

19 August, 2014

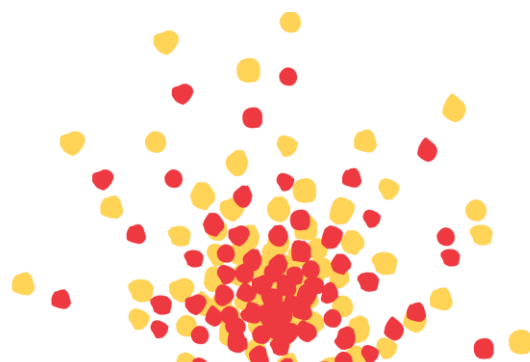
The Hon Leon Bignell, MP  
Minister for Tourism  
GPO Box 1671  
ADELAIDE SA 5001

Dear Minister

Further to the Premier's letter dated 8 July 2014, and your subsequent correspondence dated 7 August, 2014, regarding the reform of South Australian boards and committees, I believe the information set out below fully addresses the assessment criteria required to assist you with your recommendation to the Premier and Cabinet.

I am strongly recommending that the current governance arrangement for the Adelaide Convention Centre Corporation (ACCC) not be amended or abolished under the new reform initiatives. The reasons for this are detailed below:

- The ACCC is truly commercial in nature and is not reliant on State Government Funding to finance its trading operations. Its Board has full delegation of powers to determine strategy, appoint the Chief Executive in consultation with the Minister, approve remuneration levels, set pricing strategy and maintain effective internal auditing of its operations. Considering the strategic, industry and commercial acumen that it brings to the table, the current Board running costs of \$80,000 per annum, financed solely from the Centre's trading operations, represents very good value.
- The ACCC operates in a highly competitive market, operating as a public non-financial corporation producing a level of profit consistent with its operations per the Public Corporations Act.
- The ACCC must be perceived as a commercial organisation with commercial objectives and to operate in terms of competitive neutrality principles. The Government's Competitive Neutrality Policy Statement sets out a number of criteria for determining whether a particular government activity is a 'business'. These include the requirements that:
  - the activity must charge for its services;
  - there must be actual or competitive competitors; and
  - managers of the activity must have a degree of independence in relation to the production or supply of the goods and the price at which they are provided.



It is submitted that the current form of governance best addresses these requirements.

#### Original motivation for the formation of the Adelaide Convention Centre Corporation

The ACCC was opened in 1987 as the first purpose built convention centre in Australia. Effective from 1 July 2000, Cabinet approved the formation of the “Adelaide Convention Centre Corporation” as a subsidiary of the Minister for Tourism under the Public Corporations Act 1993. The explicit intention was to allow greater autonomy to operate as a commercial enterprise given the nature of its business activities. The subsequent development of the ACCC Charter established that the ACCC would generate economic benefits for South Australia by attracting a high yield tourism sector to the State.

The South Australia Public Corporations Act 1993 provides that a public corporation such as the ACCC must perform its commercial operations in accordance with prudent commercial principles and use its best endeavours to achieve a level of profit consistent with its functions. The current structure of the ACCC allows it to operate in a highly competitive market locally, nationally and internationally. The result is that the ACCC has consistently remained profitable and returned approximately \$1 million in dividends to the State (per annum over the last two years) whilst at the same time fulfilling its Charter of generating economic benefit (\$80 million last year).

#### Business activities of the Adelaide Convention Centre Corporation

The business events industry is quite distinct from leisure tourism with contractual negotiations being business to business in nature rather than business to consumer. In addition, the ACCC operates in a fiercely competitive environment locally (all major venues are operating in the conference and banqueting arena), nationally and internationally. It is therefore appropriate that the governance structure of the ACCC reflects its commercial nature, is independent and is capable of reacting quickly to market demands and competitor activity unencumbered by bureaucracy. It is suggested that this is best achieved via an independent Board with a commercial focus that is capable of holding the Corporation’s management to account in delivering on its Charter.

The Guidelines for Government Boards and Committees states that ‘representation of a full range of skills and experience on boards is a prerequisite for ensuring the board can discharge its overall obligations to improve performance and protect the long term viability of the organisation’. The current skill set in areas such as tourism, finance, legal, commercial, human resources, marketing and public/community relations is ideal. This strong governance allows closer oversight and scrutiny of operations in promoting, sponsoring and managing events for South Australia. It also provides for a high level of independence from its local competitors.

Furthermore, as the Minister has the ability to appoint Board members, he/she is able to ensure the appropriate level of skills and community representation is present on an ongoing basis.

#### Implications of Abolishing the Board

As stated above, the ACCC is a business to business operation operating in a highly competitive environment.

The current governance structure provides commercial oversight to a profit making business rather than exercising a purely regulatory function. The danger of abolishing or amending this arrangement is that the ability to effectively operate in this market would be compromised. This includes:

- the loss of the current skills set, private sector experience and community representation in tourism, risk, finance, marketing and legal issues;
- the perception that the client is dealing with government rather than a commercial organisation governed by commercial objectives and a clear Charter;
- the potential inability to operate along commercial lines in terms of human resources, procurement, pricing and budgeting; and
- the apparent inability to be perceived to operate in terms of competitive neutrality principles.

As a profitable statutory authority, the purpose of the ACC is to generate economic benefits for South Australia through business tourism and attracting national and international events. The ACCC operates on a commercial model, with a proven track record of success. This would be at risk if the current structure was not in place and businesses were of the view they were negotiating with government.

#### Recommendation

The ACCC places no reliance on the State Government for funding with all trading operational costs absorbed the sale of services. Accordingly, there would be no economic benefit or assistance to the Government's savings targets achieved by transferring activities to a body which is further removed from the ACCC.

It is therefore strongly recommended that the current governance structure is not changed.

I appreciate the opportunity to provide some insight into the role of the ACCC Board in the overall business event activities.

Yours Sincerely



**JANE JEFFREYS**  
Chairman