

Government response to the Report
Covering Your Arts: Art Indemnity in Australia
tabled on 20 September 2001 by the
House of Representatives Standing Committee on
Communications, Transport and the Arts.

MINISTER FOR THE ARTS AND SPORT

December 2002

The Government welcomes the House of Representatives Standing Committee on Communications, Transport and the Arts report, and is pleased it has endorsed the public benefits of the Art Indemnity Australia program over the past 22 years.

Since 1979, 88 indemnified exhibitions valued at around \$8.5 billion have attracted over 18 million Australian visitors. Without the Commonwealth Government, through Art Indemnity Australia, underwriting the huge insurance values, these exhibitions could not be presented and appreciated by so many Australians.

Art Indemnity Australia continues to enrich Australia's cultural life by bringing the world's treasures to our shores.

The Committee's acknowledgment of the highly professional management standards and administrative procedures of the program is appreciated. The recognition of the specialist experience of the two organisations that manage indemnified exhibitions for the program, Art Exhibitions Australia and the National Gallery of Australia, particularly relating to transport and security, is clear acknowledgment of the valuable role of these organisations in this scheme.

The Government response to the Standing Committee's five recommendations is as follows:

Recommendation 1

The Minister for the Arts should ask the Minister for Finance and Administration to exempt Art Indemnity Australia from the Commonwealth's general policy of taking commercial insurance to cover exposed risk and to reinstitute self-insurance arrangements for the scheme (paragraph 1.47)

Not accepted

When Art Indemnity Australia (then known as the Commonwealth Indemnification Scheme) was established in 1979, the maximum amount of indemnity at any time was \$100m on any day. By 2001, the escalating value of major works of art and the increasing calibre of works loaned to Australia had necessitated an indemnity amount of \$1.5 billion on any day. This increase in indemnity value has vastly outstripped the inflation rate. In line with prudent financial management the Government decided to protect the Commonwealth Budget against this increased risk.

The Government considers that the Art Indemnity Australia program is strengthened by being underwritten by insurance. Without insurance backing, any major claim would be likely to put pressure on us to cut back the scheme, to the detriment of public access to significant world cultural heritage material. Further, the adoption of Comcover insurance has enabled the Government to provide a higher level of indemnity cover for exhibitions each financial year.

While the Government does not intend to reverse this decision, we acknowledge the concerns of the Committee that the cost of Comcover insurance premiums may in time have some impact on the ongoing viability of the program. Accordingly the Government has decided that the supplementation level for the premiums payable by the Department of Communications, Information Technology and the Arts will be

reviewed triennially commencing ahead of the 2004-2005 financial year. The review will be undertaken jointly by the Department of Finance and Administration and the Department of Communications, Information Technology and the Arts in the Budget context.

Recommendation 2

In preparing their five-year exhibition schedules, Art Exhibitions Australia and the National Gallery of Australia should pay more attention to developing further partnership exhibition proposals with State art galleries (paragraph 2.27).

Accepted

The Department of Communications, Information Technology and the Arts has recently instituted a performance management system for the two Art Indemnity Australia managing organisations. At the end of each financial year managing organisations will report against a range of performance measures including strengthened cultural relations through collaboration with national and State cultural institutions.

Recommendation 3

In considering the five-year exhibition schedules proposed by the two managing organisations, the Minister for the Arts should consider allowing one-venue exhibitions to qualify for coverage under Art Indemnity Australia where they are to coincide with special events of State significance (paragraph 2.28).

Accepted

Single destination exhibitions are already eligible for Commonwealth indemnity if they are of exceptional significance; for example, where they celebrate or commemorate a major event or anniversary of international, national or State significance.

All other exhibitions will be expected to tour to at least two venues in different States/Territories in order to maximise public access to cultural material.

Recommendation 4

In considering the five-year exhibition schedules proposed by the two managing organisations, the Minister for the Arts should pay particular attention to ensuring an equitable geographic distribution of Art Indemnity Australia indemnified exhibitions (paragraph 3.20).

Accepted

The Commonwealth will continue to pay attention to the geographic distribution of indemnified exhibitions. Distribution always has been one of the considerations in assessing indemnity applications.

Under the new performance management system mentioned in the response to **Recommendation 2**, managing organisations are required to report annually on the achievement of geographic spread of indemnified exhibitions over time.

Recommendation 5

In responding to this report, the Minister for the Arts should report to Parliament on the outcome of the review initiated by the Cultural Ministers' Council into ways of ensuring an equitable geographic distribution of Art Indemnity Australia indemnified exhibitions (paragraph 3.21).

The Cultural Ministers' Council Standing Committee has noted the findings of the Committee and the Government's measures to promote partnership arrangements and enhance equitable geographic distribution of Art Indemnity Australia exhibitions. To enhance equitable distribution of exhibitions, the Department of Communications, Information Technology and the Arts has recently invited major State and Territory collecting institutions to submit annual proposals for exhibitions that are under discussion with or may be put forward to the Art Indemnity Australia managing organisations. The proposals would be restricted to high-value nationally touring exhibitions beyond the scope of that State or Territory's regular exhibition plan covered by State indemnity or insurance arrangements.

On receipt of the proposals the Department will consult with the managing organisations on a range of factors including the ability of each exhibition to break even, the extent of likely audience reach, the role of the managing organisation in risk management and timing of exhibition proposals. Suitable proposals will be taken into account annually by the Minister for the Arts and Sport in settling the Art Indemnity Australia five-year rolling forward schedule of exhibitions.

The Standing Committee has established a Working Group, chaired by the Department of Communications, Information Technology and the Arts, to examine collaborative measures that may assist collecting institutions in touring major cultural exhibitions.