stakeholders; and
  – Previously the Bureau has run tourism awards
Background

- The following chart shows the large variation in passenger numbers, visitors and capacity (airline seats) over 2000 – 2012/13. It also demonstrates the frequent changes in airlines and airline capacity over the same period.
  - Visitors in this chart and the following are, we understand, defined as arriving passengers who are neither residents nor immigrants to the island, and who stay in registered accommodation.

Source - Norfolk Island Government Tourist Bureau submission to the Joint standing committee on the national capital and external territories
Background

- The numbers of tourists visiting Norfolk Island has fallen considerably in recent years from a peak of 35,399 visitors in 2007/8 to a low of 22,684 in 2012/13
- However, the numbers however have grown consistently since 2012/13 by 9% in 13/14 and 7.8% in 14/15, and we understand that 15/16 is tracking well

Source – Airline Statistics provided by Norfolk island government Tourist Bureau
Background

- This chart highlights the typical fluctuation in visitor numbers over the course of a year. It also demonstrates the high load factors, particularly in the September – April period that are currently being achieved and the opportunity for growth in the winter period.
  - Over the 2014/15 year the average load factor for Australia was 78% and New Zealand 71%.

Source – Airline Statistics provided by Norfolk island government Tourist Bureau
Issues and observations

- The following section includes a discussion of the key issues identified from the desktop review, discussions with stakeholders and analysis of the outcomes of those.
- It is not intended to resolve every issue identified but to be used to inform consideration of the different models in order to determine that which fits the unique circumstances of Norfolk Island.
- Marketing
  - Marketing, particularly destination marketing, is seen as the Bureau’s core role and one which is typically performed by tourism bodies.
    - The Bureau and its contracted service providers work together to develop marketing strategies.
      - Delivery of destination and tactical marketing is through the contracted service providers in Australia (The Unique Tourism Collection) and New Zealand (The Oceania Tourism Group).
      - Cooperative advertising is delivered through the contracted service providers in Australia and in association with industry partners.
      - Stakeholders also undertake their own marketing at their own cost (discussed further later).
    - The Bureau provides on ground logistical support for famils and other industry visits.
    - There is concern that without a GM of the Tourist Bureau marketing activity will reduce or cease. This does not appear to be the case with agreed and funded marketing strategies in place for both the Australian and New Zealand markets.
Issues and observations

- The following page sets out the strategic framework under which the Tourism Bureau operates which demonstrates the hierarchy of plans and joint responsibility for development of the marketing plans for Australia and New Zealand. It should also reassure the industry that plans are in place.
- What needs to be put in place in the short term is oversight of the delivery of the current programs (including delegations to approve any changes) and a process to ensure that the development of the 2016/17 marketing strategy is undertaken.

- Social media
  - This largely seems to be the responsibility of, and delivered by, the staff within the Tourism Bureau. We understand that the staff are available to the local industry for training and support in these areas. We noted some concern expressed about the main website and its visibility across all platforms.
  - Some supporting activity is provided on social media by contracted service providers but for the Norfolk Island market they appear to concentrate on PR, print media, trade shows and more traditional advertising campaigns.
  - Individual operators across the sector have varying degrees of online presence and sophistication.
Issues and observations
Issues and observations

• Marketing expenditure
  – The majority of the Bureau’s funding goes into marketing. Approximately $950K of the $1.4M 15/16 budget goes into marketing. A breakdown of this expenditure by sub-category is on page 15.
  – In some cases this is direct expenditure on destination marketing and cooperative marketing (e.g. delivered in partnership with wholesalers). There is also an indirect expenditure through payment of staff wages (developing strategy, social media) and general contract payments for PR and marketing services to Australian and NZ providers.
  – The chart below tracks the expenditure by the Tourism Bureau against visitor numbers which shows a reasonable correlation between marketing expenditure and visitor numbers. Over the same period of time we were advised of a reduction in expenditure by outside sources on marketing, most notably from the airlines. Previous airlines were said to be spending in the order of $600K per annum on marketing the Island. This expenditure ceased when Air New Zealand became the airline in 2012.

Norfolk Island Government Tourist Bureau fact Sheet: Budget

© Morrison Low
• Marketing Expenditure
  – The marketing budget of the Bureau has remained constant since 2013/14. Many stakeholders expressed the view that more marketing should be done and that the reduction in expenditure has lead to the reduction in numbers of visitors
  – There does not seem to be the evidence to support that proposition
    – the number of visitors has increased year on year since 2012/13; and
    – during the majority of the year the flights to Norfolk Island are now operating at what is considered to be a high capacity
  – In addition to the Bureau’s expenditure on marketing there is substantial investment in marketing by individual tourist operators and wholesalers both through cooperative marketing and individual marketing. While this information is commercially sensitive, it appears that the level of expenditure by the industry is in the order of one to two times that of the Bureau, with some providers reporting that their contribution has been growing
  – Cooperative marketing is an area in which the Bureau finds itself balancing competing priorities. On one hand it is looking to leverage the funds it has available through supplementing these with private sector funding for campaigns which are expected to generate visitors to the island. On the other hand it is often the same operators contributing each time and if those operators in turn advertise with their same partners then a perception can develop that the funding is favouring individual businesses. The Bureau is aware of this issue but it will continue to be an ongoing issue that needs to be actively managed in a transparent way
  – The following page shows the breakdown of marketing expenditure between New Zealand and Australia highlighting the much larger expenditure in Australia. We note that in 2014/15 80% of visitors arrived from Sydney or Brisbane³

³ General Manager’s Annual Report 2014 – 15, page 4
Issues and observations

Comparison of Australian and New Zealand Marketing Expenditure 2015/16

New Zealand Expenditure
- Advertising
- Media Famils
- Agent Famils
- NIT Representation
- Promotions
- Trade Shows

Australian Expenditure
- Advertising
- Media Famils
- Agent Famils
- NIT Representation
- Promotions
- Trade Shows

© Morrison Low
Issues and observations

The Visitors Centre provides

- Advice to visitors
- Retail offering
- Booking service for tours
- Online booking portal for accommodation

- The income from the retail aspects of the Visitors Centre is approximately $72,000⁴ (tour bookings and retail, online booking sites etc). This equals around 5% of the Bureau’s budget.

- It is not unusual for Visitors Centres to provide these services but with the limited resources available to the Tourism Bureau there is a need to consider what the role of the Visitors Centre is and what the best use of the Tourism Bureau staff is.

- We question whether providing a booking service for tours and accommodation and the role of meeting and greeting walk in tourists is the best use of the time and expertise of staff within the Bureau. Particularly when aspects of this are available elsewhere on the island or online.

- One option could be for the Visitors Centre role to be changed to focus on providing the ‘meet and greet’ and for this to then be staffed by volunteers as is the case in many visitor information centres.

- Tourism Bureau staff would then be focussed on their other role e.g. social media and may then be able to assist in the delivery of other priorities with the Strategic Plan.

- In the short term there is a need to provide management of the staff operating the Visitors Centre and management of the centre itself.

⁴ Norfolk Island Government Tourist Bureau fact Sheet: Budget
Issues and observations

• Events
  – Using events to generate tourism and business opportunities appears to have a well established and understood process with a sensible funding mechanism that allows for the development phase of events (refer to Event Funding Policy)
  – Events are seen across the industry as a good way to build profile and generate visitors. It is also notable for bringing in wider parts of the community such as sporting groups who create and develop events
  – There does need to be some caution in using public funding for events that ultimately generate a profit and while the Policy refers to this issue with limited funds available we believe that further consideration should be given to how the policy is applied

• Norfolk Island Brand
  – There was general agreement across all stakeholders that a key function of the Tourism Bureau and its successor is to own the brand
  – While the 360° of Norfolk seemed to be generally acknowledged as the brand, this was certainly not universal or consistent. There did not seem to be a single coherent brand that all stakeholders recognised, accepted and were reinforcing
  – Additionally we understand that there are some issues with some providers not being able to use or access the symbols associated with the brand. This affects their ability to support the brand with consistent messages.
  – Many stakeholders highlighted that there seems to ongoing changes in the brand and that the constant changes need to stop. That a brand be settled on and consistently used overtime to overturn the perception that remains in the market about Norfolk Island
Issues and observations

• Strategy
  – The Norfolk Island Tourism Strategic Plan 2013 - 2023 (‘Strategic Plan’) was developed through input from across the sector including government, Tourism Bureau, Industry and the community.
  – The strategy was reviewed as part of this report and while it appears to set an agreed Strategic Plan, this is not the case as there are conflicting views about the roles and responsibilities for its implementation
    • The Tourism Bureau do not see themselves as the owners of the Strategic Plan. This view is not supported by the Government who view the role of the Bureau as being to implement the Strategy Plan
  – The priorities and set of actions from the Bureau’s perspective are only those set out on page 30 of the Strategic Plan.
    • Those actions are heavily weighted to the objective of ‘increasing visitor numbers’ and therefore marketing
    • The four other strategic themes (‘provide an environment conducive to investment, seek to provide the best in our visitor experiences, develop sustainability, infrastructure and capacity, build employment capacity and skill with the sector’) have very few actions, if any discernible actions and do not appear to have clear ideas on how to achieve these
  – Effectively this means four of the key strategic themes have no owner, no organisation who sees itself as responsible for delivering on those and consequently little action to achieve them
  – While the Strategic Plan will need to be reviewed in light of the new Economic Development Strategy broadening out the focus to Economic Development will align better with all five themes of the Strategic Plan
  – It is important the new Economic Development and Tourism function be tasked with owning this strategy and accountable for its implementation
Issues and observations

• Stakeholders
  – The government, through its control over KAVHA, has a significant interest and involvement in the tourism sector. We understand that the master plan for the world heritage area includes the concept of fees for access and licensing use of KAVHA for tourists. We understand that locals will continue to have free access. The introduction of these controls may help drive an improved consistency of visitor experience at KAVHA.
  – The industry has become fragmented with different representative bodies, particularly within the accommodation sector, representing different interests and at times advocating for conflicting positions. We understand that there was a proposal for a single tourist association but that this was not progressed.
  – The sector is vital to the community and economy. This brings with it intense interest and discussion on all aspects of tourism from all parties. Everyone sees possibilities and opportunities for Norfolk Island and this leads to almost everyone having a solution to what will increase tourism numbers and to solve ‘the problem’ they perceive exists. There is a need to clearly define the roles and responsibilities of all stakeholders to allow the industry to prosper.

• Accountability
  – The expectations for delivery of the Strategic Plan of key stakeholders are not aligned. That this exists highlights a serious gap in the governance framework, a lack of accountability and a monitoring/reporting framework that is not working.
  – There needs to be clearly defined expectations between the Regional Council and the Economic Development and Tourism Function to ensure that this does not continue. Regardless of the model used going forward there should, as a minimum, be an agreed set of KPIs.
  – Regular reporting by the Tourism Bureau is a key aspect of the sector being able to hold the Bureau (and any future service delivery body) to account.
  – The annual report we have been provided with includes significant (and useful) operational detail and provides some transparency which is good but it is more of a management report. It is not clear from the report how well the Bureau is achieving the Strategic Plan.
Issues and observations

• Product
  – A common theme across almost all stakeholders was the need to refresh the product offering on Norfolk Island. This was reflected across all of the key sectors (accommodation, retail, tours and general product offerings)
  – While responsibility for development of the products is clearly an industry responsibility there could be a role for the Economic Development/Tourism function in driving standards and/or accreditation of appropriate sectors, as well as facilitating and/or delivering training for providers to improve standards and products
  – There is also a strong link to the need for investment into the industry

• Enabling investment
  – A number of reasons were identified as having provided barriers to investment across the sector. Some key examples of those include
    • previous immigration rules requiring a purchase of an existing business
    • uncertainty over the impacts of the impending change to the government and the likely affects of tax and compliance costs
    • fall in tourism numbers leading to a loss of revenue
    • oversupply of accommodation
Issues and observations

• Enabling investment (cont.)
  – Resolving these issues is outside the scope of what the Tourism Bureau perceives its role as but it does align with a broader Economic Development function which would focus on
    • underlying requirements of the Economic Development Strategy (*Governance, Lifestyle and Amenity, Electricity, Water and Waste Management and Transport Infrastructure*)
    • the three themes of the Economic Development Strategy (*Tourism and Cultural Development, Environment, Research and Education and Agricultural, Horticultural and Fisheries and Cottage Industries*)
  – A focus on the enabling activities for the economy is a key strategic shift because they will create a new focus on the “back end” or underlying activities and infrastructure that will make economic development on Norfolk possible rather than “front end” activities such as marketing. Any change will need to be carefully managed.
Service Delivery Options

- The chart below depicts the typical options available to local government

- Degree of Regional Council Control
- Flexibility, business focus and benefit

- Council Managed
- Committee of Council
- Council Owned Company
- Out sourced
Service Delivery Options

- The two options considered most likely to suit Norfolk Island are
  - Option 1  Council Managed
  - Option 2  Council Owned Company

- Outsourcing the entire Economic Development and Tourism function has not been considered
  - In our experience, to outsource effectively, councils must always retain control over developing (and owning) strategy and maintain smart buyer capacity
  - That is they must truly understand what they are buying, how that delivers value for money and be able to properly monitor its delivery
  - It is the performance of these core activities that this report is effectively considering. Relevant aspects of the delivery are already being outsourced e.g. PR and marketing in New Zealand and Australia
  - The risks and potential consequences of getting it wrong are also considered to be very high for Norfolk Island
Option 1 - Council Managed

- Typical council delivery model where function is delivered by staff of the Regional Council reporting through traditional council structures to the General Manager or CEO
- Governance provided by the elected body
- Provides direct control by Regional Council over the delivery of economic development and tourism
- Internal process, approvals and rules defined by legislation
- Typically the model provides few incentives for innovation and efficiency but is highly flexible
- Variations of this could be
  - Establish a committee of the Regional Council with oversight of economic development and tourism
  - Create a business unit within the Regional Council
- The objectives of both variations would be to seek to increase the focus and transparency around the function
Option 1 - Council Managed

• Advantages
  – Highly flexible with Regional Council able to respond instantly to community/political issues
  – Total financial control via budget and reporting mechanisms
  – Regional Council has full decision-making authority over
    • major decisions
    • day to day operations
  – Typically seen as the simplest of all models
  – Ratepayers perceive they have more influence over the delivery of the services

• Challenges
  – Political and organisational priorities of the Regional Council may reduce the focus on Economic Development and Tourism and create an operational rather than strategic focus
  – Regional Council takes all the risk
  – Regional Council has no established track record of managing tourism or economic development
  – Less transparency around the actual costs of delivering the function
  – While the model is typical of most councils, for Norfolk Island this would represent a significant change
  – Statutory processes impact speed of decision making
  – Often lacks business-like focus and incentives
  – Greater opportunity for stakeholder capture
Option 2 - Council Owned Company

- A company would have a separate legal identity from council and would have all the typical features of a company e.g. the ability to enter contracts, own assets, employ staff, borrow money and statutory obligations of the directors

- Can be run by a board of directors appointed for their particular skills and expertise. This allows for the introduction of experts in the sector, governance and through Board refreshment bringing in of particular skills and expertise required at that time
  - Directors should be appointed for skills and expertise and not as representatives of stakeholder groups as this can conflict with their obligations as Directors under the Corporations Act 2001
  - It would allow for independent Directors to be brought in who are not involved in any aspect of the Norfolk Island tourism industry

- Council is able to retain control of the direction and focus of the company through the Statement of Intent, appointment and removal of directors, constitution as well as setting annual performance expectations

- An option, reflecting the Government’s significant interest in tourism resulting from KAVHA, could be a shared ownership model between the Regional Council and the Government. Such an ownership structure may introduce further compliance obligations and legislative requirements which would need further investigation
Option 2 - Council Owned Company

- In NSW (the legislative framework on which the Regional Council model will draw) the approval of the Minister for Local Government is required for the formation of a company by a council. If that provision applied on Norfolk Island we would presume that the Administrator would perform that function
  - The public interest test that is applied by the Minister is a test which could sensibly be applied to the decision making in this situation

- Advantages
  - Full transparency and ability to account for financial performance and the cost and benefits of operations
  - Clear accountabilities for the CEO/Board/Regional Council
  - Separates Regional Council from risks (operational and financial)
  - Sole focus on delivering high quality management and services and not distracted by other unrelated Regional Council business
  - More efficient decision making processes that can respond to opportunities as they arise
  - Directors can be appointed on the basis of particular skills and experience and/or independence bringing a strategic and commercial focus
  - Well understood model with settled common law and legislative obligations for Directors and Shareholders
  - Flexible in the role that stakeholders can play i.e. shareholders or directors
Option 2 - Council Owned Company

- Challenges
  - Political perception of lack of control or that community outcomes will be compromised
  - Regional Council (and community) influence through shareholder mechanisms can be perceived as weaker controls
  - Governance costs are incurred in the entity operating at arms-length from the Regional Council (some already exist) and further costs would be incurred if Directors fees are paid
  - Requires strong and regular monitoring of performance
  - Council can effect change by changing the Directors but control is not “direct”
  - Appointment of Directors is critical to success
Analysis of the options

• The current model lacks the governance framework and accountability that we would expect to see where an arm’s length delivery agency is used. Most notably
  – there are conflicting views on the role and responsibilities of the Tourism Bureau
  – there are no agreed KPIs and monitoring of performance against that

• Tourism and economic development are vitally important for the Norfolk Island community and the Regional Council

• Establishing a new Regional Council including its processes, responsibilities, priorities and structures is and will continue to be a significant project requiring time and resources. It is important that there is focus on tourism and economic development throughout this period

• An arm’s length entity will not be distracted by this process and in the medium to longer term will not be distracted by the other ongoing business of running a Regional Council. Establishing a council owned company and the appropriate governance framework to support that will create an independent body focused solely on objectives related to economic development and tourism
Analysis of the options

• This model continues a similar approach to the Tourism Bureau which was separate from the government and operated under its own Act. However, the model if established following best practice will make a series of significant improvements, primarily at the governance level
  – A Statement of Corporate Intent would be reviewed, updated and approved by the shareholder annually including KPIs around both economic development and tourism which will clarify roles and responsibilities and provide accountability
  – Directors would be appointed on the basis of skills and expertise and not as representatives of an organisation or association
  – Directors would ensure a focus on strategic direction rather than seeking to solve every issue and ‘find the solution’
  – Funding would be more clearly tied to meeting KPIs
  – Reporting and monitoring of performance against the Strategic Plan would be public and transparent
• A separate organisation, operating as a company, may also be able to partner more effectively than the Regional Council as it will not be bound by all of the usual Regional Council rules
Analysis of the options

• A separate organisation, particularly one where Directors fees are paid, will introduce costs not previously incurred by the Tourism Bureau. These will need to be funded with the actual costs dependent on the size of the Board and number of independent members.

• The public interest test used in NSW to determine whether the Minister should approve the formation of a council owned company requires the Minister to consider:
  – Is the proposal consistent with the functions of the council or an existing service that the council provides?
  – Will the proposed legal entity be legally separated from the council?
  – Is the council currently financially viable?
  – What is the impact of the proposal on existing council staff?

• These are sensible criteria and could be relevantly applied to Norfolk Island, demonstrating that the model would be likely to satisfy the test applied in NSW:
  – The function is one which the Regional Council will have responsibility for.
  – Under the proposal a company will be established providing complete separation from the Regional Council.
  – The financial viability of the Regional Council has not been within the scope of this review but it is presumed that the answer is yes.
  – The proposal will not affect the existing staff.
Conclusions

• There are conflicting views about the role of the Tourism Bureau and therefore its success
  • If viewed through the narrow lens that the role of the Tourism Bureau is to increase visitor numbers then the year on year growth since 2012 demonstrates that as being achieved
  • If however, a wider view is taken that the Tourism Bureau has a role in implementing all five themes in the Strategic Plan then significant other key objectives have not been achieved.
• This difference in understanding of the roles and responsibilities of the Tourism Bureau highlights a serious gap in the governance framework which needs to be resolved.
• The formation of a company appears to provide the best structure for the delivery of the Economic Development and Tourism functions on Norfolk Island
  – The Regional Council will have a significant workload through the reform process and it is crucial to the economic viability of the Island that a focus remain on Tourism throughout
  – Separating the vital Economic Development and Tourism function from the day to day operations of governing the island increases the focus and reduces risk
  – The model allows for the introduction of independent and/or sector experts providing a focus on governance and strategy not operational issues
  – The creation of a company structure clearly establishes the role that those Directors have as well as the role the Shareholders have
Conclusions

- A new governance framework will be developed that sets and reviews KPIs annually and introduces transparent monitoring and reporting against those which will provide clarity around the roles and responsibilities of the Economic Development Agency and the Regional Council. This will help address the current situation where there are different expectations from key stakeholders.

- In our view the additional costs that will be incurred for Directors fees will be outweighed by these benefits.

- Broadening the focus to economic development will help address some of the wider issues identified by the stakeholders including facilitating investment into the Tourism industry, providing training/support or accreditation.

- The Bureau already has processes and systems that allow it to operate at arms length.

- An appropriate governance framework needs to be established based on the best practice requirements that creates control and monitoring mechanisms while ensuring the Economic Development Agency is still able to operate effectively.

- The following page provides an outline of a draft governance structure.
Shareholders appoint Directors to company board

Norfolk Island Regional Council (Shareholder)

Shareholders appoint Directors to company board

Board of Directors (Provides governance)

Norfolk Island Economic Development Agency

Constitution
Statement of Corporate Intent

Council as owner of EDS

Business and Industry
Recommendations

• Short term arrangements be put in place to ensure that
  – there is oversight of the marketing activities for the 2015/16 year are being delivered in accordance with the agreed and funded strategies
  – marketing plans developed for the 2016/17 year to the appropriate timetable
  – staff within the Tourism Bureau are managed appropriately

• A company owned by the Regional Council be established to perform the Economic Development and Tourism functions of the Regional Council
  – The benefits of having the commonwealth government as a shareholder be further investigated

• An appropriate governance framework (based both on best practice in the commercial world and for council owned companies) be established that creates control mechanisms and ensures transparency including
  – Constitution
  – Statement of Corporate Intent
  – Board Charter
  – Stakeholder engagement forums reporting to shareholders, stakeholders and community

• Once established the Economic Development Agency will need to
  – review the Tourism Strategy following the recent Economic Development Strategy
  – consider changing the role of the Visitors Information Centre to
    • remove the retail aspect (e.g. tour and accommodation bookings) with the focus on independent advice
    • look at the use of volunteers to staff the reduced operations; and
    • Tourism Bureau staff time to be concentrated on social media activities, on-ground logistics for PR and famil visits and supporting delivery of the wider priorities in the Strategic Plan
  – review whether events that generate a profit either are required to return the grant and/or continue to be able to attract grant support in future years
Appendix – Stakeholders consulted

- Honourable Gary Hardgrave
- Glen Buffett
- Rael Donde and Sue Sills (ATA)
- Bart Murray
- Rebecca Christian
- John Brown (Chamber of Commerce)
- Charisse Clarke
- Norfolk Island Interim Advisory Council
- Stephen and Kerri-Ann Brooks (TAG)
- Craig Doolan (Australian Government National Parks)
- Joe Adams
- Lou Taverner
- Pixie Saxby
- Matt Christian-Bailey
- Yvonne and Jeremy Peel
- Jonica Paramor (Unique Tourism Collection)
- Ross McLauchlan (Oceania Tourism Group)
- Matt Alexander and Paul McInnes (Department of Infrastructure and Regional Development)
- Ian Mitchell