

SENATE STANDING COMMITTEE ON ECONOMICS QUESTION
(Supplementary Budget Estimates 20 October – 21 October)

Question: SBT 110**Topic: Travel Costs**

Senator Bushby asked:

The 2009-10 Mid Year Economic and Fiscal Outlook detailed a whole-of-government coordinated procurement arrangements for travel and related services. How has this applied to your department and portfolio agencies? Please explain the changes that have occurred to your department and portfolio agencies in relation to its travel and related services.

Is purchasing of travel and related services less expensive under the new arrangements?

Is purchasing of travel and related services more efficient under the new arrangements?

Have savings been achieved in your portfolio because of the new arrangements?

How much did your department and portfolio agencies spend on travel in 2008-09, 2009-10 and to date this financial year.

How have staff within your department and portfolio agencies found the new arrangements? For example is it more efficient to arrange travel?

Answer:

This response is limited to the ATO and does not include information relating to the broader Treasury portfolio.

Following the introduction of the whole-of-government coordinated procurement arrangements for travel and related services, the ATO's departmental appropriation was reduced in anticipation of airfare savings expected to be achieved through the new arrangements. Agencies retained one-third of the savings, with the remaining two-thirds being returned to government through a reduction in departmental appropriations. Specifically, the ATO's appropriation was reduced by:

2010-11	\$3.1 million
2011-12	\$3.2 million
2012-13	\$3.3 million
2013-14	\$3.3 million

The travel savings were calculated based on the ATO's 2008-09 travel cost as the ATO had already achieved reductions in travel costs as part of other efficiency exercises, such as the expansion of video conferencing facilities. We were advised by the Department of Finance and Deregulation that the calculation of the expected savings was based solely on the 30% reduction in unit pricing under the whole-of-government arrangements and did not assume any changes in the number of bookings or class/flexibility of airfares.

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Under the whole-of-government arrangement the Department of Finance and Deregulation negotiated contracts for the provision of airline services and established a panel for the provision of travel management services. Revised airfare pricing was made available through our existing travel management provider (Qantas Business Travel) since 1 July 2010. In accordance with the timeline agreed with Department of Finance and Deregulation, the ATO has recently approached the panel with a request for quote for the provision of travel management services. We are currently evaluating proposals and anticipate a decision will be made in the near future.

Initial analysis of the data provided by Qantas Business Travel indicates that the ATO is achieving savings against our 2009-10 pricing. The ATO experienced reductions in the average cost per seat on the 20 most frequently travelled sectors of 13% in July. More detailed analysis in later months is still being finalised however we would expect that the percentage savings would increase as July activity would include travel booked under the old pricing arrangements.

As we are yet to appoint a travel management company under the new panel arrangements we are not able to comment as to whether the new arrangements will be more efficient. Our existing provider, who is also on the panel, already offers a range of ways to book and manage travel (phone, on-line) to improve the efficiency of the booking process.

Expenditure on airfares, which is the primary focus of the current whole-of-government arrangements in the current year to October and for the preceding two years was:

2008-09	\$16.8 million
2009-10	\$16.5 million
2010-11	\$4.5 million (YTD to October)