Punjab Resource Management Program

Financial Viability Analysis of Tourism Development Corporation of Punjab

November 1st 2009

Final Draft Report

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List of Acronyms and Abbreviations

COGS	Cost of Goods Sold
EBITDA	Earnings before Interest Taxation Depreciation and Amortisation
GoPB	Government of Punjab
LT	Long Term
ROA	Return on Assets
ROC	Return on Capital Employed
ROE	Return on Equity
TDCP	Tourism Development Corporation of Punjab

1. Tourism Development Corporation Punjab (TDCP)

This report provides a financial analysis of the TDCP based on the financial statements and records covering a 5 year period (2004-2008) that were provided by the TDCP and were verified to be correct. All these statements were audited by the independent auditors Riaz Ahmad & Co. of the corporation. This report must be read in continuation of the Inception Report produced for the project to cover the project back ground. The copies of the financial statements provided by the TDCP are placed at **Appendix A** for record and verification of the results and numbers quoted in this report. Some numbers in the analysis have been modified after a sensibility check and any such changes are reported accordingly.

1.1 Introduction

In 1983, Government of Punjab established a separate Directorate of Tourism under the control of Information and Culture Department, through the approval of Finance Department. The Directorate was an attached department with the Government of Punjab. Subsequently, Government of Punjab deemed it prudent to replace it with an independent corporate body for the better development and implementation of tourism programs.

On December 10, 1986, TDCP was incorporated as a public limited company under the Companies Ordinance, 1984, sponsored by the Government of Punjab. The company has the following vision and mission statements:

Vision

"To make travel and tourism flow through our economy as an economic driver for future in Punjab/Pakistan, with an image building of the country as an ideal/peaceful tourist destination."

Mission

"To develop and promote tourism industry in Pakistan in general and Punjab in particular, in collaboration with the private sector to act as a catalyst, facilitator and promoter of tourist assets and services."

The primary objectives of TDCP as per its memorandum of association are:

- To promote and develop tourism industry in Pakistan and to carry on the business connected therewith in Pakistan or elsewhere.
- To promote and develop tourism industry in Punjab and to carry on the business connected therewith in Punjab or elsewhere.
- To arrange and provide all facilities, incentives, services, assistance, recreation and amusement to tourists.
- To acquire, design, establish, construct and run hotels, restaurants, cafes, rest houses, camping sites, sports fields, skiing run, facilities for water skiing, hunting, lodges, clubs, cinemas, theatres, casinos, amusement parks, aquariums, holiday resorts and places of interest and entertainment for tourists.

- To project and publicize the country's history, cultural art, literature, archaeological monuments and other features of interest and profit to the company.
- To establish travel agency and work as agent for railways, shipping Companies, airlines, waterways, road transport, cinemas, theatres, business houses and organize group tours and to establish branches in Pakistan and abroad.
- To initiate and maintain continuous process of comprehensive development planning with the object of preparing tourism master plan for the province and prepare schemes out the funds received.
- To form, incorporate or promote Companies in Pakistan or elsewhere, with the object of carrying on or expanding or otherwise promoting and assisting the business of the company or other allied business if necessary to manage, control, invest in and assist the said Companies.
- To promote and develop Pakistani dance and art forms and arrange such shows to attract tourists.
- To establish shikar agencies and undertake all activities for the promotion of hunting and fishing such as establish fish hatcheries, fowl breeding farms, animal breeding farms, acquiring and maintaining game sanctuaries and game preserves.
- To receive money on loans upon such terms as the company may approve, and guarantee the obligations and contracts of the customers, suppliers and others.

TDCP works closely with the Tourism Department to take a proactive approach to develop attractive tourism and entertainment attractions in Punjab. TDCP's performance has suffered in the past due to lack of good leadership to manage the organisation and its affairs. It lacked overall guidance and policy to venture into proactive activities ensuring expansion of tourism in Punjab. TDCP does not rely on any external funding from the Finance Department to carry its operations, the only support being provided by the government amounts to Rupees 5 Million to carry out publicity development expense. Another detractor to performance of TDCP in the past has been limited capacity to contract out its facilities to the private sector. For example, Patriata Chair lift historically has been contracted out to the private sector at a contract fee of Rupees 25 Million per annum. Last year, TDCP for the first time managed the facility itself and were able to generate net revenues of Rupees 60 Million after paying all administrative, running and maintenance expenses amounting Rupees 20 Million. The other disadvantage of contracting out facilities is poor maintenance and upkeep of the assets. Again in the case of Patriata inadequate maintenance by the private sector lead to an accident. The financial loss as result of the accident was significant. TDCP's new leadership understands these limitations and are now working on a proactive plan where they envisage establishing quality resorts and creating attractive tourist activity projects to act as revenue generators for the organisation and to implement strongly monitored and well executed public-private partnerships.

2. Accounting & Reporting System & Issues

The accounting system of TDCP is manual and all transactions and supporting records are maintained manually at respective Regional offices and Head office. TDCP currently maintains Cash / bank / journal vouchers, Cash book, Fixed asset register, Party / employee wise advances, Site wise expenses, Monthly resort wise income and expenditure statement, General ledger at Operations and Finance Departments.

The Finance Department is responsible for the preparation of the consolidated trial balance and financial statements of the Company. In addition to this, it also performs the accounting functions for the administrative affairs like preparation and disbursement of salaries and wages, payment of TA / DA bills, maintenance of bank accounts, recording of government grants and maintenance of personal ledger account of Managing Director, TDCP etc.

The Operation Department compiles the financial data received from all the Regions that include TICs, Resorts, Stopovers, Institute of Tourism and Hotel Management and Transport Section, on monthly basis and prepare journal vouchers there from.

All the revenue and expenditure incurred at all the locations are compiled in a register at the site offices. Monthly statements for these registers are prepared by the Site incharge supported by all invoice and bills respectively. These statements are sent to the Operation Department at head office under the approval of Regional Manager. The accountant in Accounts Section in Operation Department verifies the receipt and payment statements with supporting documents. The statements along with supporting documents are submitted to General Manager, Operations for authorization. These statements, after the authorization of General Manager, Operation, are forwarded to the Managing Director, TDCP for final approval.

Managing Director has the discretion that before his final approval he may ask the Internal Audit Manager to verify the statement received from a particular location. The Internal Audit Manager verifies the statement and adds his comments in the noting sheets attached to the files. The Managing Director after consideration of comments of Internal Audit Manager approves the statements for further processing.

The statements are moved back to Accounts Section in Operation Department where accountant prepares the journal voucher to record all the transaction of a location based on the figures in approved statements for each month. These vouchers are approved by the General Manager, Operation. These vouchers are then posted in the general ledger and subsidiary ledger maintained for recording site wise expenditure during the period by the Operation Department.

The Accounts Section of Operation Department prepares the trial balance at the end of financial year and submits to the Finance Department for preparation of consolidated trial balance for each period. The accounts are then audited by independent auditors. Riaz Ahmad & Co. are the independent auditors of TDCP. The Ferguson report highlighted some concerns on treatment of some elements in financial accounts. Based on those recommendations TDCP over the last two years have performed several changes in their accounting practices to improve financial prudence. Briefly the changes are provided below:

- Historically there was no continuous budgeting process for the organisation. The finance department now works on a continuous budget process.
- The accounting of TDCP affairs was fragmented and each wing was doing its own accounts. All the procedures have now been centralised.
- TDCP until a few years back had accumulated Rupees 70 million in unsecured advances. This account has now almost cleared with remaining balance only amounting to Rupees 7 to 8 Million.
- AGM's were normally not held for several years, however, the last two AGMs were conducted on time.
- No amortization was being done for government grants in the accounts which resulted in high expenditures in comparison to receipts. This amount was reflected as government's investment on the balance sheet. This element has now been restated and the total grants are now being proportionately amortised by realising it as income for the year in the accounts.
- Due to lose financial controls several payments were being made from the employees GP Fund resultantly increasing the liabilities on the balance sheet and also accruing on interest. This practise has now been stopped and payments are being reimbursed into the GP account to eliminate all liabilities that had been created.

Riaz Ahmad & Co. has conducted the audit of TDCP in accordance with the generally accepted auditing standards and principals. These standards ensure that the auditors plan and perform audit to obtain reasonable assurance that reported statements are free of material misstatements. An audit will also include an assessment of the accounting policies and significant estimates made by the management, as well as, evaluating the overall presentation of the financial statements. The auditors have quantified that the financial statements of TDCP present fairly in all material respects the financial position of the Corporation except the following qualifications:

1. No provision for interest payable, if any, on long term loans has been made in the financial statements as the terms and conditions of these loans remain unsettled. Similarly, no documentary evidence for time of repayment, security and other terms and conditions of these loans was made available. Further, long term loans of Rs. 480.360 Million remain unconfirmed.
2. Lease rentals receivables from resort operators and chairlift operator amounting to Rupees 32.861 million and Rupees 8.339 million respectively are outstanding for long and no provision for doubtful receivables has been made against these balances.

3. Retention money and payables to construction contractors amounting to rupees 2.620 million and rupees 4.764 million respectively remained unconfirmed as on 30 June 2008.
4. The auditors were not physically able to count the cash in hand of rupees 0.815 Million as on 30 June 2008.
5. Interest on loan amounting to rupees 6.834 million is payable to provident fund trust, which is in contravention of section 227 of companies ordinance, 1984.
6. Building on freehold hand includes infrastructure having book value of rupees 14.870 Million which is not in the possession of the company.

3. Limitation of Financial Analysis

The financial analysis of an entity is normally conducted to establish understanding about the profitability, sustainability and the financial stability. The financial numbers only reflect the commercial angle and sense of an entity. TDCP like other PSOs has a nature that is very different to a normal commercial organisation and hence the analysis provided must be read in light of this spectrum.

TDCP has been designed to perform several roles and activities on behalf of the government of Punjab. Its main line of activity is promotion of tourism, provision of tourism activities and to provide feedback and policy input to develop the tourism sector. TDCP is designed as a corporation to have functional and financial autonomy. However, the board of directors and the managing directly are predominantly from the public sector. The corporation have developed service rules, however, due to lack of adequate planning have failed to recruit quality human resource required to run the run the organisation efficiently. This argument was very strongly made in the Ferguson's report. It must be taken into account that several activities conducted by TDCP are a part of the overall government agenda and TDCP has little say whether to execute these initiatives or not.

Furthermore, over a short time period no Tourism company of the scale and mandate of TDCP can be extremely profitable due to high level of investments required. Over the years government has only provided financing for significant venture of TDCP, namely the Patrita chair lift. The facility is extremely profitable, in fact the revenues generated at Patrita are sufficient to cover the expenses of TDCP. Governmnet has not yet made any other significant investment to build the revenue generation capacity of TDCP. The basic business model of tourism will only be successful if better quality and more attractive entertainment activities are developed. The failure of government in investing in such activities has resulted in TDCP being highly dependent on one revenue generator.

In addition to the above discussion it must also be kept in mind that TDCP is an execution arm of government policy on tourism. TDCP over time has to provide services and activities that are in line with the government's development policy but are not necessarily financially feasible activities. TDCP is also an entity through which the government can encourage public-private partnerships to generate investment in tourism infrastructure and also to upgrade the national tourist assets. TDCP also has a role in maintaining the tourism assets of Punjab, acting as an information provider or tourism cites and assets and also a developer of opportunities for the private sector. All these factors carry a significant amount of economic benefit and must be considered whilst judging the financial performance of TDCP. The scope of the analysis provided below only signifies the past commercial performance of TDCP based on the resources that the government has employed. The financial analysis only portray the historic performance looking at the viability of existing affairs of TDCP and it by no means questions the economic and development utility of TDCP

To conclude this section it is reiterated that TDCP is not set up with a notion of profit maximisation only, hence there will always be activities that will drain resources. The understanding should be whether the government is getting adequate economic benefit in return. This economic analysis is beyond the scope of this report, however, to set the tone a SWOT analysis has been provided at **ANNEX B**.

4. Financial Highlights

This section provides the Income Statement, Balance Sheet and Asset Information on TDCP over the last five years. This information is represented and deduced by re-developing the TDCP's original financial statements in a more user friendly format.

4.1 Income Statement of TDCP

Figures in Pak Rs.	2003-04	2004-05	2005-06	2006-07	2007-08
Income from Activities	67,312,351.00	69,603,059.00	44,936,717.00	120,255,407.00	122,904,741.00
Other income	1,797,321.00	10,289,927.00	15,878,162.00	42,748,079.00	30,154,640.00
Total revenue	**69,109,672.00**	**79,892,986.00**	**60,814,879.00**	**163,003,486.00**	**153,059,381.00**
Direct Expenses	33,255,190.00	41,998,989.00	54,419,743.00	83,697,297.00	74,529,214.00
Publicity & Propotional Expences	6,178,641.00	11,105,860.00	14,528,189.00	15,011,637.00	19,139,959.00
Total Direct Cost	**39,433,831.00**	**53,104,849.00**	**68,947,932.00**	**98,708,934.00**	**93,669,173.00**
Gross Profit	**27,878,520.00**	**16,498,210.00**	**(24,011,215.00)**	**21,546,473.00**	**29,235,568.00**
Pay & Allowances	10,509,987.00	9,428,561.00	11,754,180.00	15,174,626.00	21,994,947.00
Depreciation	236,488.00	234,459.00	447,209.00	449,722.00	629,334.00
Amortization	1,406,763.00	1,406,763.00	1,406,763.00	1,406,763.00	-
Administration	4,497,720.00	4,053,134.00	3,627,897.00	4,020,687.00	4,191,588.00
Direct expense of School Tourism	5,497,560.00	5,125,232.00	5,760,360.00	6,402,258.00	7,484,105.00
Other Operating Expenses	-	-	2,305,754.00	5,545,431.00	17,292,953.00
Financial Charges	27,197.00	2,185,623.00	50,949.00	1,101,056.00	655,068.00
Taxation	343,676.00	367,000.00	224,684.00	2,204,689.00	(989,066.00)
Total Expenditure	**22,519,391.00**	**22,800,772.00**	**25,577,796.00**	**36,305,232.00**	**51,258,929.00**
Net Profit	**7,156,450.00**	**3,987,365.00**	**(33,710,849.00)**	**27,989,320.00**	**8,131,279.00**

Looking at the general trend over the last five years the three main heads of revenue, direct costs and administrative expenditure all have shown significant growth. The revenue has increased by 122%, direct costs by 137% and administrative expense by 127%. This increased activity is a direct result of recent changes being brought to operational efficiency at TDCP. The only dip in the profits occurred in 2005-06 due to an accident at Patriata Chair Lift facility which resulted in a closure of the facility for that year. The revenues have shown remarkable change in the last two years. The main driver behind this revenue growth is TDCP taking on self management of the Patriata Chair Lift. The sources of other income generated on financial assets and any other claim. The income from other sources was exceptionally high in 2007 and 2008. The reason for such large numbers was a grant of Rs. 33,203,966 for compensation of damage to patriata chairlift in 2007 and recoveries from Messers Redco Pakistan an old lessee of Patriata chairlift amounting to Rs. 21,177,370. Hence, it is expected that the amount of other income will come down to its normal levels in 2009 if no further claims are outstanding or settled.

On the expenditure side the size of no single entry is alarmingly high. The two main highlights are a sudden increase in the operating cost in the last year where it jumped by almost Rs. 12 Million. This increase in other operating expense is attributable to Rs 10 Million provisions made against the doubtful receivables and a feasibility study conducted for installation of chairlift car system at Fort Monro at a cost of Rs. 6.4 million. It is expected that this cost figure will fall back to its more normal value in 2009 and will positively impact profitability. The second element is the cost allocation of school tourism as part of general administrative expense. Except for depreciation 50% of all direct expenses of school tourism services are allocated to administrative and general expenses as tourist centres are located at different places across Punjab. This is done for a better cost prudence point of view. The employee cost has stayed at around 45% of the overall administrative expense, however, in absolute terms have grown by around 100% over the five year period.

As evidenced above apart from one critical year, TDCP has been generating positive profits over the last four years. The level of profits have been quite variable signifying that the organisation is reorganising itself to improve its efficiency and revenue generation capacity. This effort is visible for marked improvement in sales of the last two years.

4.2 Balance Sheet of TDCP

Figures in Pak Rs.	2003-04	2004-05	2005-06	2006-07	2007-08
Current Assets:					
Lease rentals receivable	40,895,348.00	41,889,682.00	41,864,682.00	41,889,682.00	41,200,547.00
Advances-unsecured	14,125,002.00	17,953,610.00	16,295,865.00	8,256,154.00	2,117,265.00
Deposits and ST recievables	20,549,236.00	19,507,333.00	1,685,159.00	681,787.00	1,264,580.00
Current portion of non-current	21,326,842.00	15,407,858.00	31,981,538.00	-	-
Cash & Bank	52,151,454.00	76,758,629.00	59,594,135.00	101,487,697.00	101,547,038.00
Short-term Investments	-	-	-	59,581,538.00	61,076,538.00
Interest Accrued	-	-	383,170.00	2,467,398.00	2,515,743.00
Other receivables	-	-	7,511,192.00	4,339,275.00	4,741,175.00
Total Current Assets	**149,047,882.00**	**171,517,112.00**	**159,315,741.00**	**218,703,531.00**	**214,462,886.00**
Long Term Assets:					
Fixed assets	113,092,325.00	108,626,655.00	129,390,812.00	130,470,593.00	140,519,341.00
Long term investments	25,066,641.00	16,773,680.00	200,000.00	-	-
Long term receivables	4,753,192.00	4,753,192.00	4,753,192.00	4,753,192.00	-
Deferred Costs	4,220,290.00	2,813,527.00	1,406,764.00	-	-
Long term deposits	484,419.00	534,419.00	534,419.00	573,459.00	1,889,220.00
Total LT Assets	**147,616,867.00**	**133,501,473.00**	**136,285,187.00**	**135,797,244.00**	**142,408,561.00**
Total Assets	**296,664,749.00**	**305,018,585.00**	**295,600,928.00**	**354,500,775.00**	**356,871,447.00**
Current Liabilities:					
Security Deposits	12,638,720.00	12,591,580.00	12,586,080.00	12,790,077.00	13,208,538.00
Accrued & Other Liabilities	36,756,745.00	33,613,148.00	14,177,460.00	15,243,020.00	16,255,571.00
Provision for taxationa	873,880.00	971,608.00	581,397.00	2,653,595.00	1,341,002.00
Interest Accrued on Privident Fund	-	-	5,192,555.00	6,217,994.00	6,833,947.00
Total C. Liabilities	**50,269,345.00**	**47,176,336.00**	**32,537,492.00**	**36,904,686.00**	**37,639,058.00**
Long Term Liabilities					
Long-Term Loans	455,559,841.00	455,559,841.00	480,559,841.00	480,359,841.00	480,359,841.00
Deferred Credit	1,497,600.00	1,198,080.00	6,391,116.00	106,036,343.00	99,541,364.00
Total LT Liabilities	**457,057,441.00**	**456,757,921.00**	**486,950,957.00**	**586,396,184.00**	**579,901,205.00**
Total Liabilities	**507,326,786.00**	**503,934,257.00**	**519,488,449.00**	**623,300,870.00**	**617,540,263.00**
Net Assets	**(210,662,037.00)**	**(198,915,672.00)**	**(223,887,521.00)**	**(268,800,095.00)**	**(260,668,816.00)**
Financed By:					
Paid up Share Capital	150,000.00	150,000.00	150,000.00	150,000.00	150,000.00
Grant from GoPB	146,080,427.00	153,839,427.00	162,578,427.00	-	-
Retained Earnings/losses	(356,892,464.00)	(352,905,099.00)	(386,615,948.00)	(268,950,095.00)	(260,818,816.00)
Total Equity	**(210,662,037.00)**	**(198,915,672.00)**	**(223,887,521.00)**	**(268,800,095.00)**	**(260,668,816.00)**

The company is registered with the Authorized Share Capital of Rs. 10 million. The Issued, Subscribed and Paid up Share Capital of the company is Rs. 0.15 million i.e. fifteen thousand shares of ten rupees each.

An analysis of accumulated loss shows that the company has suffered heavy operational losses in the past years but in recent years it has started to yield profits. As a result, the retained earnings have improved by around Rs. 100 Million starting at value of negative Rs. 356,892,464 in 2004 rising to negative Rs. 260,818,816. At this rate it will take around 13 years to neutralise the negative retained earnings. In 2006, losses are incurred because Partita chairlift was not operational for most of the year.

The company classified the grants received from the Government of Punjab as Government grants and disclosed these as part of the equity until 2006. However, since 2006 due to change in accounting policy these grants are now being amortised and realised as part of total income. This has also been a factor behind increased revenues in 2007 and 2008. The new grants from government in 2008 totalled Rs. 5.8 Million which were given for publicity & promotion and capital fixed assets.

Long-term loans show a balance of Rs. 480,359,841 which represents the assistance obtained from the Government of Punjab for specific purpose and is classified as loan. The cumulative balance as at June 30 2008 is as follows:

Long Term Loans	**30-Jun-08**
Obtained from GoPB for:	
Purchase of Vehicle	2,500,000.00
Publicity & promotion	182,936,000.00
Development schemes	30,000,000.00
Uncovered supplementary releases	109,523,841.00
Sheraton Towers Shops	24,800,000.00
Deptt. Of Forest	600,000.00
Patriata Chair Lift	130,000,000.00
Total	**480,359,841.00**

It is recommended that Balance Sheet may be restructured as the above amount should be represented as government's equity instead of long term loans. No interest is being charged on this long term loan amount.

Deferred credit represents the grant received from the Government of Punjab for the purchase of operating fixed assets and is being amortized over the useful lives of the respective assets purchased out of these funds.

Over the balance sheet shows reasonable amount of short term liquidity however the solvency position is inadequate for TDCP mainly due to significant long terms liabilities accumulated as above. The current assets include short term investments amounting to Rs. 61 Million. These represent term deposits with a commercial bank having maturity period of six months and carry interest rate of 11% per annum. The cash position stays reasonably strong with yearend cash amounting Rs. 101 Million. The cash flows are discussed below.

4.3 Fixed Asset Statement of TDCP as at 30 June 2008

Asset	Cost Value as 30 June 2008	Accumulated Depreciation	Book Value as 30 June 2008
Land-freehold	7,132,500.00	-	7,132,500.00
Building	182,754,078.00	97,404,622.00	85,349,456.00
Plant & machinery	151,433,864.00	113,871,644.00	37,562,220.00
Furniture & Fittings	5,023,018.00	4,336,957.00	686,061.00
Office Equipment	10,394,285.00	5,020,419.00	5,373,866.00
Other Equipment	845,850.00	534,317.00	311,533.00
Photographic equipment	66,700.00	66,700.00	-
Vehicles	9,376,243.00	5,272,538.00	4,103,705.00
Boats	4,045,737.00	4,045,737.00	-
Linen/Crockery & Cutlery	219,217.00	219,217.00	-
Total Assets	**371,291,492.00**	**230,772,151.00**	**140,519,341.00**

The assets schedule show that plant & machinery, building and office equipment under use by TDCP has utilised over 60% of its useful life. Other assets such as boats, photographic equipment and linen and crockery have fully depreciated. The freehold value of land increased in 2007. The Ferguson report noted that the company has not accounted for the lands purchased at Kallar Kahar and Fort Monroe in the financial statements of the company as at 2006. The increase in 2007 may have been a result of a correction of this observation.

Moreover, the Ferguson report commented that TDCP does not maintain a proper fixed asset register as required by section 230 of the Companies Ordinance, 1984. Accounting Technical Release 6 (TR-6) issued by The Institute of Chartered Accountants of Pakistan recommends that an adequate itemized record of fixed assets should be maintained which at minimum must indicate the description, cost, date of acquisition, classification, location, rate of depreciation, accumulated depreciation, depreciation charge for the period, cost centre to which depreciation is charged etc. Currently, it is not possible to locate individual assets of the company which may lead to misappropriation of assets.

It is strongly recommended that the condition of 'tourist' assets be reviewed for their quality, reliability and safety and the government should make investments to upgrade required assets. The accounts show that no major investments have been made to enhance revenue generation capacity of TDCP.

4.4 Cash Flow Analysis as 30 June 2008

The cash flows of the company can be segregated into three categories as follows:

Operating activities are the principal revenue-producing activities of the entity and other activities that are not investing or financing activities. These activities include cash flows generated from resorts, entertainment projects, tour operations and educational facility.

Investing activities include cash flows generated from receipt of long term receivables, long term deposits, acquisition and disposal of operating fixed assets and investments including the interest thereon.

Financing activities include cash flows generated due to government grants etc.

	2003-04	2004-05	2005-06	2006-07	2007-08
Net Cash Flow From					
Operating Activities	(3,379,696)	1,202,937	(29,318,735)	(26,231,318)	NA
Investing Activities	8,850,712	15,645,238	(21,585,256)	27,596,934	NA
Financing Activities	5,200,000	7,759,000	33,739,000	52,386,268	NA
Net Increase/Dec	**10,671,016**	**24,607,175**	**(17,164,991)**	**53,751,884**	**NA**

Note: The 2008 cash flow statement was not attached in the financial statements

The cash flow from activities has generally been positive except for 2005-06 because the Patriata Chairlift facility remained closed during the peak season as a result of an accident. As a result, in year 2006, the company initiated heavy repairs and maintenance program and purchased equipment amounting to Rs. 22.26 Million. Such heavy purchases were financed through the government grants of Rs. 25 million increasing the cash flow from financing activities. In 2007, the cash flow from operating activities was negative due to short term investments worth Rs. 59.6 million made by TDCP.

4.5 Analysis of Income

The table below provides a breakup-analysis of the main revenue generators of TDCP.

Source	2003-04	2004-05	2005-06	2006-07	2007-08
Chairlift	43,300,000.00	42,084,172.00	13,780,027.00	69,778,042.00	70,828,319.00
Transport/School Tourism	1,742,978.00	240,128.00	303,599.00	489,150.00	439,691.00
City tours	647,152.00	784,956.00	868,932.00	720,189.00	781,400.00
Adevnture express	9,779,277.00	9,701,367.00	7,832,586.00	8,948,475.00	5,983,699.00
Rest house & resorts	5,570,534.00	8,714,639.00	14,145,798.00	16,052,252.00	16,171,042.00
Recreation facilities	272,010.00	238,840.00	339,360.00	437,610.00	527,970.00
ITHM	6,000,400.00	5,518,957.00	4,867,657.00	7,240,764.00	6,064,255.00
Deser Jeep Rally		2,320,000.00	2,798,758.00	2,300,000.00	2,880,000.00
Amortisation of Govt. Grants				14,288,925.00	19,228,365.00
Total	67,312,351.00	69,603,059.00	44,936,717.00	120,255,407.00	122,904,741.00

It is clear that the current revenues of TDCP are highly dependent on the revenues generated by Patriata which represents around 60% of the income earned. However, if the ignore the amortisation income a simple sensitivity analysis suggests that a 1% change in Patriata revenues will result in 0.7% change in the overall revenues translating into an almost 9% fall in profits (based on 2008 numbers).

It is strongly recommended that government should make investments in TDCP to create more facilities like Patriata which are real cash generators. There is a strong need to diversify TDCP's revenue base to reduce sensitivity and reliance on Patriata.

5. Financial Analysis

5.1 Key Financial Numbers for TDCP

The table below shows the key facts and figures of TDCP taken from financial statements.

Figures in Pak Rs.	2003-04	2004-05	2005-06	2006-07	2007-08
Sales	67,312,351	69,603,059	44,936,717	120,255,407	122,904,741
Other Income	1,797,321	10,289,927	15,878,162	42,748,079	30,154,640
Cost of Sales	39,433,831	53,104,849	68,947,932	98,708,934	93,669,173
Gross Profit	27,878,520	16,498,210	(24,011,215)	21,546,473	29,235,568
Salary Costs	10,509,987	9,428,561	11,754,180	15,174,626	21,994,947
Running Costs	11,638,531	10,819,588	13,547,983	17,824,861	29,597,980
Financial Charges	27,197	2,185,623	50,949	1,101,056	655,068
Taxation	343,676	367,000	224,684	2,204,689	(989,066)
Net Profit	7,156,450	3,987,365	(33,710,849)	27,989,320	8,131,279
Growth in Income	0%	3.40%	-35.44%	167.61%	2.20%
Growth in Estimated Cost	0%	22.61%	24.84%	40.84%	9.87%
Differece	0%	-19%	-60%	127%	-8%
PV of Income Stream					**850,024,550**
PV of Cost (less taxes)					**816,281,370**
NPV as going concern					**33,743,180**
Total Equity	(210,662,037)	(198,915,672)	(223,887,521)	(268,800,095)	(260,668,816)
Total Assets	296,664,749	305,018,585	295,600,928	354,500,775	356,871,447
Total Liabilities	507,326,786	503,934,257	519,488,449	623,300,870	617,540,263

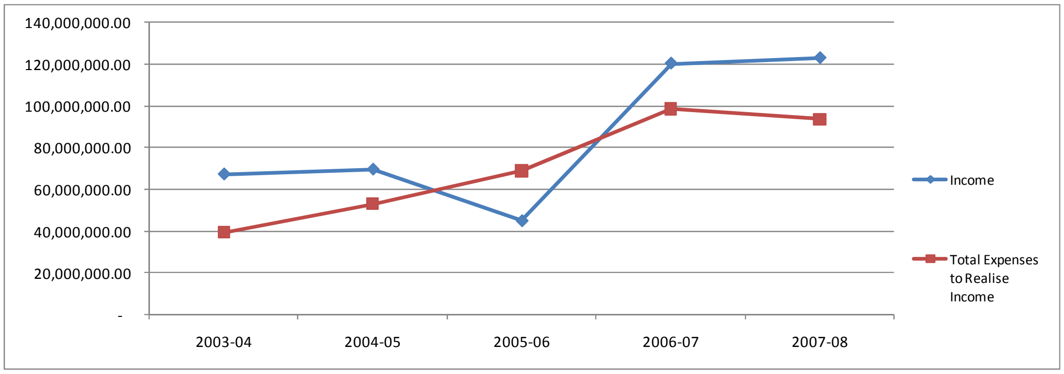
Note: PV of Estimated Sales and Cost is calculated on growth perpetuity basis

Above figures have been summarised from the financial accounts provided and prepared by TDCP and as audited by the auditors. As evidenced above the performance has remarkably improved in the last two years. The key reasons behind this extraordinary increase are; (i) additional revenue generated by Patriata Chairlift due to self management by TDCP; (ii) Amortisation of government grant and (iii) damages claims for Patriata as part of other income. The current revenue generation capacity of TDCP is seen to be sufficient to produce enough income to cover the direct expenses, maintain its existing assets and cover its administrative expense. However, the profitability is extremely sensitive to revenues realised by Patriata. Based on the past figures above it is estimated that a 1% dip in Patriata revenues will cause the profits to dip by around 9%. The growth in revenues and costs have been significantly variable as shown above, however, this has been due to reorganisation activities, Patriata accident and change in accounting policies. Based on total cost estimates and growth in sales present value of sales and costs have been calculated by assuming a capital discount rate of 15% and average growth in flows. Based on these calculations the net present value of as going concern comes to around plus Rs. 33.7 Million. However, it must be noted that growth figures are extremely variable over the last 5 years and normally a longer set of data will be required to find a better NPV using cash flow discounting.

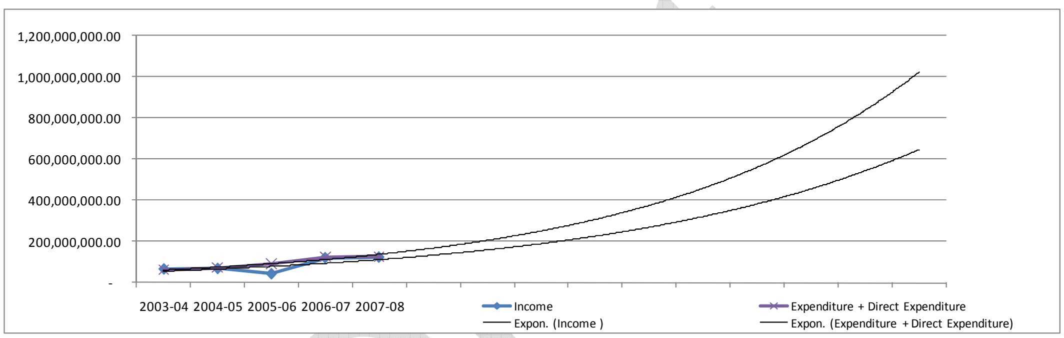
The total assets are less than total liabilities but this is due to a Rs. 480 Million government loan outstanding on the balance sheet. This is a non-interest bearing loan and as discussed above should be re-classified as government equity to improve the solvency position of TDCP.

The charts provided below cover a graphic view of some key indicators for TDCP.

1. Trend of Income and Direct Expenses



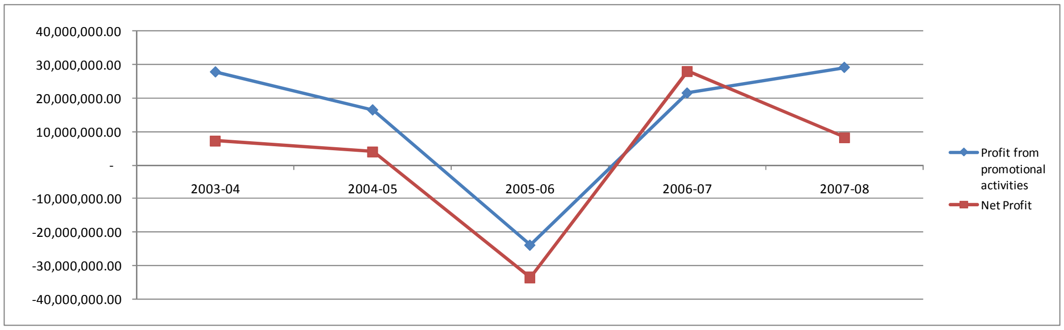
2. Exponential Trend Projection over 10 Years



The gross margins have been variable over the last few years with one year in between having negative gross margins. This was a direct consequence of the reduced income from Patriata chair lift. In looking at this trend one must keep in mind that TDCP also plays the role of providing tourism services on behalf of the provincial government and also assist as an executing arm of the government. Hence profit maximising may not be the only concern.

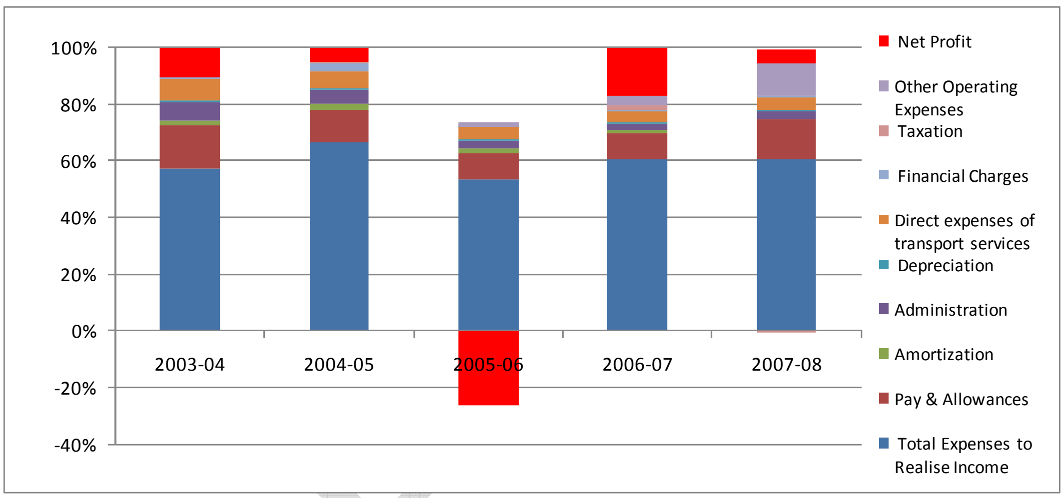
Using existing growth rates and assuming exponential trending chart 2 above predicts the difference between sales and cost of sales over a ten year period. Assuming that businesses follow past course and there are no major deterrents or improvements the gross margin over 10 year is expected to increase significantly.

3. Trend of Gross Profit and Net Profit



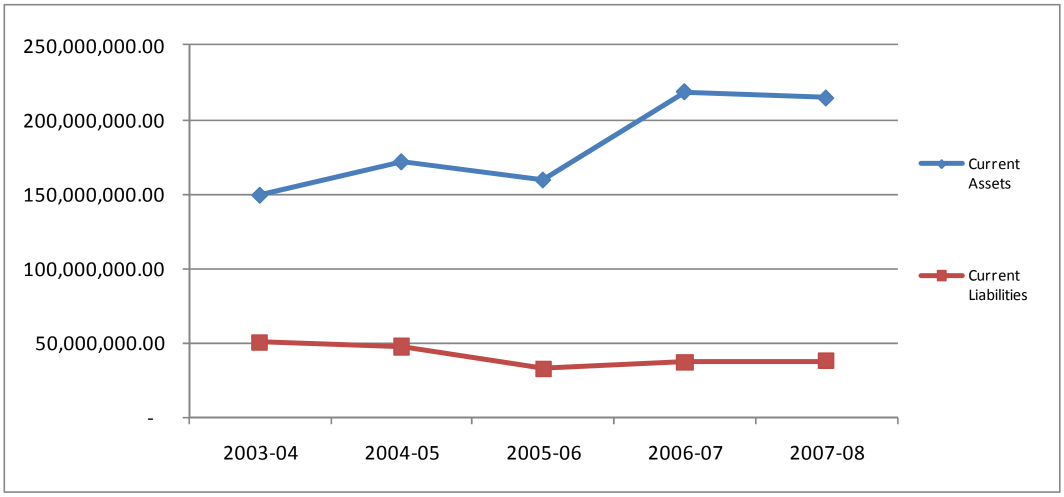
The patterns above suggest that the TDCP has been able to keep a strong discipline on its administration expenditure. In 2006-07 the net profit was higher than the gross profit as income from other sources was exceptionally high. This income was predominantly from compensations received for Patriata.

4. Percentage Split of Revenue



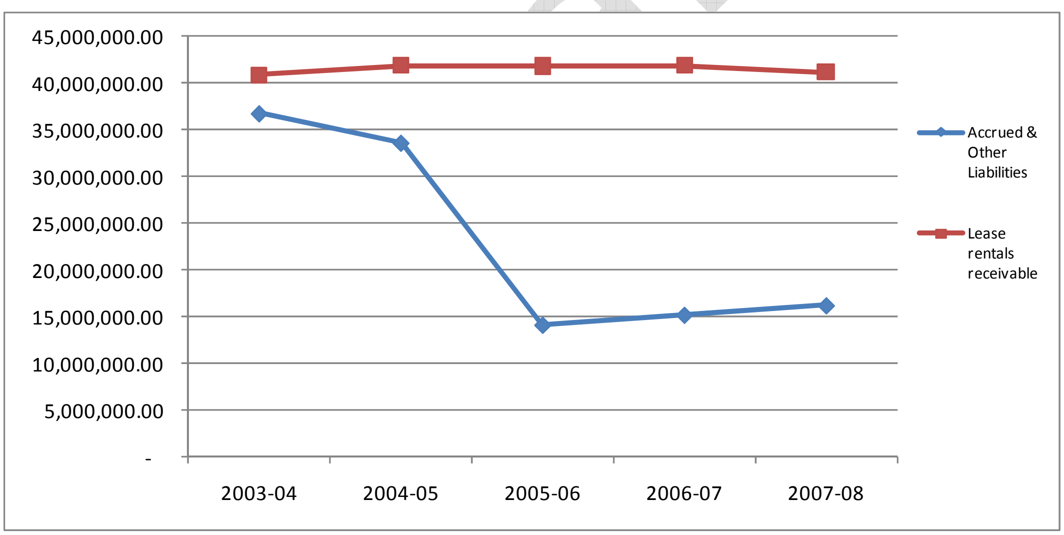
Direct expenses account for around 60% of the usage of sales, other large item is the total employee expense. The other operating expenses increased significantly in the last year eating up a significant portion of the profit. This high value was a result of provisions made against the doubtful receivable, loans and advances. 50% of the direct expenses for school tourism have been allocated to administrative and general expenses because tourist information centres are located at different places across Punjab. Over all the split of expenses is reasonable with no alarming figures and once the doubtful receivables are written off the profitability is expected to come back to its normal level.

5. Current Assets to Current Liabilities



The current assets of TDCP are comfortably higher than its current liabilities ensuring adequate short term liquidity and solvency for TDCP. However, the current liabilities are pretty stagnant over the period. The key reason for this has been some stationary balances including interest accrued on provident fund, security deposits held, contractor payments etc.

6. Trade Payables to Receivables

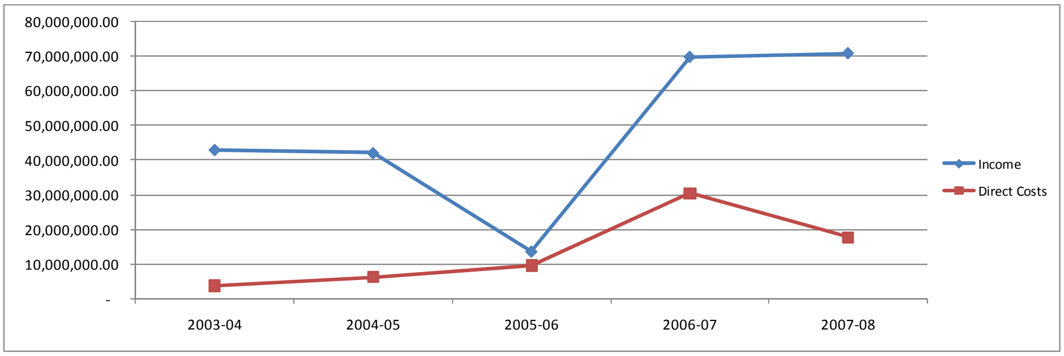


The trade receivables are comfortably covering the trade payables accrued over time. However, whereas TDCP has made payments to reduce their outstanding short term creditors they have failed to recover any significant amount back from their trade debtors comprising mainly of outstanding lease payments. The financial statements of 2008 show that TDCP has started to write off these doubtful receivables. This will affect profitability until the whole amount of doubtful receivables is written off.

5.2 Key Facts on Patriata

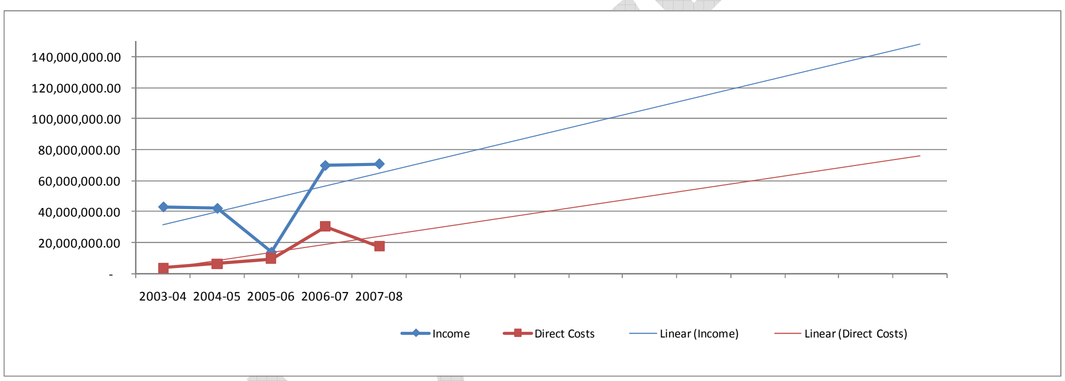
The trends shown in the section below provide key financial numbers of the Patriata Chait Lift.

1. Income to Direct Costs



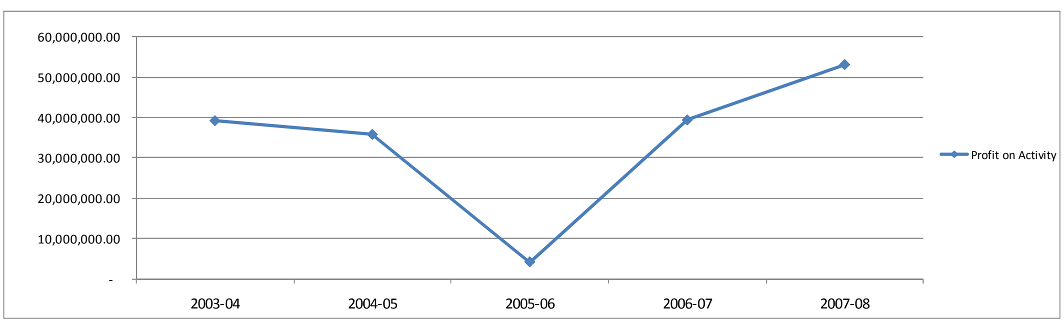
After the accident in 2005-06 TDCP took over the management of the Patriata facility from the private contractor. 2005-06 marks the pivotal shift of management. It is clear the self management by TDCP on average has increased gross margins by around Rs. 20 Million. The gross margin of Patriata in 2008 amounted to just over Rs. 60 million which is much greater than the running expense of TDCP.

2. Exponential Projection over 10 Years



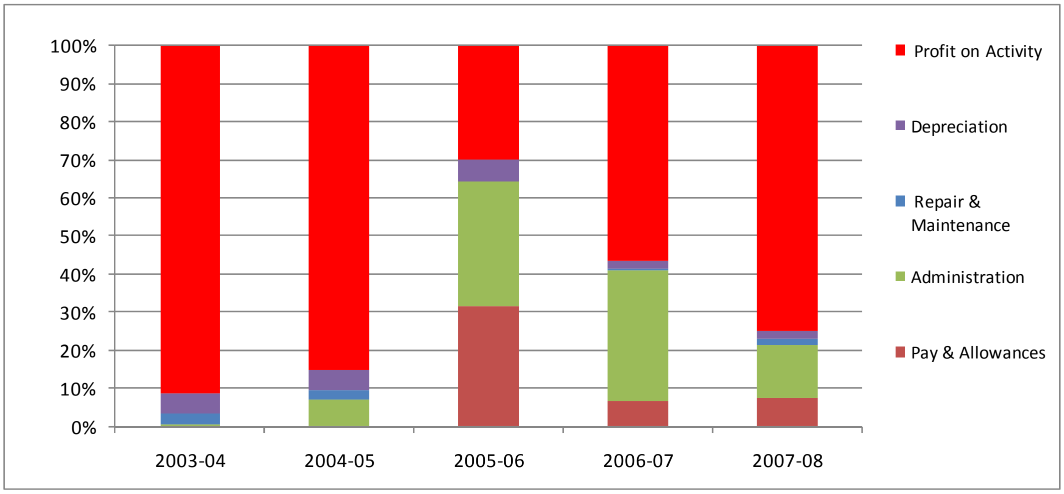
The projections show that Patria is extremely profitable venture and key driver of profitability for TDCP.

3. Net Profit



The dip in profitability was due to the accident in 2005-06.

4. Percentage Split of Revenue

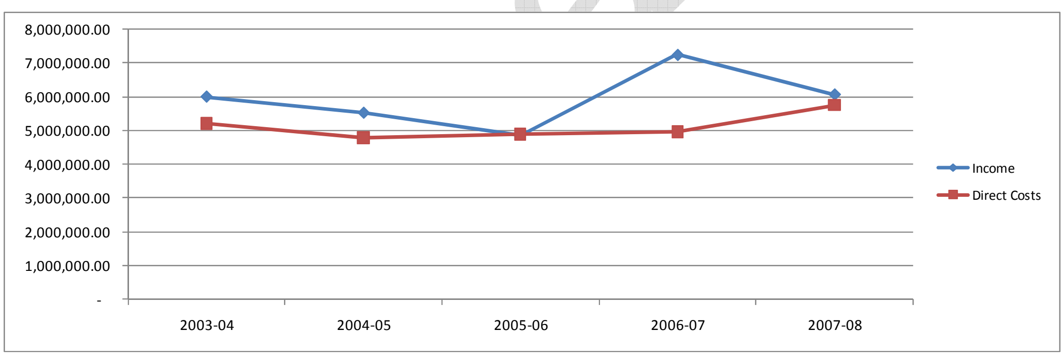


The self management of Patriata by TDCP has increased expense and reduced percentage profit share; however, the absolute amount of profit is significantly higher now as compared to when TDCP had contracted out Patrita services.

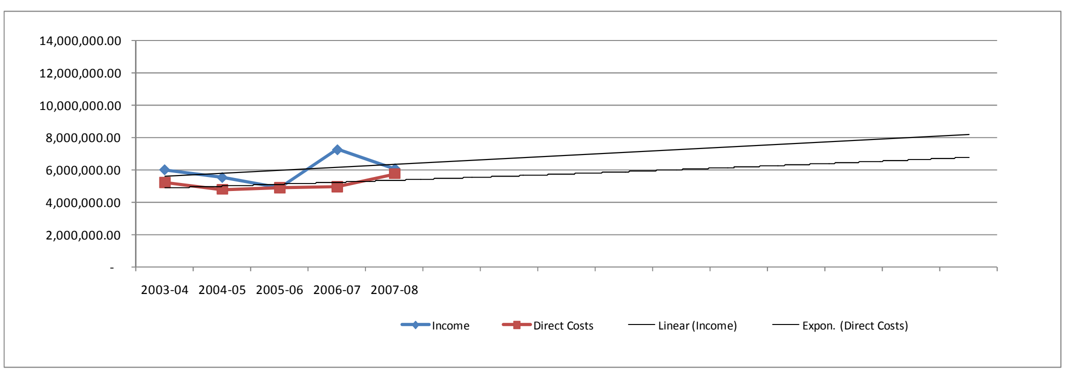
5.3 Key Facts of ITHM

The trends shown in the section below provide key financial numbers of the ITHM.

1. Sales to Cost of Goods Sold

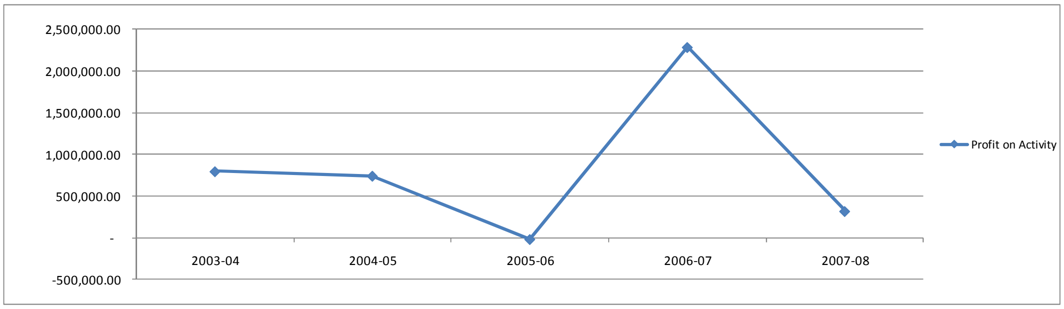


2. Exponential Projection over 10 Years



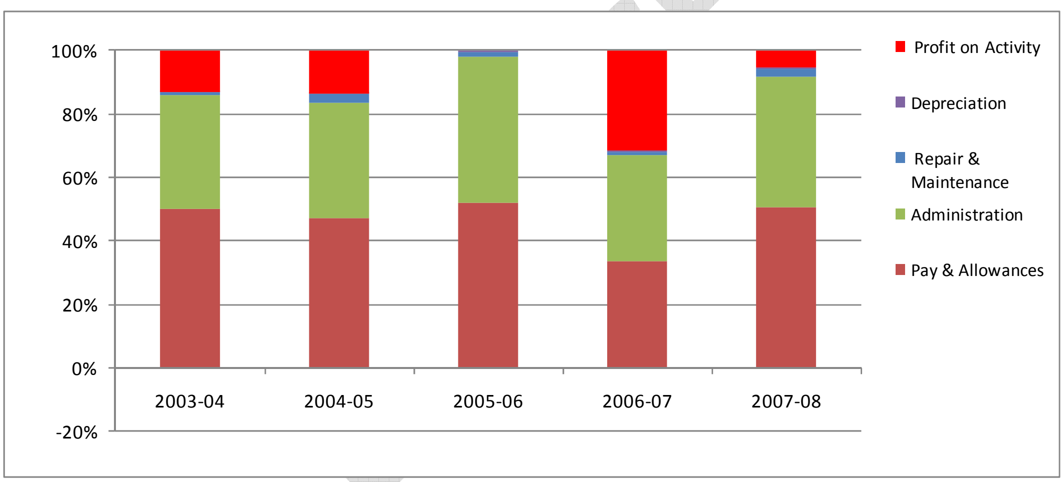
The trends show that ITHM's income is only marginally its expenses so grass margins over the last five years roughly equals to zero. However, what is more important is the stagnancy in revenues over the last five years. The revenue of ITHM was Rs. 6 Million in 2003-04 and was still at that level in 2008. This indicates that ITHM may have lost volume of work over the period as one would expect rising prices to capture some increment. This element of income for TDCP cannot be considered a significant activity or profitability driver.

3. Net Profit



The met profit figure shows that ITHM is able to cover its cost but net profitability is insignificant in terms of the overall scale of TDCP.

4. Analysis of Expenditure

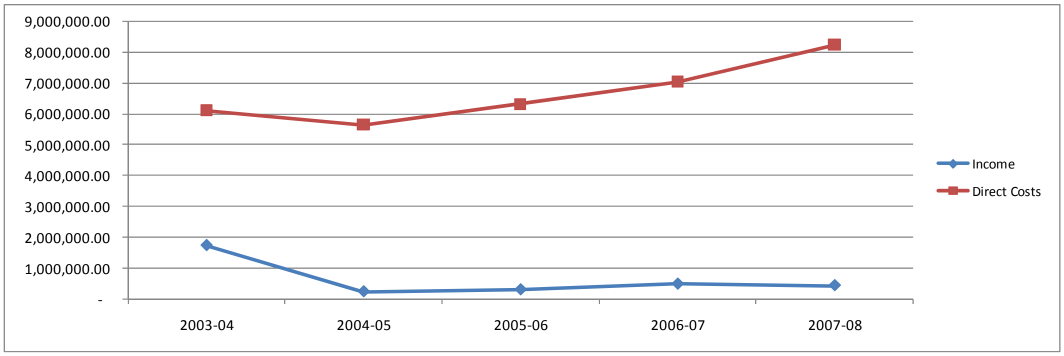


The expenditure analysis show that employee related and general administration are the major expense drivers for ITHM.

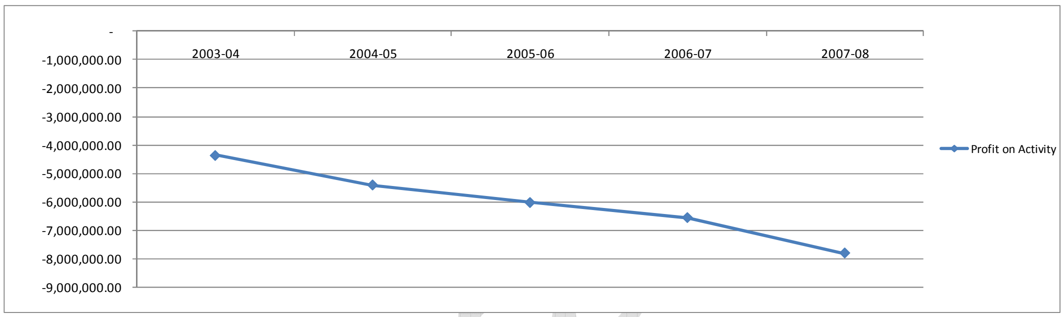
5.4 Key Facts of School & Transport Service

The trends shown in the section below provide key financial numbers of School Tourism and Transport services provided by TDCP. Until 2006 TDCP classified the activity as transport services, however, since 2007 it is being classified as School Tourism.

1. Sales to Cost of Goods Sold

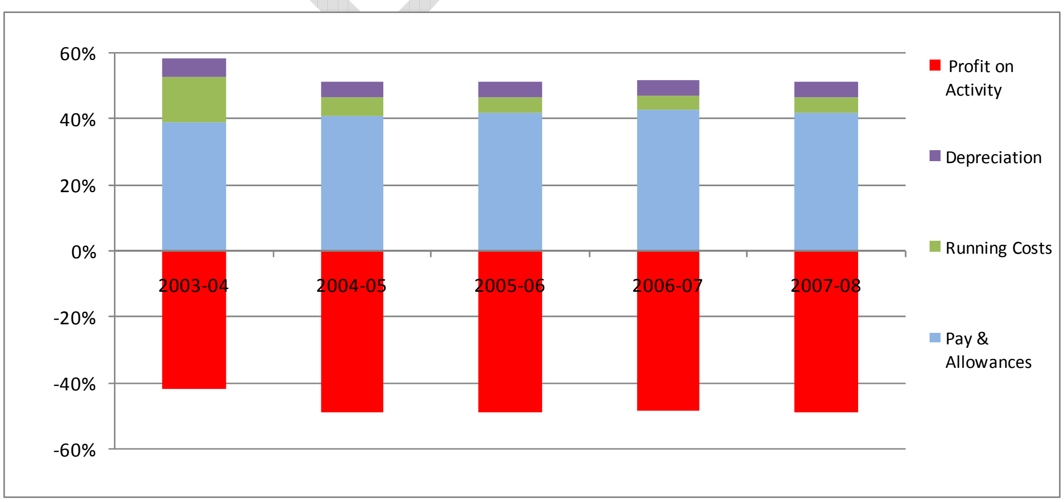


2. Net Profit



This element of TDCP is extremely non-viable and requires continuous cross subsidising from other more profitable activities of TDCP. These loses will be further augmented if the 50% of the expenditure on transport is reflected under this head instead of the overall general administration expense of TDCP.

4. Analysis of Expenditure

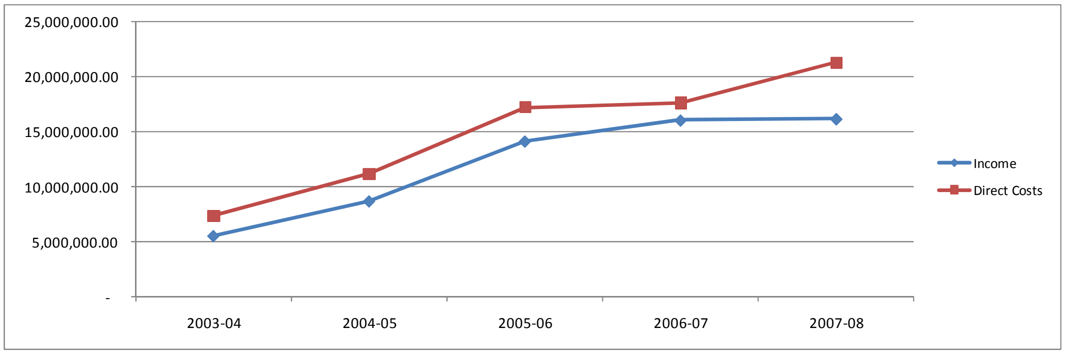


The major expense item is the employee related expense which is significantly higher than the incomes raised from the activity.

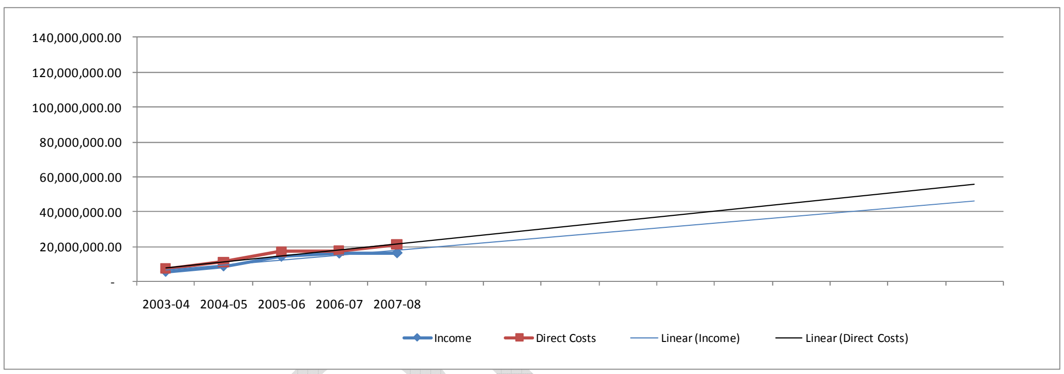
5.5 Key Facts of Rest Houses

The trends shown in the section below provide key financial numbers of TDCO owned rest houses.

1. Sales to Cost of Goods Sold

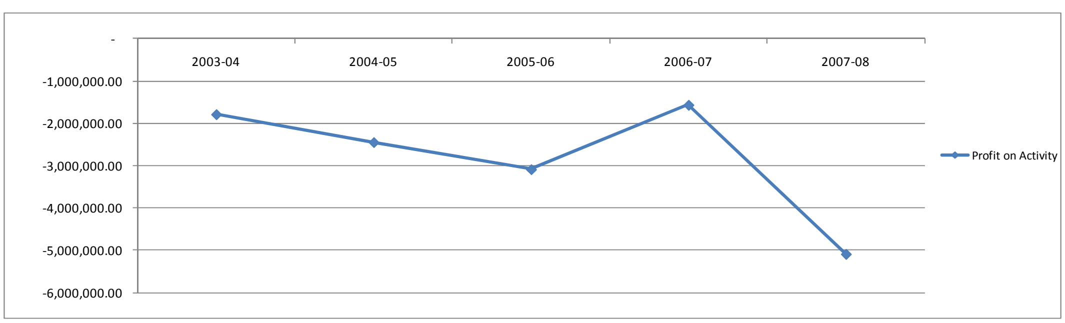


2. Exponential Projection over 10 Years

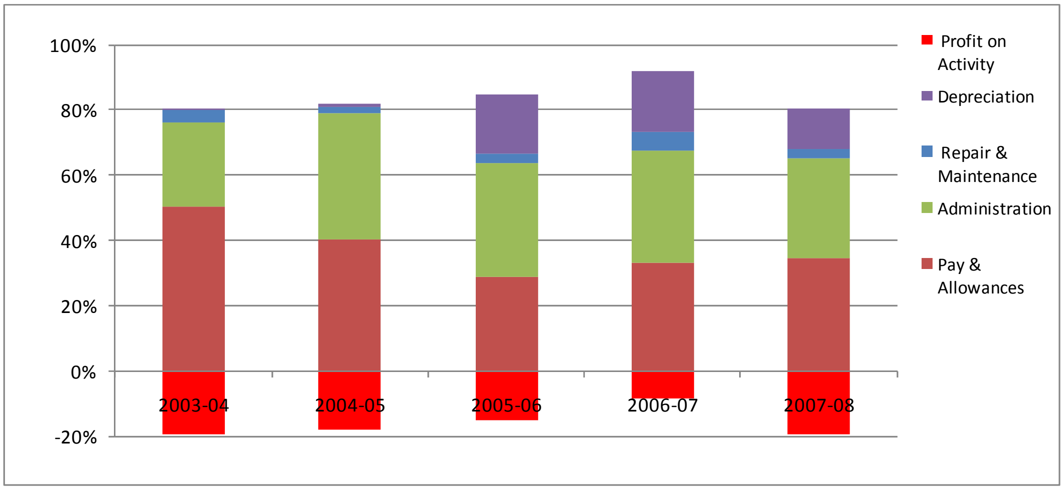


Over the entire period covered the cost of running TDCP rest houses has been consistently higher than the income earned. Furthermore, as shown in the chart below these loses have consistently increased with loses reaching just over Rs. 5 million in 2008.

3. Gross to Net Profit



4. Analysis of Expenditure



Employee related expense and general administration expense are the key users of earned income. The depreciation charge has also increased in the last three years further lowering the profitability.

5.6 Analysis of Financial Numbers

1. Summary of Key Ratios

Ratio	Formula used	2003-04	2004-05	2005-06	2006-07	2007-08
Profitability						
Gross Profit Ratio	Gross Profit / Income	40.34%	20.65%	-39.48%	13.22%	19.10%
Net Profit Ratio	Net Profit / Income	10.36%	4.99%	-55.43%	17.17%	5.31%
Return on Assets	Net Profit after Tax / total Assets	2.50%	1.33%	-11.23%	8.61%	2.29%
Return on Capital Employed	Net profit after tax / Average worth	NA	NA	NA	NA	NA
Asset Turn Over Ratio	Sales / average total assets	0.24	0.23	0.15	0.37	0.35
Liquidity						
Net Working Capital	Current assets - current liabilities	98,778,537	124,340,776	126,778,249	181,798,845	176,823,828
Current Ratio	current assets / current liabilitties	2.96	3.64	4.90	5.93	5.70
Net Working Capital Ratio	Net working capital / total assets	0.33	0.41	0.43	0.51	0.50
Acid Test (Quick Ratio)	Cash Like Assets / Current liabilities	1.32	2.01	2.33	2.97	2.75
Solvency						
Gearing Ratio	Lt.liabilities / (Equity+Long term liabilities)	1.85	1.77	1.85	1.85	1.82
Borowing Ratio	Total borrowing / total equity	NA	NA	NA	NA	NA
Debt to Asset Ratio	Total borrowings / total assets	1.54	1.49	1.63	1.36	1.35
Debt to Equity Ratio	Total liabilities / equity	NA	NA	NA	NA	NA
Turnover Ratios						
Asset Turnover	Net Revenue / Total Assets	0.02	0.01	-0.11	0.08	0.02
Net Working capital Turnover	Net Revenue / (Current Assets - Current Liabilities)	0.07	0.03	-0.27	0.15	0.05
Recievables Turnover	Net Revenue / Net Trade Receivables	1.69	1.91	1.45	3.89	3.71
Inventory Turnover	Cost of Sales / Inventory	NA	NA	NA	NA	NA
Payables Turnover	Cost of Sales / Trade Payables	1.68	2.18	6.49	8.28	7.87
Recievable Days	365 / Recievables turnover	215.99	191.38	251.26	93.80	98.25
Inventory Turnover Days	365 / inventory turnover	NA	NA	NA	NA	NA
Payable Turnover Days	365 / Payable Turnover	217.86	167.26	56.28	44.10	46.36

The gross profit margins have been extremely variable over the last five years. The highest margin recorded at +40% and the lowest margin reaching -40%. The net profit margins have been reasonable expect for 2005-06 when the net margin was down to -55%. The reason for poor performance in 2005 was the revenue drain at Patria, hence confirming the reports sensitivity analysis above suggesting that a 1% fall in Patrita revenues can influence net profitability by 9%. The return on assets figure are lower than expected signifying that the assets are not yielding a true economic rate of return. The asset turnover ratio has improved significantly in the last two years owing to high level of sales as compared to the earlier three year period. However, the value 0.35 is still low as it implies that it will take 2 year and 10 months for TDCP generate enough sales to cover the value of its assets once.

On the liquidity side the current ratio has also improved over the years showing that a larger coverage is available for liabilities. The ratio in 2007 and 2008 was almost up to 6 suggesting that TDCP had 6times more in current assets than its current liabilities. The working capital was at strong levels as well at almost 50% of the total assets. Higher the working capital, higher is the proportion of net current assets in overall assets. An increasing trend is again considered to be an improvement in TDCP's liquidity. The quick ratio figures also show significant improvement over the last five year with better coverage available. Money like assets are those which can be quickly used to make payments for liabilities. This ratio ideally should be greater than one.

The solvency ratios should ideally be less than one. However, in case of TDCP gearing and debt to asset ratios are both greater than one showing an insolvent position. This, however, is a direct result of a long term government loan outstanding on the balance sheet. TDCP has requested the government that this loan should be reflected as government equity and not a loan. Once this change is made the solvency ratios will fall back to normal levels. The loan is not creating any significant issues in terms of viability of TDCP as no interest is being charged on this loan.

The turnover ratios do not matter much for the nature of TDCP business. The only critical area is that historically it has taken more days for TDCP to recover money from debtors as compared to the days it has taken TDCP to make payments. However, no major issue has ever been raised due to this difference as TDCP has always managed to maintain a steady cash flow position. Furthermore, these numbers do not signify much information as these accounts have been reasonably stagnant over the last few years. Only recently TDCP has started to write off these figures as doubtful receivables.

2. Income Statement Ratios

INCOME STATEMENT (PKR)	2003-04	2004-05	2005-06	2006-07	2007-08
REVENUE	69,109,672	79,892,986	60,814,879	163,003,486	153,059,381
REVENUE GROWTH	NA	16%	-24%	168%	-6%
DIRECT COST	39,433,831	53,104,849	68,947,932	98,708,934	93,669,173
COST GROWTH	NA	35%	30%	43%	-5%
GROSS PROFIT	29,675,841	26,788,137	-8,133,053	64,294,552	59,390,208
GROSS PROFIT GROWTH	NA	-10%	-130%	NA	-8%
EBITDA	14,317,887	13,053,814	-26,564,792	38,897,688	14,071,516
EBITDA GROWTH	NA	-9%	-304%	NA	-64%
NET PROFIT	7,156,450	3,987,365	(33,710,849)	27,989,320	8,131,279
MARGINS (as a % of Revenue)					
GROSS PROFIT	43%	34%	-13%	39%	39%
DIRECT COST	57%	66%	113%	61%	61%
EBITDA	21%	16%	-44%	24%	9%
PROFIT	10%	5%	-55%	17%	5%
Days Outstanding					
Receiveables	40,895,348	41,889,682	41,864,682	41,889,682	41,200,547
Sales	69,109,672	79,892,986	60,814,879	163,003,486	153,059,381
365	365	365	365	365	365
Days Outstanding	216.0	191.4	251.3	93.8	98.3
Days Outstanding					
Creditors	36,756,745	33,613,148	14,177,460	15,243,020	16,255,571
Sales	69,109,672	79,892,986	60,814,879	163,003,486	153,059,381
365	365	365	365	365	365
Days Outstanding	194.1	153.6	85.1	34.1	38.8

The growth pattern of earnings is extremely variable to deduce any significant finding from the selected data set. EBITDA has been sufficiently high showing good earning potential of TDCP.

The outstanding days of debtors and creditors are showing positive change over the five year period as number of days for outstanding balances has improved both for creditors and debtors. The improvement is also a direct consequence of increased sales in the last two years and not necessarily that TDCP is clearing outstanding balances any quicker than before.

From a financial viability point of view TDCP based on above numbers is viable, however, operates at variable and highly sensitive profit margins. This extreme variability and sensitivity comes for the corporation's significant reliance on the revenues raised at Patriata.

3. Balance Sheet Ratios

RATIO ANALYSIS (PKR)	2003-04	2004-05	2005-06	2006-07	2007-08
CURRENT RATIO					
Current Assets	149,047,882	171,517,112	159,315,741	218,703,531	214,462,886
Current Liabilities	50,269,345	47,176,336	32,537,492	36,904,686	37,639,058
Ratio	2.96	3.64	4.90	5.93	5.70
RETURN ON ASSETS					
BEG TOTAL ASSETS	275,716,060	296,664,749	305,018,585	295,600,928	354,500,775
END TOTAL ASSETS	296,664,749	305,018,585	295,600,928	354,500,775	356,871,447
AVE TOTAL ASSETS	286,190,405	300,841,667	300,309,757	325,050,852	355,686,111
ROA	3%	1%	-11%	9%	2%
RETURN ON CAPITAL					
BEGINNING EQUITY	(223,118,487)	(210,662,037)	(198,915,672)	(223,887,521)	(268,800,095)
ENDING EQUITY	(210,662,037)	(198,915,672)	(223,887,521)	(268,800,095)	(260,668,816)
AVERAGE EQUITY	(216,890,262)	(204,788,855)	(211,401,597)	(246,343,808)	(264,734,456)
RETURN ON CAPITAL	N/a	N/a	N/a	N/a	N/a
Debtors to Sales					
Sales	67,312,351	69,603,059	44,936,717	120,255,407	122,904,741
Debtors	40,895,348	41,889,682	41,864,682	41,889,682	41,200,547
Ratio	60.75%	60.18%	93.16%	34.83%	33.52%

The liquidity position is exceptionally strong with current assets being six times greater than current liabilities. However as pointed out earlier in the report these assets represent non-moving payables.

Return on assets employed has stayed low only improving to 9% in 2007.

Return on capital is not provided as balance sheet reflects negative value of equity.

6. Cost Benefit Analysis

TDCP acts as the policy executing arm of the Tourism Department of the provincial government. TDCP has be entrusted with several functions including development of key tourist assets of Punjab, maintain and run tourist activities in Punjab, facilitate the private sector in developing tourist activities and implementing the tourism development policy of the provincial government. It is clear from the defined functions that TDCP is not mandated to solely focus on profit maximising activities, hence the whereas it can be financially viable it will always run at low profit margins and may from time to time need government assistance to invest in tourism infrastructure.

Based on the costs incurred over the last five years the analysis done above has estimated that it will require around Rs. 835 Million in endowment to cover its costs comfortably going forward. On the benefits side the present value of revenue being generated suggest that it exceed the cost figure by around Rs 35 Million. But is this Rs. 35 Million surplus enough? The answer to this question depends on how effectively TDCP delivers its functions and bring about economic development to the province. Such softer benefits will far outweigh costs of running and managing TDCP.

TDCP is mandated to develop the tourism sector of Punjab. Most of the tourism assets in Punjab are located in distant areas and regions that are not necessarily too well off to do. By actively developing tourism in all those areas TDCP can bring in investment, employment generation, income growth and economic betterment. This benefit can have a significant social and developmental impact making activities of TDCP economically viable. Furthermore, TDCP will have an important role in preserving these national assets by making investments to upgrade such activities.

Secondly, TDCP is also responsible for providing and developing tourism attraction in Punjab. Punjab has several untapped tourism assets that can be developed into viable business and investment opportunities. TDCP is the executing arm of the government which can act on behalf of government in mega public-private partnership ventures to develop tourism infrastructure and facilities in Punjab. This function of TDCP can fetch in significant amount of investment and private sector expertise to develop the tourism infrastructure map of Punjab. Both the financial and economic benefits of such an activity will be significant making TDCP economically viable.

Thirdly, TDCP is also mandated to assist the existing private sector in tourism to build its capacity. This function brings along enormous benefits as if TDCP eliminates the impediments for private sector led growth a lot of investment will flow in and development will result. There are several economic gains to be made in this regard.

Finally, TDCP has a major role in developing the tourism policy and implementing it. As TDCP has a private sector face and liaises with the private sector it can easily feedback policy response to the government in terms of where the government should focus its investments to generate maximum returns. Assisting government in developing an implantable and a relevant tourism policy will significantly improve the sector by bringing in investments and developments which will add to a significant economic benefit.

Whereas, the economic benefits of TDCP could be significant, if TDCP fails to deliver its mandate these benefits would then represent the economic costs of an inadequately functioning TDCP. It is pertinent that TDCP develops an active plan to deliver against it key functions and monitor its performance. It is important for TDCP to work in line of an overall provincial tourism strategy and develop opportunities for the private sector to lead in term of investment and project development with TDCP acting as a reliable partner to facilitate the process.

For TDCP to be economically and financially viable it must deliver its services to add value in the tourism sector. Recent studies and analysis on TDCP suggests that TDCP has suffered at hands of inadequate human resource and the lack of an overall vision for the tourism sector which has resulted in TDCP involved in fragmented activities. TDCP over the recent years have yet to come up with a major success except Patriata that has converted the potential of Punjab’s tourism assets into real gains. The economic costs of TDCP not performing its functions well is an even bigger cost as compared to its financial costs.

In conclusion to this section, it is noted that TDCP has a very vital and a wide role in the development of Punjab’s economy, however, if it fails to deliver to the needs of the sector it will not only become financially unviable but also economically unviable.

7. Conclusion & Recommendation

Based on the financial numbers of TDCP and arguments made in the above sections it can be concluded that with the given figures TDCP is financially viable as a whole, although not extremely profitable as yet. A decision to privatise or liquidate TDCP would require a broader consensus between the key decision makers and can only be briefly aided by the financial analysis presented above. Furthermore, based on the previous work on TDCP it is difficult to decide if liquidation or privatisation is viable options due to the development nature of the mandate of TDCP. The recommendation can be backed up that liquidation or privatisation is not the optimal decision of the government, in fact is not an option to consider. It will be extremely difficult to find private sector entities that will take on the role of TDCP. The Ferguson’s report also commented that privatisation or liquidation of TDCP is not an optimal decision. **(A review covering finding, recommendations and strengths and weaknesses of the Ferguson’s report is provided at Appendix C to this report)**. The best way forward for TDCP is to restructure itself by employing qualified and trained individuals understanding the requirements of the sector and the be able to deliver facilitative environment to the private sector. In addition, TDCP requires an overall policy guideline on tourism by the government which it can then assist in implementation. TDCP will have to develop capacity to engage more forcefully with the private sector and to take an active step towards developing public private partnerships where private sector invests a significant stake in the venture to ensure his full commitment and responsibility.

The financial viability analysis of TDCP must be read with the understanding that TDCP’s business model is not designed to be competitive or profit driven.

The basic model of TDCP is to implement policies and support functions of the government. This very nature of TDCP limits the use of looking at the profitability or viability of TDCP in isolation. The financial numbers above do reflect that TDCP is financially viable; however the activities and roles that have to be played by TDCP are to some degree public goods as well so will have to be provided by the government. If the government decide to close down TDCP then it will have to recreate another body that will have to implement its policy plans. It is instead recommended that TDCP's capacity is built and it is restructured such that is starts working with an overall well articulated strategy so it is able to deliver the economic benefits discussed above. If TDCP becomes successful in delivering these development objectives then it will be viable at any cost and if not then it is not viable even if there are no costs. In other words, the cost of TDCP non-performance is a bigger threat than its financial condition/expense. The key conclusion for the above analysis can be summarised by the following highlights:

- TDCP has been running operational profits for all the periods except 2005-06, however, the profitability has varied significantly. The overall profitability is enough for TDCP to meet its costs. The analysis of individual activities suggests that apart from Patriata all activities are insignificant and not independently sustainable. The income generated from Patriata and other soft investments made by TDCP subsidize its other activities. Even the rest houses and desert car rally has been losing money over time.
- The revenue generation capacity of TDCP is highly concentrated on Patriata. A sensitivity calculation done as part of this analysis suggests that a 1% drop in average sales at Patriata will result in a 9% drop in overall profitability of TDCP. This revenue concentration is the biggest threat to Patrita's financial viability.
- The total equity on the balance sheet is showing negative balances due to historical losses resulting in negative retained earnings. The other reason for this a Rs. 480 Million government loan outstanding on the balance sheet. This is a dead loan as do not accrue any interest. This outstanding loan does overstate the liabilities side of the balance sheet.
- Finally, TDCP is not dependent on any budgetary from the provincial government to maintain its running expenditures. The only support from government is an annual allocation Rs. 5.8 Million which is provided as a promotion budget for tourism in Punjab.

Based on the analysis above the following recommendations are being made:

1. The balance sheet of TDCP must be restructured to reclassify the long term government loan as government's equity to improve the solvency ratios of TDCP.
2. TDCP must develop a strategy to diversify their revenue generation which is entirely dependent on Patriata. It is recommended that TDCP should identify other natural tourist assets and resorts and develop bankable projects on them. These projects can them be marketed to both local and foreign private sector investors and PPP(s) can be

developed to establish these assets. However, it is strongly recommended that TDCP should not independently venture out for any project and must develop a mechanism where the private sector investor takes the lead and TDCP can bring in the viability gap funding. The management of such activities which have high commercial value should be given to the private sector TDCP. It is also recommended that private sectors role in management should only be allowed if a significant stake is involved. Outright leasing of national assets should be forcefully discoursed.

3. The non viable activities such as rest houses, ITHM and other one off ventures must be revaluated to make them more profitable and significant in size. This will require some investments by TDCP to upgrade its facilities so better revenues are realised. So, another recommendation to improve viability is that TDCP should invest more in its assets the spare cash that it generates rather than investing that is bank deposits etc.
4. Once the tourism policy of the province is developed TDCP will have to chalk out a list of programmes that it will responsible for and will lease with the private sector to encourage investment. However, to do this TDCP will have to evaluate its human resource and build appropriate capacity. It is strongly recommended that an institutional development activity is implemented which develops a better equipped TDCP to meet future challenges
5. Closure, liquidation or privatisation is not an optimal way forward due to the reasons discussed in the earlier section on cost and benefit analysis. Furthermore, closure or privatisation will lose the overall tourism development angle. However, it is recommended that TDCP should develop further activities but by only partnering with the private sector, where it plays a facilitating and a monitoring role.

The above recommendations are provided to improve the viability of TDCP, however, it must be noted that due to its very functions TDCP will suffer profit variability and will require support from the government in terms of investments required to upgrade the tourism sector. However, if the TDCP do not restructure itself to improve its effectiveness the opportunity loss of a non-developed tourism sector will be significant. Furthermore, purely from a financial point if government do not invest in diversifying the TDCP's current concentrated revenue generation capacity its profitability will always stay extremely variable.

Appendix A: Approved Financial Statements

Appendix B: SWOT Analysis

Strengths	Weaknesses	Opportunities	Threats
➢ **Dynamic and proactive leadership** ➢ **Existing presence / outreach** ➢ **Possible resources** ➢ **Existing infrastructure** ➢ **Responsiveness to change**	➢ Ability to retain and attract skilled human resource ➢ Workers are not motivated as do not see a long term career ➢ Inadequate customer input/survey ➢ Limited capacity to do contracting with the private sector ➢ Inadequate business management skills	➢ Domestic tourism activities ➢ Medical tourism ➢ Significant own resource to develop further activities ➢ Improving management capacity ➢ Development of long term tourism policy and role of TDCP in it ➢ Infrastructure investments and economic and financial benefits to tourism ➢ Public-Private partnerships encouraging investments into the tourism sector ➢ Religious tourism ➢ Preservations of national assets and converting them into revenue generators ➢ International partnerships to develop world class activity centres at natural cites	➢ Change in leadership ➢ Further worsening of security conditions ➢ High turnover in staff ➢ Retention of skilled manpower/human resource

Appendix C: Review of the Ferguson's Report on TDCP

8. Introduction

This section provides a review of the report done by Ferguson's on TDCP. The purpose of this section is not to critique the work done by Ferguson but in-fact is to provide a quick overview and identify the strengths and weaknesses in terms of the utility of the report. This review is not based on deliverables against TORs but to measure the effectiveness for achieving the conceived outcome for TDCP.

8.1 Objective

The objective of the Ferguson's report was to conduct an in-depth analysis of operations of the Tourism Development Corporation of Punjab, evaluate of its necessity and suggest alternatives or reforms for restructuring TDCP to make it more efficient and productive. The terms of reference for the Ferguson's project are provided below:

The Key terms of reference for the Ferguson report were:

- *Undertake a detailed financial analysis of TDCP to determine its financial health, its assets, liabilities etc.*
- *Document the tourism development activities being undertaken by the private sector, which are also in the mandate of TDCP and determine their efficiency and effectiveness vis-à-vis TDCP performance.*
- *Suggest a preferred option and based on the decision of the competent authority to prepare an action plan to put in place the recommendation strategy.*
- *Examine the organizational structure, the management model and human resource pool of TDCP with a view to assessing its current human resource capabilities.*
- *Evaluate the role played by TDCP in tourism development in the past as well as its current programs with a view to determining a future strategy for TDCP in tourism.*
- *Suggest options for future course of action for TDCP based on evaluative studies undertaken during the assignment.*
- *Suggest a preferred option and based on the decision of the competent authority to prepare an action plan to put in place the recommended strategy (which may include training need assessment and capacity development of the organization).*

8.2 Report Summary

The section below provides a summary of the diagnostics made by the Ferguson's team and recommendations made to achieve the outcome of improving the efficiency of TDCP.

8.2.1 Diagnostics

The Ferguson's project on TDCP looked in detail at the functions and activities of TDCP. Their interim report provided a solid mapping exercise of everyday business processes and roles of TDCP and identified the key constraints. This report also provided a financial analysis concluding that TDCP has not been able to perform well financially and as at June 30th 2006 had substantial accumulated loss of Rupees 386 Million and long term loans of Rs. 480 million from the government of Punjab. A review of key elements is provided below:

A complete financial mapping of the situation on ground in each of the ventured areas of TDCP is provided. The section rounds up with the following areas of concern on operational side:

- TDCP does not have a proper business plan.
- Key tourism assets have not been targeted and adequately developed.
- The company's operational assets are mostly old and in poor condition.
- There is no maintenance or replacement plan for ensuring adequate conditions of these assets
- A proper feasibility study of development projects is not carried out.
- Feasibility study was carried out for Tourist Park at Sambli Bharmal, Murree and PC-1 was approved for ADP allocation but due to nearby sensitive army installations project was abandoned.
- Land was identified for road side facility at Chenab Park, Muzaffargarh and a lease agreement was signed with the District Government but due to start of construction of new bridge, progress on this project has been deferred.
- In 1988, a feasibility study was conducted by the consultants (M/s Abacus
- Consultants) to convert Jallo Park into a theme park, however this project has been deferred.
- TDCP does not have a formalized marketing plan or strategy to attract the domestic and international tourism.
- TDCP does not have a targeted promotional campaign on electronic and paper media and proactive web site to ensure adequate promotion.
- Title of land of most of the TDCP facilities is not in the name of the company.
- The Tourist Information Centers (TICs) are established to provide information to the tourists and conduct the tour packages. The TICs do not have automated booking system to provide efficient service to tourists. Furthermore, the TICs are not online with each other and with major hotels and other tourism facilities. This results in poor quality of service to tourists.
- No preservation policy or standards have been adopted to ensure that the sites and their environments are protected.
- ITHM is not affiliated with any recognized and well-reputed local or foreign university.
- Commercial and private sector services have not been properly encouraged and clustered in and around TDCP facilities and other potential tourist areas, to cope with the increased influx and to reap the full economic benefits of the local community.

8.2.1.1 *Accounting System & Financial Analysis*

The accounting system of TDCP is manual and all transactions and supporting records are maintained manually at respective Regional offices and Head office.

The following accounting records are maintained at TDCP namely:

- Cash / bank / journal vouchers
- Cash book
- Fixed asset register
- Party / employee wise advances
- Site wise expenses
- Monthly resort wise income and expenditure statement
- General ledger at Operations and Finance Departments

These financial results indicate that company can potentially run its business affairs from the existing revenue resources. The Government of Punjab is financing the company for general promotion of tourism industry however, during the year 2006; the company has spent Rs. 30.295 million on the promotional and cultural activities against the grant of Rs. 5 million received from Government of Punjab.

The net worth of the company shows a negative balance of Rs. 333.095 million as calculated by adjusting the financial statements for the year ended June 30, 2006. The effects of doubtful receivables and unbooked liabilities of the company are also incorporated to portray a more realistic view of the financial health of the company.

The significant issues relating to the Finance Department and its functions are given below:

- TDCP has substantial accumulated losses of Rs. 386.62 million as at June 30, 2006.
- It appears that the company does not have a proper screening process or criteria for selection of contractors / lessees for major projects.
- There are serious issues relating to proper maintenance of records.
- The company does not maintain a proper fixed asset register as required by section 230 of the Companies Ordinance, 1984.
- Budgetary controls for operations are not in place within the company.
- The company is heavily dependent on the Patriata facility to maintain its profitability. Since Patriata remained closed for most part of the year 2005-06, the company has reported a net loss after tax of Rs. 33.71 million.
- External auditors have made several qualifications in their annual audit report the details of which have been provided in section 8.7 of the report.
- The company does not prepare monthly or quarterly financial statements.
- The company does not accurately allocate costs to activities in order to generate profitability analysis for such activities.
- Substantial funds amounting to Rs. 20.09 million are lying in current, saving and collection accounts with banks and are not yielding appropriate returns.
- The land purchased at Kallar Kahar and Fort Monroe has not been accounted for in the financial.

The private sector, in comparison with TDCP, can be segmented under the following activities:

- Tourist resorts and road side service areas
- Entertainment and recreation facilities
- Event organization
- Tour packages and tour guide services
- Educational facility
- Promotion and cultural activities

The private sector suggests that TDCP, being a public sector organization, should perform the following activities:

- Act as a facilitator for the private sector rather than a competitor.
- Participate in formulation of regulations and policies for the tourism industry as a whole because the Board of Directors of TDCP consists of high ranked Government Officials including the Chief Minister Punjab.
- Hand-over its assets to the private sector under long term lease arrangements.
- Extend its operations to the far off under-developed areas.

TDCP is a public limited company and its board meeting was held only once in the financial year ended June 30, 2006. This is a contravention of the section 193 of the Companies Ordinance, 1984 which requires that: "The directors of a public company shall meet at least once in each quarter of a year.

8.2.1.2 Administration Department

The mandate include:

- Preparation of the monthly salaries of organization based on the employee daily attendance data accumulated both at Head Office and from other locations obtained from Operation Department.
- Management of the legal cases i.e. prosecutions and proceedings against or by TDCP with licensees, employees and other parties.
- Dealing in Federal, Provincial and Secretariat matters.
- Procurement and maintenance of vehicles, transportation arrangements and various other administrative tasks etc.
- Suggesting updation in TDCP Service Rules for the matters pertaining to employees' hiring and firing, promotion and transfers, defining limits for various allowances and other perquisites.

8.2.1.3 Finance Department

The mandate include:

- Maintenance of complete record of assets, liabilities, income and expenses including preparation and approval of cheques and vouchers.
- Preparation of the trial balance and consolidated financial statements.
- Allocation of Government grants and funds to various schemes and projects.
- Coordination with external auditors in finalization of accounts.

- Oversee the function of internal audit.

8.2.1.4 *Operation Department*

- Management of the resorts of the company including routine maintenance required to maintain its current performance.
- Preparation and accumulation of the monthly statements of resort income and expenses.
- Arrangement of lease agreements with lessees and recovery of lease rentals.
- Preparation of both long term and short term development plans for the organization and feasibility studies for proposed schemes and projects.
- Printing and distribution of publicity and promotion material.
- Management of Institute of Tourism and Hotel Management (ITHM).
- Arrangement of seminars and conferences and other activities for promotion and development of tourism in Punjab.

8.2.1.5 *Human resource*

Since inception, the top management of the company always comprised of deputationists from Government of Punjab and is usually transferred every two to three years. Therefore, it appears that the top management has shown little interest towards the employee promotion issues. Although, the increments have been awarded to employees as and when announced by the Government from time to time but the promotional restraints is causing a wide spread job dissatisfaction and low motivational level among the company employees.

The significant issues relating to the human resource structure are given below:

- Top management of the company is appointed on deputation by the Provincial Government. There is an absence of continuity in this regard and periodic transfers of key management personnel have resulted in inconsistencies in policies and direction. Moreover in general, top management does not have sufficient background, training or experience of the tourism industry.
- The company has not developed a formal training program for its employees in accordance with the modern tourism standards of service to meet the service quality requirements in tourism sector and to develop a competent and well trained human resource that can fully meet the requirements of local and foreign tourists.
- TDCP does not have an effective employee evaluation system i.e. based on the performance. The employees have been promoted only twice in the last twenty years.
- The employees are not assigned tangible targets for performance against which the achievements can be measured and they can be adequately motivated. Furthermore, there is no incentive policy for the employees.
- Some of the Service Rules are outdated and need to be reviewed e.g. maximum one time limit of the car loan for an entitled employee is Rupees 75,000 only.
- Employees do not have qualifications related to the tourism and hospitability management services.

- The age profile of the employees is on the higher side. Out of 127 employees of the grade Assistant Tourism Officer and above only 25 percent of the employees are below forty.
- The company does not have professional financial and personnel management.
- TDCP does not have a proper business plan. There is a limited plan which provides an overview of the potential asset sites and planned development outlays. However this cannot be construed as a business plan because it does not incorporate key elements such as market potential of various sites and estimated revenue and costs based on valid assumptions.
- Key tourism assets have not been targeted and adequately developed. There is no detailed asset development plan to ensure that this area is properly addressed in accordance with a proper rationale.
- The company's operational assets are mostly old and in poor condition.
- There is no maintenance or replacement plan for ensuring adequate conditions of these assets and as a result most of these assets are in poor condition. This is necessary both for ensuring safety and providing quality service to the customers. In addition to poor condition of facilities, the quality of service at the resorts is not up to the standards e.g. food is mostly of poor quality.
- A proper feasibility study of development projects is not carried out. As a result, considerable time, resources and money is wasted on projects that are later abandoned e.g.
- Feasibility study was carried out for Tourist Park at Sambli Bharmal, Murree and PC-1 was approved for ADP allocation but due to nearby sensitive army installations project was abandoned.
- Land was identified for road side facility at Chenab Park, Muzaffargarh and a lease agreement was signed with the District Government but due to start of construction of new bridge, progress on this project has been deferred.
- In 1988, a feasibility study was conducted by the consultants (M/s Abacus Consultants) to convert Jallo Park into a theme park but currently this project has been deferred.
- TDCP does not have a formalized marketing plan or strategy to attract the domestic and international tourism. There has been a lack of perception and direction about what activities the company should undertake in order to promote tourism in Punjab. Moreover, its limited efforts for creating international and domestic awareness about numerous religious, cultural and historical sites in Punjab have not met with great success. Efforts are needed to increase foreign and domestic tourism in Punjab by creating awareness about cultural events and other historical sites, by providing information in the international and national electronic and paper media and by launching awareness campaigns.
- TDCP does not have a targeted promotional campaign on electronic and paper media and proactive web site to ensure adequate promotion. Most of the resources for promotion have been utilized for publishing of promotional material without any plan for dissemination of such materials.
- Title of land of most of the TDCP facilities is not in the name of the company.
- Most of these lands are obtained from various departments on NOC basis and there are no lease agreements.

- The Tourist Information Centers (TICs) are established to provide information to the tourists and conduct the tour packages. The TICs do not have automated booking system to provide efficient service to tourists.
- Furthermore, the TICs are not online with each other and with major hotels and other tourism facilities. This results in poor quality of service to tourists.
- No preservation policy or standards have been adopted to ensure that the sites and their environments are protected.
- ITHM is not affiliated with any recognized and well-reputed local or foreign university. Therefore, it does not have sufficient credibility to attract students.
- Commercial and private sector services have not been properly encouraged and clustered in and around TDCP facilities and other potential tourist areas, to cope with the increased influx and to reap the full economic benefits of the local community.

8.2.2 Overview of Tourism Industry

This section of the report provided a brief overview of the global tourism industry and the current state of affairs of tourism in Pakistan. The research quoted shows that by 2020 the total tourist arrivals are expected to reach up to 1.6 Billion individuals per annum (Source: World Tourism Organisation). Statistics of Pakistan show that international tourism receipts in 2006 totalled around Rs. 13 billion and Punjab's share was around 56% of that. The section also provided a brief a evaluation on tourism potential in Pakistan by highlighting that:

- Pakistan had well marked four seasons offering opportunity for various types of tourism activities.
- Pakistan is house to several traditional and exquisite handicrafts with some traditional crafts like pottery ranging back 3,000 years.
- Several tourism opportunities exist in the field of exquisite cuisine and traditional ethnic foods
- Very liberal customs on movement of personal belongings and foreign currency
- The transport infrastructure is on the rise

Punjab is specifically enriched with a large variety of tourism assets such the northern areas, salt range, lakes, archaeological tourism that consists of ancient civilisation, tombs and battle fields example Indus and Gandhara Civilizations. Cultural tourism such as horse and cattle shows, filk dances and meals. Historical tourism that consists of forts, mosques and gardens with Mughal architecture. Religious and mystic tourism that includes Sikh Yatra and Hindus, Sikhs and Christians' religious assets and Muslim shrines.

The report then talks briefly about the tourism development corporation of Punjab, Tourism and resort development department (T&RDD) and a few major private sector organisations.

8.2.3 Proposed Model for TDCP

The report highlights the need for coordination among public and private sector and other sector support industry. In order to achieve competitiveness in the tourism industry, it is imperative to develop the industry where all the constituents support each other and form a cluster. A proposed cluster map for Punjab tourism is also provided.

The report has also suggested that the T&RDD should perform the following functions:

- Ensure that the Punjab government is committed to promoting tourism
- The Tourism department should be responsible for developing tourism policies and related laws in the province and to advocate with the federal government policies and regulations that fall in their domain. The department should develop an effective policy that should be aimed to:
- Position tourism as a major engine of economic growth
- Control the direct and multiplier effects of tourism for employment generation, economic development and providing motivation to rural tourism
- Focus on domestic tourism as a major driver of tourism growth
- Position Pakistan as a global brand to take advantage of the growing global travel trade and the vast untapped potential of Pakistan as a tourist destination
- Create and develop integrated tourism circuits based on Pakistan's unique civilization, heritage, and culture in partnership with private sector and other agencies
- Facilitate product / infrastructure development and destination & circuits
- Promote development of regional and rural tourism
- Provide provincial financial assistance for organization tourism related events
- Acknowledge the critical role of private sector with government working as a pro-active facilitator and catalyst
- Support Public-Private Partnership in infrastructure development.
- The department should also play a strong monitoring role in observing implementation of these policies.

The Ferguson's team studied the tourism models of Malaysia, India, Thailand, Australia, Maldives and the USA. Based on these TDCP must play an important role in:

- Driving the tourism activities and industry in the province: TDCP should act as a think tank and develop new ideas for the growth of tourism sector in the province. TDCP should set standards on quality, safety, environment and other tourism services and facilities offered.
- TDCP should be responsible for the development and planning of tourism sites.
- TDCP should work with new technology to develop and provide one window services on tourism.
- TDCP should be the focal agency to coordinate with other related government agencies such as; (i) archaeology department, (ii) finance department, (iii) planning and development, (iv) forest department, (v) C&W and infrastructure related, (vi) private sector and others.
- TDCP should also work closely with the Tourism Department to provide feedback in terms of setting tourism policy, legal structure etc.
- TDCP should act as the key promoter of tourism activities in Punjab
- There is a severe shortage of trained human resource in the tourism sector. TDCP should develop programmes to build capacity of the sector.
- TDCP should also act as the executing partner on behalf of the government to engage in PPP projects.

Restructuring of TDCP

Three options were discussed and a summary is presented below:

8.2.3.1 *Closure:*

Merits	Demerits
If Government of Punjab feels that tourism does not have a future in Punjab, this option has merits	Operation of such corporate functions entirely by a public sector department traditionally has resulted in serious decline in efficiency Political intervention will adversely affect the selection and development of potential tourism areas. • This option will promote red-tapism • Deputation and political hiring may hamper the development and continuity of the effective and efficient policies of the Department. • It will have a very damaging affect on the public-private partnership concept because the private sector is reluctant to work directly with the Government.

This option was not considered viable.

8.2.3.2 *Privatisation:*

Merits	Demerits
The privatization will bring efficiency and effectiveness in the operations of company.	Private sector may not make the necessary initial investment in tourism industry • The company will operate in commercial terms i.e. public welfare works will be ignored • Bridge between the government and the private sector will not exist • It will adversely affect the promotion of tourism industry in Punjab as a whole The remote locations having tourism potential will remain undeveloped because the private sector is more reluctant to invest in such areas

This option was not considered viable.

8.2.3.3 *Restructuring:*

Merits	Demerits
The structure is in line with the international best practices as the public sector is closely involved in	The quality of service upto the required standards has to be ensured

tourism in all countries • The liaison between various stake holders of the industry has to be ensured and a public sector entity is suitable for this purpose. As a public limited company, TDCP has maximum autonomy and this structure reduces government interference. • The company could operate for the public welfare and target all the classes of the society • There shall be a bridge between the government and the private sector tour operators	

Although not stated in the report this option by default if the viable option forward.

8.3 Key Recommendations

8.3.1 Organisational Structure

A revised proposed structure for the TDCP was provided which consists of five departments reporting to the chief executive who in turn will report to the board of directors. An audit committee headed by any non-executive director will also be constituted. The Board should have an overarching role in setting the broad policy guidelines and ensuring proper and efficient performance of TDCP's functions. Furthermore the report provides structures for each of the suggested departments and brief terms of reference for key staff to be employed.

8.3.2 Business Activities & Operations

In order to enhance the impact of its tourism development activities the report recommended that TDCP must take following actions:

- Conduct a comprehensive survey of all tourism sites in Punjab
- TDCP should develop its tourism programmes and solicit financial and technical assistance from foreign governments that have done significant development in tourism.
- TDCP should develop a corporate business plan keeping in view the priority areas.
- Whilst developing any tourism site or activity TDCO must conduct a proper feasibility analysis by following best practices and ensuring all financial and technical due diligence is complete.
- TDCP should take a targeted approach in developing key tourism activities. The key areas identified include regional tourism, mystic tourism, adventure tourism, agritourism, archaeological tourism, bicycle tourism, camping tours, cultural tourism, escorted tourism, garden tourism, safari, self-guided tours and music tourism.

8.3.3 Marketing Strategy

TDCP should work on developing a strong tourism marketing strategy specifically designed to target the domestic tourist and the foreign tourist. TDCP should put in extra effort to create awareness about the cultural events and other historical sites by providing information in the national and international electronic and paper media as well as launching awareness campaigns in the region. Fore specifically the report recommends:

- TDCP should develop a strong tourism brand in Punjab
- Run aggressive publicity and advertisement campaigns
- Consistent visible advertising through billboards and signage
- Create attractive and appealing brochures
- Develop visitor guides, documentaries and information kiosks at key points

8.3.4 Public Private Partnerships

The report recommends that TDCP should do more in terms of PPPs. More specifically it recommended that TDCP should do PPPs in areas of village-style shopping, dining and entertainment venues, unique destination dining, destination wedding, family reunion, and events venue, recreation facilities, tour operations and guides and motels and resorts.

8.3.5 Human Resource

The report identified several impeding factors in the running the affairs of TDCP that are linked to inadequate HR. The report recommends that the TDCP should develop a comprehensive human resource management plan. Furthermore it is strongly recommended that the top leadership should stay in for long term to ensure continuity for the strategy of TDCP. Better suited and more competent staff should be recruited and all of them should be provided formal training to maintain their skill sets relevant. Finally the HR system should be strongly performance based with remuneration strongly linked to performance.

8.3.6 Financial Restructuring

- The report makes some very specific recommendations for financial restructuring:
- Conversion of Rs. 480 million government debt of Punjab loan into equity
- Set off accumulated losses against revised equity
- Adjustment of long outstanding balances
- Remove the qualifications raised in the auditors reports
- Computerise all financial records and ensure a more periodic review of financial statements.

8.4 Strengths & Weaknesses of the Ferguson Report

This section provides a broad utility of the report to key decision makers. It is not a critique or judgement of the work done by Ferguson’s which should be benchmarked against their TORs.

8.4.1 Strengths

The report is very strong in terms of its mapping exercise for TDCP’s functions and operations. It brings together a lot of useful information concerning TDCP which highlights the working of the business process. The report provides a detailed map of how everyday business is managed at the TDCP. The reporting procedures, work processes, organisational structure and financial layouts are all clearly articulated.

It also provides gaps in terms of budgeting processes, financial management, operational controls, human resource, governance, and lack of clarity and leadership. Strength of the report is that it lists all the assets that are in procession of the TDCP and also lays down the financial accounts with detailed mapping of each activity. The accounting process was also mapped and a clear indication was given where the TDCP was following prudent procedures and where it did not have capacity to do so. Some financial numbers were also provided quoting the trend of revenues and other variables. A quantitative financial analysis until 2005 was also provided.

The report also covers the issues such as limited planning done by TDCP due to capacity issues. The report also provides a strong gap analysis of inadequate marketing capacity of the TDCP and links it to the main cause of having limited human resource. Furthermore, it correctly recognises the issues that the staff being recruited is not necessarily up to the required qualification and employee related benefits form a significant part of the overall all administrative cost. The report has also provided a basic map of the local industry involved in tourism services and have raised some stakeholder viewpoints on what is required of TDCP. The report also provides good set of recommendations on improving financial prudence and management.

The report also provides a brief logical way forward on each of the gaps identified and also discussed merits on the future plan of TDCP.

8.4.2 Weaknesses

On the other hand there are several questions that the Ferguson report is not able to answer. It is again noted that this not a critique of the quality or quantity of work done by Ferguson but cover issues that a decision maker may be interested in whilst making a decision of future course of action for TDCP.

The report provides a strong mapping a gap analysis, however, the recommendations made are at a somewhat general level and do not take into account of they are in the manageable capacity of the organisation. Similarly, some of the recommendations are too broad and hence are beyond the capacity of TDCP to translate it into implementable actions. Furthermore, the report recommends that a business plan is required for TDCP. It will be unreasonable to assume that TDCP will have enough capacity to develop its own business plan. The report is weak from an institutional development point of view. A more useful analysis to follow up the mapping and gap analysis of Ferguson's is to restructure TDCP along the lines to improve efficiency of the business processes and organisational structure. A complete HR and capacity building plan will be required to ensure that the organisational setup of the TDCP is rationalised to improve its human resource capital. The HR plan should include revised organisational structure, clear management responsibilities, staff work plans and responsibilities against key performance indicators, training need assessments with training plans and remuneration structure that will attract and retain the required talent. Similarly, the report recommends that a business plan is developed. A corporate planning would initially require a detailed institutional review and the work done by Ferguson's do not help much in determining the optimum structure of the institution. The recommendation to use private sector where necessary is also a difficult recommendation to implement as TDCP has limited capacity to engage with the private sector and especially in reference to PPPs. The gaps have been realised now as TDCP is discovering that since their own management of their key asset at Patriata the sales revenue have really improved. Especially, the report very strongly suggests without any basis that the TDCP is creating competition in the Tourism industry. The tourism industry in Pakistan is still at infant stages and private sector activity has been very limited due to large investments required. Private sector has only come forward to do lease arrangements with the TDCP and no investment proposal has been developed so far. This suggest that the private sector itself has limited operational and management capacity to run and develop tourism activities. Hence, the recommendations made about engaging private sector and facilitating is more generic in nature and the exact implications of the recommendations made are not very obvious.

The Ferguson's report was to provide an assessment of future options for TDCP. The report is very narrow in its recommendations whilst stating the general merits and demerits of the options. Whereas, the conclusion is correct that TDCP is not up for closure or privatisation and should be restructured the recommendations made are too broad. One reason for this could be the lack of tourism policy or strategy for Punjab. TDCP to operate efficiently whereas need strong management and governance systems, also require a long term policy and an action plan to implement the policy. The government has far not been able to develop a robust tourism policy, TDCP activities will always stay fragmented.

Similarly, the report provides no detailed analysis of the investments required to upgrade the existing capacity of the TDCP. The report does comment that the working assets of TDCP are now over 25 years old, however, do not highlight the specific areas where the investments will be required. Similarly, TDCP is heavily reliant on the Patriata chair lift system what are the areas that will be help TDCP diversify its income base are not clearly provided.

Finally in the recommendation sections the reports needs to be augmented for a decision maker to come up with an informed decision. This section lacks a detailed economic cost benefit analysis of the recommended options. The elements provided in the report are a broad measure that may be taken but no analysis of how much will it cost, who will implement or the economic benefit was provided. This aspect is probably the most important element in frame of reforming TDCP. The decision makers would require a detailed functional analysis and clear economic cost and benefit to make any decision on TDCP and the development of a long term tourism policy and the role of TDCP in it.