

Senate Finance and Public Administration Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Prime Minister and Cabinet Portfolio

Department of the Prime Minister and Cabinet

Supplementary Budget Estimates 18-21 October 2010

Question: PM131

Asked By: Senator Abetz

Topic: Travel Costs

Type of Question: Written

Date set by the committee for the return of answer: 3 December 2010

Number of pages:

- a) 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?**

The calculation of savings for each agency related to the change in unit price (airfare price) based on the 2007/08 travel expenditure and travel pattern. The 2007/08 travel expenditure was discounted by 20 percent to provide for any discrepancies in the source data; as such the savings were based on 80 percent of 2007/08 travel expenditure. Further, a materiality test was applied so that only agencies with travel expenditure greater than \$1 million would be required to return savings to the budget. Additionally, a number of assumptions were made in relation to the availability of different fare classes, so that the cheapest fare was not the base fare for calculating savings.

It is too early for PM&C and the portfolio agencies to determine whether savings have been achieved given the arrangements have only been in place for 4 months and travel patterns for this period have varied considerably.

- b) Please explain the changes that have occurred to your department and portfolio agencies in relation to its travel and related services.**

The changes require all *Financial Management and Accountability Act 1997* (FMA Act) agencies to make travel arrangements through a Travel Management Company (TMC) that has been successfully appointed to the panel. Progressively PM&C and agencies in the

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portfolio will approach the panel of TMCs over the next 12 months, to select their new provider through a simplified RFQ process.

Additionally, PM&C and agencies in the portfolio, through their TMCs, have access to the discounted fares negotiated through the tender process as well as to any publicly available fare that may be lower than the negotiated fares.

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

Yes. The new arrangement is different and comprises a mix of route deals and discounted published fares for all FMA Act Agencies. The new arrangement benefits all agencies by providing the same level of discount, regardless of size, spend and volume of travel. If there are lower fares publicly available, agencies are able to avail themselves of those fares.

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

Yes. The range of airfares available is now transparent to officers booking travel and Travel Management Companies are required to assist agencies to select the Lowest Practical Fare (LPF).

Additionally, there is now no preference for airline usage, and also agencies will not be required to undertake lengthy approaches to market.

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

It is too early for agencies to determine whether savings have been achieved given the arrangements have only been in place for 4 months and travel patterns for this period have varied considerably.

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

Department of Prime Minister and Cabinet spend

- \$2,031,764.61 in 2008/09
- \$2,286,293 in 2009/10
- \$637,733.38 in 2010/11 (to 31 October 2010 including additional MOG changes)

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

Yes. The range of airfares available to PM&C staff are now transparent to officers booking travel and Travel Management Companies are required to assist agencies to select the Lowest Practical Fare (LPF).