

Public Accounts Committee
Parliament of New South Wales

**Report on the
National Parks
and
Wildlife Service**

December 1991

Report Number 59

1990-91 Parliament of New South Wales

**Public Accounts Committee
of the Fiftieth Parliament**

**Report on the
National Parks
and
Wildlife Service**

Fifty-Ninth Report

Inquiry pursuant to Section 57(1) of the Public Finance and Audit Act 1983, concerning the National Parks and Wildlife Service.

(Transcripts of Proceedings are printed in a separate volume to this Report)

December 1991



From left:

Geoff Irwin, Jim Longley (Chairman), Ray Chappell (Vice-Chairman), Tern/Rumble, Michael
Photios

Members of the Public Accounts Committee

Members of the Public Accounts Committee of the Fiftieth Parliament are:

Mr Jim Longley, B.Ec., M.Ec., F.C.P.A, S.P.T.C, M.P., Chairman

Jim Longley was elected Member for Pittwater in May, 1986. Prior to entering Parliament he worked in the banking industry; he was a corporate analyst in Westpac's London office and Group Planning Manager in their Sydney head office. He served as a member of the Regulation Review Committee, the N.S.W. Parliamentary Library Committee and has chaired three Government Committees, including the Treasury Advisory Committee.

Mr Ray Chappell, M.P., Vice-Chairman

Ray Chappell was elected Member for Northern Tablelands in May 1987. He has worked in university administration and in the building and retail industries and he served four terms as an Alderman on Armidale City Council. Ray Chappell was a member of the Regulation Review Committee and is the Legislative Assembly representative on the Board of Governors of the University of New England.

Mr Geoff Irwin, Prod.Eng.Cert., Dip.Tech., Dip. Ed., M.P.

Geoff Irwin was elected to Parliament in March 1984. He is currently the Member for Fairfield. Before entering Parliament he worked in industry as a Planning and Supply Manager and taught Business Studies at T.A.F.E. He served as a member of the Select Committee upon Small Business and as Shadow Minister for Business and Consumer Affairs.

Mr Terry Rumble, A.A.S.A., M.P.

Terry Rumble was elected Member for Illawarra in March 1988. Before entering Parliament he qualified as an accountant and was employed in public practice and in the coal mining industry. He has served as a member of the Regulation Review Committee and as the Secretary of the Opposition Committee on Employment and Industry.

Mr Michael Photios, M.P.

Michael Photios was elected to Parliament in March 1988. He is currently the Member for Ermington. Prior to entering Parliament he was Marketing Manager of an importing company. Michael Photios is a Trustee of the Ethnic Communities Council of N.S.W. He served as a member of the House Committee, is a member of four Government Committees and chairs its Environment Committee.

Secretariat

Victoria Walker, M.A., Director, until September 1991

Patricia Azarias, M.P.A.(Princeton), B.A.(Hons)(Oxon), B.A.(Hons) Acting Director

Anne Lucas, Acting Clerk

Norma Rice, Secretary/Word Processor Operator

Rebecca Turrell, B.A.(Visual Arts), Secretary/Word Processor Operator

Consultant

Michael Smart, B.A.(Magna Cum Laude), Harvard

Public Accounts Committee

Parliament House

Macquarie Street

SYDNEY N.S.W. 2000

Telephone: (02) 230 2631

Facsimilie: (02) 230 2831

Office Hours: 9.00am - 5.00pm

Contents

| | <i>Page</i> |
|--|-------------|
| a. Introduction | 1 |
| A. Terms of reference..... | 1 |
| B. Method of investigation..... | 1 |
| C. Background to Inquiry..... | 2 |
| 2. Current Commercial Performance..... | 11 |
| A. What does commercial revenue consist of?..... | 11 |
| B. Actual commercial performance in recent years..... | 12 |
| C. Too few people in commercial functions..... | 14 |
| D. Poor match of skills to requirements..... | 15 |
| 3. Motivation | 21 |
| A. Low morale..... | 21 |
| B. No system of commercial incentives..... | 23 |
| 4. Inhibitions | 29 |
| A. Perceived conflict between conservation and commercialisation..... | 29 |
| B. Inordinately bureaucratic approval process..... | 34 |
| 5. The Issue of Devolution | 43 |
| A. Connection with guide-lines..... | 44 |
| B. Pro-devolution viewpoint..... | 44 |
| C. Pro-centralisation viewpoint..... | 45 |
| D. Adequacy of guidelines and procedures covering concessions..... | 49 |

Public Accounts Committee

| | <i>Page</i> |
|---|-------------|
| 6. Current Business Development Plans..... | 51 |
| A. What commercial staff and structure are planned?..... | 51 |
| B. Status of current attempts to create a Business Development Unit..... | 53 |
| 7. "Organic" Commercial Strategy..... | 57 |
| A. Dynamics of revenue generation and use..... | 58 |
| B. Growth centres..... | 61 |
| C. Reasons for adopting a gradual approach..... | 62 |
| D. Conservation outcomes as the incentive..... | 65 |
| 8. Seed Funding..... | 67 |
| A. Alien tenures..... | 67 |
| B. Charging for advice..... | 72 |
| C. Surprise audits..... | 74 |
| 9. Expanding Markets..... | 77 |
| 10. Specific Matters Raised in Submission..... | 85 |
| A. Liquidation of Old Inns Pty. Ltd. | 85 |
| B. Commercial lease for Sea Acres..... | 88 |
| C. Special interests seeking to use National Parks..... | 90 |
| Appendices | |
| 1. Call for Submissions..... | 95 |
| 2. List of Submissions Received..... | 96 |
| 3. Witnesses at Public Hearings..... | 97 |
| 4. Hearings and Inspections..... | 98 |

Chairman's Foreword

The Committee undertook to investigate the role of self-generated funding within the National Parks and Wildlife Service of New South Wales at the request of the Minister for the Environment. This Report revolves around the relationship between revenue raising and the National Parks and Wildlife Service's ability to meet its primary objectives.

The Committee was always mindful of the need to address the revenue question with due sensitivity to the implications for environmental and cultural heritage. Throughout this inquiry, the Committee's approach was a constructive one--helping the Service to overcome problems, rather than highlighting "mistakes".

It is widely recognised that the National Parks and Wildlife Service of New South Wales lacks the necessary resources to carry out all of its functions. Indeed this recognition is shared by the Service itself. In the current climate of severe restrictions on funding, however, the Service needs to identify and explore ways of generating a larger proportion of its own revenue.

The Committee discovered that there is a perception that conservation objectives conflict with the practical realities of raising commercial revenue. However, upon examination it became clear that there are important synergies between revenue raising by the Service and the future of its conservation activities. For example, in the absence of sufficient contributions from visitors to offset maintenance expenses, the Service has found itself in a vicious circle which threatens to lead to the degradation of the State's national parks from those same visitors.

The Committee observed that current commercial practice within the Service, while starting to progress in a beneficial direction, is achieving less than optimal performance. The primary reasons for under-performance are a shortage of appropriate staff, a lack of commercial incentives, and the presence of some significant disincentives.

The Committee believes that by adopting a somewhat different focus, significant improvements to the Service's revenue generation are possible. In particular, by creating an incentive structure, acting to diminish the importance of recognised disincentives, and giving a higher priority to nurturing business activities, the Service's

(viii)

Public Accounts Committee

executive has the best chance not only of increasing revenue flow, but more significantly of resolving the imbalances which have led to funding problems.

Although it appears most of the Service's problems stem from a shortage of funding, it became apparent that problems also arise from an imbalance between the amount of effort on commercial activities and the effort given to the Service's other functions. In the Committee's view, by addressing this imbalance the Service will be moving to resolve its longer-term problems.

This inquiry was undertaken with the full cooperation of the officers of the National Parks and Wildlife Service, and I would like to express my appreciation to them for their assistance. Clearly there is a growing awareness within the Service of where the problems lie, and a growing willingness to tackle them. Overall, the Committee was impressed by the dedication to duty of Service personnel at all levels in the organisation.

Since concern on environmental issues was a major reason for my entering Parliament, this Inquiry has proved to be both very stimulating and, I believe, made an important contribution. Moreover, as this is the new Committee's first report it is a major achievement.

In conclusion, I would like to acknowledge the contributions of my fellow Committee Members and the Members of the former Committee, under whose direction this inquiry began, Victoria Walker, the former Director of the Public Accounts Committee, Patricia Azarias, the Acting Director, the dedicated Secretariat Staff, and Michael Smart, consultant.

Jim Longley, B.Ec., M.Ec., F.C.P.A., S.P.T.C., M.P. **Chairman**

Executive Summary

The N.S.W. National Parks and Wildlife Service (N.P.W.S.) has since 1967 had the difficult task of safeguarding the State's natural and cultural heritage. The task is difficult because many interest groups compete to use resources which are "locked up" or protected, depending upon one's point of view, in the National Park system. Perhaps the greatest difficulty though is the insufficiency of financial or human resources to carry out the duties with which the Service is charged. Traditionally the great bulk of Service funding has come from the consolidated fund, with no more than 25% derived from what may broadly be called "user-charges".

Attention has been focused on user charges in recent times since the overall State budgetary picture forces all public sector bodies to compete for scarce public funding. Self-generated revenue is increasingly seen as a necessary supplement to public outlays for most inner budget sector entities. The N.P.W.S. is no exception, even though its revenue-raising potential is severely limited by public perceptions that making money from national parks is inappropriate.

The Terms of Reference for this inquiry ask the Committee to examine user charges, with a view to increasing the reliance on them. Specifically, the Committee has been asked to address the questions:

- o Is user pays revenue being maximised given the Service's objectives?
- How adequate are guide-lines covering commercial activity?

The Committee based its investigation on site inspections of the three districts nominated for inclusion in this inquiry: North Metropolitan, Port Macquarie, and Lower Darling (Lake Mungo N.P. only), analysis of submissions, and public hearings.

After studying these questions, the Committee concluded that commercial revenue is not maximised because the commercial functions of the organisation are supported by too few people with a poor match of skills to requirements, because no system of incentives exists to support revenue raising, and in fact many powerful disincentives are active. Among the disincentives are a widespread perception that commercialisation and conservation are in conflict, and the overly bureaucratic approval process for new revenue schemes.

(X)

Public Accounts Committee

In the Committee's view, the solution entails directing greater funding to commercial functions to allow hiring a sufficient number of employees with the required skills and background, creating a system of incentives, and taking positive action to minimise the effect of recognised disincentives. Since funding is well known to be a problem within the Parks service, one should not expect the overnight creation of a commercial division. Instead, an "organic" approach to commercial activity, involving gradual growth from the existing commercial core, seems necessary. The fledgling commercial groups will have to generate enough revenue to pay for themselves and to finance growth in commercial functions.

In this type of endeavour the first step is often the hardest since the "seed money" must come from somewhere. Fortunately, the service has two untapped sources of this seed money: alien tenures and surprise audits. By availing itself of these acknowledged but relatively unexploited revenue opportunities, the Service can inject funding into commercial programs in the near term without seriously compromising vital conservation work.

Regarding the environmental aspects of N.P.W.S. activities, the Committee finds no reason to question either the integrity or the effectiveness of the Service. The dedication and professionalism of rangers, scientists, and managers were evident to the Committee on its site inspections. Witnesses from the National Parks Association and the Total Environment Centre also commented on the effectiveness of the Service in maintaining natural and heritage values of the parks, given the staffing and financial constraints.

Under the third item in the terms of reference, the Committee considered other matters raised in submissions. In a large number of submissions, the Committee was asked to make judgements which it is unqualified to make on environmental impacts, such as whether bee-keeping or horse-riding in National Parks are detrimental to conservation. In the Committee's view, such judgements are better made by experts. The Committee saw no reason to second-guess conservation decisions already made by the Service.

Two specific instances were raised in which the propriety of the Service's commercial dealings was questioned. The matters were the handling of leases held by a firm in liquidation; Old Inns Pty. Ltd., and the leasing of the Sea Acres complex. In neither case was the Committee convinced, by the evidence presented in submissions or testimony, that the Service had acted improperly.

List of Recommendations

1. It is recommended that the N.P.W.S. give priority to increased funding to the concessions and leasing unit to enable that unit to regrade staff and increase staff numbers.
2. It is recommended that the N.P.W.S. move as soon as possible to implement a system for revenue retention by districts on a trial basis.
3. It is recommended that, prior to the head office putting in place a local revenue retention scheme, the N.P.W.S. ask the district offices to give a commitment to spend a significant portion of the revenue they retain on projects which are visible to the public and/or with high conservation value, and which raise the public awareness that charges they pay are being used for the Service's objectives in the district.
4. It is recommended that the N.P.W.S. establish an internal committee, drawing on outside expertise where appropriate, to recommend action on bureaucratic obstacles to the effective flow of information between the field and head office.
5. It is recommended that the N.P.W.S. concentrate control of concessions and leases at head office, as recommended in the Internal Audit Bureau's report; routine tasks such as rent collection to be carried out at the local level if practical, given the current state of networked accounting systems.
6. It is recommended that the N.P.W.S. adopt a strategy of basing the growth of its commercial functions on established programs such as concessions and leasing, corporate sponsorship, N.P.W.S. shops, and collection of park use fees, whilst allowing for new commercial programs which may prove to be environmentally and financially sound.
7. It is recommended that the N.P.W.S. establish a head office business coordination unit which would be responsible for coordinating and facilitating the professional conduct of established commercial programs.

(xii)

Public Accounts Committee

8. It is recommended that the N.P.W.S. commit itself initially to re-investing a substantial portion of new commercial revenue into the expansion of commercial activities.
9. It is recommended that the central government agencies ensure a more equitable return to the N.P.W.S. from alien tenures held by other State departments and authorities.
10. It is recommended that Treasury grant the Service time-limited funding or advance such funding to them against future income to enable: the establishment of the Business Coordination Unit, the regularising of alien tenures, and the establishment of a regular program of surprise audits of N.P.W.S. leaseholders.
11. It is recommended that the N.P.W.S. establish formal channels of communication with the tourism industry, including regular exchanges of planning information, joint ventures and marketing, where appropriate.
12. It is recommended that the Government expand the National Parks and Wildlife Advisory Council to add a representative of the Tourism Commission.

1. Introduction

A. Terms of reference

- 1.1 On November 22, 1990, the Hon. Tim Moore, M.P., the Minister for the Environment, requested that the Public Accounts Committee conduct an inquiry into the National Parks and Wildlife Service of N.S.W. with the following terms of reference:
- 1.2 To inquire into and report on certain aspects of the conduct of the National Parks and Wildlife Service by reference to an examination of the Port Macquarie District of the Service; of the North Metropolitan District of the Service; and of the activities of the Lower Darling District (insofar as they relate to Mungo National Park) of the Service. In particular to:
 - i. assess whether the Service is maximising opportunities from its leasing, licensing, fee collection and other activities, consistent with the objectives of the Service;
 - ii. examine the adequacy of current guide-lines and procedures for granting and control of concessions and leases;
 - iii. inquire into and report on any other matters arising from the inquiry which impact on the efficiency and effectiveness of the National Parks and Wildlife Service.

B. Method of investigation

- 1.3 The Committee conducted its inquiry between November, 1990 and October, 1991, concurrent with a number of other inquiries and activities pursuant to Section 57 of the Public Finance and Audit Act; 1983. The method of investigation included:

a review of submissions and correspondence received in response to advertisements issued in the press;

public hearings conducted on March 27 and August 1, 1991;

- inspections of the National Parks and Wildlife Service's Head Office, Parramatta Regional Office, North Metropolitan and Port Macquarie District Offices;
- inspections of National Parks, State Recreation Areas, Nature Reserves, and concession activities within the three districts nominated in the terms of reference.

C. Background to Inquiry

1. Current strategic directions within the Service

1.4 According to the Director, the 1989-90 financial year was one of the most eventful periods in the twenty-three year history of the N.S.W. National Parks and Wildlife Service (N.P.W.S.)¹ Current strategic directions are designed to bring the Service back from a crisis situation which surfaced in late 1989 with a \$6M funding shortfall, the discovery of inadequate financial controls, and the dismissal of the former Director. In addition, the very unpopular head office move to Hurstville, uncertainty created by the dismissal, and very low wage levels led to poor morale and heavy loss of experienced staff.

1.5 The present Director, Mr Bill Gillooly, described these conditions in detail:

"The organisation has been through a fairly traumatic time over the past couple of years with the departure of the former director and, after a substantial hiatus, my appointment. When I joined

the service I found a very hard working and dedicated organisation with enormous expertise in heritage conservation but little knowledge of modern management principles or the systems to manage the organisation in a modern manner. We have set about to correct that." ²

1.6 To recover from this crisis, the present administration has focused on four strategic elements: improved networked Management Information Systems, emphasis on professional financial management, improved wages for staff, and greater financial resources to meet costs of managing newly dedicated lands.

1 National Parks and Wildlife Service of NSW Annual Report, 1989-90, p.8.

2 Minutes of Evidence, 1 August, 1991, p.71.

- 1.7 In explaining the rationale for these steps, the Director pointed to some special problems the Service faces:

"The National Parks and Wildlife Service is probably geographically the most far flung government organisation in New South Wales. The need for rapid communication between the various offices of the organisation is evident. When I arrived in the organisation there was no networked computer system throughout the service. I understand that a decision had been taken not to go down that track because facsimile machines were becoming very popular and people thought that those machines would be a way of dealing with the problem. Obviously it was not. 3

- 1.8 Mr Gillooly also made the explicit link between information technology and the progress of delegations to the field (an important subject which will be taken up in detail later in this report):

'7 should also add that the in-house head office computer system was totally inadequate to deal with the fairly important things of financial management and human resource management. You will appreciate that it is necessary to have fairly good systems to deal with them. We are all pretty happy with the way that is advancing. If anything I would like to accelerate that process. One of the major benefits of the process is that I can delegate a lot more to the field. I think the service is top heavy in head office at the moment. Head office probably undertakes more functions than perhaps it should. I ask you to accept that the reason why we have not moved more things out to our districts particularly is that we do not have the facilities in terms of computers and whatever to enable local people to deal with many of the problems at the moment and at the same time to enable us to keep an eye on what is going on." 4

- 1.9 The current tightness of the State budget makes public-sector funding for ~~of~~ this recovery program problematic. Thus the need for greater self-funding or

3 Minutes of Evidence, 1 August, 1991, p.71.

4 Minutes of Evidence, .1 August, 1991, p.71.

Public Accounts Committee

"user-charges" has been recognized at executive levels within the Service. Mr Gillooly made this point in his summary of current problems and directions:

"The major problem that faces the organisation at the moment is a lack of the tight sort of information technology. Staff need the right training to deal with many managerial problems. Generally, there is a lack of resourcing, though there are things we can do to deal with that. In the past revenue raising was something that happened but it was not really seen as something that one got professional about. Our organisation is much more conscious of the need to raise its own revenue and expand its revenue base having regard to the sensitivities of conservation issues, I have a fairly fundamental problem with that. For some time I have been advertising to obtain the services of a business development manager. To date I have been unsuccessful in obtaining such a person." 5

1.10 Noting that Mr Gillooly appears to pin many hopes on the eventual appointment of an appropriately qualified business development manager, the Committee will return to consideration of the business development unit concept later in this report.

2. *Objections to the user pays philosophy*

1.11 Revenue potential of the State's National Park Estate has drawn comment of one sort or another from nearly every submission to this inquiry. It seems universally accepted that the National Park system contains an enormous wealth of resources. Not surprisingly, this wealth gives rise to conflict between groups who seek to put it to mutually exclusive uses. No one appears to dispute that this wealth belongs to everyone, including future generations. However, it is difficult to evaluate the various arguments put forth by interest groups as to why the best interests of the State would be served by allowing them exclusive access to some of these resources.

1.12 Raising revenue from Service activities is neither required nor prohibited by legislation. In recent years, however, revenue raising has become a practical necessity. An organisation which is chronically understaffed and

under-resourced cannot execute its functions effectively without additional funding. The principal options for extra funding are to seek it from general State revenue or to seek it from interest groups who benefit directly from enjoyment of the resources. To provide a numerical basis of comparison, the Service met total expenses in 1989-90 of \$72.67M with a consolidated fund appropriation of \$53.64M, income from fees and licences of \$6.34M (of which \$3.8M is derived from day entry fees), rental income of \$4.19M, and other types of receipts.

1.13 Revenue other than the consolidated fund appropriation and grants may be broadly termed "user charges". It includes park entrance fees, rental charges of various sorts, payments resulting from lease agreements, licence fees, fines and other types of charges. In cases where a commercial operation is deriving benefits from resources within the control of the Service, it is customary for these operations to pay some rental or licence fee to the Service. Such an arrangement is a "concession" and the proprietor of the commercial operation is referred to as a "concessionaire".

1.14 Increasing the reliance on "user-pays" revenue sources is a matter of Government policy. The terms of reference for this inquiry are predicated on the assumption that this policy objective is accepted widely in the community. Nevertheless, submissions, testimony, and published papers indicate that community acceptance of the user-pays principle is far from universal. For this reason, the Committee felt it necessary, in the interest of setting this inquiry in its broader context, to present the essential points of the argument opposing the user-pays philosophy.

1.15 Direct user-charges, such as park entrance fees, are often resented on the ideological grounds that the parks, being a public resource, should be free of charge. Entrance fees are sometimes construed as a form of double-taxation. Furthermore, fees in excess of a modest charge may deter lower-income individuals and families from enjoying their rights to the resource. Mr Bruce Leaver, Director of the South Australian National Parks and Wildlife Service, elucidated the point:

"The user-pays principle does discriminate against those on limited incomes, the unemployed, pensioners and so on. The park system could be seen as being the system for those who

can afford it. That is a serious consideration for a government concerned about equity and so on." 7" What they bitterly resent is a park entry station being a tax collection agency." 8

- 1.16 Indirect user-charges, including rentals paid by concessionaires, elicit a more fierce resistance from the conservation movement, among others. At the most basic level, such bodies as the National Parks Association hold the view that the profit motive driving commercial leaseholders cannot be reconciled with the conservation of natural and cultural heritage. Ms Penny Roberts, Research Officer with the National Parks Association, testified, "*The private leaseholders are there for the private profit motive and not there for the conservation of the natural environment. They are also on public land*" 9

- 1.17 Mr Milo Dunphy, Director of the Total Environment Centre, speaking about the group of Service officers who handle leases, stated:

"... those people consider themselves as more or less an estate agency. That is a long way from the principles of national parks with which I introduced my document. It is the exact antithesis. It shows what is happening within the service under the contrary direction of the present Government--intense direction to get parks to be profitable. That is not what national parks are about." 10

- 1.18 Whether the private profit motive and conservation of public resources can coexist or not, a heavy reliance by the Service on concession-related income does raise the possibility that in future the Service might become a "captured" agency regulating these concessionaires. Planning might become biased toward providing revenue-generating facilities, rather than the conservation objectives which were primary to the creation of National Parks.

- 1.19 A particular concern among opponents to user-pays is that once a precedent is established for self-funding of the national parks system, it may become increasingly difficult to argue for additional public funds to finance the

7 Minutes of Evidence, 27 March, 1991, p.19.

8 Minutes of Evidence, 27 March, 1991. p.19.

9 Minutes of Evidence, 27 March. 1991, p.4.

10 Minutes of Evidence, 27 March, 1991, p.50.

dedication of new national parks. Mr Dunphy elaborated his reasons for believing that national parks were in a special category deserving of a larger share of public finance:

"You can look at the big picture and you can take Dr. Suzuki's thesis, supported by Dr Robin Williams, supported by Professor Birch, supported by Dr Bellamy, supported by a whole list of major scientists to say that we only have 10 or 15 years to turn around the way we are treating the natural systems of the world. The natural systems that we have in working order in this country are virtually only in the national parks. If you are talking about biodiversity, the protection of species--and you have seen these enormous predictions of lost species, a big extrapolation on the loss of species--the parks are the basic areas where we have to conserve these species. If you want to destroy Australia, by all means do not have a national parks system but if you want to preserve Australia, the things that you and I think are worthwhile about Australia, then you try to preserve the parks system, and it is incomplete. We only preserve less than half the eco systems of New South Wales in that parks system. Less than half the native forest association, which is something the Forestry Commission understands, are preserved in viable samples in the national parks system.

"We are not even allowing for the greenhouse effect, which is going to be quite radical. Our parks need to be bigger than we previously thought to be viable and we are only sampling half the systems. We need a vast increase, and I am talking about perhaps a doubling in the park area of New South Wales and the service and under this Government, the dedications have gone down to nothing--5, 000 hectares this year. One of the reasons the service is giving for that, apart from the political reasons that the Government does not want and will not agree to it, the other reason is that the service cannot handle the additional areas. The policy of the conservation movement has been for many years that irrespective of whether we can manage them or not, we must have the areas now. You know all the reasons for that. Crown lands are being sold off hand over fist. Leasehold lands are being sold hand over fist and leasehold lands are being converted in [sic] perpetual leasehold. All of the

systems of land tenure on which the National Parks and Wildlife Service relied over the years to create a park system are all disappearing rapidly." 11

1.20 Clearly the National Parks provide a public good in the form of preserved natural ecosystems. Mr Dunphy contends that the value of this public good is necessarily compromised by allowing some users to obtain private benefits from the parks. Furthermore, he argues that some vital increase in the value of this public good can be achieved by enlarging the parks system to include the full range of natural ecosystems. He implies that such an enlargement would be difficult to achieve if a self-funding constraint were imposed on the park system.

3. *Summary of the arguments for the user pays philosophy*

1.21 The bulk of this report articulates how the user pays philosophy can be employed to solve some of the most pressing problems facing the N.P.W.S. In the course of this discussion, the arguments in favour of the user pays philosophy will be elucidated in detail. By way of introduction, the Committee offers a concise summary of the benefits of the user pays approach.

1.22 As it is most often conceived, user-pays revenue is a supplement, not a constraint, to funding by the State Treasury. In times when the State budget is highly constrained, there is no denying that this supplementary source of income can make a vital improvement to conservation outcomes. However, there are many ways in which the Service could supplement its income which do not affect its conservation, recreation and conservation advocacy roles.

1.23 The particular attraction of the user-pays approach is that it generates income proportionally to the level of park use. As this report explains below in the chapter on 'Organic Commercial Strategy', it is desirable to maintain a relativity between the amount of park visitation and the amount of income generated. The N.P.W.S. incurs much of its expense in creating and maintaining visitor facilities. In the absence of human intervention, natural ecosystems preserved in parks would maintain themselves. Visitors place certain strains on these ecosystems, and the Service is obliged to spend money to counteract the harmful effects. Therefore the N.P.W.S. must spend money most urgently in high visitation areas. User-pays funding provides a

mechanism for the Service to generate income where it is needed in approximate proportion to the urgency of the need.

- 1.24 Some of the objections to the user pays philosophy raised in the previous section are important considerations in any implementation of a user-pays system. However, as this report illustrates by way of interstate example, the concept of user-pays can improve conservation outcomes.

4. *Scope within nominated districts to study user-pays*

- 1.25 By way of additional background to this inquiry, the Committee observes that the three districts nominated in the terms of reference, the North Metropolitan, Port Macquarie, and the Lower Darling, while presenting a range of opportunities to study the application of user-pays principles to the Service, fail to present the complete range of experience. Certainly the Lower Darling District represents one extreme, in which there are no current concessions or leases, extremely limited licensing, and a relatively minor degree of fee collection. The Port Macquarie District represents an interesting mid-point on the continuum of commercial activity, raising the important issues of population growth and land-use conflict. With its long history of fee collection, leasing, and licensing activity, the North Metropolitan District also provides an interesting reference point.
- 1.26 Unfortunately, these districts do not include the single largest revenue opportunity within the system. A quick glance at some relevant statistics leaves no doubt but that the Kosciusko District is in a class of its own. In 1989/90 the Service's receipts from fees, licences, rentals and other receipts amounted to \$11.580M, of which \$4.743M (or 41%) were derived from the Kosciusko District alone.¹² Of the twenty-six districts, the North Metropolitan was the second largest revenue raiser, bringing in \$1.035M, a figure approximately one quarter the size of Kosciusko's earnings.¹³ The disproportionate importance of the Kosciusko District is also reflected by the number of submissions which relate to it.

- 1.27 What concerned the Committee most is that Kosciusko District's massive income is derived from a number of extremely large, complex concessions

12 Figures requested by the Committee and supplied by Deputy Director Alastair Howard, April 4, 1991.

13 Ibid.

'Although the Service provides and operates most visitor facilities in its areas, some are established and run by private enterprise. The Service controls their development and operation through legally enforceable leases and licences. These privately operated facilities range from small refreshment kiosks to major accommodation and recreation centres, such as those in Kosciusko National Park

"Where development is allowed under a plan of management or by Ministerial approval the Service selects operators and facilities through competitive tendering. Successful tenderers must meet most, if not all of the development and infrastructure costs.

"The Service aims to ensure that high quality visitor facilities are provided at reasonable establishment costs in an environmentally acceptable manner and are available to the public at charges comparable with those elsewhere. At the same time, it aims for an equitable financial return from providing commercial opportunities on public land." 19

2.5 Commercial leases are referred to as concessions. The holders of these leases are concessionaires. The Concessions and Leasing Unit within the N.P.W.S. Property Services Branch manages leasing arrangements.

B. Actual commercial performance in recent years

2.6 In a letter to the Committee dated 9 August, 1991. Mr Michael Booth, head of the Property Services Branch, illustrated the trend in income from concession operations and property rentals over the past decade. He pointed out that total rentals (excluding staff rentals) have increased 690% between 1979/80 and 1990/91, and by 101% between 1985/86 and 1990/91. Commercial and site rentals have increased 683% over the past ten years (1980/81-1990/91) and 82% over the past five years. To provide a basis of comparison, the consumer price index has increased 126% between June 1980 and March 1991, and 41% between June 1986 and March 1991. Total

19 National Parks and Wildlife Service of NSW Annual Report, 1989-90, p.67.

rental receipts within the purview of Property Services Branch have increased steadily from \$611,291 in 1979/80 to \$4,830,755 in 1990/91⁷

- 2.7 Going back to the beginnings of the N.P.W.S., between 1967 and the late 1970's rental income was consistently low, in part because the majority of leases (concentrated in the Kosciusko area) had been inherited by the Service and rents were locked in at very low values. Over time, these inherited leases gradually came up for renewal, giving the Service its first opportunities to increase rentals and to negotiate provisions for regular rent reviews. The Concessions and Leasing Section was formed in 1976. As human resources were made available to the section, it was able to capitalise on opportunities presented by expiring leases. Revenue increases are also partly attributable to new concessions, especially caravan parks.
- 2.8 Consistent improvements in rental receipts during the 1980's can be traced to the impact of the Concessions and Leasing Section actively negotiating higher (market-based) rentals, incorporating new rent formulas in renewed leases, and making provisions for regular rent reviews over the term of new leases. The mid 1980's saw a period of enormous upward adjustment to rents paid by ski clubs. The Committee understands that, based on advice from the Valuer General as to market values of ski club leases, rents were increased by factors of 25 to 40, netting the Service more than one half million dollars in additional rental income over the period.
- 2.9 These early commercial successes were possible because the expiry of inherited leases provided an opportunity. However the opportunity was seized only because the Concessions and Leasing Section had the human resources available to formulate and implement better leases. In the present day, the greater sophistication of the property market demands more from a property management branch of a public sector agency such as the N.P.W.S.
- 2.10 Mr Michael Booth, head of the Concessions and Leasing Branch, made the following assessment of whether the service is maximising opportunities:

⁷ Letter to the Committee from Mr. Michael Booth, dated 9 August, 1991.

'7 think we are improving. We can certainly do with a couple of additional staff in terms of manpower to drive the program along and that would certainly help but over the past three or four years we have bumped up the revenues from this area quite significantly. I think that has come from better control and better targeting from the resources that we have. If you look back over the revenue results for the past five years, it has been quite a marked increase. Yes, I think we can do more. We are getting to a stage where, unless there is perhaps an improvement in the resources we may be getting as far as we can go in terms of the number of concession arrangements we can introduce. It is always a problem, of course, in that a lot of parks do not have sufficient visitation, for example, to generate a viable commercial situation for a lessee.' ²¹

C. Too few people in commercial functions

2.11 Commercial functions are carried out on a part-time basis by many Service employees, such as park workers who collect entry fees, park rangers, and others. However the specialist staff dedicated full-time to commercial activities are found within the Concessions and Leasing Unit of the Property Services Branch and at the Central and South-east Regional offices.

2.12 The Head Office Concessions and Leasing Unit employs one senior concessions and leasing officer (grade 7/8 clerk), and three concessions and leasing officers (grade 4/5, grade 3, and grade 2 clerks). Additionally, the Head of Property Services Branch dedicates 50% of his time to concessions and leasing matters. Central Region has one concessions and leasing officer (grade 6 clerk). South-east Region has one concessions and leasing officer (grade 5 clerk). The two other officers of the Service with extensive involvement in commercial functions are in Kosciusko District: the resort development manager (grade 8 clerk) and administrative officer, resort development group (grade 4/5 clerk). These officers do some concessions and leasing work as well as other duties.²²

21 Minutes of Evidence, I August, 1991, p.95.

22 Information current at April, 1991, based on details supplied by the Head of Property Services Branch in response to the Committee's request.

- 2.13 Salary cost to the Service for these specialist officers was \$261,066 and salary cost for non-specialist staff allocated to the Concessions and Leasing Program was estimated at \$400,000. Adding recurrent funds allocations for maintenance/replacement costs of equipment and subtracting legal fees, etc. recouped by the Program, costs to the service for the Concessions and Leasing function were \$606,066 (at June; 1990).²³
- 2.14 When one considers that this function, staffed by six full-time employees and the part-time effort of another three employees, earned \$4.19M in 1989-90 (or approximately \$660,000 per full-time employee)²⁴ the argument for supplying more resources to this unit becomes compelling. As the Committee notes later in this report, there are substantial areas, such as alien tenures and auditing concessionaires, in which Service revenue could be improved if staff were available to carry out the necessary work. The revenue improvements over the past decade due to the work of these concessions and leasing officers have been impressive.
- 2.15 Testimony from Mr Booth confirmed the view that limited staff availability is the principal impediment to increasing concession-related income. Furthermore, the Committee understands that unless undergrading and understaffing problems within the unit are resolved, experienced staff may resign in search of better opportunities. The importance of their practical experience in concession matters cannot be over-emphasized.

D. Poor match of skills to requirements

- 2.16 A number of witnesses commented that the types of skills possessed by many Service employees were not well matched to the requirements of commercial activity. Perhaps the most critical witness was Mr James Millar, liquidator to Old Inns Pty. Ltd., who dealt with the N.P.W.S. at the commercial level over the matter of N.P.W.S. leases held by Old Inns. Mr Millar's dissatisfaction with the Service over that matter led him to make a submission to the Committee. He made a series of pointed remarks regarding the "commerciality" of Service staff with which he was involved:
- 23 Information based on estimates of Concessions and Leasing Management Program costs at June, 1990, supplied by the Head of Property Services Branch in response to the Committee's request.

24 National Parks and Wildlife Service of NSW Annual Report, 1989-90, p.68.

"They were not commercial at all. They ran with it. We were led to believe that certain things would happen and that even until they made a decision on leases they would fund our operations. We have not been paid for the assets which were left at the site which were independently valued. They delayed in making decisions, which made our position impossible, knowing that we had no funds. They then sought not to assist. They terminated knowing that we could not keep going anyway. You could be a bit cynical and say that they knew that if they waited long enough that would happen. Once it was all over, they refused to agree to the independent valuation. So commercially I think it is a nonsense in that instance." 25

2.17 Whilst noting that some of Mr Millar's statements were disputed by the Service's Principal Legal Officer (see the section below specifically on Mr Millar's complaint regarding Old Inns), and recognizing that the adverse outcome in the Old Inns matter may have inclined Mr Millar to a critical point of view, the Committee was nevertheless interested in Mr Millar's specific observations of shortcomings in the Service's commercial performance.

"If this had been the normal dealings between me as a liquidator or a receiver with another company which is a lessor of premises, it would have been resolved a lot more quickly and we would not have been hanging out for at least six weeks waiting for a determination on the leases. If they had said they were not going to renew them it would not have worded us. We would have stopped. So commercialS, they would have to--the timing is going to be important and commitment to the task is going to be important." 26

2.18 Mr Millar went on to state that in his view it was necessary to have in-house expertise at least at the middle accountancy level if an organisation is going to be involved in commercial activities.²⁷

25 Minutes of Evidence, 27 March, 1991, p.28. 26 Minutes of Evidence, 27.March. 1991, p.30. 27 Minutes of Evidence, 27 March, 1991, p.32.

2.19' Price Waterhouse Urwick have been engaged by the N.P.W.S. to provide commercial advice in some matters. Ms Jennifer Rand, a consultant with Price Waterhouse, provided the Committee with some observations regarding factors affecting the Service's ability to handle commercial matters. She listed the lack of computerised information on leases and licences, the complexity of rental formulae--particularly in older leases, the inability to track costs, and the manual accounting system as principal impediments to effective administration of commercial matters. She also indicated that, lacking a "feel" for what types of licence conditions were consistent with commercial practice, the Service runs the risk of creating concession opportunities which are not a business proposition for the concessionaire.

"The other observation is that although they understand leasing terms and conditions, they do not particularly understand the commercial business that is going to occur within their premises or within their area. So they are not in a position to perhaps do their own trading forecast to know what the ability of the operator will be to pay a certain fee. National park leases are stand-alone leases in a lot of cases and they have nothing to compare with. If you are negotiating a lease in Wynyard you know roughly what the turnover is and what others are paying per square metre. However, if you are negotiating a lease out in Kuring-gai or wherever, unless the National Parks and Wildlife Service is in a position to estimate or to understand the market and then estimate how a business will go--the operating profit and so on--it will not be in a position to maximise the returns from its leases." 28

2.20 The inside view of staff commercial acumen tends to confirm Ms Rand's observations. Mr Gillooly testified to a relatively low level of commercial acumen. Expanding upon this theme, he stated:

"I have a major problem in that area because most scientific people do not want to be managers. Running the National Parks and Wildlife Service is really no different from running the State Transit Authority or whatever. Whether you are running research or preparation of responses to environmental impact statements, or whatever, you have to have people who manage

the relevant parts of the organisation. It is causing a lot of heartache at the moment because we cannot get those sorts of people." 29

2.21 Mr Michael Booth, in charge of one of the most commercial units in the Service, the property services branch, explained his perceptions of the mismatch between skills and requirements:

"What I have been suggesting for a little while is a restructuring of the staffing at head office. I think that is overdue for restructuring. To my mind it is not presently structured to do the job that is now needed. It was great six or eight years ago but it is not structured for the job that needs to be done now. We have a staff basically of four and at least two of those positions are too lowly graded for the job that is now required to be done. I would like to see a restructuring in terms of regrading. In terms of overall numbers, I am not necessarily suggesting that the additional staff of the service should all be at head office. The first priority is to have more specialists on the function. We are now very short of people with sufficient experience and knowledge in the organisation of what has gone on. That means it takes longer to get things done. It means we have lost people for one reason or another who have had a lot of expertise, experience and knowledge. At present we are not doing anything to rebuild that and we do need to rebuild that. What I think the organisation is finding at the moment is that it is looking in perhaps two or three people in the entire organisation who have had significant experience in this area, and one of them I guess is me. We need to rebuild lost expertise. We need to recruit staff at a more senior grading. I do not believe it is a function that you can get away with running with junior clerical people any more.

2.22 Apart from skills directly related to commercial acumen, some witnesses spoke of a lack of public relations skills among field staff. One such witness was Mr James Smith, a T.A.F.E. outdoor guiding instructor and outspoken

29 Minutes of Evidence, 1 August, 1991, p.85.

30 Minutes of Evidence, 1 August, 1991, p.99.

observer of N.P.W.S. activities in the Blue Mountains area. Mr Smith explained the negative impacts for the Service of poor public relations skills:

*"The idea of serving the community and public relations skills are terribly lacking amongst the rangers. Rangers are appointed on the basis of having a degree in natural science. There is no requirement for them to have any public relations skills at all. They are often rude, abrupt and unwilling to deal with people on a face-to-face basis. They are bored with environmental education activities. I believe we have gone down the wrong track."*³¹

2.23 Weighing the evidence, the Committee believes that the Head Office Concessions and Leasing function has consistently "brought home the Service's bacon" over the past decade. The professionalism and propriety of this unit's dealings have been confirmed in the Treasury Internal Audit Bureau's 1990 report. However staffing and resources of this unit have not kept pace with the growing sophistication of the property market. In the face of new and ever more complex challenges such as headlease arrangements and pre-tender expression of interest packages, the same staff on the same budget are placed under greater stress.

2.24 Such an overload situation can only result in the failure to capitalise on commercial opportunities, the delegation of critical tasks to inexperienced personnel, and a loss of morale among the experienced officers. The Committee understands that the main thrust of criticisms of the Service's commercial acumen relate to officers outside the Concessions and Leasing Program, and that, had the Concessions and Leasing Unit had the capacity to be involved, some of the unfortunate outcomes recorded thus far might have been avoided.

31 Minutes of Evidence, 27 March, 1991, pp.41,42.

- 2.25 The Committee understands that the reasons for not involving these officers related partly to the former Director's emphasis on devolution of responsibility (and the standing instruction to head office units not to interfere), and partly to the under-resourcing of the unit. In order to give weight to the Internal Audit Bureau's recommendations for tighter administrative control over leasing matters the Committee believes it is essential that this function receive a larger funding allocation, allowing it to increase staff numbers and to employ more experienced personnel.

Recommendation 1

It is recommended' that the N.P.W.S, give priority to increased funding to the concessions and leasing unit to enable that unit to regrade staff and increase staff numbers.

3. Motivation

A. Low morale

- 3.1 The Committee heard from a range of sources that, in the recent past, the N.S.W.N.P.W.S. has suffered from low morale. One of the contributing factors was the head office move to Hurstville. Deputy Director Alastair Howard outlined the effects of that move:

'Actually, it has been very traumatic. The Hurstville move was an on-again, off-again move. I guess you are probably aware that initially the move was to have been to Hornsby. A number of people, on finding out, physically relocated their families from the southern part of Sydney to the northern parts. We lost a considerable number of staff as a result of the move to Hurstville. They did not leave because of dissatisfaction with working for the service and because of being at Hurstville; they left because of travel commitments and the travelling time imposed upon them. Many of them gave it a go for six or eight months and then transferred to other departments or found other employment. In many ways we are still suffering from that. We find it difficult to recruit certain levels of expertise because of our awkward location.' 32

- 3.2 Director Bill Gillooly acknowledged the persistence of some morale problems, but stressed that staff turnover is now lower than the public sector average:

"There are some areas in the service that do have low staff morale and we have rocked the boat a little there in recent times which has not helped very much and that is largely to do with having people with the greatest scientific expertise missing out on jobs that require management and communications qualifications. That has caused a problem so I would say particularly in the scientific--and I use that word fairly loosely--side of the organisation, morale is probably still reasonably low. Within the field morale is certainly not as bad

32 Minutes of Evidence, 1 August, 1991, pp.87,88.

*as some people would like to think: I hope morale will get **dot** better later this year because we are proposing new awards for staff, which will substantially improve their lot." 33*

- 3.3 When the Committee asked Mr Bruce Leaver, Director of the South Australian National Parks and Wildlife Service, about the effects on a Parks Service when morale is low and staff turnover is high, **he replied:**

*"It can have a devastating impact because the ones **you** lose--and I have to say that because I left New South Wales--often are the best and you keep the drongos, the ones who possibly would have difficulty in getting employment, anyway. That creeping consolidation of unsuitable staff can have a very serious impact on an organization. You cannot afford to lose the cream of the crop, so to speak:*

'A high turnover of good people means that you are probably losing your best resource, because at the end of the day the park system is a decentralised system, whether you have a large head office or not. The hectares drive the systems, particularly in rural areas, and if you do not have top people in those areas, you lurch from crisis to crisis. If they are losing their good staff, that is a very serious problem.

"On the issue of morale, the best way to address morale is to give people--and I am talking about 90 per cent of them, anyway, particularly those who are professionally responsible, creative, wanting-to-contribute-type people--maximum opportunity to find outlets for their creativity. It is the best way to have a high morale, and to make sure they have the maximum delegation to operate effectively rather than constantly falling back to a centralised structure. The most important thing about delegation is the delegation of the right to make mistakes. If in good faith they make mistakes, you underpin those mistakes. You learn from them, but do not kick them to a bloody pulp for doing so." 34

33 Minutes of Evidence, 1 August, 1991, pp.82,83.

34 Minutes of Evidence, 27 March, 1991, p.22.

B. No system of commercial incentives

3.4 Mr Leaver, making a comparison between the New South Wales Service and its South Australian counterpart, testified to the importance of incentives for the park managers to raise revenue:

"I can say to you as an observer of the New South Wales system that there is a big difference between the two. There is a human difference in that the arrangements I have in place here tap into the creativity of the park manager. If the park manager is nothing more than a tax collection agent then you will never in a million years, despite all the philosophical claims to the contrary, get maximised opportunities because you are watching it for the manager. It is more than a warm feeling of collecting money for the Government. Why should he go down that road and collect those uncollected camping fees? Why should he spend weeks on end putting together a lease or license package if when he earns the money it goes into the consolidated revenue of the State? I can hear a thousand Treasury officials saying it is the appropriate role' of government to amass its revenue and allocate it to the priorities that government sees fit. But the reality of the matter is that if a system is not in place that taps into the professional creativity of the managers then you will have a poorly satisfied system in terms of its revenue earning potential. Once you create that creativity, the manager knows that if he or she goes to the trouble of chasing that extra dollar, that means that he or she can put in place next seasons seasonal ranger program or invest in those cabins down the road or get stuck into that board walk in that wetland that he or she has always wanted to do, and pay for it by the use of that means. Tapping into that creativity expands the levels of revenue hundreds and hundreds of per cent, but in the absence of that creativity you really do not have a hope." 35

3.5 Mr Leaver also indicated that in his experience such incentives can lead to efficient and effective local management:

35 Minutes of Evidence, 27 March, 1991, p.18.

"It is funny, when talking about creativity of professional staff, that they also become astonishingly parsimonious if it is their revenue that they are spending. If it is the poor old taxpayers' revenue from the recurrent budget then they take a normal public service attitude to it. But if it is their revenue and their project, they are fiercely parsimonious. The level of monitoring becomes almost obsessive to ensure that they are getting the cheapest possible job and the right answers, because they are the guys who are responsible. They are not doing it for a kind of higher level in the organization. They are undertaking a particular project with their professional view of how their region is to be managed. That has an in-built parsimony that is essential to the efficient use of resources." 36

3.6 Mr Leaver summed up his views in these terms:

*'A manager, knowing that he or she is going to keep the money, will constantly be on the look-out for a user-pays opportunity. Once one is looked at, it is a normal business planning process which, as I earlier said, is subject to the review of the trust executive group. So it is really a cost benefit study with all the pluses and minuses stirred into a mix and then an analytical business decision is made at the end of the day. In the event of a wrong decision, which is made about 20 per cent of the time, and taking into account the parsimony that I have mentioned, there is an opportunity to change it. So the identification of the opportunity is built into the encouragement that the system we have got going provides to the manager, in tapping into their professional creativity. You do not have to force it on them.'*³⁷

3.7 The Committee sought some comparative information on incentives and revenue retention from the N.S.W. Service. Director Bill Gillooly acknowledged the importance of incentives for the field staff to raise revenue:

"When I go out into the field and talk to a lot of my

superintendents it is obvious that they are mad keen on

36 Ibid, p.19.

37 Ibid.

revenue-raising opportunities. They come up with ideas to do that but they see all the money that they have raised being absorbed in head office. It may well also be absorbed in salaries. There is no real incentive for them to come up with, and to work on, those sorts of schemes. I would like to develop a system where there was an incentive for them to come up with schemes and for the additional money that they raised to be used in their district or region--not for unnecessary projects but for the sorts of projects which might not otherwise have been able to be funded." 38

3.8 However, no incentive scheme is currently in place, as Mr Gillooly's later testimony revealed:

"I have not really worked out the percentages yet. In New Zealand they actually do that and I am actually getting figures from New Zealand to see how they do in fact operate. If I can get figures from elsewhere in the world, I certainly will but incentives are a new thing in the public sector and it is amazing how people do respond to incentives. I am not trying to skirt the question, I mean I just do not know whether it is 25 per cent of the net or gross or whatever. We just have not quite got to that' yet." 39

3.9 Deputy Director Alastair Howard indicated that the delay in implementing a revenue-retention incentive scheme is related to the uncertainty surrounding the creation of the business development unit? Mr Howard indicated he was aware of the incentive scheme in place in South Australia:

Mr HOWARD: *"I am aware of the South Australian operation and that is a recent innovation. I think that process has been in place for perhaps 12 months. Of the New South Wales areas perhaps the one where it happens the most is Kosciusko National Park where some years ago we implemented a winter levy on the annual entry permit*

38 Minutes of Evidence, 1 August, 1991, p.73. 39 Minutes of Evidence, 1 August, 1991, p.76. 40 Minutes of Evidence, 1 August, 1991, p.90.

and the day entry tickets into Kosciusko and that has now been extended to a year-wide levy and that levy goes into a visitor levy account and meets many of the costs for providing visitor use facilities and maintenance of those in Kosciusko. At Minnamurra, which is part of the Budderoo National Park; the Minnamurra Rainforest Centre is a new operation that has been going for one and a half years. They are retaining their revenue whilst we assess the commercial viability of that operation and how we might make it even more so. There are a number of other examples around the State."

COMMITTEE: *"Have you given consideration to establishing targets at district or regional level and then indicating to the service at that level that if in fact they exceed it to any great extent they will be able to retain some of that additional revenue?"*

Mr HOWARD: *"Not at this stage. We currently have consultants about to commence a study to provide the service with a uniform pricing policy. What we want to do is set a benchmark for our pricing of visitor use facilities or the user-pay. system. We were looking at implementing such a system with the State recreation areas this year. For them we were setting minimum revenue targets, and we are proposing that once they reach those minimum revenue targets, then they would keep 50per cent of the clear profit over and above that revenue so all the overheads would be taken out and they would get half of what remains." 41*

3.10 Central region manager John Mortimer put the case that local revenue retention should be regionally, rather than district-based:

"In our region we would have difficulty operating the region unless the funds raised became a regional resource. Mind you our district superintendents would love to see all the money they

generate, but Bob Conroy in the northern metropolitan district he perhaps conceivably within the next few years could almost balance his books, but he is the biggest money generator in our region, and it would not be fair to Bathurst if we said 'You have got to balance your books and you will get no money: But

there has got to be incentives..... 42

3.11 Regardless of the details of revenue-sharing arrangements, Mr Mortimer concurred with other witnesses on the importance of incentives:

"I think the benefit can be that the locals see some of it at least being spent locally but at the moment, for example, if people are collecting money, entry fees, and it comes three o'clock and that person has spent their eight hours and their eight hours is up, there is no incentive for that district to, say, pay them time and a half to keep collecting money, because the time and a half money comes out of one allocation of funds and the funds go back to head office so they are paying for the overtime but they are not being able to retain the funds, so we have got to sort that out, but I do not think personal incentives are necessarily the answer. We have just got on-the-spot fines. There are \$75 fines for either not paying entry fees or, say, in Kosciusko saying you are staying one day and you stay three. We have got to encourage our rangers or our checking staff to go out and be diligent in doing that. Now, I do not believe it is appropriate that they get a percentage of the gross takings of those fines, but I think it is appropriate that they know that through their efforts and the abuse they might get from some of the public, that that is going to benefit their work area. It might be an extra personal computer or they might get an extra issue of uniforms or something annually, but I do not think putting money into someone's pocket is the way to go. I do not think the staff would want it." 43

42 Minutes of Evidence, 1 August, 1991, p.123.

43 Minutes of Evidence, 1 August, 1991, p.124.

- 3.12 The Committee detects some hesitation to take the first step with local retention of revenue, perhaps arising from a desire to work out the precise details first. To overcome this procrastination, the Committee suggests implementing a local revenue retention scheme on a trial basis. Even if a final decision has not yet been made on the retention formula, it seems better to get the ball rolling than to wait for the ultimate set of parameters.

Recommendation 2

It is recommended that the N.P,W,S, move as soon as possible to implement a system for revenue retention by districts on a trial basis.

4. Inhibitions

A. Perceived conflict between conservation and commercialisation

- 4.1 Although embracing the concept of revenue-raising himself, Mr Gillooly **testified** to a degree of antipathy to the concept from within Service ranks.

*'I do not see any real conflict. If the organisation is to survive and if heritage conservation is to survive in New South Wales the more money the organisation can make the better. I have no philosophical or other concerns about that. Some people in the organisation, whose hearts and souls are in nature conservation, see this as a dirty side of the trade. But they need to understand that that is how their salaries get paid and that is how money is made available to do a lot of the things we need to do.'*⁴⁴

*"Yes, I think there certainly are conflicts. The conflicts by and large I think arise between what I call the head office specialists, in other words the scientific people whose real job in life is heritage conservation of one form or another, and there are also specialists in the field as well and I think that they too see quite a substantial conflict. But I think in terms of the bulk of the service staff, many of whom live in local communities and understand how important parks are to local communities, they are certainly less inclined to take a hard line on whether we should have more public involvement or public access to tourism or whatever it might be. I think even in terms of our specialists, a number of them now are coming around to the situation that a degree of controlled tourism, whatever it might be, is important because people get to learn what they are doing."*⁴⁵

44 Minutes of Evidence, 1 August, 1991, p.73.

45 Minutes of Evidence, 1 August, 1991, p.76.

- 4.2 Central Region Manager, Mr John Mortimer, noted that attempts to institute user-charges meet with resistance from the Service's "corporate culture":

COMMITTEE: *"Looking at it from a regional manager's perspective how much clash is there between adoption of the user-pays principle in whatever way it might manifest itself and the corporate culture of the N.P.W..S. and what effect is that having on the service and the staff at present?"*

Mr MORTIMER: *"I guess three issues are there. From a personal point of view I have no problems with it and I would think most of our staff have not got problems with it. There is a corporate culture that has recruited rangers because they enjoy their cultural heritage, that resource management end of the spectrum."*

COMMITTEE: *"Their hobbies become their job ?"*

Mr MORTIMER: *"Yes indeed, and then if you throw in this commercial management aspect we have to change the culture of the organisation and I think we have to change the culture of the community. As we start to introduce charges for camping fees and those sort of things, even access fees where they were not once applied, we get quite a bit of reaction. We have to do a lot of educating internally and a lot of educating of the public to accept that no longer can these things be provided free of charge." 46*

- 4.3 Mr James Smith, an outdoor guiding instructor at Katoomba T.A.F.E, commented that some rangers adopt an anti-commercial bias:

"The problem is an underlying philosophical one, that many rangers somewhere in their training or background get the idea that commercial activities are bad and need to be discouraged at all costs. They have the idea that national parks have to be pure areas; we do not want tourism being involved in them; we

do not want them commercialised; wilderness walkers with big packs are the only people who should be in parks." 47

- 4.4 Mr Smith speculated that the anti-commercial bias of some Service employees motivated them to place onerous insurance requirements on outdoor guides:

COMMITTEE: *"Do you think that the problem with insurance is not an isolated example but rather an indication of problems in the thinking of the present National Parks and Wildlife Service administration?"*

Mr SMITH: *"Indeed. It is a very neat and simple way of excluding potential commercial activities in the park by setting a level of cover which is virtually unobtainable and would limit very much the number of commercial operators."*

COMMITTEE: *"You are not saying that they are doing it for that reason?"*

Mr SMITH: *"I believe it could well be that quite a number of national park administrators, in my experience, are rather fanatically opposed to commercial activities in the parks. They feel it goes against what the National Parks and Wildlife Service should be trying to do. They have ideas that most national parks should be wilderness areas and they use these type of tactics to exclude people,"* 48

- 4.5 Mr Michael Booth, Head of the Property Services Branch of the N.P.W.S., explained how this conflict affects his work on concessions and leasing:

Mr BOOTH: *"I think one of the problems that we have had over the years is the tendency in the organisation, certainly in certain areas, to be fairly protectionist with parks. I realise that is the organisation's prime charter but I am sort of in the position where my hat is in a sense to*

47 Minutes of Evidence, 27 March, 1991, p.40.

48 Minutes of Evidence, 27 March, 1991, p.37.

advocate development and pursue development and commercial opportunities through the parks system whereas most of the organisation's first attention is on the protection and management of the park system."

COMMITTEE: *"Is there often a tension between what you are trying to do and what the rest of the service is trying to do?"*

Mr BOOTH: *"Not the whole rest of the organisation. It is not sort of me against the rest in that sense but there is an element of truth there, yes. I think in some areas, in the field in particular, it does become a bit of a full-time job trying to drive the concession management program where certainly in some areas you get a tendency by the field people to say, 'We will manage this as long as we possibly can before we see this handed over to a lessee or whatever.' There is a bit of suspicion I think about parting with control. I think that probably comes out of perhaps some bad experiences in the past with lessees but also perhaps a fear of the unknown and a lack of awareness of what some of these arrangements really involve and that they can be effectively policed." no*

4.6 Tangible evidence of the benefits to conservation from commercial activity will go farthest, in the Committee's view, towards convincing skeptics how important the Service's commercial work is.

Recommendation 3

It is recommended that, prior to the head office putting in place local revenue retention scheme the N.P.W.S. ask the district offices to give a commitment to spend a significant portion of the revenue they retain on projects which are visible to the public and/or with high conservation value, and which raise the public awareness that charges they pay are being used for the Service's objectives in the district.

4.7 Despite the potential for reconciliation of these conflicts in the medium term, in the near term the conflict between conservation and commercialisation often takes the form of competition for scarce resources. Deputy Director Alastair Howard explained:

"I think one of the major problems we have at the moment is we consider we are under-resourced to be able to fulfil all our heritage conservation responsibilities. Whilst it would be quite easy to say to districts, 'Look; go out and see what revenue you can raise', there is going to be an opportunity cost and the opportunity cost would be these other functions either being wound back or not being done at all. We need to look at it more holistically and set in place some firm guidelines and criteria on which people can operate, but in the absence of those, we have people expending considerable amounts of energy and resources looking at what they consider to be revenue-raising opportunities and, at the same time, their basic functions are not being carried out. In my view it could run the risk of swinging all our people on to revenue-raising opportunities and we just get swamped with these, trying to sort out which are the good ones and which are the bad ones and that was basically going to be the task the business development unit would carry out." 50

50 Minutes of Evidence, 1 August, 1991, p.91.

- 4.8 To illustrate his point, Mr Howard referred to the soon-to-be-completed overhead value analysis study at Ku-ringgai National Park, in which staff diaries were analysed:

"The early results that have been shown to me were quite interesting in terms of where staff time was being spent. I have been pushing them to have that finished in the next couple of weeks because I believe-that will give us a valuable insight into where our people are putting all their effort and just what sort of a return we are getting out of it, but at this stage it is clearly showing a bias towards our resources or a bias towards recreational management and away from the heritage management areas." 51

B. Inordinately bureaucratic approval process

- 4.9 A lack of decentralised decision-making authority has been identified by many witnesses as an important impediment to organisational effectiveness. According to the Director,

"When I joined the organisation 18 months ago I found that what had happened was that most of the decision.making was made by the director. That son of frightened me, apart from the fact of all the work it would mean for me, and certainly for some time I allowed that to happen, mainly to see the flow of paper across my desk and to see the sons of things that came up. You would not believe it. A person's application to take a week's leave without pay, for a very legitimate reason, would end up on the director's desk So far I have delegated a lot of things down the track; In terms of our information technology, which we are now working on, some of the high priority systems that we hope to introduce in the next 12 to 18 months will enable us to shift so much stuff down to the district superintendent." 52

51 Minutes of Evidence, 1 August, 1991, p.92.

52 Minutes of Evidence, 1 August, 1991, p.79.

- 4.10 Although delegations are increasing, limited in part by the progress in implementing networked management information systems, the particular role of regional offices has been questioned by many field managers in discussions with the Committee. Responding to this line of inquiry the Director recognized a need for reform to the regional structure.

*"The conclusion that we came to was that the regions really did interfere with, I suppose, the free flow of a lot of information. The regions will say otherwise, that it is the fault of head office. The districts will say it is the fault of the regions and head office. But to be really honest, my view of the role of the region in the future--and this really has to be a personal view at the moment because I do not know my Minister's feelings about this--is that the role of the region will diminish but the role of the district will expand substantially because the district is at the cutting edge. It is closest to the delivery of whatever service we are delivering. I would see the future of the organisation in a much smaller head office, a much smaller regional operation, and probably the absorption of districts into super-districts, with the bulk of the staff and the bulk of the day to day decisions being made at the district level."*⁵³

- 4.11 Mr Howard echoed some of his director's thoughts on devolving decision-making authority, and indicated that there is often a lack of awareness in the field of current delegations:

At the moment district and regional staff have delegated authority. Those levels of delegation have increased as we have been able to put in place monitoring or management systems. Two years ago we recognised that we had very few functional management information systems. All staff recruitment was centralised and a lot of financial management matters were centralised. Our districts and regions have since been given greater authority to approve all but the most senior recruitment reports from selection committees. One of the major problems we have is that a lot of our people are not aware of the full extent of the delegations. They have not read the delegations manual and quite often you have stuff coming into your office

53 Minutes of Evidence, 1 August, 1991, p.79.

that you can immediately see was able to be approved if not at the district level at the regional level. There is a major education campaign required and those things are being put in place now." 54

4.12 In an exchange with the Committee, Mr Howard shed some more light on the pros and cons of the regional structure:

Mr HOWARD: *"... some districts do not see any need for a regional office at all but because of the number of districts we have and because of the wide range of responsibilities that our people have to deal with, I think it is pretty important that there is some regionalised process that you can go through. In many cases that slowing down process may be a result of inadequate information being given to the region to make a decision or the wrong information actually being given."*

COMMITTEE: *"We had one illustration for instance where there was a delay in response to a proposal of a year and that would have seemed inordinate, I would have thought?"*

Mr HOWARD: *"Yes."*

COMMITTEE: *"But not uncommon?"*

Mr HOWARD: *"Not uncommon, no. I continue to see a number of those things and it evokes some frequent responses from me that it seems to take upwards of two and three months for information to come through to me on many issues. The real reasons for that I cannot put my finger on but I could have an educated guess at it. Again I would say it would come back to lack of expertise and knowledge in many of the people in the regions who are being asked to make decisions or if they find it too difficult, they might tend to put it aside*

and just do the easy stuff so that it eventually gets buried and you end up with it just lying around for a long period of time." 55

- 4.13 Focusing on the concessions and leasing area, Mr Michael Booth outlined how the regional structure influenced his branch:

"The theory on the division of responsibilities is supposed to be that districts handle generally the routine operations, the day to day management of concessions, collecting the rent, looking after the bonds, insurance, policing what is happening on the-ground with whatever the operation is, and reporting upwards. The region is supposed to monitor what happens over the districts. It handles the more or less routine ones and the major ones are supposed to be handled from head office. That is the theory. It does not necessarily always work in that way. In particular circumstances it might be more appropriate for a district or region to handle it. Our brief in Property Services Branch has been to delegate and let the reins go to regions and districts, to allow them to manage those things without undue interference or overdirection from head office. They have been the arrangements under which we have operated to allow regionalisation to work or not work as the case may be." 56

- 4.14 Principal Legal Officer Ms Vivienne Ingram explained some of the legal problems which have arisen from an inappropriate devolution of lease-related responsibilities to the field:

Ms INGRAM: *"I do not believe it is appropriate for lease negotiations to be devolved to district level"*

COMMITTEE: *"In your view the present policy is wrong?"*

Ms INGRAM: *"I do not think it works. I do not think it is efficient enough. That aspect of our concession and leasing operation should be centrally co-ordinated. Recently, I*

55 Minutes of Evidence, 1 August, 1991, p.89.

56 Minutes of Evidence, 1 August, 1991, p.101.

dealt with a minor concession matter where advice was given from the region and that advice was incorrect."

COMMITTEE: *"Have you ever advised the director that the service should change its policy in that regard?"*

Ms INGRAM: *"You may have noticed that, in the concessions and leasing manual, there is a clear direction that no districts are to obtain outside legal advice without, in the first instance, referring to me."*

COMMITTEE: *"Even without seeking legal advice districts could sign leases and documents without seeking your approval?"*

Ms INGRAM: *"That can happen."*

COMMITTEE: *"But in your view it should not happen?"*

Ms INGRAM: *"If it is handled at head office by people experienced in dealing with those matters, that is fine."*

COMMITTEE: *"Generally, it is not handled in that way at the moment. From what we heard earlier today a lot of that work is done in the engine room in the districts?"*

Ms INGRAM: *"I have problems with it because it has not been effective. It is exactly as you say; it is being done by people who simply do not have the requisite expertise." 57*

4.15 Regional manager John Mortimer appeared to adopt a dissenting view with regard to the nature of problems caused by devolution of decision-making authority to the field:

"I think our role is a difficult one at the moment at the regional level because I do not think the organisation is fully regionalised. We have still got a fairly big head office with small regions and reasonably resourced districts. I think we have to

make that shift where we push more out because we really are a hands.on organisation and we need to put our resources further out towards the field and I do not believe that is being fully achieved yet." 58

4.16 Mr Mortimer shed further light on his perceptions of how regional roles might evolve in these exchanges with the Committee:

COMMITTEE: *"Could you comment on the observation that regional offices are often thought to be a barrier between head office and the field, rather than a channel of communication. Going on one of your previous observations, probably you would not agree with that?"*

Mr MORTIMER: *'7 can understand that perfectly. Any step in any administration is often seen as a barrier, particularly if that barrier or step does not always endorse what you are wanting. I think it comes back to the way the organisation is structured. Roughly, our staff establishment is about 850. Nearly 200 of those are in our Hurstville office, 21 are in our regional office, and in our case we have 300 or so out in the field. Sure, the barrier is there because it slows down the process, but that is because we have not yet devolved responsibility down the line. We have to make our district OIC responsible for 70 to 80 per cent of their decision making and operations without having to refer to anyone. We will remove most of that impediment immediately. We then keep the regions as the co-ordinating and first-step reference point and we keep the head office as a policy unit."*

COMMITTEE: *'Are you concerned that some of the districts have had to wait for up to three years for the approval of leases?"*

Mr MORTIMER: *"I was not aware that the period had been that long but it certainly does not happen these days. I can assure you on that." so*

COMMITTEE: *"Have there been any recent proposals to modify the district regional head office structure? You referred to the duplication that you see occurring between regional offices and head office?"*

Mr MORTIMER: *"Yes, there are moves afoot. The director or deputy director might have referred to some of this devolution of responsibility that is taking shape. I understand in the next four weeks we are going into a seminar workshop to look at restructuring."*

COMMITTEE: *"How do you think that will be manifested?"*

Mr MORTIMER: *"My personal view is that we are going to be personally protective of our own territory. That is a human characteristic. I think there might be some resistance to change. But unless we put more resources in the field--and we are realistic enough to know we are not going to get more money and staff, and we are not in an economic or political climate that would allow that to happen--the way to manage our resources better is to devolve that responsibility further down the line to get greater efficiency," 60*

- 4.17 Taking a different perspective, Mr James Smith (T.A.F.E. outdoor guiding instructor and critic of N.P.W.S. practices in the Blue Mountains area) provided evidence that unless authority is centralised issues of equity and accountability are raised by the absolute discretion held by individual rangers.

"I believe the power to approve licenses should be taken away from rangers and parks. Applications should be processed at

59 Minutes of Evidence, 1 August, 1991, pp.127,128.

60 Minutes of Evidence, 1 August, 1991, p.128.

head office. NaturalS, copies of those applications would go to the parks for comment and recommendation either way but the eventual decision should be made in head office where that is a larger overview of tourist activity in various parks and there is a better way of applying government policies to commercial activities. At present, one ranger if determined not to let anyone work in the park and, because of his personal prejudice, wields enormous power." 61

"Rangers have a great deal of power and potential licensees believe that if they complain to their superiors they will never get a license. At present so much power is given to these people that it is better to humour them and to get on their right side. They believe in that way they will get there in the end, but if they start complaining to a higher authority they might be informally blackballed and never be able to work in the park. As I have said, the system does not allow any appeal against that." 62

4.18 Clearly there is a diverse range of opinion on the subject of centralisation versus devolution of authority. In the next chapter, the Committee examines some of the historical reasons for this controversy. Regardless of the eventual resting point of the body of opinion on the devolution question, it should be obvious that the bureaucratic chain of command is often a serious impediment to grass-roots revenue initiatives. A case in point is the Central Region Revenue Proposal which originated from the South Metropolitan District in March, 1990. This proposal goes into some detail in recommending increases to some charges, a cost-effectiveness appraisal of existing revenue raising procedures, a project team to prioritise new revenue initiatives and such incentives as local retention of revenues in district special purpose accounts, among others. Despite the fact that this document has been discussed with Head Office, the Central Regional Office and the districts of the Central region, to date no action has been taken, as far as the Committee is aware. A degree of frustration was evident at the district level within the Central region at this lack of response to a well-researched and laudable initiative.

61 Minutes of Evidence, 27 March, 1991, pp.37,38.

62 Minutes of Evidence, 27 March, 1991, p.40.

Recommendation 4

It is recommended that the N.P.W.S. establish an internal committee; drawing on outside expertise where appropriate, to recommend action on bureaucratic obstacles to the effective flow of information between the field and head office.

5. The Issue of Devolution

5.1 As the Committee became aware, substantial controversy still surrounds the question of devolving authority to field officers. Two reports of investigations of the Concessions and Leasing program (conducted in 1988 and in 1990) came to opposite conclusions about the appropriate degree of centralisation. The first report, a performance evaluation of the N.P.W.S. Concessions and Leasing program conducted in August, 1988 gives a flavour of the thinking towards devolutions to the field at that time:

"The efforts applied by the Service to restructuring and management review since 1985 have already enabled the organisation to identify deficiencies in its Concessions and Leasing Program and to formulate some remedies. Thus, the Service has determined that the handling of Program business will be improved by a re-definition of roles in line with adopted policy emphasising decentralisation, and the allocation of a greater proportion of resources to the field." 63

5.2 However this point of view contrasts starkly with the conclusions reached in the second report. This October 1990 report from the Internal Audit Bureau on the Concessions and Leasing System concluded:

'Audit testing has disclosed that [Audit] Objectives A, B and C were achieved for leases initiated from the Concessions and Leasing Unit at Head Office but not for leases negotiated at the Region/District level. This opinion is based on audit findings which disclose that the Region/District performance in identifying developing and managing commercial lease arrangements are quite poor.

*"The results of the audit findings clearly indicate that the decentralised approach adopted for leasing and licensing matters
has not worked.*

63 National Parks and Wildlife Service, New South Wales, Concessions and Leasing Program

Performance Evaluation, Peter Prineas, 22 August, 1988, p.2.

'[Audit is of the opinion that the best financial interests of the organisation can only be served by centralising all Concessions and Leasing activities. Centralisation will ensure that uniformity, consistency and expertise in managing leases are continually maintained. Legal opinion and professional external advice would also be more readily available.]'

A. Connection with guide-lines

5.3 Geographically far flung, the N.P.W.S. poses some difficult management problems. Two opposing points of view have emerged to meet these problems. On the one hand, a viewpoint which was in vogue during Mr Whitehouse's directorship held that more functions and authority should be delegated to the field. However the contrary viewpoint, which is enjoying a renaissance at present, holds that important commercial (and other) decisions must be referred to head office to ensure professional execution and adherence to approved practices.

5.4 In his introduction to the above performance evaluation, Mr Prineas specifically linked devolution with delegations of authority and a manual of procedures, both of which represent guide-lines for commercial behaviour within the service. The Concessions and Leasing Manual, along with the Delegations Manual, represent an attempt to permit field officers to make the majority of decisions, but within the corporate policy framework as enunciated in the guide-lines. These manuals make it clear when decisions must be referred to higher (and more central) authorities.

B. Pro-devolution viewpoint

5.5 A point repeatedly made by Mr Prineas in his performance evaluation is that a high degree of overlap in responsibility between regional offices and the Head Office Concessions and Leasing Unit leads to duplication, wasted time and effort, and blurred accountability. The solution favoured by Mr Prineas is to shift more of the burden and responsibility to the regional and district offices. Curiously, the same overlap and confusion were referred to in the

Internal Audit Bureau's later report which favoured centralising the responsibility.

5.6 Apart from the fact that decentralisation was in vogue at the time of the performance evaluation, Mr Prineas appears to base his recommendations on questionnaire responses received from Regional Managers, District Superintendents and concessionaires. Questionnaires sent to concessionaires did not directly address the question of centralisation versus devolution. Responses from the four Regional Managers strongly advocated allocation of greater resources and responsibilities to the regions. Responses from twelve District Superintendents (out of a total of twenty-four to whom questionnaires were sent) were more equivocal. Whilst more than half the responses indicated an interest in having greater resources and responsibilities at the district level, nearly as many took the opposite view.

5.7 Nowhere in the performance evaluation, so far as the Committee is aware, is any argument put forward as to why decentralisation should lead to more effective or efficient performance in the concessions and leasing area. The pro-decentralisation point of view seems to be based essentially on the Regional Managers' insistence on having greater resources and authority. It appears to the Committee that the desire for status and prestige may have influenced the Regional Managers as much as the desire for effectiveness.

C. Pro-centralisation viewpoint

5.8 A New York Times article from June 1990, entitled "Park concessionaires accused of profiteering" illustrates some of the pitfalls that parks services can encounter when inexperienced local staff deal with large commercial operators. The article states:

"Concessionaires holding long-term monopolies at national parks are reaping tens of millions of dollars in excess profits because of poorly drafted government contracts, Interior Department Investigators told Congress Thursday.

'A report by James Richards, the department's Inspector General concluded that the contracts allowed concessionaires to earn a much greater return on investment than they could expect elsewhere.

'As a result, he said, the federal government has earned an estimated \$100 million less in fees since 1984 than it should have received and \$90 million more will be lost over the next four years.

"Interior Secretary, Manuel Lujan, promised to change the way contracts are negotiated, seek higher franchise fees and shorten the life of contracts. Lujan ordered the internal investigation in December.

"While concessions at smaller parks frequently are run by 'room and pop' operations, concessionaires at large parks often are subsidiaries of such major corporations as the MCA Inc. entertainment giant whose Park & Curry Co. operates at Yosemite National Park.

"Concession contracts usually are written by inexperienced local park officials." 65

5.9 The possibility of situations such as this one occurring in New South Wales provides a strong argument for centralised control of lease management. Detailing failures which stemmed from local handling of leasing arrangements, the Internal Audit Bureau argued the case that decentralisation has failed. The Bureau noted examples of poor systems of control arising because no individual or section had overall responsibility for the management of all concessions and leasing matters.

5.10 The Bureau's report specifically mentioned the Quarantine Station Development Project and the Simons School Project, among others. In the former case, the carriage of the commercial leasing arrangements was given by the former Director to the Sydney district office, with no obligation to consult the Head Office Concessions and Leasing Unit.

"The Concessions and Leasing Unit was not involved nor had any knowledge of the Quarantine Development Project until expressions of interest were called for in the press. During the whole exercise, the Unit was requested to provide piecemeal advice on only a few occasions and there was no attempt to

65 "Park concessionaires accused of Profiteering," New York Times. June, 1990.

keep the Unit informed of progress in the matter or give any feedback on advice given.

"Mr Vince Rago, the Unit's Acting Branch Head, stated that a number of factors appeared to have contributed to the failure of the project including the relatively short lease term offered (in terms of the huge capital investment required to be outlaid), the site and development constraints (historic and cultural considerations) and generally the lack of flexibility offered to tenderers. The state of the property market also had a bearing.

"Mr Rago is of the belief that the Concessions and Leasing Unit with its experience in dealing with and negotiating complicated leases would have been better placed to handle the entire matter. The Concessions and Leasing Unit still has little detail on its files regarding this project. The Unit was unable to provide information on the estimated project costs and income stream.

"Apart from the deployment of a full-time Project Manager, the project has already cost over \$50,000 in legal costs alone to Freehills plus fees to the consultant who prepared the documentation for the original expression of interest proposal. It is questionable whether these fees along with the opportunity revenue lost will ever be recovered.⁶⁶

5.11 In the case of the Simons School Project, again carriage was given by the former Director to the Sydney district office without any obligation to consult the Concessions and Leasing Unit.

"The Concessions and Leasing Unit was not aware of this project prior to a receipt of a draft license prepared by a private consultant. The draft licence was unsatisfactory with the following not included:

- a. *The licence did not mention the plan of management (or any proposed plan).*

66 Internal Audit Bureau Report on the National Parks and Wildlife Service Property Services

Branch, 31 October, 1990, Part 1, p.5.

Public Accounts Committee

- b. *Clause 4.4 of the draft was at variance with N.P.W..S. normal requirements of audited financial statements by a CPA.*
- c. *Clause 9.1 - insurance should be in joint names of the licensor and licensee. Clause 9.1(b) - the Service should receive all proceeds of an insurance claim and make the decision on repairs.*
- d. *Bond is not reviewable nor replenishable.*
- e. *No covenant confirming ownership of all improvements by N.P.W.S.*

"The brief for preparation of the draft licence was provided by Sydney District.

"The Concessions and Leasing Unit still does not possess a copy of the final licence nor is it aware of the current status of the licence and whether it has been executed by the Minister/School..

"Leases, licences and specifications can be developed at the District and Regional level without any input from the Concessions and Leasing Unit. This creates the risk of commitment to material activities by the Service without the Executive being fully aware or informed. It can also result in the unnecessary and or ineffective use of consultants on matters in which the Regions/Districts have little experience." 67

67 Internal Audit Bureau Report on the National Parks and Wildlife Service Property Services

Branch. 31 October, 1990, Part 1, pp.5,6.

:Recommendation 5

It is recommended that the N.P.W.S. concentrate control of

'concessions and leases at head office, as recommended in the

Internal Audit Bureau's report; routine tasks such as rent collection to be carried out at the local level if practical, given the current state of networked accounting systems.

D. Adequacy of guidelines and procedures covering concessions

- 5.12 At this point, the Committee feels it is appropriate to comment on the second item under the terms of reference for this inquiry. Guidelines, as such, covering concessions and leasing are laid out in a highly useable and detailed form in the Service's new Concessions and Leasing Manual, which was published in March, 1991. The Committee's investigations lead it to conclude that these guidelines are adequate.
- 5.13 The problem appears to arise when procedures diverge from the guidelines. As the two case studies cited above amply illustrate, the mere existence of guidelines does not guarantee that key officers will read or follow them. In the longer term, training of officers can be expected to overcome this problem. In the nearer term, the only prudent course of action is to maintain central authority as is recommended above.

6. Current Business Development Plans

A. What commercial staff and structure are planned?

- 6.1 Taking a straightforward approach to the problem of increasing commercial revenue, the Director has been proceeding with plans to create a Business Development Unit, headed by a Business Development Manager, which will take over the primary responsibility for all commercial activities within the Service.
- 6.2 The statement of duties for the Business Development Manager position provides a sense of what sort of individual is sought to fill this vital role:
- 6.3 Under the award of Clerk grade 12, the Manager, Business Development would be responsible for:
1. the efficient and effective management of the Business Development Unit including staff and financial resources.
 2. policy development and strategic planning consistent with the Corporate Strategy for the following functions - review of business operations, new business development, corporate sponsorship.
 3. providing timely and effective advice and direction to the Minister, Director, Assistant Director, Corporate and Financial Services and senior management on business development issues.
 4. supporting equal employment opportunity principles and the Service's E.E.O. Plan by ensuring the effective Utilisation and development of human resources including the prevention of overt and covert discriminatory practices.
 5. maintaining effective external relationships with the Minister, government agencies and client/interest groups including the travel/tourist industry, hospitality industry and caravan park industry.
 6. undertaking reviews and providing effective advice on improved business management practices, revenue generation and commercialisation of appropriate functions and activities.

7. developing the Service's revenue base by identifying new environmentally sensitive commercial enterprises and developing capital, cash flow and operational objectives for these new business initiatives.
8. developing and monitoring an effective sponsorship program to increase the level of revenue from sponsorship sources.
9. providing a consultancy service on the development of business plans for the Service generally and in particular, for State Recreation Areas.
10. reporting to the Assistant Director, Corporate and Financial Services on a monthly basis on the performance of the Unit in terms of agreed targets and identifying remedial action necessary to correct strategies where performance is falling below targeted levels.
11. other duties as directed.

6.4 Mr Gillooly indicated that initially, a small business development unit would be attached to head office, providing an advisory service to regions. The unit would consist of a Business Development Manager, a concessions and leasing expert, a Tourism Development Manager, and a person experienced in retail operations. Moving on to some specific areas to which the Business Development Manager was expected to contribute, Mr Gillooly noted:

"... the ultimate thing I suppose is to seek expressions of interest and have a business plan developed for the service with a range of recommendations as to how we might progress particular aspects of it. Just to give an example, I believe that the service can make a lot of money out of a retail operation, but at the moment if you go into service shops, they are all over the place in terms of layout, presentation, product range, the whole box and dice, and if we could get that sorted out, I believe that we can in fact make a substantial profit which would go towards our heritage conservation responsibilities." 68

- 6.5 Principal Legal Officer Vivienne Ingram outlined some features which she considered desirable in the proposed business unit:

"A Business Development Unit would be able to do an audit of areas in a State which would provide interesting and attractive recreational opportunities. If we had appropriate expertise within that unit we would be able to market and develop those areas, with minimal impact on their natural values, while maximising revenue and recreational opportunities for the public. We have some resources which every member of the community would view favourably and with interest and we should market them." 69

B. Status of current attempts to create a Business Development Unit

- 6.6 So far, the Service has failed to find a business development manager. Deputy Director Alastair Howard summarised current progress on the proposal to create a business unit: *'At the moment it has stalled.'*⁷⁰ The stated reason is the Service's inability to attract a suitably qualified manager for the salary on offer.

In discussing why the Service has not received an adequate response to advertisements for the post, Mr Gillooly stated:

"I think there are a couple of reasons. The first is that there is a perception within the business industry that the National Parks and Wildlife Service should not be trying to raise revenue. That perception arises out of ignorance. At present we raise between 20 per cent and 25 per cent of our recurrent budget from our own revenue sources which, by any stretch of the imagination, is a fairly substantial percentage. Another problem we face is that the salary we were offering was grade 12 which has a cash component of about \$54,000 or \$55,000. With superannuation the package is about \$65,000. One of the messages we got was

69 Minutes of Evidence, 1 August, 1991, p19.

70 Minutes of Evidence, 1 August, 1991, p.86.

Public Accounts Committee

*that that salary was not enough; that we should be able to offer a car as well.*⁷¹

6.7 On the important question of funding for the Business Development Unit, Mr Gillooly explained that he has no commitment from Treasury to meet the costs.

6.8 Mr Michael Booth questioned whether the volume of each type of commercial transaction justified having in-house specialists situated in the Business Development Unit.

"Depending on the strength of your business unit in terms of numbers, you could probably import some of those skills but at the end of the day one of the problems with national park concession operations is that a lot of them tend to be one-off things. There is not a whole lot of a particular type. We do not have 100 or 200 caravan park leases and we do not have 100 or 200 ski resort leases. There tends to be a lot of one-off situations. I do not think it would be an efficient use of resources to put on staff specialist people for most of those types of skills. I think there is an argument to buy that in, as and where you need it." 72

6.9 It is possible that the type of person Mr Gillooly seeks is not available to an organisation such as his. The Director intimated that the person he wants is a rare individual:

"... they are grasping at the moment for someone, a miracle worker to walk across the water of Akuna Bay and say, 'Here it is, this is it'. Perhaps I am setting the standard too high in regard to a business development manager but I have already made the offer that if anybody can help me out, I am more than happy to listen. The head of the unit needs to be a person who not only has great conceptual ideas about what can and cannot be done but has to be very sensitive about what we do. We cannot put dodgem cars down at Bobbin Head or whatever.

71 Minutes of Evidence, 1 August, 1991, p.72.

72 Minutes of Evidence, 1 August, 1991, p.197.

Report on the National Parks and Wildlife Service

We need a person who is a great conceptualist, who understands business plans and can prepare them, and, equally importantly, is a person who can deal with people, who can deal with service staff and explain to them what it is all about, who can explain to them that business development is not threatening to them, at the same time being able to put in place training programs for the staff." 73

73 Minutes of Evidence, 1 August, 1991, p.81.

7. "Organic" Commercial Strategy

- 7.1 Discussions with senior staff at the N.P.W.S. revealed to the Committee that the Service recognises where new revenue might come from: increased park use fees, expanded concession activity, better organised shop-front retail operations, and corporate sponsorship. However, the question of how best to obtain revenue from these sources has not been satisfactorily addressed thus far. The envisaged Business Development Manager is expected to solve the main commercial problems by creating and driving a high-powered Business Development Unit (B.D.U.) which will subsume all existing commercial functions and introduce a range of new ones.
- 7.2 For some time, the Committee has been concerned that the business development unit concept is a risky approach to the vital question of revenue-raising. Commercial growth driven purely from the top down risks a degree of uncooperative behaviour from various parts of the Service. Suspicions about the nexus between conservation and the immediate goals of business development are likely to be heightened by a heavy-handed approach. Also, if too much is expected of the business development unit, it may prove very difficult to attract anyone suitably qualified to manage it.
- 7.3 Examination of interstate experience, particularly in South Australia, has led the Committee to understand the merits of commercial programs which are driven by initiatives from the field. The apparent success of these programs inclines the Committee to favour a greater emphasis on this approach in New South Wales. Nevertheless, the Committee is fully cognisant of the differences in scale between South Australia and New South Wales, and appreciates the implications for organisational design.
- 7.4 In a large organisation like the New South Wales N.P.W.S., such a flat organisational structure as that in South Australia is unworkable. Finding an optimum allocation of resources among several worthy commercial programs is a more complex problem, requiring another layer in the hierarchy between these commercial programs and the director. Hence there is clearly a need for a coordinating unit positioned in roughly the same place in the organisation chart as the proposed business development unit.

- 7.5 However, in the Committee's view, the main contributions of this unit should be coordination, facilitation, and advice rather than direct managerial authority over the commercial programs. Every encouragement must be given to local people to come up with new revenue initiatives. Nothing could be more discouraging to them than to bring in a hard-charging outsider who is expected to be the Service's "idea person" as well as the ultimate arbiter of other revenue proposals. It seems more appropriate to have a "Business Coordination Unit" rather than a "Business Development Unit"
- 7.6 This business coordination unit would be managed by an experienced commercial person who would have ~~partial~~ responsibility, along with the field officers, for initiating new revenue schemes. With a global perspective on the Service's revenue generation from all sources, this unit would be in a position to confer with revenue-centre managers on targets and resource needs and to advise the directorate on allocation of human and financial resources to these managers. An important function of this unit would be to efficiently evaluate revenue proposals to determine whether they are truly revenue positive or not, and to assist the directorate or field offices⁷⁴ to place them in order of priority.
- 7.7 If it is to be successful, revenue generation must be seen to be a part of the work of all Service employees, not just the domain of specialists. As long as an isolated section has responsibility for earning income while the rest of the organisation spends it, the current philosophical objections to commercial activity will continue to plague the Service. Consideration of some dynamic effects illustrates the importance of integrating revenue generation with expenditure.

A. Dynamics of revenue generation and use

A closer examination of the dynamics of revenue generation and use reveals some important relationships. The purpose of the N.P.W.S. is to conserve and protect areas of natural and cultural significance. In the first instance, funding is required to ward off natural threats to these areas (such as bushfires, feral animals, etc.) and to administer the Service. These expenses are relatively

74 Whether it be the directorate or field offices depends upon the scale of the proposal **and** whether it is to be funded by head office or by locally retained revenue.

static in that they do not depend upon the level of visitation to parks.

In business terms, these expenses are similar to fixed overheads.

- 7.9 Park visitation and use has important consequences both for revenue and expenditure. Almost all Service-generated revenue can be tied directly to visitation and usage levels for parks. The largest single revenue item, park entry fees, bears a clear relationship, as do other fees and licences. Indirectly, concession income is also related to park visitation since the concessionaires only stand to run viable businesses when park visitors use their facilities. Even royalties and fines are derived from park users.
- 7.10 On the expenditure side, park visitation has an undeniably adverse effect on the natural environment with litter, erosion of walking tracks and sand dunes, accidentally and deliberately lit fires, vandalism, and predatory household pets forming only the beginning of a list of negative impacts. The presence of park users forces the N.P.W.S. to undertake expenditure in combating these influences, whether the expenditure is incurred in preventative or remedial measures.
- 7.11 In business terms, park visitation represents the primary determinant of the Service's variable costs. Clearly there must be a balance between any increases in park visitation and increases in revenue generation. Otherwise, the rise in variable costs will outstrip the Service's ability to finance them, placing an ever greater strain on the (already strained) consolidated fund.
- 7.12 Fortunately, with increased visitation, there is the potential for increased revenue. However, to obtain the benefit of that increased potential, it is necessary to spend money on commercial activities, whether they be collecting fees, negotiating and managing leases, operating N.P.W.S. retail shops, or pursuing other revenue opportunities. Thus there must be a balance between visitation levels and commercial activity.
- 7.13 Lest the present emphasis on revenue generation obscure the fundamental facts, it must be remembered that the great majority of funding has always come, and will continue to come from Treasury. The public perception of the quality and the value of national parks is a key determinant of the level of taxpayer funding the Service receives each year. Awareness and appreciation of the parks system stems partly from the direct experience of park visitors and partly from publicity in the media.

- 7.14 Having now described the fundamental interconnections between revenue potential, visitation, commercial activity, and public funding, it is possible to illustrate a mode of dynamic behaviour of the entire system which may be responsible for a number of the Service's current problems. When the available funding is directed primarily towards conservation activities, with any residual spent on improving recreational facilities for visitors, the most likely outcome is an increase in visitation and park use. In fact, visitation trends published in the N.P.W.S. annual reports over several years confirm this rising effect. Increased visitation leads to increased variable costs. Ironically, since the commercial functions have not received commensurate funding increases in recent years, the Service is unable to earn sufficient revenue to meet these variable costs.
- 7.15 To some extent, the increased visitation may be expected to lead to increased public support for proposals to give the N.P.W.S. a larger slice of the State budget. However, this effect is often very weak, and seldom more so than in times of fiscal stringency. Presently it is widely acknowledged that the public purse cannot afford the required increase to the Service's consolidated fund appropriation.
- 7.16 As a result, the conservation program is funding-limited and the quality of the park system cannot be maintained. A vicious circle is at work, since it becomes increasingly difficult to argue for money to staff commercial functions when even the vital conservation functions are starved of funds. The greater the visitation level, the more acute the problem becomes. At some stage it is conceivable that a visible deterioration in the park system would lead to an erosion of public support for the Service and a consequent loss of public funding, causing the crisis to deepen.
- 7.17 This partly hypothetical scenario illustrates the vital strategic role to be played by the commercial functions of the Service, and points out how essential it is that commercial revenues balance the variable costs caused by increasing park use. Revenue generation must be highly integrated with strategic improvements in visitor access, public relations, and funding requirements of the conservation programs. It is counterproductive, in the Committee's view, to have one arm of the Service blindly endeavouring to gain as much revenue as possible, whilst another arm is autonomously endeavouring to increase visitation and recreational enjoyment of parks. A balance between the two must be established and maintained. Otherwise, the dynamic effects outlined above threaten to defeat the Service's primary objective.

B. Growth centres

- 7.18 One method of ensuring balance between the commercial program and variable costs is to allow the commercial functions to grow gradually from existing activity centres. It is necessary to acknowledge that a disparity presently exists between commercial expenditure and variable costs. However, once this disparity has been rectified, commercial growth would parallel the growth in park usage. As this report has already indicated, the Service is aware of where commercial revenue is likely to come from. It has put structures in place which strive to address each of the main revenue streams so far identified.
- 7.19 Fee collection, a task which is necessarily decentralised, is an established role of the districts. The question of setting fee levels is currently being addressed by consultants. Concessions have been handled by a specialist unit since 1976 with a high degree of success to date considering its staffing constraints. N.P.W.S. shops have been in existence for some time, although the Service only began to place these "retail outlets" on a commercial footing during the 1989-90 year. Corporate sponsorship has been provided for some time through the National Parks and Wildlife Foundation of N.S.W.
- 7.20 Currently these four commercial activity centres operate separately, and are dispersed through the organisation. Being separate, these areas are reasonably well integrated with the entire N.P.W.S. organisation. Rank and file acceptance of their roles can build upon existing relationships which they have forged with their peers. In contrast, a new business development unit, imposed from above and replacing these established activities, would have to create that mutual acceptance and trust afresh;
- 7.21 One of the intentions behind the business development unit was to place these and other commercial functions under the control of one manager so that their activities could be coordinated and optimised. The Committee agrees that it makes organisational sense to have these commercial activity centres report to one "business coordination manager", rather than straight to the director. However, the idea of replacing these existing commercial cores with a single centralised business development unit seems bound to fail for the many reasons already outlined in this chapter.
- 7.22 Apart from an emphasis on income, and a common dependence on visitation levels, these four commercial areas have very little in common. Each involves

a different type of expertise, different operating methods, a different mix of skilled and unskilled employees, and a different geographical locus of activity. The Service would be much more likely to find individuals with skills in one of these four areas than one superhuman individual with depth in all four.

7.23 Therefore, the Committee urges caution in framing the job description for the business coordination manager. A new person, most likely an outsider to the Service, will have the best chance of succeeding in this challenging role if the expectations placed on the candidate are scaled down significantly. Rather than expecting this manager to create an entirely new set of commercial functions, the Service should emphasise building upon what structures are already in place. Taking this approach, the candidate the N.P.W.S. requires would be a leader with some commercial experience, but primarily someone to encourage, facilitate, and coordinate the professional execution of commercial tasks which have already been defined.

7.24 Much of the impetus for new commercial activities may be expected to come from the field, once the organisational impediments addressed above are rectified. As Bruce Leaver from the South Australian N.P.W.S, has testified, the importance of new ideas from the grass roots cannot be overestimated. The Committee believes it makes more sense to plan for new revenue ideas to percolate up through the organisation than to expect some new "commercial Messiah" to show the way. Home-grown ideas are usually more acceptable to the people who must implement them because they are usually in tune with local conditions. If the business coordination manager does come up with significant new revenue concepts, so much the better. However the key is to plan the system so it does not depend on this manager to do so.

C. Reasons for adopting a gradual approach

7.25 The gradual organic approach to growth in commercial activity is appropriate for several reasons, in the Committee's view. Present funding constraints preclude anything but a gradual approach, but even if that situation did not prevail, there would be a strong case for gradual growth. Before outlining these arguments, it is necessary to emphasise that an initial burst of funding would be required to put commercial activities more into balance with

75 These impediments include a cultural antipathy towards commerce. and the overly bureaucratic chain of command.

variable costs to the Service. Once this balance is achieved, growth would be expected to be self-funding. Of course it is likely that incremental expenditure on commercial activity will result in a much greater return. In deciding how to spend this return, the Committee believes that the Service needs to give priority to reinvestment in commercial functions--at least until a balance is more nearly achieved between revenue and variable costs.

7.26 It is always tempting to try to fix problems quickly. Action which could generate a large injection of revenue might seem preferable to a modest program of gradual improvements. However the N.P.W.S. is a complex, dynamic organisation. Like most large organisations, it has inbuilt adjustment mechanisms which tend to maintain homeostasis. These adjustment mechanisms will tend to resist sudden changes. Any shock to the system, even if it starts out in a positive direction, may result in a "boom-bust" adjustment. To avoid this possibility, gradual change is preferable.

7.27 One such adjustment mechanism is based on the acceptance or rejection of any new programs or initiatives by the Service staff. No matter how successful a short-term program is in generating revenue, if the medium-term consequence is rejection by the rank and file, then the long-term result will be unfavourable. Given that there exists a degree of hostility to commercial activity within the Service, a gradual approach would give all the Service staff an opportunity to adapt to the necessity of earning revenue and to develop confidence that it does serve the advancement of conservation.

7.28 By allowing commercial functions to evolve (rather than just appear, fully formed), some of the current problems with devolution versus centralisation might be avoided. Increased staffing to commercial centres could be tied to demonstrated needs. Geographical placement of those staff could proceed with an element of trial and error. With adequate training for these staff before they were put on the spot, inexperience-related problems could be overcome. The alternative case, rapid development of a business development unit, risks boom-bust dynamics: if early results fall short of expectations, the risk of a backlash against a business development unit is significant. Incremental development would minimise that risk.

Recommendation 6

It is recommended that the N.P.W.S. adopt a strategy of basing the growth of its commercial functions, on established programs such as concessions and leasing, corporate sponsorship, N.P.W.S. shops, and collection of park use fees, whilst allowing for new commercial programs which may prove to be environmentally and financially sound.

Recommendation 7

It is recommended that the N.P.W.S. establish a head office business coordination unit which would be responsible for coordinating and facilitating the professional conduct of established commercial programs.

Recommendation 8

It is recommended that the N.P.W.S. commit itself initially to re-investing a substantial portion of new commercial revenue into the expansion of commercial activities.

D. Conservation outcomes as the incentive

7.29 In order to win support for commercial activity as its importance grows within the Service, it is necessary constantly to reinforce the connection between the advancement of conservation and the earning of income. Unlike professionals in many fields, Service staff appear not to be primarily motivated by the desire to earn large incomes. Usually it is an affinity with the aims of the Service which draws people to this field of endeavour. Therefore one should not expect that personal pecuniary rewards will be effective in motivating Park Rangers and their colleagues to seek commercial revenue. Several witnesses alluded to this aspect of incentives. Effective motivation is likely to occur only when a clear link can be made between earning commercial revenue and advancing the conservation effort.

7.30 The chief merit of proposals to retain commercial revenue at the local area where it is generated lies in the ability to spend that money on conservation work which is visible to the public. If the public can see the fees being put to use in the area where they are charged, these fees will often be supported, rather than attacked as another form of tax.

7.31 Apart from the issue of putting commercial revenue to visibly appropriate use, the logic of spending revenue near the point where it is generated is clear when one considers that much of the Service's expense is incurred in creating and maintaining facilities for visitors. Being natural systems, parks would maintain themselves in the absence of human intervention. Visitors place certain strains on these ecosystems, and the Service is compelled to spend money to counteract the harmful effects. Therefore (oversimplifying the situation somewhat), Service expenditure is generally required most urgently in areas which enjoy high visitation. These very areas have the greatest potential for revenue generation.

7.32 Mr Leaver, Director of South Australian N.P.W.S., illustrated by way of example that the apparent conflict between conservation and commercialisation of parks can be resolved in practice:

"What these people [rangers] are really interested in is relating to the community about the conservation message, informing and educating the community about the value of the parks system or the value of the particular value of their area.

'We very much recruit when we go through a pretty thorough selection process for broadness of mind and communications skill. We are not particularly interested in ardent conservationists because we generally find they take on a martyr approach to their job. They have an insensitive view about the fact that they are working for the government of the day rather than their own ideals. Therefore, we very much chase broadness of mind and communications skills within a framework of sympathy for and understanding of conservation. When that manager sees a swamp -and people do not like swamps-he thinks it is a bright idea to put a board-walk out into the swamp and run educational programs to market-and I am using a real case example here-the value of wetlands in society. He finds to his delight that those things are very popular and that people are willing to pay to be educated about wetland ecosystems. In this case, he can see a rapid improvement in the understanding of the importance of wetlands in our environment, and he gets more professional satisfaction out of achieving that than could possibly be imagined. He got it because he had that commercial opportunity and he sees the spectacular benefits from implementing that commercial opportunity.

'[As I said earlier, it is' built in to the opportunities that are created for them. They do not see it as a tax man chasing dollars; they see it very much as the provision of a service to an appreciative public and accommodation of a conservation message.⁷⁶

76 Minutes of Evidence, 27 March, 1991, p.24.

8. Seed Funding

8.1 The "organic" commercial strategy outlined in the previous chapter relies on a kick-start from some funding source to break the vicious circle (of insufficient commercial revenue leading to competition between commerce and conservation for scarce funds -a competition which conservation must win if the N.P.W.S. is to meet its statutory obligations). The strong likelihood that commercial functions will more than pay for themselves once they are up and running suggests that the kick-start need not be very costly. Of course the initial kick will have to come from the consolidated fund in the form of a time-limited grant. If this grant can be successfully applied to regularising alien tenures and implementing a regular program of auditing concessionaires, then the income generated from these two sources will provide the ongoing "seed funding" for further expansion of commercial functions. As this chapter will demonstrate, the plan to obtain significant revenue from alien tenures and auditing is credible based on actual Service experience to date.

A. Alien tenures

8.2 Alien tenures are situations in which other government bodies and corporatised entities enjoy special rights to the national park estate which confer on them some strategic advantages. In the past, these agencies have paid nothing or a pittance to the Service in return. However, with the advent of corporatisation and a concomitant increase in competitiveness between these agencies and the private sector-as well as greater competitiveness between these agencies and other government bodies-a change in philosophy is occurring. Whereas once the public sector paid scant attention to internal transfers of funds, rights, and resources, now these transfers have become very important. Being perhaps further from corporatisation than any other government agency, the N.P.W.S. is in a highly disadvantaged competitive position. Other agencies who are far along the corporatisation track could be said to take an almost predatory approach to the N.P.W.S. When other public utilities are playing "hardball", the N.P.W.S. is still playing a gentlemen's game. Alien tenures represent one nexus between the N.P.W.S. and other agencies at which the others gain significant strategic advantages-which can usually be translated into dollar terms-for virtually nothing.

- 8.3 Alien tenures are explained in the N.P.W.S. Concessions and Leasing Manual in the following terms:

*"The Service considers that within areas under its control, facilities, structures and installations should only be provided or erected where they meet normal visitor requirements, are directed to improving protection or management of the area, or otherwise have a nexus with the purposes for which the land has been reserved or dedicated."*⁷⁷

"The term 'alien tenure' is applied here to those rights (whether amounting to an estate in land or not) which may be granted within a Service area, not necessarily to meet or support the primary management objectives of the Service with respect to that area but in order to facilitate other 'alien' purposes, and interests.

"Most alien tenure applications made to the Service are from public authorities wishing to traverse or site within Service areas utilities such as pipelines, power or telephone lines, or similar 'alien' installations. The Service also inherits many such facilities on new areas reserved.

"While generally unwelcome on the Service's estate, alien tenures are sometimes unavoidable."

,8

- 8.4 A partial list of types of alien tenures so far granted by the Service (given in Section 5.3 of the Concessions and Leasing Manual) includes:

Electricity transmission lines, Towers, Beacons, Pipelines, Flood mitigation canals, Telephone lines, Minor roads, rights of way, access tracks, Public utilities buildings, Military installations, Dams and impounded waters, Drainage works, Pumping stations, Water tanks, Gauging stations, Helipads, Sewerage works, Trigonometric stations, Wharves, Boat ramps, Depots, Construction camps, Gravel pits, Rubbish dumps, Landfills/reclamations, and Repeater stations.

77 N.P.W.S. Concessions and Leasing Manual, March, 1991, s.6.3.1.

78 N.P.W.S. Concessions and Leasing Manual, March, 1991, s.6.3.1.

- 8.5 Once it became aware that the Service receives some income from alien tenures, the Committee questioned Service personnel about the potential for increasing this income:

COMMITTEE: *"The question of alien tenures where there are power transmission easements and so on, is the service working on any means of increasing revenue?"*

Mr GILLOOLY: *"That is a good and valid point. As late as yesterday I issued instructions to staff, particularly concerning the Snowy Mountains and Kosciusko National Park because the figures that I saw and it is a bit difficult to quote them now are so bizarre as to be wrong of what the service might get from easements from the Snowy Mountains Authority, which is just crazy. I think in this day and age with government trading enterprises, whether it is Elcom or whatever it is to be called, if they have been put onto a business footing then they should pay market rates for all their easements. It is the same with the Water Board. They should be paying market rates. The sort of figure that I saw in respect of the Snowy Mountains Authority, it may well be I cannot change it. It may well be that it was enshrined in legislation a long time ago but I think the figure I saw was something like \$8,000 a year which is a joke because I have driven along some of those easement lines-"*

COMMITTEE: *"Potentially what sort of money do you think you could get?"*

Mr GILLOOLY: *"I could not even hazard a guess but I would suspect that it would be substantial." 79*

- 8.6 Commenting on the possibility of increasing income to the service from alien tenures, Deputy Director Howard observed:

"One point came up recently about the Telecom tower at Kaputar National Park; where we understand that Telecom is being paid about \$10,000 a year by the Australian Broadcasting Corporation to have its facility on that tower but the service does not get anything from Telecom." 80

8.7 Mr Michael Booth, author of the present Concessions and Leasing Manual, outlined some historical background to alien tenure income:

"The argument was put to the service ... that if you charge us more, we will just pass it on to the consumer. It was a different era then in terms of commercialisation of those enterprises and a different era for the service, too. The view was taken that ... we do not want those things in parks but if an environmental impact assessment shows that is where they ought to be and there is an acceptable level of impact, then we should not impose a penalty rent on that. That tended to mean in the past that we do not charge them anywhere near enough you can find that if they have a whole community waiting for a telephone line to go in, the service is very much cast in the role of delaying everything while we haggle about terms, conditions and rents. We have tried to put in place and have successfully put agreements in place with a lot of statutory authorities, both State and Commonwealth, for these sons of things and we are in the process of rethinking that broad policy about rents and so on that we charge. Basically we have charged a one-off compensation fee based on the value of the land and added to that a capitalisation of our expected management costs over the period of the occupancy. In my opinion it still does not come out to be enough dollars." 81

8.8 Seeking some insight into the legal implications of increasing alien tenure charges, the Committee questioned principal legal officer Ms Vivienne Ingram:

COMMITTEE: *"The Committee feels that there might be considerable potential for increasing income in relation to alien*

80 Minutes of Evidence, 1 August, 1991, p.94.

81 Minutes of Evidence, 1 August, 1991, pp.107,108.

tenure. Do you see any impediment from a legal perspective?"

Ms INGRAM: *"Not at all, except in relation to some of the Federal instrumentalities. The telecommunications legislation is rather restrictive and gives the Commonwealth a considerable amount of power."*

COMMITTEE: *"Would you see some scope with deregulation?"*

Ms INGRAM: *"I would love to see us receiving appropriate payment for the provision of so-called alien tenures. I do not think we have explored that adequately. Partially that is explained by the fact that the incidence of these alien tenures has increased considerably over recent years. When I first came to the parks service the most common thing might be a telecommunications tower or a part of the freeway or something like that, but the incidence has really increased considerably."*

COMMITTEE: *"What main areas?"*

Ms INGRAM: *"Telecommunications is the biggest area but, for instance, we now have a project under consideration in which the Snowy Mountains Hydro-Electric Authority wants to conduct cloud seeding experiments in Kosciusko National Park. I would like to see it pay for carrying out these experiments in the park. There is scope for increased revenue to the service in relation to alien tenures."*

COMMITTEE: *"And you do not see any special legal impediments?"*

Ms INGRAM: *"Not from our point of view. We have the ability to charge. I qualify that answer by saying that there are some provisions in Federal legislation that might limit our ability to charge."82*

Recommendation 9

It is recommended that the central government agencies ensure a more equitable return to the N.P.W.S. from alien tenures held by other State departments and authorities.

B. Charging for advice

- 8.9 The argument in favour of charging "commercially-oriented" public authorities higher rentals for alien tenures can be applied to other cases where public authorities gain some commercial benefit from the N.P.W.S. without paying an adequate fee to the Service. Ms Ingram made the Committee aware of one such case in point:

Ms INGRAM: *"In the past we have provided, and at present we provide, an enormous amount of advice in litigation matters to other government departments and private individuals. We do not charge other than the basic normal fees charged by witnesses giving evidence in COURT."*

COMMITTEE: *"If that same advice was sought from crown solicitors, would they charge the department?"*

Ms INGRAM: *"Perhaps crown solicitors are not the best example. If, in the conduct of my own litigation, I needed an expert in a particular area, I would be prepared to pay several thousand dollars to have that expert give evidence. The service has been in the position of providing such experts virtually for nothing. I have long held the view that when we do provide experts we should charge for that provision."*

COMMITTEE: *"Why has that not been done? Who has opposed that?"*

- Ms INGRAM: *"Nobody has opposed it. I do not think people have turned their minds to it."*
- COMMITTEE: *"If you have long held that view why have you not proposed it?"*
- Ms INGRAM: *"I have been in the position of principal legal officer for only a year, so I really have not had the opportunity to do it. But I think it should be done."*
- COMMITTEE: *"Is there a legal impediment to charging?"*
- Ms INGRAM: *"I do not think so. In the past we have often provided this sort of service to other government departments. To use a sexist term, there was a gentleman's agreement that we would assist one another. But with increasing financial accountability government departments are charging one another for the provision of services!"*
- COMMITTEE: *'At present you are charged by other government departments. If you used the services of the legal branch of the Forestry Commission it would charge you, but you do not charge it?"*
- Ms INGRAM: *"Not quite. For instance, in resumption matters the Valuer-General charges astronomically for his services. I do not see why we should not apply the same principles and I intend to do so." 83*

- 8.10 The Committee would like to lend its support to Ms Ingram's initiative in this matter. By failing to charge other departments for expert services, the Service can only hope to further disadvantage itself in the increasingly competitive struggle for financial resources between State instrumentalities.

C. Surprise audits

8.11 A long and fruitful association with the Auditor-General's office has convinced the Committee of the value of auditing financial transactions. Experience across the entire spectrum of public and private enterprise proves that the expense of auditing is almost always more than justified by the results. Therefore the Committee noted with concern a discrepancy between the theory and the practice of auditing concessionaires by the N.P.W.S. According to the Concessions and Leasing Manual (section 8.1) the role and functions of the Head Office Property Services Branch (Concessions and Leasing Unit) includes:

"determining in liaison with Regional Managers, District OICs and the Head of Financial Management Branch, the Service's annual programme for auditing financial statements of concession operators;" 84

8.12 Mr Michael Booth testified to the present status of audits on leaseholders:

Mr BOOTH: *"Some six or seven years ago we did an audit of the Mount Selwyn ski resort and four or five years ago we did an audit of the Guthega ski resort. In both cases income had not been declared and we recovered that income plus the cost of the audit."*

COMMITTEE: *"From the sound of that you do not use them all that frequentS?"*

Mr BOOTH: *"No, we do not."*

COMMITTEE: *"Do you think there is more scope for them?"*

Mr BOOTH: *"Yes, there is."*

COMMITTEE: *"Given that it did not cost you anything that you got the money back; why have you not conducted them more frequentS?"*

Mr BOOTH: *"It depends what you are looking at, There is not a lot of future in commissioning a separate audit for what may be a mum and pop type kiosk or a little canoe hire operation in some remote park I think it is mentioned in the manual that we intend to implement a program of random audits. We do not have facilities in house to do that now. We always were limited, so it is a question of balancing the economics and also targeting specific ones which let others know in the area that it is on. The Property Services Branch at the moment is working up a general circular ϕ go to all our commercial lessees, which I have to clear through the director first. We will put in place a procedure for random audits which will be preceded by a circular to all lessees saying 'watch out.'" 85*

COMMITTEE: *"Did you do a surprise audit in 1988, 1989, or 1990, or was the last one four or five years ago?"*

Mr BOOTH: *"The last one was four or five years ago, the Guthega one." 86*

8.13 Ms Jennifer Rand, consultant with Price Waterhouse Urwick, commented on the problems caused by infrequent auditing:

"In theory it would probably be very good to have some kind of bond or penalty clause inserted [in lease agreements]. One of the best penalty clauses, I suppose, would be not a termination of the lease but not providing the ability to take up the option on a lease unless certain things are done. In practice I do not think that national parks has the resources to administer those. Even now when it is looking at gross audited receipts it accepts an accountant's statement. It does not put in its own auditors every few years to check to make sure that the books are being done properly. Even if you put in a performance clause, I would not be sure." 87

85 Minutes of Evidence, 1 August, 1991, pp.101,102.

86 Minutes of Evidence, 1 August, 1991, p.102.

87 Minutes of Evidence, 27 March, 1991, pp.65,66.

- 8.14 Given that the risks of failing to audit concession-holders regularly are understood by the Service and that previous audit exercises have been fruitful in collecting outstanding payments, it puzzles the Committee that there is not more auditing activity within the Service. The suggestion has been raised that there are insufficient human or financial resources to undertake regular auditing. While there may not be sufficient resources at present, it seems clear that, once it was underway, a regular auditing program would more than cover its costs. Certainly previous audits by the Service have done so.
- 8.15 In the Committee's view, a regular auditing program would pay its own way in terms of recovered underpayments and would introduce the expectation among concession-holders that failure to meet their lease commitments will result in penalties. As things stand, with audits rarely conducted, concessionaires who choose to violate the terms of their leases can reasonably expect to get away with it.

Recommendation 10

It is recommended that Treasury grant the 'Service time-limited' funding or advance such funding to them against future income to enable the establishment of the Business Coordination Unit, the regularising of alien tenures, and the establishment of a regular program of surprise audits of N.P.W.S. leaseholders.

9. Expanding Markets

- 9.1 Obviously the N.P.W.S. is not a business. It is not at liberty to seek the best possible monetary return from its assets by converting them to alternative uses. Conservation of assets in their present form is the primary objective. This task imposes certain fixed costs on the Service. Providing recreation opportunities within the parks estate is the secondary objective. Visitors and park users taking advantage of recreation opportunities impose certain additional costs, which vary with the general level of park use. Visitors also provide the opportunity for the Service to derive their own income.
- 9.2 Analysis of the Service's "business problem" (e.g. how to fund an effective operation which meets its statutory obligations) leads to the need for expansion in visitor numbers. If income from "park usage charges" exceeds variable costs, then by increasing visitation the commercial surplus can increasingly offset the fixed costs. The business rationale for expansion is that fixed funding needs are not adequately satisfied by the consolidated fund, therefore supplementary income is required.
- 9.3 A more indirect effect also makes the expansion strategy desirable. The consolidated fund appropriation is dependent on the priorities of government which, in turn, are a reflection of the priorities of the electorate. The larger the number of visitors from within the State who have had a rewarding experience in the park system, the larger the number of "votes" for greater public funding of the N.P.W.S. However this effect is indirect, having perhaps the least influence when all portfolios are starved of operating funds. Apart from this concern, it should not be forgotten that the visitors may be disposed to "vote" against the N.P.W.S. if their experience of the park system leads them to doubt the effectiveness of the Service.
- 9.4 While considering what can go wrong with the expansion strategy, there are two types of effect which pose a constant danger to the Service's business plan. Firstly, if the income derived from park usage is not sufficient to cover even the variable cost which that usage inflicts, then the expansion strategy is a recipe for disaster. Not only will there be no contribution to fixed overheads from visitation, but visitation itself will create a net deficit. As visitor numbers expand, the deficit will worsen. To retrieve the situation, it would probably

require an enormous (and politically infeasible) injection of money from the consolidated fund.

- 9.5 Secondly, if government or Treasury officials decide to reduce the consolidated fund appropriation to the N.P.W.S. by the amount of any revenue it generates itself, then the entire purpose of revenue-raising will be defeated. The Service would find itself running harder and harder but getting nowhere, like a mouse on a treadmill. Extrapolating this scenario, if the Service were required to be entirely self-funding then the conservation functions would necessarily become completely subservient to recreational functions. It is hard to imagine the N.P.W.S. as being anything more than a captured regulatory body serving the interests of concession operators-doing anything for a dollar.
- 9.6 Although some witnesses did paint the present-day Service in this caricature it is a very unfair exaggeration, from what the Committee has observed. Were this an ideal world, it might be desirable to keep separate account of fixed conservation-related costs and variable recreation-related costs, obtaining consolidated funding to match the conservation expense and seeking user charges to match the recreation expense, and operating on a non-profit basis. Unfortunately conservation costs tend to be inflexible with regard to the government's ability to fund them, and these costs tend to rise with the advancement of scientific knowledge. A greater awareness of biology and history leads to the realisation that more natural and cultural phenomena are under threat and have a claim to conservation efforts.
- 9.7 Thus it is necessary to adopt a pragmatic view, tempered with a proper appreciation for the dynamics of conservation and recreation. User funding must be pursued, and for the time being the aim must be to make a net surplus on user charges over and above variable costs attributable to park usage. Treasury's willingness to maintain the level of public funding to the N.P.W.S. regardless of short-term improvements to self-generated revenue streams is essential. A strategy of expansion in visitor usage must be pursued by the Service.

- 9.8 Despite a general acceptance of the need for expanded visitation at the top echelons of the N.P.W.S., park visitation has been relatively static over the past decade. Figures published in the 1984-85 Annual Report indicate a jump occurred between 1980-81 (12.0 million visitors) and 1981-82 (13.8 million)? But between 1982 and the present, visitor numbers are believed to have hovered between 14 million and 16 million? A gap is evident to the Committee between the Service's stated intentions and the actual outcomes.
- 9.9 On the one hand, the 1988-89 Annual Report contains such praiseworthy statements of intention as:

*"Public support for the Service is essential for the long-term viability and functioning of the organisation. Public relations and promotion are key elements in selling the Service and the importance of the Service's objectives to the community."*⁹⁰

*"The Service recognises the need to provide better information to park users about the facilities available to the public, and the significance and value of the natural and cultural resources under the Service's care."*⁹¹

- 9.10 But on the other hand, the Committee is aware that the weight of evidence pointed to serious inadequacies in public relations, promotion, and information provided to park users. Mr James Smith, a TAFE instructor in outdoor guiding, referred to failures of the Service's publicity and ability to communicate with the public which directly damaged the potential for tourism. He gave examples of walking tracks which have been allowed to degrade under the Service's custodianship, pointing out that by making these walks inaccessible to the average walker, the Service was limiting its public appeal?

National Parks and Wildlife Service of NSW Annual Report, 1984-85, p.23.

89 Minutes of Evidence, 1 August, 1991, p.72.

90 National Parks and Wildlife Service of NSW Annual Report, 1988-89, p.41.

91 Ibid.

92 Minutes of Evidence, 27 March, 1991, p.41.

- 9.11 Far from being an unintended consequence of the Service's priority structure, Mr Smith felt that the discouragement of walkers was part of a deliberate strategy on the part of some rangers.

'Ms I said, the system gives enormous power to individual rangers. Often the rangers who are given the job to look after tourism activities in parks are philosophical opposed to tourism, anyway. There are quite a few wilderness bodies and conservation groups who feel there should be enormous restrictions on the access of people to national parks. We have lost the view stated by a Minister probably 20 years ago that parks are for people. More and more they are not for people. They are for private lobby groups, bushwalking groups, wilderness groups, and we are losing the concept of parks being available to normal everyday family groups and young people.' 93

- 9.12 During the site inspection at Lake Mungo N.P., the Committee experienced firsthand the dissatisfaction which many visitors must feel. Lake Mungo forms part of a chain of dried lakes in Southwest New South Wales lying approximately one hundred kilometres from Mildra by unsealed road. It is the site of an unusually large aggregation of Aboriginal burial and camping sites, fossils, and remarkable land forms. The evidence of human settlement is among the oldest known in Australia (approximately 40,000 years old). The archaeological significance of the site more than compensates for the difficulty in getting to the park.
- 9.13 Once at the park however, the Committee was frustrated by the inability to see or appreciate very much of the cultural heritage. The first of two stops on the driving tour of the Lake was at a "sacrificial site". It was not sacrificial in any historical or cultural sense. What the archaeologist meant was that the N.P.W.S. had decided to sacrifice this part of the cultural evidence by allowing tourists access to it. The Committee walked across a flat expanse of stone which contained numerous fossils and prehistoric fireplace sites, none of which were marked or protected from the footsteps of unsuspecting visitors. The archaeologist told the Committee that a visiting dignitary had actually stood on one of the prehistoric cooking hearths while he turned to survey the horizon, grinding his heel into the 40,000 year old relic.

9.14 The second stop was near the site where several ancient burial middens were being exhumed. The vehicles stopped about one hundred metres from the site, and the Committee gazed from that distance at an expanse of sandy plain containing metal stakes which marked the middens and a corrugated iron sheet protecting an excavation from the sunlight. That is all the Committee saw. For obvious reasons the ranger and archaeologist did not wish to bring the visitors into close contact with these ancient and sensitive sites. A delicate balance must be struck between exposing the wonders of the National Parks to be enjoyed (and possibly damaged) by the present generation, and sequestering them away in a sort of time capsule for the (supposedly more enlightened and less destructive) enjoyment of future generations. However, from a visitor's perspective, the almost nonexistent opportunity to see and understand the cultural heritage at Lake Mungo was profoundly disappointing.

9.15 If an active resistance to tourists is present at the local level, there is a certain lack of initiative evident to the Committee at the head office level. For example, the park visitation estimates published in the 1984-85 annual report are not a regular feature of annual reports. In neither the 1988-89, nor the 1989-90 annual reports was any mention made of visitor levels, as far as the Committee is aware. This omission seemed somewhat puzzling to the Committee in light of the great importance of visitor numbers to the N.P.W.S. funding problem.

9.16 An attitudinal survey of Service personnel published in the Autumn 1991 edition of Australian Parks & Recreation, made the following observations:

"Tourism is recognised as problematic, but it is not seen as an inappropriate use of national parks, or as an inappropriate management activity. It is seen as a problem mainly because staff and resources are not available to cope with increasing visitor numbers. There is resentment of the fact that emphasis is often given to dealing with visitors, at the expense of nature conservation and resource management. Staff feel stretched, and they feel they are not given the resources to effectively manage both visitors and the natural environment. Both activities are recognised as important and appropriate.

"The major benefit of tourism use is seen to be its ability to generate public and political support for the National Park system. The main problems are seen to be that tourism can cause environmental damage and a taxing of existing park facilities, and that there is a lack of staff and resources to deal with increasing visitor use, while still protecting the natural and cultural values of Service areas.

"The general feeling was that the Service needs to be more proactive in its approach to tourism management, rather than being mereS, a passive receiver of tourists." 94

9.17 Mr Gillooly did testify to an interest in expanding tourism, and to his personal cultivation of links with executives in tourism bodies at the State and National levels, but very little in the way of formal channels of communication, joint marketing, or joint-ventures was evident to the Committee. Most likely, the perennial problem with constrained human and financial resources is behind the failure to act, but in this area as in any other sphere of commercial activity, it is necessary to spend money to make money. Once the publicity mechanism is operating it can become the "engine" for economic growth throughout the Service, and possibly the economy generally, as Mr Leaver suggests below.

9.18 The Committee is broadly in agreement with Mr Leaver's assessment of the importance of the link between tourism and the national parks system:

"There is a saying in the park business around the world, use it or lose it. Australia's economy is in a lot of trouble. One of the major engines inputting into our economy is tourism, both domestic and international. The reality of the matter is that the parks system in Australia provides one of the major attractions for tourists. The very existence of a park almost defines excellence in terms of landscape and attraction. Therefore, a park system cannot divorce itself from the economic realities of governments. It must play a constructive role in the economy of the State and the use of that public resource within protection parameters and use of that resource in the economic health of

94 "Management of Parks for Tourism: An Attitudinal Survey of Service Personnel,"
Stephen

Wearing and Michael Brock, Australian Parks & Recreation, Autumn 1991, p. 33.

the State. That is an approach we have strongly taken in the past few years. We now get a lot easier passage for conservation decisions through Cabinet when Cabinet know that the management of the park system is trying to address its economic worth in terms of its contribution to tourism and rural employment."

Recommendation 11

It is recommended that the N.P.W.S. establish formal channels of communication with the tourism industry, including regular exchanges of planning information, joint ventures and marketing, where appropriate.

Recommendation 1 2

It is recommended that. the Government expand the National Park's and Wildlife Advisory Council to add a representative of the Tourism Commission.

95 Minutes of Evidence, 27 March, 1991, pp.21,22.

the State. That is an approach we have strongly taken in the past few years, We now get a lot easier passage for conservation decisions through Cabinet when Cabinet know that the management of the park system is trying to address its economic worth in terms of its contribution to tourism and rural employment." 95

Parks and Wildlife AdvisOry Council to add a representative of the Tourism Commission.

95 Minutes of Evidence, 27 March, 1991, pp.21,22.

10. Specific Matters Raised in Submission

A. Liquidation of Old Inns Pty. Ltd.

10.1 Mr James M. Millar, Partner of Ernst and Young, and liquidator of Old Inns of N.S.W. Pty. Ltd. made a submission relating to problems he is experiencing in his role of liquidator. Old Inns held two leases from the N.P.W.S.: the Royal Hotel and General Store at Hill End, and the Bobbin Inn at Bobbin Head, Ku-ring-gai National Park.

10.2 According to Mr Millar's submission, he decided to try to sell the Hotel and General Store businesses as going concerns.

"I submit it was clear from the correspondence that the N.P.W.S. was prepared to allow, and even encourage the liquidator to continue to trade the businesses and maintain them as going concerns." 96

"If I had not received these expressions of support I would have had no alternative but to close the Hotel and General Store soon after my appointment and remove the stock and equipment to Bathurst or Sydney for its disposal by auction. If this was the case I would not have incurred the significant liabilities with trade creditors, let alone my own costs as liquidator which are currently in excess of \$70,000." 97

"It may be viewed that my staff and I acted as managers, took the risks of trading on and incurring personal liability for the benefit of the N.P.W.S. for no compensation. In addition the stock and equipment of the company, of which I am the liquidator has been taken possession of by the N.P.W.S., again without adequate compensation being offered." 98

10.3 The Committee understands that the essence of Mr Millar's argument is that the Service misled him regarding its intentions to compensate or indemnify

96 Submission by Mr. James M. Millar, received 15 March, 1991, p.6.

97 Ibid.

98 Ibid.

him for losses which he might incur by continuing to operate the Hotel and General Store. Under a false impression which he appears to believe the Service created, he decided, unwisely in hindsight, that the creditors' best interests would be served by continuing to trade. Mr Millar commented in testimony that this matter is currently being considered by the Ombudsman.⁹⁹

10.4 Investigating the claims made by Mr Millar, the Committee interviewed Ms Vivienne Ingram, Principal Legal Officer of the Service, and considered the correspondence which Mr Millar attached to his submission.

10.5 Ms Ingram stated:

"In fact at no time to my knowledge were any undertakings given to Mr Millar or representations made which would have remotely led him to form the view that the service was going to fund his operations. In fact looking through the file today I found a file note of the director's dated some time in May last year where he counselled one of Mr Millar's officers against incurring too much expenditure because we had not yet determined what we would do with the leases. At all times we made it clear to Mr Millar that as a result of the company going into liquidation we had a prima facie right to terminate the leases. We made it very clear at our first meeting with Mr Millar, which I attended with Mr Howard, that we would temporarily refrain from terminating the leases because we agreed that there was a mutual interest to be served in keeping the hotel and the general store operating and that we would assess our position as time went on."

10.6 Reading a chronology of events relevant to the Old Inns matter, Ms Ingram noted that:

"On 28th June Ernst and Young advised the service that they would not continue managing Hill End unless the service paid them between \$5,000 and \$8,000 a month to manage. As to the Bobbin Inn matter, Westpac was still considering its options. On 2nd July the service received detailed questions prepared by Price"

99 Minutes of Evidence; 27 March, 1991, p.27.

100 Minutes of Evidence, 1 August, 1991, p.112.

Waterhouse regarding Ernst and Young's letter of 28th June and their analysis of future management options. On 6th July the service confirmed Ernst and Young to cease operation and occupation of the Hill End premises on 9th July. On 11th July the service confirmed Price Waterhouse to manage the Hill End premises. National Parks and Wildlife Service was of the view that its own best interests would be served by Price Waterhouse."

10.7 Speculating on what had motivated Mr Millar to complain to the Committee about the treatment he had received from the Service, Ms Ingran**stated:**

"I think that Mr Millar was very surprised by the service's decision not to continue with the services of Ernst and Young to manage the properties. I think that he knew that the service was under pressure to keep both the hotel and the store operational. They both perform a very significant function for the community of Hill End and that is something that is important to us. I think that Mr Millar was convinced he had us over a barrel not to put too fine a point on it, and I think he was extremely surprised when in response to his ultimatum that they were going to pull out -I cannot remember now the precise time sequence but in effect they said as of Monday, and this would be Wednesday, they were pulling out unless we agreed to all of their terms. So I think he was extraordinarily surprised when we said, 'Yes, okay, do so'. That caused him some annoyance because it was not what he hoped would occur. If I were the liquidator I too would wish to continue trading so long as I could to serve the interests of the creditors. Mr Millar fails to acknowledge that the service is one of Old Inns' biggest creditors as well and that in doing what we did, we had to have in mind the service's own best interests and the public interest, not just the creditors of Old Inns. Indeed, our interests were very different and you will see if you read the correspondence that we made it abundantly clear at all times that our interests were not those of the liquidator and that in fact the co-operation between the service and the liquidator endured as long as the interests of the service were served."

101 Minutes of Evidence, 1 August, 1991, p.113.

102 Minutes of Evidence, 1 August, 1991, p.114.

- 10.8 In the Committee's view, the correspondence tendered by Mr Millar does not support his claim that the Service made any promise to compensator indemnify him for expenses he might incur by operating the Hotel and General Store. As a matter of fact, the issue of compensation or indemnification was first raised (in correspondence submitted to the Committee) by Mr Millar in his letter to the Service dated 28 June, 1990, several months after his 19 April, 1990 appointment as liquidator. Apparently in response to the proposals set out in Mr Millar's 28 June letter, Mr Alastair Howard, Deputy Director of the Service, informed Mr Millami writing on 6 July, 1990 that the Service was terminating the leases at Hill End. That letter also stated:

*"With respect to the matters referred to in paragraphs 2 and 3 above you are further advised that at no time did the National Parks and Wildlife Service undertake, either expressly or impliedly to meet the liquidator's or the Lessee's liabilities in respect of employee entitlements, trading losses or otherwise."*¹⁰³

- 10.9 From the evidence at hand, the Committee sees no reason to disbelieve Deputy Director Howard's statements. Therefore, the Committee is not persuaded that the Service acted improperly in regard to the matters raised by Mr Millar.

B. Commercial lease for Sea Acres

- 10.10 A number of submissions made reference to a perception that the Service's handling of the current commercial lease for the Sea Acres complex was either improper, inefficient, or poorly managed.
- 10.11 Sea Acres is a privately operated tourist facility located at Port Macquarie in a Nature Reserve which contains coastal rainforest. The facility consists of a kiosk, educational/interpretive centre, gift shop and elevated board-walk through the rainforest. The buildings, car-park and board-walk were constructed by and belong to the Service. The concession holding firm pays

¹⁰³ Letter from Deputy Director Alastair Howard to Mr. James Millar, dated 6 July, 1990.

the Service an annual rental for the right to collect an entry fee for the board-walk, and the right to operate the kiosk and gift shop.

- 10.12 Prior to the construction of the present buildings in 1988, Mr and Mrs Harmer had leased the (then) Sea Acres Wildlife Refuge from the Lands Department for ten years. The lease expired in December, 1986. During this time, the Harmers commercially operated a "low key" visitor facility at Sea Acres. When in 1987 the Service sought to convert Sea Acres to a Nature Reserve under their own control, the Harmers supported and cooperated with the Service in obtaining the dedication. At that time, the Service had planned to operate the new visitor facility itself, and a mutually satisfactory agreement was struck between the Harmers and the Service under which the Harmers would relinquish their business interests in Sea Acres.
- 10.13 Unfortunately, when the Service later decided to tender rights to commercially operate the newly upgraded visitor facilities at Sea Acres, controversy broke out. The former proprietors did place a tender bid to operate the new facility, however the Service's District Superintendent informed the Committee that their bid was non-conforming in that it did not indicate what rental payments they would make to the Service. Additionally, the former proprietors indicated that they could not meet the required security deposit.
- 10.14 Ultimately, the current proprietors were selected from among three conforming bids. The former proprietors felt disadvantaged by the manner in which the commercial lease had been transferred from themselves to another proprietor. A number of other, peripheral complaints have been made to the Committee regarding Sea Acres, including the size and layout of the parking lot, the responsibility for maintenance of the board-walk and the cost of admission. However, the main issue drawn to the Committee's attention is the propriety of the Service's handling of the transfer of leases.
- 10.15 Having duly considered the points raised by submissions, and questioning the Port Macquarie District Superintendent at length, the Committee has concluded that the Service acted properly in its dealings with the former proprietors and in the subsequent leasing agreement. As far as the Committee is aware, the decision to commercially lease the renovated Sea Acres facility was taken after a satisfactory agreement had been concluded with the former proprietors (which agreement has subsequently been honoured by the Service) under which they would relinquish their business and dispose of

assets. The Committee believes that the commercial agreement with the new proprietors made the Harmers no worse off financially than they would have been had the Service operated the new Sea Acres complex itself. Since they were happy to accept the possibility of the Service operating it, the Committee does not agree that they have been materially disadvantaged by the current arrangements.

C. Special interests seeking to use National Parks

- 10.16 Apart from the liquidation of OldInns and the new lease for Sea Acres in which the propriety of the Service's commercial dealings was called into question, the Committee received submissions from many parties wishing to make greater use than they are presently permitted of resources under the Service's control. Submissions were received from the Stage 2 Armidale T.A.F.E. outdoor guiding students, Australian Queen Bee Exporters, the Kangaroo Management and Marketing Committee, Pet Care Co-Op Ltd., the Recreational Four Wheel Drive Clubs Association, the Macquarie Floodplains Landcare Association, Associated Birdkeepers and Traders Inc., an individual proposing greater access to Parks for horse-riding, the N.S.W. Ski Association, the Forest Products Association, and the Office of the Minister for Minerals and Energy, among others.
- 10.17 Unfortunately, the great majority of these submissions appeared to be requesting the Committee to make judgements on environmental impacts which it is unqualified to make, such as whether bee-keeping or horse-riding in National Parks are detrimental to the conservation of the parks or other objectives of the Service. In the Committee's view, such judgements are better made by experts in conservation. In fact, the Committee saw no reason to second-guess the decisions already made in this regard by the professional staff of the National Parks and Wildlife Service.
- 10.18 The issues raised by the Armidale TAFE outdoor guiding students, however, like those raised by Mr Jim Smith, outdoor guiding instructor at the Katoomba TAFE, related directly to guide-lines controlling commercial activities, and are canvassed elsewhere in this report. These issues are mainly administrative rather than environmental.
- 10.19 Penultimately, the Committee notes that Mr Col Dorber, Manager of the N.S.W. Forest Products Association Ltd., expressed resentment that the

N.P.W.S. is actively seeking to dedicate new areas as National Parks. He suggested that the Service should seek to be self-funding perhaps by logging areas under their control.

"We do not believe it is appropriate for the National Parks and Wildlife Service to engage in campaigns for the creation of new National Parks and we are extremely concerned at the relationship between the National Parks and Wildlife Service and certain environmental groups."

10.20 Section 8 of the National Parks and Wildlife Act, 1974 specifically permits the Director of the Service to consider and investigate proposals for the addition of areas to national parks or for the reservation of any new national park.

10.21 Mr Dorber continued: *"We suggest that the National Parks and Wildlife Service should be able to produce timber from its resources, based on environmental and forest management principles and then utilize such revenues for its operations."*¹⁰⁵

10.22 Mr Dorber's proposal left most members of the Committee aghast. The idea that the Service should harvest timber from lands under its control in order to generate revenue seems to the Committee to be a clear reversal of the very principles which gave rise to the National Parks system in the first place.

10.23 Finally, the Committee notes that the then Minister for Minerals and Energy (the Hon. Neil Pickard, M.P.) made a submission suggesting a number of mechanisms by which the extraction of mineral resources from within National Parks could legally be accomplished. The Minister did sound a cautionary note regarding environmental impacts:

"The mechanism whereby such extraction could be allowed would need to be carefully determined so as to ensure that there is no impact on environmentally sensitive and significant areas."

104 Submission from Mr. Col Dorber, Manager, NSW Forest Products Association Ltd., received 9 April, 1991, p.1.

105 Ibid, p.2.

Similarly any extraction would need to be highly regulated and monitored to mitigate any environmental impact."

- 10.24 Making reference to the current economic climate, the Minister suggested legislative amendments may be appropriate:

"It is recognised that the current legislation prohibits mining within National Parks, Nature Reserves, Historic Sites, Aboriginal Areas and State Game Reserves. However, the Department believes that the Premiers statement regarding the need for sensible and rational utilisation of resources as well as the current economic climate provide an opportunity for review of this situation with the aim of providing for ecologically sustainable development."

- 10.25 Concluding his statements, the Minister outlined possible benefits to the Service from mining National Parks:

"Such a scheme could provide revenue for the Service to allow more effective management of National Parks. Mining could also be of assistance to the Service by providing roads, buildings and utility connections for use as visitors centres tourist facilities or similar. Water storages could provide a lake or wetland environment for aquatic creatures thereby enhancing the environment."

- 10.26 In light of testimony from Mr Milo Dunphy and others, the benefits to the Service of additional roads, buildings, and utility connections seem dubious. The idea of placing artificial lakes or wetland environments in National Parks seems likely to be greeted with amusement from some, and grave concern from others. For the park visitor seeking to escape the man-made environments which surround most Australians most of the time, artificial lakes in wild areas would only detract from the experience.

106 Submission from the Minister for Minerals and Energy, received 4 April, 1991, p.2.

107 Ibid, p.3.

108 Ibid.

- 10.27 While it is theoretically possible to limit environmental impacts from mining, the Committee believes that existing legislative restraints on mining in National Parks are a sound and necessary precaution against the widespread environmental damage which mining so often causes.

Appendix 1

Call for Submissions

Inquiry into the National Parks and Wildlife Service

The Public Accounts Committee has received a reference from the Minister for the Environment The Hon. T. J. Moore. LL.B. MP, under section 57 ii) of the Public Finance and Audit Act, 1983, to inquire into certain aspects of the National Parks and Wildlife Service.

The Terms of Reference of the Inquiry are:

"To inquire and report upon certain aspects of the conduct of the National Parks and Wildlife Service by reference to an examination of the Port Macquarie District of the Service; of the North Metropolitan District of the Service; and of the activities of the Lower Darling District (insofar as they relate to Mungo National Park) of the Service. In particular to:

1. assess whether the Service is maximising opportunities from its leasing, licensing, fee collection and other activities, consistent with the objectives of the Service;
- ii. examine the adequacy of current guidelines and procedures for granting and control of concessions and leases;
- iii. inquire into and report on any other matters arising from the inquiry which impact on the efficiency and effectiveness of the National Parks and Wildlife Service,"

Submissions relevant to this inquiry from interested parties and members of the public are invited. Submissions will be treated as public documents unless otherwise requested.

Enquiries and submissions should be directed to: Victoria Walker The Director,
Public Accounts Committee Parliament House Macquarie Street, Sydney, NSW 2000 Tel: (02) 230 2631 **Closing date for submissions:** 15 March, 1991.

Phillip. Smiles, LL.B., B.Ec., MB.A.. Dip. Ed.,
M.P.
Chairman

Appendix 2

List of Submissions Received

(in order of receipt)

Dr David M. Scienceman

Russell H. Smith Member for Bega

N. Harvey Chairman, Hill End Town Management Association Inc.

John Gray Secretary, Three Valleys Branch,

..... National Parks Association of N.S.W. Inc.

A.G. Colley O.A.M Hon. Secretary, The Colong Foundation for

..... Wilderness Ltd

J.G. Somerville

W.D. Taylor Australian Queen Bee Exporters

Mrs Jenny McLellan Shire Councillor, Brewarrina

Jim Moss Secretary Recreational Four Wheel Drive Clubs

..... Association of N.S.W. and the A.C.T.

Tom Thompson President, N.S.W. Kangaroo Management & Marketing

..... Committee

Grade 2 Students Outdoor Guiding Advanced Certificate, Armidale T.A.F.E.

Dennis Lees

Patrick Thompson

S.A. Cottier, O.A.M.

I.M. Waterman President, Macquarie Floodplains Landcare Association

Dr B.P. Healy Hon. Secretary, Associated Birdkeepers & Traders Inc.

Robert G. King

Dailan Pugh Far North East Co-ordinator, North East Forest Alliance

Milo Dunphy Director, Total Environment Centre Inc.

Penny Roberts Research Officer, State Council,

..... National Parks Association of N.S.W. Inc.

James L. Tedder Hon. Secretary, North Coast Environment Council

The Hon. Neil Pickard .. Minister for Minerals and Energy

Col Dorber Manager, N.S.W. Forest Products Association Ltd

Appendix 3

Witnesses at Public Hearings

| Date | Name of Witness |
|----------------|---|
| 27 March 1991 | Mr R. Bennison Executive Officer, National Parks Association |
| | Ms P. Roberts Research Officer, National Parks Association |
| | Mr B. Leaver Director, South Australian N.P.W.S. |
| | Mr J. Millar Partner, Ernst & Young |
| | Mr J. Smith Teacher, Katoomba T.A.F.E. |
| | Mr M. Dunphy Director, Total Environment Centre |
| Ms J. Rand | Senior Consultant, Price Waterhouse Urwick |
| August 1991 | |
| Mr W. Gillooly | Director, N.S.W.N.P.W.S. |
| Mr A. Howard | Deputy Director, N.S.W.N.P.W.S. |
| Mr M. Booth | Head, Property Services Branch, N.S.W.N.P.W.S. |
| Ms V. Ingram | Principal Legal Officer, N.S.W.N.P.W.S. |
| Mr M. Mortimer | Regional Manager, Central Region, N.S.W.N.P.W.S. |

Appendix 4

Meetings and Inspections

| Date | Meeting/Inspection | Location | Organisation | In Attendance |
|--------------------------------|--------------------------------|--|--|--|
| 12-15 Febuary 1990 | Inspections Meetings | Tasmania Melbourne, Victoria | National Parks Victorian Land Conservation Council Public Sector Management Institute, Monash University | Mr T. Donovan Mr R. Wesley Mr D. Scott Prof. W. Russell |
| 11-15 March 1990 | Meetings and Inspections | South Australia | S.A. N.P.W.S S.A. National Parks | Mr B. Leaver Mr F. Vickery Mr P. Dougherty |
| 30 October 1990 | Inspection | North Queensland | Lakefield National Park National Parks & Wildlife Service | Mr R. Teece Mr G. Kelly Mr M. Prociv |
| 31 October 1990 | | | Cape Tribulation National Park | Mr B. French |
| 1 November 1990 | | | Lizard Island - Australian Museum Research Institute | Dr A. Hoggett |
| 2 November 1990 | | | Lizard Island National Park | Dr L. Vail |
| 15 March 1991 28 March 1991 | Inspection Inspection | N.S.W. Port Macquarie, N.S.W. | Mungo National Park Sea World Arakum State Recreation Area Limeburn National Park Port Macquarie District | Mr G. Townsend Mr N. Fenton |
| 2 April 1991 | Inspection | Ku-ring-gai, N.S.W. | Ku-ring-gai Chase National Park | Mr B. Conroy Mr G. Blinksell |
| 3 April 1991 | Inspection | Hurstville, N.S.W. | National Parks and Wildlife Service Head Office | Mr W. Gillooly Mr M. Booth |
| 30 July 1991 | Inspection | Ku-ring-gai, N.S.W. | Ku-ring-gai Chase National Park | Mr B. Conroy |